

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

April 2007

*Feature Article:
Crude and product stock developments*

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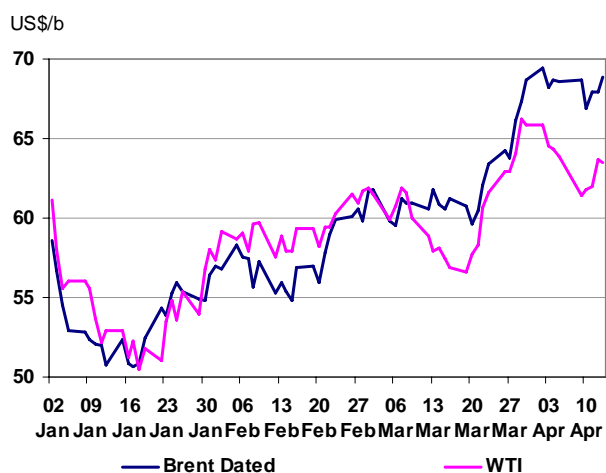
Oil Market Highlights

- The OPEC Reference Basket experienced volatility in March amid falling equity markets although OPEC kept output unchanged. Geopolitical concerns in the Mideast and West Africa renewed the fear premium in the market while declining gasoline inventories in the US strengthened bullish sentiments. The OPEC Reference Basket averaged \$58.47/b in March, representing a gain of \$4.02 or 7.4%. In the first half of April, the Basket continued to rise, reaching \$64.71/b on April 13, due to geopolitical developments in the Mideast.
- World economic growth is forecast at 4.7% this year, 0.1% higher than last month following upward revisions to the EU, Japan and China. The forecast for the US has been revised down by 0.1% to 2.3% as data in early 2007 confirm the expected slowdown in the pace of economic activity in the US, but labour markets and incomes continue to surprise on the upside. Economic recovery remains on course in Japan following the stellar performance in the fourth quarter. However, price data remains weak indicating that the Bank of Japan will be slow in raising interest rates again this year. The Japanese economy is forecast to achieve a growth rate of 2.0% from 2.2% last year, 0.2 percentage points higher than last month. The Euro-zone countries show few signs of a slowdown from the fastest pace of growth in six years witnessed in 2006. Growth this year is estimated at 2.3% from the 2.7% reached in 2006. For Developing Countries, most economic indicators point to a strong start for 2007 with China and India leading the way. China is expected to achieve growth of 9.7% while India may see an 8.0% expansion this year.
- World oil demand growth in March was not as strong as in the previous month, although oil demand picked up world-wide due to late winter weather in North America and strong economic activities in the Middle East. World oil demand in 2007 is forecast to grow 1.3 mb/d or 1.5%. As a result of late winter, first-quarter oil demand growth in North America was revised up by 0.4 mb/d to stand at 0.7 mb/d y-o-y. However, the warm winter in other OECD regions resulted in total OECD oil demand growth in the first quarter being revised down by 0.3 mb/d to show a decline of 0.1 mb/d.
- Non-OPEC supply in 2007 is expected to average 50.7 mb/d, an increase of 1.3 mb/d over the previous year and an upward revision of 83,000 b/d from the last assessment. Preliminary data for March put non-OPEC supply at 50.5 mb/d. The revision is due mainly to baseline revisions for 4Q06 and adjustments for 1Q07 in Malaysia, China and Mexico. In 2006, non-OPEC oil supply averaged 49.5 mb/d, representing an increase of 0.5 mb/d over 2005 almost unchanged from the last assessment. Downward adjustments to USA and Syria were offset by upward revisions to the UK and some Developing Countries. Total OPEC crude production averaged 30.03 mb/d in March almost unchanged from the previous month.
- A combination of a prolonged winter in the USA and planned and unplanned refinery outages in the Atlantic Basin as well as higher demand for light distillates and gasoline stock-draws in the USA underpinned product market momentum and lifted refinery margins across the globe in March. Due to falling US gasoline stocks in recent weeks and continuing refinery maintenance in the Atlantic Basin, the persisting bullish sentiment of the product markets may continue in the very short term supporting crude oil prices. However, with the completion of the refinery maintenance and increased output, product markets may lose some of their current bullish momentum in the coming months.
- OPEC spot fixtures increased 0.1 mb/d to average 12.8 mb/d, maintaining a steady 65% of global spot fixtures. Similarly, sailings from OPEC were steady with a minor decline of 90,000 b/d. The tanker market for crude oil showed a mixed pattern with rates for VLCCs moving from the Middle East strengthened to a four-month high, supported by strong tonnage demand from both east and west destinations. In contrast, Suezmax tankers displayed some weakness, on the back of limited activities and increased tonnage availabilities. For the clean market, freight rates increased on all reported routes with the East of Suez finally displaying some gains supported by the increased activities from the Middle East and arbitrage opportunities to the west.
- Preliminary data shows that OECD total net oil imports decreased 585,000 b/d in February to average 27.3 mb/d. Data showed growth of more than 6% over the same period last year, primarily in crude stocks. In contrast, US crude imports increased 520,000 b/d in March to average around 10.0 mb/d as refineries prepared for the summer season. In March, Japan's net oil imports rose 218,000 b/d driven by more crude imports and less product exports. China's crude oil imports showed a slight decline of 70,000 b/d in February to average 3.1 mb/d and product imports decreased by 15%. Crude oil and product imports in India were steady in February as net oil imports averaged 1.9 mb/d indicating y-o-y growth of 1.5%.
- Total US commercial stocks fell 4.8 mb to 982 mb at end-March with crude oil stocks rising 8 mb to 333 mb, which corresponds to 7% above the five-year average. Product stocks declined 13 mb to 650 mb, with gasoline stocks falling below the five-year average following eight weeks of consecutive declines. At the end of March, total commercial oil stocks in EU-16 (Eur-15 plus Norway) dropped to 1,152 mb but showed a surplus of 58 mb above the five-year average. Crude oil stocks were slightly above the five-year average, while products were well above the upper limit of the range. Japan's commercial oil stocks displayed a draw of 15 mb in February to stand at around 186 mb but remained 10% above the five-year average.
- The demand for OPEC crude in 2007 is expected to average 30.3 mb/d, a decline of 0.14 mb/d from the previous year. On a quarterly basis, the demand for OPEC crude is expected at 30.9 mb/d, 29.3 mb/d, 30.4 mb/d and 30.5 mb/d respectively. In 2006, the estimated demand for OPEC crude averaged 30.42 mb/d compared to OPEC production which averaged 30.90 mb/d.

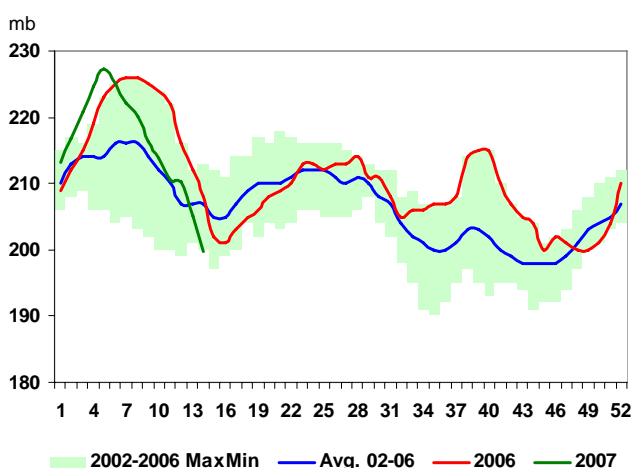
Crude and product stock developments

- After a period of stability, crude oil prices recently increased to six-month highs. On 29 March, WTI crude price surged to \$66.03/b while Dated Brent hit \$69.48/b on 2 April (*see Graph 1*). The increase in crude oil prices was largely driven by geopolitical concerns rather than by fundamental factors as the market is adequately supplied with crude and stocks are at comfortable levels. In addition, other factors such as refinery bottlenecks and early concerns regarding summer gasoline supplies have continued to support prices.
- Despite the recent surge in prices, crude oil inventory levels in the main consuming countries remain at comfortable levels. In the USA, commercial crude oil stocks stood at 333 mb at the start of this month, which corresponds to 7% above the five-year average. Despite having fallen to 649 mb for the week ending 6 April, product inventories still remain 1% above the five-year average. Draws on distillate and gasoline inventories are the main driver behind the fall in product stocks. Gasoline inventories have fallen for nine consecutive weeks to 200 mb or 3% below the five-year average (*see Graph 2*); in terms of forward cover gasoline stocks stood above 21 days or 1 day below the same time last year. Despite the drop in product stocks, total commercial oil stocks remained 3% above the five-year average.

Graph 1: Crude oil prices



Graph 2: USA weekly gasoline stocks



- Overall, the drop in US gasoline stocks has followed the typical downward seasonal trend for the period when summer grades replace winter grades, although the draw began earlier than last year. Early refining maintenance and a large number of unplanned refinery outages over the first quarter of this year kept the refining utilization rate at a low level of around 86%, compared with around 91% during the corresponding quarters of 2004 and 2005. (In 2006, utilization rate was also around 86% in the first quarter, but this was due to disruptions following the hurricanes.) Unplanned partial or total shut-downs occurred in a number of refineries, such as Varlero's McKee, Texas refinery, BP's Whiting, Indiana refinery, and ExxonMobil's Torrance refinery. Taken together, these planned and unplanned shutdowns — and their resulting impact on stock levels — have been the main factors behind the upward pressure on gasoline.
- Lower gasoline imports to the USA have been another factor behind the tight gasoline market. US gasoline imports fell below 0.9 mb/d in the first quarter, compared to 1.1 mb/d in the same month last year, due mainly to a lack of arbitrage opportunities in the trans-Atlantic market. Moreover, the 18-day strike in the Fos-Lavera oil and gas terminal in south of France resulted in the partial shutdown of four French refineries. The strike, which ended at the beginning of this month, provided further bullish momentum in the products market.
- Strong demand for gasoline was another factor in the recent stock-draws. US demand for gasoline averaged 9.1 mb/d in the first quarter, representing an increase of 0.2 mb/d over the previous year. Developments in the gasoline futures market have also played a role. With the market in backwardation, refiners have little incentive to build stocks. The forward structure also indicates that the market is not showing any concern about gasoline supplies in the months ahead.
- Thus, gasoline market fundamentals appear relatively bullish over the very short term. However, the pressure on the oil market is expected to ease as refinery maintenance ends and crude runs increase. In contrast to the current tightness in the gasoline market, global crude oil fundamentals appear to be largely in balance at current OPEC production levels. Given ample crude supplies, it is clear that increasing production would only serve to build crude oil inventories and would not resolve the tightness in the downstream.
- As always, non-fundamental factors such as geopolitical concerns or exceptional events such as a severe hurricane season in the Gulf of Mexico could undermine the current steady market outlook for the driving season. In light of these and other potential factors, OPEC will continue to closely monitor the market to ascertain that oil market stability is achieved and that sound global economic growth is sustained.

Vienna, Austria**15 March 2007****144th Meeting of the Conference**

The 144th (Ordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 15 March 2007, under the Chairmanship of its President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference extended a warm welcome to HE Desidério da Graça Veríssimo e Costa, Minister of Petroleum of the Republic of Angola, attending a Meeting of the Conference for the first time as Head of the Delegation of a Full Member of the Organization; congratulated HE Dr. Edmund M. Daukoru, Head of the Delegation of Nigeria, on his appointment as his Country's Minister of Energy; and welcomed HE Abdalla Salem El-Badri, also attending a Meeting of the Conference for the first time in his capacity as OPEC Secretary General.

The Conference also warmly welcomed the Minister of Petroleum of Egypt and high-level representatives from Mexico, Oman and Russia, whose presence at the Meeting is seen as reaffirmation of these oil-producing countries' continued support for the Organization's efforts to achieve an oil market balance.

The Conference reviewed the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee (MMS) - whose Members the Conference once again thanked for their continued efforts on OPEC's behalf - and various administrative matters.

Having reviewed the oil market outlook, the Conference observed that the world economic performance in 2007 is expected to remain relatively firm, albeit slightly lower than in 2006, reflecting, *inter alia*, the impact of higher interest rates. The Conference also noted that, although all indicators clearly show that the market remains well-supplied with crude oil and that OECD commercial oil stocks are healthy, overall oil market volatility is likely to continue.

In light of this volatility, the Conference decided to continue closely monitoring market developments to ascertain that oil market stability is achieved and that global economic growth is sustained.

The Conference passed Resolutions that will be published on 15 April 2007, after ratification by Member Countries.

The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on 11 September 2007. The Conference also accepted an invitation from the United Arab Emirates to convene an Extraordinary Meeting in Abu Dhabi on 5 December 2007.

The Conference expressed its appreciation to the Government of the Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

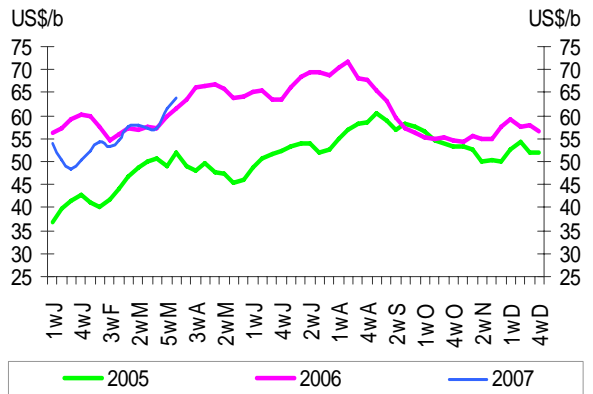
Crude Oil Price Movements

Geopolitical developments amid concern over summer fuel supplies pressured crude oil prices in March

OPEC Reference Basket

The petroleum market began March with a mixed reaction over the financial market's downturn and concern over summer fuel supply amid the possibility of rising demand due to lower prices. Thus, the weekly average price of the OPEC Reference Basket rose 35¢ or 0.6% building on a surge of nearly 6% the week before to close at \$57.85/b. In the second week, the fading weather element in prices on higher temperatures helped calm market sentiment in the second week. Nonetheless, evolving concern over world economy growth amid a drop in major equity markets set alertness in place. Hence, the Basket dropped 73¢ or 1.3% in the second week to average \$57.12/b. In the third week, market bullishness was revived on ongoing supply concerns about gasoline-rich West African crude. The sentiment was furthered by depleting gasoline inventories in the world top consumer amid refinery glitches. In the third week, the Basket averaged \$57.31/b, up a marginal 19¢. In the final week, bullish sentiments strengthened on Mideast geopolitical developments and the continued decline in summer fuel stocks in the USA amid a strike in France which delayed petroleum shipments and refinery throughputs. The Basket closed the final week in March 7.5% or \$4.27 higher to settle at \$61.58/b after peaking at \$63.46/b, the highest level since early September.

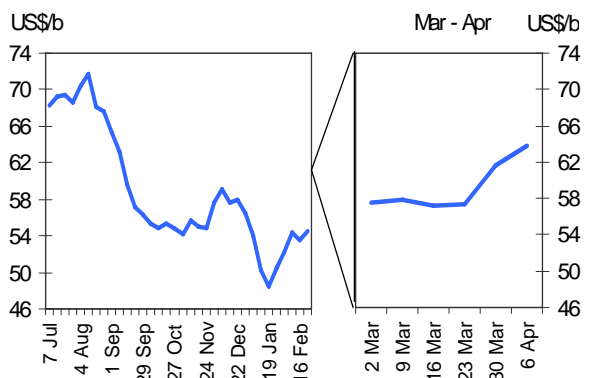
Graph 1: OPEC Reference Basket - weekly spot crude



OPEC Reference Basket gained \$4.02 or 7.4% in March

On a monthly basis, the OPEC Reference Basket was volatile on tumbling equity markets while OPEC kept output unchanged. Revived developments in Mideast and West African geopolitics helped the bulls to sustain strength and furthered the fear premium in the marketplace. These sentiments were enhanced by depleting summer fuel stocks in the USA. As a result, the OPEC Reference Basket closed the month at a six-month high of \$58.47/b, representing a gain of \$4.02 or 7.4%. In the first half of April, the Basket moved higher reaching \$64.71/b on April 13, on Mideast geopolitical developments.

Graph 2: Weekly average Basket price, 2006-2007



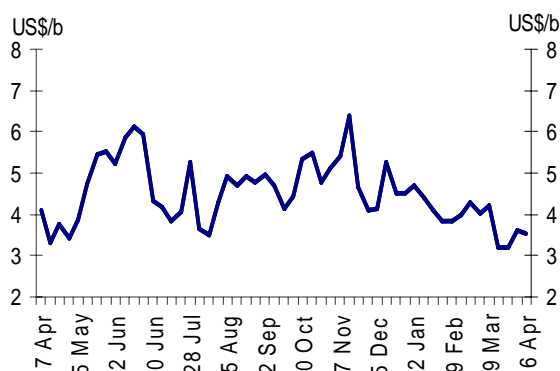
Concern over tight product supplies helped light crude to firm

US market

Sweet crude in the US domestic market emerged on a firm note amid demand for light-end products and a stronger gasoline outlook. Procurement by Gulf Coast refiners amid lower supplies of competing foreign grades kept sweet crude firm. In the first week, the average WTI/WTS spread widened 17¢ to a seven-week high of \$4.20/b. Nevertheless, sentiment changed amid depleting gasoline stocks and tighter supply of sour crude. Thus, demand for light-end crude strengthened amid seasonal stockpiling. The widened contango spread also supported buying interest with domestic production falling. Hence, the WTI/WTS second weekly average spread narrowed by a hefty \$1 to \$3.19/b, when it was at the lowest level in nearly two years at \$2.35/b. In the third week, the return of some refineries from seasonal turnarounds amid shrinking product inventories helped sweet crude to rebound from the previous week's narrow spread. Hence, the WTI/WTS weekly average spread remained unchanged.

Continued concern over summer fuel supply amid seasonal stockpiling maintained the firm sweet crude premium. The WTI/WTS spread narrowed in the final week to \$3.59/b. Nonetheless, overall concern over tight sweet crude supply amid the higher Brent spread to WTI kept the monthly average WTI/WTS spread 44¢ narrower at \$3.59/b.

Graph 3: WTI spread to WTS, 2006-2007

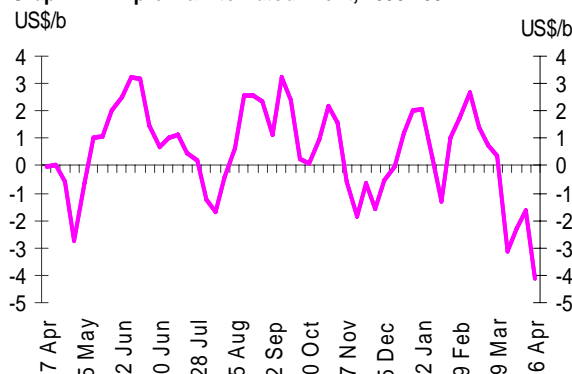


Continued weaker Forties pressured North Sea crude amid weaker refining margins

North Sea market

A recovery in refining margins lent support to weakened Forties that remained under pressure due to poorer quality. The market firmed following Norway's Norsk Hydro shutting down its Oseberg field in the North Sea after a platform fire in the first week of the month. Continued strong refining margins amid tighter supply of light sweet crude supported North Sea crudes in the second week. Nevertheless, the sentiment eased later that week on weaker refining margins amid unsold month-end stems, yet the strength in gasoline limited price differential weakness.

Graph 4: WTI premium to Dated Brent, 2006-2007



In the third week, continued firmness in Forties pressured refinery margins and kept buyers on the sidelines. The soft market continued into the final week on an overhang of prompt April stems. However, in the final days sentiment was supported by the clearing on attractive offers. Dated Brent averaged the month at \$62.15/b, which was \$4.72 or over 8% higher.

Improving refining margins compared to competitive grades supported the firmness of sour crude

Mediterranean market

Urals crude in the Mediterranean market emerged on a weaker note on ample supply and higher March production. However, higher refining margins compared to light sweet crude caused the discount to narrow. Brent/Urals spread averaged 36¢ narrower at \$3.34/b in the first week. Nevertheless, ample supply prompted buyers to move to the sidelines pressuring the Russian grade despite healthy refining margins. In the second week, the average Urals discount to Brent was 30¢ wider at \$3.64/b amid the weakening North Sea grade. The outflow of some barrels amid clearing stems supported Urals differentials to firm. The prospect of lower April supply and healthy refining margins added to regional market bullishness. The Brent/Urals spread narrowed 54¢ to \$3.10/b in the third week. In the final week, depressed refining margins amid the April schedule showing Russia's Primorsk exports set higher. A strike in France halting shipping traffic in the Mediterranean terminal added to the bearishness on lower intake. In the final week, Urals discount to Brent was a slight 6¢ narrower at \$3.04/b. On a monthly basis, Urals averaged \$58.81/b with the spread under Brent 27¢ narrower at \$3.34/b, the lowest level in five months.

Tighter supply amid a late winter in Japan supported Mideast crude amid tightened arbitrage opportunities

Middle Eastern market

The Mideast crude market emerged on a bullish note amid the restart of Oman's 160,000 b/d Sohar refinery limiting crude export. The strong price for rival Sokol crude added to the market's bullish momentum. Lower retroactive OSP supported Oman to trade at a premium for May loading for the first time in seven months, with differential set at 3-5¢/b above MOG in the first week. A lower allocation to Asia from a Mideast major and healthy demand on improved refining margins supported Mideast crude. May Oman was assessed at a firmer level with a 20¢/b premium to MOG while Abu Dhabi Murban traded at a 35¢/b premium to OSP amid a cold snap in Japan in the second week. The sentiment continued into the third week on the arrival of a late winter which boosted the use of heating fuels. Oman traded at a 20-22¢/b premium to MOG amid

Taiwan's CPC buying spree of Mideast sour crude for the first time in six months, while Abu Dhabi Murban was discussed at a 35-43¢/b premium to ADNOC's OSP. However, in the final week, steady supply from a Mideast major amid covered requirements ahead of the release of the new retroactive OSP pressured premiums for the sour grade. May Oman was heard sold at a premium of 12¢/b to MOG, yet Abu Dhabi Murban traded at a 33¢-45¢/b premium. The widened Brent/Dubai spread lent support to the Mideast crude. Brent/Dubai's monthly average spread was \$3.35/b, the widest in the year compared to \$1.8/b in the previous month.

Graph 5: Dated Brent spread to Dubai, 2006-2007

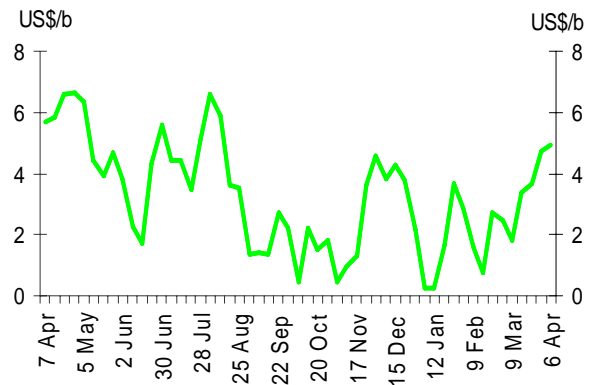


Table 1: OPEC Reference Basket and selected crudes, US\$/b

			Change	Year-to-Date	
	<u>Feb 07</u>	<u>Mar 07</u>	<u>Mar/Feb</u>	<u>2006</u>	<u>2007</u>
OPEC Reference Basket	54.45	58.47	4.02	57.68	54.56
Arab Light	54.29	58.08	3.79	57.53	54.41
Basrah Light	51.19	55.99	4.80	54.00	51.62
BCF-17	48.04	50.27	2.23	47.86	46.96
Bonny Light	59.58	64.59	5.01	63.35	60.13
Es Sider	55.83	60.60	4.77	60.38	56.18
Iran Heavy	51.87	56.39	4.51	56.38	52.06
Kuwait Export	52.33	56.22	3.89	55.79	52.32
Marine	55.86	59.39	3.53	59.44	55.95
Minas	58.44	62.83	4.40	62.35	58.90
Murban	59.58	63.19	3.60	62.28	59.73
Saharan Blend	59.58	64.30	4.72	62.90	59.89
Other Crudes					
Cabinda	55.73	59.83	4.10	59.67	55.39
Dubai	55.61	58.80	3.20	58.00	55.44
Isthmus	53.48	56.78	3.30	56.47	53.04
T.J. Light	51.82	54.90	3.08	52.53	51.51
Brent	57.43	62.15	4.72	61.78	57.76
W Texas Intermediate	59.21	60.63	1.42	63.25	58.04
Differentials					
WTI/Brent	1.78	-1.53	-3.31	1.46	0.28
Brent/Dubai	1.82	3.35	1.53	3.79	2.33

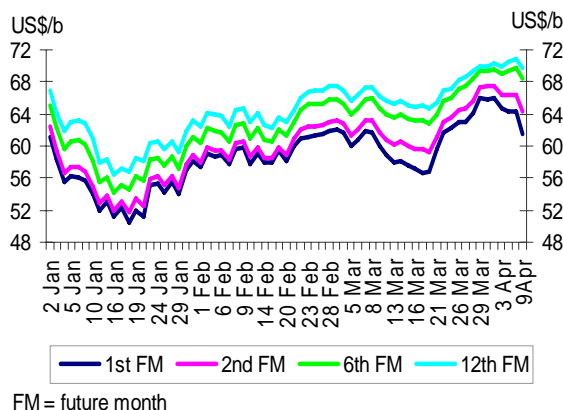
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Non-commercials boosted net long positions in March on concern over summer fuel supply and geopolitical developments in the Middle East

Crude oil futures market maintained the stronger note from late February on developments in the geopolitical arena amid continued petroleum fuel inventory draws in the USA outweighing concern over economic growth. Thus, while Nymex WTI ended the weekly period at \$60.69/b or 77¢ lower, the weekly average rose 24¢ to \$61.24/b. According to the CFTC, in the first weekly period non-commercials reduced their short positions at a faster rate than longs resulting in an increase in net long positions of some 10,300 to a six-month high of 36,300 lots. Open interest rose some 6,000 lots to 1,275,200 contracts. With options included, open interest increased a healthy 22,600 lots to 2,290,200 contracts.

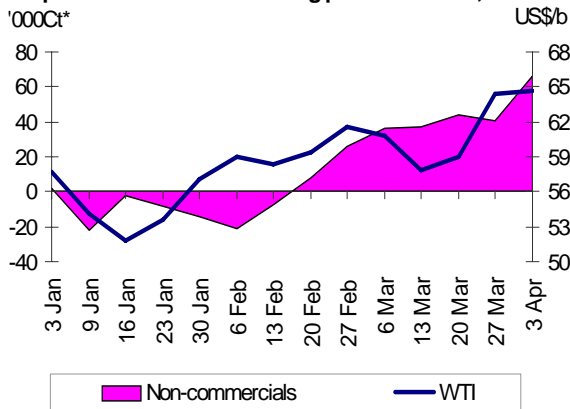
Graph 6: Nymex WTI futures prices, 2007



In the second weekly period, weather concerns faded amid declining petroleum stocks in the USA. Nymex WTI front-month contracts ended the week \$2.76 or 4.5% lower at \$57.93/b with the weekly average down \$1.17 to \$60.07/b. However, the CFTC revealed that speculators' positions were little changed amid a slight rise in the longs and an offsetting decline in shorts. Hence, net long positions rose 800 lots to 37,100 contracts. Open interest closed 47,000 lots higher at 1,322,200 amid an increase mostly in the commercial sectors. With options included, open interest furthered the escalation rising by 57,300 to 2,347,500 lots.

In the third weekly period, ongoing concern over global economic developments continued to exert downward pressure on the petroleum complex. Nymex prompt month ended the week down \$1.20 at \$56.73/b with the weekly average at \$57.23/b or 4.7% lower. Nevertheless, geopolitical developments kept the crude market in check amid some concern over seasonal fuels. The CFTC revealed that in the third weekly period non-commercials reduced short positions at a faster rate than longs, resulting in an increase in net long positions of nearly 7,300 to 44,400 lots. Open interest fell for the first time in four weeks dropping 9,700 to 1,312,500 contracts. With options included, open interest was even lower, showing a significant loss of 89,800 to 2,257,700 lots.

Graph 7: Non-commercial net long positions vs WTI, 2007



NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

In the final weekly period, revived concerns over gasoline supplies amid rising demand in the USA and emerging developments in Mideast geopolitics caused crude oil prices to surge \$6.20 or over 11% as the new Nymex front-month contract closed at \$62.93/b with the weekly average up by \$4.65 to \$61.88/b. For the same period, the CFTC reported that net long positions for non-commercials dropped 4,200 lots to 40,200 as shorts rose at a faster rate than longs. Open interest was some 18,000 lots higher at 1,330,500, and with options included, the volume was inflated a further 56,400 lots to 2,314,100 lots.

On a monthly basis, non-commercial net-longs' weekly average displayed the highest level since August, at 39,500 lots versus 1,300 lots in the previous month and at 47,900 contracts in the same month last year. Geopolitical developments and concern over seasonal fuels amid growing US fuel demand kept market bullishness intact. The weekly average for open interest was 1,310,100

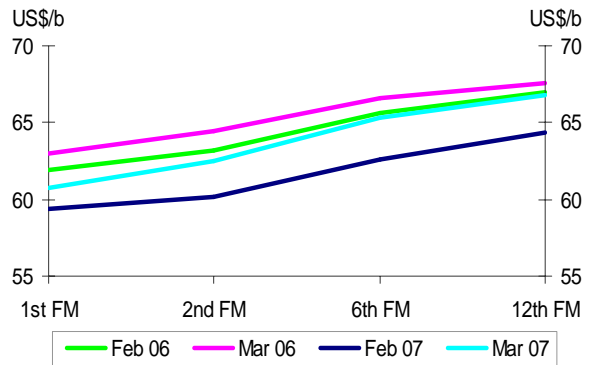
The widened contango spread indicated easing concern over winter fuels as refinery turnarounds pushed the front-month lower

or 30,600 lots higher than in the previous month and 357,200 lots over a year ago. Nymex front-month contracts averaged \$60.74/b in March or \$1.35 higher than in the previous month.

The Forward Structure

The contango spread widened further into March with the daily average for the 1st/2nd month spread at \$1.75 or 94¢ wider than in the previous month. The contango spread in the forward structure widened further in the farther months. The 1st/6th, /12th and /18th month spreads were \$4.59, \$6.05 and \$6.58/b or \$1.39, \$1.07 and \$1.08 wider than in the previous month respectively. In y-o-y terms, the 1st/2nd, /6th, /12th and /18th month spreads were \$1.49, \$3.65, \$4.64 and \$4.65/b. The US crude oil stocks weekly average was 328 mb or 1.7 mb higher than last month, but 11.4 mb lower than last year. While concern over winter fuel supply eased in the early part of the month as warmer weather kept market sentiment calm, the refinery maintenance schedule has contributed to the strength of later months when refineries are expected to return.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2006-2007, %						
	World	OECD	USA	Japan	Euro-zone	China
2006	5.3	3.1	3.3	2.2	2.7	10.7
2007	4.7	2.5	2.3	2.0	2.3	9.7

Industrialised countries

United States of America

Data in early 2007 point to a slowdown in the pace of economic activity in the US, but labour markets and incomes continue to surprise on the upside

Economic indicators point to a slowdown in the pace of economic activity in the first quarter of 2007 reflecting the ongoing contraction in the housing sector and continued weakness in the manufacturing sector. However, the data is mixed and not all gloomy. Continued health in the labour markets is serving to allay fears of a strong slowdown. The hiring spurt was seen as evidence that the troubles in housing, including weakness in sub-prime mortgage lending, were not spreading to the rest of the economy. Despite a two-week rise in the initial claims for unemployment benefits, the labour market situation remains sound. The economy is reported to have created 180,000 new jobs in March, partly compensating for the weather-related weak February employment figures. The unemployment rate fell to 4.4%, the lowest level since 2001, and 0.3% lower than a year ago, well below the 5% generally interpreted as the level of employment consistent with stable inflation.

The continued worry about inflation, evident from the deliberations of the Federal Reserve Board indicates that monetary loosening is not to be expected any time soon. The core personal consumption expenditure deflator, the preferred Fed measure for inflation, rose by 0.3% in February or 2.4% y-o-y, well above the Fed comfort zone of around 2%. The Fed opted to leave US interest rates unchanged in March at 5.25%. Fed statements continue to indicate more concern about inflation than growth although admittance of downside risks to growth is more evident. The Fed is also concerned about the pass-through of higher import prices into general inflation- imports accounting for around 17% of all goods and services purchased. Import prices rose by 1.7% in March following a revised 0.1% rise in February, led by the rise in petroleum prices. US producer prices also rose a higher-than-expected 1% in March following a 1.3% gain in February. Excluding food and fuels, producer prices were unchanged in March.

On the other hand, strong labour markets augur well for private consumption. Personal incomes have grown at a 6.6% annual rate in the six months to February 2007 and are expected to have risen further in March. Preliminary indicators also show that retail sales were growing at a healthy pace. US retailers reported stronger than expected sales in March assisted by the early Easter season and warm weather. However, it is expected that retail sale growth will soften in coming months. On the other hand, indicators for the developments in the ailing housing sector are mixed. While the sales of existing homes has risen in February by 3.9% m/m, and mortgage applications for home purchases have increased, new home sales, seen as the key indicator for home construction, weakened sharply in January and February. Moreover, weak house prices are not expected to improve in 2007. The National Association of Realtors expects a 0.7% decline in the median price of existing homes sold in 2007, for the first time in nearly forty years

Meanwhile, other reports show that economic growth has remained sluggish. Capital goods orders, a forward indicator for business investment fell by 2.1% on the year in February following a 9% year-on-year rise in 2006. The overall ISM business survey index for manufacturing fell in March to 50.9 from a level of 52.3 in February. The components for both production and new orders registered a drop while the price component showed a rise. The growth in the services sector also slowed down as shown by the ISM services index, which fell to 52.4% from 54.3% in February, registering the lowest level since April 2003. While still above 50, the index indicates slow growth in the services sector, but no contraction. The index for services has remained above 50% for 48 months and has sustained growth and employment last year even as the manufacturing sector was flagging. In addition, the Commerce Department in a separate report said that factory orders rose by a lower than expected 1.0% in February. Overall, the present weakness in the economy is seen as a mid-term slowdown rather than the beginning of a recession. However, real GDP growth in the first quarter is expected to be modest but is expected to pick up later in the year. For the whole year a 2.3% growth is forecast, 0.1 percentage points lower than last month's assessment.

Economic recovery remains on course in Japan in early 2007*Japan*

The Japanese economy continues to exhibit signs of strength, following the stellar performance in the fourth quarter, when the annualized growth rate of growth reached 5.5%, the highest since Q4 2003. However, price data remains weak indicating that the Bank of Japan will be slow in raising interest rates again this year. The closely watched quarterly Tankan survey of business confidence in March was slightly weaker than the two previous reports, amid concerns about the global economic outlook, in particular the U.S economy, and especially among the big Japanese manufacturers, for which the US is a major export destination. However, the report indicated relatively bullish plans for capital spending in the coming months. Overall, the Tankan underlined that the corporate sector remains vigorous. However, generally, the earnings expectations are lower than for last year. Industrial production fell 0.2% in February from a month earlier, but is expected to rise in March and April. Output in the manufacturing sector, the main component of industrial production, is expected to rise by 1.5% in March and by 1.3% in April.

Japan's unemployment rate stayed at 4.0% in February, and overall household spending in February rose above expectations at a rate of 1.3% from a year earlier, following a rise of 0.6% in January. The increasing strength of consumer demand was demonstrated by the Economy Watchers index, which is a survey that measures the strength of domestic demand, which rose to 50.8 points from 49.2 a month earlier. For the first time since October, the index was above 50 which marks the threshold above which optimists outnumber pessimists.

The nationwide core consumer prices, excluding volatile fresh food, fell 0.1% in February from a year ago, the first drop in 10 months. The core CPI for the Tokyo area, which is announced a month before nationwide figures, also fell 0.1% in March. The Bank of Japan (BoJ) is of the opinion that prices are in a broad uptrend in the long run even though core CPI growth may turn negative in the near term due to falling crude oil prices. However, these figures add weight to the view that the present lack of inflation will slow down the pace of credit tightening. The BoJ, as expected kept interest rates unchanged at 0.5% during its latest policy board meeting on April 9-10 and further tightening is not expected before the third quarter at the earliest. Interestingly, Japan's producer-price inflation accelerated for the first time in six months in March as higher oil prices pushed up the cost of gasoline and chemical materials. The index of energy and raw materials prices climbed 2% from a year earlier after rising a revised 1.7% in February.

The external sector continued to contribute to growth with Japan's trade surplus unexpectedly rising in February by 7.7% from year earlier on continued firmness in export growth. Similarly, the current account surplus rose by 4.9% y-o-y to \$20.3bn with strong increases in both exports and imports, the latter reflecting strengthening domestic demand. Overall, the Japanese economy is expected to achieve a growth rate of 2.0% this year from 2.2% last year, as higher domestic consumption y partly offsets the expected slower export growth.

Euro-zone

It is expected that growth in the Euro-zone will continue to be above trend this year. There are still few signs of the expected slowing down following last year's fastest pace of growth in six years. Growth in services, which account for the biggest part of the euro-area economy, held close to the fastest pace in six months. The employment situation continued to improve and consumer and business confidence rose to the highest level since 2001. Unemployment fell to 7.3% in February, the lowest rate since the introduction of the euro in 1999. The strong rise in employment bodes well for private consumption spending during 2007. However, Europe's manufacturing growth slowed in March after export demand cooled.

Inflation has remained below the European Central Bank's (ECB) 2% ceiling for seven straight months and is forecast by the central bank to average 1.8% in 2007. Nevertheless, it is widely expected that the ECB will continue its monetary tightening cycle with a further rise in interest rate, usually signaled ahead of time, with the next rise expected around June. The ECB last raised interest rates by 25 basis points to 3.75% on March 8, but has left them unchanged in its meeting on April 12. The ECB believes current rates, which are still lower than the last peak of 4.75% reached in 2001, are accommodating to economic growth. While mortgage lending growth has decelerated, the ECB continues to worry about the strong growth in the money supply, seen as a gauge for future inflation. In February, the money supply growth accelerated at the strongest pace in 17 years.

Early indicators in the Euro-zone show that the outlook this year continues to be moderately bullish for 2007

In Germany, real manufacturing orders rose by 3.9% m/m in February on a seasonally adjusted basis, recovering from a temporary drop of 0.3% m/m in January. The fall was attributed to the dampening effect of the value-added tax. Moreover, the Ifo survey of 7000 businesses rebounded in March. German growth in 2007 has been revised up by 0.2 percentage points to 1.9%, following the 2.7% growth reached in 2006. For the entire Euro-zone, the forecast has also been revised slightly upwards by 0.1 percentage points to 2.3% for this year, slightly lower than the European Commission's more optimistic 2.5% forecast.

The Russian government raised GDP growth forecast

Former Soviet Union

The Russian Economic Development and Trade Ministry raised its forecast for GDP growth in 2007 from 6.2% to 6.5%. Our forecast is slightly lower at 6.1%, 0.1% higher than last month, compared to 6.7% in 2006. The official revision followed the positive results of the first two months of 2007 and a review of the forecast for industrial production. Russian GDP and industrial production grew 8.4% and 8.6% respectively over January and February 2007 according to the Ministry. The forecast for industrial production in 2007 has also been raised to 5.2% from 4.3%. Inflation is expected to be 7.4% in April. In the first two months of 2007, inflation decreased by 8.2% and 7.6% m-o-m respectively, compared with 10.7% and 11.2% in the same month a year ago. Inflation is projected to drop to 5.5% in three years. Energy export revenues went down in Russia as a result of the warm winter in Europe. Energy exports accounted for 69.2% of total export revenues in January 2007, down from 71.9%. Revenues from the oil and gas sectors are projected at 8.2% of GDP in 2007, but are expected to decrease in 2008, 2009 and 2010 to 7.1%, 6.0% and 5.3% of the GDP, respectively. Gross expenditures on fixed capital investment were 19.6% higher y-o-y in February 2007 and were up 21.2% in the first two months of 2007. Construction activity rose to 21.3% in February and was up 25.4% cumulatively in 2007.

Developing Countries

Most economic indicators point to a strong start for 2007 across the developing countries with China and India leading the way. The slowdown in the US economy may have some effect on demand for Asian exports, but its overall impact on the region is likely to be relatively well contained.

Strong economic performance estimated in China for Q1

In Asia, economies are performing robustly. The Chinese economy is forecast to have grown by 11% in the first quarter as predicted by the State Information Center. The report found that because consumption is increasing rapidly, GDP is expected to increase about 11% in the first quarter. In February, the State Information Center estimated that the growth rate of GDP in the first quarter would be 10.2%. In continuation of its attempts to moderate growth this year, the People's Bank of China (PBC) has taken two important measures. It raised interest rates and increased reserve requirements for banks. The PBC decided to raise the benchmark interest rate for the yuan lending and deposits for financial institutions, effective 18 March 2007. The benchmark rate for one-year deposit was raised by 0.27 percentage points from the current level of 2.52% to 2.79%. The one-year benchmark lending rate was raised by 0.27 percentage points from 6.12% to 6.39%. PBC has also increased the amount of funds it requires commercial banks to keep on deposit with the authorities for the sixth time in less than a year, the latest of a series of measures aimed at managing liquidity in the financial system.

Strong performance in India amid ongoing attempts to contain inflation

Growth in India is intensifying as data show that industrial growth achieved 10.9% in January from a year earlier. In February, India's industrial production growth probably accelerated again to 11.2% from a year earlier, vindicating the central bank's unexpected interest rate increase a fortnight ago to dampen consumer demand and curb inflation. Additionally the Reserve Bank of India (RBI) raised the credit reserve ratio to 6% from 5.5% to withdraw liquidity from the banking system. Indian commercial banks are now rapidly increasing the lending rate in line with the RBI's policy for fighting inflation after months of governmental pressure not to do so.

Brazil revised GDP growth methodology to include the informal economy

A similar growth momentum prevails in Latin America. Recent data revisions in Brazil showed that the economy is larger than previously estimated. The Brazilian Census Bureau (IBGE) adjusted its methodology for measuring GDP growth to better reflect activity in the informal sector and the growing importance of technology and financial services in the economy, among other factors. For 2005, the IBGE's new methodology raised GDP to 2.9% from 2.3%. For 2004, the IBGE increased GDP growth to 5.7% from 4.9%. For 2003, the new figure was 1.1%, up from 0.5%, while for 2002 the new figure was 2.7%, up from 1.9%. Anticipated further easing

of the monetary policy (14 successive interest rate reductions since September 2005) will encourage private consumption and accelerate fixed investment, making both components prime drivers for growth this year.

In Venezuela the non-oil sector grew by almost 12% in the last two years

OPEC Member Countries

Preliminary figures from the Banco Central de Venezuela (BCV) indicate that real GDP rose by 10.3% in 2006. Growth in Venezuela has been very strong in the last three years, exceeding 10% in 2004 and 2006. The high investment is partly attributed to the governments' heavy spending on infrastructure projects and large purchases of imported machinery and equipment by the private sector. The non-oil sector grew by 11.7% in the last two years while petroleum output declined by 1.9%. Inflation rose by 2% in January 2007, which brought the 12-month average rate to above 18%. The government intends to impose corrective measures to bring inflation down to the target of 10-12%. In Algeria, real GDP growth slowed in 2006 from 5.3% to 3.0% as a result of a small decline in hydrocarbons output. According to the government, the real growth in the non-hydrocarbon sectors reached 4.8% in 2006 reflecting the high level of public investment in housing and infrastructure.

The US dollar depreciated by almost 1% against the OPEC basket of currencies in March

Oil prices, the US dollar and inflation

The dollar lost ground versus the euro, the yen and the Swiss franc while rising somewhat against the pound sterling in March. The US currency fell by 1.28% versus the euro, 2.63% against the yen, and by 1.85% against the Swiss Franc. It rose by 0.50% against the pound.

The euro's strength versus the dollar, reaching levels not seen since January 2005, was a reflection of the narrowing interest rate differential between the dollar and the euro, and the continued worries concerning the US economy, in particular the gaping current account deficit. The dollar weakened even more against the yen. The Japanese currency's strength was partly due to repatriation of funds ahead of the end of the Japanese fiscal year and the gradual unwinding of the yen "carry trade" as investors become more risk averse.

In March, the OPEC Reference Basket rose by 7.38% to \$58.47/b from \$54.45/b in February. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by \$2.3/b or 6.3% to \$39.09/b from \$36.76/b. The value of the dollar fell by 0.96% as measured against 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.

World Oil Demand

Total world oil demand growth for 2006 estimated at 0.8 mb/d

World oil demand in 2006

World oil demand estimate for last year remained unchanged from the previous month. As a result of fuel switching to natural gas, fuel oil declined mainly in the OECD countries, causing total world oil demand growth to weaken. Hence, **total y-o-y world oil demand growth for 2006 was estimated at 0.8 mb/d or 1.0%, unchanged from our last MOMR.** Last year's oil demand growth was solely due to incremental demand from the Developing Countries. China and the Middle East were the main contributors to world oil demand in 2006.

Table 2: World oil demand forecast for 2006, mb/d

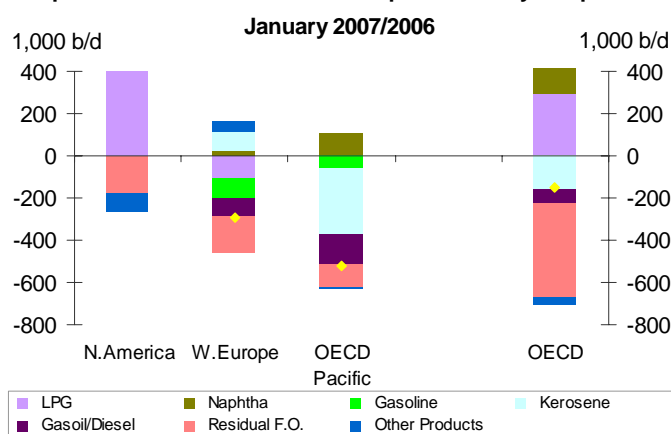
	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 2006/05	
							Volume	%
North America	25.52	25.12	25.10	25.47	25.41	25.28	-0.24	-0.96
Western Europe	15.51	15.78	15.05	15.47	15.56	15.46	-0.05	-0.33
OECD Pacific	8.59	9.30	7.87	7.90	8.76	8.45	-0.13	-1.57
Total OECD	49.63	50.20	48.01	48.84	49.74	49.19	-0.43	-0.87
Other Asia	8.67	8.77	8.95	8.56	8.81	8.77	0.10	1.17
Latin America	5.06	5.00	5.18	5.31	5.27	5.19	0.12	2.44
Middle East	5.83	6.04	6.12	6.35	6.17	6.17	0.35	5.94
Africa	2.88	2.95	2.94	2.90	3.01	2.95	0.07	2.38
Total DCs	22.44	22.76	23.18	23.12	23.25	23.08	0.64	2.85
FSU	3.82	3.69	3.56	3.84	4.20	3.82	0.00	0.09
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	0.02	2.38
China	6.54	7.09	7.34	7.21	6.92	7.14	0.60	9.21
Total "Other Regions"	11.25	11.75	11.80	11.93	12.00	11.87	0.63	5.58
Total world	83.31	84.71	82.99	83.88	84.99	84.14	0.84	1.00
Previous estimate	83.31	84.65	82.96	83.91	85.01	84.14	0.83	0.99
Revision	0.00	0.05	0.02	-0.03	-0.02	0.01	0.01	0.01

Totals may not add due to independent rounding.

OECD

Warm weather across North America was the main reason behind last year's sluggish oil demand. Due to fuel switching among power plants, the US fourth-quarter oil demand declined by 0.2 mb/d y-o-y. As a result, **2006 oil demand growth in North America is estimated to decline by 0.25 mb/d y-o-y. Oil demand in OECD in 2006 is estimated to decline by 0.5 mb/d y-o-y.**

Graph 9: OECD - Growth of total requirements by component

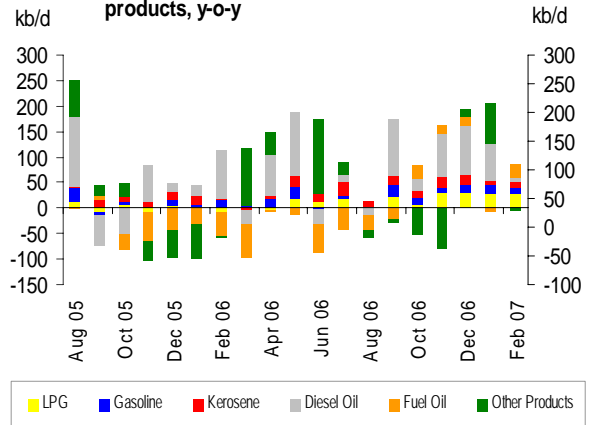


DC oil demand is estimated to grow by 0.6 mb/d in 2006

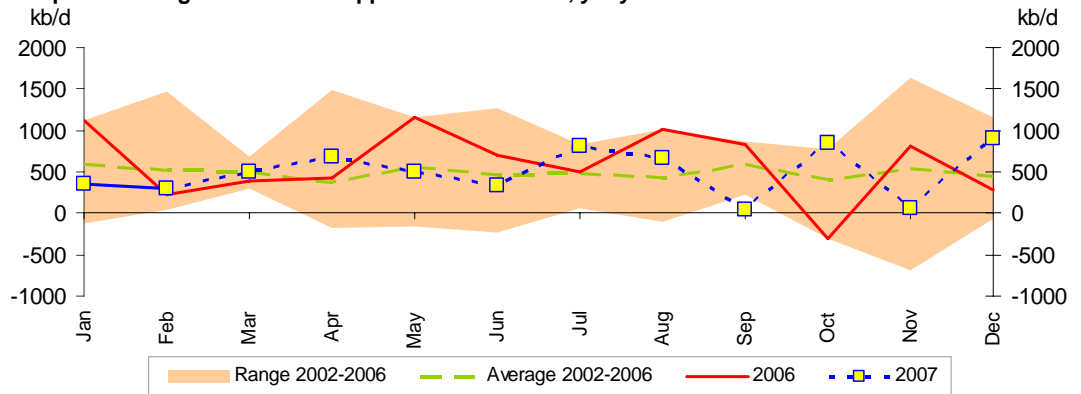
Developing Countries

China, the Middle East, and India were the main contributors to 2006 oil demand growth. Non-OECD oil demand growth was estimated at 1,3 mb/d y-o-y to average 34.98 mb/d in 2006.

Graph 10: Changes in Indian product demand by major products, y-o-y



Graph 11: Changes in Chinese Apparent Oil Demand, y-o-y



Graph 12: Changes in Indian oil demand, y-o-y

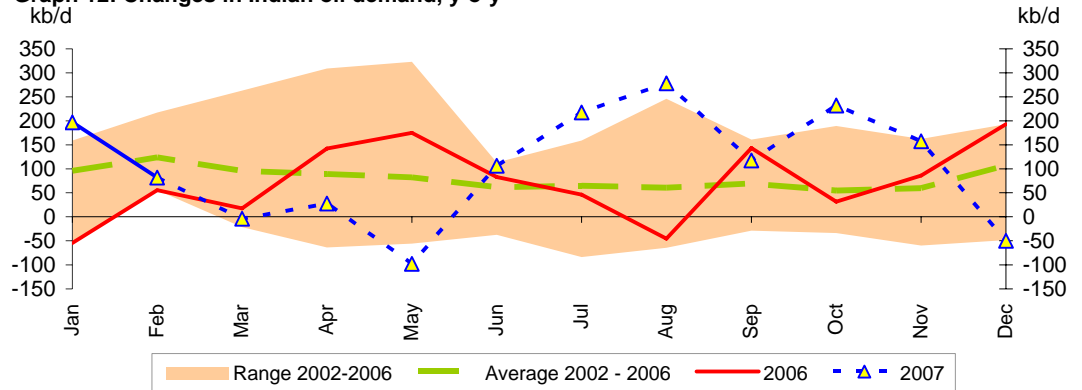


Table 3: First and second quarter world oil demand comparison for 2006, mb/d

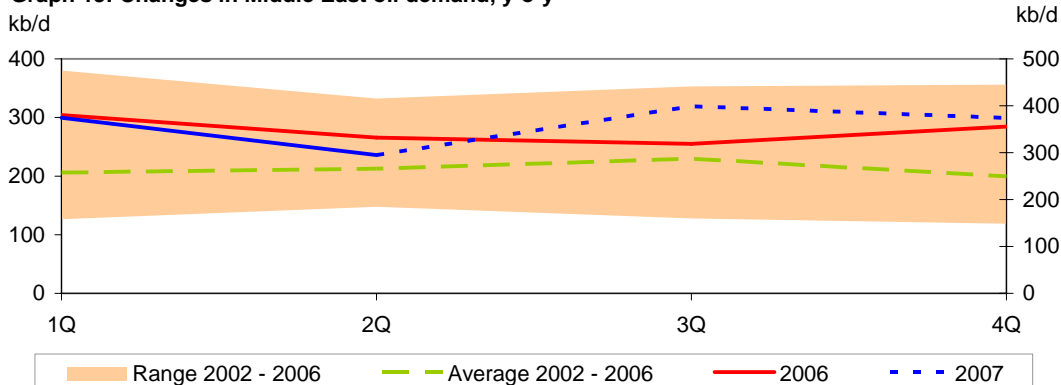
	<u>1Q05</u>	<u>1Q06</u>	<u>Change 2006/05</u>		<u>2Q05</u>	<u>2Q06</u>	<u>Change 2006/05</u>	
			<u>Volume</u>	<u>%</u>			<u>Volume</u>	<u>%</u>
North America	25.62	25.12	-0.50	-1.93	25.33	25.10	-0.23	-0.91
Western Europe	15.62	15.78	0.16	1.04	15.17	15.05	-0.12	-0.82
OECD Pacific	9.45	9.30	-0.15	-1.58	8.06	7.87	-0.19	-2.37
Total OECD	50.68	50.20	-0.48	-0.95	48.56	48.01	-0.55	-1.12
Other Asia	8.71	8.77	0.06	0.74	8.83	8.95	0.12	1.32
Latin America	4.89	5.00	0.11	2.28	5.07	5.18	0.11	2.08
Middle East	5.66	6.04	0.38	6.68	5.79	6.12	0.33	5.72
Africa	2.88	2.95	0.06	2.25	2.87	2.94	0.07	2.27
Total DCs	22.14	22.76	0.62	2.80	22.56	23.18	0.62	2.74
FSU	3.87	3.69	-0.18	-4.71	3.70	3.56	-0.14	-3.76
Other Europe	0.93	0.97	0.03	3.49	0.88	0.90	0.02	2.17
China	6.51	7.09	0.58	8.91	6.58	7.34	0.77	11.64
Total "Other Regions"	11.32	11.75	0.43	3.80	11.16	11.80	0.65	5.79
Total world	84.14	84.71	0.57	0.67	82.27	82.99	0.72	0.87

Totals may not add due to independent rounding.

Table 4: Third and fourth quarter world oil demand comparison for 2006, mb/d

	<u>3Q05</u>	<u>3Q06</u>	<u>Change 2006/05</u>		<u>4Q05</u>	<u>4Q06</u>	<u>Change 2006/05</u>	
			<u>Volume</u>	<u>%</u>			<u>Volume</u>	<u>%</u>
North America	25.61	25.47	-0.14	-0.56	25.53	25.41	-0.12	-0.45
Western Europe	15.57	15.47	-0.10	-0.66	15.70	15.56	-0.14	-0.86
OECD Pacific	8.08	7.90	-0.17	-2.13	8.79	8.76	-0.03	-0.32
Total OECD	49.26	48.84	-0.42	-0.85	50.02	49.74	-0.28	-0.56
Other Asia	8.53	8.56	0.03	0.38	8.62	8.81	0.19	2.21
Latin America	5.19	5.31	0.12	2.30	5.11	5.27	0.16	3.11
Middle East	6.04	6.35	0.32	5.28	5.81	6.17	0.36	6.13
Africa	2.83	2.90	0.06	2.17	2.92	3.01	0.08	2.82
Total DCs	22.58	23.12	0.53	2.35	22.46	23.25	0.79	3.51
FSU	3.78	3.84	0.06	1.66	3.93	4.20	0.27	6.80
Other Europe	0.87	0.88	0.01	1.08	0.85	0.88	0.02	2.74
China	6.43	7.21	0.78	12.17	6.64	6.92	0.28	4.24
Total "Other Regions"	11.07	11.93	0.85	7.72	11.43	12.00	0.57	5.01
Total world	82.91	83.88	0.97	1.17	83.91	84.99	1.08	1.29

Totals may not add due to independent rounding.

Graph 13: Changes in Middle East oil demand, y-o-y

World oil demand growth for 2007 forecast at 1.3 mb/d

Forecast for 2007 demand

World oil demand growth in March was not as strong as in the previous month, although oil demand picked up worldwide due to the normal winter in North America and strong economic activities in the Middle East. **World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, with no major changes from the last MOMR estimate.**

First-quarter oil demand growth in North America revised up 0.4 mb/d to 0.7 mb/d

OECD – North America

Although recent cold weather in North America has stopped the monthly decline in Mexico's oil demand, Mexico's oil demand in February grew by only 24,000 b/d or 1.4% y-o-y to average 1.8 mb/d, which was 22,000 b/d lower than in the previous month. Low consumption as a result of fuel switching caused fuel oil to decline by 14.3% y-o-y in February. However, gasoline and jet fuel consumption climbed by 5.4% and 11.1% y-o-y in February.

The cold winter pushed Canadian fuel oil demand up by 15.9% as low fuel substitution took place in February. The product that increased the most was aviation fuel, which grew by 18.8% y-o-y in February. Canada's oil demand in February grew by 0.1 mb/d or 6.4% y-o-y to average 1.8 mb/d.

The cold winter in the USA is still pushing for more oil consumption. According to the EIA Weekly, US demand growth for March was not as strong as in February as a result of declining fuel oil consumption. Oil demand in the USA grew by only 0.28 mb/d y-o-y in March. Motor gasoline grew by an expected 1.5% in March y-o-y, or half of the growth in February. Fuel oil, vital to oil demand, declined by 0.1 mb/d in March y-o-y. As a result of the cold winter, **first-quarter oil demand for North America was revised up 0.4 mb/d to average 25.83 mb/d, representing y-o-y growth of 0.7 mb/d.**

Total 1Q OECD demand growth revised down 0.3 mb/d

As a result of the warm winter in other OECD regions, **total OECD countries first-quarter y-o-y oil demand growth was revised down by 0.3 mb/d to average 50.05 mb/d representing a decline of only 0.15 mb/d.**

Oil demand growth in OECD Europe revised down 0.3 mb/d to show a decline of 0.4 mb/d in the first quarter

OECD – Europe

Europe's mild winter has greatly affected oil demand. Germany's inland oil product deliveries declined by 0.25 mb/d y-o-y in February. In addition to the low transport fuel demand, the warm winter in Europe negatively impacted the oil demand. **OECD Europe oil demand is likely to decline more than expected and has therefore been revised down by 0.3 mb/d to show a y-o-y decline of 0.4 mb/d in the first quarter of 2007.**

OECD Pacific consumption revised down by 0.4 mb/d to show a decline of 0.4 mb/d in the first quarter

OECD – Pacific

Unlike January's low oil demand in South Korea, which increased by a minor 62,000 b/d, February's oil product demand increased by 5.5% y-o-y. This recent increase was not attributed to winter demand but to the petrochemical industry. However, warmer-than-usual winter has curbed oil consumption in the Pacific region. Despite the increase in oil demand in South Korea, total oil imports in February were down a little over 7% y-o-y. Although the demand for major oil products is expected to decline in 2007, total oil demand is expected to show a minor growth exceeding 1% which can be attributed to the higher demand for naphtha in the petrochemical industry in South Korea. Affected by a warm winter in Japan, February oil imports fell by 12.1% y-o-y. Japanese domestic oil product sales declined by 0.3 mb/d in February y-o-y to average 3.9 mb/d. The sales of kerosene — the product widely used for heating — declined the most by 10% in February. Evidently the warm weather helped transportation fuel sales in February because Japanese gasoline and jet fuel consumption grew by 2.5% and 7.9% y-o-y in that month.

The Pacific Region has experienced a warmer than average winter, leading to a **downward revision of 0.4 mb/d to OECD Pacific consumption, representing a y-o-y decline of 0.4 mb/d in the first quarter.**

Table 5: Japanese Domestic Sales, kb/d

	Feb 07	Change from Feb 06	Change from Feb 06 %
Gasoline	939	23	2.5
Naphtha	807	-37	-4.4
Jet Fuel	94	7	7.9
Kerosene	675	-75	-10.0
Gas Oil	610	22	3.7
Other Products	775	-246	-24.1
Total Products	3,899	-307	-7.3

Source: Ministry of Economy and Trade in Japan (METI)

Alternative Fuels

As part of a new US effort to subsidize and develop the alternative fuel industry, the US military has announced that it will adopt new fuel specifications for fighter airplanes based on alternative fuel. The US Air Force would guarantee the purchase of a massive quantity of alternative fuel which in the end will aid in the development of this new industry. Furthermore, the US is pushing the biofuel industry to develop cellulosic ethanol (ethanol produced from non-food crops) via substantial subsidies. As the price of corn doubled last year, it put pressure on the biofuel industry which mainly uses corn.

China is gearing up the development of alternative fuel. The country is planning to invest around \$13 billion to build the largest Coal-To-Liquid plant (CTL) in Asia. The output will be used in the chemical industry and will be capable of liquefying five million tonnes annually. This endeavour is part of China's ambitious plan to develop alternative energy. Furthermore, China is working on new regulations to encourage the production and usage of new types of vehicles that operate on environmentally friendly energy such as electricity and solar. China announced that by 2007 it will commission its first CTL plants, which will be capable of producing 1 million tonnes of oil. By 2010 the plant's second phase will increase the production capacity to up to 6 million tonnes of oil.

Biodiesel is receiving enormous support from governments around the world not only in the USA but also in the Asia-Pacific region. Biodiesel demand is estimated at 25,000 b/d in the Asia-Pacific region in 2007. However, the production of this form of biofuel is not only extremely costly but is also more harmful to the environment more than claimed. Biodiesel sales cost around \$1/litre more than normal diesel with oil prices of \$70/b.

Developing Countries

Rainy weather disrupted transportation activities in Northern India, causing the demand for diesel to weaken in February. Indian diesel demand grew by a mere 9,000 b/d in February y-o-y. This weak demand for diesel reduced total oil demand growth sharply. India's oil demand grew by only 82,000 b/d or 2.9% in February, as apposed to 7.54% in January y-o-y. In the first two months of the year, India's oil demand grew by 139,000 b/d or 5.13% y-o-y to average 2.86 mb/d.

As expected, Middle Eastern petrochemical and transportation activities are causing oil demand to grow strongly. **Middle Eastern first-quarter oil demand growth is forecast at 0.3 mb/d to average 6.34 mb/d. Developing Countries oil demand is forecast to grow by 0.5 mb/d y-o-y in the first quarter.**

DC oil demand forecast to grow by 0.5 mb/d in the first quarter

First-quarter oil demand growth in the Middle East forecast at 0.3 mb/d

Table 6: Indian oil demand by main products, kb/d

	<u>Feb 07</u>	<u>Jan 07</u>	<u>Jan 07 - Feb 07</u>	<u>Difference to</u>	
				<u>Jan 06 - Feb 06</u>	<u>%</u>
LPG	377	357	367	28	8.3
Motor Gasoline	228	212	220	13	6.5
Jet Kero	306	280	293	10	3.7
Gas Diesel Oil	1,054	1,020	1,037	41	4.2
Residual Fuel Oil	327	311	319	10	3.4
Other Products	614	625	619	36	6.1
Total Oil Demand	2,906	2,805	2,856	139	5.1

Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.

Other Regions

China's first-quarter oil demand growth forecast at 0.3 mb/d

Unlike in the previous month, in February, Chinese refiners did not cut kerosene production due to higher demand for kerosene. February kerosene production grew by 14.8% y-o-y. Apparent oil demand in China in January was strong as a result of pre-holiday preparations. However, in February oil imports grew by 5.91% y-o-y pushing apparent demand growth up by a mere 0.2 mb/d or 2.8%. In the first two months of the year, China's apparent demand grew by 0.28 mb/d or 3.8% y-o-y. Economic indicators are pushing for more energy, with new car sales strong and the industrial output more robust than expected.

One effort in China is to enhance air quality by cutting down on coal burning and replacing it with LPG. China's consumption of LPG in January grew by 15% y-o-y. The Chinese government recently re-emphasized its efforts to meet the preset goal to curb the use of energy per unit of GDP by 20% by the end of the decade. To achieve such a goal, several means have been announced by the government such as restructuring the pricing system, applying extra charges for emissions, introducing new taxation methods, and encouraging the use of energy efficient equipment. Furthermore, China set a difficult target to limit its energy consumptions growth to 4% annually by the end of the decade and decrease the usage of the most polluting form of energy, coal, from the current level of 66% and replace it with cleaner alternative energy.

China's first-quarter y-o-y oil demand growth is forecast at 0.3 mb/d to average 7.44 mb/d. Other Regions oil demand in the first quarter is forecast to grow by 0.5 mb/d y-o-y to average 12.27 mb/d. China's 2007 oil demand is forecast to grow by 0.48 mb/d y-o-y to average 7.6 mb/d.

Table 7: World oil demand forecast for 2007, mb/d

	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>2007</u>	<u>Change 2007/06</u>	
							<u>Volume</u>	<u>%</u>
North America	25.28	25.81	25.21	25.62	25.76	25.60	0.32	1.27
Western Europe	15.46	15.33	15.12	15.53	15.59	15.39	-0.07	-0.45
OECD Pacific	8.45	8.91	7.78	7.92	8.79	8.35	-0.11	-1.28
Total OECD	49.19	50.05	48.11	49.06	50.13	49.34	0.14	0.29
Other Asia	8.77	8.85	9.07	8.78	8.99	8.92	0.15	1.73
Latin America	5.19	5.09	5.25	5.39	5.33	5.27	0.08	1.53
Middle East	6.17	6.34	6.36	6.75	6.49	6.49	0.32	5.16
Africa	2.95	3.01	2.99	2.94	3.07	3.00	0.06	1.89
Total DCs	23.08	23.31	23.67	23.87	23.88	23.68	0.61	2.62
FSU	3.82	3.83	3.54	3.82	4.26	3.86	0.04	1.04
Other Europe	0.91	1.00	0.88	0.90	0.95	0.93	0.03	3.03
China	7.14	7.44	7.85	7.76	7.44	7.62	0.48	6.73
Total "Other Regions"	11.87	12.27	12.28	12.49	12.64	12.42	0.55	4.62
Total world	84.14	85.63	84.05	85.42	86.65	85.44	1.30	1.54
Previous estimate	84.14	85.86	84.03	85.41	86.59	85.48	1.34	1.59
Revision	0.01	-0.23	0.02	0.00	0.06	-0.04	-0.04	-0.05

Totals may not add due to independent rounding.

Table 8: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	<u>1Q06</u>	<u>1Q07</u>	<u>Volume</u>	<u>%</u>	<u>2Q06</u>	<u>2Q07</u>	<u>Volume</u>	<u>%</u>
North America	25.12	25.81	0.69	2.75	25.10	25.21	0.12	0.46
Western Europe	15.78	15.33	-0.45	-2.85	15.05	15.12	0.07	0.48
OECD Pacific	9.30	8.91	-0.39	-4.15	7.87	7.78	-0.09	-1.16
Total OECD	50.20	50.05	-0.15	-0.29	48.01	48.11	0.10	0.20
Other Asia	8.77	8.85	0.08	0.93	8.95	9.07	0.12	1.36
Latin America	5.00	5.09	0.09	1.89	5.18	5.25	0.08	1.52
Middle East	6.04	6.34	0.30	5.01	6.12	6.36	0.25	4.02
Africa	2.95	3.01	0.07	2.35	2.94	2.99	0.05	1.63
Total DCs	22.76	23.31	0.55	2.41	23.18	23.67	0.49	2.13
FSU	3.69	3.83	0.14	3.71	3.56	3.54	-0.01	-0.35
Other Europe	0.97	1.00	0.04	3.90	0.90	0.88	-0.02	-2.34
China	7.09	7.44	0.34	4.85	7.34	7.85	0.51	6.91
Total "Other Regions"	11.75	12.27	0.52	4.41	11.80	12.28	0.47	4.02
Total world	84.71	85.63	0.92	1.09	82.99	84.05	1.06	1.28

Totals may not add due to independent rounding.

Table 9: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	<u>3Q06</u>	<u>3Q07</u>	<u>Volume</u>	<u>%</u>	<u>4Q06</u>	<u>4Q07</u>	<u>Volume</u>	<u>%</u>
North America	25.47	25.62	0.15	0.57	25.41	25.76	0.34	1.35
Western Europe	15.47	15.53	0.07	0.44	15.56	15.59	0.03	0.18
OECD Pacific	7.90	7.92	0.01	0.18	8.76	8.79	0.02	0.28
Total OECD	48.84	49.06	0.23	0.46	49.74	50.13	0.39	0.79
Other Asia	8.56	8.78	0.22	2.61	8.81	8.99	0.18	2.04
Latin America	5.31	5.39	0.08	1.57	5.27	5.33	0.06	1.16
Middle East	6.35	6.75	0.40	6.30	6.17	6.49	0.33	5.27
Africa	2.90	2.94	0.04	1.51	3.01	3.07	0.06	2.04
Total DCs	23.12	23.87	0.75	3.25	23.25	23.88	0.63	2.70
FSU	3.84	3.82	-0.02	-0.49	4.20	4.26	0.06	1.31
Other Europe	0.88	0.90	0.02	2.79	0.88	0.95	0.07	7.76
China	7.21	7.76	0.55	7.66	6.92	7.44	0.52	7.46
Total "Other Regions"	11.93	12.49	0.56	4.68	12.00	12.64	0.64	5.33
Total world	83.88	85.42	1.54	1.83	84.99	86.65	1.66	1.95

Totals may not add due to independent rounding.

World Oil Supply

2006 Non-OPEC supply growth revised down by 0.04 mb/d to 0.48 mb/d

Non-OPEC Estimate for 2006

Non-OPEC oil supply is estimated to average 49.46 mb/d in 2006, an increase of 0.48 mb/d over 2005 and a net downward revision of 42,000 b/d versus the previous assessment. The downward revision was the net result of revising up the 2005 figure by around 46,000 b/d and the 2006 figure by around 4,000 b/d.

Table 10: Non-OPEC oil supply in 2006, mb/d

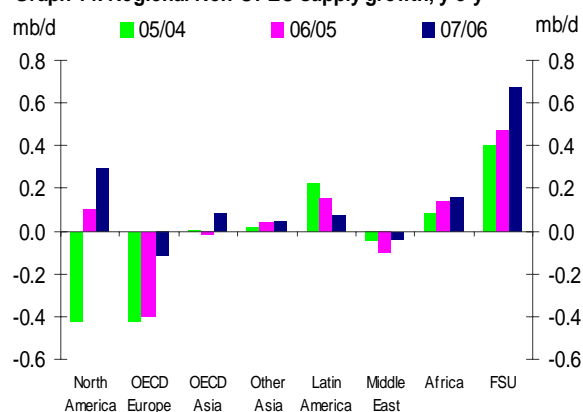
	<u>2005</u>	<u>1Q06</u>	<u>2Q06</u>	<u>3Q06</u>	<u>4Q06</u>	<u>2006</u>	<u>Change 06/05</u>
North America	14.13	14.13	14.15	14.34	14.33	14.24	0.10
Western Europe	5.77	5.70	5.32	5.08	5.38	5.37	-0.40
OECD Pacific	0.58	0.49	0.50	0.65	0.61	0.56	-0.02
Total OECD	20.48	20.32	19.97	20.06	20.31	20.17	-0.31
Other Asia	2.65	2.72	2.64	2.67	2.72	2.69	0.04
Latin America	4.28	4.38	4.44	4.47	4.46	4.44	0.16
Middle East	1.87	1.82	1.78	1.75	1.74	1.77	-0.10
Africa	2.52	2.59	2.62	2.67	2.75	2.66	0.14
Total DCs	11.32	11.50	11.48	11.56	11.67	11.55	0.23
FSU	11.55	11.67	11.97	12.13	12.30	12.02	0.47
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.67	3.64	3.67	0.06
Total "Other regions"	15.32	15.51	15.82	15.95	16.09	15.84	0.52
Total Non-OPEC production	47.12	47.33	47.27	47.57	48.07	47.56	0.44
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	48.98	49.25	49.16	49.45	49.99	49.46	0.48
Previous estimate	48.94	49.19	49.19	49.44	50.00	49.46	0.52
Revision	0.05	0.06	-0.03	0.01	-0.02	0.00	-0.04

Revisions to the 2006 estimate, other historical

The 2005 quarterly figures were revised in both directions due to actual data. Most of the revisions came from Total DCs which were increased by 46,000 b/d, while Other Asia was revised up 8,000 b/d, Latin America up 21,000 b/d (with Argentina 15,000 b/d higher and Ecuador up 7,000 b/d) and the Middle East up 14,000 b/d solely due to Yemen. The 2006 annual figure was also revised up slightly. The estimate for 4Q06 for the USA has been adjusted downward by 37,000 b/d. In the North Sea, minor upward revisions were made to 3Q06 and 4Q06 oil production in the UK of 12,000 b/d and 19,000 b/d respectively. In Australia the 4Q06 figure was revised down by 17,000 b/d

while Other Pacific was revised upwards by 6,000 b/d. The 4Q06 estimate for Malaysia was revised up by around 18,000 b/d but no change to the annual figure due to offsetting revisions to the second and third quarters. Vietnam 4Q06 witnessed a downward revision of 15,000 b/d while Asia Others was revised upwards by 10,000 b/d. In Syria, supply was revised down on a quarterly basis by 2,000 b/d, 17,000 b/d, 23,000 b/d and 34,000 b/d respectively. Most of the above revisions were made due to actual data. As a result, the annual 2006 average estimate was revised up by around 4,000 b/d. On a regional basis, the annual downward revisions applied to North America (9,000 b/d) and the Middle East (26,000 b/d) regions were offset by upward revisions to West Europe (14,000 b/d), Other Asia (18,000 b/d), Latin America (4,000 b/d) and FSU (2,000 b/d).

Graph 14: Regional Non-OPEC supply growth, y-o-y



Non-OPEC supply expected to grow 1.26 mb/d in 2007

Forecast for 2007

Non-OPEC oil supply is expected to average 50.72 mb/d in 2007, an increase of 1.26 mb/d over 2006 and an upward revision of 83,000 b/d versus the last assessment. On a quarterly basis, non-OPEC supply is expected to average 50.4 mb/d, 50.4 mb/d, 50.6 mb/d, and 51.5 respectively. The revision to the outlook is principally due to fourth-quarter 2006 baseline downward revision of around 17,000 b/d and receipt of actual data for some countries. Revisions were made to all quarters of 121,000 b/d, 71,000 b/d, 71,000 b/d and 69,000 b/d respectively. Reasons behind this month's revisions will be detailed later on this chapter.

Table 11: Non-OPEC oil supply in 2007, mb/d

	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>2007</u>	<u>Change 07/06</u>
North America	14.24	14.47	14.44	14.48	14.73	14.53	0.29
Western Europe	5.37	5.37	5.27	5.04	5.33	5.25	-0.12
OECD Pacific	0.56	0.61	0.61	0.68	0.69	0.64	0.08
Total OECD	20.17	20.45	20.32	20.21	20.74	20.43	0.26
Other Asia	2.69	2.70	2.65	2.77	2.83	2.74	0.05
Latin America	4.44	4.46	4.47	4.51	4.61	4.51	0.08
Middle East	1.77	1.74	1.74	1.73	1.72	1.73	-0.04
Africa	2.66	2.74	2.78	2.85	2.90	2.82	0.16
Total DCs	11.55	11.65	11.65	11.85	12.06	11.81	0.25
FSU	12.02	12.48	12.65	12.74	12.89	12.69	0.67
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.67	3.75	3.70	3.73	3.76	3.74	0.06
Total "Other regions"	15.84	16.37	16.50	16.62	16.81	16.58	0.73
Total Non-OPEC production	47.56	48.47	48.47	48.67	49.61	48.81	1.25
Processing gains	1.90	1.92	1.90	1.90	1.93	1.91	0.01
Total Non-OPEC supply	49.46	50.39	50.37	50.57	51.54	50.72	1.26
Previous estimate	49.46	50.27	50.30	50.50	51.47	50.64	1.18
Revision	0.00	0.12	0.07	0.07	0.07	0.08	0.08

OECD

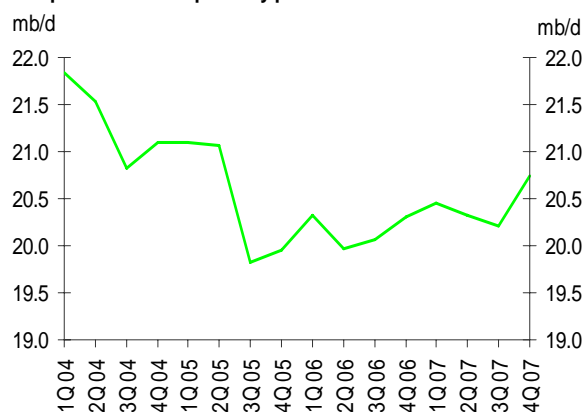
Total OECD oil supply is expected to average 20.43 mb/d, 75,000 b/d more than the last assessment and an increase of 0.26 mb/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.45 mb/d, 20.32 mb/d, 20.21 mb/d, and 20.74 mb/d respectively. March preliminary data put OECD oil supply at 20.46 mb/d, almost the same as in February. The preliminary average for the first three months stands at around 20.40 mb/d, around 49,000 b/d below the forecast first-quarter figure of 20.45 mb/d.

USA

Oil supply in the USA is expected to average 7.55 mb/d in 2007 representing an increase of 0.17 mb/d versus last year. The 4Q06 has been revised down by 37,000 b/d which results in a 2006 annual downward revision of 9,000 b/d, with no impact on the 2007 forecast.

March preliminary data show US oil supply at 7.58 mb/d, down 42,000 b/d from February. The preliminary average for 1Q07 stands at 7.60 mb/d, which is 20,000 b/d lower than the current 1Q07 forecast.

Graph 15: OECD's quarterly production



Cantarell expected to decline by 0.2 mb/d this year

Mexico and Canada

The outlook for Mexico has been adjusted upwards by 50,000 b/d due to actual data for the 1Q07. Total Mexican oil supply is expected to average 3.67 mb/d in 2007; increased production from projects in the KMZ complex is expected to replace the sharp decline in the giant Cantarell field; however, the situation should be closely monitored to see if the incremental production from KMZ is going to offset the Cantarell decline which is expected to fall between 200,000-300,000 b/d this year. Figures for the first two months of this year show that the decline in monthly crude oil production has been totally offset by NGL production to stand at 3.56 mb/d for both months — extending the figure for March will result in an 1Q07 average of 3.56 mb/d. Performance is expected to improve starting in the second quarter onwards due to new production to be put onstream from the KMZ complex.

Canadian oil supply is expected to average 3.3 mb/d in 2007, representing an increase of 0.14 mb/d over 2006. Most of this increase is expected to come from synthetic crude projects to be put onstream over the course of the year.

Western Europe

Oil supply in OECD Europe is expected to average 5.25 mb/d in 2007, representing a drop of 0.12 mb/d from the 2006 figure and an upward revision of 49,000 b/d from last month's assessment. The revision is mainly due a change in the UK base forecast of 19,000 b/d and other West Europe (mostly from Netherlands by around 20,000b/d). On a quarterly basis, total oil supply is expected to average 5.37 mb/d, 5.27 mb/d, 5.04 mb/d, and 5.25 mb/d respectively.

Norwegian oil supply is expected to average 2.7 mb/d in 2007, down 0.08 mb/d from last year and broadly unchanged from last month. The February figure shows a level of around 2.79 mb/d, a better performance than the January level of 2.75 mb/d. Extending the figure to March would result in a preliminary 1Q07 average of 2.77 mb/d which is 12,000 b/d over the 1Q07 forecast. Projects Viljie, Alveheim and Volve are expected to almost fully offset the combination of decline and heavy maintenance.

UK oil supply is expected to average 1.67 mb/d, a drop of 30,000 b/d versus last year and 19,000 b/d up from last month's assessment due to upward revisions to the base forecast. March production stands at 1.69 mb/d around 50,000 b/d less than February. Buzzard field production, which has reached a peak of 200,000 b/d, has saved the UK production from an expected sharp decline due to falling output from the mature fields.

Oil supply in Other Western Europe is expected to average 0.59 mb/d, around 30,000 b/d more than the 2006 level and 39,000 b/d higher than last month's assessment (up 22,000 b/d in the base forecast in addition to a 17,000 b/d increase for 2007).

Asia Pacific

Oil supply in the OECD Asia Pacific region is expected to average 0.64 mb/d in 2007, representing growth of 0.08 mb/d compared to last year and down 25,000 b/d from last month's assessment. On a quarterly basis, total oil supply is expected to average 0.61 mb/d, 0.61 mb/d, 0.68 mb/d and 0.69 mb/d respectively. Shutdowns in Northwestern Australia — which is home to the Carnavon Basin — due to cyclones activity affected the first-quarter figure down by around 11,000 b/d. The total outage was roughly 170,000 b/d for about one week. Australia's annual average stands at 0.59 mb/d, a minor growth of 30,000 b/d over the 2006 figure and down 21,000 b/d from last month's assessment.

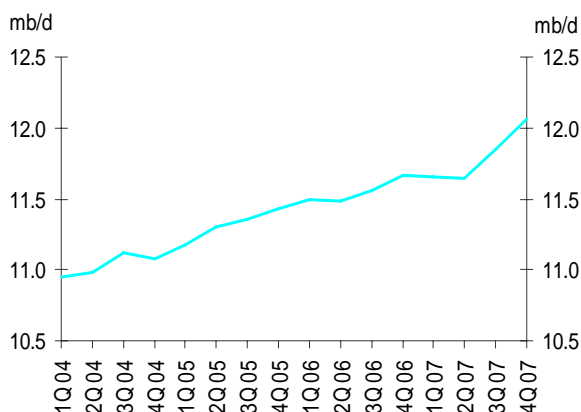
Developing Countries

DC supply growth revised down slightly to 250,000 b/d

Oil supply in the Developing Countries (DCs) is expected to average 11.81 mb/d in 2007, representing an increase of 0.25 mb/d over 2006, and 19,000 b/d less than last month's figure. On a quarterly basis, total DC oil supply is expected to average 11.65 mb/d, 11.65 mb/d, 11.85 mb/d and 12.06 mb/d respectively. Downward revisions to the base in addition to more data available for some countries played a major role in revising this month's figures. Upward revisions have been made to the outlook for Malaysia (13,000 b/d), and Other Asia (mainly for Philippines as more data become available) by 10,000 b/d, while Syria has been revised down by 34,000 b/d and Bahrain by around 8,000 b/d.

On a group basis, the Other Asia group was revised up by 23,000 b/d from the last assessment to stand at 2.74 mb/d, a growth of 0.05 mb/d over the 2006 figure, while the Middle East group was revised down by 42,000 b/d to 1.73 mb/d, a decline of 40,000 b/d from the 2006 figure, while Latin America and Africa groups stayed almost unchanged from last month's assessment at 4.51 mb/d and 2.82 mb/d respectively which represents growth over the 2006 figures of around 80,000 b/d and 160,000 b/d.

Graph 16: Developing Countries' quarterly production

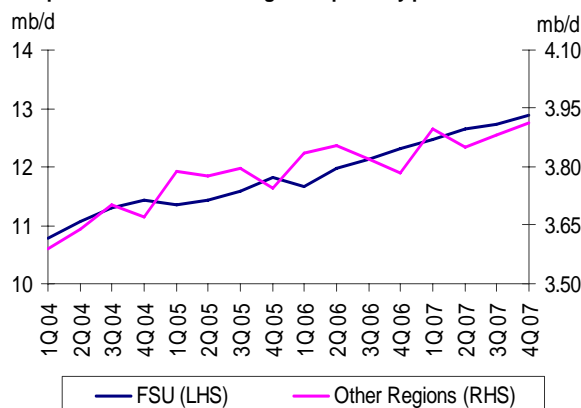


FSU oil supply growth at 670,000 b/d in 2007

FSU, Other Regions

Oil supply in the FSU is expected to average 12.69 mb/d, representing an increase of 0.67 b/d versus 2006, a downward revision of 8,000 b/d from last month. Minor upward revisions were made to 4Q06 for Azerbaijan, China was revised up by 32,000 b/d while other FSU was revised down by 8,000 b/d. On a quarterly basis, total oil supply in the FSU is expected to average 12.48 mb/d, 12.65 mb/d, 12.74 mb/d and 12.89 mb/d respectively. Other Europe remains unchanged at 0.15 mb/d compared with the 2006 figure.

Graph 17: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.97 mb/d in 2007, an increase of 0.32 mb/d versus 2006 and unchanged versus last month's estimate. On a quarterly basis, Russian oil supply is expected at 9.86 mb/d, 9.96 mb/d, 10.01 mb/d and 10.04 mb/d respectively. Preliminary figures for the first quarter show Russian performance very close to the forecast figure.

Caspian

Azeri oil supply is expected to average 0.91 mb/d in 2007, representing an increase of 0.26 mb/d versus last year. Preliminary figures for the first quarter may average 0.85 mb/d, already 11,000 b/d over the current forecast. The quarterly forecast level now is 0.83 mb/d, 0.88 mb/d, 0.95 mb/d and 0.98 mb/d respectively.

Kazak oil production is expected to average 1.40 mb/d in 2007, representing an increase of 0.1 mb/d versus last year. Preliminary data shows that the first-quarter average may easily reach 1.35 mb/d, which is 18,000 b/d less than the current forecast of around 1.37 mb/d. The quarterly supply figures are currently expected at 1.37 mb/d, 1.40 mb/d, 1.36 mb/d and 1.46 mb/d respectively.

China

Total oil supply is expected to average 3.74 mb/d in 2007, representing an increase of 60,000 b/d over last year and an upward revision of 32,000 b/d versus last month's report. The latest January figures showed that China reached the highest production level of 3.81 mb/d while the figure for February averaged 3.74 mb/d. Accordingly the 1Q07 has been revised up by 70,000 b/d to reach an average of 3.75 mb/d. The other three quarters have been revised up by 20,000 b/d each. The Changqing upgrading effect is also included in the forecast.

OPEC natural gas liquids and non-conventional oils

In 2006, OPEC NGLs and non-conventional oils averaged 4.27 mb/d, representing an increase of 0.22 mb/d over the previous year. In 2007, the expected growth for OPEC NGLs is 0.17 mb/d to average 4.44 mb/d.

OPEC NGLs up 170,000 b/d in 2007

Table 12: OPEC NGL + non-conventional oils - 2004-2007

	2004	2005	Change				2006	Change		Change	
			05/04	1Q06	2Q06	3Q06	4Q06	06/05	2007	07/06	
Total OPEC	4.02	4.04	0.02	4.18	4.22	4.33	4.33	4.27	0.22	4.44	0.17

OPEC crude oil production

OPEC crude output averaged 29.96 mb/d in March

Total crude oil production averaged 30.03 mb/d in March, a gain of 37,200 b/d over February, according to secondary sources. OPEC-10 production averaged 26.37 mb/d or 66,800 b/d lower than in February. Iraq's oil production averaged 2.05 mb/d, around 52,100 b/d over the February figure, while Angola's oil production stands at 1.60 mb/d. Total OPEC crude production in the first quarter averaged 29.99 mb/d.

Table 13: OPEC crude oil production based on secondary sources, 1,000 b/d

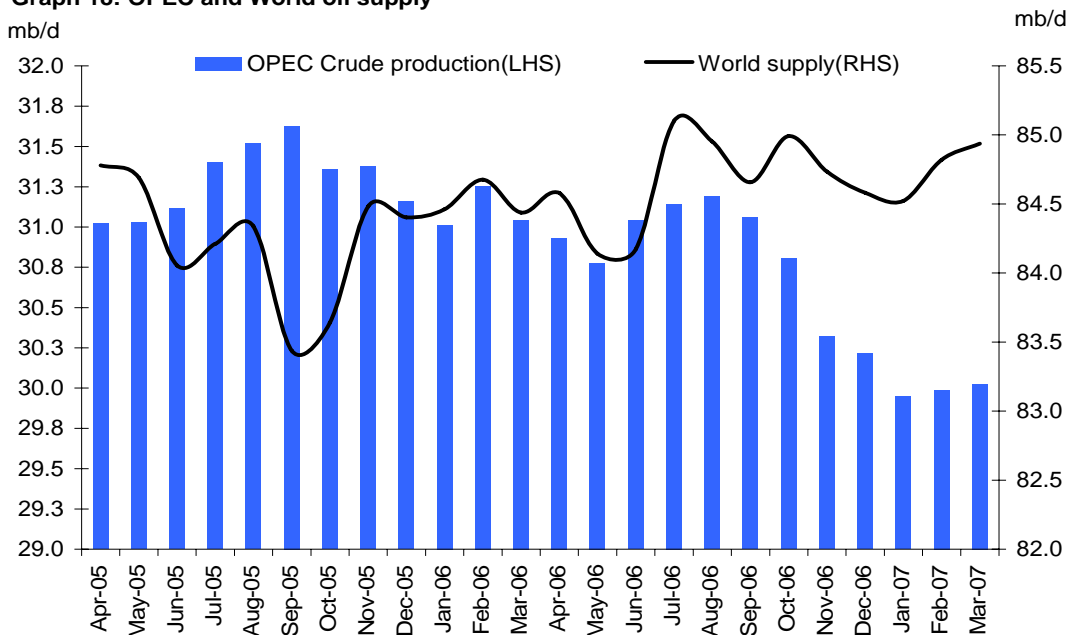
	2005	2006	3Q06	4Q06	1Q07	Jan07	Feb07	Mar07	Mar/ Feb
Algeria	1,349	1,366	1,361	1,359	1,339	1,345	1,331	1,340	9.2
Angola	1,251	1,402	1,426	1,423	1,554	1,510	1,550	1,602	52.0
Indonesia	942	896	882	866	858	865	854	855	0.8
Iran, I.R.	3,924	3,845	3,910	3,821	3,770	3,802	3,768	3,740	-28.3
Iraq	1,830	1,932	2,061	1,949	1,915	1,697	2,002	2,054	52.1
Kuwait	2,504	2,504	2,506	2,465	2,422	2,452	2,415	2,400	-15.0
Libya, S.P.A.J.	1,642	1,702	1,719	1,709	1,685	1,688	1,685	1,683	-2.5
Nigeria	2,412	2,235	2,220	2,251	2,202	2,222	2,215	2,170	-45.0
Qatar	792	822	834	816	796	803	790	795	5.0
Saudi Arabia	9,390	9,116	9,135	8,787	8,566	8,658	8,527	8,510	-16.7
UAE	2,447	2,538	2,573	2,517	2,471	2,492	2,454	2,466	12.1
Venezuela	2,633	2,539	2,504	2,485	2,408	2,416	2,397	2,411	13.7
OPEC excl. Iraq	29,285	28,966	29,071	28,499	28,072	28,251	27,986	27,972	-14.8
OPEC excl. Angola & Iraq	28,035	27,564	27,645	27,076	26,518	26,741	26,436	26,370	-66.8
Total OPEC	31,115	30,897	31,132	30,448	29,987	29,948	29,988	30,025	37.2

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures for March indicate that world oil supply averaged 84.94 mb/d. OPEC crude share was estimated at 35%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 18: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports averaged 8.65 mb/d in 2006, an increase of 0.52 mb/d over the previous year. In 2007, total net oil exports are expected to average 8.83 mb/d representing an increase of 0.63 mb/d over 2006. The forecast has been revised down slightly from the last assessment.

Current trends

Actual figures for the month of January indicate that total crude exports from the FSU were 6.62 mb/d or around 440,000 b/d over the January figure. Russian pipeline exports increased around 72,000 b/d, with gains in the Baltic and Druzhba pipelines offsetting declines in the Black Sea pipeline. The CPC pipeline increased significantly by around 173,000 b/d over the January figure.

Table 14: FSU estimated net oil exports (historical and forecast), mb/d

	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>Year</u>	<u>Growth (v-o-v)</u>
2003	5.87	6.75	6.72	6.61	6.49	0.91
2004	7.17	7.30	7.38	7.37	7.31	0.82
2005	7.45	7.69	7.76	7.85	7.69	0.38
2006 (forecast)	7.98	8.41	8.29	8.10	8.20	0.50
2007 (forecast)	8.65	9.11	8.92	8.64	8.83	0.63

Table 15: Recent FSU exports of crude and products by source, mb/d

	<u>2005</u>	<u>2006</u>	<u>2Q06</u>	<u>3Q06</u>	<u>4Q06</u>	<u>Jan 07</u>	<u>Feb 07*</u>
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,291	1,318	1,224	1442	1400
Baltic	1,462	1,553	1,671	1,575	1,495	1613	1676
Druzhba	1,315	1,288	1,355	1,251	1,186	1103	1154
Total	4,112	4,129	4,317	4,144	3,905	4,158	4,230
Other routes							
Russian rail	416	313	319	307	316	351	333
Russian - Far East	65	84	43	106	128	220	262
Kazak rail	17	31	30	23	17	17	19
CPC pipeline	648	661	672	670	677	625	798
Caspian	295	396	446	408	332	308	363
<i>of which</i>							
Supsa (AIOC) - Georgia	137	114	151	140	30	5	0
Batumi - Georgia	140	177	186	152	177	161	212
Total**	1,441	1,702	1,510	1,839	1,967	2,023	2,391
Total crude exports	5,553	5,831	5,826	5,983	5,872	6,181	6,621
Products							
All routes							
Fuel oil	836	861	938	819	854	742	884
Gasoil	759	841	809	854	812	611	782
Others	575	662	835	654	593	565	563
Total	2,170	2,386	2,582	2,327	2,258	1,918	2,229
Total oil exports	7,723	8,217	8,408	8,310	8,130	8,099	8,850

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.

* Preliminary.

** Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.

Product Markets and Refinery Operations

Product markets saw further gains over the last few weeks

A combination of a prolonged winter in the USA with other bullish factors including planned and unplanned refinery outages in the Atlantic Basin, higher demand for light distillates and gasoline stock-draws in the USA underpinned product market momentum and lifted refinery margins across the globe in March (see *Graph 19*). In the USA, due to less strength of the WTI crude oil compared to other benchmarks, product market performance outpaced crude oil market gains, and refinery margins for WTI in the Gulf Coast surged significantly to \$11.13/b from \$4.22/b in February.

European refiners also benefited from the persistent bullish market sentiment, and benchmark Brent crude oil margins soared to \$5.34/b in March from \$3.86/b in the previous month. Similarly, Asian refinery margins followed suit soaring to \$5.41/b from \$4.12/b in the previous month.

Due to falling US gasoline stocks in recent weeks and continuing refinery maintenance in the Atlantic Basin, the persisting bullish sentiment of the product markets may continue in the very short term supporting crude prices. However, with the completion of the refinery maintenance and increase in output, product markets may lose some of their current bullish momentum in the near term.

Refinery operations adversely affected by unplanned refinery outages

At the beginning of this year, refinery operations had been negatively affected by the poor economics of the refining industry. When market momentum switched and refinery margins rose, the refinery utilization was expected to improve further, especially in the USA, compared to the same period last year. This expectation was reinforced by lower planned refinery maintenance and higher demand for light distillate products. As *Graph 20* shows, a combination of refinery snags and scheduled refinery maintenance has caused the refinery utilization rate in the USA to remain at about 84% in March. The refinery

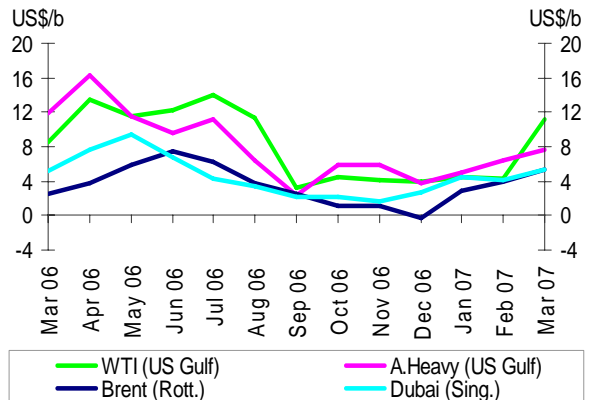
utilization rate in the USA may surge in the next months. In Europe, refinery operations were also negatively affected by the maintenance schedule and a general strike at the refinery hub at Lavera. The European refinery rates plummeted by 4.1% compared to the previous month to reach 82.5%. In Asia, refinery turnarounds will begin this quarter. However, the Japanese refinery utilization was almost 5% lower than the same month last year, but remained unchanged compared to February, recording 98.8%.

US market

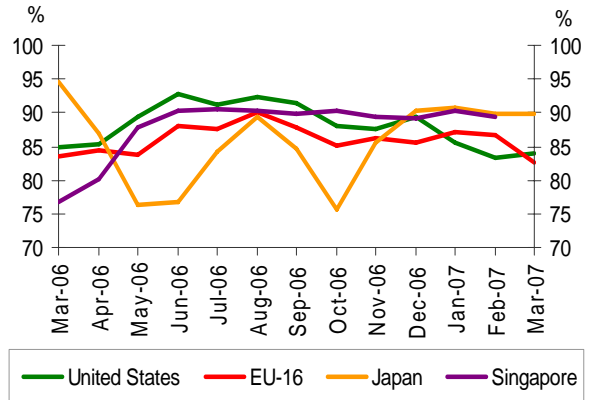
Unseasonably strong performance of the gasoline market raised early concern about gasoline supply in the driving season

Following gasoline stock-draws over the last couple of weeks, market players increased long positions in the gasoline futures market and gasoline prices rose both in the futures and physical markets. As *Graph 21* indicates, the gasoline crack spread against benchmark WTI crude oil surged to \$32.96/b in late March from \$19.54/b earlier in the same month. Extensive planned and unplanned refinery turnarounds, higher demand, lower domestic output and lower imports have contributed to such significant positive developments in the gasoline market.

Graph 19: Refiners' margins



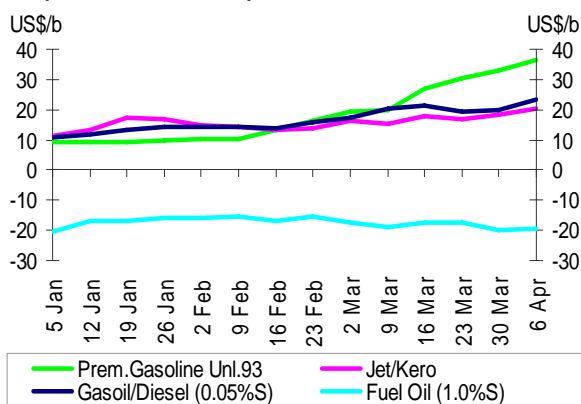
Graph 20: Refinery utilization



Although this situation triggered concern about potential gasoline supply shortages in the upcoming driving season, however, with completion of refinery turnarounds, the US gasoline inventory position is expected to become less tight in the next months. As a result, the current bullish momentum of the gasoline market is expected to ease.

Recent refinery snags along with the continuation of cold weather in the US Northeast have also provided more support for middle distillate and crude oil markets. As demonstrated in **Graph 21**, the low-sulphur gasoil crack spread versus WTI reached about \$20/b in March from around \$14.50/b in the previous month. By the end of the winter season, heating oil may lose its strength, but higher demand from the agricultural sector might lend support to the diesel market, which is the major share of middle distillate components.

Graph 21: US Gulf crack spread vs. WTI, 2007



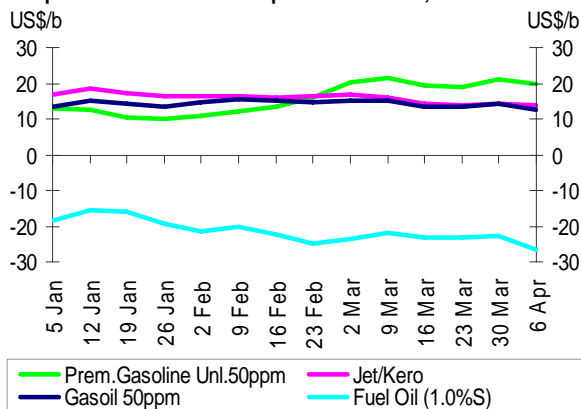
Despite the good performance of the top and the middle part of the barrel complex, the fuel oil market was relatively weak in the USA, and its discount against WTI widened further in March compared to the previous month. Bearish developments of the US fuel oil are likely to continue over the coming months.

European market

European product markets performed well in March

European product markets have benefited from favourable arbitrage opportunities to the USA and Asia, which in turn led to a better achievement of different components of the barrel complex. As **Graph 22** shows, the European gasoline crack spread versus benchmark Brent crude oil has surged sharply since the middle of February, reaching about \$20/b in late March. Apart from arbitrage opportunities, refinery snags and a general strike at the Lavera oil hub also contributed to bullish developments in the European gasoline and naphtha markets.

Graph 22: Rotterdam crack spreads vs. Brent, 2007



The current bullish momentum in the light distillate product market has also lifted European distillate prices in the physical and the futures markets. As **Graph 22** shows, the gasoil crack spread against Brent in the Rotterdam market has recovered from its earlier losses exceeding \$14/b in late March. With the approaching holiday season, the European distillate market may remain relatively strong over the next months.

As far as the fuel oil market is concerned, European market sentiment improved due to more favourable arbitrage opportunities to Asia and the export of a large volume of high-sulphur fuel oil to Asia. Despite the recent improvement in the European fuel oil market, the fuel oil crack spread against Brent is expected to remain at a relatively high discounted level.

Asian market

Asian refinery margins further consolidated previous upward trend

Positive developments in the US market overwhelmed the bearish developments in the Asian gasoline market and lifted gasoline prices in Singapore in March. As shown in **Graph 23**, the gasoline crack spread against benchmark Dubai crude oil surged to above \$17/b in late March from around \$13/b in the same period last month. With the start of seasonal refinery turnarounds, the current bullish sentiment may persist. However, with

the completion of refinery maintenance, the gasoline market may lose its current strong ground.

Apart from gasoline, the naphtha market also helped to drive the Asian product markets. With rising Indian exports and the approaching cracker maintenance period, the bullish momentum of the naphtha market has eased recently, but market players believe that it might rebound in the second half of the year.

The Asian distillate market, which has been negatively affected by the unusually warm weather, also turned slightly bullish due to steady Indonesian demand and the expected refinery maintenance, which could tighten regional supplies. This situation has lent support to the gasoil price, and its crack spread versus Dubai soared by about \$3/b, reaching \$18.69/b in the last week of March.

In the high-sulphur fuel oil market, spot prices have improved sharply in March, but its crack spread against Dubai remained wide. A combination of refinery maintenance, higher demand and lower supply may provide further support to the Asian fuel oil market over the next two months.

Graph 23: Singapore crack spreads vs. Dubai, 2007

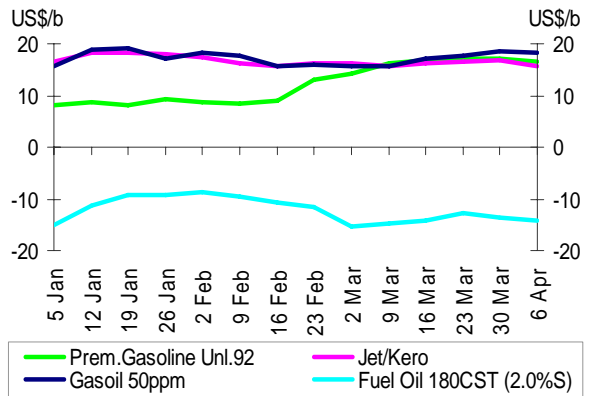


Table 16: Refined product prices, US\$/b

		<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change Mar/Feb</u>
US Gulf (Cargoes):					
Naphtha		58.86	67.27	77.28	10.01
Premium gasoline	(unleaded 93)	64.00	72.96	87.62	14.66
Regular gasoline	(unleaded 87)	59.14	68.21	78.24	10.03
Jet/Kerosene		69.47	73.44	77.64	4.20
Gasoil	(0.05% S)	67.48	74.13	80.63	6.50
Fuel oil	(1.0% S)	37.35	43.10	42.23	-0.87
Fuel oil	(3.0% S)	36.41	40.24	40.59	0.35
Rotterdam (Barges FoB):					
Naphtha		66.59	72.25	79.22	6.97
Premium gasoline	(unleaded 50 ppm)	65.11	71.76	82.57	10.81
Premium gasoline	(unleaded 95)	57.91	63.82	73.57	9.75
Jet/Kerosene		70.78	73.96	76.82	2.86
Gasoil/Diesel	(50 ppm)	67.79	72.51	76.23	3.72
Fuel oil	(1.0% S)	36.04	34.67	39.24	4.57
Fuel oil	(3.5% S)	33.81	37.99	40.35	2.36
Mediterranean (Cargoes):					
Naphtha		54.77	59.53	65.29	5.76
Premium gasoline	(50 ppm)	64.62	71.82	82.23	10.41
Jet/Kerosene		68.40	71.65	74.64	2.99
Gasoil/Diesel	(50 ppm)	66.93	70.87	74.98	4.11
Fuel oil	(1.0% S)	34.63	38.20	41.45	3.25
Fuel oil	(3.5% S)	34.49	37.30	40.93	3.63
Singapore (Cargoes):					
Naphtha		56.79	63.81	70.56	6.75
Premium gasoline	(unleaded 95)	61.59	66.80	76.62	9.82
Regular gasoline	(unleaded 92)	60.31	65.73	75.52	9.79
Jet/Kerosene		69.66	71.77	75.02	3.25
Gasoil/Diesel	(50 ppm)	69.71	72.22	75.94	3.72
Fuel oil	(180 cst 2.0% S)	41.23	44.95	46.26	1.31
Fuel oil	(380 cst 3.5% S)	40.24	43.70	45.48	1.78

Table 17: Refinery operations in selected OECD countries

	Refinery throughput				Refinery utilization			
	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Mar/Feb</u>	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Mar/Feb</u>
USA	14.79	14.40	14.50	0.10	85.6	83.4	84.0	0.60
France	1.75	1.83	1.57	-0.26	89.5	93.2	79.9	-13.30
Germany	2.21	2.24 R	2.14	-0.10	91.6	92.7 R	88.6	-4.10
Italy	1.88 R	1.90 R	1.84	-0.06	80.6 R	81.4 R	78.6	-2.80
UK	1.53	1.45 R	1.53	0.08	81.1 R	76.7 R	81.1	4.40
Eur-16	12.23 R	12.16 R	11.59	-0.57	87.1 R	86.6 R	82.5	-4.10
Japan	4.25	4.20 R	4.20	0.00	90.8	89.8 R	89.8	0.00

R Revised since last issue.

Sources: OPEC statistics; Argus; Euroilstock Inventory Report; IEA.

The Tanker Market

OPEC spot fixtures rose on the back of increased activities

According to preliminary data, OPEC spot fixtures rose slightly in March after a large decrease in February. Middle East fixtures gained around 0.47 mb/d, partially due to increased activities to the East. When compared to the same month last year, global fixtures declined by around 3% despite a 0.5 mb/d increase over the previous month. Non-OPEC spot fixtures rose around 6% to average 7.13 mb/d in March. OPEC's share of total spot chartering remained steady at 65%.

OPEC sailings were steady in March with a minor decline averaging 22.22 mb/d. On an annual basis, OPEC sailings showed a decline of 8%. Similarly, Middle East sailings were steady with a minor drop, according to preliminary data. Initial estimates indicate that US and Caribbean arrivals increased 25% in March to average 10.6 mb/d as refiners prepared for the summer driving season. The increase, displaying a y-o-y growth of 10%, partially offset the sharp decline in arrivals noticed in February.

Table 18: Tanker chartering, sailings and arrivals, mb/d

	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change Mar/Feb</u>
Spot Chartering				
All areas	21.59	19.40	19.91	0.50
OPEC	13.93	12.67	12.77	0.10
Middle East/east	6.14	5.17	5.85	0.68
Middle East/west	1.51	1.68	1.47	-0.21
Sailings				
OPEC	22.43	22.31	22.22	-0.09
Middle East	16.85	16.94	16.88	-0.07
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.59	8.47	10.59	2.11
North West Europe	7.20	7.76	8.14	0.38
Euromed	4.07	4.70	5.26	0.56

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

VLCC spot freight rates increased, Suezmax fell, and Aframax rates were mixed

The tanker market for crude oil showed a mixed pattern in March with spot freight rates for VLCCs experiencing gains long awaited by ship-owners to reach a four-month high. In contrast, spot freight rates for Suezmax decreased to reach a four-month low in March. Aframax tanker rates were divided between gains and losses, ranging between a decrease of 13% and an increase of 35%. In the VLCC sector, the increase in Middle Eastern fixtures transferred the market from steady to declining into a more bullish one. Additionally, the drop in vessel availabilities compared to the previous month helped VLCC spot rates to gradually increase on average from WS72 at the beginning of March to WS92 at the end of the month. All major reported routes experienced an increase with voyages from the Middle East rising more than those from West Africa. Rates for VLCCs trading on the Middle East/eastbound long-haul route increased WS26 points or 36% to average WS99, the highest level since September 2006. The increase indicates an annual growth of 18%, the only one so far in 2007, driven by the above factors and the noticeably healthy demand for tonnage reported from South Korea.

Bullish sentiments affected west-bound shipments where US refineries, coming back on stream and gearing up for the approaching driving season, were competing to secure tonnage to transfer their volumes. Additionally, falling WTI/Brent differentials posted a less-attractive note making Brent-priced crude less competitive in the USA and resulting in less US imports from NW Europe and West Africa and more from the Middle East. Accordingly, VLCCs trading on the Middle East/westbound routes increased 39% from the previous month to average WS73 in March, indicating a steady y-o-y state. Similar to the rate for eastern destinations, rates on the Middle East/westbound route increased gradually throughout March to register WS80 at the end of the month. In West of Suez, VLCCs moving volumes from West Africa to the east experienced a minor increase of WS6 from the previous month to average WS84, similar to the rates last October and indicating a 10% decline from the same month of last year.

In contrast, Suezmax owners were under pressure and were compelled to accept lower rates to secure employment. March started with a decline in Suezmax rates on major reported routes

where limited activities and ample tonnage dictated the bearish sentiments. Suezmax spot freight rates increased in the second half of March, as availability shrank toward the end of the month on the back of the strike at the French port of Marseille as well as various delays and congestions. However, this was not enough to close the month with a steady average position. In addition, the decline of WTI/Brent differentials supported exports from West Africa to the East or North-West Europe hence adding to the bearish sentiments to the Suezmax market. Accordingly, Suezmax spot freight rates moving volumes from West Africa to the US Gulf Coast fell 12% to average WS117 in March, the lowest level since April. Similarly, and particularly influenced by WTI/Brent differentials, the rates for Suezmax trading from NW Europe to the USA decreased 18% to average WS114, the lowest level in four months and indicating an annual decline of 6%.

In March, the Aframax sector displayed a mixed pattern with spot freight rates for cargoes sailing from the Mediterranean increasing but decreasing from other points. The month started with all reported routes declining as the bearish sentiments generally spread along different regions, with the lack of tonnage demand taking centre stage supported by increased vessel availabilities and limited activities. The same factors supported similar sentiments in the Aframax sectors into the first half of March in almost all regions with the Caribbean and the Mediterranean influencing one another. However, the strike at Marseille coupled with congestion in Italy created a lack of prompt availability, spurring rebound of Aframax spot freight rates in the Mediterranean.

Worldscale rates for Aframax moving volumes from and within the Mediterranean or to NW Europe more than doubled in the last week of March compared to the first week to average WS154 and WS151 for the month. Spot freight rates for Aframaxes moving volumes on the Caribbean/US route continued to decrease, yet the distribution caused by the strike halted the gradual decline and held rates steady at the end of the month. The average spot freight rates in March for Aframaxes on the Caribbean/US route averaged WS184 indicating an annual decline of 17%. The closure of the high-sulphur fuel oil arbitrage from the USA to Singapore prompted increased volumes of Middle East fuel oil to Singapore hence utilizing more Aframaxes on that route and limiting availability for the Indonesian/US trade at the end of the month. As a result, spot freight rates rose at the end of March. Although the rise was not sufficient to close the average at a steady position, rates on this route averaged WS126, showing an annual decline of 3%.

Table 19: Spot tanker freight rates, Worldscale

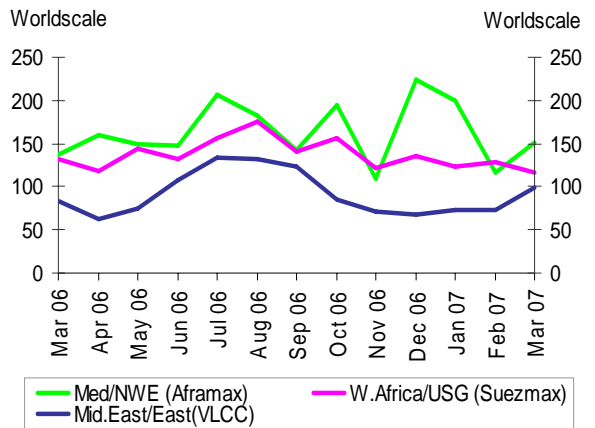
	Size 1,000 DWT	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change Mar/Feb</u>
Crude					
Middle East/east	230-280	73	73	99	26
Middle East/west	270-285	54	52	73	21
West Africa/east	260	72	79	84	5
West Africa/US Gulf Coast	130-135	124	129	117	-12
NW Europe/USEC - USGC	130-135	149	139	114	-25
Indonesia/US West Coast	80-85	152	136	126	-10
Caribbean/US East Coast	50-55	178	213	184	-29
Mediterranean/Mediterranean	80-85	206	113	154	41
Mediterranean/North-West Europe	80-85	199	117	151	34
Products					
Middle East/east	30-35	189	162	184	22
Singapore/east	30-35	262	182	187	6
Caribbean/US Gulf Coast	38-40	263	285	356	72
NW Europe/USEC - USGC	33-37	240	267	345	78
Mediterranean/Mediterranean	30-35	245	261	275	14
Mediterranean/North-West Europe	30-35	255	271	285	14

Source: Galbraith's Tanker Market Report and Platt's.

Product spot freight rates increased on all reported routes

The clean tanker market enjoyed gains on all reported routes with increases in spot freight rates ranging from 3% to 30%. West of Suez rates continued to rise for the second month and East of Suez owners finally saw some light in March. Spot freight rates for product tankers moving volumes from the Caribbean to the USA began the month with a rise as activities increased on the back of cold weather in the early part of the month in Northeast America. Rates were sustained throughout the month showing a gradual increase backed by limited tonnage. Spot freight rates on the Caribbean to USA route rose 25% to average WS356, indicating y-o-y growth of 53%, the highest annual growth for freight rates achieved in March.

Graph 24: Monthly averages of crude oil spot freight rates



Similarly, vessel availability affected spot freight rates from NW Europe to the USA, with gasoline arbitrage to the USA placing a cap on freight rates as arbitrage levels maintained a floor. Additionally, the strike at Marseille as well as delays in the USA and Africa further limited tonnage availability. Accordingly, spot freight rates for clean tankers moving volumes from NW Europe to the USA increased 29% from the previous month, the largest increase for March, averaging WS345, the highest level since October 2005.

In the Mediterranean, clean spot freight rates within the Mediterranean and to NW Europe rose a moderate WS14 from the previous month to average WS275 and WS285, respectively. While the strike reduced tonnage availability, limited activities prevented any sharp rate increase leaving the monthly average moderately higher. In the East, rates have rebounded from the previous month, supported by the increased naphtha export from the Middle East to Asia as well as the trans-Pacific arbitrage mainly for gasoline and jet fuel from Asia to the US West Coast prompted by refinery outages. Similarly, diesel arbitrage from Asia to Europe coupled with healthier Australian demand all created a flurry of activities, which supported clean spot freight rates from the beginning of March. Rates sustained a steady level for the month, despite the change of some of the above factors. Accordingly, clean spot freight rates increased by 14% and 3% on voyages to the East from the Middle East and Singapore to average WS184 and WS187 respectively, indicating a y-o-y decline of around 10%.

Oil Trade

OECD total net oil imports were 2% less in February from the previous month, yet up 6% over the same month last year

OECD

OECD crude oil imports were steady in February with a minor decline of less than 1% from the previous month to average 31.2 mb/d, according to preliminary estimates. Despite this minor decline, crude oil imports indicated annual growth of 9% compared to the same month last year. While Japanese and Europe's crude imports partially increased in February, the rise was not sufficient to offset the decline in US imports on the back of refinery shutdowns/outages and the OPEC cut in February. Product imports remained unchanged in February averaging 10.5 mb/d, with imports from Japan and Europe increasing in February to offset the decline in US product imports. The steady state of product imports showed y-o-y growth of 2%.

Regarding exports, according to the estimated data, OECD crude oil exports increased 3% over the previous month to average 7.3 mb/d in February. Similarly, product exports increased in February by 3% to average 9.0 mb/d. Product exports in February indicated annual growth of 6%.

Consequently, total OECD net oil imports averaged 25.3 mb/d, a decrease of 2.26% over the previous month but 6% higher than the same month last year. Net product imports decreased 15% in February on both a monthly and annual basis.

Table 20: OECD Crude and Product Net Imports/(Exports), tb/d

	<u>Dec 06</u>	<u>Jan 07</u>	<u>Feb 07</u>	<u>Change Feb/Jan</u>
Crude oil	23,898	24,212	23,887	-325
Total products	1,584	1,699	1,439	-260
Total crude and products	25,482	25,911	25,326	-585

Saudi Arabia and Russia remained the main suppliers of OECD crude oil with around 20% each, followed by Venezuela with 12%. The UAE and Iran came next with 9% and 8% respectively. Russia's share in OECD crude oil imports increased 3 percentage points compared with the previous month. For products, Russia remained the top product supplier with its share steady at 19% followed by Saudi Arabia with 11%.

USA

US net oil imports rose 8% to 12.3 mb/d in March supported by increased crude and product imports

US crude oil imports, according to preliminary data, increased in March by 6% or 0.5 mb/d to be shy of the 10.0 mb/d figure. Refiners imported more crude in preparation for the coming summer driving season. Despite the increase in imports, crude prices halted imports where WTI/Brent differentials closed Brent-related arbitrage to the USA on some occasions. On an annual basis, crude import registered a 1.5% increase compared to the same month last year. In the same way, product imports increased 335,000 b/d or 11% over the previous month and 481,000 b/d or 16% over a year ago to average 3.5 mb/d. Refinery outages in different parts of the USA supported the increase of product imports. Residual fuel oil and gasoline imports rose by around 175,000 b/d while distillate fuel oil imports fell 50,000 b/d in March compared to the previous month. Product prices influenced imports, in some circumstances limiting them by closing arbitrage opportunities, such as NW Europe gasoline.

On the export side, US product exports were steady averaging 1.19 mb/d in March with a minor decline of 2.5%. High freight rates closed the high-sulphur fuel oil arbitrage from the USA to Singapore which, coupled with refinery outages, helped create the export level experienced in March. However, when compared to the same month last year, product exports represented a growth of 4%.

Table 21: USA Crude and Product Net Imports/(Exports), tb/d

	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change Mar/Feb</u>
Crude oil	10,170	9,428	9,948	520
Total products	1,975	1,985	2,350	365
Total crude and products	12,145	11,413	12,298	885

With crude oil exports unchanged and product exports decreasing 30,000 b/d, total US net oil imports averaged 12.3 mb/d, a rise of around 8% from the previous month, showing y-o-y growth of 5%.

Canada with 20% and Saudi Arabia 19% remained the main suppliers of US crude oil. Mexico came next with 15% followed by Venezuela with 12%. Nigeria and Algeria followed with 11% and 6%, respectively. On the product side, the situation remained unchanged with Canada and the Virgin Islands continuing to be the main sources of US product imports.

Japan

Japan's net oil imports increased 5% to average 4.9 mb/d in March as crude oil imports soared and product exports declined

In March, Japan's crude oil imports increased 5% or 160,000 b/d to average 4.7 mb/d. The increase is partially due to the preparation for the upcoming maintenance season which is expected to remove around 26% of the country's refining capacity. Although increasing relative to the same month last year, monthly crude oil imports indicated a decline of around 5% or 237,000 b/d. Product imports decreased 6% to average 591,000 b/d, displaying a y-o-y growth of 5%. The cold weather that affected parts of Japan early in the month prompted demand for winter products, but did not stop refiners from continuing to clear winter products stocks, mainly kerosene and gasoil, in preparation for the maintenance season.

At the same time, preliminary data show that product exports declined from the previous month. February product export levels were high as refiners were trying to dispose of high winter products stocks, hence causing healthy March product exports to appear weak. However, despite the monthly decline, Japan's product exports indicated an annual growth of 15%. While exports of middle distillate increased, fuel oil decreased on the back of lighter crude refinery runs.

Accordingly, Japan's total net oil imports in March hit 4.9 mb/d, with a 5% increase over the previous month, driven mainly by the increase in crude oil imports. The increase was still short of the 5% needed to equal the net oil import level reached in the same month last year.

Table 22: Japan's Crude and Product Net Imports/(Exports), tb/d

	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change Mar/Feb</u>
Crude oil	4,313	4,550	4,710	160
Total products	260	155	213	58
Total crude and products	4,572	4,705	4,923	218

For the sources of imports, UAE and Saudi Arabia with 28% and 22% were the largest suppliers accounting for 50% of Japan's total crude oil imports. Both the UAE and Saudi Arabia remained the top product suppliers of Japan with 13% and 10% respectively. Iran followed in third place with 11%, Qatar and Kuwait came next with 9% each.

China

China's net oil imports fell 4% to average 3.68 mb/d in February, driven by lower product imports

Preliminary data show that China's crude imports dropped 70,000 b/d in February to average 3.16 mb/d while crude production remained relatively steady. Compared to the previous month, product imports in February declined by around 15% or 145,000 b/d to average 812,000 b/d. Product imports indicated a y-o-y decline of around 15%. China imported less naphtha in February due to high prices. Similarly, jet fuel imports declined on the back of increased domestic production. The low demand by power plants and refiners utilizing fuel oil which was influenced by the Chinese New Year, along with high prices, drove fuel oil imports to decline in February. Total oil imports were just shy of the 4.0 mb/d figure in February, yet, despite the monthly decline, China's total oil imports displayed an annual growth of 4% in February.

There were no crude oil exports from China in February, while product exports remained steady, averaging 290,000 b/d, indicating a y-o-y decline of 17%. China's increase in naphtha and fuel oil exports in February to take advantage of the high prices was offset by the decrease in gasoline exports, leaving net exports steady from the previous month.

Table 23: China's Crude and Product Net Imports/(Exports), tb/d

	<u>Dec 06</u>	<u>Jan 07</u>	<u>Feb 07</u>	<u>Change Feb/Jan</u>
Crude oil	2,517	3,162	3,163	1
Total products	347	677	523	-154
Total crude and products	2,864	3,838	3,685	-153

As crude oil exports trimmed to flat and product exports remained steady, China's total net oil imports averaged 3.68 mb/d. This represented a decrease of 4% from the previous month and indicating a growth of 6% over a year ago. Crude oil net imports remained steady on both a monthly and annual basis.

Imports from Angola and Iran dropped from 15-16% in January to 8-9% in February, reflecting competition from other crude, mainly from Oman which topped the supplier list in February with 15%, followed by Saudi Arabia with 14%. Russia's share went down from 13% to 9% while Sudan's and South Africa's shares increased 2 and 5 percentage points to stand at 8% and 6% respectively.

India

In February, India's crude oil imports were steady at 2.26 mb/d while net oil imports averaged 1.93 mb/d

India's crude oil imports remained unchanged from the previous month, averaging 2.26 mb/d in February. When compared to last year, crude oil imports showed an increase of only 1% or 23,000 b/d. Product imports increased by 55,000 b/d, yet the rise was not sufficient to offset the decline experienced in the previous month. On the export side, product exports increase 15% to average 662,000 b/d in February. When compared to the same month last year, India's total product exports displayed an increase of around 28%. The rise in product exports came partially from increased naphtha exports as prices were encouraging.

Table 24: India's Crude and Product Net Imports/(Exports), tb/d

	<u>Dec 06</u>	<u>Jan 07</u>	<u>Feb 07</u>	<u>Change Feb/Jan</u>
Crude oil	2,266	2,253	2,260	6
Total products	-158	-294	-326	-32
Total crude and products	2,108	1,959	1,934	-26

Accordingly, India's net oil imports in February went through a similar cycle as in the previous month with net oil imports remaining steady with a minor decline of around 26,000 b/d compared to the previous month to average 1.93 mb/d. India's net oil imports in February indicated around 2% growth from the same month last year. Despite the price cut for retail gasoline and diesel announced by the Indian government, demand in February was reported to be steady as the heavy rains and various disruptions in the south caused by strikes halted consumption.

Stock Movements

US commercial stocks declined by 4.8 mb, but remained above the five-year average at end-March

USA

US total commercial oil stocks fell 4.8 mb or 0.5% to stand at 982 mb at end-March. This corresponded to 2.3% below the same period of the previous year but 3% above the five-year average.

Crude oil stocks rose 8 mb or 0.26 mb/d to 333 mb, down 3% from a year earlier but remained 6% above the five-year average. In contrast, product stocks fell 13 mb to 650 mb, the lowest level since mid-2004. The drop in product stocks was driven essentially by gasoline inventories, which declined for the eighth consecutive week to stand at 205 mb, 15 mb below the previous month and 4% down from a year earlier. Gasoline stocks dropped during the last week of March falling 5.0 mb to stand below the five-year average for the first time this year. The continuous build in crude oil stocks and a draw on product inventories can be attributed essentially to lower refining throughput resulting from seasonal refining maintenance and unexpected supply disruptions from unplanned refinery outages which took place in several refineries in the USA during February and March. In addition, lower imports and healthy demand for gasoline have contributed to the drop in gasoline stocks. The refinery utilization rate in the USA averaged less than 87% in March compared with around 90% in the corresponding month of previous years, although 2006 was an exception due to hurricane damage to the refining infrastructure.

On the import side, crude oil imports increased to 10 mb/d in March, compared with 9.8 mb/d a year earlier and less than 9.5 mb/d in the previous month. This led to growing stocks, which was reflected in Cushing, Oklahoma, where stocks were near full capacity. In contrast, gasoline imports were below their year-earlier level. On the demand side, gasoline consumption has remained healthy so far this year, 1.7% higher than a year earlier according to preliminary estimates. Distillate stocks, essentially heating oil, also dropped 5.4 mb, to 118 mb, due to strong demand supported by cold weather in the Northeast. Nevertheless, despite this decline, distillate stocks remained 7% above the five-year average. In contrast, jet fuel and residual fuel oil stocks increased by 3.1 mb and 0.1 mb respectively to stand at around 40 mb each.

Table 25: US onland commercial petroleum stocks, mb

	Change					
	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Mar 07 /Feb 07</u>	<u>Mar 06</u>	<u>6 Apr 07*</u>
Crude oil	323.7	324.8	332.9	8.2	342.4	333.4
Gasoline	227.9	220.2	205.2	-15.0	209.5	199.7
Distillate fuel	139.5	123.4	118.0	-5.4	120.1	118.1
Residual fuel oil	42.3	35.7	38.8	3.0	41.7	39.4
Jet fuel	39.1	40.2	40.3	0.0	41.9	40.8
Total	1,034.7	986.9	982.1	-4.8	1,005.6	981.9
SPR	688.6	688.6	688.6	0.0	686.1	688.7

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

Source: US Department of Energy's Energy Information Administration.

The latest data show that US crude oil stocks rose 0.7 mb to stand at 333.4 mb in the week ending 6 April. At this level, US crude oil stocks showed a surplus of 21 mb or 7% against the five-year average. The abundance of crude oil stocks was the result of continuously lower refining throughput. In contrast to crude oil, gasoline stocks dropped a hefty 5.5 mb to settle below 200 mb. With nine consecutive declines, US gasoline stocks went 3% below the five-year average. Gasoline stocks have declined 27.5 mb over the previous nine weeks. It is worth noting that in the week ending 6 April, crude oil stocks reached their highest level since the beginning of December, while gasoline stocks hit their lowest level over the same period. Distillate inventories reversed the downward trend displayed during the previous ten weeks with an increase of 0.2 mb to 118 mb, which represented a surplus of 9% against the five-year average. The recovery in distillate stocks was attributed to diesel oil which rose almost 5 mb while heating oil fell 4 mb.

Total US commercial oil stocks remained stable at 982 mb compared with the previous week, but were 3% above the five-year average.

EU-16 commercial stocks fell to 1,152 mb but remained 58 mb above the five-year average

Western Europe

Total commercial oil stocks in EU-16 (Eur-15 plus Norway) fell to 1,152 mb at end-March, down 7.7 mb from the previous month but remained 10 mb above the year-ago level. The drop was driven essentially by crude oil which fell by 4.9 mb, offsetting the build in the previous month. At 473 mb, crude oil stocks displayed a deficit of more than 21 mb or 4% against a year earlier, while product stocks dropped 2.8 mb to around 680 mb, but were up 30 mb compared with the same time last year. The draw on crude oil stocks was attributed to lower imports, particularly from the Middle East. In contrast, gasoline inventories in EU-16 increased 0.4 mb to 139 mb, which was 1.8 mb lower than last year as a result of the combination of lower refinery throughput and healthy exports to West Africa.

Table 26: Western Europe's oil stocks, mb

	<u>Jan 07</u>	<u>Feb 07</u>	<u>Mar 07</u>	<u>Change</u> <u>Mar 07/Feb 07</u>	<u>Mar 06</u>
Crude oil	473.1	477.9	473.0	-4.9	494.6
Mogas	141.3	138.5	138.9	0.4	140.7
Naphtha	29.9	29.0	29.0	0.0	27.1
Middle distillates	396.8	400.1	397.1	-3.0	372.1
Fuel oils	118.0	113.7	113.5	-0.2	106.7
Total products	686.0	681.3	678.6	-2.8	646.6
Total	1,159.1	1,159.3	1,151.6	-7.7	1,141.2

Source: Argus, Euroilstock.

The continuous drop in refining throughput, which resulted in a utilization rate of 88.5% compared with 93% in the previous month, pushed middle distillate stocks below 400 mb, down 3 mb from the previous month but a surplus of 25 mb over a year ago. The drop in refinery runs was exacerbated by an 18-day strike in the South of France, which forced several refineries in the region to reduce output. Residual fuel oil inventories fell 0.2 mb to 113 mb, which was 7 mb above the year-ago level while naphtha stocks remained unchanged at 29 mb.

Japan

Total commercial stocks in Japan fell below 190 mb at end-February, but showed a y-o-y surplus of 11 mb

Japanese commercial oil stocks dropped almost 15 mb or 7% to stand at nearly 186 mb at the end of February. Products accounted for 8.7 mb or 60% of the drop and crude oil accounted for the remaining 6.1 mb. Despite this decline, products remained 6 mb higher than a year earlier and 17 mb or 26% above the five-year average.

Crude oil stocks continued to decline for the fourth consecutive month to stand at 104 mb, the lowest level since March 2006 but showed a surplus of 5% above a year earlier.

Table 27: Japan's commercial oil stocks*, mb

	<u>Dec 06</u>	<u>Jan 07</u>	<u>Feb 07</u>	<u>Change</u> <u>Feb 07/Jan 07</u>	<u>Feb 06</u>
Crude oil	112.1	110.0	103.9	-6.1	98.6
Gasoline	12.6	15.1	14.3	-0.8	13.7
Naphtha	10.9	9.9	11.3	1.4	11.7
Middle distillates	41.7	44.4	36.0	-8.4	31.6
Residual fuel oil	20.8	20.9	20.0	-0.9	18.7
Total products	86.0	90.3	81.7	-8.7	75.7
Total**	198.0	200.3	185.6	-14.8	174.3

* At end of month.

** Includes crude oil and main products only.

Source: METI, Japan.

All product inventories declined except naphtha. The drop was driven essentially by distillates, which fell 8.4 mb or 19% to 36 mb, the lowest level since August 2006. Gasoline and residual fuel stocks fell 0.8 mb and 0.9 mb to stand at 14.3 mb and 20.0 mb respectively, while naphtha rose 1.4 mb or 14% to 11.3 mb. Compared with the previous year, all product stocks were higher, except naphtha, which showed a deficit of 0.4 mb or 3%. The drop in product stocks with a refining utilization rate of 90%, coupled with weak demand, can be explained by exceptionally strong exports, helped by arbitrage opportunities. However, product exports surged 63% while imports slipped 20% compared to February 2006.

Preliminary data from PAJ showed that crude oil stocks recovered in March, ending the month at 109 mb, while product stocks, especially middle distillates, dropped, resulting in total oil stocks of 187 mb due to the lower refinery utilization rate following the start of seasonal maintenance.

Balance of Supply and Demand

Demand for OPEC crude in 2006 is estimated at 30.4 mb/d; OPEC production averaged 30.9 mb/d

Estimate for 2006

The demand for OPEC crude in 2006 is estimated to average 30.4 mb/d. On a quarterly basis, the estimate shows that demand for OPEC crude was 31.3 mb/d, 29.6 mb/d, 30.1 mb/d and 30.7 mb/d respectively. According to secondary sources, total OPEC crude capacity was 34.8 mb/d at the end of 2006, up from 33.8 mb/d at the end of 2005.

Table 28: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	83.31	84.71	82.99	83.88	84.99	84.14
Non-OPEC Supply	48.98	49.25	49.16	49.45	49.99	49.46
OPEC NGLs and non-conventionals	4.04	4.18	4.22	4.33	4.33	4.27
(b) Total Supply excluding OPEC Crude	53.03	53.42	53.38	53.77	54.32	53.73
Difference (a-b)	30.28	31.29	29.61	30.11	30.67	30.42
OPEC crude oil production ⁽¹⁾	31.11	31.10	30.92	31.13	30.45	30.90
Balance	0.84	-0.19	1.31	1.02	-0.22	0.48

(1) Selected secondary sources.

Totals may not add due to independent rounding.

Forecast for 2007

Demand for OPEC crude in 2007 is expected at 30.3 mb/d

The demand for OPEC crude in 2007 is expected to average 30.28 mb/d, around 0.14 mb/d less than the 2006 figure. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 30.93 mb/d, 29.32 mb/d, 30.38 mb/d and 30.50 mb/d respectively. The balance for the first quarter 2007 currently stands at around minus 0.9 mb/d.

Table 29: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	84.14	85.63	84.05	85.42	86.65	85.44
Non-OPEC Supply	49.46	50.39	50.37	50.57	51.54	50.72
OPEC NGLs and non-conventionals	4.27	4.31	4.36	4.46	4.61	4.44
(b) Total Supply excluding OPEC Crude	53.73	54.70	54.73	55.03	56.15	55.16
Difference (a-b)	30.42	30.93	29.32	30.38	30.50	30.28
OPEC crude oil production ⁽¹⁾	30.90	29.99				
Balance	0.48	-0.94				

(1) Selected secondary sources.

Graph 25: Balance of supply and demand

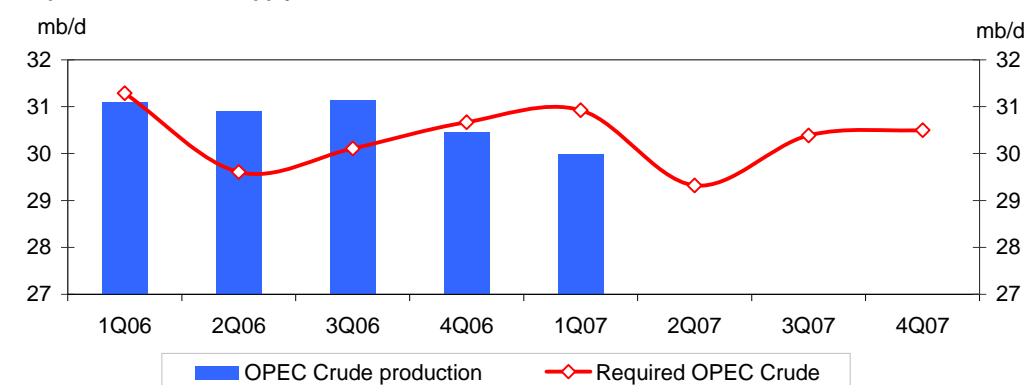


Table 30: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.2	48.0	48.8	49.7	49.2	50.1	48.1	49.1	50.1	49.3
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.5	25.4	25.3	25.8	25.2	25.6	25.8	25.6
Western Europe	15.3	15.4	15.5	15.5	15.8	15.0	15.5	15.6	15.5	15.3	15.1	15.5	15.6	15.4
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	8.9	7.8	7.9	8.8	8.3
DCs	20.3	20.6	21.7	22.4	22.8	23.2	23.1	23.2	23.1	23.3	23.7	23.9	23.9	23.7
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.2	3.8	3.8	3.5	3.8	4.3	3.9
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.2	6.9	7.1	7.4	7.9	7.8	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.7	83.0	83.9	85.0	84.1	85.6	84.1	85.4	86.7	85.4
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.3	20.0	20.1	20.3	20.2	20.4	20.3	20.2	20.7	20.4
North America	14.5	14.6	14.6	14.1	14.1	14.1	14.3	14.3	14.2	14.5	14.4	14.5	14.7	14.5
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.4	5.4	5.4	5.3	5.0	5.3	5.3
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6
DCs	10.6	10.8	11.0	11.3	11.5	11.5	11.6	11.7	11.6	11.7	11.6	11.9	12.1	11.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.3	12.0	12.5	12.7	12.7	12.9	12.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.6	3.7	3.8	3.7	3.7	3.8	3.7
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	47.2	48.1	49.0	49.0	49.2	49.2	49.4	50.0	49.5	50.4	50.4	50.6	51.5	50.7
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.4	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	50.8	51.8	53.0	53.0	53.4	53.4	53.8	54.3	53.7	54.7	54.7	55.0	56.2	55.2
OPEC crude oil production (secondary sources)	26.2	27.8	30.0	31.1	31.1	30.9	31.1	30.4	30.9	30.0				
Total supply	77.0	79.6	83.0	84.1	84.5	84.3	84.9	84.8	84.6	84.7				
Balance (stock change and miscellaneous)	-0.8	0.3	0.8	0.8	-0.2	1.3	1.0	-0.2	0.5	-0.9				
OECD closing stock levels (mb)														
Commercial	2478	2517	2547	2597	2597	2655	2762	2677						
SPR	1347	1411	1450	1487	1487	1493	1495	1498						
Total	3825	3928	3997	4083	4084	4148	4257	4175						
Oil-on-water	815	882	905	957	960	972	964	907						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	56	53						
SPR	28	29	29	30	31	31	30	30						
Total	79	80	81	83	85	85	86	83						
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.1	8.2	8.6	9.1	8.9	8.6	8.8
(a) - (b)	27.0	27.6	29.3	30.3	31.3	29.6	30.1	30.7	30.4	30.9	29.3	30.4	30.5	30.3

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

Table 31: World oil demand/supply balance: changes from last month's table †, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	-	-	-	-	-	-	-	0.1	-	-0.3	-	0.1	0.2	-
North America	-	-	-	-	-	-	-	0.1	-	0.4	-	-	0.1	0.1
Western Europe	-	-	-	-	-	-	-	0.1	-	-0.3	-	-	-	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-0.4	-	-	-	-0.1
DCs	-	-	-	-	-	-	-0.1	-0.1	-	0.1	-	-0.1	-0.1	-
FSU	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-0.1	-	-	-0.2	-	-	0.1	-
(a) Total world demand														
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply														
OEPEC NGLs + non-conventionals	-	-	-	-	0.1	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Total non-OPEC supply and OPEC NGLs														
OEPEC crude oil production (secondary sources)														
Total supply														
Balance (stock change and miscellaneous)														
OECD closing stock levels (mb)														
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oil-on-water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

† This compares Table 30 in this issue of the MOMR with Table 30 in the March 2007 issue.

This table shows only where changes have occurred.

Table 32: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	1004	2004	3004	4004	1005	2005	3005	4005	1006	2006	3006	4006	
Closing stock levels mb																		
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,465	2,545	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,655	2,762	2,677	
North America	1,262	1,175	1,161	1,193	1,257	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,239	1,276	1,347	1,274	
Western Europe	925	895	922	924	944	919	933	945	924	952	925	952	944	949	944	957	974	
OECD Pacific	443	408	435	430	395	400	420	430	430	389	422	432	395	409	436	459	428	
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,498	
North America	552	601	640	678	687	654	664	672	678	690	698	696	687	688	690	690	691	
Western Europe	356	357	374	377	407	371	366	367	377	376	401	405	407	407	411	411	411	
OECD Pacific	380	389	396	396	393	398	398	396	396	396	395	393	393	392	393	393	396	
OECD total	3,918	3,825	3,928	3,997	4,083	3,888	3,974	4,016	3,997	4,005	4,116	4,132	4,083	4,084	4,148	4,257	4,175	
Oil-on-water	830	815	882	905	957	906	891	894	905	927	931	922	957	960	972	964	907	
Days of forward consumption in OECD																		
OECD onland commercial	55	51	51	51	53	51	52	51	50	52	53	53	52	54	54	56	53	
North America	52	48	46	47	50	46	47	47	47	47	50	49	50	49	50	53	49	
Western Europe	60	58	60	60	61	61	60	60	59	63	59	61	60	63	61	61	64	
OECD Pacific	52	47	51	50	47	51	52	49	46	48	52	49	43	52	55	52	48	
OECD SPR	27	28	29	29	30	30	29	29	29	30	30	30	30	31	31	30	30	
North America	23	25	25	27	27	26	26	26	26	27	27	27	27	27	27	27	27	
Western Europe	23	23	24	24	26	25	24	23	24	25	26	26	26	27	27	26	27	
OECD Pacific	45	45	47	46	46	50	49	45	42	49	49	45	42	50	50	45	44	
OECD total	82	79	80	81	83	81	81	80	79	82	84	83	81	85	85	86	83	

Table 33: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2002	2003	2004	2005	05/04	Change	10/06	2006	3/006	4/006	06/05	Change	10/07	2007	3/007	4/007	2007	07/06
USA	8.04	7.82	7.65	7.34	-0.31		7.20	7.37	7.47	7.49	0.04		7.62	7.55	7.43	7.61	7.55	0.17
Canada	2.84	2.98	3.07	3.02	-0.05		3.14	3.00	3.18	3.33	0.14		3.29	3.22	3.30	3.40	3.30	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07		3.79	3.78	3.79	3.51	-0.08		3.56	3.67	3.75	3.72	3.67	-0.02
North America	14.48	14.60	14.56	14.13	-0.42		14.13	14.15	14.34	14.33	0.10		14.47	14.44	14.48	14.73	14.53	0.29
Norway	3.33	3.26	3.19	2.97	-0.22		2.93	2.70	2.73	2.76	-0.19		2.76	2.70	2.61	2.72	2.70	-0.08
UK	2.52	2.33	2.10	1.88	-0.22		1.88	1.72	1.48	1.70	-0.19		1.71	1.67	1.57	1.73	1.67	-0.03
Denmark	0.37	0.37	0.39	0.38	-0.01		0.36	0.35	0.32	0.34	-0.04		0.32	0.31	0.27	0.30	0.30	-0.04
Other Western Europe	0.44	0.47	0.51	0.54	0.03		0.53	0.56	0.54	0.57	0.05		0.59	0.59	0.59	0.59	0.59	0.03
Western Europe	6.67	6.43	6.19	5.77	-0.42		5.70	5.32	5.08	5.38	-0.40		5.37	5.27	5.04	5.33	5.25	-0.12
Australia	0.70	0.60	0.52	0.53	0.01		0.43	0.44	0.59	0.56	0.51		0.53	0.53	0.58	0.57	0.56	0.05
Other Pacific	0.06	0.06	0.05	0.05	0.00		0.06	0.05	0.05	0.05	0.00		0.08	0.07	0.09	0.11	0.09	0.04
OPEC Pacific	0.77	0.66	0.57	0.58	0.01		0.49	0.50	0.65	0.61	-0.02		0.61	0.61	0.68	0.69	0.64	0.08
Total OPEC	21.92	21.68	21.32	20.48	-0.84		20.32	19.97	20.06	20.31	-0.31		20.45	20.32	20.21	20.74	20.43	0.26
Brunei	0.20	0.21	0.21	0.21	0.00		0.23	0.22	0.22	0.22	0.01		0.22	0.22	0.22	0.22	0.22	0.00
India	0.78	0.79	0.79	0.76	-0.04		0.78	0.79	0.76	0.81	0.02		0.80	0.77	0.79	0.79	0.79	0.00
Malaysia	0.76	0.78	0.79	0.77	-0.03		0.77	0.71	0.75	0.78	-0.01		0.77	0.77	0.82	0.86	0.81	0.06
Vietnam	0.34	0.35	0.40	0.38	-0.02		0.38	0.37	0.37	0.36	-0.01		0.35	0.33	0.38	0.39	0.36	-0.01
Asia others	0.37	0.41	0.43	0.53	0.10		0.55	0.56	0.56	0.55	0.03		0.55	0.55	0.55	0.57	0.56	0.00
Other Asia	2.45	2.53	2.63	2.65	0.02		2.72	2.64	2.67	2.72	0.04		2.70	2.65	2.77	2.83	2.74	0.05
Argentina	0.84	0.84	0.80	0.77	-0.02		0.76	0.78	0.79	0.77	0.00		0.76	0.75	0.74	0.73	0.75	-0.03
Brazil	1.72	1.80	1.79	1.99	0.20		2.07	2.08	2.10	2.15	0.11		2.17	2.19	2.24	2.36	2.24	0.14
Colombia	0.68	0.55	0.53	0.53	0.00		0.53	0.54	0.54	0.53	0.01		0.53	0.53	0.53	0.53	0.53	0.00
Ecuador	0.38	0.41	0.51	0.52	0.01		0.54	0.54	0.55	0.54	0.02		0.53	0.52	0.52	0.51	0.52	-0.02
Trinidad & Tobago	0.15	0.17	0.16	0.18	0.02		0.19	0.18	0.19	0.18	0.01		0.18	0.18	0.18	0.18	0.18	-0.01
L. America others	0.24	0.26	0.26	0.29	0.02		0.28	0.30	0.31	0.30	0.01		0.30	0.30	0.30	0.30	0.30	0.00
Latin America	3.92	4.02	4.06	4.28	0.23		4.38	4.44	4.47	4.46	0.16		4.46	4.47	4.51	4.61	4.51	0.08
Bahrain	0.21	0.21	0.21	0.21	0.00		0.21	0.21	0.20	0.21	0.00		0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.90	0.82	0.79	0.78	0.00		0.77	0.76	0.75	0.75	-0.03		0.73	0.73	0.73	0.73	0.73	-0.02
Congo	0.55	0.53	0.50	0.46	-0.04		0.44	0.42	0.41	0.40	-0.04		0.40	0.40	0.40	0.39	0.39	-0.02
Yemen	0.46	0.44	0.42	0.42	0.00		0.40	0.39	0.38	0.38	-0.03		0.40	0.41	0.40	0.39	0.40	0.01
Middle East	2.12	2.01	1.92	1.87	-0.05		1.82	1.78	1.75	1.74	-0.10		1.74	1.74	1.73	1.72	1.73	-0.04
Chad	0.00	0.02	0.16	0.18	0.02		0.18	0.18	0.18	0.18	0.00		0.19	0.19	0.19	0.19	0.19	0.01
Congo	0.26	0.26	0.24	0.24	0.00		0.25	0.25	0.25	0.25	0.01		0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01		0.69	0.68	0.66	0.66	-0.02		0.64	0.64	0.64	0.64	0.64	-0.03
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02		0.37	0.37	0.37	0.37	0.01		0.38	0.38	0.39	0.40	0.39	0.02
Gabon	0.29	0.29	0.25	0.25	0.00		0.25	0.25	0.25	0.25	0.00		0.24	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02		0.20	0.20	0.20	0.20	-0.01		0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04		0.35	0.36	0.44	0.52	0.08		0.54	0.57	0.61	0.61	0.58	0.16
Africa other	0.20	0.20	0.21	0.25	0.04		0.30	0.33	0.32	0.32	0.07		0.32	0.33	0.33	0.37	0.34	0.02
Africa	2.13	2.19	2.43	2.52	0.08		2.59	2.62	2.67	2.75	0.14		2.74	2.78	2.85	2.90	2.82	0.16
Total DCs	10.62	10.75	11.03	11.32	0.28		11.50	11.48	11.56	11.67	0.23		11.65	11.65	11.85	12.06	11.81	0.25
FSU	9.33	10.28	11.14	11.55	0.40		11.67	11.97	12.13	12.30	0.47		12.48	12.65	12.74	12.89	12.69	0.67
Russia	7.62	8.46	9.19	9.44	0.25		9.48	9.63	9.72	9.76	0.21		9.86	9.96	10.01	10.04	9.97	0.32
Kazakhstan	0.94	1.03	1.18	1.23	0.05		1.22	1.31	1.31	1.37	0.07		1.37	1.40	1.40	1.46	1.40	0.10
Azerbaijan	0.31	0.31	0.31	0.44	0.13		0.56	0.61	0.68	0.75	0.21		0.83	0.88	0.95	0.98	0.91	0.26
FSU others	0.45	0.47	0.47	0.44	-0.03		0.41	0.42	0.41	0.42	-0.02		0.41	0.41	0.41	0.41	0.41	-0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01		0.15	0.15	0.15	0.15	-0.01		0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13		3.68	3.70	3.67	3.64	0.06		3.75	3.70	3.73	3.76	3.74	0.06
Non-OPEC production	45.43	46.29	47.15	47.12	-0.03		47.33	47.27	47.57	48.07	0.44		48.47	48.47	48.67	49.61	48.81	1.25
Processing gains	1.73	1.80	1.83	1.86	0.03		1.92	1.89	1.88	1.92	0.04		1.92	1.90	1.90	1.93	1.91	0.01
Non-OPEC supply	47.16	48.09	48.98	48.98	0.01		49.25	49.16	49.45	49.99	0.46		50.39	50.37	50.57	51.54	50.72	1.26
OPEC NGL	3.42	3.57	3.85	3.89	0.04		4.05	4.10	4.17	4.18	0.24		4.23	4.28	4.38	4.53	4.36	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01		0.13	0.12	0.15	0.15	-0.02		0.08	0.08	0.08	0.08	0.08	-0.06
OPEC (NGL+NCF)	3.60	3.71	4.02	4.04	0.02		4.18	4.22	4.33	4.33	0.22		4.31	4.36	4.46	4.61	4.44	0.17
Non-OPEC & OPEC (NGL+NCF)	50.76	51.80	53.00	53.03	0.03		53.42	53.38	53.77	54.32	0.70		54.70	54.73	55.03	56.15	55.16	1.43

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

Table 34: World Rig Count

	2002			2003			2004			2005			2006			2007			Change			
	2002	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	Mar07/Feb07
USA	831	1,032	1,190	1,279	1,336	1,419	1,478	1,378	1,378	1,519	1,632	1,719	1,719	1,719	1,648	1,736	1,749	1,749	1,733	1,733	1,733	13
Canada	266	372	369	620	241	527	572	490	490	665	282	494	440	440	470	635	392	392	532	532	532	-243
Mexico	65	92	110	114	116	104	93	107	107	85	85	77	84	83	83	95	91	91	90	90	90	-4
North America	1,162	1,496	1,669	2,013	1,693	2,050	2,143	1,975	1,975	2,269	1,999	2,290	2,243	2,200	2,200	2,466	2,232	2,232	2,355	2,355	2,355	-234
Norway	19	19	17	15	18	19	17	17	17	0	20	16	9	16	16	17	16	16	16	16	16	-1
UK	26	20	16	16	22	23	24	21	21	5	27	26	15	24	24	25	25	25	25	25	25	0
Western Europe	85	78	65	56	67	68	68	65	65	0	78	73	65	73	73	71	74	74	72	72	72	3
OECD Pacific	17	18	22	4	25	27	24	25	25	3	28	25	28	27	27	24	21	21	24	24	24	-3
Total OECD	1,264	1,592	1,755	2,093	1,785	2,146	2,234	2,065	2,065	310	2,105	2,389	2,336	2,300	2,335	2,561	2,327	2,327	2,450	2,450	2,450	-234
Other Asia	111	117	126	9	140	146	148	142	142	16	150	156	152	153	111	158	158	158	158	158	158	0
Latin America	106	116	126	10	133	138	141	141	141	15	149	162	164	160	19	189	194	194	195	195	195	5
Middle East	62	70	70	69	71	73	75	72	72	2	79	82	85	80	8	85	81	81	82	82	82	-4
Africa	39	43	51	8	56	51	57	54	54	3	62	68	77	67	13	79	84	84	75	75	75	5
Total DCS	317	346	376	30	390	405	431	409	409	33	453	470	479	459	50	511	517	517	510	510	510	6
Non-OPEC Rig Count	1,581	1,938	2,131	1,93	2,192	2,560	2,667	2,477	2,477	346	2,560	2,861	2,818	2,761	284	3,074	2,846	2,846	2,963	2,963	2,963	-228
Algeria	20	20	19	20	21	22	21	21	21	2	21	28	27	24	3	24	26	26	25	25	25	2
Angola	5	4	3	3	3	3	2	3	3	0	4	4	4	4	1	5	5	5	5	5	5	0
Indonesia	46	45	49	53	53	55	59	54	54	5	43	46	52	49	-5	48	49	49	49	49	49	1
Iran	34	35	41	42	41	39	38	40	40	-1	45	47	45	44	4	52	52	52	51	51	51	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	6	5	10	12	13	11	14	12	12	2	13	14	15	14	2	13	12	12	14	14	14	-1
Libya	10	10	10	10	9	8	8	9	9	-1	9	10	12	10	1	13	13	13	13	13	13	0
Nigeria	12	10	8	9	9	9	8	9	9	1	9	10	10	10	1	6	8	8	8	8	8	2
Qatar	13	8	9	10	13	12	12	12	12	3	10	11	9	11	-1	11	14	14	11	11	11	3
Saudi Arabia	32	32	32	33	34	37	43	36	36	4	60	70	76	65	29	74	75	75	76	76	76	1
UAE	16	16	16	16	16	16	16	16	16	0	16	16	16	16	0	13	13	13	14	14	14	0
Venezuela	42	37	55	66	72	66	70	67	67	12	83	85	77	81	14	76	80	80	76	76	76	4
OPEC Rig Count	236	222	252	30	284	278	291	279	279	27	313	341	341	327	48	335	347	347	342	342	342	12
Worldwid Rig Count*	1,817	2,160	2,383	2,23	2,476	2,838	2,958	2,756	2,756	373	2,873	3,202	3,159	3,088	332	3,409	3,193	3,193	3,305	3,305	3,305	-216
of which:																						
Oil	758	816	877	961	870	990	1,015	959	959	82	1,069	1,169	1,156	1,114	155	1,297	1,261	1,261	1,266	1,266	1,266	-36
Gas	1,042	1,326	1,486	1,774	1,583	1,823	1,928	1,777	1,777	291	1,802	2,016	1,983	1,959	182	2,091	1,909	1,909	2,017	2,017	2,017	-182
Others	17	18	20	22	22	25	17	22	22	2	14	18	21	16	-6	21	23	23	20	20	20	2

*Excludes China and FSU.

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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OPEC Basket average price

US\$ per barrel

↑ up 4.02 in March

March 2007	58.47
February 2007	54.45
Year-to-date	54.56

March OPEC production

in million barrels per day, according to secondary sources

Algeria	1.34	Iraq	2.05	Qatar	0.80
Angola	1.60	Kuwait	2.40	Saudi Arabia	8.51
Indonesia	0.86	SP Libyan AJ	1.68	UAE	2.47
IR Iran	3.74	Nigeria	2.17	Venezuela	2.41
				TOTAL	30.03

Supply and demand

in million barrels per day

2006		2007	
World demand	84.1	World demand	85.4
Non-OPEC supply	53.7	Non-OPEC supply	55.2
Difference	30.4	Difference	30.3

Non-OPEC supply includes OPEC NGLs and non-conventional oils.
Totals may not add due to independent rounding.

Stocks

US commercial oil stocks declined 4.8 mb in March.

World economy

World GDP growth unchanged at 5.3% for 2006 and raised to 4.7% for 2007.