OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Recent crude oil price volatility

Obere Donaustrasse 93, A-1020 Vienna, Austria
Tel +43 1 21112 Fax +43 1 2164320 E-mail: prid@opec.org Web site: www.opec.org

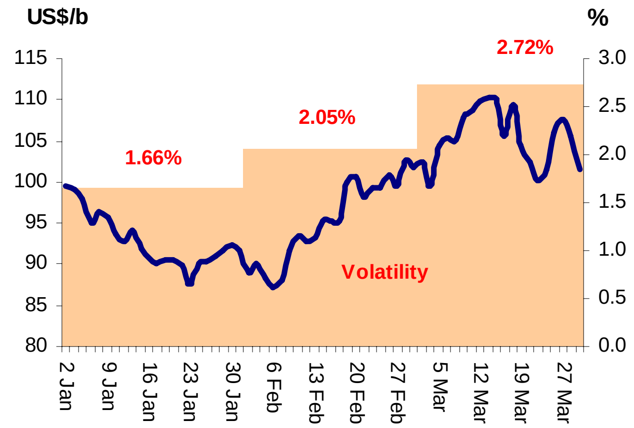
Oil Market Highlights

- US dollar weakness against major currencies inspired increased investment in the commodities market, particularly for crude, pushing prices to record levels. Concern that economic growth could dent oil demand kept prices volatile. Geopolitical tensions in the Middle East added to market bullishness while weak economic indicators revived fears over a recession in the US, capping further price developments. The Basket averaged the month at $99.03/b for an increase of $8.39 or more than 9% from the previous month. The Basket rose in the first half of April, reaching a record high of $104.02/b on 14 April.
- Based on the newly updated purchasing power parity weights, world economic growth is forecast at 3.9% in 2008, representing a decline of 0.1% from the adjusted figures for the previous month. The US appears very likely to have fallen into recession in the first half of the year due to continued weakness in labour markets. Payrolls have declined for the third month, consumer confidence has fallen sharply and the contraction continues in the housing sector. While existing home sales are showing some signs of bottoming, new home sales fell in February to the lowest level in 13 years. Mortgage-related asset writedowns and losses reported by the world's biggest financial institutions now exceed $230 bn. Total losses from the US mortgage crisis are expected to approach one trillion dollars, according to the IMF. Growth in the US has been revised down 0.2 percentage points to 1.1%, the Euro-zone 0.1 percentage points to 1.7% while Japanese growth is also down 0.1 percentage points to 1.3%. Chinese growth has been revised by 0.2 percentage points to 9.7% for 2008, while in India and Russia are forecast unchanged at 8.0% and 6.8%, respectively.
- Winter products did not see strong consumption growth in OECD due to the mild winter in the first quarter 2008. World oil demand has been showing healthy growth because of non-OECD demand. In the OECD and especially the US, transport fuel failed to grow as expected as a result of slow economic activities and higher oil prices. Growth in the Other OECD regions was not enough to offset the strong y-o-y decline in US oil demand in March. World oil demand is forecast to grow by 1.2 mb/d in 2008 to average 87.0 mb/d, broadly unchanged from last month. Non-OECD oil demand — mainly from China, the Middle East, India and Latin America — is forecast to be strong, which is estimated to offset the weak OECD oil demand this year. In line with the typically low seasonality, total world oil demand in the second quarter is forecast to grow by only 1.0 mb/d y-o-y, with the total increase expected to come from non-OECD countries.
- Non-OPEC supply growth in 2007 is estimated at 0.6 mb/d over 2006 to 49.4 mb/d. Downward adjustments made to Yemen, Oman, Australia and South Africa were partially offset by upward revisions to the USA, UK, Malaysia, Russia and Turkmenistan. For 2008, non-OPEC supply growth is expected to average 0.8 mb/d to 50.3 mb/d. Some of the 2007 revisions have been extended into 2008. Downward revisions in the USA, Mexico, Norway, Australia, Vietnam, Brazil, Oman, Yemen and Russia were partially offset by upward adjustments to Canada, UK, Colombia and Turkmenistan. Growth in OPEC NGLs and non-conventional oils for 2007 and 2008 was left unchanged at 0.34 mb/d and 0.54 mb/d respectively. In March, OPEC crude oil production averaged 32.0 mb/d, a decline of 141 tb/d from the previous month.
- Product stock-draws over the last few weeks along with refinery snags in the West and discretionary throughput cuts by refiners supported product markets. However, crude costs outstripped the gains in product prices undermining refinery margins in the Atlantic Basin. The current sentiment in the product market could strengthen further with the approach of the driving season, providing support for crude prices. However, due to the comfortable gasoline stock levels, particularly in the US, product developments are not expected to boost prices sharply or to assume leadership of the market. Similarly, the persistent mismatch between refinery outputs and middle distillate demand, may ease in the near future as refineries return from maintenance, resulting in a surge in throughputs level.
- OPEC spot fixtures decreased by 8% in March from the previous month to average just under 13 mb/d due to weaker booking to the East. OPEC sailings are estimated to have declined slightly to average 24.10 mb/d in March. Arrivals dropped across the globe with US arrivals falling a minor 110,000 b/d in March. The VLCC market improved slightly supported by West of Suez rates. On the Middle East/eastbound route, VLCC rates declined due to Asian refinery cuts while rates to Western destinations increased in March. Clean tanker freight rates were relatively steady despite the gasoline arbitrage to the US.
- US commercial oil stocks fell 7.2 mb in March to stand at 970 mb, which corresponds to 18 mb above the five year average. The decline was attributed to distillates and gasoline while crude oil continued to increase for the third consecutive month. Despite the draw, US commercial oil stocks witnessed a contra-seasonal build in the first quarter of this year, compared to a year ago when they fell 43 mb. In EU-16 (Eur-15 plus Norway), total oil stocks rose 9.4 mb in March, offsetting an equivalent draw in the previous month to remain comfortable. Similarly, EU-16 inventories witnessed a contra-seasonal build of 14 mb during the first quarter against a decline of 22 mb a year earlier. In contrast, Japan's commercial stocks continued to fall with crude oil stocks hitting an all time-low in February. Preliminary data for March show that stocks fell again, but only slightly, with crude oil losing more than 1 mb.
- The demand for OPEC crude in 2007 is estimated to average 31.9 mb/d, an increase of 0.3 mb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.8 mb/d, a decline of about 0.2 mb/d.

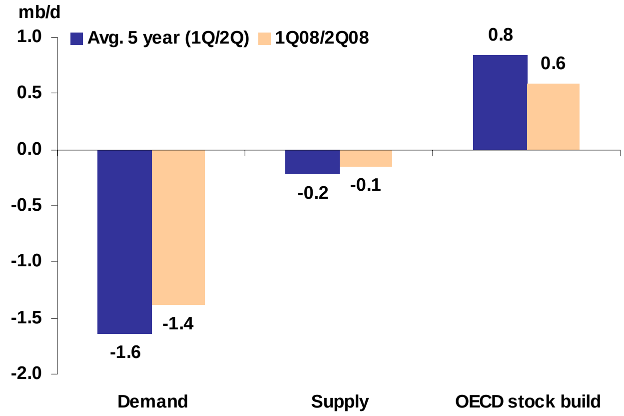
Recent crude oil price volatility

- Last month, crude oil prices exhibited exceptional volatility. After dipping to $99.50/b on 4 March, benchmark WTI rose over $10/b to reach $110/b on 13 March. Then, over the next ten days, prices fell to just over $100/b, before rising by more than $11/b to set a new record high of $111.77/b on 14 April. As a result, crude oil price volatility* reached 2.7% in March, the highest level in the last three years, and up from 1.7% and 2.0% in the first two months of the year (*see* ***Graph 1***).
- This high volatility indicates that oil prices have been vulnerable to a number of short-lived developments. Although fundamental factors such as the cold weather in the Atlantic basin in March and refinery difficulties have had some impact, prices have mainly been driven by non-fundamentals, in particular the turmoil in the financial markets, the depreciation of the US dollar, and the worsening US economic outlook. Moreover, the inflow of financial investments in the commodity markets has helped to repeatedly push crude oil prices higher, amid occasional periods of profit-taking.
- Despite these large fluctuations in crude oil prices, the physical market is experiencing a normal transition to the lower demand second quarter. Based on the average of the last five years, the seasonal shift from the first to the second quarter typically results in a decline in the absolute level of demand of around 1.6 mb/d. Our current forecast suggests that world oil demand in the second quarter will drop by 1.4 mb/d to 85.7 mb/d, which is broadly in line with the typical seasonal decline (*see* ***Graph 2***).

Graph 1: WTI price & volatility



Graph 2: Change in 2Q versus 1Q



- Moreover, with growing concerns about the slowing US economy and higher gasoline prices, there is a chance that the decline could be more pronounced, leading to even lower demand in the second quarter. In fact, recent economic indicators provide further evidence that the US economy may already be in recession. These include a drop in employment for the third consecutive month, weakening manufacturing and services activity, continued contraction in the housing sector with falling sales and prices, and sharp drops in consumer confidence. At the same time, financial sector writedowns and losses continue to rise. A lower growth rate is also anticipated in other OECD regions.
- Turning to supply, non-OPEC supply is expected to decline by around 150,000 b/d to 49.9 mb/d in the second quarter versus the first quarter, in line with the five-year average. At the same time, OPEC NGLs and non-conventional oil are projected to increase by 120,000 b/d. Given the typical seasonal demand pattern, the demand for OPEC crude is likely to fall to 31.0 mb/d, about 1.2 mb/d lower than OPEC production which averaged 32.1 mb/d in the first quarter 2008.
- Part of this surplus will translate into OECD commercial inventories. Assuming that only half of the difference between current OPEC production and the expected demand of OPEC crude will be added to stocks, this would lead to an additional stock-build of about 0.6 mb/d or 55 mb. This increase is consistent with the seasonal build typically observed in the second quarter and sufficient to keep OECD commercial inventories well above the five-year average.
- Overall, the fundamental picture in the second quarter of 2008 appears to be in line with the typical seasonal pattern for this time of year. Despite the numerous uncertainties affecting the demand for OPEC crude in the second quarter, current OPEC production at more than 32 mb/d will be sufficient to both meet demand growth and contribute to further stock-builds. Steadily rising OPEC spare capacity will remain well above 10%, providing an adequate cushion to ease market concerns about possible supply shortfalls.

** Measured using the standard deviation of daily price changes for each month.*

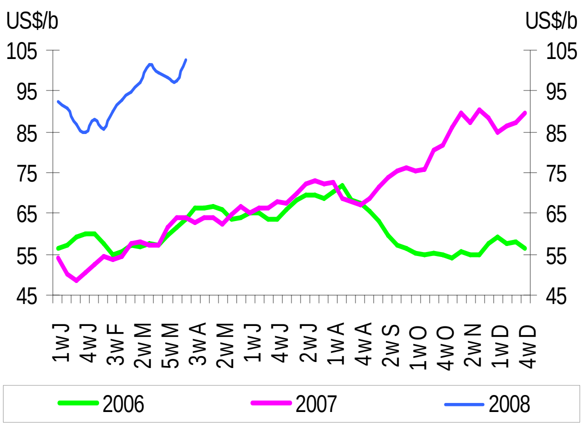
Crude Oil Price Movements

The weakening US dollar and economic outlook strengthened oil market volatility

OPEC Reference Basket

The weakening US dollar encouraged investment in energy markets in March, although softer economic data and tumbling equity markets implied lower oil demand growth. The OPEC Reference Basket closed the first week up $2.55 or 2.7% to settle at $97.29/b. In the second week, further declines in the US dollar against major currencies dominated the market. A late winter in North America added to the bullish market sentiment. High outright prices were seen denting refining margins, limiting procurements and keeping a cap on market bullishness. The Basket closed the second week with a gain of $4.05 or 4.2% to settle at a record of $101.34/b after peaking to an all-time high of $102.88/b. Nevertheless, losses in the financial market revived recession fears. However, a late winter cold snap revived worries over seasonal fuel supply.

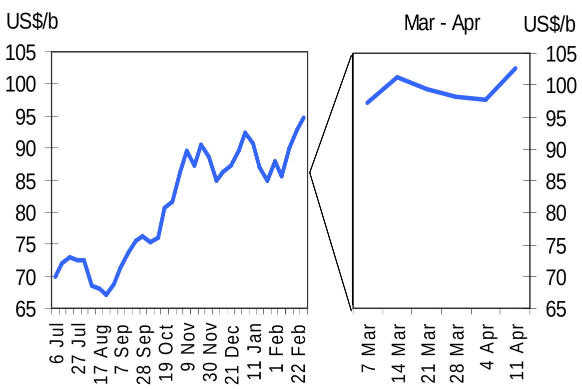
Graph 1: OPEC Reference Basket - weekly spot crude



The market sentiment was also inspired by bullish US weekly petroleum data, which prevented prices from a further slump. Thus, in the third week the Basket averaged $99.40/b, a decline of nearly 2% or $1.91 following a single day plunge of nearly 4%. In the fourth week, although the Basket rebounded somewhat, it still averaged $1.16 or 1.2% lower at $98.24/b. A late winter, along with falling seasonal fuel stocks, supported market bullishness amid record low refinery run rates, which raised concerns about a supply shortfall. A pipeline disruption from Iraq's southern outlet cut production by 750,000 b/d, although the momentum was short-lived as supply recovered later in the week to 1.4 mb/d.

On a monthly basis, the weak US dollar encouraged investment in commodities in general and petroleum in particular, setting record-high prices. Concerns over economy growth were seen denting oil demand, while refining margins were not sufficient to encourage refiners to increase run rates. Geopolitical tensions in the Middle East added to market bullishness while weak economic indicators capped further price rise. The Basket peaked to a record-high of $102.88/b to average the month at $99.03/b for a surge of $8.39 or over 9% higher than in the previous month. In the first half of April, the Basket remained volatile due to the weakening economic outlook and the fluctuating value of the US dollar. On 14 April, the Basket reached a record high of $104.02/b.

Graph 2: Weekly average Basket price, 2007-2008

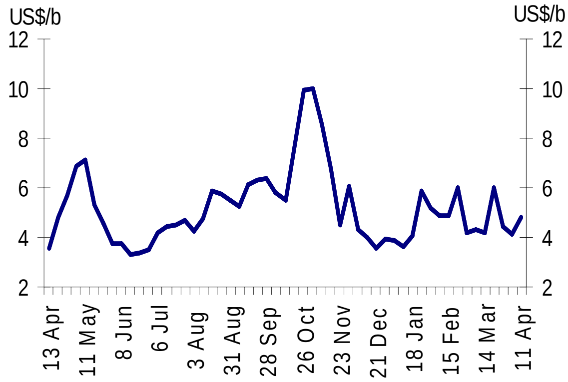


US market

Lower refinery run rates amid falling gasoline stocks and an Iraqi pipeline outage supported light grades

Light crude emerged in March under pressure from the widened WTI/Brent spread, opening the transatlantic flow of rival grades. Gasoline stock-builds also exerted further pressure on light grades while stock-draws at Cushing, Oklahoma, supported WTI. Thus, the average WTI/WTS spread widened by 12¢ to $4.29/b in the first week. The sentiment furthered into the second week amid the flow of transatlantic arbitrage barrels. A healthy crude-stock build at Cushing, Oklahoma, reversed the previous move and WTI came under pressure later in the week. Moreover, the return of Alon's Big Spring, Texas, refinery from an explosion in February supported the light grade. In the second week, the WTI/WTS spread averaged 10¢ narrower at $4.19/b. In the third week, cash crude differentials eased in the US domestic market on heavy selling amid a drop in refinery utilization, while talks of extensive maintenance at some US Gulf Coast refineries in the coming weeks hit sentiment among traders despite improved refining margins. Light sour differentials slipped while sweets remained firm. A Houston-area refinery shutdown added to volatility on the first day of roll trade. The WTI/WTS spread widened a hefty $1.78 to average $5.97/b after peaking over $6 most of the week. In the final week, gasoline stock-draws amid a flow of sweet grade across the Atlantic narrowed the sweet/sour spread. A pipeline supply disruption from Iraq's southern outlet supported the light grade. The WTI/WTS spread narrowed $1.54 to $4.43/b. In March, WTI averaged over $10 or 10.6% higher to reach a record of $105.40/b after peaking over $110/b, with the premium to WTS 39¢ narrower at $4.61/b.

Graph 3: WTI spread to WTS, 2007-2008

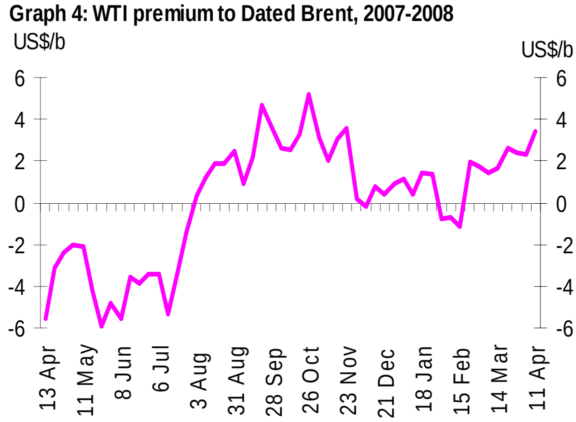


North Sea market

Lower procurement for April barrels pressured North Sea crude

The North Sea market began the month with slower procurement as refining margins slipped. However, the purchase of prompt stems by a regional major supported the grade amid a firming front-end swap on the return of some refineries from maintenance. The dated Brent discount to WTI narrowed in the first week by 33¢ to $1.41/b after falling to as low as 10¢. The sentiment firmed on the prospect of lower North Sea supply in April. However, Shell's lifting of force majeure on Bonny Light and Forcados exports helped to calm market sentiment. A drop in refining margins also lent support to the bearishness. In the second week, the Brent discount to WTI widened 23¢ to $1.64/b. In the third week, slower activities amid the clearing of prompt stems ahead of the long Easter weekend further softened North Sea crude prices. The WTI/Brent spread averaged $1 wider at $2.64/b, after peaking at $3.80 earlier in the week. In the final week, thin refining activities amid lower April requirements exacerbated the sentiment further. However, exports supported regional crudes. The Brent discount to WTI narrowed by 24¢ to $2.40/b. In March, Brent averaged $8.60 or 9% higher to reach a record of $103.60/b after peaking to $109/b. The Brent discount to WTI widened $1.49 to reach a three-month high of $1.83/b.

Graph 4: WTI premium to Dated Brent, 2007-2008



Mediterranean market

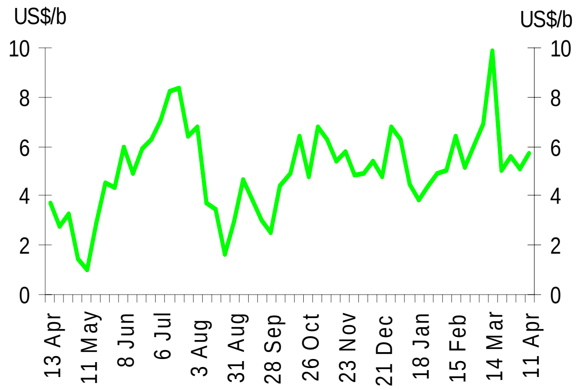
Ample supply amid weak refining margins kept Urals crude under pressure

The market for Russian Urals began March on a weaker note amid thin activities on the back of poor demand, which widened the discount to Brent. The Brent/Urals spread was 87¢ wider at $4.63/b, the widest spread since December 2006. In the second week, improving refining margins strengthened sentiment, although this was short-lived amid the flow of Iraqi Kirkuk crude. The general weakness of the sour crude market due to lower differentials for rival Mideast crude amid high outright prices limited demand, continuing to pressure the Urals grade. In the second week, the Urals discount to Brent widened 93¢ to $5.56/b. The sentiment firmed in the third week amid outbound barrels and limited availability ahead of the long Easter weekend. The Brent/Urals spread narrowed by 28¢ to $5.28/b. The Urals market picked up in the final week as activities resumed after the holiday and refining margins improved. The Urals discount to Brent narrowed $1.76 to $3.52/b. In March, Urals averaged $99/b, representing a gain of $7.90 or 8.7%. The discount to Brent was 79¢ wider at $4.63/b, the widest monthly average since August 2006.

Middle Eastern market

The Mideast crude firmed on the wide Dubai discount limiting inbound arbitrage barrels

Graph 5: Dated Brent spread to Dubai, 2007-2008



The healthy gasoil crack spread and seasonal fuel stock-build supported the Middle East market at the beginning of March. A hike in Mideast price differentials also contributed to market firmness. The Brent/Dubai spread widened by 89¢ to $6.90/b supporting the sentiment amid limited arbitrage. May Oman fetched a 12-13¢/b premium to DME. The bullish sentiment continued into the second week amid the healthy gasoil crack spread while the arbitrage window remained closed. A rare buy-tender by India helped strengthen the market with the Brent/Dubai spread widening by $2.96 to $9.86/b, a level last seen in summer 2005. Thus, May Murban traded at OSP plus 20¢/b. Clearing stems ahead of Kenya’s buy-tender and the long Easter weekend kept firmness in the marketplace, however, this was balanced by India’s procurement of African crude as the Brent/Dubai spread slipped $4.8 to $5.06/b. High outright prices kept the market quiet in the third week. In the final week, sustained strong middle distillates in Asia while May stems were clearing kept the bullish momentum firm. The Brent/Dubai spread widened by 52¢ to $5.58/b supporting sentiment as market focus shifted to June barrels. Dubai crude averaged $7.32 or over 8% higher with the discount to Brent increasing $1.28 to $6.86/b, the widest monthly spread since July.

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

	Feb 08	Mar 08	Change Mar/Feb	Year-to-Date 2007	Year-to-Date 2008
OPEC Reference Basket	**90.64**	**99.03**	**8.39**	**54.65**	**92.50**
Arab Light	91.26	99.23	7.97	54.41	92.92
Basrah Light	88.80	97.19	8.39	51.62	90.21
BCF-17	80.36	89.12	8.76	46.96	83.22
Bonny Light	96.98	106.68	9.70	60.14	99.32
Es Sider	94.28	103.03	8.75	56.18	96.05
Girassol	92.13	101.46	9.33	56.47	93.89
Iran Heavy	88.51	96.68	8.17	52.06	90.35
Kuwait Export	87.77	95.58	7.81	52.32	89.50
Marine	90.12	97.67	7.55	55.95	91.90
Minas	95.55	104.62	9.07	58.90	98.35
Murban	94.25	102.15	7.90	59.73	95.99
Oriente	80.80	90.27	9.47	49.25	83.38
Saharan Blend	96.73	105.68	8.95	59.90	98.48
Other Crudes					
Dubai	89.40	96.72	7.32	55.44	91.01
Isthmus	90.28	99.79	9.51	53.04	92.53
T.J. Light	87.93	96.80	8.87	51.51	89.90
Brent	94.98	103.58	8.60	57.76	96.67
W Texas Intermediate	95.32	105.41	10.09	58.04	97.67
Differentials					
WTI/Brent	0.34	1.83	1.49	0.28	1.00
Brent/Dubai	5.58	6.86	1.28	2.33	5.66

Note: Effective 19th of October 2007, the Ecuadorian crude Oriente has been incorporated in the OPEC Reference Basket.
The revised monthly OPEC Basket is:
October 2007: US$ 79.32
November 2007: US$ 88.84
December 2007: US$ 87.05
Year 2007: US$ 69.08

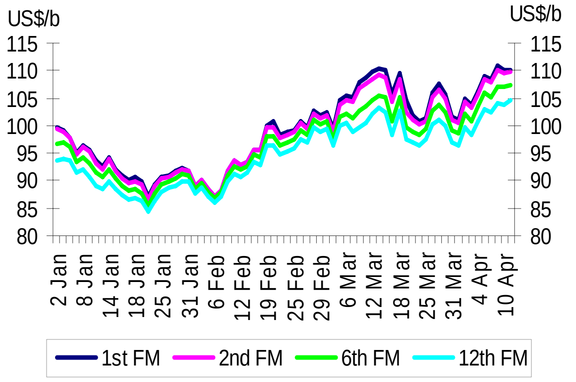
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

The weaker US dollar dominated the uptrend in the petroleum market, while profit-taking kept a cap on prices

Crude oil futures on the Nymex emerged on a bullish note in March. A fire at the natural gas pipeline at the Bacton terminal in Norfolk, England, triggered concern about heating fuel supplies amid a late winter cold snap. Production outages from Petroecuador and US dollar appreciation kept commodity investment high, in particular in the energy markets. Although Nymex WTI front-month contracts had slipped at the close of the weekly period by $1.36 to $99.52/b, the average was up by $1.63 or 1.6% at $101.21/b.

Graph 6: Nymex WTI futures prices,2008



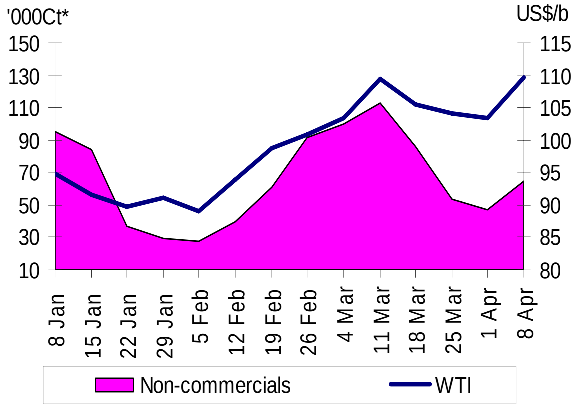
FM = future month

The CFTC reported in its first weekly report that non-commercial net long positions were up by 7,900 lots to 99,500, amid falling short positions. Open interest volume was 45,000 lots higher at almost 1,451,000. With option included, open interest rose a hefty 121,800 lots to 2,821,400.

In the second weekly period, the non-commercial contract net long volume increased by another 13,800 lots to 131,300 as short positions fell at a faster rate than longs. Open interest rose a further 13,800 to 1,484,400 lots, the highest level since November. Open interest volume including options was 132,500 higher, reaching a record-high of 2,953,900 contracts. Sustained weakness in the US dollar further supported the petroleum complex. A late winter cold snap revived fear over seasonal fuel supply shortfall, adding to the bullish momentum in the marketplace. The Nymex prompt month closed the second weekly period up $9.23 or 9.3% which raised the average $5.15 or 5% to $106.36/b.

The bullish market sentiment continued into the third weekly period as the US Federal Reserve aggressively cut interest rates to a three-year low, lifting the financial market in New York. Further upward pressure came from a hefty rebound in gasoline futures of over 6%, inspired by healthy refining margins while natural gas futures were up 3.5% on recent late winter cold snaps amid depleting underground storages. Nymex closed the week up 67¢ at $109.42/b, after peaking over the $110 level. The weekly average was $2.75 or 2.6% higher at $109.11/b. Nevertheless, the CFTC reported that non-commercials reduced net longs by a hefty 27,000 lots to 86,300 amid a drop in longs and higher short positions. Moreover, open interest fell by a hefty 77,000 lots to 1,407,400. With options included, open interest volume plunged by 154,700 lots to 2,799,200.

Graph 7: Non-commercial net long positions vs WTI, 2008



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

In the fourth weekly period, non-commercial net longs declined a further 32,500 lots to 53,900 with open interest volume down by 44,700 lots to 1,362,700. Fund sell-offs for profit-taking took place amid a recovery in the US dollar exchange rate while fears of a recession revived, pushing crude prices lower. Nymex WTI front month closed the week down by a hefty $8.20 or 7.5% to settle at $101.22/b with the weekly average declining $7.01 to $102.10/b. In the final weekly period, a volatile weak US dollar encouraged further investment into the energy market. US weekly petroleum data was seen to be bullish amid a minimal rise in crude stocks in contrast to anticipation of a healthier build while gasoline inventories saw a larger draw than expected, keeping the bulls intact. A late winter cold snap in the Northern Hemisphere revived fear over seasonal fuel supplies amid refinery outages. A strike in a French port added to the bullish market sentiment as did a pipeline blast in southern Iraq. However, liquidation after recent speculative price hikes, along with the need to book quarterly profits, pushed crude futures lower in New York. Revived fears of an economic slowdown lent support to the bearishness in the marketplace amid a weakening outlook for demand growth. The Nymex WTI front-month contract closed the weekly period to 1 April 24¢ lower at $100.98/b, while the weekly average rose $2.23 to $104.33/b. The CFTC reported that non-commercials continued to reduce their net long positions, which fell 6,800 to 47,070 lots. Nonetheless, open interest volume gained nearly 19,000 lots to 1,382,600.

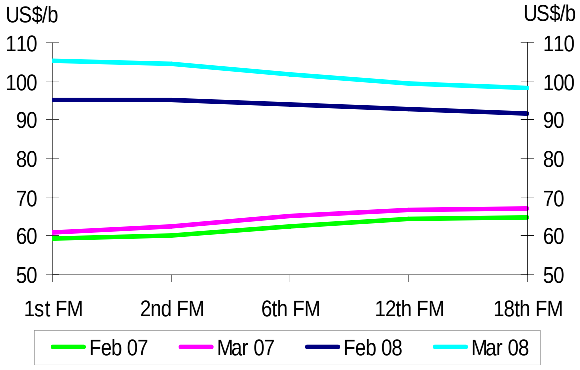
On a monthly basis, non-commercial net longs averaged 88,300 lots, up by 33,300 from the previous month and 48,800 higher than last year. Open interest averaged 1,426,350 lots for a gain of 45,700 from a month earlier and 116,200 higher y-o-y. The weak US dollar exchange rate led the bullish market sentiment. Geopolitical developments, a late winter in North America, along with seasonal fuel stock-draws amid refinery outages, kept the bulls intact. US Federal Reserve interest rate cuts also lent support. On the other hand, fear of a recession amid equity market turbulence inevitably triggered fund sell-offs for profit-taking preventing prices from surging further. The Nymex WTI front-month contract averaged 10.5% or $10.07 higher in March to settle at $105.42/b, after peaking well over $110/b.

The Forward Structure

Investment in the front month continued to widen differentials along the forward curve

The monthly average backwardation spread widened with the 1st/2nd month at 94¢ or 78¢ over the previous month. The 1st/6th, 1st/12th and 1st/18th month backwardation spreads increased $3.72, $5.88 and $7.22 or $2.54, $3.44 and $3.68 over the previous month. The weekly average for the US crude oil stocks was 9.5 mb higher in March at 313.6 mb, but 14.4 mb lower than last year. The general perception was that, despite high outright prices, procurements were not seen limited amid ample supply. However, disruption in downstream output and a late winter cold snap contributed to the wider spreads. The weak US dollar prompted a speculative buying spree in the petroleum futures market furthering the wide front end of the curve.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Strong volatility in the commodity markets in the first quarter of 2008

Trends in selected commodity markets

The first quarter of 2008 was characterized by strong price volatility in the commodity markets. Following the remarkable price rally in February, commodity markets softened in March with the exception of the energy market. Commodity price index continued to grow at about 6% month-on-month (m-o-m) in March, the same as in February. The increase was entirely driven by a 7% rally in energy prices, as non-fuel prices growth was only 3.2% in March compared to 7% in the previous month (*see **Table 2***). As seen below, CFTC data show a net long liquidation in major non-commercial futures positions in March and data corresponding to commodity exchange-traded products (ETPs) indicate that actual inflows into ETPs more than halved in March, relative to February, to stand at $1.5 bn, with a m-o-m increase reported only by precious metals and energy. The notably worsening of the economic outlook for advanced economies in March seems to have begun to affect commodity prices too by enhancing the bearish investment sentiment**.** Nevertheless, some market observers argue that the lower commodity prices seen in March are of a short-term nature and that fundamentals remained robust in the case of many commodities, adding that on a quarterly perspective the inflow of investment into commodities remained relatively stable suggesting the continued interest of investors in the commodity markets and that long-only passive investment through indices is being favoured by investors. It must be pointed out, that, despite some losses in March, commodity indices outperformed other major asset class indices in the first quarter of 2008.

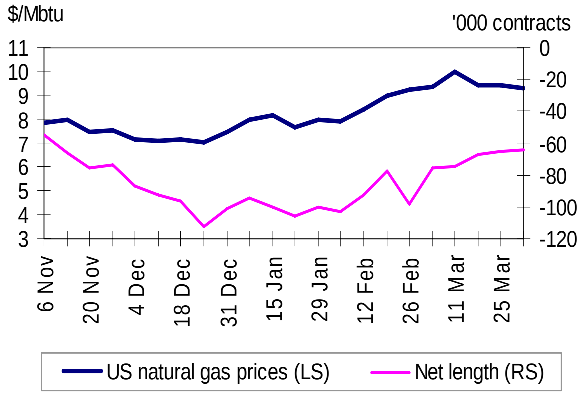
Table 2: Monthly changes in selected commodity prices, 2007-2008

		% Change		% Change
	Jan/Dec	Feb/Jan	Mar/Feb	Mar 08/Mar 07
Commodity	3.7	5.5	5.7	48.0
Non-fuel	6.0	7.1	3.2	22.4
Energy	2.6	4.7	7.1	66.0
Crude	1.6	3.2	8.6	68.1
Natural gas	12.0	7.0	10.1	32.4
Gold*	10.5	3.7	5.0	47.9
Silver*	11.6	10.1	11.0	47.9
Food	4.8	8.2	2.9	43.5
Corn	14.6	6.5	6.3	37.9
Soybeans	7.1	5.4	-4.3	58.5
Soybean oil	11.3	14.4	1.0	94.4
Industrial metals	9.7	7.0	5.4	9.4
Aluminium	3.1	13.4	8.2	9.2
Copper	6.8	12.2	6.2	30.5
Nickel	6.6	1.0	10.8	-32.6
Sugar	-2.7	-0.3	2.0	2.9
Wheat	0.3	15.0	3.5	120.9
Zinc	-0.6	4.0	2.1	-22.9

Sources: IMF; Estimations based on data provided by the IMF.
** Kitco*

The energy sector prices went up further by 7% in March relative to February with crude oil jumping by 9% and natural gas by 10%. **US natural gas** reached record seasonal prices with prices in March averaging more than $9/MMBtu which is an unprecedented level for a period characterized by lower heating demand. It must be noted that the fall in net short future positions slowed indicating that the market may be positioning itself in advance of the next winter season. The factors behind this performance in US natural gas are related to the unusually cold weather in some US regions, which prompted a reduction in natural gas inventories which declined from 3.55 tcf at the beginning of last November to 1.31 tcf as of mid-March. It is expected that the need to rebuild inventories during the April-November injection period will push prices higher. The expected decline in Canadian production and exports to the US, together with the squeeze out of LNG imports by delays and outages at liquefaction plants as well as by cargo diversions to higher priced European and Asian markets, added also to the upward trend in US natural gas prices. Finally, record crude oil prices were an important factor in explaining the development of natural gas prices.

Graph 9: US natural gas prices vs. net length, 2007-2008



The slowdown of non-fuel commodity price growth in March relative to the previous month was mainly led by food and industrial metals.

Industrial metal prices declined 5% m-o-m in March, 2 percentage points lower than in February on demand concerns and uncertainties linked to the US economic recession and the spillover to OECD economies. The most affected metals were those with weaker fundamentals such as zinc. However, other industrial metals with stronger fundamentals reported important losses, too. **Copper prices growth halved in March to 6% from February while aluminum price growth saw a drop of 5% points in March m-o-m (*see Table 2*).** Some mild sell-off took place in copper markets during the second and third weeks of March (*see* ***Graph below***), but a recovery occurred thereafter. In the case of aluminum, a built in inventories in March relative to February contributed to the downtrend, together with a fall in open interest. As a whole, both structural and cyclical factors, namely higher marginal costs of production and continued Chinese demand strength, are expected to support the prices of some metals, such as copper and aluminum during the year.

Spot gold prices increased at a rate of 5% to stand at $968.43/oz in March on a monthly basis compared to 3.7% in February (*see* ***Table 2).*** Some factors such as supply-side trends in Africa and US interest rate cuts — which prompted greater investment demand to hedge against the falling US dollar and inflation — supported gold prices in March. A negative factor was the stabilization of the dollar as a result of the rate cut from the Federal Open Market Committee which led to a sharp correction in the third week of March through profit-taking and liquidation (*see* ***Graph 9***). Another factor has been the weaker jewelry demand expected for the whole 2008 due to record gold prices and slower world economic growth.

Agricultural prices recorded the worst performance across the sectors in March with growth halving from 8.5% in February to 4% in March m-o-m. Major losses were taken by food whose price growth slowed down from 8% in February to 2.9% in March. Soybean experienced negative growth in March on a monthly basis and soybean oil only grew by 1% in the same period compared to 14% last February. Likewise, wheat prices plummeted by 3.5% in March following a 15% growth in the previous month.

Soybean sharp price increased at the beginning of March but then dropped due to fund liquidation, as fundamental factors remained strong. According to the CFTC, the net length for soybean non-commercials declined by 32,807 contracts in March compared to February with a fall in long positions of 27,433 contracts and an increase in short positions. This development took place despite a downward revision in inventories for soybean made by USDA in mid-March and the fact that Chinese demand is expected to increase while US exports decline. Thus, speculative liquidation seems to have influenced the soybean markets in March, despite the low share of speculative investment in open interest as measured by the ratio between the net long or long positions and open interest in the CFTC's Commodity Index Report (CIT), which were 10% and 14.7% in March, respectively. With reference to **soybean oil**, these indicators were 4.5% and 10.8% respectively in March. Finally, the outlook for this commodity remains positive, even despite the slight upward revision of the soybean 2007/08 ending inventories made in the April WASDE report.

Corn prices grew by 6.3% in March m-o-m remaining almost the same as in last February owing to tight fundamentals: high Chinese demand, growing US demand from the food, fuel and feed sectors which should increase given the rally in crude oil prices, and competing acreage allocation. For this reason, the outlook for corn and the grain complex as a whole remains positive for 2008 despite concerns about the worsening economic outlook.

It must be noted that, as in the case of other agricultural commodities, the share of speculative investment in the corn market is low, accounting for 13.3% of open interest as measured by the ratio of long positions in the open interest according to the CIT. This measure is 31% lower than the ratio of the long positions of non-commercial as a percentage of the open interest under the previous classification system.

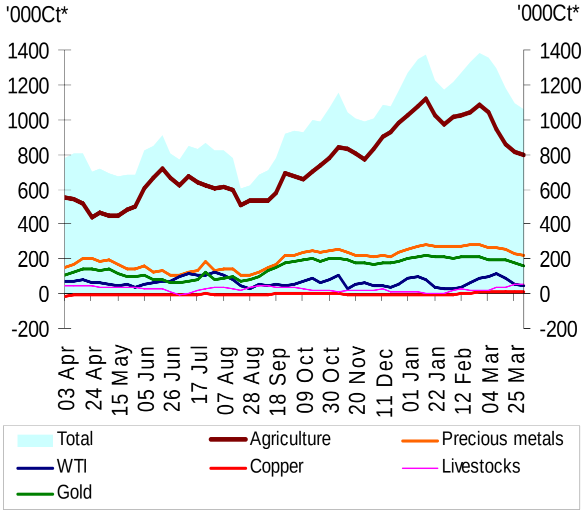
The sharp decline in wheat prices in March seems to obey to profit taking due to the sky-high prices reported in the previous month. However, we stress again that this appears to be a short-term phenomenon and that fundamentals remain the key driver of this commodity market for 2008. Both long and short positions were cut by 9,578 and 14,000 contracts respectively in March relative to February in the traditional report, which suggests that funds have curbed exposure to wheat.

Investment flow into commodities

A fall in speculative net inflow in major US commodity markets in March after an increase in February

Contrary to the trend in February, Graph 10 indicates that net long-liquidation in major non-commercial futures positions for the US commodity markets covered by the CFTC increased during March. The net length of non-commercials dropped for the first three weeks of March with a decline of 110,000 contracts occurring in the third week of the month which was the greatest fall since January 22; but at 1,182,444 volumes are still high A recovery took place in the fourth week of March due to a strong slowdown in the liquidation of non-commercial long positions.

Graph 10: CFTC net inflow by commodity group, 2007-2008

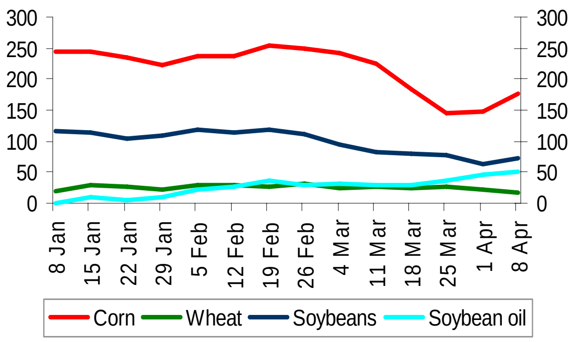


Ct = *Each contract is 1,000 barrels.

The impact of the US economic slowdown on Europe led to a considerable outflow of speculative funds across many commodities in March relative to the previous February, notably crude oil, as well as some agricultural commodities. Less affected were precious metals and especially gold. The exception was natural gas which reported a net inflow of non-commercial positions.

Agricultural speculative net length positions declined from 1,040,000 contracts in February to 916,000 contracts in March m-o-m (*see **Graph 10***) but a recovery can be seen in the last week of March and the first week of April according to the CFTC data. **Graphs 10** and **11** show the trend in the non-commercial net length and as percentage of OIV in some commodity markets as measured in the CIT report which disaggregates index trader long positions. As discussed above, the movements of speculative investment in some agricultural markets differs from the trends estimated by the previous classification system used by the CFTC, indicating the more modest role of non-commercial funds in the agricultural commodity markets.

Graph 11: CFTC CIT non-commercial net length, 2008

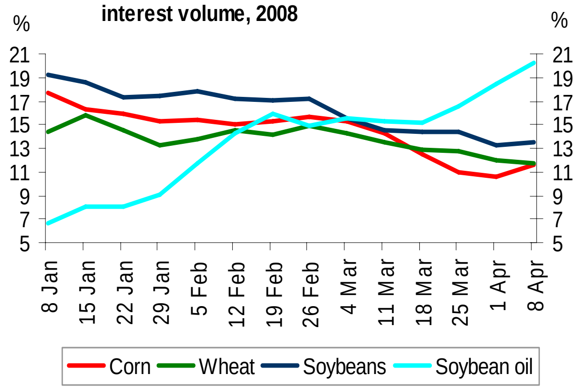


Source: CFTC

Copper speculative net length maintained the recovery that began in the first week of February reaching 10,000 contracts in the second week of March. Despite a mild drop during the rest of the month it remained in positive territory with a recovery taking place in the first week of April.

In weekly terms, gold speculative net length slightly declined throughout most of March followed by a mild recovery in the second and third weeks. The decline at the end of the month and in the beginning of March was associated with the stabilization of gold prices.

Graph 12: CFTC CIT long positions as % of total open interest volume, 2008



Source: CFTC

Highlights of the World Economy

Economic growth rates 2007-2008, %

	World*	OECD	USA	Japan	Euro-zone	China	India
2007	4.9	2.7	2.2	2.1	2.6	11.9	8.6
2008	3.9	1.8	1.1	1.3	1.7	9.7	8.0

World aggregate growth rate now based on country weights calculated from updated 2005 purchasing power parity exchange rates.

Industrialised countries

United States of America

US economy appears likely to be sliding into recession in the first half of 2008

In the US, recession in the first half of the year appears to be very likely on continued weakness in labour markets, with a fall in payrolls for the third month, steep drops in consumer confidence and further contraction in the housing sector. While existing home sales are showing some signs of bottoming, new home sales fell in February to the lowest level in 13 years, while home prices continued to drop. The median price of existing single-family homes fell 8.7% in February from a year earlier. Mortgage-related asset writedowns and losses reported by the world's biggest financial institutions now exceed $230 bn. Total losses from the US mortgage crisis are expected to approach one trillion, according to the IMF. Most indicators point to a stagnating economy at near zero growth.

The poor state of the economy was acknowledged by the Fed Chairman who admitted that it was likely that the economy would show little if any growth and could even contract slightly in the first half of the year. The Fed resorted to another cut on March 18, this time by 75 basis points bringing the federal fund target rate down to 2.2%, three percentage points lower than in August 2007. It is expected that the Fed will cut rates further possibly at its next regular meeting at the end of April but the pace of easing may slow down. The Fed's preferred inflation measure, the core personal consumption expenditures price index (PCEPI), excluding food and energy, rose 2% in February from year ago. The headline PCEPI climbed 3.4%, exceeding 3% for the fourth consecutive month. With the slowing economy, the Fed expects overall inflation to slow.

One of the most closely observed indicators is the employment report. The March report showed that the economy had shed jobs for the third month in a row. Payrolls fell by 80,000 in March and the unemployment rate rose to 5.1%, the highest level since September 2005, from 4.8% in February. Job losses in February were revised up to 76,000 from 63,000. While private employers subtracted 98,000 jobs in March, there were some gains in government employment. Manufacturing payrolls fell by 48,000 workers, the biggest decrease since July 2003. However, half of these losses can be attributed to the auto industry, reflecting a strike at a supplier for General Motors.

With the loss of around 232,000 jobs so far this year, coupled with rising food and energy costs, falling home prices and tightening credit, consumers are rapidly losing confidence. The Conference Board Consumer Confidence Index, based on a monthly survey of 5000 US households, fell further in March to 64.5 from 76.4 in February (1985=100). The cutoff date the for March's results was March 18th. A more recent measure of consumer confidence, the Reuters/University of Michigan preliminary index of consumer sentiment for April fell to 63.2 from 69.5 in March, the worst reading since March 1982. It is therefore expected that consumer spending will weaken in the first half of the year. Consumer credit is still growing but at a slower pace. The Federal Reserve reported that consumer credit in February increased by $5.1 bn following a $10.3 bn in January.

Business sentiment also fell. Confidence among U.S. small businesses dropped in March to the lowest level in 28 years, which does not bode well for future hiring and investment plans. The National Federation of Independent Business optimism index declined to 89.6, the lowest reading since the second quarter of 1980 from 92.9 in February.

Service industries contracted for a third month in March but there was a slight improvement from February. The Institute for Supply Management's non-manufacturing index stood at 49.6 in March up from 49.3 in February. Meanwhile, manufacturing contracted less than forecast in March, as gains in exports helped offset declines in orders. The index increased to 48.6 from 48.3 in February. For both indices a reading below 50 indicates contraction.

Moreover, orders to U.S. factories fell by a higher-than-expected 1.3% in February, as companies scaled back investment plans. This followed a 2.3% drop in January. Excluding orders for volatile transportation equipment, orders fell 1.8%, the largest decline since January 2007. Orders for non-defense durable goods excluding aircraft, a proxy for future business investment, fell 2.4% Our overall forecast for US economic growth in 2008 has been revised down by 0.2 pp to 1.1%.

Japan

Bank of Japan cuts assessment for Japanese economy amidst rising concerns about the negative effects of higher prices

Recent economic data in Japanese indicate the economy is losing steam. While exports continued to grow, with the currant account improving in the first two months of 2008, corporate sentiment fell to four-year lows, machinery orders dropped, while industrial production declined for a second month. The Bank of Japan kept interest rates on hold at 0.5% at its early April meeting as it cut its assessment of the economy for the first time in four months amid concern of an economic slowdown and possible recession. The central bank pointed to the negative effects of high energy and materials prices on inflation and growth. However, an interest rate cut in the near future appears unlikely.

Industrial production continues to decline. It fell by 1.2% in February after a drop a 2.2% in January. Core machinery orders, a leading indicator for capital spending, fell by 12.7 % in February m-o-m, the worst performance since November 2003. However, orders had surged by 19.6% in January. Over the previous year orders were 2.4% up in February.

The quarterly Bank of Japan's March Tankan business sentiment Diffusion Index for large manufacturers fell to 11 from 19 in December, reaching a four-year low. Moreover, the survey indicated that Japanese companies had become cautious with their investment plans. The main reason for the drop in confidence appears to be a profit squeeze caused by higher input costs. However, the index has remained above zero since September 2003, the threshold which indicates optimists outnumber pessimists. On the other hand, the Tankan diffusion index for small manufacturers fell into negative territory registering -6 while that for non-manufacturing small firms to -15. Small firms have suffered disproportionably with the rise of input prices. However, the Tankan report also showed that labor markets remain tight which is an encouraging signal that job growth could continue.

Meanwhile, inflation has picked up. Japan's wholesale prices rose a higher-than-expected 3.9% in March from a year earlier, the fastest pace since February 1981, following a revised 3.6% increase in February, highlighting concerns voiced by the Bank of Japan that higher fuel and food costs will fan inflation even as the economy slows. Cost-push inflation is spreading to a wider range of industries and businesses squeezing profits especially in small to medium-sized firms. Producer prices rose 2.2% in the year ended March 31, the fastest pace in 18 years. Price increases for steel, oil- and coal-related products, iron scrap and processed foods contributed to higher wholesale prices in March. As an example, coking coal prices for the steel industry have tripled this year. Core consumer prices, excluding fruit, fish and vegetables, but including energy, climbed 1% in February, the fastest pace in ten years. Prices of daily goods such as bread and milk climbed 2.5%, more than twice the pace of overall prices and the government raised wheat prices sharply. According to a Central Bank survey, Japanese consumers' inflationary expectations remained at near record highs.

On the positive side one notes the improvement in private consumption on the back of moderate increases in household income. The Cabinet Office's private consumption index indicates around 4% annualized increase in the first quarter. Core wages posted a 0.9% increase on year ago in February.

Separately, the OECD has urged Japan to improve its government's fiscal position by raising revenues and reduce expenditures. Japan's pubic debt is the highest in the industrialized world and is forecast to reach 182% of GDP in 2008 according to OECD estimates.

Overall, our estimate for Japanese growth has been trimmed slightly by 0.1 percentage points to 1.3% in 2008.

Euro-zone

Euro-zone inflation rises to 16-year highs but ECB keeps interest rate on-hold

Although inflation is rising and the euro has continued to appreciate, reaching yet new record highs versus the dollar, the Euro-zone economy's deceleration is moderate, so far. However, the overall relatively good performance masks differences within the region.

Euro-zone unemployment fell to a historical low of 7.1% in February. Nevertheless, given that unemployment is a lagging indicator, it could be that the improvement in labour markets which has characterized the last three years will slow down or go into reverse in coming months with the ongoing deceleration in economic activity. A measure of economic conditions in the retail sector fell in March to 48.2 from 52.4, signaling a decline in retail sales in March after the improvement recorded in February.

The European Central Bank again kept interest rates on hold in April, despite a strong rise in consumer prices. Consumer prices rose 3.5% in March from a year earlier, the fastest pace in almost 16 years. The ECB has also resisted pressures to lower interest rates although concerns are deepening that the fallout from the US subprime-mortgage crisis will affect European economies. So far, writedowns and losses incurred by European banks from the US subprime crisis in 34 institutions are estimated at $77 bn compared to an overall figure of $230 bn.

The overall March composite Purchasing Management Index (PMI) for the Euro-zone, which includes both the services and manufacturing sectors, slipped 0.1 from the flash estimate to 51.8 from 52.8 in February. The final services sector PMI was 51.6, also 0.1 below the earlier estimate, compared to 52.3 the previous month. The manufacturing sector PMI index indicated that growth has slowed down marginally from February. The final reading was 52.0, unchanged from the flash estimate but below the 52.3 reached in February and the lowest reading since October. Although lower, both the manufacturing and services sectors continued to expand.

Germany continues to exhibit surprising resilience. German exports were unchanged in February, despite the global slowdown and the strong euro appreciation. Exports have risen a seasonally adjusted 3.6% in January. Exports in February were around 9% higher than a year ago. Manufacturing growth accelerated and business confidence improved in March. The IFO survey of business confidence has increased for three consecutive months and is now at its highest level since August 2007. Industrial production also unexpectedly rose by 0.4% in February following a gain of 1.4% in January, as warm weather boosted construction. From a year earlier, seasonally adjusted industrial production rose 6.1%.

Overall, growth in the Euro-zone in 2008 is forecast at 1.7%, 0.1 pp lower than last month.

Former Soviet Union

Inflation in Russia hit 11.9% in 2007 exceeding the government target of 8%

Russian consumer prices have risen more than five percent since the start of the year, the state statistics committee in Russia has reported, casting further doubts over the government's ability to reduce price rises to single digits in 2008. Inflation has become the main problem for government, which is enjoying a 10^{th} year of economic boom, after it hit 11.9 percent in 2007, exceeding the government's target of around 8 percent by a wide margin. Inflation is running at over 13 percent year-on-year in the first quarter despite outflows of $22.8 billion amid global market jitters. According to the latest data from Kazakh State Statistics agency producer’s prices in the country have soared by 5.4 percent m/m in March. It is estimated to remain high in the near term. Kazakhstan's Central Bank kept its key refinancing rate unchanged at 11 percent from April. The central bank last changed the rate in December 2007, raising it sharply by two percentage points due to high inflation, after keeping it unchanged for months due to a liquidity squeeze in the banking sector. A credit crunch due to the US sub-prime mortgage crisis hit Central Asia’s top economy hard in mid-2007 after local banks had aggressively tapped international debt markets to fund growth. Liquidity tightness could in fact restrict Kazakhstan's strong economic growth, which has been driven by booming global prices for its key exports, oil and metals.

The Ukraine’s government has declined to set price controls on key goods

The World Bank has raised its inflation prediction for Ukraine, setting price increases expected during 2008 at an unsettling 17.2%. The main contributors to accelerating inflation in Ukraine are fuel prices, increasing money supply, and continued high demand for Ukraine's main exports, metals and agricultural products. Russia, Ukraine’s main supplier of oil and gas, has put up the price of fuel sold to Kiev by about 400% since 2005. It is forecast that continued high energy prices will combine with slowly falling domestic demand to reduce inflation to some 10% during 2009 and 2010, while GDP will stabilize at around 5% over the same period. The government has decided to set price controls on key goods such as flour, bread, meat and dairy products by limiting retail prices to 15% above wholesale prices and capping profits of producers to 12% above costs. It has already imposed prohibitive export quotas on grains, in place since October 2007. Other anti-inflationary measures included raising reserve requirements, refraining from issuing foreign debt, and considering cuts to the budget deficit.

Developing Countries

China's NSB revised up China's GDP growth for 2007 to 11.9% from 11.4%

The National Statistical Bureau (NSB) in China revised up China's GDP growth for 2007 to 11.9% from 11.4%. The NSB also revised up 2006 GDP growth to 11.6% from 11.1%. Accounting for the entire revision in GDP growth, services grew by 12.6% last year compared with an initial estimate of 11.4%. The IMF cut its forecast for China's 2008 growth to 9.3% from 10.0% in January. It is widely expected that declining export growth affected by the US slowdown is likely to drag China's GDP growth down this year, but that growth would remain above the government target of 8%. Inflation is likely to remain high because of rapid money supply growth, although it might ease slightly as the impact of a severe snowstorm has worn off. The authorities allowed companies to raise prices in China as they consider that inflation may trend down from its peak in February.

Inflation in India accelerated to a more than three-year high

Inflation in India was bound to rise with the pressure coming from oil and food prices. This is the fastest rate in more than three years. The wholesale price index rose 7.41% in the 12 months to 29 March. Surging commodity and food costs globally have fueled inflation across Asia, forcing governments to seek ways to stem price gains. In India, the government may decide on measures of price controls, at the same time the central bank may order lenders to park more money with it to raise the cost of funds.

Latin American countries seen to weather slowdown in US economy

The World Bank expects that Latin American countries rich in oil and other commodities will likely weather the expected slowdown in the US economy better than they would have even five years ago, thanks to growing trade with China and stronger domestic economies. A possible US recession would affect some regions more than others. Mexico and Chile, having closer relations with the US economy through trade agreements, are showing economic resilience as a result of reforms that have strengthened the business environment leading to higher investment. In Colombia, Peru, Brazil, and El Salvador where growth has picked up in recent years, perception of risk has decreased. The Brazilian Institute of Geography and Statistics (IBGE) announced that inflation measured by the Extended Consumer Price Index (IPCA) went from 0.49% in February to 0.48% in March. The accumulated IPCA for the first three months of this year registered 1.52%, compared to 1.26% for the same period in 2007. The accumulated IPCA to March was 4.73% y-o-y, a little above the 4.61% for the 12 months ending in February. This year's target is 4.50%, with a tolerance of plus or minus 2 percentage points.

OPEC Member Countries

Indonesia's central bank kept its policy interest rate unchanged at 8%

The Indonesian Finance Ministry expects growth of GDP at between 6.2% and 6.3% in the first quarter of 2008 from a year earlier, slightly lower than the government's indicative target of 6.4%. The growth should come from household consumption and exports. The government had revised down its full-year GDP target for 2008 to 6.4% from a previous target of 6.8% which was set based on its assessment of the extent of slowdown in world economic growth. Indonesia's central bank kept its policy interest rate unchanged at 8%, close to a three-year low to help maintain economic growth even though inflation accelerated at the fastest pace in 18 months in March.

Inflation accelerates in Iran

The Iranian central bank said on its website that prices rose by 3% in the Iranian month to 19 March, pushing up the y-o-y rate to 22.5%. The Central Bank of Iran has announced that the inflation rate for the past Iranian year (10 Mar 202007 to 20 Mar 2008) stood at 18.4%.

Saudi monetary authorities increased the proportion of assets banks must hold in reserve

Saudi Arabia's nominal GDP is expected at around $465 billion this year. The surge in Saudi oil revenue will support further growth in public spending. Much of this will be directed toward basic infrastructure, but spending on salaries and other benefits, as well as subsidies, will also be raised in a bid to offset the social cost of rising inflation. Having been negative in the first five years of the decade, average consumer price inflation accelerated to 2.3% in 2006 and further to 4% in 2007. A major risk to a buoyant outlook stems from inflation. The outlook for prices depends on the pace of housing, the course of global commodity prices and the value of the US dollar. These conditions may gradually improve in the second half of this year and into 2009, helping to dampen some import price inflation and subdue wage pressures. The Saudi Arabian Monetary Agency (SAMA) has increased the proportion of assets which banks must hold in reserve, in a bid to reduce liquidity and help stem rising inflation. SAMA hopes that the change will help reduce the level of money supply in the economy, which grew by 23.9% in the year to January. Inflation in the kingdom reached 8.7% y-o-y in February, the highest level for 27 years.

Oil prices, the US dollar and inflation

The US dollar dipped to new record lows versus the euro and fell below 100 ¥/$ towards the end of March

The US dollar downward trend resumed in March against all major currencies. On average, over the whole month, US currency continued fell sharply versus the euro (5.3%), Japanese yen (almost 6%), the Pound sterling (around 2%) and most against the Swiss franc (7.31%). The US dollar reached a new all-time low of $1.5812 on the 31st of march and averaged $1.5524/€ over the month of March from $1.4746/€ in February.

The dollar also dipped to lows of less than 100 yen reaching 98.8¥/$ on March 27. The increasingly bearish sentiment about the US economy and the prospects of lower US interest rates has continued to pressure the US dollar. As expected, the Fed lowered the target for the federal fund rate on March 18 from 3% to 2.25%, while the ECB continued to hold its main refinancing rate at a six-year high of 4%.

In March, the OPEC Reference Basket rose by $8.39/b or almost 9.3% to $99.03/b from $90.64/b in February. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price rose almost $2.9/b or 5.1% to $60.43/b from $57.42/b. The dollar depreciated by 3.5% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by nearly 0.3%.*

* *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

World oil demand in 2007 estimated to grow at 1.2 mb/d to average 85.8 mb/d

World oil demand in 2007

Mild weather in the OECD regions in the fourth quarter of last year dented oil demand. As a result, world oil demand growth in the fourth quarter is estimated at only 1.5 mb/d y-o-y. Hence, **world oil demand growth for 2007 is forecast at 1.2 mb/d or 1.4% to average 85.76 mb/d, broadly unchanged from last month.** Strong economic growth in non-OECD countries accounted for all of last year's oil demand growth.

The year began with weak oil demand growth in the first quarter because of warm winter in both OECD Europe and Pacific. First-quarter oil demand growth lost more than half its previous forecast. The decline in OECD was partially offset by an increase in non-OECD oil demand, leading to total growth of 1.4 mb/d and 1.2 mb/d in the second and third quarters.

Table 3: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.31	25.67	25.43	25.49	25.61	25.55	0.24	0.96
Western Europe	15.63	15.19	14.93	15.40	15.61	15.28	-0.35	-2.25
OECD Pacific	8.40	8.83	7.80	7.81	8.64	8.27	-0.13	-1.59
Total OECD	**49.34**	**49.69**	**48.16**	**48.70**	**49.86**	**49.10**	**-0.24**	**-0.49**
Other Asia	8.83	8.95	9.20	8.91	9.28	9.08	0.25	2.84
Latin America	5.26	5.26	5.44	5.60	5.56	5.47	0.21	3.97
Middle East	6.19	6.45	6.44	6.62	6.46	6.49	0.30	4.84
Africa	3.00	3.14	3.08	3.09	3.19	3.12	0.12	4.08
Total DCs	**23.29**	**23.79**	**24.16**	**24.23**	**24.49**	**24.17**	**0.88**	**3.79**
FSU	3.89	3.87	3.71	4.00	4.32	3.97	0.09	2.24
Other Europe	0.91	1.01	0.92	0.91	0.91	0.93	0.02	2.74
China	7.16	7.48	7.77	7.72	7.38	7.59	0.42	5.90
Total "Other Regions"	**11.96**	**12.35**	**12.39**	**12.63**	**12.60**	**12.49**	**0.53**	**4.47**
Total world	**84.59**	**85.83**	**84.71**	**85.56**	**86.95**	**85.76**	**1.17**	**1.39**
Previous estimate	84.58	85.87	84.65	85.53	87.02	85.77	1.19	1.41
Revision	0.01	-0.04	0.06	0.03	-0.07	0.00	-0.02	-0.02

Totals may not add due to independent rounding.

Table 4: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.22	25.67	0.44	1.76	25.06	25.43	0.37	1.48
Western Europe	15.97	15.19	-0.78	-4.85	15.24	14.93	-0.31	-2.06
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.44**	**49.69**	**-0.75**	**-1.48**	**48.12**	**48.16**	**0.04**	**0.09**
Other Asia	8.78	8.95	0.17	1.92	8.98	9.20	0.23	2.51
Latin America	5.07	5.26	0.19	3.83	5.24	5.44	0.19	3.70
Middle East	6.08	6.45	0.36	5.95	6.13	6.44	0.31	4.98
Africa	3.00	3.14	0.14	4.54	2.98	3.08	0.10	3.43
Total DCs	**22.93**	**23.79**	**0.86**	**3.75**	**23.33**	**24.16**	**0.83**	**3.54**
FSU	3.76	3.87	0.11	2.79	3.63	3.71	0.08	2.15
Other Europe	0.97	1.01	0.04	3.68	0.90	0.92	0.02	1.96
China	7.12	7.48	0.36	5.10	7.37	7.77	0.40	5.44
Total "Other Regions"	11.85	12.35	**0.50**	**4.25**	11.90	12.39	**0.50**	**4.17**
Total world	**85.22**	**85.83**	**0.62**	**0.72**	**83.34**	**84.71**	**1.36**	**1.64**

Totals may not add due to independent rounding.

Table 5: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.53	25.49	-0.04	-0.15	25.40	25.61	0.20	0.80
Western Europe	15.60	15.40	-0.21	-1.32	15.73	15.61	-0.12	-0.78
OECD Pacific	7.85	7.81	-0.04	-0.50	8.71	8.64	-0.07	-0.79
Total OECD	**48.99**	**48.70**	**-0.28**	**-0.58**	**49.85**	**49.86**	**0.01**	**0.02**
Other Asia	8.65	8.91	0.26	3.04	8.93	9.28	0.34	3.86
Latin America	5.39	5.60	0.22	4.04	5.33	5.56	0.23	4.28
Middle East	6.37	6.62	0.26	4.06	6.19	6.46	0.28	4.45
Africa	2.95	3.09	0.14	4.58	3.07	3.19	0.12	3.78
Total DCs	**23.35**	**24.23**	**0.87**	**3.74**	**23.52**	**24.49**	**0.96**	**4.10**
FSU	3.91	4.00	0.09	2.32	4.24	4.32	0.08	1.77
Other Europe	0.88	0.91	0.02	2.56	0.88	0.91	0.02	2.70
China	7.23	7.72	0.49	6.76	6.94	7.38	0.44	6.29
Total "Other Regions"	12.02	12.63	**0.60**	**5.01**	12.07	12.60	**0.54**	**4.44**
Total world	**84.36**	**85.56**	**1.19**	**1.41**	**85.44**	**86.95**	**1.51**	**1.77**

Totals may not add due to independent rounding.

Alternative Fuels

As was agreed among EU members, Germany is already working on a plan to increase the ethanol blend in gasoline to 10% from 5% which will commence next year. The EU plans to adopt a similar policy by 2020. Critics charge that this will not only further increase food prices but also cause food shortages as well as massive deforestation. Sugar prices have increased by 50% since the beginning of 2008 due to high demand for sugar cane from the biofuel industry. The push for biofuels is also coming at a hefty financial cost to OECD countries. US biofuel subsidies alone exceeded $7 billion a year. UN pressure on various countries to halt biofuel industry for five years to restore food prices and reduce massive deforestation has been resisted especially by European nations. However, the UK has begun to re-evaluate the impact of the biofuel industry on both the economy and the environment. It is anticipated that low corn production in the US will aggravate food prices this year which have already been on the increase due mainly to the biofuel demand for corn. A US government regulation to increase ethanol biofuel production is seen as the main reason behind the abrupt food price hikes over the past two years. Some studies suggest that the amount of biofuels needed to fill a SUV could feed a person for a whole year.

Some Asian companies are cutting the blend of unsubsidized biodiesel in an effort to reduce further losses. Even with the high oil prices, biodiesel blend is accruing losses when not heavily subsidized by governments.

World oil demand in 2008

World oil demand forecast to grow at 1.2 mb/d in 2008 to 87.0 mb/d

Winter products did not see strong consumption growth in the OECD because of above-normal temperatures in winter. World oil demand has been showing healthy growth because of non-OECD demand. In the OECD and especially in the US, transport fuel did not grow as expected as a result of slow economic activities and higher oil prices. Growth in other OECD regions was not sufficient to offset the strong y-o-y decline in oil demand in the US in March.

World oil demand is forecast to grow by 1.2 mb/d in 2008 to average 86.97 mb/d, unchanged from last month. The slowing world economy and mild winter in some OECD regions are seen as the main reasons behind weak demand for winter products.

Non-OECD oil demand — mainly from China, the Middle East, India, and Latin America — is forecast to be strong, offsetting weak OECD oil demand this year.

Due to typically low seasonal consumption, **total world oil demand in the second quarter is forecast to grow by only 1.0 mb/d y-o-y. The total increase is expected to come from non-OECD countries.**

Table 6: World oil demand forecast for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 2008/07 Volume	%
North America	25.55	25.57	25.53	25.59	25.88	25.64	0.09	0.37
Western Europe	15.28	15.32	14.87	15.32	15.73	15.31	0.03	0.20
OECD Pacific	8.27	8.98	7.73	7.65	8.67	8.26	-0.01	-0.16
Total OECD	**49.10**	**49.87**	**48.14**	**48.57**	**50.28**	**49.21**	**0.11**	**0.23**
Other Asia	9.08	9.13	9.35	9.08	9.43	9.25	0.16	1.80
Latin America	5.47	5.43	5.53	5.69	5.66	5.58	0.11	2.06
Middle East	6.49	6.72	6.72	6.90	6.74	6.77	0.28	4.27
Africa	3.12	3.19	3.13	3.16	3.24	3.18	0.06	1.81
Total DCs	**24.17**	**24.46**	**24.73**	**24.84**	**25.08**	**24.78**	**0.61**	**2.52**
FSU	3.97	3.92	3.77	4.06	4.37	4.03	0.05	1.38
Other Europe	0.93	1.04	0.96	0.93	0.93	0.96	0.03	2.90
China	7.59	7.82	8.13	8.20	7.80	7.99	0.40	5.28
Total "Other Regions"	**12.49**	**12.77**	**12.85**	**13.18**	**13.09**	**12.98**	**0.48**	**3.86**
Total world	**85.76**	**87.11**	**85.72**	**86.59**	**88.45**	**86.97**	**1.20**	**1.40**
Previous estimate	**85.77**	**87.17**	**85.63**	**86.57**	**88.52**	**86.97**	**1.21**	**1.41**
Revision	**0.00**	**-0.07**	**0.09**	**0.02**	**-0.07**	**-0.01**	**0.00**	**0.00**

Totals may not add due to independent rounding.

Table 7: First and second quarter world oil demand comparison for 2008, mb/d

	1Q07	1Q08	Change 2008/07 Volume	%	2Q07	2Q08	Change 2008/07 Volume	%
North America	25.67	25.57	-0.10	-0.39	25.43	25.53	0.10	0.39
Western Europe	15.19	15.32	0.13	0.86	14.93	14.87	-0.05	-0.34
OECD Pacific	8.83	8.98	0.15	1.73	7.80	7.73	-0.07	-0.92
Total OECD	**49.69**	**49.87**	**0.18**	**0.37**	**48.16**	**48.14**	**-0.02**	**-0.05**
Other Asia	8.95	9.13	0.18	2.01	9.20	9.35	0.15	1.63
Latin America	5.26	5.43	0.17	3.23	5.44	5.53	0.09	1.69
Middle East	6.45	6.72	0.27	4.19	6.44	6.72	0.28	4.35
Africa	3.14	3.19	0.05	1.59	3.08	3.13	0.05	1.62
Total DCs	**23.79**	**24.46**	**0.67**	**2.82**	**24.16**	**24.73**	**0.57**	**2.37**
FSU	3.87	3.92	0.05	1.31	3.71	3.77	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.48	7.82	0.34	4.55	7.77	8.13	0.36	4.64
Total "Other Regions"	**12.35**	**12.77**	**0.42**	**3.41**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.83**	**87.11**	**1.27**	**1.48**	**84.71**	**85.72**	**1.01**	**1.19**

Totals may not add due to independent rounding.

Table 8: Third and fourth quarter world oil demand comparison for 2008, mb/d

	3Q07	3Q08	Change 2008/07 Volume	%	4Q07	4Q08	Change 2008/07 Volume	%
North America	25.49	25.59	0.10	0.39	25.61	25.88	0.27	1.05
Western Europe	15.40	15.32	-0.08	-0.51	15.61	15.73	0.12	0.77
OECD Pacific	7.81	7.65	-0.16	-2.05	8.64	8.67	0.03	0.35
Total OECD	**48.70**	**48.57**	**-0.14**	**-0.28**	**49.86**	**50.28**	**0.42**	**0.84**
Other Asia	8.91	9.08	0.17	1.91	9.28	9.43	0.15	1.65
Latin America	5.60	5.69	0.09	1.61	5.56	5.66	0.10	1.80
Middle East	6.62	6.90	0.28	4.23	6.46	6.74	0.28	4.31
Africa	3.09	3.16	0.07	2.27	3.19	3.24	0.06	1.76
Total DCs	**24.23**	**24.84**	**0.61**	**2.52**	**24.49**	**25.08**	**0.59**	**2.40**
FSU	4.00	4.06	0.06	1.46	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.07	0.91	0.93	0.02	2.21
China	7.72	8.20	0.48	6.22	7.38	7.80	0.42	5.69
Total "Other Regions"	**12.63**	**13.18**	**0.56**	**4.41**	**12.60**	**13.09**	**0.49**	**3.89**
Total world	**85.56**	**86.59**	**1.03**	**1.20**	**86.95**	**88.45**	**1.50**	**1.72**

Totals may not add due to independent rounding.

Oil demand growth in North America for 2008 revised down to 0.1 mb/d

OECD North America

US first-quarter oil demand was hit hard by a contraction in January not only due to slowing economic activities, but also because of the warmer weather. The mild winter in the US caused North American oil demand to decline beyond expectations. As a result, North America's oil demand was revised down by 0.2 mb/d y-o-y in the first quarter. As in both January and February, US oil demand strongly declined in March by 1.0% y-o-y. This decline was caused by low demand for winter products, such as heating and fuel oil. Demand for heavy products declined by 0.3 mb/d y-o-y in the first quarter. Furthermore, gasoline did not maintain its normal growth trend but declined by 0.09% y-o-y in the first quarter.

The second quarter in the US is a low seasonality for oil demand. Should the economic situation deteriorate further, then the oil demand growth forecast of 0.1 mb/d might be susceptible to a downward revision.

As seen in January, Mexican transport fuel consumption grew strongly in February. Gasoline and jet fuel demand grew by 6.5% and 8.6% y-o-y in February. As a result of strong transport fuel demand, total Mexican domestic sales grew by 2.5% or 46 tb/d y-o-y in February to average 1.85 mb/d.

As a result of decreasing US oil demand, oil demand in North America was revised down by 0.06 mb/d to show growth of 0.1 mb/d y-o-y in 2008.

OECD Europe

OECD Europe oil demand to grow at 0.13 mb/d in the first quarter

Softened transport fuel demand in Europe, which was also seen last year, suppressed total oil consumption. However, winter weather boosted European demand in the first quarter. Due to the shift from gasoline to diesel-powered vehicles across Europe, diesel consumption in Germany alone rose 11% y-o-y in February. Furthermore, consumption of winter products such as heating oil grew rapidly, changing the pace of Germany's oil demand trend upward to show growth of 13% y-o-y in February. In contrast, gasoline consumption in the UK in January descended by 19% causing total oil demand to shrink by 6.35% y-o-y. Also seen also in Germany, the major switch to diesel engine vehicles among Italian motorists caused diesel consumption to grow by a strong 7.9% in February, leading to a total oil consumption growth of 1.6% y-o-y.

As a result of hiking demand in winter products, **OECD Europe oil demand is forecast to grow by 0.13 mb/d y-o-y in the first quarter to average 15.32 mb/d.**

OECD Pacific

OECD Pacific oil demand to grow at 0.15 mb/d in the first quarter

Total oil consumption in Japan was boosted by other heavy products which are used by power plants. Total domestic sales grew by 10% y-o-y in February. Direct crude burning alone added 0.24 mb/d to Japanese demand. However, transport fuel showed an expected decline reflecting a less active driving season.

As seen in January, increased fuel and crude oil demand boosted Japanese crude oil imports by 8.2% y-o-y to 4.39 mb/d. The recent gasoline price decline might have a positive effect on future demand. The recent price decline of 7% was the result of a temporary expiration of the fuel tax due to a political dispute; however, prices are still on the high side. The tax mainly affected rural areas where people are more dependent upon private vehicles than public transportation. Given the unexpected strong crude demand in Japan, OECD Pacific oil demand was revised up by 0.1 mb/d in the first quarter. Hence, **OECD Pacific first-quarter oil demand growth is forecast at 0.15 mb/d to average 8.98 mb/d.**

As a result of lower oil demand, South Korea's February oil imports declined by 2.4% y-o-y. Oil consumption has been on the decline since October showing a 2% y-o-y fall in February**.** The decline in South Korea's oil demand was not due to not only a decline in transportation fuel consumption, but also the low use of winter products. The Pacific was warmer than usual last winter.

Table 9: Japanese Domestic Sales, tb/d

	Feb 08	Change from Feb 07	Change from Feb 07 %
Gasoline	985	-18	-1.8
Naphtha	868	-16	-1.8
Jet Fuel	104	4	3.9
Kerosene	811	89	12.4
Gas Oil	635	-17	-2.6
Other Products	678	122	21.9
Direct Use of Crude	368	241	189.8
Total	**4,450**	**406**	**10.0**

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

Developing Countries

Developing Countries to grow by 0.57 mb/d in the second quarter

Despite lower demand during the agricultural season which caused India's oil imports to decline by 7.5% in February, total oil consumption showed strong growth adding 0.2 mb/d to India's total demand to average 3.1 mb/d. Transport and industrial diesel demand pushed diesel consumption up by 121 tb/d y-o-y in February. Although year-to-date India's oil demand grew by 159 tb/d, total year growth is forecast at 0.13 mb/d. Other Asia oil demand growth is expected to be healthy this year. As a result of strong transport fuel demand, Taiwan's oil demand grew sharply in February by 12% y-o-y. **Oil demand in Other Asia is expected to grow by 0.16 mb/d to average 9.25 mb/d in 2008.**

Graph 13: Yearly changes in Indian oil demand (12 month moving averages)

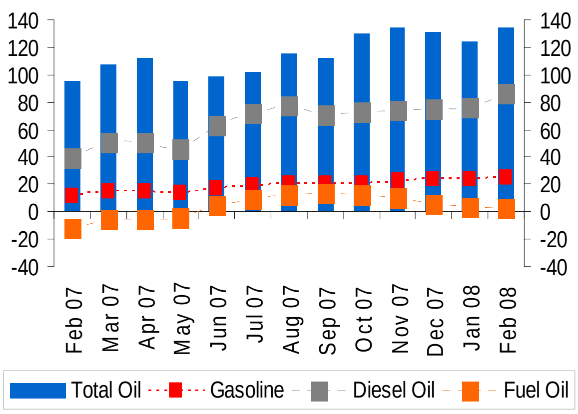
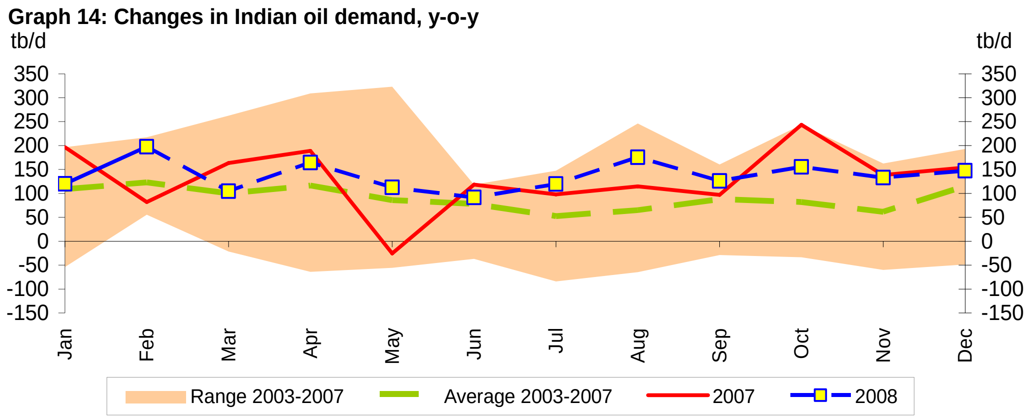
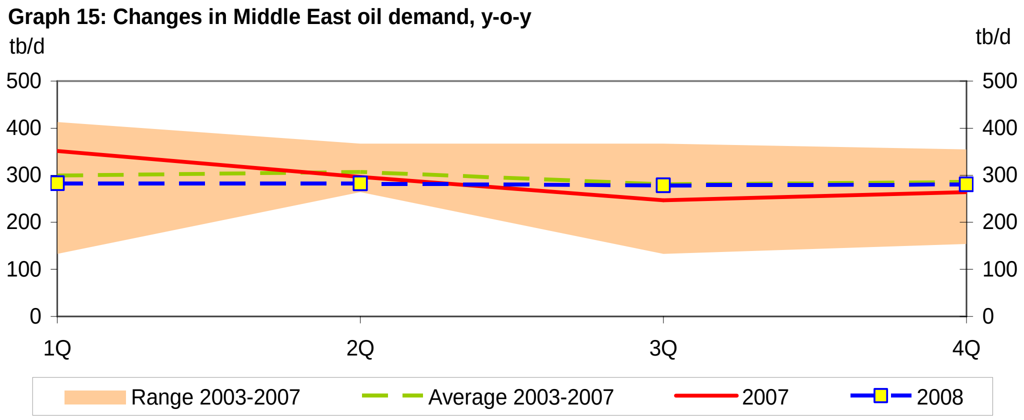


Table 10: Indian oil demand by main products, tb/d

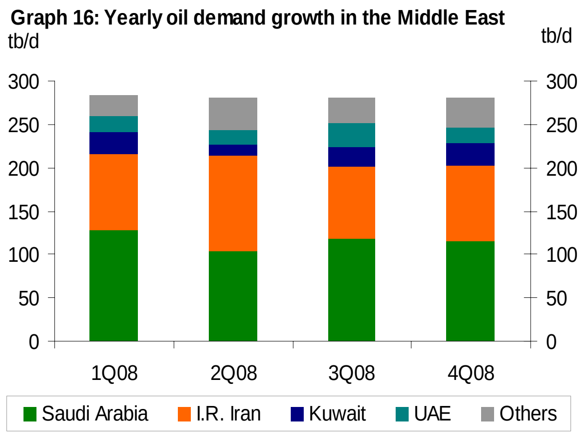
	Feb 08	Jan 08	Jan 08 - Feb 08	Difference to Jan 07 - Feb 07
LPG	396	382	389	22
Motor Gasoline	249	230	240	20
Jet Kero	331	293	312	19
Gas Diesel Oil	1,175	1,112	1,144	107
Residual Fuel Oil	339	286	313	-6
Other Products	613	622	618	-1
Total Oil Demand	**3,104**	**2,925**	**3,015**	**159**

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

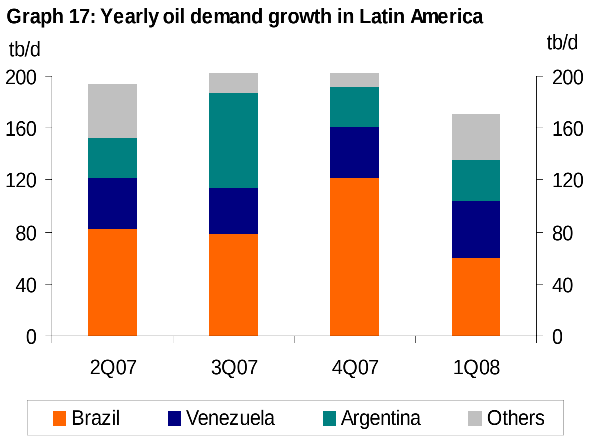




Middle East oil demand will be slightly affected by the Iranian government's decision to relax motor fuel quotas. Gasoline imports already reflect the demand increase this month. This will result in higher gasoline consumption for the rest of the year. **Middle East oil demand is forecast to grow by 0.28 mb/d y-o-y to average 6.77 mb/d in 2008.**



Brazil's recent announcement to increase biodiesel blend to 3% (B3) will result in an increase of almost 50% of the country's biofuel consumption. Of course this will have an adverse effect on fossil diesel; however, the country's annual consumption growth will offset this change. Brazil's economic growth has been driving the increase in oil consumption, a trend which is anticipated to be seen in most Latin American countries.



Developing Countries' oil demand growth for 2008 is forecast at 0.61 mb/d y-o-y to average 24.78 mb/d.

Other Regions

Apparent oil demand in China to grow by 0.4 mb/d in 2008

Diesel supply is still experiencing some shortages in China, especially in the southeast. This is despite the strong increase of 18% y-o-y in crude imports in February. As part of China's energy diversification, the country has announced the building of additional nuclear power plants. The country plans to increase the capacity of its nuclear power plants from 8.6 GW to 40 GW over the next 12 years. China's electricity demand, which was supplied from power plants that are dominated by coal turbines, grew by 13% in 2007.

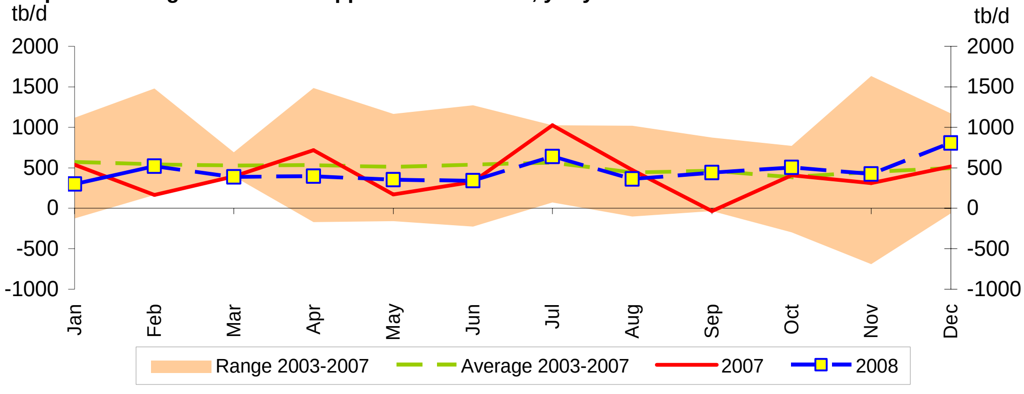
China's apparent oil demand for February added more than half a million barrels to its oil demand. The strong 7% demand growth resulted from high consumption of transport and industrial fuel. February oil imports showed double-digit growth, which 0.5 mb/d.

As expected, transport, agriculture, and industry are the main drivers behind the strong Chinese oil demand this year. Transport fuel will be the dominant sector, exceeding 31% of total oil consumed in China. New vehicle registration is expected to be as strong as last year, exceeding 28%.

Total Chinese oil imports and apparent demand have been on the high side since the country suspended its import tax last December for three months. Moreover, to avoid a further shortage of oil product supply, China is considering to reduce its import tax, which will help major retailers earn higher profit. This alternative will most likely be implemented by the government rather than increasing retail prices. Should this plan be implemented, oil demand could be affected in the future.

China's apparent oil demand for 2008 is forecast to grow by 0.4 mb/d y-o-y to average 7.99 mb/d. The Chinese government plans to reduce energy intensity by 4% in 2008. Should the government plan not materialize, then total oil demand will slightly exceed our forecast.

Graph 18: Changes in Chinese apparent oil demand, y-o-y



World Oil Supply

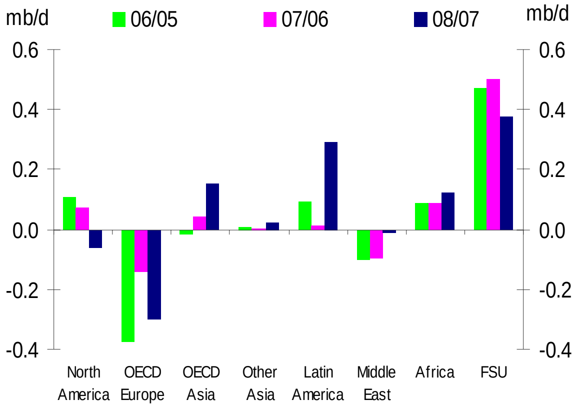
Non-OPEC supply growth in 2007 estimated at 0.55 mb/d to reach 49.44 mb/d

Non-OPEC

Estimate for 2007

Non-OPEC supply in 2007 is estimated to have grown at 0.55 mb/d to reach 49.44 mb/d, representing a minor downward revision of 11 tb/d from last month's assessment. Downward revisions made to Yemen, Oman, Australia and South Africa were partially offset by upward revisions to the USA, UK, Malaysia, Russia and Turkmenistan. On a quarterly basis, non-OPEC supply now stands at 49.79 mb/d, 49.45 mb/d, 48.97 mb/d and 49.57 mb/d respectively. Minor adjustments were also made to the 2006 figure.

Graph 19: Regional Non-OPEC supply growth, y-o-y



Revisions to the 2007 estimate

Downward revisions of 23 tb/d, 24 tb/d and 38 tb/d were made to the first three quarters of 2007. The fourth quarter saw an upward revision of 42 tb/d to reflect most recent data. In that quarter, the US estimate was revised up by 16 tb/d, while in the North Sea, UK production was revised up by 47 tb/d. In Asia, Malaysia witnessed an upward revision of 16 tb/d while Vietnam was revised downward by 4 tb/d. Yemen production was revised down by 53 tb/d and extended through 2008, taking into account the latest decline rate figures. Syria's production was revised down by 10 tb/d. The estimates for Russia and Turkmenistan were revised up by 16 tb/d and 20 tb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.38	14.41	14.22	14.27	14.32	0.07
Western Europe	5.39	5.52	5.21	4.97	5.27	5.24	-0.14
OECD Pacific	0.56	0.57	0.61	0.63	0.61	0.60	0.04
Total OECD	**20.19**	**20.47**	**20.23**	**19.82**	**20.15**	**20.17**	**-0.02**
Other Asia	2.72	2.73	2.68	2.69	2.74	2.71	-0.02
Latin America	3.86	3.87	3.88	3.88	3.88	3.88	0.01
Middle East	1.75	1.69	1.67	1.64	1.62	1.65	-0.10
Africa	2.60	2.68	2.66	2.64	2.74	2.68	0.09
Total DCs	**10.93**	**10.97**	**10.89**	**10.85**	**10.98**	**10.92**	**-0.01**
FSU	12.02	12.51	12.44	12.50	12.62	12.52	0.50
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.69	3.78	3.82	3.73	3.75	3.77	0.07
Total "Other regions"	**15.87**	**16.43**	**16.41**	**16.38**	**16.51**	**16.44**	**0.57**
Total Non-OPEC production	**46.99**	**47.87**	**47.53**	**47.05**	**47.64**	**47.52**	**0.53**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**48.89**	**49.79**	**49.45**	**48.97**	**49.57**	**49.44**	**0.55**
Previous estimate	48.89	49.82	49.48	49.00	49.53	49.46	0.56
Revision	0.00	-0.02	-0.02	-0.04	0.04	-0.01	-0.01

Non-OPEC supply growth in 2008 expected at 0.84 mb/d to average 50.28 mb/d

Forecast for 2008

Non-OPEC supply is expected to average 50.28 mb/d in 2008, an increase of 0.84 mb/d over the previous year and a downward revision of 83 tb/d from last month. On a quarterly basis, non-OPEC supply is expected to average 50.01 mb/d, 49.86 mb/d, 50.03 mb/d and 51.22 mb/d respectively.

Table 12: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.32	14.32	14.04	14.10	14.58	14.26	-0.06
Western Europe	5.24	5.20	4.99	4.65	4.93	4.94	-0.30
OECD Pacific	0.60	0.65	0.69	0.81	0.88	0.76	0.15
Total OECD	**20.17**	**20.16**	**19.72**	**19.56**	**20.39**	**19.96**	**-0.21**
Other Asia	2.71	2.77	2.78	2.86	2.95	2.84	0.13
Latin America	3.88	4.03	4.12	4.25	4.27	4.17	0.29
Middle East	1.65	1.63	1.64	1.64	1.65	1.64	-0.01
Africa	2.68	2.80	2.81	2.80	2.81	2.81	0.12
Total DCs	**10.92**	**11.23**	**11.35**	**11.56**	**11.68**	**11.46**	**0.54**
FSU	12.52	12.68	12.81	12.94	13.15	12.90	0.38
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.77	3.84	3.89	3.89	3.90	3.88	0.11
Total "Other regions"	**16.44**	**16.67**	**16.85**	**16.98**	**17.20**	**16.93**	**0.49**
Total Non-OPEC production	**47.52**	**48.06**	**47.92**	**48.09**	**49.27**	**48.34**	**0.82**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.44**	**50.01**	**49.86**	**50.03**	**51.22**	**50.28**	**0.84**
Previous estimate	49.46	50.26	49.96	50.03	51.22	50.37	0.91
Revision	-0.01	-0.25	-0.09	0.01	0.00	-0.08	-0.07

OECD

Total OECD forecast to decline by 212 tb/d in 2008

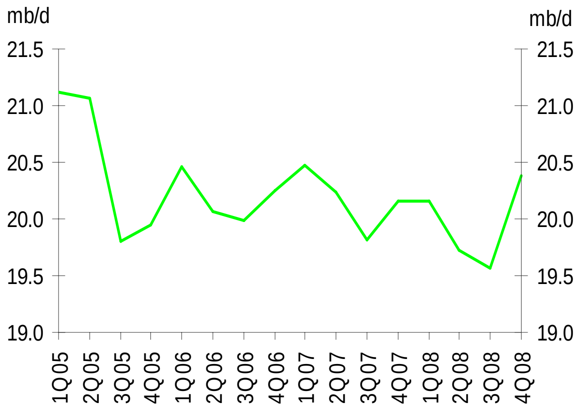
Total OECD oil supply in 2008 is expected to reach 19.95 mb/d, a drop of around 0.21 mb/d below the previous year. On a quarterly basis, OECD oil supply is expected to average 20.16 mb/d, 19.72 mb/d, 19.56 mb/d and 20.38 mb/d respectively. Preliminary data for the first quarter average put total OECD supply at 20.15 mb/d.

USA

North America expected to stay almost flat over 2007

In 2008, oil supply in the USA is expected to reach 7.60 mb/d representing growth of 105 tb/d over 2007 and a downward revision of 42 tb/d from the last assessment. On a quarterly basis, US supply is expected at 7.57 mb/d, 7.52 mb/d, 7.55 mb/d and 7.79 mb/d respectively. Neptune's start-up, which had been delayed due to anomalies found in the platform, is now expected to come onstream in the second quarter of this year, ramping up throughout the year to reach a peak of around 50 tb/d by the first or second quarters of 2009. Atlantis South, which started up on 18 December with initial production of 35 tb/d, will ramp up to peak at 200 tb/d. Genghis Khan also started up in late 2007 and is ramping up to reach its peak of 55 tb/d during the year. Blind Faith is expected to start production in late 2Q08 and ramp up faster to peak at around 60 tb/d by late 2008. The start-up of Thunder Horse is now expected in November but may be pushed back further to late 2008 or early 2009. The preliminary estimate for US production in the first quarter stands at 7.57 mb/d.

Graph 20: OECD's quarterly production



Canada and Mexico

White Rose field resumed production

Canadian oil supply for 2008 is expected to average 3.40 mb/d a slight growth of 63 tb/d over the previous year and an upward revision of 44 tb/d from last month's assessment due to adjustments in the approach to preliminary figures. The 140 tb/d White Rose field resumed production after a two-day suspension due to cold weather. On a quarterly basis, Canadian supply is forecast at around 3.44 mb/d, 3.33 mb/d, 3.34 mb/d and 3.47 mb/d respectively. The preliminary average for the first quarter is 3.44 mb/d.

Mexico's oil supply has been revised down slightly for 2008 and now stands at 3.26 mb/d representing a significant decline of 230 tb/d compared with the previous year. On a quarterly basis, Mexico's oil supply is forecast at 3.32 mb/d, 3.19 mb/d, 3.21 mb/d and 3.32 mb/d respectively. The preliminary estimate for the first quarter stands at 3.32 mb/d.

Western Europe

Western Europe to see a significant decline of 304 tb/d

Oil supply from Western Europe is expected to reach 4.94 mb/d representing a decline of 304 tb/d from the previous year and an increase of 83 tb/d over last month's assessment. The upward revisions contributed by UK with 98 tb/d and other Western European countries with 8 tb/d were partially offset by a downward revision of 23 tb/d to Norway. On a quarterly basis, Western Europe's oil supply is expected to produce at 5.20 mb/d, 4.99 mb/d, 4.65 mb/d and 4.93 mb/d respectively. The preliminary figure for the first quarter average oil supply is 5.20 mb/d.

Performance in Norway picked up in March

Norway's production is estimated at 2.44 mb/d representing a decline of 120 tb/d below the previous and a 23 tb/d downward revision from last month. On a quarterly basis, Norway's production is forecast at 2.53 mb/d, 2.44 mb/d, 2.29 mb/d and 2.49 mb/d respectively. The preliminary figure for the first quarter is 2.53 mb/d. New streams from Ormen Lange and Snohvit resulted in a better performance in March compared to the previous month. However, losses in mature fields erased the gains from the new streams in the annual average.

UK figures were under estimated, now adjusted according to latest data available

Production in the UK is expected at 1.51 mb/d, a decline of 173 tb/d from the previous year and an upward revision of 98 tb/d up from last month's assessment. With latest data showing UK figures to be underestimated, adjustments were made to match actual figures released by the Department of Trade and Industry. Quarterly figures now stand at 1.66 mb/d, 1.55 mb/d, 1.38 mb/d and 1.44 mb/d respectively. The preliminary figure for the first quarter is 1.67 mb/d.

Asia Pacific

OECD Pacific estimated to grow by 154 tb/d

Asia Pacific supply is expected to average 0.76 mb/d, 154 tb/d over the 2007 figure and down 11 tb/d from the previous month's assessment. On a quarterly basis, Asia Pacific oil supply is expected to average 0.65 mb/d, 0.69 mb/d, 0.81 mb/d and 0.88 mb/d respectively.

Australia production affected by high cyclone activity in the first and start of the second quarter

Australia's oil supply is expected to average 0.62 mb/d in 2008 which represents growth of around 94 tb/d over last year's figure and a downward revision of 11 tb/d compared with last month's assessment. The preliminary figure for the first quarter is 0.56 mb/d. Downward revisions were made due to high cyclone activity and adjustments to match preliminary figures.

New Zealand's oil supply is expected to increase 60 tb/d over the 2007 figure to reach 0.14 mb/d. The preliminary first quarter estimate is 0.11 mb/d.

Developing Countries

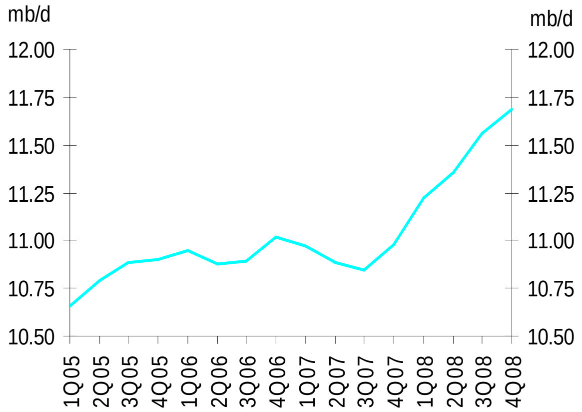
Developing Countries oil output is expected to reach 11.46 mb/d. This represents growth of 539 tb/d over last years' figure and a downward revision of 135 tb/d compared to the previous assessment. On a quarterly basis, DC oil supply is expected to average 11.23 mb/d, 11.36 mb/d, 11.56 mb/d and 11.69 mb/d respectively.

Brazil, Other Asia and Africa are the main contributors to growth this year. The preliminary first quarter average is estimated at 11.09 mb/d.

Other Asia is expected to reach 2.85 mb/d, representing growth of 137 tb/d over the previous year and a slight downward revision from last month's assessment. On a quarterly basis, Other Asia supply is expected to average 2.77 mb/d, 2.78 mb/d, 2.87 mb/d and 2.95 mb/d respectively. India, Malaysia and Vietnam are the main contributors to the growth.

Latin American oil supply is expected to produce 4.17 mb/d in 2008, a representing a significant growth of 293 tb/d over the previous year and a downward revision of around 62 tb/d from last month. The quarterly distribution stands at 4.03 mb/d, 4.13 mb/d, 4.25 mb/d and 4.28 mb/d respectively. Brazil is the major contributor to growth with around 272 tb/d. The preliminary average figure for the first quarter stands at 2.23 mb/d. The platforms Roncador P-52 and P-54 witnessed a 35-day delay due to unavailability of the well's interconnecting vessel.

Graph 21: Developing Countries' quarterly production



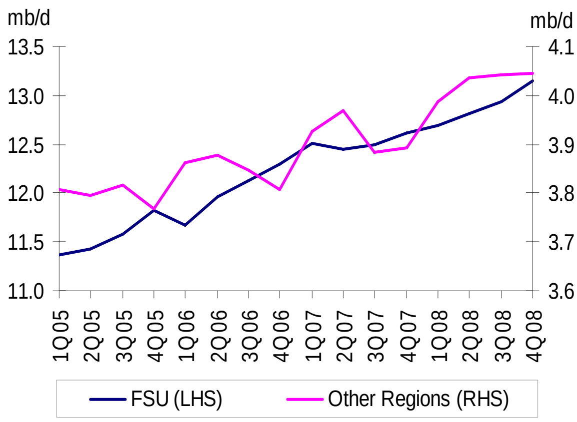
Africa is expected to average 2.80 mb/d in 2008 representing growth of 120 tb/d over the previous year figure and a slight downward revision over the previous assessment. On a quarterly basis, African supply is expected to average 2.80 mb/d, 2.81 mb/d, 2.80 mb/d and 2.80 mb/d respectively. South Africa saw a minor downward revision to the historical data which was extended through 2008 with. The preliminary average figure for the first quarter puts total oil supply at 2.75 mb/d.

The Middle East is the only region that is expected to stay almost flat compared with 2007. Output is expected to average 1.64 mb/d with a quarterly distribution of 1.63 mb/d, 1.64 mb/d, 1.64 mb/d and 1.65 mb/d respectively. Expected Yemen production figures have been revised down by 53 tb/d from the annual average extended from the fourth quarter of last year to match actual data.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.90 mb/d representing growth of 0.38 mb/d over 2007 and a downward revision of 19 tb/d from the last assessment. On a quarterly basis, FSU oil supply is expected to average 12.68 mb/d, 12.81 mb/d, 12.94 mb/d and 13.15 mb/d respectively. Other Europe is expected to stay flat at around 0.15 mb/d compared to the previous year while China is expected to average 3.9 mb/d.

Graph 22: FSU and other region's quarterly production



Russia

Russian oil supply is expected to reach 9.93 mb/d representing growth of 62 tb/d and a downward revision of 52 tb/d compared with the previous assessment. On a quarterly basis, Russian oil supply is expected at 9.81 mb/d, 9.88 mb/d, 9.98 mb/d and 10.05 mb/d respectively. Upstream spending slowed significantly followed by less drilling activity which resulted in a sluggish performance in the first quarter. Preliminary average oil supply for the first quarter stands at 9.78 mb/d.

Caspian

Oil supply in **Kazakhstan** is expected to grow by 93 tb/d over 2007 to 1.44 mb/d, unchanged from last month's assessment, with a quarterly distribution of 1.42 mb/d, 1.44 mb/d, 1.41 mb/d and 1.50 mb/d respectively. Kazakhstan may witness some supply disputes due to taxes to be implemented in the second half of the year. The preliminary average figure for the first quarter is 1.41 mb/d.

Oil supply in **Azerbaijan** is expected to grow by 200 tb/d over the previous year to reach 1.06 mb/d in 2008, unchanged from last month's assessment.

China

Oil supply in China is expected to average 3.88 mb/d, representing growth of 112 tb/d over 2007 and unchanged from last month's assessment. On a quarterly basis, China's oil supply is expected to average 3.84 mb/d, 3.89 mb/d, 3.89 mb/d and 3.90 mb/d respectively. The preliminary figure for the first quarter is 3.81 mb/d.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.40 mb/d in 2007, an increase of 0.34 mb/d over the previous year. In 2008 OPEC NGLs and non-conventional oils are forecast to reach 4.93 mb/d, an increase of 0.54 mb/d over last year.

Table 13: OPEC NGLs + non-conventional oils, 2005-2008

			Change						**Change**		**Change**
	2005	**2006**	06/05	1Q07	2Q07	3Q07	4Q07	**2007**	07/06	**2008**	08/07
Total OPEC	**4.08**	**4.06**	-0.02	4.22	4.35	4.40	4.62	**4.40**	0.34	**4.93**	0.54

OPEC crude oil production

OPEC production averaged 32.01 mb/d in March

Total OPEC crude oil production averaged 32.01 mb/d in March, a decline of 141 tb/d from the previous month according to secondary sources. OPEC production (not including Iraq) averaged 29.56 mb/d, down 174 tb/d from the previous month. Production in Indonesia, Iraq and Iran witnessed some gains, while all other members saw declines. In the first quarter, OPEC production averaged 32.06 mb/d.

Table 14: OPEC crude oil production based on secondary sources, 1,000 b/d

	2006	2007	3Q07	4Q07	1Q08	Jan 08	Feb 08	Mar 08	*Mar/Feb*
Algeria	1,365	1,360	1,365	1,386	1,400	1,400	1,403	1,396	*-7.1*
Angola	1,385	1,660	1,678	1,777	1,878	1,857	1,898	1,881	*-16.3*
Ecuador	536	507	508	509	501	504	502	496	*-5.4*
Indonesia	895	844	836	841	864	842	868	881	*12.9*
Iran, I.R.	3,845	3,855	3,861	3,907	3,933	3,954	3,878	3,963	*84.2*
Iraq	1,932	2,089	2,107	2,330	2,313	2,194	2,357	2,390	*33.2*
Kuwait	2,520	2,464	2,467	2,508	2,537	2,553	2,547	2,511	*-35.5*
Libya, S.P.A.J.	1,702	1,710	1,718	1,741	1,748	1,750	1,751	1,743	*-8.3*
Nigeria	2,235	2,125	2,154	2,158	2,047	2,051	2,068	2,023	*-45.5*
Qatar	821	807	814	826	839	844	839	835	*-3.7*
Saudi Arabia	9,112	8,654	8,584	8,921	9,052	9,075	9,055	9,025	*-30.1*
UAE	2,540	2,504	2,574	2,427	2,578	2,606	2,596	2,534	*-62.1*
Venezuela	2,539	2,392	2,377	2,395	2,374	2,402	2,390	2,333	***-57.4***
Total OPEC	**31,428**	**30,970**	**31,044**	**31,727**	**32,062**	**32,031**	**32,151**	**32,010**	***-141.2***
OPEC excl. Iraq	**29,496**	**28,881**	**28,937**	**29,397**	**29,750**	**29,838**	**29,794**	**29,620**	***-174.3***

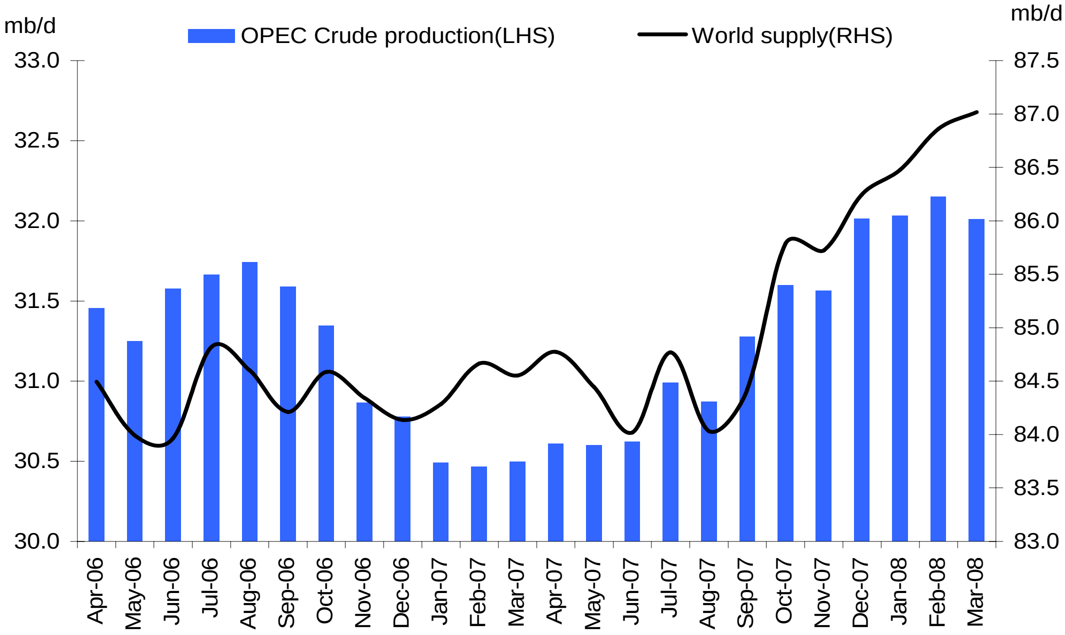
Totals may not add due to independent rounding.

World Oil Supply

World oil supply rose 0.16 mb/d in March over the previous month

Preliminary figures for March indicate that world oil supply averaged 87.02 mb/d. This represents a gain of 0.16 mb/d over the previous month, with OPEC's crude share at around 36.8%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 23: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports are estimated to have averaged 8.55 mb/d in 2007, an increase of 0.42 mb/d over the previous year. In 2008, total FSU net oil exports are forecast to reach 8.87 mb/d, an increase of 0.32 mb/d over the estimated 2007 figure.

Current trends

Actual figures for January indicate that total FSU crude exports averaged 6.02 mb/d. Preliminary figures for February averaged 5.80 mb/d, a decline of 220 tb/d from the previous month. Russian pipeline exports declined a significant 310 tb/d in February, mainly from the Baltic pipeline, in addition to the Druzhba and the Black Sea pipelines. Exports by rail and on the Russian-Far East route increased by 49 tb/d and 14 tb/d while the CPC pipeline declined by another 32 tb/d compared with January figures.

Table 15: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
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	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.64**	**8.74**	**8.50**	**8.31**	**8.55**	**0.42**
2008 (forecast)	**8.77**	**9.05**	**8.88**	**8.79**	**8.87**	**0.32**

Table 16: Recent FSU exports of crude and products by source, mb/d

	2006	2007	2Q07	3Q07	4Q07	Jan 08	Feb 08*
Crude							
Russian pipeline							
Black Sea	1,288	1,361	1,398	1,332	1,294	1,214	1,195
Baltic	1,553	1,631	1,647	1,647	1,631	1,641	1,404
Druzhba	1,288	1,123	1,134	1,091	1,128	1,149	1,095
Total	**4,129**	**4,115**	**4,180**	**4,071**	**4,052**	**4,004**	**3,694**
Other routes							
Russian rail	313	289	255	266	300	255	304
Russian - Far East	84	246	231	246	263	204	218
Kazak rail	31	15	13	12	17	17	18
CPC pipeline	661	693	712	673	678	636	604
Caspian	**396**	**246**	**250**	**196**	**205**	**164**	**189**
of which							
Supsa (AIOC) - Georgia	114	0	0	0	0	0	0
Batumi - Georgia	177	138	140	105	121	101	99
Total**	**1,702**	**2,226**	**2,298**	**2,143**	**2,228**	**2,014**	**2,104**
Total crude exports	**5,831**	**6,341**	**6,478**	**6,214**	**6,280**	**6,018**	**5,798**
Products							
All routes							
Fuel oil	861	841	786	789	913	978	1,127
Gasoil	841	677	601	597	814	813	920
Others	662	670	671	676	730	788	875
Total	**2,364**	**2,188**	**2,058**	**2,062**	**2,458**	**2,580**	**2,921**
Total oil exports	**8,195**	**8,529**	**8,536**	**8,275**	**8,738**	**8,598**	**8,719**

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

* *Preliminary.*

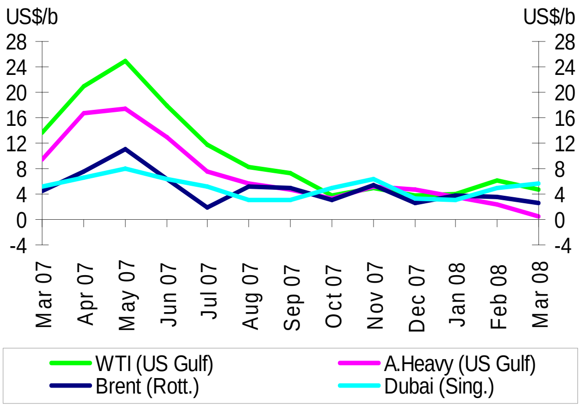
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product markets gained momentum in the latter part of March

Product stock-draws over the last few weeks along with refinery snags in the West and discretionary throughput cuts by refiners supported product markets and lifted product prices. However, crude oil prices outstripped product prices, undermining refinery margins in the Atlantic Basin. The current sentiment of the product market may strengthen, with the approach of the driving season, supporting crude oil prices. However, due to relatively comfortable gasoline stocks, particularly in the US, product developments are not expected to boost prices sharply or assume leadership of the market. Similarly, the ongoing mismatch between refinery outputs and middle distillate demand may ease in the near future as refineries return from maintenance, resulting in a surge in throughput levels.

Graph 24: Refining margins



As **Graph 24** shows, refinery margins for the WTI crude at the US Gulf Coast fell by \$1.36/b to \$4.69/b in March from \$6.05/b in February. In Europe, the market followed suit with margins for Brent crude oil at Rotterdam declining by \$0.93/b compared to the previous month to record \$2.62/b in March.

In Asia, market circumstances were relatively different with higher regional demand for the entire petroleum complex resulting in the better performance of the product market and refining margins. As **Graph 24** indicates, refining margins for Dubai crude oil in the Singapore market soared to \$5.71/b in March from \$5.04/b last month.

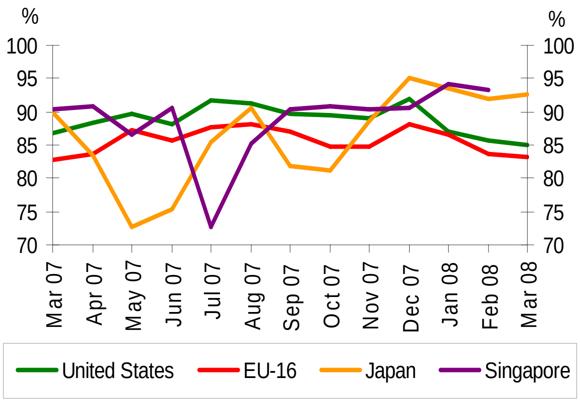
Refinery operations

Refinery throughputs fell further in the Western Hemisphere

Seasonal maintenance schedules, along with discretionary cuts, further trimmed refining operations around the globe, particularly in the Atlantic Basin.

As Graph 25 shows, the refinery utilization rate in the US declined by 0.5% compared to the previous month to reach 85.1% in March from 85.6% in February. In Europe, the refinery utilization rate followed the same trend decreasing by 0.5% to 83.2% in March from 83.7% in the previous month. In Asia, especially in Japan, the situation was slightly different. In Japan, the refinery utilization rate edged up to 92.7% from 92% in February.

Graph 25: Refinery utilization rates



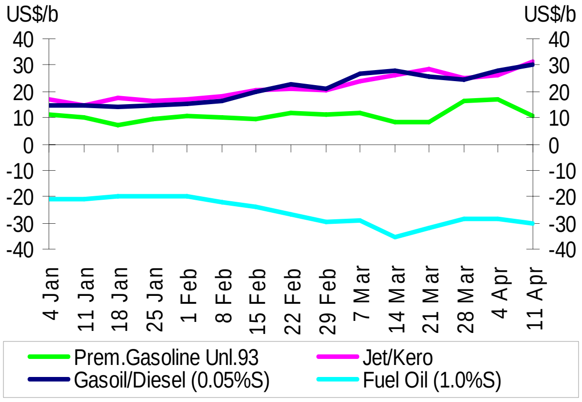
Looking forward, amid increasing seasonal maintenance in Europe and Asia, refinery utilization rates are expected to drop further in both areas next month. With regard to the US, seasonal maintenance may be completed in April, but due to low margins, refiners may not increase their operation levels in the near future.

The US gasoline market improved ver the last few weeks

US market

Gasoline stock-draws over the last few weeks switched the bearish sentiment of the gasoline market lifting gasoline prices. As Graph 26 shows, the gasoline crack spread for WTI crude oil at the US Gulf Coast surged to $17.04/b in the week ending 4 April from around $8.40/b in the middle of March. Continued low refinery utilization rates along with lower imports may provide further support for gasoline over the next month, but with the current healthy stock levels, gasoline prices and refining margins are not expected to increase significantly in the near future.

Graph 26: US Gulf crack spread vs. WTI, 2008



A cold snap in the US has also compounded the bullish momentum of the middle distillate market, lifting both gasoil and jet/kero crack spreads against WTI crude oil over the last few weeks. The gasoil crack spread versus WTI crude jumped to over $28/b in the latter part of March from nearly $20/b in the same period last month **(***see* ***Graph 26*****)**. Given low US distillate stocks, decreased refinery runs and export opportunities to South America and Europe, the distillate market in the US may remain strong over the coming weeks, but by the end of the heating season and completion of the maintenance schedules it may lose part of its current strength.

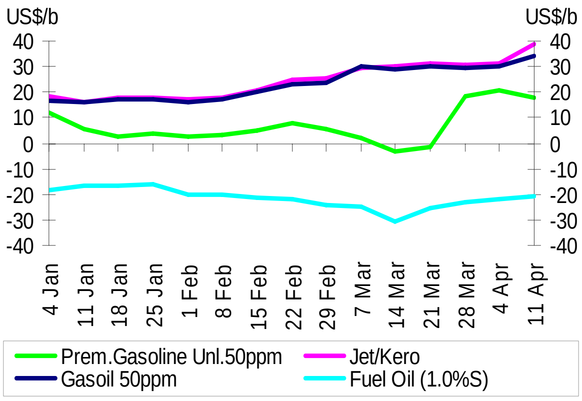
In the US, the fuel oil market maintained bearish fundamentals as sluggish demand failed to keep pace with regional production leading to higher stocks. Following these developments, the discounted value of fuel oil versus WTI crude oil and its crack spread remained around minus $30/b over the last few weeks. Looking ahead, by the end of the winter season and continued use of natural gas by industries, the fuel oil market should remain lacklustre.

Gasoil crack spread extended its upward trend in March

European market

Refinery snags in Europe together with distillate stock-draws over the last few weeks consolidated the bullish momentum of the middle distillates market lifting gasoil prices in the ICE and wet markets. In line with these developments, the gasoil crack spread against Brent crude oil recently soared to over $30/b (*see Graph 27***).**

Graph 27: Rotterdam crack spreads vs. Brent, 2008



The prompt market for middle distillates also remained backwardated, while the gasoil premium in the cash market in Europe is relatively high. The present bullish sentiment for distillates may remain over the coming months amid higher regional refinery maintenance in April and lower imports from other markets.

Despite the strong performance of middle distillates, the performance of the European gasoline market was really poor in the early part of March and its crack versus Brent crude reached minus $3/b in the middle of the month. Following gasoline stock-draws in the US over the last three weeks, European gasoline market conditions also improved with the gasoline crack spread rebounding over the last few weeks. The prospects for the coming months will depend on US market developments in the summer driving season.

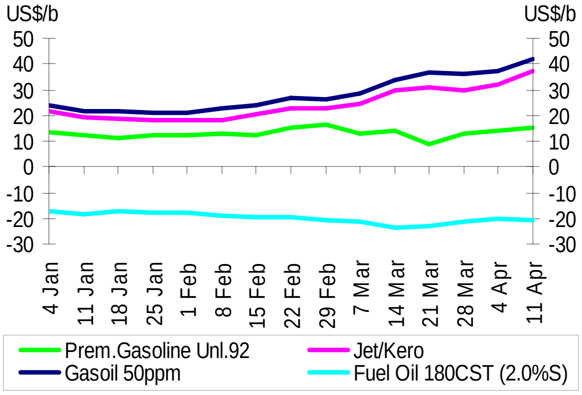
In the fuel oil market, with the arrival cargoes from North-West Europe in the Mediterranean area, the previous tight situation of high-sulphur fuel oil (HSFO) in the Mediterranean eased over the last few weeks. However, due to limited exports from Russia, the HSFO market in the Baltic appears fairly tight. But lower inland demand in April along with higher potential exports from Russia due to less domestic demand may further undermine the fundamentally bearish sentiment of the European fuel oil market in the coming weeks.

Asian market

Asian product market sentiment strengthened further in March

The gasoline market in Asia was underscored by tight regional supply amid heavy refinery maintenance in China and higher Indonesian demand. This situation switched the bearish momentum of gasoline market which was triggered by sluggish developments in the Atlantic Basin in the first half of March, and the gasoline crack spread versus Dubai crude oil reached $14.23/b in early April. Given the start of the Asian refinery maintenance schedule, the Asian gasoline market is expected to remain strong in the near future.

Graph 28: Singapore crack spreads vs. Dubai, 2008



With regard to naphtha, the Asian market premium to Brent swung lower, as market sentiment remained gloomy amid sluggish end-user demand, higher arbitrage cargoes from Europe and further exports from India. The Asian naphtha market may become weaker in the future with the start of the cracker unit maintenance schedules.

Apart from gasoline, the sentiment of the middle of the barrel components strengthened further due to robust regional demand and export opportunities to the rest of the world. The gasoil crack spread against Dubai crude oil reached an unprecedented level of about $37/b in the latter part of March. The current circumstances of the market for middle distillates may continue in the next months due to increasing seasonal demand from the agricultural sector and export opportunities to other markets. In addition to gasoil, the jet/kero market also performed well in the last few weeks (*see Graph 28*).

As far as the fuel oil market is concerned, the influx of western cargoes overwhelmed positive developments in Chinese demand and further widened the discounted crack spread of high-sulphur fuel oil versus Dubai crude to about minus $22/b in March. Looking ahead, good prospects for regional demand may support the market, but record-high inventories in Singapore could hamper any significant bullish developments.

Table 17: Refined product prices, US$/b

		Jan 08	Feb 08	Mar 08	Change Mar/Feb
US Gulf (Cargoes):					
Naphtha		96.06	96.63	104.80	8.17
Premium gasoline	*(unleaded 93)*	102.16	105.63	117.08	11.45
Regular gasoline	*(unleaded 87)*	97.48	101.46	108.80	7.34
Jet/Kerosene		109.49	114.89	131.35	16.46
Gasoil	*(0.05% S)*	107.04	114.73	131.63	16.90
Fuel oil	*(1.0% S)*	72.88	69.85	74.39	4.54
Fuel oil	*(3.0% S)*	69.44	67.88	71.42	3.54
Rotterdam (Barges FoB):					
Naphtha		108.66	109.36	113.53	4.17
Premium gasoline	*(unleaded 50 ppm*)*	95.82	100.30	108.91	8.61
Premium gasoline	*(unleaded 95)*	94.13	98.53	103.56	5.03
Jet/Kerosene		109.32	116.97	134.00	17.03
Gasoil/Diesel	*(50 ppm*)*	108.70	115.98	133.01	17.03
Fuel oil	*(1.0% S)*	74.81	73.26	77.69	4.43
Fuel oil	*(3.5% S)*	65.73	64.89	70.28	5.39
Mediterranean (Cargoes):					
Naphtha		91.81	92.56	95.98	3.42
Premium gasoline	*(50 ppm)*	107.01	110.83	117.31	6.48
Jet/Kerosene		107.43	114.50	131.37	16.87
Gasoil/Diesel	*(50 ppm)*	109.47	117.20	134.27	17.07
Fuel oil	*(1.0% S)*	73.04	72.13	77.08	4.95
Fuel oil	*(3.5% S)*	63.97	64.09	70.84	6.75
Singapore (Cargoes):					
Naphtha		93.12	94.99	97.54	2.55
Premium gasoline	*(unleaded 95)*	100.49	104.97	109.66	4.69
Regular gasoline	*(unleaded 92)*	99.56	104.04	109.12	5.08
Jet/Kerosene		106.17	111.03	125.31	14.28
Gasoil/Diesel	*(50 ppm)*	108.94	114.97	130.49	15.52
Fuel oil	*(180 cst 2.0% S)*	70.04	70.00	74.58	4.58
Fuel oil	*(380 cst 3.5% S)*	70.56	70.26	73.86	3.60

**/ From January 2008 = 10ppm*

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Jan 08	Feb 08	Mar 08	Mar/Feb	Jan 08	Feb 08	Mar 08	Mar/Feb
USA	15.20	14.93	14.85	-0.08	87.1	85.6	85.1	-0.50
France	1.70 R	1.59	1.46	-0.13	87.7 R	82.1	75.6	-6.50
Germany	2.21	2.15	2.26	0.11	91.6	89.0	93.5	4.50
Italy	1.81	1.86	1.77	-0.09	77.6	79.7	75.6	-4.10
UK	1.46 R	1.33 R	1.41	0.08	78.6 R	71.8 R	76.1	4.30
Eur-16	12.14 R	11.74 R	11.67	-0.07	86.5 R	83.7 R	83.2	-0.50
Japan	4.35 R	4.28	4.31	0.03	93.6 R	92.0	92.7	0.70

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures decreased 8% on the back of lower booking to the East

OPEC spot fixtures decreased sharply in March to reach the lowest level since October 2007, according to preliminary data. The decline of around 8% came mainly on the back of refiners reducing crude oil intakes due to the upcoming refinery maintenance season or owing to weak margins. Despite the monthly decline, the level of OPEC spot fixtures indicated an annual increase of 1% compared to the same period last year. Global spot fixtures also decreased in March by around 7% compared to a month earlier. Middle East spot fixtures for eastbound voyages declined sharply in March, dropping 17% as Asian refinery maintenance started in various locations. On the other hand, Middle East to the West fixtures increased by 33% in March to mark the highest level since November 2007. On an annual basis, Middle East to the West spot fixtures increased 34%.

OPEC and Middle East sailings are estimated to have declined in March from the previous month, while OPEC sailings remained steady from the same period last year. Arrivals in North-West Europe experienced a decrease as did the Euromed region, while arrivals at the US Gulf, the US East Coast and the Caribbean indicated a minor decline in March from the previous month, as refinery utilization rates decreased.

Table 19: Tanker chartering, sailings and arrivals, mb/d

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Spot Chartering				
All areas	21.93	20.98	19.41	-1.56
OPEC	14.24	14.15	12.96	-1.19
Middle East/east	5.59	5.88	4.86	-1.01
Middle East/west	1.82	1.56	2.08	0.52
Sailings				
OPEC	24.20	24.28	24.10	-0.18
Middle East	17.56	17.72	17.56	-0.16
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.75	8.62	8.51	-0.11
North West Europe	7.13	8.05	7.82	-0.23
Euromed	4.38	4.84	4.77	-0.07

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

The spot crude oil tanker market was mixed in March with rates for Suezmax and Aframax increasing but remaining steady for VLCCs

The spot tanker market was mixed in March, but with a general upward movement. However, diverse sentiments were seen, sometimes even within the same sector as market fundamentals determined the momentum in each region. Additionally, the volatility level within March increased in specific regions and sectors to a level that displayed the magnitude of influence of each sector's dynamics and fundamentals. Aframax in the Mediterranean provides a good example, with vessels being chartered at more than double the Worldscale rate within a period of around 10 days. The dirty spot tanker market performed better on average, increasing 26% in March while the clean spot tanker market rose 4%. The tanker market in general reacted to tonnage supply and demand while the Easter holiday created a minor fluctuation in activities with both owners and charterers endeavouring to capitalize on market's condition.

In March the VLCC sector went through an unusual trend with reported East of Suez spot freight rates moving between steady and declining, while West of Suez increased. On average, the VLCC sector rose 5% in March compared to the previous month. The East of Suez VLCC spot tanker market began the month by declining and continued drifting lower until the last decade of the month when rates started to pick up. The increase in VLCC spot freight rates from the Middle East at the end of the month partially offset the initial decline. VLCC spot freight rates on the long-haul Middle East to East route declined 6%, while spot freight rates for the cargos destined to the West remained steady in March from a month earlier. The market was characterized by a lack of activities at the beginning of the month, which drove spot freight rates lower. Weaker refinery margins encouraged refiners to cut runs. Additionally, the upcoming refinery turnaround season in Asia and other regions further dampened tonnage demand in an area where availability was relatively healthy. Charterers managed to cover positions in a slow and steady manner to keep the pressure on owners, further denting already lacklustre tonnage demand.

As March progressed, and after the first half folded, a steady stream of cargoes emerged for April loading which provided support for owners to lift up the market. Additionally, high bunker prices presented owners with a good opportunity to increase spot freight rates. Despite the relatively good tonnage availability — which rose even further as some time-chartered vessels returned to the spot market — VLCC spot freight rates increased toward the end of the month. Moreover, charterers rushing to secure units for their open positions prior to the Easter holiday added to the reasons for owners to hold their ground with regard to higher spot freight rates. Compared to the same period last year, VLCC spot freight rates from the Middle East to the East and West indicated rises of 20% and 24%, respectively.

The West of Suez VLCC market displayed a different trend than the East of Suez, with average spot freight rates for the long-haul West Africa to the East route increasing 19% in March compared to the previous month. VLCC spot freight rates started the month on a steady base before increasing toward the end of the month. The tight position list in the region as well as the improved trans-Atlantic activities and the fuel oil trade supported spot freight rates. Additionally, the tie between the VLCC and Suezmax sectors helped bring VLCC spot freight rates up as Suezmax rates increased. On an annual basis, VLCC spot freight rates for the West Africa to the East route displayed an increase of 40% in March compared to a year earlier.

For the Suezmax sector, average spot freight rates increased 32% on reported routes in March. The market fluctuated in the first half of the month before soaring in the second. Tonnage availability remained the main factor shaping the market sentiments. The activity level also played an important role in creating a fertile atmosphere for spot freight rates to increase as the tonnage demand level surpassed supply. The Suezmax position list in West Africa declined sharply by around 40% in March compared to the previous month. Accordingly, Suezmax spot freight rates from West Africa to the US increased by 37%. From North-West Europe, Suezmax freight rates increased 27%, as the lower activities on the back of production issues hindered the rate increase. On an annual basis, Suezmax spot freight rates experienced an increase of 40% on average in March.

Table 20: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude					
Middle East/east	230-280	156	126	119	-7
Middle East/west	270-285	118	90	90	0
West Africa/east	260	109	99	118	19
West Africa/US Gulf Coast	130-135	147	124	170	45
NW Europe/USEC - USGC	130-135	150	121	153	32
Indonesia/US West Coast	80-85	185	151	148	-2
Caribbean/US East Coast	50-55	215	153	231	78
Mediterranean/Mediterranean	80-85	188	144	222	78
Mediterranean/North-West Europe	80-85	185	141	219	78
Products					
Middle East/east	30-35	225	178	179	1
Singapore/east	30-35	234	186	198	11
Caribbean/US Gulf Coast	38-40	271	277	276	-1
NW Europe/USEC - USGC	33-37	250	221	230	9
Mediterranean/Mediterranean	30-35	193	182	197	15
Mediterranean/North-West Europe	30-35	203	192	207	15

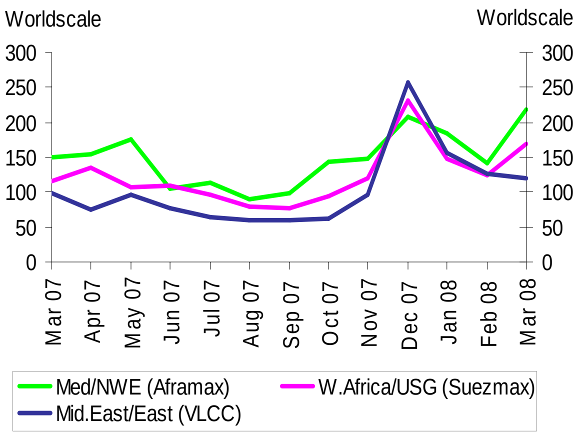
Source: Galbraith's Tanker Market Report and Platt's.

At 40%, the Aframax sector reported the largest average gain in spot freight rates among the dirty tanker market sectors in March. Mediterranean spot freight rates increased sharply by 55%. The increase came in the second half of the month as the pre-holiday rush by charterers to cover their positions ran into a severe tonnage shortage. Additionally, activities increased on the back of infrequent fuel oil arbitrage from North-West Europe, as the usual blending of Russian high-sulphur fuel oil with the relatively expensive gasoil turned uneconomical in the Mediterranean. Accordingly, spot freight rates soared to reach levels not seen since November 2004 due to tonnage availability. Spot freight rates for Aframax Caribbean upcoast voyages displayed a rise of 51% in March compared to the previous month supported by increased activities toward the UK Continent and delays caused by the Houston ship channel closure due to fogs. Caribbean Aframax voyages indicated a 26% increase in spot freight rates in March compared to the same period in the previous year. The only reported spot freight rate for the East of Suez Aframax route remained steady in March with a minor decline of 1% compared to the previous month. Limited activity was the main factor behind the steady state as China's fuel oil demand weakened further due to the imposition of the fuel oil tax in March.

Clean spot market rates remained steady with refinery run cuts pressuring rates

The clean tanker market remained relatively steady with minor increases on some reported routes in March from the previous month. On average, clean spot freight rates increased 3% on East of Suez and 5% on West of Suez. Reported routes from the Mediterranean experienced the largest spot freight rate increases in March. In general, the clean tanker market can be described as quiet on the back of refinery throughput cuts due to maintenance or weak margins. On East of Suez, the clean tanker market encountered a slight tonnage oversupply, yet various arbitrage opportunities prevented spot freight rates from losing ground. On the reported route from the Middle East to the East, spot freight rates remained relatively steady on the back of stable tonnage supply/demand conditions as the activity level balanced out the position list. For instance, as tonnage started to build, jet fuel arbitrage halted any rate decline. Accordingly, clean spot freight rates increased 1% from the Middle East to eastern destinations in March compared to the previous month. Clean spot freight rates from Singapore to the East gained 6% in March from a month earlier on the back of tight tonnage and lacklustre activities.

Graph 29: Monthly averages of crude oil spot freight rates



In the West of Suez, the performance of clean spot freight rates varied among the regions. Mediterranean clean spot freight rates displayed the largest increase of 8% among the reported clean routes in March, supported by increased naphtha activities as well as delayed cargoes from the previous month. Additionally, the tight market position in terms of tonnage supply and demand permitted rates to gain some ground despite the perception that activities were not healthy enough to support another rate increase. In the Caribbean, clean spot freight rates remained relatively steady as stable market conditions prevailed on the back of low activities and a matching level of tonnage, which was tightened by delays on the US waterways due to bad weather conditions. From North-West Europe to the US, clean spot freight rates increased 4% in March from the previous month, supported by the opening of the gasoline arbitrage to the US and West Africa on the back of US stock-draws.

Clean spot freight rates on all reported routes displayed an average decline of 14% in the first quarter of 2008 compared to the same period in 2007. The increase in tonnage availability was the main factor contributing to the decrease of clean spot freight rates, as newly-built tankers put severe pressure on global spot freight rates.

Oil Trade

OECD crude oil imports decreased in February due to refinery throughput cuts

OECD

Preliminary data show that OECD crude oil imports declined in February by around 3% to reach 30.6 mb/d from the previous month. The decline came from a drop in crude oil imports in Japan, the US and Europe due to refinery throughput cuts amid less than favourable margins. On an annual basis, OECD crude oil imports experienced an increase of 0.5%. Similarly, OECD product imports decreased a slight 0.7% in February, driven mainly by the decline in European and US imports. Compared to the same period last year, OECD product imports displayed an increase of around 5% in February.

Crude oil exports rose slightly in February to average 6.3 mb/d, an increase of 1.3% over the previous month. On the other hand, OECD product exports declined by 1% mainly due to the refinery run cuts. The decrease in OECD product exports offset the increase in crude oil exports resulting in an almost steady state for total OECD exports. On an annual basis total OECD exports experienced a decline of 7% in February.

As a result, OECD net oil imports declined 3.5% in February compared to the previous month mainly due to the decline in crude oil imports. OECD net product imports remained steady in February on the back of decreased imports and exports. Despite the monthly decline, on an annual basis OECD net oil imports indicated an increase of 7%.

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

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude oil	25,058	25,262	24,297	-965
Total products	1,429	2,182	2,193	11
Total crude and products	**26,486**	**27,444**	**26,490**	**-954**

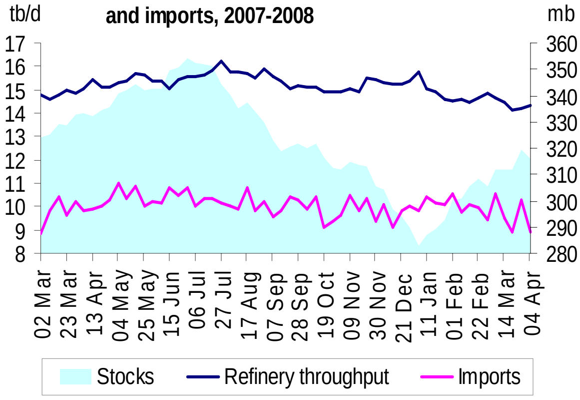
Saudi Arabia and Russia remained the main suppliers of OECD crude oil with 14% and 13%, respectively, followed by Canada with 6%. For products, Russia remained the main OECD supplier with 10%.

US net oil imports decreased by 3% in March due to declines in both net crude and net product imports

USA

According to preliminary data, US crude oil imports declined for the second consecutive month in March by 173,000 b/d or 2% compared to the previous month to average 9.66 mb/d. The refinery utilization rate dropped once again in March by 1.6%, contrary to crude oil stocks which increased slightly over the same period.

Graph 30: US weekly crude oil stocks, refinery throughput and imports, 2007-2008



With the summer driving season getting closer, the declines in both crude oil imports and gasoline stocks in March reflected a slowing US economy and declining gasoline consumption due to soaring gasoline prices. On an annual basis, US crude oil imports in March displayed a 7% decline while falling 4% compared to the monthly average for last year. Similarly, US product imports declined by 188,000 b/d in March compared to the previous month. Imports of residual fuel oil and kerosene-type jet fuel increased by 34% and 52% respectively. These increases were more than offset by declines in imports of gasoline, distillate fuel oil and other oils over the same period by 14%, 6% and 13% respectively, reducing total product imports by 6% compared to the previous month. On a y-o-y basis, product imports declined by 9% in March and 6% compared to the monthly average for last year.

On the export side, US product exports in March were 51,000 b/d or 4% lower compared to the previous month, but were up by 3% compared to last year.

As a result, US total net oil imports dropped by 310,000 b/d or 3% in March compared to the previous month. The drop was due to declines in both net crude oil imports of 173,000 b/d and net product imports of 137,000 b/d. On an annual basis, US total net imports declined 8% in March, but fell 4% when compared to the monthly average of 2007.

Table 22: USA Crude and Product Net Imports/(Exports), tb/d

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude oil	10,221	9,808	9,635	-173
Total products	1,881	2,086	1,949	-137
Total crude and products	**12,102**	**11,894**	**11,584**	**-310**

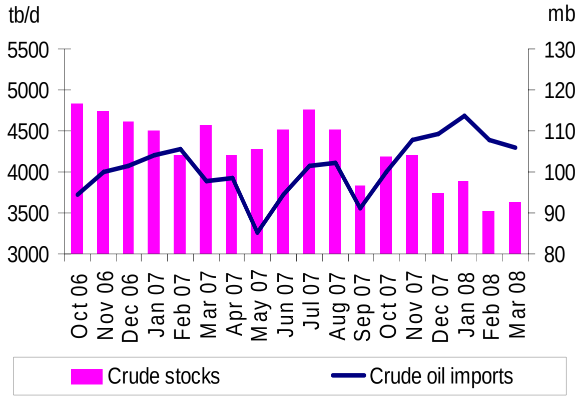
For the sources of imports, Canada remained the main supplier of US crude oil in January with 19%, followed by Saudi Arabia with 15%. Mexico and Nigeria came next with about 12% each. Altogether, OPEC Member Countries supplied 58% of total US crude imports in January, down by 10% from the previous month. For products, Canada maintained the first place with 18%, down by 1% from the previous month, followed by Virgin Islands and Russia with 11% each and Algeria with 8%. OPEC Member Countries supplied a combined 17%.

Japan

Japan's net oil imports were almost steady in March with lower net crude imports and higher net product imports

According to preliminary data, Japan's crude oil imports decreased by 2% in March compared to the previous month. March crude imports of about 4.3 mb/d were 11% above the year-ago level and 8% above the monthly average of 2007. Japan's March product imports increased by 28,000 b/d or 5% compared to the previous month as gasoline stock-builds continued with the approach of the peak driving season in this country. With 568,000 b/d, total product imports in March were 7% lower than a year ago. Accordingly, total oil imports in March averaged 4.9 mb/d, 1% over the previous month, but about 7% above the 4.57 mb/d monthly average in 2007.

Graph 31: Japanese crude oil imports and crude stocks



On the export side, Japan's product exports dropped by 3% compared to the previous month. February product export levels were the highest since November 2007 as refiners were disposing of high winter product stocks. Compared to last year's monthly average of 481 mb/d, March product exports were 6% higher, but increased 8% compared with last year.

Accordingly, Japan's total net oil imports in March were 4.4 mb/d, almost steady at less than 1% below the previous month, yet about 8% above their level a year earlier. Steady net oil imports in March were the result of lower net crude imports and higher net product exports.

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

	Jan 08	Feb 08	Mar 08	Change Mar/Feb
Crude oil	4,685	4,386	4,301	-85
Total products	46	11	57	46
Total crude and products	**4,732**	**4,397**	**4,358**	**-39**

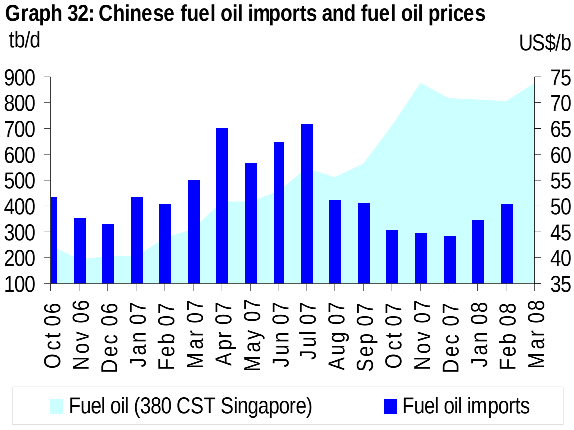
Saudi Arabia and the UAE were Japan's top crude oil suppliers in February with 29% and 26% respectively, followed by Iran with 13% and Kuwait with 8%. OPEC Member Countries supplied 89.1% of Japan's crude imports in February, up from 88.5% in the previous month. Top non-OPEC suppliers in March include Russia with 4% and Vietnam with 2%. On the product side, Saudi Arabia was also Japan's top supplier in February with 21%, followed by the UAE with 13%. Altogether, OPEC Member Countries supplied 56% of Japan's product imports in February, down from 57.1% during the previous month. Top non-OPEC product suppliers in February include South Korea with 12%, followed by the USA with 9% and Malaysia with 4.5%.

China's net oil imports increased by 6% in February, reaching about 4.0 mb/d, supported by higher imports and steady exports

China

China's crude oil imports in February hit a 10-month high averaging 3.6 mb/d, more than 300,000 b/d above the previous month and about 400,000 b/d over the 2007 monthly average imports. February's high import level came at a time when China began facing an unexpected fuel shortage towards the end of the month, a time that is not the peak season of oil consumption in this country. Robust demand in the spring farming season, as well as putting into operation newly built capacity at the 10 mt/y Quandao refinery which relies mainly on imported crude oil, were the main drivers for higher volumes of crude oil imports in February. China's crude oil production dropped by about 6% in February compared to the previous month. With a 10% increase in its crude oil imports over the same period, China imported about 50% of its crude oil needs in February.

Graph 32: Chinese fuel oil imports and fuel oil prices



Product imports showed the opposite trend in February, decreasing by 12% compared to the previous month, slightly above their level a year earlier. According to preliminary data, fuel oil imports increased in February by some 18% compared to the previous month. Gasoline imports also rose a substantial 57% to increase stocks ahead of the Beijing Olympics and due to refinery maintenance. Gasoil experienced the biggest drop in product imports in February, falling 61% compared to the previous month causing a shortage and rationing of this product in many areas in China towards the end of the month. Jet fuel and naphtha imports in February also dropped, though to a lesser extent than gasoil, and taken together these drops more than offset increases in fuel oil and gasoline imports during the same month.

There were no crude oil exports from China in February, while product exports remained almost steady compared to the previous month, averaging about 378,000 b/d, indicating a decline of about 16% y-o-y. China's increases of its gasoline and naphtha exports in February, to take advantage of the high international prices, were offset by the decreases in fuel oil, jet fuel and gasoil exports.

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

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude oil	2,877	3,249	3,608	359
Total products	432	574	434	-139
Total crude and products	**3,309**	**3,823**	**4,042**	**220**

As a result, China's net oil imports in February increased for the second consecutive month by about 220,000 b/d or 6% compared to the previous month and by 19% compared to the same month last year. China's net oil imports in February were also 11% higher than the monthly average of 3.6 mb/d for the year 2007. The rise was the result of a 359.000 b/d increase in net crude oil imports and a 139.000 b/d decrease in net product imports over the previous month, reflecting once again continued strong and expanding domestic demand.

Saudi Arabia was China's top crude oil supplier in February, moving up by 2% to reach 18% thereby exceeding Angola's oil supply of 17%, followed by Iran with 11% and Venezuela with 8%. Altogether, OPEC Member Countries supplied about 65.2% of China's crude oil imports in February, up from 64% in the previous month. Top non-OPEC suppliers include Russia, Oman and Sudan with 7% for Russia and Oman — unchanged from the previous month — while Sudan's share dropped by 1% to reach 6% in February.

India's net oil imports rebounded in February, supported by increased crude oil and product imports and steady product exports

India

India's crude oil imports rebounded in February with an increase of about 110,000 b/d compared to the previous month, or 5%, to reach about 2.48 mb/d. Compared to a year earlier, India's crude oil imports rose by 8.1%. This increase came as refiners raised processing to meet local demand which surged 10.9% in February, the highest rise so far since January 2007.
Similarly, India's product imports rebounded in February with an increase of about 19% compared to the previous month and 22% compared to a year earlier. This increase came at a time when India raised retail prices of gasoline and gasoil by around 4% to ease losses at state-owned oil firms which had been hurt by a surge in international crude oil prices. Domestic fuel prices were last revised in February 2007 when prices were cut, and February 2008 increases were the first increases in 20 months. For the second consecutive month there were no gasoline imports in February. Kerosene and fuel oil imports showed a moderate change in volume in February compared to the previous month, while naphtha imports dropped by a significant 33% over the same period. The main contributor to India's surging product imports in February was gasoil which alone increased by around 100,000 b/d or 195% compared to January's imports and more than quadrupled compared to the same month last year. The gains show continued robust demand for this product that accounts for one third of the country's domestic sales.

On the export side, India's exports remained steady once again in February compared to the previous month, with increases in exports of gasoline, naphtha and fuel oil entirely offset by drops in exports of gasoil and jet fuel. On an annual basis, India's product exports in February indicated a drop of about 50,000 b/d or about 7% compared to February 2007 and of 5% compared to the country's average monthly exports for last year.

Table 25: India's Crude and Product Net Imports/(Exports), tb/d

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude oil	2,696	2,374	2,485	111
Total products	-252	-337	-260	77
Total crude and products	**2,443**	**2,037**	**2,225**	**188**

As a result, India's net oil imports increased in February by about 188,000 b/d or 9% compared to the previous month to average 2.2 mb/d. The rise was the result of an increase in net crude oil imports of 111,000 b/d and a decrease in net product imports of 77,000 b/d. On an annual basis, India's net oil imports in February increased by 17% compared to the same month last year.

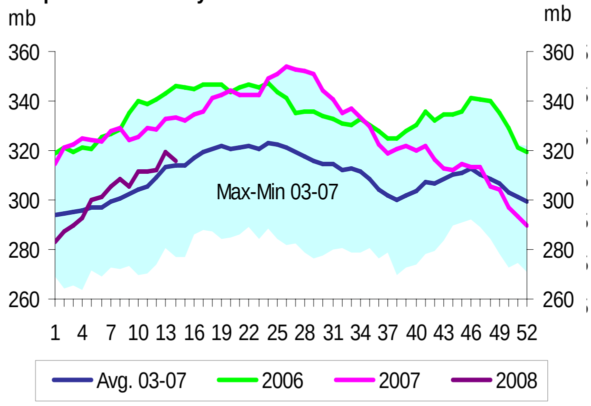
Stock Movements

US commercial oil stocks witnessed a contra-seasonal build in the first quarter of 2008

USA

US commercial oil stocks dropped a further 7.2 mb in March to just below 970 mb but remained a comfortable 18 mb above the five-year average for the corresponding month. The draw was attributed to product inventories while crude oil stocks continued their upward trend.

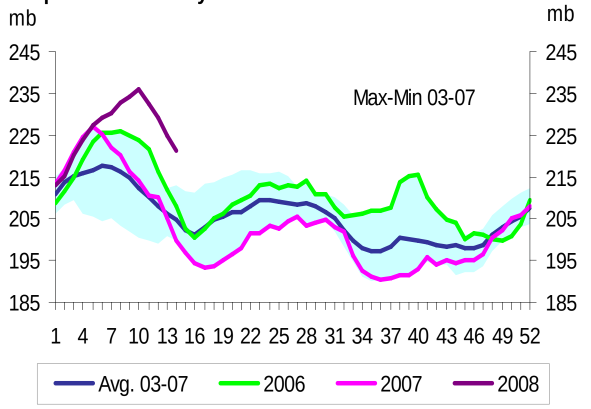
Graph 33: US Weekly Commercial Crude Oil Stocks



Supported by very low refinery runs, commercial crude oil inventories increased for the third consecutive month, rising 11 mb to end the month at 317.4 mb, slightly above the five-year average (*see **Graph 33***). However, in terms of forward demand cover, due to weaker demand US crude oil stocks stood at more than 22 days at the end of the month, which corresponds to one day above the average. This is the highest difference with the five-year average since the end of September 2007.

Product stocks fell more than 18 mb, with gasoline and distillates accounting for around 10 mb each. In contrast to crude oil, product stocks fell for the second consecutive month but remained comfortable at the upper end of the five-year range and close to the level seen in the corresponding month of last year. Gasoline stocks, which recently hit a 15-year high, reversed the upward trend of the previous four months, dropping 9.6 mb. Despite this draw, gasoline stocks remained very healthy, well above the upper end of the five–year range (*see **Graph 34***). In terms of forward cover, this level translated into one and half days above the five-year average. In contrast to last year when gasoline stock levels stood at the five-year average at this period of time, this year the situation appears better prepared to cope with seasonal demand, particularly taking into consideration the expected increase in refinery runs and the higher production of ethanol. Distillate stocks followed their seasonal trend, dropping for the fourth consecutive month to stand at 107.6 mb. With a draw of nearly 10 mb, distillate stocks fell for the first time this year below the five–year average. The drop was attributed to lower production from refineries, lower imports and heating oil demand supported by cold weather. Forward demand cover also dropped below the five-year average but the tightness is expected to ease with the end of the winter season and the recovery of refinery rates. Residual fuel oil stocks jumped 3 mb to hit the highest level since last summer while jet fuel fell a further 1 mb to 38.3 mb.

Graph 34: US Weekly Gasoline Stocks



Total US commercial oil stocks witnessed a contra-seasonal build of more than 5 mb during the first quarter of this year. This compared to the same quarter of the previous five years when they dropped 43 mb, 8 mb, 11 mb and 74 mb respectively in 2007, 2006, 2004 and 2003 and increased just 3 mb in 2005.

As planned, the Strategic Petroleum Reserve (SPR) increased for the eighth consecutive month, adding 1.4 mb or 45,000 b/d to go beyond 700 mb at the end of March, just below the record of 700.7 mb seen in August 2005 prior to hurricanes Katrina and Rita. Despite criticism, the Department of Energy has no intention of halting plans to reach the full capacity of 727 mb over the next year, as required by the 2005 Energy Policy Act and reiterated its plan of exchanging up to 13 mb of royalty in kind into SPR.

Table 26: US onland commercial petroleum stocks, mb

	Jan 08	Feb 08	Mar 08	Change Mar 08 /Feb 08	Mar 07	04 Apr 08 *
Crude oil	296.4	306.3	317.4	11.1	331.9	316.0
Gasoline	231.3	234.3	224.7	-9.6	201.2	221.3
Distillate fuel	129.6	117.5	107.6	-9.9	119.7	106.0
Residual fuel oil	39.0	36.5	39.5	3.0	39.1	39.3
Jet fuel	41.6	39.3	38.3	-1.0	40.1	38.5
Total	**978.2**	**977.1**	**969.9**	**-7.2**	**988.2**	**966.2**
SPR	698.3	698.7	700.1	1.4	688.6	700.4

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

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

Recent data show that US commercial stocks fell 8.6 mb in the week ending 4 April, the highest weekly drop in 2008, to stand at 966.2 mb, which corresponds to 16 mb below the level of a year ago but 17 mb above the average of the previous five years. The draw was shared by crude oil, gasoline and distillates. However, both crude oil and gasoline stocks remained comfortable while distillate inventories, particularly heating oil, were still tight. The overall drop was attributed to lower production from refineries and a sharp decline in imports essentially due to fog delays in the Houston Ship Channel.

Western Europe

Total oil stocks in EU-16 remained comfortable in March, more than 20 mb above the five-year average

Total oil stocks in EU-16 (EU-15 plus Norway) rose 9.4 mb in March, offsetting an equivalent draw in the previous month. Driven essentially by crude oil, this surge left stocks at a very comfortable level of nearly 1.129 mb, implying a 21 mb overhang with the five-year average. During the first quarter of the year, EU-16 total oil stocks witnessed a build of around 14 mb versus a decline of 22 mb in the same quarter last year.

Crude oil stocks made up for last month's draw, increasing 7.3 mb to stand at 478 mb to remain in line with the five-year average but a slight 3 mb below the level of the previous year. The stock-build was due to a combination of a drop in refinery throughput and an increase in production in the region.

However, product inventories continued their upward trend, albeit at a slow rate, increasing 2 mb to stand slightly above 650 mb at the end of the month, the highest level in the last six months and more than 20 mb over the five-year average. The upward trend in EU-16 stocks resulted in a build of 7 mb during the first quarter of 2008 compared with a draw of 21 mb during the corresponding quarters of the previous two years.

By product, distillate inventories increased a further 2.9 mb to stand at the upper end of the five-year range and at nearly 379 mb, the highest level since last September. This build, which came despite a cut in refinery runs, was supported by strong imports. In contrast, low refinery runs and sluggish refinery margins let gasoline stocks fall 2.1 mb to 127.3 mb, remaining well below the lower end of the five-year range. Residual fuel and naphtha stocks inched up 0.5 mb and 0.9 mb to stand broadly in line with their respective year-ago levels.

Table 27: Western Europe's oil stocks, mb

	Jan 08	Feb 08	Mar 08	Change Mar 08/Feb 08	Mar 07
Crude oil	481.4	471.0	478.3	7.3	480.9
Mogas	127.8	129.5	127.3	-2.1	132.5
Naphtha	29.0	29.9	30.8	0.9	27.2
Middle distillates	375.5	376.0	378.9	2.9	389.3
Fuel oils	114.7	112.7	113.2	0.5	113.4
Total products	647.1	648.1	650.2	2.1	662.4
Total	**1,128.5**	**1,119.1**	**1,128.5**	**9.4**	**1,143.3**

Source: Argus, Euroilstock.

Following a substantial draw, Japan's commercial oil stocks hit an eight-year low in February with crude oil inventories falling to an all-time low

Japan

Japan's total commercial oil inventories in February continued the downward trend which began last November, dropping a hefty 18.2 mb to slip below 160 mb for the first time since March 2000. The decline, driven essentially by distillates and crude, represented the largest monthly loss ever.

Crude oil stocks declined 6.2 mb, more than offsetting the previous month's recovery to mark an all-time low. At 91.6 mb, crude oil stocks were 13 mb below their respective levels of last year and the five-year average. The draw was attributed to a substantial jump in power plant consumption. In addition, the strong 12% decline in imports from the previous month also contributed to the crude oil stock-draw.

Contrary to crude oil, products saw their stocks remain comfortably within the five-year range, despite a loss of 12 mb. Within products, distillates were the main contributor to the draw accounting for almost 10 mb or more than 80%. With this sixth consecutive decline distillate stocks moved 3 mb below the five-year average to around 27 mb, the lowest level since April 2006. In contrast, gasoline stocks remained almost stable at 13.6 mb, slightly below the five-year average. Lower refinery output was the main reason behind the drop in product inventories.

Table 28: Japan's commercial oil stocks*, mb

	Dec 07	Jan 08	Feb 08	Change Feb 08/Jan 08	Feb 07
Crude oil	94.9	97.8	91.6	-6.2	103.9
Gasoline	12.9	13.8	13.6	-0.2	14.3
Naphtha	12.1	11.4	10.4	-1.0	11.3
Middle distillates	38.8	37.0	27.2	-9.9	36.0
Residual fuel oil	19.4	17.2	16.4	-0.8	20.0
Total products	83.1	79.5	67.6	-12.0	81.6
Total**	**178.0**	**177.4**	**159.2**	**-18.2**	**185.5**

* *At end of month.*

** *Includes crude oil and main products only.*

Source: METI, Japan.

However, according to preliminary data, total commercial oil stocks fell slightly in March with crude oil losing less than 1 mb and products around 1 mb. Again the draw was driven by distillates while gasoline showed some recovery.

Balance of Supply and Demand

Demand for OPEC crude increased by 285 tb/d in 2007 to average 31.92 mb/d

Estimate for 2007

Demand for OPEC crude in 2007 is estimated at 31.92 mb/d, an increase of 285 tb/d over the previous year. On a quarterly basis, demand for OPEC crude averaged 31.82 mb/d, 30.91 mb/d, 32.19 mb/d and 32.75 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.59**	**85.83**	**84.71**	**85.56**	**86.95**	**85.76**
Non-OPEC Supply	48.89	49.79	49.45	48.97	49.57	49.44
OPEC NGLs and non-conventionals	4.06	4.22	4.35	4.40	4.62	4.40
(b) Total Supply excluding OPEC Crude	**52.95**	**54.01**	**53.80**	**53.36**	**54.19**	**53.84**
Difference (a-b)	**31.64**	**31.82**	**30.91**	**32.19**	**32.75**	**31.92**
OPEC crude oil production (1)	31.43	30.48	30.61	31.04	31.73	30.97
Balance	-0.21	-1.34	-0.30	-1.15	-1.03	-0.95

(1) Selected secondary sources.
Totals may not add due to independent rounding.

Demand for OPEC crude in 2008 expected to decline by 171 tb/d to average 31.75 mb/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 31.75 mb/d, a decline of 171 tb/d compared with the previous year. On a quarterly basis, demand for OPEC crude is expected to average 32.36 mb/d, 31.00 mb/d, 31.58 mb/d and 32.06 mb/d respectively.

Table 30: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.76**	**87.11**	**85.72**	**86.59**	**88.45**	**86.97**
Non-OPEC Supply	49.44	50.01	49.86	50.03	51.22	50.28
OPEC NGLs and non-conventionals	4.40	4.73	4.85	4.97	5.17	4.93
(b) Total Supply excluding OPEC Crude	**53.84**	**54.74**	**54.71**	**55.01**	**56.39**	**55.22**
Difference (a-b)	**31.92**	**32.36**	**31.00**	**31.58**	**32.06**	**31.75**
OPEC crude oil production (1)	30.97	32.06				
Balance	-0.95	-0.30				

(1) Selected secondary sources.
Totals may not add due to independent rounding.

Graph 35: Balance of supply and demand

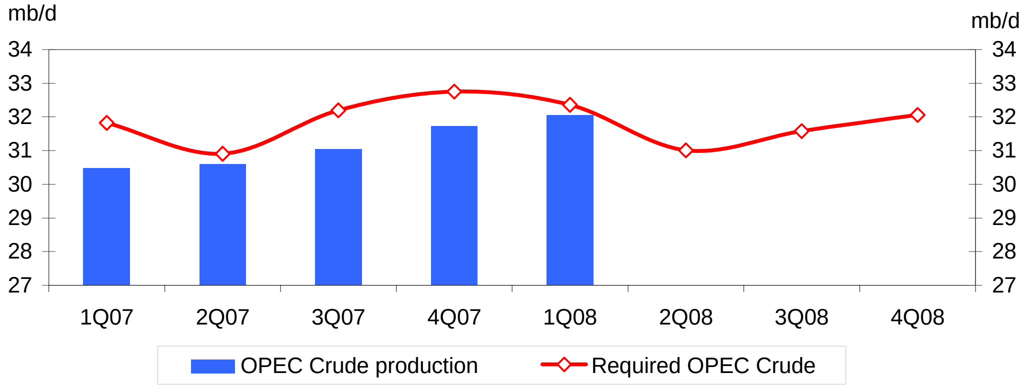


Table 31: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	49.9	49.1	49.9	48.1	48.6	50.3	49.2
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.5	25.6	25.5	25.6	25.9	25.6
Western Europe	15.4	15.5	15.6	15.6	15.2	14.9	15.4	15.6	15.3	15.3	14.9	15.3	15.7	15.3
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.6	8.3	9.0	7.7	7.7	8.7	8.3
DCs	20.6	21.8	22.6	23.3	23.8	24.2	24.2	24.5	24.2	24.5	24.7	24.8	25.1	24.8
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.4	83.7	84.6	85.8	84.7	85.6	86.9	85.8	87.1	85.7	86.6	88.4	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	19.8	20.2	20.2	20.2	19.7	19.6	20.4	20.0
North America	14.6	14.6	14.1	14.2	14.4	14.4	14.2	14.3	14.3	14.3	14.0	14.1	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.3	5.2	5.2	5.0	4.7	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9	0.8
DCs	10.3	10.5	10.8	10.9	11.0	10.9	10.8	11.0	10.9	11.2	11.4	11.6	11.7	11.5
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.7	12.8	12.9	13.2	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.6	49.4	50.0	49.9	50.0	51.2	50.3
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.9	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.4	52.5	52.6	53.0	54.0	53.8	53.4	54.2	53.8	54.7	54.7	55.0	56.4	55.2
OPEC crude oil production (secondary sources)	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0	32.1				
Total supply	79.6	83.1	84.2	84.4	84.5	84.4	84.4	85.9	84.8	86.8				
Balance (stock change and miscellaneous)	0.3	0.7	0.5	-0.2	-1.3	-0.3	-1.2	-1.0	-1.0	-0.3				
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2680	2602	2668	2673	2579						
SPR	1411	1450	1487	1499	1507	1509	1523	1526						
Total	3928	3998	4083	4179	4109	4177	4195	4105						
Oil-on-water	882	905	958	910	913	909	929	946						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	55	54	55	54	52						
SPR	29	29	30	31	31	31	31	31						
Total	80	80	83	85	85	86	84	82						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.8	9.0	8.9	8.8	8.9
(a) - (b)	27.9	29.8	31.1	31.6	31.8	30.9	32.2	32.8	31.9	32.4	31.0	31.6	32.1	31.8

Table 32: World oil demand/supply balance: changes from last month's table † , mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.1	-
North America	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-0.1	-
DCs	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.1	-	-0.1	-	-0.1	0.1	-	-0.1	-
World demand growth	*-*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.0*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-*	*-*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	0.1	-	-	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-	-	-0.1
Total non-OPEC supply growth	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.2*	*-0.1*	*0.0*	*0.0*	*-0.1*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-	-	-				
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.1	-0.1	0.1	-	-				
OECD closing stock levels (*mb*)														
Commercial	-	-	-	1	-1	-7	3	-6						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	1	-1	-7	3	-6						
Oil-on-water	-	-	-	-	-	-	-	5						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	0.1	-0.1	-	0.2	0.2	-	-0.1	0.1

† This compares Table 31 in this issue of the MOMR with Table 31 in the March 2008 issue.
This table shows only where changes have occurred.

Table 33: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Closing stock levels *mb*																						
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,680	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,658	2,767	2,680	2,602	2,668	2,673	2,579
North America	1,262	1,175	1,161	1,193	1,257	1,277	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,233	1,294	1,293	1,235
Western Europe	925	895	922	924	945	975	919	933	945	924	952	925	952	945	949	945	958	975	952	948	951	940
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	426	429	404
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,509	1,523	1,526
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695	699
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415	425	423
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	401	401	403	404
OECD total	3,918	3,825	3,928	3,998	4,083	4,179	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,084	4,151	4,262	4,179	4,109	4,177	4,195	4,105
Oil-on-water	830	815	882	905	958	910	906	891	894	905	934	931	926	958	962	968	966	910	913	909	929	946
Days of forward consumption in OECD																						
OECD onland commercial	55	51	51	51	53	55	51	52	51	50	52	53	53	51	54	54	56	54	54	55	54	52
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51	51	48
Western Europe	60	58	60	59	60	64	61	60	60	59	62	59	60	59	62	61	61	64	64	62	61	61
OECD Pacific	52	47	51	50	47	52	51	52	49	45	48	53	49	43	52	55	53	49	53	55	50	45
OECD SPR	27	28	29	29	30	31	30	29	29	29	30	30	30	29	31	30	30	30	31	31	31	31
North America	23	25	25	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	25	24	23	24	25	26	26	25	27	26	26	27	28	27	27	28
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	51	47	45
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	86	84	85	86	84	82

Table 34: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.41	7.54	7.50	0.14	7.57	7.52	7.55	7.79	7.60	0.11
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.34	3.20	0.17	3.34	3.24	3.36	3.39	3.33	0.14	3.44	3.33	3.34	3.47	3.40	0.06
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.32	3.19	3.21	3.32	3.26	-0.23
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.25	14.24	0.11	14.38	14.41	14.22	14.27	14.32	0.07	14.32	14.03	14.09	14.58	14.26	-0.06
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.53	2.44	2.29	2.49	2.44	-0.12
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.79	1.75	1.49	1.71	1.68	-0.02	1.66	1.55	1.38	1.44	1.51	-0.17
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.30	0.30	0.28	0.30	0.29	-0.02
Other Western Europe	0.48	0.52	0.53	0.01	0.55	0.56	0.55	0.57	0.56	0.03	0.69	0.70	0.69	0.69	0.69	0.14	0.70	0.70	0.70	0.70	0.70	0.01
Western Europe	6.44	6.20	5.76	-0.44	5.73	5.34	5.09	5.39	5.39	-0.38	5.52	5.21	4.97	5.27	5.24	-0.14	5.20	4.99	4.65	4.93	4.94	-0.30
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.54	0.51	0.53	0.02	0.53	0.56	0.66	0.73	0.62	0.09
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.11	0.08	0.03	0.12	0.13	0.15	0.15	0.14	0.06
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.63	0.61	0.60	0.04	0.65	0.69	0.81	0.88	0.76	0.15
Total OECD	21.70	21.33	20.48	-0.86	20.47	20.07	19.98	20.25	20.19	-0.29	20.47	20.23	19.82	20.15	20.17	-0.02	20.16	19.72	19.56	20.38	19.95	-0.21
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.18	0.17	0.17	0.18	-0.04	0.17	0.17	0.17	0.17	0.17	-0.01
India	0.79	0.79	0.76	-0.03	0.79	0.80	0.77	0.82	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.84	0.85	0.84	0.84	0.02
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.74	0.76	0.79	0.76	0.00	0.79	0.78	0.81	0.85	0.81	0.05
Thailand	0.26	0.25	0.30	0.04	0.32	0.33	0.32	0.31	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.01	0.35	0.35	0.35	0.35	0.35	0.01
Vietnam	0.38	0.42	0.39	-0.03	0.39	0.37	0.36	0.36	0.37	-0.02	0.36	0.35	0.34	0.36	0.35	-0.02	0.35	0.34	0.39	0.45	0.39	0.04
Asia others	0.15	0.18	0.26	0.07	0.27	0.26	0.26	0.26	0.26	0.01	0.27	0.27	0.27	0.27	0.27	0.00	0.28	0.30	0.30	0.30	0.29	0.02
Other Asia	2.56	2.66	2.68	0.02	2.77	2.68	2.70	2.75	2.72	0.04	2.73	2.68	2.69	2.74	2.71	-0.02	2.77	2.78	2.87	2.95	2.85	0.14
Argentina	0.84	0.80	0.78	-0.02	0.76	0.78	0.78	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.76	0.75	0.74	0.73	0.74	-0.02
Brazil	1.80	1.80	1.98	0.18	2.07	2.09	2.11	2.16	2.11	0.12	2.15	2.15	2.16	2.14	2.15	0.04	2.27	2.37	2.50	2.54	2.42	0.27
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.53	0.54	0.54	0.53	0.00	0.56	0.56	0.56	0.56	0.56	0.03
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.17	0.18	0.00	0.16	0.16	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00
L. America others	0.24	0.26	0.30	0.04	0.26	0.26	0.27	0.26	0.26	-0.03	0.26	0.27	0.27	0.28	0.27	0.00	0.28	0.28	0.29	0.29	0.28	0.02
Latin America	3.59	3.55	3.77	0.22	3.82	3.86	3.88	3.89	3.86	0.09	3.87	3.88	3.88	3.88	3.88	0.01	4.03	4.13	4.25	4.28	4.17	0.29
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.73	0.72	0.71	0.70	0.71	-0.03	0.72	0.74	0.76	0.78	0.75	0.04
Syria	0.53	0.49	0.45	-0.04	0.43	0.43	0.42	0.41	0.42	-0.03	0.41	0.40	0.39	0.38	0.39	-0.03	0.38	0.37	0.37	0.37	0.37	-0.02
Yemen	0.44	0.41	0.41	0.00	0.39	0.38	0.37	0.35	0.37	-0.03	0.35	0.34	0.33	0.33	0.34	-0.04	0.32	0.31	0.31	0.30	0.31	-0.03
Middle East	2.00	1.90	1.85	-0.05	1.80	1.76	1.73	1.71	1.75	-0.10	1.69	1.67	1.64	1.62	1.65	-0.10	1.63	1.64	1.64	1.65	1.64	-0.01
Chad	0.02	0.16	0.18	0.02	0.16	0.15	0.16	0.16	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.13	-0.02
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.27	0.29	0.27	0.03
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.65	0.65	0.64	0.64	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.36	0.36	0.36	0.35	0.36	0.00	0.37	0.38	0.37	0.38	0.37	0.02	0.39	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.26	0.26	0.25	0.00
South Africa	0.17	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.50	0.50	0.48	0.51	0.50	0.09	0.55	0.54	0.53	0.53	0.54	0.04
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.34	0.39	0.35	0.03	0.40	0.40	0.41	0.41	0.41	0.05
Africa	2.16	2.40	2.51	0.11	2.56	2.57	2.58	2.67	2.60	0.09	2.68	2.66	2.64	2.74	2.68	0.09	2.80	2.81	2.80	2.80	2.80	0.12
Total DCs	10.30	10.51	10.81	0.30	10.94	10.88	10.89	11.02	10.93	0.12	10.97	10.89	10.85	10.98	10.92	-0.01	11.23	11.36	11.56	11.69	11.46	0.54
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.51	12.44	12.50	12.62	12.52	0.50	12.68	12.81	12.94	13.15	12.90	0.38
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.81	9.88	9.98	10.05	9.93	0.06
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.41	1.50	1.44	0.09
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	1.00	1.03	1.08	1.13	1.06	0.20
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.44	0.42	0.45	0.46	0.44	0.02	0.46	0.46	0.46	0.47	0.46	0.02
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.84	3.89	3.89	3.90	3.88	0.11
Non-OPEC production	45.87	46.66	46.63	-0.03	46.94	46.79	46.85	47.38	46.99	0.36	47.87	47.53	47.05	47.64	47.52	0.53	48.06	47.92	48.09	49.27	48.34	0.82
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	47.67	48.49	48.50	0.00	48.86	48.68	48.72	49.30	48.89	0.40	49.79	49.45	48.97	49.57	49.44	0.55	50.01	49.86	50.03	51.22	50.28	0.84
OPEC NGL	3.58	3.86	3.93	0.07	3.85	3.92	4.01	3.90	3.92	-0.01	4.13	4.26	4.31	4.52	4.31	0.39	4.62	4.74	4.86	5.06	4.82	0.52
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.10	0.09	-0.05	0.11	0.11	0.11	0.11	0.11	0.02
OPEC (NGL+NCF)	3.72	4.03	4.08	0.06	3.98	4.05	4.16	4.06	4.06	-0.02	4.22	4.35	4.40	4.62	4.40	0.34	4.73	4.85	4.97	5.17	4.93	0.54
Non-OPEC & OPEC (NGL+NCF)	51.38	52.52	52.58	0.06	52.84	52.72	52.88	53.36	52.95	0.37	54.01	53.80	53.36	54.19	53.84	0.89	54.74	54.71	55.01	56.39	55.22	1.37

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

Table 35: World Rig Count

	2003	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	Feb 08	Mar 08	1Q 08	Change Mar/Feb
USA	1,032	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,765	1,797	1,770	32
Canada	372	369	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	620	408	507	-212
Mexico	92	110	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	94	96	96	2
North America	1,496	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,479	2,301	2,373	-178
Norway	19	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	11	22	17	11
UK	20	16	21	5	29	27	26	15	24	3	25	29	27	22	26	2	16	22	19	6
Western Europe	78	65	65	0	77	78	73	65	73	8	72	78	76	73	75	2	60	80	71	20
OECD Pacific	18	22	25	3	25	28	25	28	27	2	24	30	32	30	29	2	31	31	32	0
Total OECD	1,592	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,570	2,412	2,476	-158
Other Asia	117	126	142	16	153	150	156	152	153	11	158	157	151	150	154	1	147	146	149	-1
Latin America	107	116	129	13	137	151	153	153	149	20	183	178	173	181	178	29	189	196	181	7
Middle East	70	70	72	2	72	79	82	85	80	8	82	85	87	86	85	5	89	88	89	-1
Africa	43	51	54	3	59	62	68	77	67	13	75	80	88	88	83	16	84	79	84	-5
Total DCs	337	363	397	34	421	442	459	472	449	52	510	510	509	515	511	62	509	509	512	0
Non-OPEC Rig Count	1,931	2,120	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	3,099	2,941	3,006	-158
Algeria	20	19	21	2	21	21	28	27	24	3	25	26	28	28	27	3	22	30	26	8
Angola	4	3	3	0	4	4	4	4	4	1	5	4	3	5	4	0	6	4	5	-2
Ecuador	9	10	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	7	7	0
Indonesia	45	49	54	5	55	43	46	52	49	-5	49	56	60	64	57	8	67	62	64	-5
Iran	35	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	51	51	50	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	12	2	12	13	14	15	14	2	14	13	13	11	12	-2	11	14	12	3
Libya	10	10	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	14	15	14	1
Nigeria	10	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	6	11	9	5
Qatar	8	9	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	11	11	0
Saudi Arabia	32	32	36	4	54	60	70	76	65	29	76	76	78	77	77	12	79	78	78	-1
UAE	16	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	12	12	12	0
Venezuela	37	55	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	83	81	82	-2
OPEC Rig Count	231	262	291	29	325	324	352	355	339	48	354	362	371	368	362	23	369	376	372	7
Worldwid Rig Count*	2,162	2,382	2,756	374	3,119	2,873	3,202	3,161	3,090	334	3,304	2,955	3,213	3,218	3,170	80	3,468	3,317	3,378	-151
of which:																				
Oil	816	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,432	1,377	1,373	-55
Gas	1,326	1,486	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,906	1,910	-49	2,010	1,913	1,970	-97
Others	18	20	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	26	25	34	-1

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Contributors to the *OPEC Monthly Oil Market Report*

Editor-in-Chief
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

Editor
Mohammad Alipour-Jeddi, Head, Petroleum Market Analysis Department
email: majeddi@opec.org

Analysts

Crude Oil Price Movements *and* Oil Futures Market	Fayez Al-Nassar e-mail: fal-nassar@opec.org
Commodity Markets	Dr. O. López-Gonzalez e-mail:olopez@opec.org
Highlights of the World Economy	Mohamed El-Shahati email: melshahati@opec.org Claude Clemenz email: cclemenz@opec.org
World Oil Demand	Esam Al-Khalifa email: ekhalifa@opec.org
World Oil Supply	Zaid Mohammad email: zmohammad@opec.org
Product Markets and Refinery Operations	Safar Keramati email: skeramati@opec.org
The Tanker Market *and* Oil Trade	Haidar Khadadeh email: hkhadadeh@opec.org
Oil Trade	Osam Abdul-Aziz email: oabdul-aziz@opec.org
Stock Movements	Brahim Aklil email: baklil@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services
Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Monika Psenner (World Economy), Gertrud Schmidl (World Oil Supply), Firouz Azarnia (Product, Refinery, & Tanker), Hannes Windholz (Oil Trade), Pantelis Christodoulides (World Oil Demand, Stock Movements), Sheela Kriz (Crude Oil Prices),

Production, design and circulation
Ada Fritsch, Jennett Paulich, Andrea Birnbach, Gabriele Berger, Evelyn Oduro-Kwateng

Data Summary April 2008

OPEC Basket average price

US$ per barrel

⬆ *up 8.39 in March*

March 2008	***99.03***
February 2008	*90.64*
Year-to-date	*92.50*

March OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.40*	*SP Libyan AJ*	*1.74*
Angola	*1.88*	*Nigeria*	*2.02*
Ecuador	*0.50*	*Qatar*	*0.84*
Indonesia	*0.88*	*Saudi Arabia*	*9.02*
IR Iran	*3.96*	*UAE*	*2.53*
Iraq	*2.39*	*Venezuela*	*2.33*
Kuwait	*2.51*	***TOTAL***	***32.01***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.8*	*World demand*	*87.0*
Non-OPEC supply	*53.8*	*Non-OPEC supply*	*55.2*
Difference	***31.9***	***Difference***	***31.8***

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

Stocks

OECD commercial oil stocks dropped 49 mb in February to 2,579 mb, offsetting the build in the previous month. Preliminary data for March put stocks at 53 mb above the five-year average.

World economy

World GDP for 2007 revised down to 4.9% in 2007 and 3.9% in 2008.

Issued 15 April 2008. *Data cover period up to the end of March 2008 unless otherwise stated.*
Next report to be issued on 15 May 2008.