OPEC

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Monthly Oil Market Report

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Feature Article:
Emerging uncertainties cloud outlook for oil demand

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Oil Market Highlights

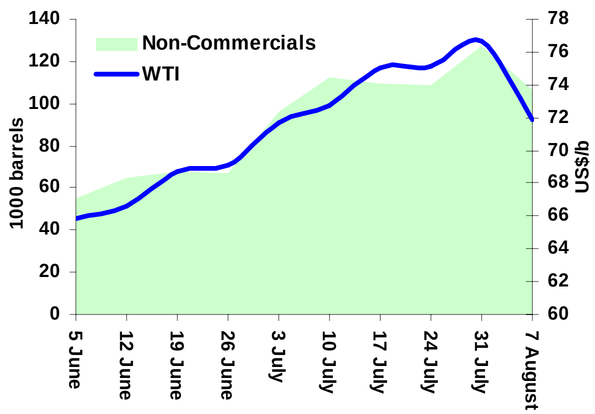
- The OPEC Reference Basket gained $4.98 or 7.5% in July to mark a new record high of $71.75/b. Supply disruption from West Africa, a draw on the US crude oil stocks and a strong outlook for the US economy boosted bullish sentiments in the market. Persistent refinery glitches—especially the fire at ExxonMobil's 326,000 b/d refinery in Fawley, UK — provided further support as did the weakening outlook for non-OPEC supply growth. However, with the impending end of the driving season and the weakening outlook for the US economy, the Basket moved sharply downward in the first weeks of August to stand at $68.27/b on 13 August.
- World GDP remains on course this year and next despite financial market turbulence initiated by deepening woes in the US housing sector. However, speculation that interest rates would be lowered to support growth have not materialised in the immediate aftermath as inflation worries remain the predominant concern of the Fed and the ECB both of which left interest rates on hold, with the ECB signaling a rise in September. US growth has been revised down to 1.9% this year on signs of a possible slowdown in the second half of the year as the unemployment rate crept up to 4.6% and the rate of expansion in services sector disappointed expectations in July. World growth remains unchanged for 2007 at 5% from last month but is 0.1 percentage points higher for 2008 also at 5%, on upward revisions in Japan, China, India and Russia.
- World oil demand growth in 2007 is forecast at 1.3 mb/d or 1.5%, slightly higher than the estimate for last month, reflecting additional oil needs for Japanese power plants. As a result of anticipated weak oil demand in other OECD countries, world oil demand for the third quarter is forecast to grow by 1.5 mb/d y-o-y to average 85.7 mb/d. In July, world oil demand followed a typical summer seasonality trend, with agricultural, transport, and power plant fuels seeing the highest consumption. July oil demand grew the most in the USA, China, Middle East, and Other Asia especially India. In 2008, world oil demand is forecast to grow by 1.3 mb/d in 2008 to average 87.1 mb/d, broadly unchanged from the last *MOMR*. Non-OECD will account for 1.1 mb/d or 79% of total world oil demand growth in 2008, while OECD growth will be mostly come from North America.
- Non-OPEC oil supply in 2007 is expected to increase 0.9 mb/d over the previous year, representing a net downward revision of 85,000 b/d versus the last assessment. The downward revisions were due to slightly lower than expected production in the Norway, Mexico, Malaysia, Chad, among others. In July, total OPEC crude oil output averaged 30.4 mb/d, a gain of 241,700 b/d over the June figure due to higher production from Iraq and Nigeria. It should be noted that preliminary figures for July show that world oil supply — combined non-OPEC supply, OPEC NGLs including non-conventional oils and OPEC production — rose by 1 mb/d in July over the previous month. Non-OPEC oil supply in 2008 is expected to increase of 1.1 mb/d over the current year following a marginal downward revision from last month due to extended revisions from 2007 to 2008 in addition to changes in some project starting and ramping ups.
- Counter-seasonal gasoline stock movements in the USA, as a result of recovering domestic refinery runs, and higher imports undermined the bullish momentum in product markets in July and exerted downward pressure on the crack spread of light distillate products. These developments, together with higher crude prices, resulted in lower refinery margins across the globe. With the approaching end of the driving season, the recent bearish momentum may increase, exerting pressure on product and crude prices over the coming weeks.
- OPEC spot fixtures increased by 0.15 mb/d in July from the previous month to average 13.0 mb/d, the highest level since January. Sailings from OPEC countries were steady with only a minor increase of less than 1% to average 23.2 mb/d. The VLCC market declined further on ample tonnage availability coupled with weak demand for Asian refiner tonnage. On the Middle East/eastbound and westbound routes, rates fell by 17% and 23% respectively. Clean tanker freight rates rebounded in the East and declined in the West. The increase in the East came after a constant decline on the back of tightening availability and growing demand supported by the arbitrage to the US West Coast.
- Preliminary estimated data show that OECD total net oil imports decreased 215,000 b/d in June on the back of lower net product imports, while crude oil imports experienced a gain of 373,000 b/d from the previous month. US crude imports fell 300,000 b/d in July to average around 10.2 mb/d, affecting stocks as refinery utilization increased compared to the previous month. In July, Japan's net oil imports rose 246,000 b/d driven by more crude imports to fulfill the additional requirements following an earthquake. China's crude oil imports showed an increase of 11% in June to average 3.4 mb/d while product imports fell by 14%. India's crude oil and product imports dropped 5% in June pushing net oil imports to 1.9 mb/d indicating a y-o-y decline of 1.8%.
- In July total US commercial stocks surged by 6.8 mb to 1,034 mb, the highest level since January, to remain 20 mb above the five-year average. The increase came as refinery utilization rates rose in an effort to built product inventories to normal seasonal levels. Crude oil stocks fell 12 mb, but remained well above the five-year average, while gasoline's gap with the five-year average shrank to 3 mb compared to 15 mb in early May. Distillate stocks rose 5.4 mb but heating oil inventories continued to show a deficit of 15 mb while diesel stocks showed a 15 mb surplus to the five-year average. In EU-16 (Eur-15 plus Norway), total commercial oil stocks remained at very comfortable levels with a surplus of around 50 mb over the five-year average of which crude oil accounted for 15 mb. Japan's commercial oil stocks jumped 7.4 mb in June to stand at 186 mb, the second highest level since January. Preliminary data for July showed gains in both crude and product stocks.
- The demand for OPEC crude in 2007 is forecast to average 31.0 mb/d, an increase of 0.1 mb/d over the previous year. The third and the fourth quarter is expected to average 31.1 mb/d and 31.3 mb/d respectively. In 2008, the demand for OPEC crude in 2008 is expected to average 30.8 mb/d, representing a decline of 239,000 b/d from the current year.

Emerging uncertainties cloud outlook for oil demand

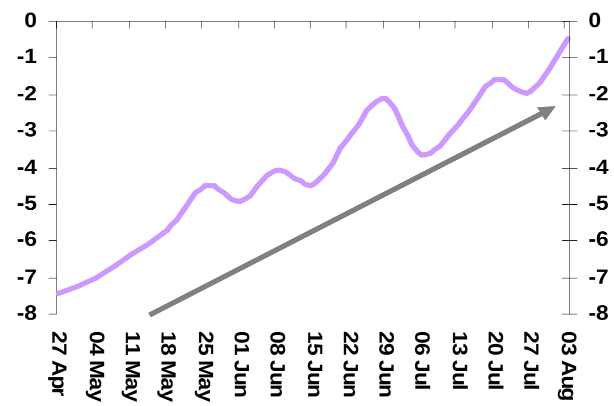
- Over the last four weeks, prices for benchmark WTI crude oil have exhibited extreme volatility. On 31 July, the price of WTI surged to a record high of $78.16/b on news that US crude oil stocks had plunged 6.5 mb/d in the week ending 27 July, with inventories in Cushing declining for the 10th consecutive week. This was $1.20/b over the previous record set in August 2006. Over the same period, non-commercial net long positions on the Nymex crude market rose to a record high, while open interest broke above the 1.5 million mark to stand nearly 500,000 lots higher than the same period last year.

- Then, in early August, WTI prices plunged almost 9% or $7/b. The fall was attributed to concerns about a possible slowdown in the US economy in the second half of 2007 following data showing a lower-than-expected expansion in the services sector — which constitutes about 80% of the economy — as well as a slowdown in job creation which pushed the unemployment rate slightly higher in July. The downtrend was furthered by the increasing fallout from the troubled US subprime housing sector which resulted in a correction in the financial markets in the US, Europe and Asia. Over the same period, speculators on the Nymex crude oil market trimmed net long positions while open interest volume also declined *(**see** **Graph 1**)*.

Graph 1: Non-commercial net long positions versus WTI



Graph2: US gasoline stocks moving toward the five-year average (%)



- The easing situation in the downstream has also helped to moderate prices. Refinery utilization rates in the US rose to 93.7% in the week ending 27 July, the highest level in more than a year which helped build gasoline and distillate inventories. Indeed, the increase over the last few weeks has brought gasoline stocks up to just below the five-year average (***see*** **Graph 2**). Distillate stocks now stand at the middle of the range, while heating oil has improved but remains 15 mb below five-year range. With the approaching end of the US driving season, product developments no longer appear to be driving the market and the bearish sentiment has been reflected in the futures markets where open interest in both the gasoline (RBOB) and heating oil contracts has declined.

- Another notable development in recent weeks has been the change in the shape of the forward market. For the first time since October 2005, the WTI market shifted into backwardation. With prompt prices higher than those further out, there is a reduced incentive to hold inventories and therefore the potential for a decline in crude stocks in the weeks ahead. However, the new market structure for WTI may prove to be a temporary phenomenon — as was the case for Brent, which briefly moved into backwardation before falling back into contango. Either way, with OECD total crude oil stocks at close to decade-highs and US inventories at particularly comfortable levels, crude oil stocks appear sufficient to meet the forecast demand levels and still remain above the middle of the five-year range.

- There is no doubt that the above uncertainties have clouded the outlook for oil demand. The more bearish economic trend which has materialized in recent weeks could negatively impact demand growth in the second half of the year. Meanwhile, declining refinery margins—which have fallen by $10/b over the last few weeks — along with the end of the driving season and the start of autumn refinery maintenance in the Atlantic Basin in September may reduce the incentive to keep throughputs high, weakening demand for crude oil. Additionally, if the current shape of the WTI market were to persist, this may encourage stock withdrawals. As a result, careful monitoring of how these developments unfold will be necessary to determine the real market needs for the coming months.

Vienna, Austria **30 July 2007**

OPEC releases Annual Statistical Bulletin 2006

The 2006 edition of the OPEC Annual Statistical Bulletin (ASB) will be published on Tuesday, 31 July 2007, at 16:00 (CET).

The ASB is a comprehensive and detailed statistical record of the oil and gas activities of OPEC's 12 Member Countries – Algeria, Angola, Indonesia, the Islamic Republic of Iran, Iraq, Kuwait, the Socialist People's Libyan Arab Jamahiriya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Alongside its emphasis on OPEC Member Countries, the Bulletin provides accurate and wide-ranging statistics on the global petroleum industry as a whole. The publication also offers an analysis of the performance of the major international oil companies.

As in previous editions, the 2006 ASB is available in different formats – a hard copy, a PDF format and an interactive CD-ROM, which will be attached to the inside front cover of the hard copy. The PDF version and the interactive CD-ROM can also be accessed through the OPEC website www.opec.org

The ASB provides reliable historical data, which forms a sound base for any far-reaching analysis and study on OPEC's activities. It further enhances the publication's status as the most complete source of available oil and gas statistics in the Organization and its Member Countries.

Moreover, to further enhance the content and packaging of the ASB, additional graphs have been added. The publication has also been redesigned, with the aim of making it more user-friendly and accessible.

The official launch of the ASB will take place at 10:00 (CET) on 13 September 2007, at the OPEC Secretariat.

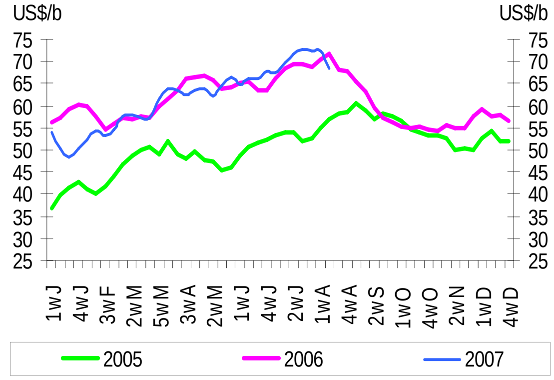
Crude Oil Price Movements

The OPEC Reference Basket gained almost $5 in July to reach a record-high of $71.75/b

OPEC Reference Basket

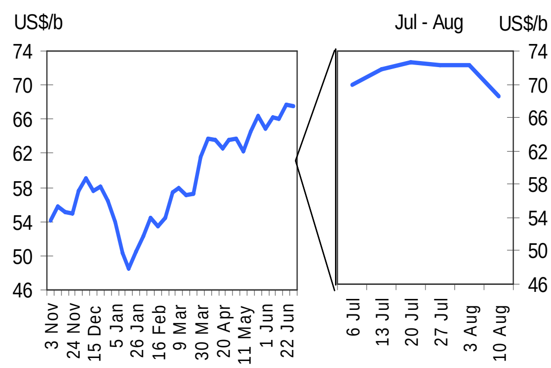
The bullishness dominated into July on several factors including US crude oil stock declines, tight supply from West Africa and an early indication of a healthy US economy. The month emerged on ongoing concern over gasoline supply amid refinery outages maintaining market bullishness. The upward sentiment was also fueled by tight Nigerian production of gasoline-rich crude. The OPEC Reference Basket closed $2.37 or 3.5% higher to average $69.86/b in the first week of the month. The market sustained strength into the second week. Closed arbitrage opportunities for Western crude to flow eastward at a time of emerging refinery demand kept firmness in the petroleum market. Gasoline supply concerns remained the core issue in the USA firming oil prices. Tight supply from the North Sea due to maintenance at a time of UK pipeline problems added to supply outlet shortages. The Reference Basket closed the second week $2 or nearly 3% to average $71.86/b. Nonetheless, the market was volatile in the second week amid refiners increasing production to meet expected seasonal demand while bullish US weekly petroleum data kept alertness in place. Moreover, healthy signs of the economy in China, which were seen to prompt demand, and OPEC signaling its readiness to increase production if supplies were needed, kept calmness in the petroleum market. The Basket closed the third week a marginal 86¢ or 1.2% higher to average $72.72/b after peaking to an all-time high of $73.67/b on 20 July. The downward trend prevailed during most of the fourth week with OPEC keeping the alternative of boosting output on the horizon. Higher refinery run rates, which eased concern over seasonal fuels, and weak refinery margins along with a fire at ExxonMobil UK's refinery implying abundant supply eased market sentiment. Nevertheless, signs of a healthy US economy outlook prevented prices from dropping further. The Reference Basket closed the fourth week with an average of $72.32/b, down 40¢ or 0.5%. In the final days of the month, the market was steady with the Basket closing at $72.40/b, up $4.52 from the end of June.

Graph 1: OPEC Reference Basket - weekly spot crude



In monthly terms, the Basket closed July with a record-high average of $71.75/b, representing a surge of $4.98 or 7.5% over the previous month. Supply disruption from West Africa, a draw on the US crude oil stocks and strong US economic growth boosted the bullish sentiments of the market. A fire at ExxonMobil's 326,000 b/d refinery in Fawley, UK, pressured the market momentarily. Over the first two weeks of August, the Basket lost almost $5/b to stand at $68.27/b on 13 August 2007 due to rising concerns about a possible US economic slowdown in the second half of 2007, fed by a lower-than-expected expansion in the services sector as well as a slowdown in job creation.

Graph 2: Weekly average Basket price, 2006-2007

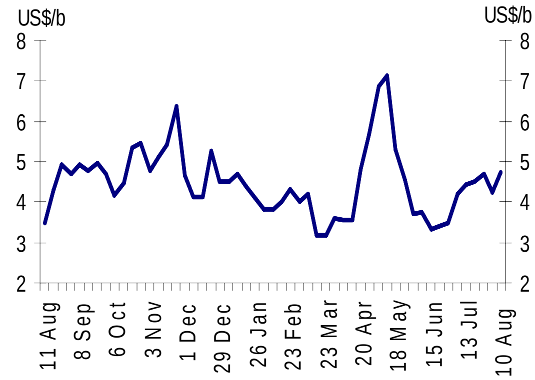


The narrowing Brent/WTI spread prompted the flow of rival crude across the Atlantic pressuring US light-end crude

US market

The US domestic crude emerged on a healthy momentum amid the return of some refineries from maintenance boosting output. However, the rise in US weekly refined products prevented the sweet/sour spread from widening further. In the first week, the WTI/WTS spread averaged 74¢ wider at $4.21/b. The sentiment was capped early in the second week with the outage of BP’s 250,000 b/d Whiting, Indiana, refinery which revived concern over storage capacity at Cushing, Oklahoma. Nevertheless, the higher refinery utilization rate on demand for light-end products helped firm sweet crude oil prices. News of the restart of a Midwest refinery supported the grade further. A wide Brent premium to WTI kept arbitrage opportunities for rival North Sea crude limited. In the second week, the WTI/WTS spread averaged 23¢ wider at $4.44/b. The sentiment was weaker in the third week, amid slower demand for light-end products, as refiners revamped production. The narrowing Brent/WTI spread attracted the inflow of more foreign crude and pressured the light crude. Nevertheless, a surprise drop in the US gasoline stocks kept the sweet/sour spread from widening further. The WTI/WTS spread inched up 8¢ to $4.52/b. In the fourth week, weaker refinery spreads and as the forward market steepened into backwardation kept the sweet/sour spread at its widest level in the month when it peaked to $5.40/b. Nevertheless, news that BP’s Whiting, Indiana, and Texas City refineries would not return to full capacity until next year exerted downward pressure on the sweet grade. Furthermore, a refinery outage in the UK implied that ample North Sea barrels could flow eastward. Thus, the Brent/WTI premium narrowed prompting the flow of rival grade across the Atlantic. Hence, the light grade was under pressure with the WTI/WTS spread 18¢ wider at $4.70/b. In monthly terms, WTI averaged $69.54/b for a gain of $5.62 or nearly 9% with the spread over WTS at $4.44/b, 92¢ wider.

Graph 3: WTI spread to WTS, 2006-2007

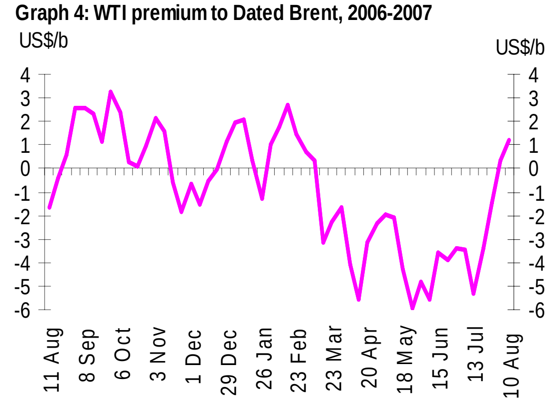


Tight August loading programmes firmed the North Sea differential with the forward curve sustained in backwardation on prompt supply concerns

North Sea market

The North Sea market emerged in a quiet note as the short-term swap structure moved into backwardation amid prompt demand. The market also digested Platt’s de-escalator to reflect sulphur content in the crude. Nevertheless, tight supply due to maintenance of the Forties and Statfjord oil fields helped differentials to firm with outright prices at record-highs since August last year. Unsold July stems maintained the balance in the regional market in the first week. However, when the emerging North Sea loading programme showed Forties crude oil stream set to load in August at around 445,000 b/d, down 174,000 b/d from July, the sentiment of tight supply was supported. The closure of BP’s UK Central Area Transmission System (CATS) gas pipeline, which is expected to take weeks to repair after a ship damaged a gas import pipeline, affected oil production. Thus, regional North Sea crude remained firm into the second week. Market sentiment strengthened into the third week with physical crude rising to multi-year highs. Nonetheless, with the structure of the forward curve, refineries were filled with first-decade August loading and momentarily refrained from procurement thereafter. Market sentiment weakened on poor refining margins in the fourth week with buyers remaining on the sidelines. Thus, the short-term swap softened as concern over prompt supply eased. Nevertheless, differentials remained steadily firm. Dated Brent closed July at $77.08/b, representing a gain of $3.57 from the end of June, to average $77.01/b, an increase of $5.46 or 7.6%.

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



Tight supply from the North Sea and the Black Sea continued to support Urals spreads

Mediterranean market

Urals was firmer in North West Europe on prompt demand while sentiment was weaker in the Mediterranean on poorer refining margins. The market sentiment came under further pressure as Iraq offered a sell-tender of rival Kirkuk crude for the first time in months. Nevertheless, strong buying interest for late July barrels supported the grade. Urals discount to Dated Brent averaged $3.82 or 43¢ firmer in the first week of the month. The sentiment continued into the second week as late July stems cleared with tight supply in the North Sea prompting refiners to look for alternative grades. Limited availability of prompt supply weighed on weak refining margins, thus the average Brent/Urals spread was $1.05 narrower at $2.77/b in the second week. Nevertheless, an escalation in Dated Brent prices squeezed refinery profit margins in Europe. Hence, Urals differentials were weaker in the third week with the discount to Brent 19¢ wider at $2.95/b. In the fourth week, although a regional major was seen bidding up the market, weak refining margins continued to dump the sour grade amid a steepening backwardation in the forward structure. Hence, buyers stayed on the sidelines in an attempt to pressure differentials. However, emerging August loading programmes revealed lower exports from the North Sea preventing discounts from widening further. The fourth week showed that Urals discount to Brent was $3.07/b or 12¢ wider. The monthly spread for Urals discount to Brent was $3.11/b or 61¢ narrower from June.

Wide Brent/Dubai spread dented arbitrage economics

Middle Eastern market

The Mideast crude market emerged on a weaker note amid high retroactive prices, although a steeper Oman discount to Dubai supported market sentiment. Moreover, emerging demand for winter stockpiling on the horizon kept the sentiment somewhat firm in Asia. In the first week, September Oman and Abu Dhabi Murban were assessed at an 8-10¢/b premium to DME and ADNOC's OSP respectively. The market remained strong into the second week amid closed arbitrage opportunities as the wide Brent/Dubai EFS spread limited the flow of rival western crude. Higher refinery demand on expected summer fuel consumption helped the Mideast grade to remain firm while a Mideast major kept supply to Asia steadily unchanged. In the second week, Abu Dhabi September Murban was assessed at a 40¢/b premium to the OSP while Oman was valued at a 30-40¢/b discount to Dubai. The flow of western crude into Asia was subdued on the two-year wide Brent/Dubai EFS spread tightening arbitrage economics in the third week. September Oman was assessed firmer at a $25¢/b discount to Dubai. The market focused on a likely boost in oil demand from Japan following Tokyo Electric Power Co.'s shutdown of a major nuclear power plant after the earthquake. Hence, the Mideast forward structure turned into backwardation for the first time since July 2005, signaling tightening markets amid emerging demand. In the fourth week, news that Oman cargoes looked heading westward added to concern over prompt supply. Hence, October Oman was heard traded at a 10-13¢/b premium to DME. Nonetheless, the narrowness of the Brent/Dubai EFS revived the opportunity for western barrels to flow eastward. Yet, October Oman was firmer when valued at a 20¢/b premium to DME in a quiet market as participants awaited the retroactive July OSP. The Brent/Dubai spread averaged $7.52/b in July, a gain of $1.76, the widest spread in two years.

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

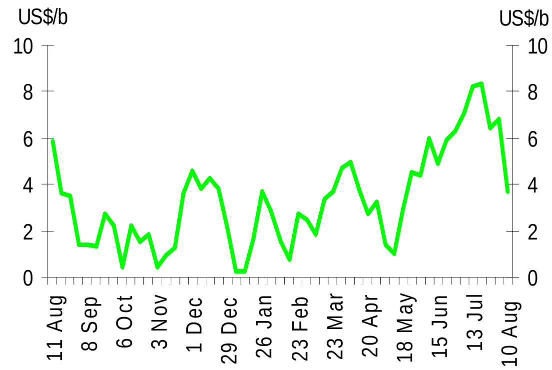


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Jun 07	Jul 07	Change Jul/Jun	Year-to-Date 2006	Year-to-Date 2007
OPEC Reference Basket	**66.77**	**71.75**	**4.98**	**62.29**	**61.47**
Arab Light	65.92	71.05	5.13	62.19	61.08
Basrah Light	64.09	70.53	6.44	59.20	58.78
BCF-17	60.68	65.79	5.11	52.84	54.10
Bonny Light	74.45	79.21	4.76	68.45	67.77
Es Sider	70.25	75.81	5.56	64.77	63.86
Iran Heavy	64.77	69.65	4.88	60.61	59.30
Kuwait Export	63.61	67.73	4.12	60.15	58.82
Marine	66.15	70.20	4.05	63.79	62.09
Minas	68.41	76.88	8.47	67.04	65.59
Murban	70.74	74.40	3.66	66.93	66.03
Saharan Blend	74.05	78.21	4.16	67.52	67.44
Other Crudes					
Cabinda	68.47	73.74	5.27	64.27	62.74
Dubai	65.79	69.49	3.70	62.51	61.49
Isthmus	65.40	71.11	5.71	61.55	59.59
T.J. Light	63.31	68.98	5.67	56.11	57.75
Brent	71.55	77.01	5.46	66.81	65.29
W Texas Intermediate	67.44	73.98	6.54	67.91	63.30
Differentials					
WTI/Brent	-4.11	-3.03	1.08	1.10	-1.99
Brent/Dubai	5.76	7.52	1.76	4.30	3.80

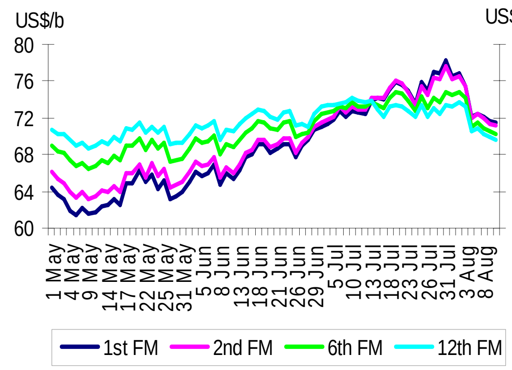
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Draw on crude oil stocks, revived geopolitical concern and persistent fear over summer fuel supplies fueled the energy markets in July

The volatility in the futures market resumed on mixed weekly US petroleum data revealing a rise in crude oil stocks in late June while seasonal fuel stocks declined. While refineries were seen to boost production to meet seasonal fuel demand, refinery glitches fueled market sentiment as the Coffeyville, Kansas, 108,000 b/d refinery was shut due to a flood. On the other hand, the prospect of depleting crude oil stocks was seen keeping sentiment firm. Nymex WTI closed the first weekly period at $71.41/b, up $3.64 or 5.4% with the weekly average up $1.75 or 2.5% to settle at $70.34/b. The CFTC reported that non-commercial net long volume was inflated by a hefty 29,000 to 96,100 contracts, the highest in almost a year. Open interest closed nearly 64,000 lots higher to approach the 1.5 million level. With options included, open interest closed the first weekly period 123,700 lots wider at 2,440,000 contracts.

Graph 6: Nymex WTI futures prices, 2007

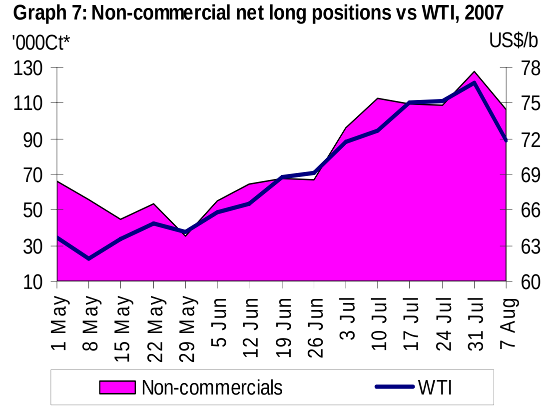


FM = future month

In the second weekly period, revived concerns in Mideast and West African geopolitics along with concern over gasoline supply this summer kept alertness in the marketplace. Nymex WTI closed the second weekly period at $72.81/b for a gain of $1.40 or nearly 2% and averaged the week up $2.07 or 2.9% to stand at $72.41/b. Hence, the CFTC reported that the non-commercial net long volume was 16,100 wider at 112,300 lots while open interest was inflated a further 46,500 to 1,546,400 contracts. With options included, open interest rose 93,000 lots to a record of 2,533,300 lots.

In the third weekly period, non-commercial net long volume was some 2,800 lots narrower at 109,400 amid a drop in the long positions from a record peak. Open interest was a marginal 3,000 lots wider at 1,549,400 contracts, an all-time high. Including options, open interest was 79,600 narrower at 2,453,700 contracts. Eased concern over gasoline supplies in the USA prompted fund sell-offs for profit-taking. Tight North Sea output due to seasonal maintenance and production problems kept the marketplace balanced. Nymex WTI closed the third weekly period at $74.02/b for a gain of $1.21 or 1.7% to average up $1.02 or 1.4% higher at $73.43/b. The bullishness continued into the fourth weekly period, amid persistent concern over gasoline supply in the USA and signs of healthy economic growth in China. Outages from Angola added to market bullishness. Nevertheless, OPEC signaling its readiness to boost production if warranted supported market calmness. The Nymex WTI front-month closed the weekly period 46¢ lower to settle at $73.56/b, while the weekly average was $1.57 or over 2% higher at $75/b. The CFTC reported that non-commercial net long positions were some 600 lots narrower at 108,800 lots as shorts rose at a faster rate than longs. In contrast, open interest was 63,700 lots narrower at 1,485,700. With options included, open interest was a marginal 13,500 lots narrower to stand at 2,440,200 lots.

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



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

In the final weekly period, the non-commercial net long positions were inflated by a hefty 18,700 lots to a new high of 127,500 lots amid record longs which increased by 11,500 to 264,400 contracts. Open interest peaked once again over 1.5 million lots when it was 35,500 lots wider at 1,521,200 lots. Including options, open interest was inflated by a hefty 125,900 lots to an all-time record of 2,566,000 contracts. The market resumed volatility in the final weekly period on concern over crude oil supply and ExxonMobil UK's refinery outages, while equity market turmoil sent a weak signal about the health of the global economy, which could dent petroleum demand. Hence, fund sell-offs for profit-taking kept the marketplace balanced before reviving once more on the recovery in the US economy offsetting earlier signs. The Nymex WTI front-month closed the week at a record of $78.21/b to gain $4.65 or 6.3%. The final weekly average was $76.58/b for a gain of $1.58 or over 2%.

In monthly terms, the Nymex WTI front-month contract averaged $74.15/b in July for a gain of $6.62 or nearly 10%, but remained 34¢ lower than last year. A draw on crude oil stocks and revival in the Mideast and West African geopolitical arena kept jitteriness in place. On the other hand, OPEC's willingness to increase supplies if warranted by the market, along with the weaker economic outlook, prevented market sentiment from strengthening further. The monthly average of non-commercial net long positions in July was 47,300 lots wider at a record 110,800 contracts which made them some 55,800 lots higher than last year. Open interest averaged 91,700 lots wider at a record of 1,520,500 lots, a gain of 467,300 lots over the same period last year. Including options, open interest averaged nearly 2.5 million contracts for a gain of nearly 193,000 lots over the previous month and 807,200 over last year. Net longs in the non-commercials including option were 149,200 lots which was 49,700 lots higher than in June and 56,200 over last year.

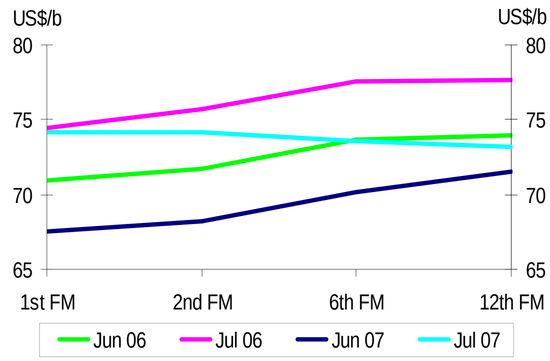
In the first days of August, following the recent bearish developments in the stock market, energy market players also changed their position significantly in the week ending 7 August. Indeed, the volume of open interest for crude fell by 16,420 to 1,504,817 contracts, while non-commercial decreased their long positions by about 33,500 lots compared to the previous week.

The Forward Structure

Refineries returning from outages prompted demand for crude oil

The forward curve narrowed in the near months while the structure in the farther months changed. Nymex WTI $1^{st}/2^{nd}$ month spread averaged 5¢/b in contango in July, while the $1^{st}/6^{th}$, $1^{st}/12^{th}$ and $1^{st}/18^{th}$ month spreads flipped in backwardation at 59¢, 96¢ and $1.26/b respectively, the first time since November 2004. Although weekly crude oil stocks averaged 350,000 mb, which was some 2.3 mb above last month and 15 mb above last year's level, the recent four-week consecutive draw, which accumulated to 9.5 mb, sent fear over tight supply. Prompt refinery procurement is anticipated to boost run rates to meet seasonal fuel demand after recent planned and unexpected outages. Nevertheless, crude oil inventory depletion is foreseen behind the recent backwardation structure, especially at Cushing, Oklahoma.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2007-2008, %	World	OECD	USA	Japan	Euro-zone	China	India
2007	5.0	2.6	1.9	2.6	2.7	10.6	8.2
2008	5.0	2.7	2.6	2.2	2.4	9.6	8.0

Industrialised countries

United States of America

Fallout from the subprime housing sector endangers outlook for the US economy

The downside risks to the US outlook have increased during the past month casting doubts on the expectation of a gradual US economic recovery in the second half of the year. The persistent recession in the housing sector-in particular the subprime mortgage market- exerted increasing downward pressure on credit and equity markets, with the fallout affecting not only the US but spreading to global equity, bond and commodity markets, and precipitating fears of a global economic slowdown. The Fed, along with other central banks took measures to inject liquidity into the money markets (to the tune of $154 billion on 9 August and $135.7 billion on 10 August) in an attempt top avert a credit shortage.

In general, US economic indicators in July were mixed. On the positive side, the advance reading of 3.4% seasonally adjusted annualized quarterly change in real GDP in the second quarter showed that the economy had recovered from the meager 0.6% pace in the first quarter, as exports, commercial construction and government spending propelled growth. Consumer spending, which accounts for about 70% of the GDP, slowed to a 1.3% annual rate from 3.7% in the first quarter. In contrast, the trade deficit narrowed to an annual pace of $577.9bn in 2Q from $612.1bn in 1Q such that net exports contributed 1.18 percentage points to growth after subtracting 0.51 points in Q1. Residential investment continued to detract from growth (0.49 percentage points from over one percent in 1Q). Thus, the drag from housing continues for the sixth consecutive quarter but at a diminishing pace. Both new home and existing home sales declined further in June, the latter by 3.8% to an annualized rate of 5.75 million units, the lowest level in almost five years. The Fed lowered its forecast for economic growth to 2.25-2.5% in the fourth quarter y-o-y of 2007 from 2.5-3% forecast range forecast in February.

The Fed's preferred inflation gauge, the core personal consumption expenditure price index, which excludes food and energy, rose by 1.4% in 2Q from 2.4% in 1Q, well within the preferred Fed range of 1-2%. In the twelve months ending June, the measure rose by 1.9%, although the smallest increase in three years was not low enough to relieve concerns about inflation. Despite the widespread and deepening market turbulence, the Fed refrained from lowering the interest rate in early August repeating its concerns that inflation remained the predominant risk facing the economy. The downward revision in GDP growth in 2004-2006 by around 0.3% each year indicates that the productivity growth in the economy has been smaller and therefore the non-inflationary growth potential lower than previously assumed, indicting that a pick up in the pace of growth could accelerate inflation. The Labor Department estimated that productivity advanced at an annual rate of 1.8% in 2Q from a revised 0.7% in the first quarter. At the same time labour costs rose faster than anticipated in 2Q. More recently, import prices rose by a 1.5% in July, from 0.9% in June, driven mainly by a 7% increase in petroleum import prices.

On the employment front, first signs of weakening appeared in July as the rate of job creation slipped. Job growth slowed to 92,000 from 126,000 in June and the jobless rate rose to 4.6% from 4.5% in June. The Fed anticipates the jobless rate to be between 4.5%-4.75% in the fourth quarter. The rate had fallen to 4.4% in March, the lowest in more than 5 years. Moreover, initial jobless claims rose by a higher than expected 7,000 to 316,000 in the week ended Aug. 4. On the positive side, incomes continued to rise with average hourly earnings increasing more than 0.3% m/m in July for the third consecutive month. Retail sales increased 0.3% after a revised drop of 0.7% in June, indicating that consumer expenditure is not caving in. However, Auto sales in July fell to their lowest level in two years. Separately, the Institute of Supply Management's report for the services industry indicated a deceleration in the rate of expansion. The index fell to 55.8 in July from 60.7 in June, the biggest drop in almost two years. A reading above 50 indicted expansion. Similarly, the July ISM manufacturing index fell to 53.8 from 56 in June. Overall, we now expect a growth of 1.9% for the whole of 2007, 0.1% lower than last month. At 2.6%, the forecast for 2008 is unchanged.

Japan

The Japanese economy expanded at a lower-than-expected 0.5% rate in the second quarter

Preliminary official data indicate that the Japanese economy expanded at a lower-than-expected rate of 0.5% saar in the second quarter of 2007, a marked slowdown from the very rapid expansion of 3.2% during the first quarter. The slower GDP growth may dampen expectations for an interest rate rise in the next meeting of the Bank of Japan on August 23. However, even before the announcement of the GDP figures on Aug 13, this expectation had been shaken by the recent financial turbulence in bond and equity markets. The Bank of Japan joined the Fed and ECB in their efforts to respond to the looming credit crunch by injecting so far around a $13.6 bn into the banking system.

There are fears that the Japanese economy may be hit by a slowdown in the US in the wake of the housing sector tumult, since the US is Japan's largest export market absorbing around 23% of Japan's merchandise exports in 2006. Since domestic demand has not been very strong, the growth is mainly dependent on foreign demand. However, so far this year, export markets continued to be robust. The trade surplus surged by around 59% y-o-y in the first half of 2007 to $43bn as exports rose 12.8% while imports increased by 8.2% on strong demand for cars, semiconductors and steel.

Consumption remains the weak spot in the economy. Consumer sentiment deteriorated in June and July, after the government rolled back tax rebates. The Cabinet office monthly consumer confidence index fell to a two-year low of 44.4 in July from 45 in June and has not been above 50 since April 2006. Wages fell 0.7% in the second quarter from the previous quarter, despite a fall ion the unemployment rate to a nine-year low of 3.7%. Consumer spending rose by 0.4% from the previous three months, half the pace of the first quarter. Data released by the Ministry of Internal affairs indicate a small growth in average household spending of 0.1% in June, for the fifth consecutive monthly increase. The consumer price index continued to fall for a fifth month in a row dropping 0.2% in June. The GDP deflator in the second quarter also fell by 0.3% from the same period a year earlier, slightly lower than expectations.

Separately, a preliminary report on the Japanese leading indicator, a broad measure for the growth outlook, rose for the first time in eight months above the 50% threshold to reach 80%, signaling acceleration in economic growth in the coming months. In addition, industrial output rose a seasonally adjusted 1.2% in June, ending a three month period of decline, on the strength of oversees demand, especially from China and Europe. In contrast, core machinery orders, excluding shipping and electric utilities, widely regarded as a leading indicator of business investment, fell sharply by 10.4% in June from month earlier. It was the first fall in three months and the biggest since July 2006. Overall, we expect the Japanese economy to expand at the rate of 2.6%, about 0.3% higher than last month's forecast.

Euro-zone

Weak consumer demand, continued strong growth in services but loss of momentum in manufacturing in the Euro-zone

Most economic indicators continued to indicate robust expansion but growth in the second quarter may have softened somewhat from the first quarter. The economic expansion continues to be dependent on investment and exports at a time when the strength of the euro- reaching record highs against the dollar which may dampen export growth. The Bloomberg PMI index of retail sales shows a drop to a seasonally adjusted 46.2 in July from 48.2 in June, the third month the index was below 50 indicating a contraction. A combination of higher interest rates and increases in gasoline prices are seen to have hampered consumer expenditure. On the other hand, the service sector continued to grow briskly albeit at a slightly lower level than in June. The flash RBS/NTC Research Purchasing Managers' Index (PMI) fell to 58.1 from the 12-month high of 58.3 in June. Similarly, manufacturing sector activity lost some momentum in July as shown by the as the PMI index for manufacturing which dipped to 17-month low of 54.8 in July from 55.6 in June, but still remained well above the 50 level which indicates no growth. However, the export orders sub-index at 54.4 was at its lowest level since August 2005, suggesting that the strong euro may be taking its toll, although exports continue to be robust due to strong global growth. While exports fell 1.2% m/m in May, 0.4% in April and were flat in March, the three quarter average was 7.4% higher y-o-y given the strong increase seen around the turn of the year.

In Germany, the largest Euro-zone economy, consumer confidence rose to an eight-year high as unemployment fell to its lowest level in 14 years, amidst strong wage growth. The Ifo business confidence survey showed some softening but was not far from record levels. The unemployment declined to the lowest level in 14 years to 9% from 9.1% in June second quarter GDP rose 0.5%, the same rate as the first quarter.

The ECB continues to see risks to stability due to mounting inflationary pressures in the euro-zone. Capacity constraints, potentially higher wages given tighter labour markets, mounting corporate pricing-power, strong growth in money-supply and credit as well as elevated oil prices are seen to be pushing prices up. Second-quarter capacity utilization in the euro region rose to 84.8%, the highest level in more than 16 years, according to figures published by the Bundesbank. The money-supply growth in the euro-zone, which the bank uses as a gauge of future inflation, accelerated to close to the fastest pace in 24 years in June. M3 rose 10.9% from a year earlier, after increasing 10.6% in May. The central bank left interest rates unchanged in its latest policy meeting in early August but hinted at another rate increase in September using the term “strong vigilance” to signal another rate increase, which has been widely expected. However, the recent turbulence in financial markets which has hit European banks as well as bond and equity markets may cause the bank to reconsider this early tightening. The ECB led other central banks in attempting to avoid a liquidity crisis and injected on three consecutive days over 200bn euros (€94.8bn euros on August 9, €62bn euros on August 10 and €47bn on August 13), as the overnight euro rates rose well above the ECB’s benchmark rate of 4%.

Former Soviet Union

Faster-than-expected growth in Russia caused by strong investment

The economy in Russia grew faster-than-expected in the first half of 2007, driven mainly by strong investment growth of 7.8 %, according to official sources. Private capital inflow contributed to the investment boom and acceleration of imports. The Central Bank of Russia (CBR) estimated the net inflow of capital to the private sector in the first six months of 2007 to reach $70bn, compared with $40.9bn in 2006. Savings in Russia soared by 218 billion roubles in June 2007 and widened by 1.1 trillion roubles in the first half of this year, the Economic Development and Trade Ministry reported. Calculated from early 2002, the cumulative growth in savings reached 8.5 trillion roubles (nearly $350 billion, or roughly 35% of GDP). Russia’s oil and gas sector plans to raise investment by 25% (nearly 8% of GDP) this year and in 2008. Industrial production grew by 10.9% in June 2008, agricultural output by 2.7% in May 2007. Industrial output growth was led by manufacturing which was 15.6% higher this June than the same month of 2006. Inflation has picked up in the second quarter of 2007, the official figure in June is estimated in the range of 0.5-0.6% which might lead to overshoot the CBR target of 6.5%-8.0% this year, mainly as a result of food price increases of 1.7% in June. Rising imports could reduce the trade surplus to a point that the CBR would not intervene to avoid rouble appreciation. In June the stabilization fund reached $121.68 billion.

Inflation accelerated in Kazakhstan

In Kazakhstan GDP continued to grow robustly. The economy is relying on private consumption and investment for much of its momentum. Private credit growth, together with higher export revenues and potential pass-through from higher inflation in Russia, will add to the inflation pressure in Kazakhstan. The disinflation trend from last year lasted until April, but by June inflation had risen to 8.1% y-o-y.

Developing Countries

A new record for GDP growth could result in China overtaking Germany as the world’s third-largest economy

China’s annual economic growth surged to an eleven-year high of 11.9% in the second quarter according to National Statistical Bureau (NSB) in China. The figures put China on course to keep on its straight fifth year of double-digit growth and to overtake Germany as the world’s third-biggest economy - perhaps as soon as this year. Some observers argue that the reported numbers may partly reflect a move to correct previous inaccuracies. Classic symptoms of overheating are absent. Bank lending and imports have slowed in recent years, and reports of surging wages due to labour shortages do not reflect reality and inflation is not bad as it seems. Excluding food, consumer prices have risen by only 1% over the past year. The People’s Bank of China (PBOC) on 21 July has raised the lending and deposit rates by 0.27 percentage points to 6.48% and 3.33%.

Stronger yuan could address inflation not higher interest rate

However, rates are still low for such a fast-growing economy, but it is not widely expected that the PBOC will lift rates aggressively to address the current wave of inflation. It is more likely that the Central Bank will continue its gradual appreciation of the yuan which could bring down the cost of imported goods. The yuan’s appreciation is noticeably faster this year. It rose by an annual rate of 9% since April compared with only 3.4% in 2006. The rise of interest rate provides a useful signal of the government’s intention to slow down investment.

Energy intensity in China is decreasing according to target

Investment in fixed assets such as factories and real estate was up 25.9% in the first half of the year; the trade surplus is setting successive monthly records; and retail sales in the first six months grew at the strongest rate since 1997. The authorities are likely to impose new curbs on investment in energy intensive and polluting sectors. The amount of energy consumed in China per 10,000 yuan of GDP decreased by 2.78% y-o-y, more than doubling the annual reduction of 2006, during the first quarter of this year, as reported by the NSB and National Development and Reform Commission. However, it was still below target. China's state environment watchdog unveiled a new policy last month with the PBOC and the China Banking Regulatory Commission (CBR) that makes it much harder for heavy polluters to get bank loans. The new policy forbids banks to extend loans to new projects that have failed to pass environmental evaluations, and requires financial institutions to strictly control loans to companies that have failed to rectify excessive emissions from already-completed projects.

The Reserve Bank of India paused its interest rate rising cycle

The Reserve Bank of India (RBI) released its quarterly review of the monetary situation last month, reiterating its concerns over inflationary pressures. It paused in its interest-rate raising cycle. The aggressive tightening cycle came as the RBI in effect to redress previous policies that were accommodative for too long causing an acceleration in inflation. While headline inflation has eased in line with the decline in global oil prices from peak levels, underlying demand pressures remain strong. Intensifying demand has been reflected in high rates of capacity utilisation, rising wage pressures and the widening trade deficit. Government officials in India are affirming that achieving 10% growth will be possible in 2008.

Steady growth in Brazil and Argentina expected in 2007

Brazil's economy seems on track to grow by around 4% this year, given its performance during the first quarter. Economic output expanded by 4.3% y-o-y during the January-March period, driven primarily by the industrial and service sectors. Consumer spending and corporate investment were both strong. The reduction of inflation promoted lower interest rates and higher growth. In its latest loosening of monetary policy, the Brazilian Central Bank on 7 June reduced the benchmark Selic rate by half a percentage point to 12%, a record low. This followed a string of 16 rate cuts since September 2005, when the Selic stood at 19.75%. The resulting decline in borrowing costs has fuelled consumer demand for items such as appliances and cars, and boosted capital investment by companies. Argentina is expected to make a gradual transition from the high rates of growth that have characterised the rebound from the 2001-02 crisis to more sustainable rates of economic expansion. After growing for four consecutive years at around 9% per year, real output growth is expected to ease slightly in 2007 — our estimate is 7.5% — before slowing more noticeably in 2008. Private consumption has been growing at a brisk pace, aided by increases in employment and real earnings. Resurgence in inflation or a collapse in demand and prices for Argentina's export commodities are the main downside risks to our GDP growth forecasts.

OPEC Member Countries

Weak dollar reduced the purchasing power of Member Countries and caused imported inflation

Growth prospects in OPEC remain robust, with overall GDP growth for the region forecast to average around 5.7% per year in 2007. In the past five years the dollar has fallen by about 20% against a broad index of currencies and by about 60% against the Euro. The weakening dollar has affected the economies of Member Countries in two ways. Firstly, it has decreased the purchasing power of the members. This loss of dollar purchasing power is affecting OPEC's ability to conduct trade with its non-US partners. Much of its trade is with Europe is denominated in euros and pounds, which have rapidly risen in value against the dollar. Secondly, the weak dollar has caused a rise in inflation in some members. Pegging the local currencies to the dollar entailed that imported goods in other currencies rose in cost.

The Central Department of Statistics in Saudi Arabia reported early this month that inflation rose to a five-month high of 3.1% in June as food and housing costs climbed. The cost of living index rose to 104.4 points in June, up 0.2% compared with May. In Algeria the consumer price index (CPI) in the capital, Algiers — the typically-used measure of inflation for Algeria — rose by 2.6% y o-y in the first half of this year, according to Algeria's National Statistics Office. The yearly increase in CPI can be traced to increases in the cost of foodstuff, which accounts for 44.01% of the basket of goods and services used in calculating the index, along with jumps in the cost of healthcare (up 2.7% y-o-y) and furniture (up 0.7%). The increase in the cost of foodstuffs was in turn due to a 3.7% y-o-y jump in the cost of fresh agricultural products.

The US currency resumed its downward trend in July falling 1.43% against the OPEC basket of currencies.

Oil prices, the US dollar and inflation

The US currency resumed its downward trend in July falling against all its major counterparts. It lost most versus the pound Sterling (-2.34%) followed by the euro (-2.21%), the Swiss franc (-2%) and least against the yen (-0.84%). The euro averaged €1.3715 in July from €1.3418 in June while the yen averaged 121.6 from 122.6 in June. The pound sterling remained above $2/£ averaging 2.033 dollars over the month of July.

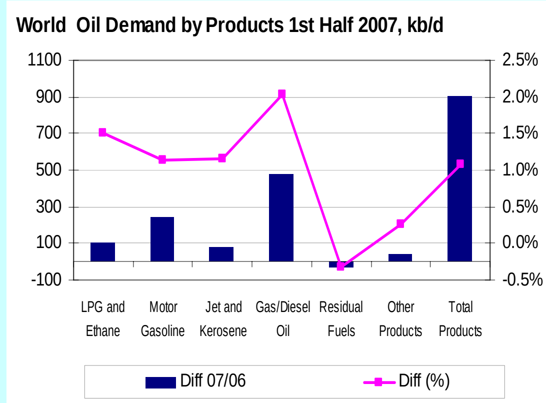
The dollar's losses can be attributed to the continued and deepening fallout from the US sub-prime housing sector and the increasing risks this poses to the US economy. In early August, the dollar fell to the lowest level in four months against the yen of around 117 Y/$ and to near record levels versus the euro of over $1.38 on market speculation that the Fed may resort to an interest rate cut in the coming months, although the Fed's appears to still be more worried about inflation than growth.

In July, the OPEC Reference Basket rose by almost $5/b or 7.46% to $71.75/b from $66.77/b in June. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by almost $2.38/b or 5.45% to $46.01 from $43.63. The dollar fell by 1.43% as measured against the import-weighted modified Geneva I +US dollar basket*.

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

World Oil Demand

Review:
World oil demand in the first half of 2007



World oil demand for the first half of 2007 grew by slightly less than 1 mb/d or 1.1% y-o-y to average 85.05 mb/d. Winter was warm in the first half of 2007 in most of the northern hemisphere, which pushed OECD oil demand into the negative by 0.3 mb/d to average 48.85 mb/d. The late cold winter in North America was not enough to offset the loss in OECD oil demand. The first half lost its high seasonality momentum in the first quarter due to the mild winter. Hence, the forecast world oil demand growth was revised down by 0.32 mb/d y-o-y. The products growing most in the first half were gasoil and LPG/ethane which grew by 2% and 1.5% y-o-y respectively. In addition to the fact that the second quarter is not a high season for gasoline consumption, high retail prices marginally curbed transport fuel consumption. Gasoline consumption grew by only 1.1% y-o-y, lower than the initial forecast.

OECD oil demand, affected by the warm winter, led to a decline in oil consumption in both Europe and the Pacific. As a result of fuel switching from fuel oil to gas, fuel oil declined mainly in the OECD countries, causing total oil demand to weaken. Conservation efforts in the OECD countries have had some effect on oil demand within the region. The products that declined the most in the first half were the winter products residual fuel and kerosene by 6.4% and 1.9% respectively. North America's oil demand grew by 1.7% or 0.42 mb/d y-o-y in the first half of 2007. This growth was mainly attributed to both the fuel oil and gasoline. The strong winter pushed fuel and heating oil consumption in the USA up by 2.6%. As a result of high gasoline prices, US gasoline consumption grew by less than expected at 1.3% to average 9.2 mb/d. OECD Europe experienced a mild winter which pushed oil demand changes to the negative on a y-o-y basis. OECD Europe's oil demand declined in the first half of the year by 0.5 mb/d y-o-y to average 15 mb/d. OECD Pacific also experienced an unusually warm winter which reduced the consumption of residual oil and kerosene which is commonly used for heating in Japan. Japan's oil demand continued its downward behaviour which began last year. Japan's domestic sales declined by 5.6% in the first half of 2007. The warm winter in the Pacific reduced Japan's use of heating kerosene by 10.3% or 0.08 mb/d. Furthermore, the low demand for electricity and the increase in the utilization of nuclear generation over 70% reduced the need for fuel oil by 0.1 mb/d y-o-y in the first half. Total OECD oil demand for the first half of 2007 declined by 0.6% y-o-y.

Non-OECD oil demand was as strong as expected. Booming economies pushed oil demand up by 3.5% or 1.22 mb/d y-o-y in the first half of 2007. China, the Middle East, and India accounted for the largest share of the oil demand. Diesel, which represents 30% of total Non-OECD countries oil consumption, grew the most by 6.4% to average 10.8 mb/d on industrial and agricultural consumption. Jet kerosene and gasoline were in high demand in the first half of 2007. Both products grew by 0.16 mb/d and 0.1 mb/d to average 2.6 mb/d and 6.6 mb/d respectively. The Chinese economy showed strong growth in the first half of the year which in turn called for more oil to be used in all sectors. China's new car registration grew by 23% y-o-y in the first half of the year. Other industries such as agriculture, construction, and tourism made modest contributions to China's oil demand in the first half of the year. China's oil demand for the first quarter was a little below expectations which was attributed to weak demand in February; however, strong second-quarter oil demand boosted first half apparent demand to show growth of 0.4 mb/d or 5.5% y-o-y to average 7.6 mb/d. According to press releases in China, the country managed to reduce its energy consumption per unit of GDP by 2.8% which was less than the preset target which is 4% for the whole year. Last year, China managed to achieve only 1.3% for the same set target of 4%. Strong economic activities in the Middle East led to strong oil demand. Therefore, the Middle East oil demand growth in the first half of the year reached 0.32 mb/d to average 6.44 mb/d. Transport fuel price subsidies, along with the construction and petrochemical sectors, were the main drivers behind Middle East oil demand in the first half of 2007. In addition to these drivers, agriculture and limited fuel switching capability were the main reasons behind the strong oil demand growth in India over the same time period. Although the rainy weather disrupted transportation activities in Northern India, causing demand for diesel to weaken early in the year, oil consumption picked up to show a six-month growth of 0.12 mb/d or 4.5% to average 2.8 mb/d, which was above the previous forecast.

World oil demand in 2007

World oil demand growth in 2007 revised up slightly to 1.3 mb/d to average 85.7 mb/d

World oil demand in July followed a typical summer seasonality trend. July oil demand grew the most in the USA, China, the Middle East, and other Asia, especially India. Agriculture, transport, and power plant fuels are the products that are mostly consumed in summer.

As a result of anticipated weak oil demand in other OECD countries, world oil demand for the third quarter is forecast to grow by only 1.5 mb/d y-o-y to average 85.68 mb/d. Given current world economic growth along with the anticipation of normal winter, **world oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, a slight upward revision from the last *MOMR* reflecting additional oil needs for Japanese power plants.** Oil demand in the second half of the year will show stronger growth of 1.6 mb/d.

Table 2: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.25	25.66	25.41	25.63	25.78	25.62	0.37	1.45
Western Europe	15.56	15.15	14.89	15.57	15.74	15.34	-0.22	-1.44
OECD Pacific	8.40	8.83	7.77	7.93	8.83	8.34	-0.07	-0.81
Total OECD	**49.22**	**49.63**	**48.07**	**49.12**	**50.35**	**49.29**	**0.07**	**0.15**
Other Asia	8.83	8.90	9.10	8.83	9.12	8.99	0.16	1.81
Latin America	5.26	5.21	5.37	5.47	5.39	5.36	0.10	1.99
Middle East	6.19	6.44	6.43	6.67	6.46	6.50	0.31	5.02
Africa	3.00	3.14	3.08	3.02	3.13	3.09	0.09	2.96
Total DCs	**23.28**	**23.70**	**23.98**	**23.99**	**24.10**	**23.94**	**0.66**	**2.85**
FSU	3.89	3.86	3.70	3.95	4.30	3.95	0.07	1.71
Other Europe	0.91	1.01	0.92	0.91	0.92	0.94	0.03	3.41
China	7.14	7.46	7.77	7.71	7.42	7.59	0.45	6.26
Total "Other Regions"	**11.93**	**12.33**	**12.39**	**12.56**	**12.64**	**12.48**	**0.54**	**4.57**
Total world	**84.44**	**85.66**	**84.44**	**85.68**	**87.08**	**85.72**	**1.28**	**1.52**
Previous estimate	84.33	85.65	84.32	85.49	86.92	85.60	1.26	1.50
Revision	0.10	0.01	0.12	0.19	0.17	0.12	0.02	0.02

Totals may not add due to independent rounding.

Table 3: 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	25.17	25.66	0.49	1.95	25.06	25.41	0.36	1.42
Western Europe	15.89	15.15	-0.74	-4.68	15.15	14.89	-0.26	-1.75
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.77	-0.05	-0.65
Total OECD	**50.30**	**49.63**	**-0.67**	**-1.33**	**48.03**	**48.07**	**0.04**	**0.09**
Other Asia	8.77	8.90	0.13	1.50	8.97	9.10	0.14	1.53
Latin America	5.07	5.21	0.15	2.89	5.24	5.37	0.13	2.43
Middle East	6.09	6.44	0.35	5.75	6.14	6.43	0.29	4.77
Africa	3.00	3.14	0.14	4.57	2.98	3.08	0.09	3.16
Total DCs	**22.94**	**23.70**	**0.77**	**3.34**	**23.33**	**23.98**	**0.65**	**2.79**
FSU	3.76	3.86	0.10	2.63	3.63	3.70	0.07	2.01
Other Europe	0.97	1.01	0.04	4.30	0.90	0.92	0.02	2.12
China	7.09	7.46	0.36	5.12	7.34	7.77	0.42	5.78
Total "Other Regions"	11.82	12.33	**0.50**	**4.26**	11.87	12.39	**0.52**	**4.35**
Total world	**85.06**	**85.66**	**0.60**	**0.70**	**83.23**	**84.44**	**1.21**	**1.45**

Totals may not add due to independent rounding.

Table 4: 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	25.43	25.63	0.20	0.77	25.35	25.78	0.43	1.68
Western Europe	15.57	15.57	0.00	0.00	15.64	15.74	0.10	0.62
OECD Pacific	7.85	7.93	0.07	0.94	8.71	8.83	0.11	1.32
Total OECD	**48.85**	**49.12**	**0.27**	**0.55**	**49.71**	**50.35**	**0.64**	**1.28**
Other Asia	8.64	8.83	0.19	2.19	8.94	9.12	0.18	2.02
Latin America	5.38	5.47	0.08	1.55	5.33	5.39	0.06	1.16
Middle East	6.35	6.67	0.32	5.04	6.18	6.46	0.28	4.54
Africa	2.95	3.02	0.06	2.16	3.07	3.13	0.06	2.00
Total DCs	**23.33**	**23.99**	**0.66**	**2.82**	**23.52**	**24.10**	**0.58**	**2.48**
FSU	3.91	3.95	0.04	1.01	4.24	4.30	0.06	1.31
Other Europe	0.88	0.91	0.02	2.81	0.88	0.92	0.04	4.37
China	7.21	7.71	0.50	6.94	6.92	7.42	0.50	7.22
Total "Other Regions"	12.00	12.56	**0.56**	**4.70**	12.04	12.64	**0.59**	**4.93**
Total world	**84.19**	**85.68**	**1.49**	**1.77**	**85.27**	**87.08**	**1.81**	**2.13**

Totals may not add due to independent rounding.

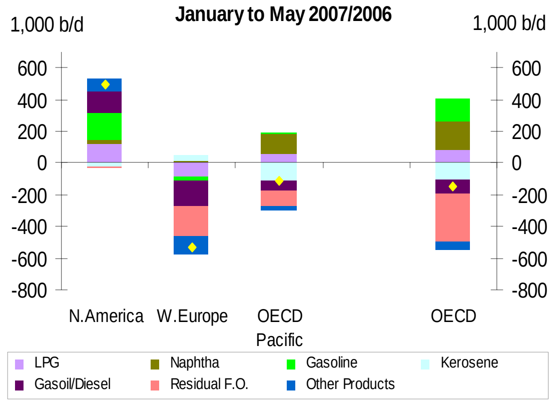
OECD-North America

Oil demand in the US grew 2% in July to average 21.0 mb/d

Higher US retail gasoline prices have not hurt gasoline demand as badly as anticipated but did leave some impact. Hence, US gasoline consumption in the high season of July increased by only 1.0% or 0.1 mb/d y-o-y to average 9.7 mb/d. **US oil demand in July grew by 2% or 0.421 mb/d y o-y to average 21 mb/d**. Fuel oil grew the most, reaching 0.22 mb/d or 4.9%. Jet fuel/kerosene consumption was slightly dented by higher prices, showing a decline of 3.5% y-o-y in July. For the first seven months of the year, total US oil demand inched 1.48% or 0.30 mb/d higher. Assuming that the next winter will be normal, then

Graph 9: OECD - Growth of total requirements by component

January to May 2007/2006



US oil demand will receive a boost from heating oil and fuel oil consumption to reach an estimated average growth of 0.36 mb/d y-o-y for 2007.

Canadian petroleum product sales in June were not as strong as in May. Apart from gasoline consumption, June is a low oil demand season in Canada. Agricultural consumption of diesel pushed Canadian oil demand upward in early summer. Mexican oil demand has been growing sharply in 2007. Accelerated by strong consumption in June, Mexico's oil demand in the first half of 2007 grew by 0.06 mb/d y-o-y. Mexican gasoline and fuel oil consumption increased the most in June reaching 0.05 mb/d of growth each.

Table 5: Domestic Sales of Refined Petroleum Products in Mexico (kb/d)

	Jun-07	May-07	Jun-06	Change to Jun 06	Change to Jun 06 %
LPG	281	282	292	-10	-3.6
Gasoline	773	771	725	49	6.7
Jet Fuel	66	68	60	6	10.6
Diesel Oil	373	373	365	8	2.1
Fuel Oil	322	298	274	48	17.4
Other Products	80	70	69	10	15.0
Total Products	**1,895**	**1,863**	**1,784**	**110**	**6.2**

With the exception of gasoline consumption, the OECD normally sees low seasonal demand in the third quarter. **North America's third-quarter y-o-y oil demand growth is estimated at 0.2 mb/d to average 25.63 mb/d.** Total OECD countries' y-o-y oil demand growth in 2007 is estimated to increase by 0.1 mb/d to average 49.29 mb/d.

OECD Europe

OECD Europe consumption flat in the third quarter

With low seasonal oil consumption time in Europe, **Italy's** oil demand declined by almost 2.9% y o-y to average 1.7 mb/d in June. Due to the low demand for electricity and the possibility of fuel switching among power plants in Italy, fuel oil demand in June was down by 8%. Affected by the efficiency improvements, gasoline demand in Italy declined by a strong 7.3% y-o-y to average 0.29 mb/d in June. A strong decline in diesel consumption in Germany's industrial sector led to a 0.3 mb/d y-o-y decline in domestic deliveries to average 2 mb/d in May. Domestic oil product sales in the UK were flat y-o-y to average 1.57 mb/d. The increase in transport fuel was offset by declining demand in the industrial sector.

As forecast, transport diesel consumption in the EU for 2007 is expected to grow by over 3%. Increasing sales of efficient diesel engines in Europe caused demand for diesel to grow in the past few years. New diesel cars are expected to outsell gasoline cars this year by 5.5%. Due to the above-mentioned decline in Europe, the OECD Europe demand for the second quarter was revised down by 0.17 mb/d y-o-y. **OECD Europe oil demand growth for the third quarter is estimated to be flat y-o-y, averaging 15.57 mb/d.**

OECD Pacific

Sudden increase in demand following earthquake leads to upward revision to demand in Japan in third and fourth quarters

An earthquake in Japan in July put pressure on authorities to shut down nuclear power plants in the region until safety measures were taken. This move tentatively increased crude and fuel oil consumption in Japan by around 0.1 mb/d. Furthermore, the country halted the natural gas production from the Yoshii field which will have an effect on further crude consumption among power plants. In general, the loss of some nuclear power generation forced Japanese power plants to lift their thermal power generation using feedstock such as coal, crude oil, fuel oil and LNG. In addition, the summer heat forced power plant operators in Japan to increase oil consumption in order to meet increasing electricity demand.

In anticipation of third-quarter oil demand, **South Korea**'s crude imports rose 4% to average 2.4 mb/d in June. Unlike Japan, South Korea's oil demand is somewhat stable with minor growth so far this year. Unlike Japan, South Korea's crude imports moved up 1.3% y-o-y to average 2.4 mb/d in the first six months of 2007.

Due to the sudden increase in demand in Japan, the OECD Pacific third- and fourth-quarter oil demand was revised up to show an increase of 0.07 mb/d and 0.1 mb/d y-o-y respectively.

Alternative Fuels

Given the fact that it is a non-green fuel, consumes lots of water and is not economically feasible, coal-to-liquid (CTL) project expansions in China are slowing down. China's coal production inched up more than 7% in June putting the first half of the year up by a similar amount. China's coal demand, the energy that is most consumed, is forecast to grow by 10% in 2007. In order to protect its food source, China banned the use of corn as a feedstock for its biofuel production. However, China's target is to double its ethanol production by the end of the decade utilizing sources other than corn. The country is enhancing its subsidy system and planning to provide an additional 5% tax rebate to ethanol producers. Since several countries initiated a subsidized programme to produce biofuel, food prices have shot up dramatically worldwide, which has caused a large burden on governments especially in developing countries. Affected by the demand of the biofuel industry in South-East Asia, the food commodity prices increased around 10% in June alone.

High demand from the EU biofuel industry has increased the price of palm oil by 80% in the past 18 months in Southeast Asia where this commodity is produced.

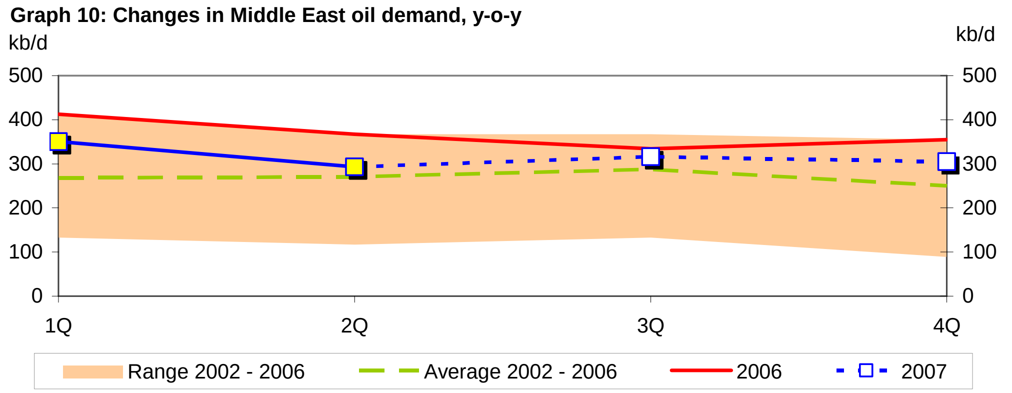
The European Biodiesel Board (EBB) is asking the EU to introduce more subsidies and rules to boost the industry. Due to lack of the economic feasibility, the production of biodiesel fuel is facing some problems across the continent where the EU target could be hard to meet by 2020. The present EU target is to have 2% of total transport fuel to be biofuel. However, due to limitations such as high cost and its possible harm to the environment, the target has not been met. The EU cannot meet its target with its own production of biofuel; therefore it will be forced to rely on imports.

Although an ethanol mix exists in half of the US gasoline, the high cost of ethanol is deterring some refiners from blending more ethanol into the system, and the lack of necessary infrastructure is discouraging the industry from supporting a mandatory blend of extra ethanol into gasoline.

Developing Countries

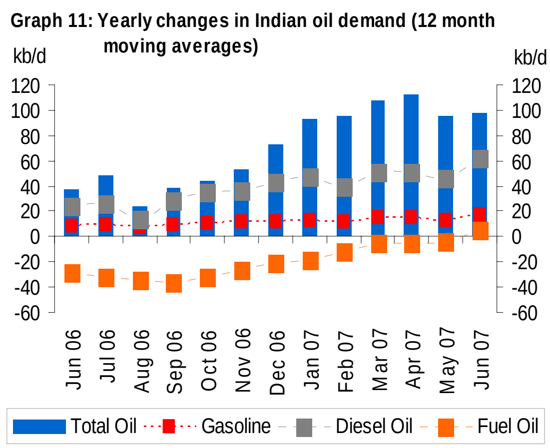
Middle East demand growth forecast at 0.32 mb/d

As a result of fuel switching to coal and natural gas among power plants in Taiwan, fuel oil consumption has been on the decline so far this year by 17% y-o-y. Taiwan's oil demand declined by 4.8% to average 0.81 mb/d in June y-o-y. Due to the inauguration of the new railroad and the adjustment of retail petroleum product prices, the domestic airline consumption declined by more than 10% in the first quarter of 2007 leading to a 3.5% decline in jet fuel consumption in June y-o-y, and both gasoline and diesel have fallen by 2% and 5.5%. Taiwan's oil demand declined by 2.8% for the first half of the year. Furthermore, due to the increase in retail transportation fuel, Taiwan is planning to subsidize fuel for public transportation. Most Asian countries have abolished petroleum product price subsidies in the past three years. Booming Middle East economic activities are keeping oil demand at its usual strength. Transport fuel in the Middle East along with the demand for fuel oil by power plants resulted in strong growth in both Iran and Saudi Arabia by 0.1 mb/d each in the second quarter y-o-y. Due to a hot summer in the region, the demand for electricity is high; therefore fuel oil demand is forecast to be strong. Hence, **Middle East third-quarter y-o-y oil demand growth is forecast at 0.32 mb/d to average 6.67 mb/d.**



Other Asia to grow 0.19 mb/d in the third quarter

India's oil demand bounced back from an unusual decline in May to show strong y-o-y growth in June of 4.6% or 118,000 b/d to average 2.7 mb/d. India's oil demand January-June 2007 grew by 0.12 mb/d or 4.6% to average 2.8 mb/d. Agriculture, transport, and industrial use pushed diesel consumption up 72,000 b/d or 7.8% y-o-y in the first half of 2007. In percentage terms, gasoline grew by a stunning 10.2% adding 22,000 b/d to the six-month y-o-y consumption. **Other Asia third-quarter y-o-y oil demand is forecast to follow a high seasonality and grow by 0.19 mb/d to average 8.83 mb/d.**



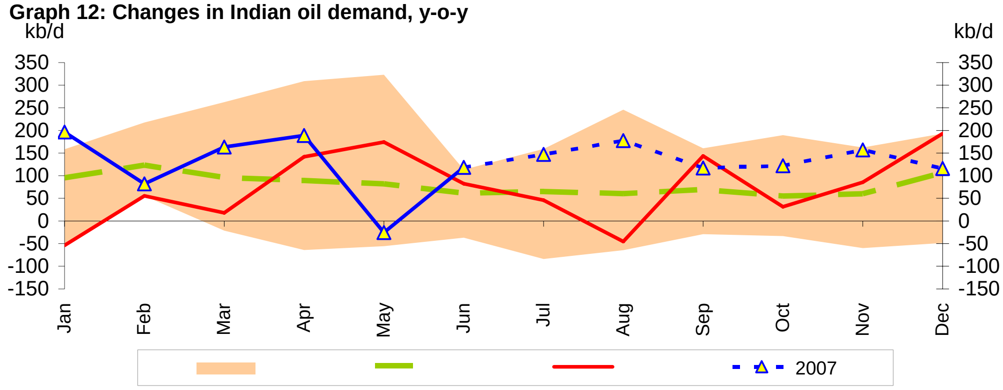
Developing Countries oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching a growth of 0.66 mb/d to average 23.94 mb/d.

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

	Jun 07	May 07	Jan 07 - Jun 07	Difference to Jan 06 - Jun 06	%
LPG	335	346	354	29	8.9
Motor Gasoline	241	252	235	22	10.1
Jet Kero	281	293	289	10	3.7
Gas Diesel Oil	983	964	1,001	72	7.8
Residual Fuel Oil	372	343	334	15	4.6
Other Products	488	562	601	-27	-4.3
Total Oil Demand	**2,701**	**2,761**	**2,813**	**121**	**4.5**

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

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



Other Regions

Oil demand in China rose 0.24 mb/d in June; third quarter to increase 0.5 mb/d

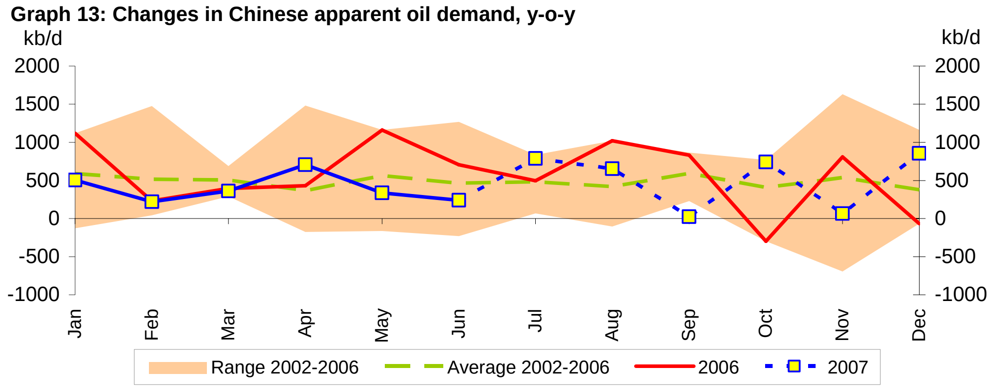
China's apparent oil demand in June rose a moderate 0.24 mb/d or 3.2% y-o-y. Although oil imports were high reaching 19%, product imports were low and exports strong which led to weak growth in apparent oil demand for June — the weakest since February. China's net oil imports increased by 5.7% or 0.2 mb/d in June y-o-y. Weaker fuel oil demand in China is attributed to the increased consumption of coal by power plants so far in the summer. Although the last part of the agricultural season which ended in June was rainy, expanding construction pushed diesel demand up in the first half to remain the most consumed product representing more than one third of total Chinese oil consumption.

Despite the international pressure over China's clean air, the country delayed the introduction of Euro 3 fuel standard until July 2008. Apparently, refineries' upgrade is not ready; however, China has decided to move the introduction of Euro 4 standard forward by three years to set a new deadline of 2010.

As a result of high demand for electricity in the agricultural, travel, petrochemical and construction sectors, China's third-quarter oil consumption reached a seasonal high. Having lower product imports, refinery runs were also high in June. New car sales in China are still roaring, but were below the forecast level of a 30% increase. China's car sales rose 23%, putting almost half a million new cars on the streets in May. The subsidized E10 blended gasoline and diesel reduced oil consumption last year by a minor 35,000 b/d in China.

China is rethinking its SPR capacity. The country is considering expanding its SPR to 120 days of net oil import equivalent. The study suggests that the public sector will cover 75% of the reserve and the rest will be covered by the private sector. China is working on curbing down the fast-growing aviation industry, which will affect jet fuel consumption next year. China is expected to consume 0.25 mb/d of jet/kerosene in 2007.

China's third-quarter apparent oil demand is forecast to grow by 0.5 mb/d to average 7.7 mb/d y o-y.



As a result of a new increase in export tax, along with the improving regional economic activities, FSU's apparent oil demand is showing a marginal increase in the third quarter. FSU's y-o-y third-quarter oil demand is forecast to grow by 0.04 mb/d to average 4 mb/d.

World oil demand in 2008

World oil demand to grow by 1.3 mb/d in 2008 to average 87.1 mb/d

World oil demand is forecast to grow by 1.3 mb/d in 2008 to average 87.06 mb/d, with no major changes from our last *MOMR* estimate. Transport and industrial fuels are expected to show the strongest sectorial growth in 2008. Non-OECD countries will account for 1.1 mb/d or 79% of total world oil demand growth in 2008. OECD oil demand growth next year will mostly come from North America. **North America's oil demand is forecast to grow by 0.3 mb/d y-o-y to average 25.9 mb/d in 2008.**

China, the Middle East, and Other Asia are expected to contribute 0.8 mb/d or 62% to next year's world oil demand growth.

Table 7: World oil demand forecast for 2008, mb/d

							Change 2008/07	
	2007	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**	**Volume**	**%**
North America	25.62	26.01	25.60	25.83	26.16	25.90	0.28	1.09
Western Europe	15.34	15.35	14.84	15.49	15.89	15.39	0.05	0.36
OECD Pacific	8.34	8.89	7.65	7.77	8.86	8.29	-0.05	-0.56
Total OECD	**49.29**	**50.25**	**48.08**	**49.09**	**50.91**	**49.58**	**0.29**	**0.58**
Other Asia	8.99	9.04	9.22	8.99	9.28	9.13	0.15	1.62
Latin America	5.36	5.31	5.44	5.55	5.49	5.45	0.09	1.67
Middle East	6.50	6.70	6.73	6.97	6.75	6.79	0.29	4.44
Africa	3.09	3.18	3.12	3.09	3.19	3.14	0.05	1.67
Total DCs	**23.94**	**24.24**	**24.52**	**24.60**	**24.71**	**24.52**	**0.58**	**2.40**
FSU	3.95	3.91	3.76	4.01	4.35	4.01	0.05	1.39
Other Europe	0.94	1.04	0.96	0.92	0.94	0.96	0.03	2.90
China	7.59	7.80	8.13	8.19	7.84	7.99	0.40	5.28
Total "Other Regions"	12.48	12.75	12.85	13.12	13.13	12.96	0.48	3.87
Total world	**85.72**	**87.24**	**85.45**	**86.81**	**88.75**	**87.06**	**1.35**	**1.57**
Previous estimate	**85.60**	**87.18**	**85.35**	**86.43**	**88.78**	**86.94**	**1.34**	**1.56**
Revision	**0.12**	**0.06**	**0.11**	**0.38**	**-0.04**	**0.13**	**0.01**	**0.01**

Totals may not add due to independent rounding.

Table 8: First and second quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.66	26.01	0.35	1.36	25.41	25.60	0.19	0.75
Western Europe	15.15	15.35	0.20	1.32	14.89	14.84	-0.05	-0.34
OECD Pacific	8.83	8.89	0.07	0.77	7.77	7.65	-0.12	-1.57
Total OECD	**49.63**	**50.25**	**0.62**	**1.25**	**48.07**	**48.08**	**0.02**	**0.04**
Other Asia	8.90	9.04	0.14	1.57	9.10	9.22	0.12	1.32
Latin America	5.21	5.31	0.10	1.92	5.37	5.44	0.08	1.44
Middle East	6.44	6.70	0.26	4.03	6.43	6.73	0.30	4.66
Africa	3.14	3.18	0.04	1.27	3.08	3.12	0.04	1.30
Total DCs	**23.70**	**24.24**	**0.54**	**2.28**	**23.98**	**24.52**	**0.54**	**2.24**
FSU	3.86	3.91	0.05	1.31	3.70	3.76	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.46	7.80	0.34	4.56	7.77	8.13	0.36	4.63
Total "Other Regions"	**12.33**	**12.75**	**0.42**	**3.41**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.66**	**87.24**	**1.58**	**1.84**	**84.44**	**85.45**	**1.01**	**1.20**

Totals may not add due to independent rounding.

Table 9: Third and fourth quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.63	25.83	0.20	0.78	25.78	26.16	0.38	1.47
Western Europe	15.57	15.49	-0.08	-0.50	15.74	15.89	0.15	0.95
OECD Pacific	7.93	7.77	-0.16	-2.02	8.83	8.86	0.03	0.34
Total OECD	**49.12**	**49.09**	**-0.04**	**-0.08**	**50.35**	**50.91**	**0.56**	**1.11**
Other Asia	8.83	8.99	0.16	1.81	9.12	9.28	0.16	1.79
Latin America	5.47	5.55	0.08	1.46	5.39	5.49	0.10	1.85
Middle East	6.67	6.97	0.30	4.49	6.46	6.75	0.29	4.55
Africa	3.02	3.09	0.07	2.32	3.13	3.19	0.06	1.79
Total DCs	**23.99**	**24.60**	**0.61**	**2.54**	**24.10**	**24.71**	**0.61**	**2.54**
FSU	3.95	4.01	0.06	1.48	4.30	4.35	0.05	1.16
Other Europe	0.91	0.92	0.02	2.07	0.92	0.94	0.02	2.18
China	7.71	8.19	0.48	6.22	7.42	7.84	0.42	5.66
Total "Other Regions"	**12.56**	**13.12**	**0.56**	**4.44**	**12.64**	**13.13**	**0.49**	**3.88**
Total world	**85.68**	**86.81**	**1.13**	**1.32**	**87.08**	**88.75**	**1.66**	**1.91**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth revised down slightly to 0.9 mb/d to average 50.3 mb/d

Non-OPEC

Forecast for 2007

Non-OPEC oil supply is expected to average 50.33 mb/d in 2007, an increase of 0.88 mb/d over the previous year and a net downward revision of 85,000 b/d versus the last assessment. Downward revisions were made to Mexico, Norway, Brunei, Malaysia, Brazil, Colombia, Chad, Congo, Egypt, Sudan and Kazakhstan, partially offset by the upward revisions to USA, Canada, UK, Australia, New Zealand, Gabon, and South Africa. On a quarterly basis, total non-OPEC supply stands at 50.23 mb/d, 49.79 mb/d, 50.14 mb/d and 51.16 mb/d respectively with downward revisions of around 0.03 mb/d, 0.16 mb/d, 0.09 mb/d and 0.06 mb/d respectively compared with last month's assessment. Historical figures for 2006 have been revised downward slightly by around 14,000 b/d.

Table 10: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.25	14.34	14.28	14.33	14.58	14.39	0.14
Western Europe	5.38	5.47	5.10	5.09	5.35	5.25	-0.13
OECD Pacific	0.56	0.57	0.59	0.67	0.71	0.63	0.07
Total OECD	**20.19**	**20.38**	**19.98**	**20.09**	**20.64**	**20.27**	**0.08**
Other Asia	2.71	2.72	2.69	2.73	2.75	2.72	0.01
Latin America	4.44	4.44	4.42	4.50	4.63	4.50	0.06
Middle East	1.77	1.70	1.69	1.67	1.65	1.68	-0.09
Africa	2.61	2.68	2.68	2.71	2.75	2.71	0.10
Total DCs	**11.52**	**11.53**	**11.48**	**11.61**	**11.79**	**11.61**	**0.08**
FSU	12.02	12.50	12.48	12.55	12.80	12.59	0.57
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.67	3.75	3.79	3.82	3.85	3.80	0.13
Total "Other regions"	**15.84**	**16.40**	**16.41**	**16.52**	**16.80**	**16.53**	**0.69**
Total Non-OPEC production	**47.55**	**48.31**	**47.87**	**48.22**	**49.23**	**48.41**	**0.86**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**49.45**	**50.23**	**49.79**	**50.14**	**51.16**	**50.33**	**0.88**
Previous estimate	49.47	50.26	49.95	50.24	51.22	50.42	0.95
Revision	-0.01	-0.03	-0.16	-0.09	-0.06	-0.09	-0.07

Total OECD to grow 84,000 b/d in 2007

OECD

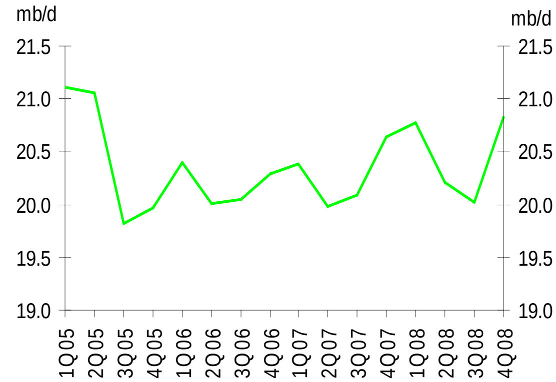
Total OECD oil supply is expected to average 20.27 mb/d, an increase of around 84,000 b/d over last year's figure. On a quarterly basis, OECD oil supply is expected to average 20.38 mb/d, 19.98 mb/d, 20.09 mb/d and 20.64 mb/d respectively. Growth in North America and OECD Pacific was partially offset by declines in the Western Europe group.

USA

USA growth expected at 89,000 b/d

Oil supply in the USA is expected to average 7.48 mb/d in 2007 representing an increase of 89,000 b/d over the 2006 figure and an upward revision of 17,000 b/d compared with last month's assessment. The revisions for the first half of 2007 were mainly due to adjustments to actual data received and the return of the Prudhoe Bay production which suffered from the compound effect of a sharper decline rate and shutdowns due to technical problems. Upward revisions to the second half were mainly due to the coming onstream of the Deimos field in the Gulf of Mexico on 26 July which is expected to peak at 30,000 b/d by the 4Q07. Preliminary data for July show that production rose by around 63,000 b/d over the June figure.

Graph 14: OECD's quarterly production



Mexico and Canada

Mexico output revised down slightly on lower than expected production in the second quarter

The total **Mexican** oil supply is expected to average 3.62 mb/d in 2007, a decline of around 72,000 b/d compared with 2006. The quarterly distribution stands at 3.58 mb/d, 3.59 mb/d, 3.67 mb/d and 3.64 mb/d respectively. The downward revision of around 8,000 b/d to the annual average was due to adjustments made to the second-quarter figures as actual data have been released and implemented. Preliminary data for July put production at 3.56 mb/d, a decline of 71,000 b/d.

Canadian oil supply is expected to average 3.29 mb/d in 2007, representing an increase of 120,000 b/d over 2006. The quarterly distribution stands at 3.30 mb/d, 3.18 mb/d, 3.26 mb/d and 3.42 mb/d respectively. The upward revision of around 10,000 b/d was due to the ramping up of the White Rose field which is currently producing at 136,000 b/d and expected to reach 140,000 by late 2007 or early 2008. Preliminary data for July show production of 3.12 mb/d, a significant 210,000 b/d over June, due to the return of some fields from scheduled maintenance.

Western Europe

Oil supply in OECD Europe is expected to average 5.25 mb/d in 2007, representing a drop of 127,000 b/d from the previous year. The quarterly figures are expected at 5.47 mb/d, 5.10 mb/d, 5.09 mb/d and 5.35 mb/d respectively. Most of the decline is expected to be contributed by Norway and Denmark while other Western Europe, especially Germany, is expected to increase 94,000 b/d over the 2006 figure due to non-conventional production.

Oil supply in OECD Europe is expected to average 5.25 mb/d in 2007, representing a drop of 127,000 b/d from the previous year. The quarterly figures are expected at 5.47 mb/d, 5.10 mb/d, 5.09 mb/d and 5.35 mb/d respectively. Most of the decline is expected to be contributed by Norway and Denmark while other Western Europe, especially Germany, is expected to increase 94,000 b/d over the 2006 figure due to non-conventional production.

Norway production see significant return from June outages

Production in **Norway** in 2007 is expected to average 2.61 mb/d, representing a decline of 172,000 b/d compared with 2006. As mentioned in last month's report, the earlier and heavier maintenance, in addition to the shutdowns of some fields in the North Sea, was behind the larger-than-expected losses. However, the downward revision of around 15,000 b/d for the year was mainly due to the loss of 8 days production from the 120,000 b/d Heidrun field on 20 July due to a valve leak in addition to adjustments for the second-quarter figure following the release of actual data. The preliminary July figure of around 2.57 mb/d represents a significant return of some of the major losses in May and June, an increase of around 402,000 b/d over the June figure.

The **UK** production level for 2007 is expected to average 1.70 mb/d, almost flat compared with the 2006 figure. The Buzzard field production of around 200,000 b/d has helped postpone UK production declining due to maturity and the technical problems. The downward revision by around

15,000 b/d was due to losses due to sulphur problems in the Buzzard field in addition to the release of actual data for the second quarter. UK preliminary production figure for July stands at around 1.60 mb/d, a drop of around 50,000 b/d from June, due to the unplanned shutdown of the Central Area Transfer System (CATS) which mainly deals with gas in addition to around 50,000 b/d of oil. Elsewhere, Denmark was revised down slightly following adjustments to actual figures while Germany experienced a minor upward revision of around 15,000 b/d from last month's assessment.

Asia Pacific

Oil supply in the OECD Asia Pacific region is expected to average 0.63 mb/d in 2007, representing growth of 74,000 b/d compared with the 2006 figure. On a quarterly basis, total oil supply is expected to average 0.57 mb/d, 0.59 mb/d, 0.67 mb/d and 0.71 mb/d respectively.

Australia is expected to show growth of around 49,000 b/d over the 2006 figure, representing an upward revision of 7,000 b/d compared with last month's assessment. The expected startup of the Puffin field in late August-September and ramp up to reach 30,000 b/d by late 2007 was behind the upward revision. July preliminary figure stands at around 0.51 mb/d which is 10,000 b/d less than the June figure.

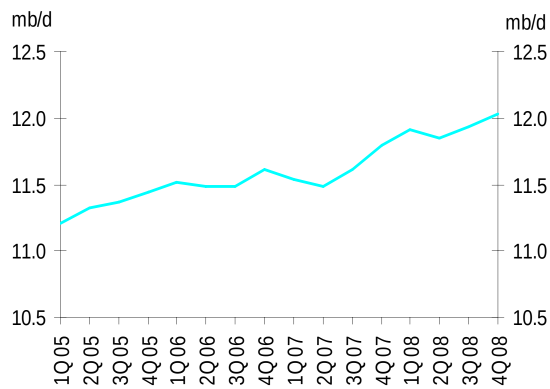
New Zealand's Tui field has already begun production and is expected to ramp up to its peak of 50,000 b/d by the end of the current year. The annual average it is expected to grow by 25,000 b/d over the 2006 figure to reach a level of 78,000 b/d in 2007.

Developing Countries

Total DC supply to grow at 82,000 in 2007

Oil supply in the Developing Countries (DCs) is expected to average 11.61 mb/d in 2007, representing an increase of 82,000 b/d over 2006. On a quarterly basis, total oil supply in DCs is expected to average 11.53 mb/d, 11.48 mb/d, 11.61 mb/d and 11.79 mb/d respectively. **The Other Asia group** is expected to have oil supply growth of around 15,000 b/d over 2006 to reach a level of 2.72 mb/d in 2007 with quarterly distribution averaging 2.72 mb/d, 2.69 mb/d, 2.73 mb/d and 2.75 mb/d respectively. Malaysia witnessed a downward revision of around 13,000 b/d due to adjustments to match actual figures and the schedule for the start-up and ramp up of the Kikeh field which is now expected to come on stream late 3Q07 with initial production of around 40,000 b/d and ramp up through 4Q07 and 1Q08 to reach a level of around 120,000 b/d. The preliminary July figure now stands at 0.69 mb/d, around 20,000 b/d less than the June figure. India's annual figure has been revised upwardly by around 12,000 b/d as actual figures for the second quarter have been received. The annual figure now stands at 0.80 mb/d which represents a slight increase of around 18,000 over the previous year.

Graph 15: Developing Countries' quarterly production



The African Group is expected to increase output by 97,000 b/d over the 2006 figure to reach a level of around 2.71 mb/d, a downward revision of around 90,000 b/d from the last assessment as the group performance was weaker than expected (mainly from Chad, Congo, Equatorial Guinea, Egypt, and Sudan). The quarterly distribution average now stands at 2.68 mb/d, 2.68 mb/d, 2.71 b/d and 2.75 mb/d respectively. Most of the growth is contributed by Sudan (105,000 b/d), Equatorial Guinea (14,000 b/d) and others (35,000 b/d) while declines are expected in Egypt, Congo and South Africa.

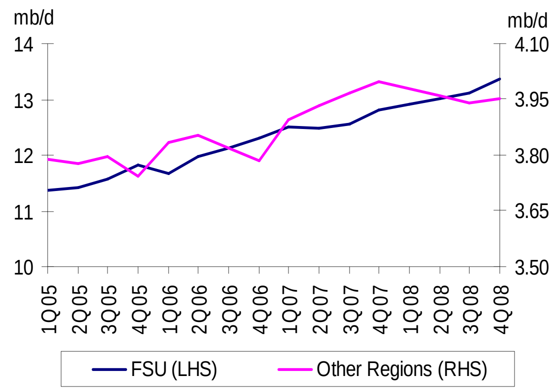
The Latin American group is expected to see a gain of 63,000 b/d over 2006 to reach a level of 4.50 mb/d with a downward revision of around 28,000 b/d mainly from Colombia as more actual data become available. The quarterly distribution is expected to average 4.44 mb/d, 4.42 mb/d, 4.50 mb/d and 4.63 mb/d respectively.

Output from the Middle East is expected to decline by 93,000 b/d to 1.68 mb/d, with losses coming from Oman, Syria and Yemen. On a quarterly basis, production is expected to average 1.70 mb/d, 1.69 mb/d, 1.67 mb/d and 1.65 mb/d respectively.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.59 b/d, representing an increase of 0.57 b/d versus 2007 and a downward revision around 33,000 b/d mainly from Kazakhstan. On a quarterly basis, total oil supply in the FSU is expected to average 12.50 mb/d, 12.48 mb/d, 12.55 mb/d and 12.80 mb/d respectively. China is expected to grow by around 125,000 b/d in 2007 to reach a level of 3.80 mb/d. Also Other Europe is expected to stay flat over 2006 at 0.15 mb/d.

Graph 16: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.89 mb/d in 2007, an increase of 239,000 b/d versus 2006. On a quarterly basis, Russian oil supply is expected to average 9.87 mb/d, 9.83 mb/d, 9.89 mb/d and 9.96 mb/d respectively. Upward revisions due to the progressive ramp up of the 160,000 b/d Salym field in addition to the expected startup of 150,000 b/d Yuzhno-Khylchuyskoye late 4Q07 were totally offset by downward revisions made to adjust the second-quarter figure as result of actual data becoming available. The net downward revision of the annual average figure was around 2,000 b/d.

Caspian

Azeri oil supply is expected to average 0.92 mb/d in 2007, representing an increase of 267,000 b/d versus 2006. The quarterly level now stands at 0.85 mb/d, 0.88 mb/d, 0.91 mb/d and 1.02 mb/d respectively.

Kazak oil production is expected to average 1.35 mb/d in 2007, representing an increase of 47,000 b/d versus 2006 and a downward revision of around 31,000 b/d as actual data for the second quarter become available. The quarterly supply figures are currently expected at 1.35 mb/d, 1.34 mb/d, 1.32 mb/d and 1.39 mb/d respectively.

China

Total oil supply is expected to average 3.80 mb/d in 2007, representing an increase of around 125,000 b/d over 2006 and a net upward revision of around 29,000 b/d versus last month's assessment due to actual data for second-quarter production. The quarterly figures are expected to average 3.75 mb/d, 3.79 mb/d, 3.82 mb/d and 3.85 mb/d respectively.

Forecast for 2008

Non-OPEC supply expected to grow 1.1 mb/d to average 51.4 mb/d

Non-OPEC oil supply is expected to average 51.40 mb/d in 2008, an increase of 1.07 mb/d over 2007 and a downward revision of around 25,000 b/d versus the last assessment. On a quarterly basis, non-OPEC supply is expected to average 51.54 mb/d, 50.97 mb/d, 50.96 mb/d and 52.13 respectively. Most of the revisions made for 2007 have been extended to 2008 as they affect the base forecast, while the latest information regarding project startups and ramp ups has also been taken into account.

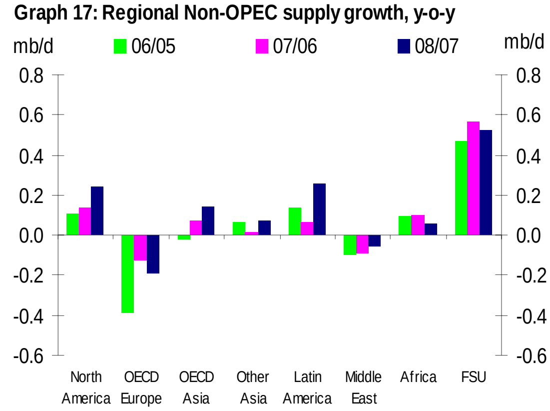
Table 11: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.39	14.75	14.40	14.46	14.89	14.62	0.24
Western Europe	5.25	5.34	5.08	4.77	5.06	5.06	-0.19
OECD Pacific	0.63	0.69	0.73	0.80	0.89	0.78	0.14
Total OECD	**20.27**	**20.78**	**20.21**	**20.03**	**20.83**	**20.46**	**0.19**
Other Asia	2.72	2.77	2.73	2.81	2.87	2.80	0.08
Latin America	4.50	4.76	4.72	4.75	4.77	4.75	0.25
Middle East	1.68	1.65	1.63	1.61	1.59	1.62	-0.06
Africa	2.71	2.74	2.76	2.76	2.79	2.76	0.06
Total DCs	**11.61**	**11.92**	**11.84**	**11.94**	**12.02**	**11.93**	**0.32**
FSU	12.59	12.92	13.02	13.11	13.38	13.11	0.52
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.80	3.83	3.81	3.79	3.80	3.81	0.01
Total "Other regions"	**16.53**	**16.89**	**16.98**	**17.05**	**17.33**	**17.06**	**0.53**
Total Non-OPEC production	**48.41**	**49.59**	**49.03**	**49.02**	**50.18**	**49.46**	**1.04**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**50.33**	**51.54**	**50.97**	**50.96**	**52.13**	**51.40**	**1.07**
Previous estimate	50.42	51.58	50.99	50.99	52.13	51.42	1.01
Revision	-0.09	-0.04	-0.02	-0.04	0.00	-0.02	0.06

Revisions to the 2008 forecast

In Canada, the Tucker project operated by Husky is now expected to startup by January 2008. China's Peng Lai phase II is now expected to startup by the fourth quarter of 2008 and ramp up during 2009 to reach its peak of around 120,000 b/d. Gabon's Onal and Avouna small fields have also been added with expected startups in 1Q08 and 3Q08 respectively and ramping up through the year to peak at 12,000 b/d and 18,000 b/d. In Malaysia, the ramp up schedule for Kikeh has been changed and is now expected to reach around 100,000 b/d by late 1Q08. The introduction of progressive ramp up in the Salym field operated by Shell in 2007 is expected to continue during 2008 in addition to the ramp up of the Yuzhno-Khylchuyskoye field which is operated by Lukoil and ConocoPhilips and expected to continue ramping up through 2009. In Vietnam, the Song Doc field operated by PetroViet is expected to startup in the 3Q08, peaking at 25,000 b/d by the end of 2008.

Graph 17: Regional Non-OPEC supply growth, y-o-y



OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.39 mb/d in 2007, an increase over 2006 of around 0.3 mb/d. In 2008, the level for OPEC NGLs is expected to average 4.91 mb/d, an increase of around 0.52 mb/d over the 2007 figure. This significant increase is mainly due to the introduction of various projects in Iran, Saudi Arabia, Qatar and the UAE.

Table 12: OPEC NGL + non-conventional oils - 2005-2008

	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	2008	Change 08/07
Total OPEC	**4.08**	**4.09**	0.01	4.21	4.34	4.39	4.61	**4.39**	0.30	**4.91**	0.52

OPEC crude output averaged 30.38 mb/d in July

OPEC crude oil production

Total crude oil production averaged 30.38 mb/d in July, an increase of 241,700 b/d over the June figure, according to secondary sources. OPEC production (excluding Angola and Iraq) averaged 26.57 mb/d, a gain of 44,700 b/d over June. Iraq's oil production averaged 2.15 mb/d, an increase of 177,200 b/d over the previous month, while Nigeria's oil production stood at 2.18 mb/d, a gain of 128,100 b/d over June.

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

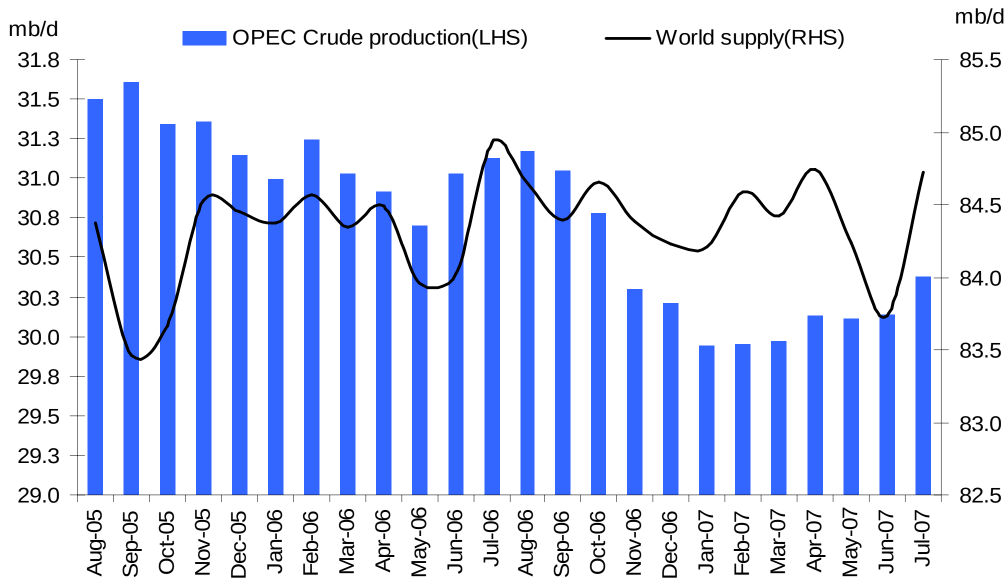
	2006	3Q06	4Q06	1Q07	2Q07	May07	Jun07	Jul07	Jul/ Jun
Algeria	1,366	1,361	1,359	1,335	1,354	1,353	1,373	1,371	*-1.3*
Angola	1,387	1,410	1,409	1,556	1,631	1,635	1,643	1,663	*19.8*
Indonesia	895	882	862	855	844	847	839	836	*-2.8*
Iran, I.R.	3,845	3,910	3,821	3,789	3,835	3,835	3,852	3,813	*-39.2*
Iraq	1,932	2,061	1,952	1,891	2,021	2,044	1,971	2,149	*177.2*
Kuwait	2,504	2,506	2,465	2,425	2,438	2,438	2,443	2,426	*-16.3*
Libya, S.P.A.J.	1,702	1,719	1,709	1,686	1,695	1,696	1,698	1,689	*-9.3*
Nigeria	2,233	2,220	2,244	2,166	2,059	1,979	2,056	2,184	*128.1*
Qatar	822	834	816	793	796	797	802	826	*24.6*
Saudi Arabia	9,111	9,135	8,787	8,566	8,537	8,556	8,538	8,526	*-11.3*
UAE	2,540	2,573	2,524	2,487	2,527	2,533	2,542	2,534	*-8.4*
Venezuela	2,539	2,504	2,485	2,407	2,388	2,399	2,383	2,364	*-19.6*
OPEC excl. Iraq	**28,944**	**29,054**	**28,481**	**28,065**	**28,104**	**28,066**	**28,167**	**28,232**	***64.5***
OPEC excl. Angola & Iraq	**27,557**	**27,644**	**27,071**	**26,508**	**26,473**	**26,431**	**26,524**	**26,569**	***44.7***
Total OPEC	**30,877**	**31,115**	**30,432**	**29,956**	**30,126**	**30,110**	**30,138**	**30,380**	***241.7***

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures for the month of July indicate that world oil supply averaged 84.73 mb/d, representing a gain of 1 mb/d over the previous month, with OPEC crude share estimated at 35.9%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 18: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports are expected to average 8.63 mb/d in 2007, an increase of 0.50 mb/d over the previous year. In 2008, total net oil exports are expected to average 9.10 mb/d or 0.47 mb/d over 2007.

Current trends

Actual figures for the month of May indicate that total crude exports from the FSU averaged 6.58 mb/d. The preliminary figures for June averaged 6.20 mb/d, a decline of 382,000 b/d from the previous month. Russian pipeline exports were down by around 310,000 b/d. The CPC pipeline also fell by 63,000 b/d in June compared with the previous month.

Table 14: 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 (forecast)	**8.64**	**8.78**	**8.61**	**8.50**	**8.63**	**0.50**
2008 (forecast)	**9.01**	**9.26**	**9.11**	**9.03**	**9.10**	**0.47**

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

	2005	2006	4Q06	1Q07	2Q07	May 07	Jun 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,224	1,420	1,398	1427	1317
Baltic	1,462	1,553	1,495	1,601	1,647	1655	1559
Druzhba	1,315	1,288	1,186	1,138	1,134	1163	1059
Total	**4,112**	**4,129**	**3,905**	**4,158**	**4,180**	**4245**	**3,935**
Other routes							
Russian rail	416	313	316	336	255	244	256
Russian - Far East	65	84	128	245	238	231	268
Kazak rail	17	31	17	18	17	12	17
CPC pipeline	648	661	677	709	712	723	660
Caspian	**295**	**396**	**332**	**332**	**264**	**254**	**275**
of which							
Supsa (AIOC) - Georgia	137	114	30	2	0	0	0
Batumi - Georgia	140	177	177	187	140	142	130
Total**	**1,441**	**1,702**	**1,967**	**2,233**	**2,292**	**2,334**	**2,262**
Total crude exports	**5,553**	**5,831**	**5,872**	**6,392**	**6,472**	**6,579**	**6,197**
Products							
All routes							
Fuel oil	836	861	854	877	786	778	803
Gasoil	759	841	812	696	601	571	636
Others	575	662	593	602	671	660	753
Total	**2,170**	**2,386**	**2,258**	**2,175**	**2,058**	**2009**	**2,193**
Total oil exports	**7,723**	**8,217**	**8,130**	**8,567**	**8,530**	**8,588**	**8,390**

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

* *Preliminary.*

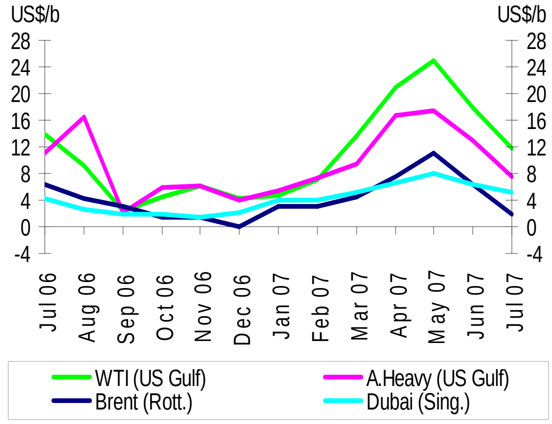
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product markets lost ground in July

Counter-seasonal gasoline stock movements in the USA as a result of recovering domestic refinery runs and higher imports undermined the bullish momentum in product markets and exerted downward pressure on the crack spread of light distillate products in July. These developments in the product market, together with higher crude prices, resulted in lower refinery margins across the world. Upon the approaching end of the driving season, the recent bearish momentum may be heightened, exerting pressure on product and crude prices in the future.

Graph 19: Refiners' margins



As **Graph 19** indicates, refinery margins for benchmark WTI crude at the US Gulf Coast plummeted by $6.32/b to $11.65/b in July from $17.97/b in the previous month. The same trend took place in Europe and margins for benchmark Brent crude dropped by a significant $4.44/b to $1.81/b in July from $6.25/b in the previous month. This situation may encourage European refiners to cut their throughput levels and might dampen crude demand in the near future.

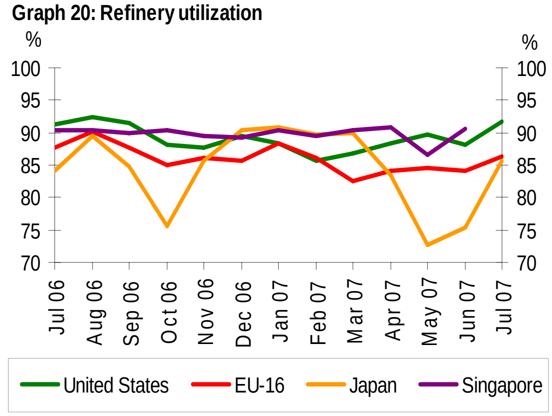
In Asia, due to the recovering of fuel oil demand and prices, as a result of the earthquake in Japan, refinery margins remained stronger compared to Europe, and margins for benchmark Dubai crude in the Singapore market in July fell by $1.17/b versus the previous month. Nuclear power plant outages in Japan may also provide support for Asian refinery margins in the coming months.

Refinery Operations

Refinery throughputs improved across the board in July

Over the last couple of months, the refining industry has been facing planned turnarounds and severe unexpected outages which have affected the entire petroleum complex, particularly in the USA. Due to lack of buffer refinery capacity especially in the USA, unplanned refinery outages will remain a major source of risk for the downstream industry in the future.

Graph 20: Refinery utilization



However, a combination of factors in July, including the completion of the planned refinery maintenance schedule and fewer refinery snags, resulted in higher refinery throughputs in most parts of the world. As Graph 20 shows, the refinery utilization rate in the USA rose by 3.6% to 91.7% from 88.1% in June. In the same period, European refinery operation rates increased to 86.3%% in July from 84% the previous month. Similarly, Asian refiners especially in Japan boosted their utilization rates in July, and it surged to 85.6% from 75.44% in June.

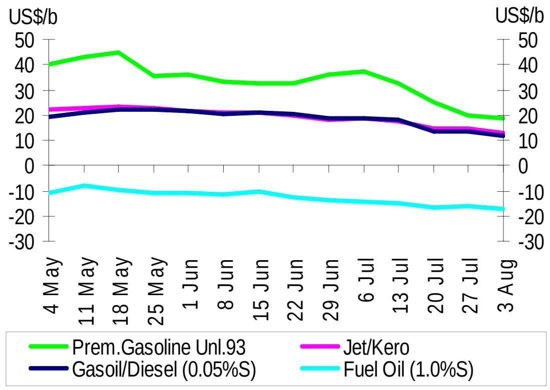
The recent bearish momentum of the product markets may adversely affect refinery runs in major markets, particularly in Europe, over the coming months.

US market

The bullish sentiment of the US product market slowed

US product market developments were driving the market over the last months. In the beginning of July, due to low gasoline stocks and higher demand during the driving season, the market was expected to be supported by gasoline supply concerns. Such a perception has changed slowly, as refinery snags have been mitigated and more refineries returned to normal operations.

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



Following these developments, gasoline prices both in physical and paper markets fell and the crack spread of premium gasoline against benchmark WTI crude plummeted to around $19/b on 3 August from about $36/b in late June (*see **Graph 21***). Part of this sharp fall in the gasoline crack spread is attributed to WTI crude prices which rose due to stock-draws in the US and Midwest areas.

Along with the gasoline market, the middle distillate market was also negatively affected by higher imports and higher refinery utilization rates which resulted in a significant improvement in middle distillate stocks in July. Due to rising refinery throughputs in August, the distillate market is expected to lose further momentum and prices could face even greater pressure in the future.

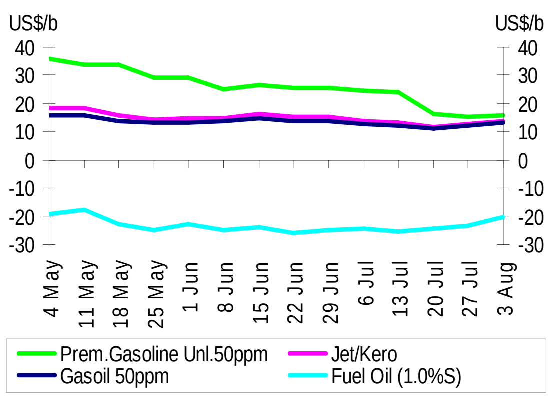
As far as the bottom of the barrel component is concerned, arbitrage opportunities to Asia failed to lift both the low-sulphur and high-sulphur fuel oil markets, as high stocks and low natural gas prices dampened domestic demand and exerted pressure on the fuel oil crack spread versus WTI crude in the US Gulf Coast. In this respect, the low-sulphur fuel oil spread fell to minus $17.22/b in early August from about minus $14.47/b in early July **(*see* *Graph 21*).**

European market

The European market was adversely affected by bearish US gasoline trends in July

Light distillate products in Europe benefited from the strong momentum of the gasoline market in the USA up to the middle of July along with arbitrage opportunities for naphtha to Asia. However, since then, bearish developments in the gasoline and naphtha markets exerted downward pressure on the light component of the barrel complex. As a result, the gasoline crack spread against benchmark Brent crude in Rotterdam plunged to $15/b in the latter part of July from $25.50/b in late June (*see* *Graph 22*).

Graph 22: Rotterdam crack spreads vs. Brent, 2007



The current bearish sentiment of light distillates in Europe may continue in the next weeks due to sluggish regional demand and fading export opportunities, with the approaching end of the driving season.

Despite the weakness of the light distillate market, the European market for the middle of the barrel component remained relatively strong, encouraging some traders to export excess gasoil cargoes from Asia to Europe. Upon the narrowing of arbitrage economics between these two markets over the last two weeks, the inflow of Asian cargoes to Europe should decrease in the future.

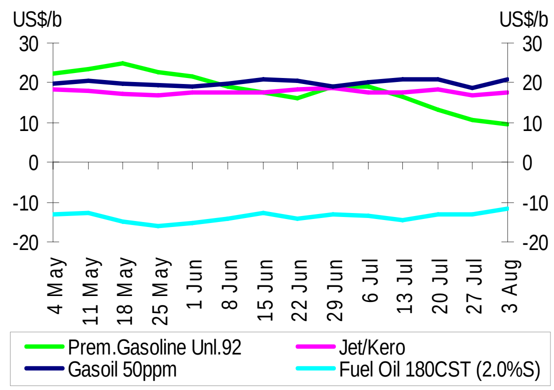
The European fuel oil market also hit record levels in the past couple of weeks, boosted by both high crude prices and a squeeze on Russian supplies. Admittedly, strong demand from Asia along with higher demand from regional utility plants provided support for the fuel oil market as well. The low-sulphur fuel oil crack spread against Brent crude in Rotterdam fell to minus $20.45/b on 3 August from minus $24.33/b in early July **(*see* *Graph 22*).**

Asian market

Gasoil market sentiment remained strong in Asia

The Asian market for light distillate products followed suit and, due to lower regional demand and lack of arbitrage opportunities to the USA, the gasoline market lost ground in July from the previous month and its crack spread versus benchmark Dubai crude in Singapore slipped sharply to $9.72/b in early August from around $19/b over the same period in the previous month. This bearish sentiment of the gasoline market is likely to remain in the coming weeks.

Graph 23: Singapore crack spreads vs. Dubai, 2007



The Asian market for naphtha also weakened due to higher Indian exports and the continued maintenance schedule for petrochemical plants which dampened regional demand. With the completion of petrochemical maintenance, the current bearish sentiment of the naphtha market could switch.

Due to the lower export volume from South Korea and strong regional and international demand, the current lucrative situation for gasoil is expected to remain in the coming weeks. Despite positive developments in the gasoil market, no major changes for jet/kero are expected as the market remains oversupplied and demand is lacklustre.

Asian fuel oil prices were also boosted by higher demand from Japan following the earthquake, outages of some nuclear plants and fewer arbitrage cargoes from the West. This situation has led to new record prices for low-sulphur and high-sulphur fuel oil in the Singapore market in recent weeks. Similarly, the high-sulphur fuel oil crack spread against Dubai crude narrowed to around minus $11.60/b in early August from minus $14/b in late June (*see* ***Graph 23***). The present situation of the Asian fuel oil market may continue in the future amid higher Japanese demand in the coming months.

Table 16: Refined product prices, US$/b

		May 07	Jun 07	Jul 07	Change Jul/Jun
US Gulf (Cargoes):					
Naphtha		83.25	79.81	79.55	-0.26
Premium gasoline	*(unleaded 93)*	103.83	101.43	101.40	-0.03
Regular gasoline	*(unleaded 87)*	98.49	92.02	90.77	-1.25
Jet/Kerosene		86.10	87.65	89.94	2.29
Gasoil	*(0.05% S)*	84.72	87.76	89.53	1.77
Fuel oil	*(1.0% S)*	53.66	52.21	55.66	3.45
Fuel oil	*(3.0% S)*	50.33	55.56	58.16	2.60
Rotterdam (Barges FoB):					
Naphtha		90.03	87.58	89.84	2.26
Premium gasoline	*(unleaded 50 ppm)*	100.00	97.59	96.78	-0.81
Premium gasoline	*(unleaded 95)*	89.74	87.33	86.08	-1.25
Jet/Kerosene		83.79	87.00	90.01	3.01
Gasoil/Diesel	*(50 ppm)*	81.72	85.50	89.12	3.62
Fuel oil	*(1.0% S)*	45.66	46.72	52.66	5.94
Fuel oil	*(3.5% S)*	47.33	48.83	54.01	5.18
Mediterranean (Cargoes):					
Naphtha		74.42	72.68	75.51	2.83
Premium gasoline	*(50 ppm)*	101.00	97.63	96.51	-1.12
Jet/Kerosene		80.95	84.32	88.02	3.70
Gasoil/Diesel	*(50 ppm)*	82.85	85.44	89.63	4.19
Fuel oil	*(1.0% S)*	49.97	52.59	58.29	5.70
Fuel oil	*(3.5% S)*	46.49	48.68	53.68	5.00
Singapore (Cargoes):					
Naphtha		76.73	73.12	75.10	1.98
Premium gasoline	*(unleaded 95)*	88.77	84.79	85.35	0.56
Regular gasoline	*(unleaded 92)*	87.96	83.82	84.36	0.54
Jet/Kerosene		82.14	83.75	87.16	3.41
Gasoil/Diesel	*(50 ppm)*	84.47	85.67	89.57	3.90
Fuel oil	*(180 cst 2.0% S)*	51.34	53.37	57.53	4.16
Fuel oil	*(380 cst 3.5% S)*	50.82	53.03	57.39	4.36

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	May 07	Jun 07	Jul 07	Jul/Jun	May 07	Jun 07	Jul 07	Jul/Jun
USA	15.48	15.22	15.84	0.62	89.6	88.1	91.7	3.60
France	1.74 R	1.51	1.77	0.26	89.0 R	77.0	90.2	13.20
Germany	2.10	2.24	2.23	-0.01	86.7	92.6	92.0	-0.60
Italy	1.77	1.80 R	1.81	0.01	75.6	77.1 R	77.6	0.50
UK	1.56	1.51	1.46	-0.05	82.5	80.0	77.4	-2.60
Eur-16	11.86 R	11.80 R	12.12	0.32	84.5 R	84.0 R	86.3	2.30
Japan	3.40	3.52 R	4.00	0.48	72.8	75.4 R	85.6	10.20

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures increased by over 1% in July

Following the increase seen in the last two months, OPEC spot fixtures continued the upward movement in July, rising more than 1%. July's OPEC spot fixtures displayed the highest level since January, but still recorded an annual decline of less than 5%. Global spot fixtures fell by around 5% in July compared to the previous month. At the same time, Middle East fixtures rose on the back of increased fixtures to the East while westward fixtures remained steady in July. Middle East fixtures to the East indicated an increase of around 7% in July. Non-OPEC spot fixtures declined by around 15% in July, hence increasing OPEC's share of total spot chartering to 68%, the highest level so far this year.

OPEC sailings were steady in July with a minor increase of less than 1% compared to the previous month. On an annual basis, OPEC sailings showed a decline of 6%. Middle East sailings rose in July by more than 6% from the previous month, according to preliminary data. Initial estimates indicate that US and Caribbean arrivals decreased 6% in July on the back of lower US imports.

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

	May 07	Jun 07	Jul 07	Change Jul/Jun
Spot Chartering				
All areas	19.06	19.96	18.98	-0.98
OPEC	11.84	12.83	12.97	0.15
Middle East/east	4.83	4.78	5.10	0.32
Middle East/west	1.42	1.83	1.88	0.05
Sailings				
OPEC	23.00	23.04	23.16	0.12
Middle East	17.15	16.44	17.50	1.06
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.46	9.11	8.60	2.11
North West Europe	7.36	7.65	7.99	0.38
Euromed	4.50	4.82	4.84	0.56

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

VLCC and Suezmax spot freight rates declined on the back of ample availability in July; Aframax remained mixed

Many market participants expected crude oil spot freight rates to bottom out in June setting up the market for a rebound in July, but, to the contrary, the market halted any recovery and defined a new floor. Bearish sentiments continued to control the crude oil tanker market except for the Aframax sector that experienced some upward movement after the drop in June. Availability, driven by new deliveries and declining oil in transit, was the key to the tanker market decline in July. The VLCC market lost further ground last month as the list of available tonnage made it easy for charterers to have the upper hand. The Suezmax market followed the same trend with rates breaking the WS100 point, shaking the market's reputation as one where freight rates do not go below WS100. The Aframax sector was mixed with rates in the east declining but steady to slightly firming in the west.

VLCC spot freight rates declined 9% on average on all reported routes in July compared to the previous month. From the Middle East, VLCC long-haul spot freight rates to eastbound/westbound destinations fell 17% and 23% respectively. While rates in West Africa to the east remained relatively steady in July, spot freight rates for VLCC transporting volumes from the Middle East to eastern destinations decreased gradually during July reaching the lowest point at the end of the month. The word "uneventful" would be an understatement to describe the level of activities at the end of July as spot freight rates had no direction to head but down. Despite the decline in vessel availability in one of the weeks in July, owners were not capable of capitalizing on the opportunity and the tonnage list continued to build. Asian refinery maintenance added to the bearish sentiment and spot freight rates declined to the lowest level since April 2006 in July with an annual decline of more than 50%. VLCC spot freight rates in West Africa remained steady throughout July. While limited activities shaped tonnage demand, reduced availability balanced the equation yet some pressure was exerted on the Suezmax sector. However, spot freight rates for VLCCs moving from West Africa to the East in July indicated a y-o-y drop of 33%.

Spot freight rates for VLCCs trading on the Middle East/westbound long-haul route encountered the biggest decline of 23% with rates gradually falling throughout July, remaining steady in the last week. July VLCC spot freight rates from the Middle East to the west marked the lowest rate since August 2003. With US crude oil stocks remaining relatively high in July, and imports lower than in the previous month, tonnage demand weakened and spot freight rates indicated an annual decline of around 50%. The surplus in tonnage created a “no resistance” attitude among owners, even though some owners tried to lift the market up a few points but to little effect as others were accepting charterers’ offers in order to secure employment.

Following the same pattern, the Suezmax sector declined in July on both reported routes. Suezmax spot freight rates on the West Africa/US Gulf route decreased 12% in July from the previous month, on the back of limited activities and relatively ample supply of tonnage. Additionally, lower US imports added to the bearish sentiment with rates breaking the WS100 mark in July with an annual decline of 38%, a low level not seen since August 2003. From North-West Europe, the situation was similar for the Suezmax, with rates dropping 9% in July from the previous month. The decline came on the back of increased tonnage availability and limited activities with an expected decrease in Russian seaborne crude oil exports. On an annual basis, Suezmax freight rates from North-West Europe declined by 35% compared to the same period last year.

The Aframax sector was mixed in July with West of Suez spot freight rates increasing and East of Suez decreasing from the previous month. Spot freight rates for Aframax moving from the Caribbean to the USA increased gradually during the first three weeks of July on limited tonnage and healthy activities. At the end of the month, rates declined as the number of fixtures dropped. However, the spot freight rates managed to close July with a positive note with a 16% increase from the previous month. In the Mediterranean, spot freight rates rose on the back of market tightness, however, tonnage availability halted the increase and rates closed July with a 9% rise. Despite the monthly increase, which did not offset the sharp decline experienced in June, spot freight rates decreased 40% on average annually. East of Suez spot freight rates on the reported route declined 9% in July from the previous month. The drop came as tonnage demand decreased and availability increased. Chinese booking for fuel oil activities declined in July as high international prices created negative import margins which in turn discouraged buyers to bring in further external volumes. When compared to the same period last year, spot freight rates on the Aframax Indonesia/ US route declined 30% in July.

Table 19: Spot tanker freight rates, Worldscale

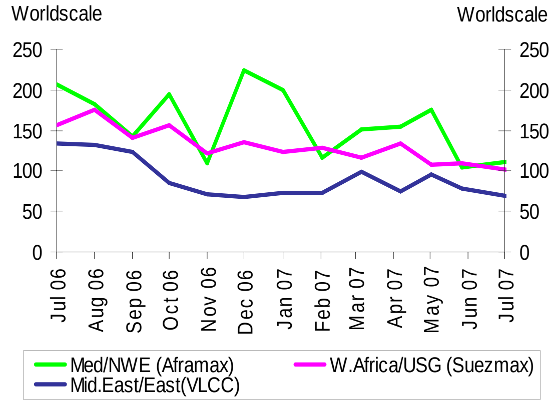
	Size *1,000 DWT*	May 07	Jun 07	Jul 07	Change Jul/Jun
Crude					
Middle East/east	230-280	96	78	64	-13
Middle East/west	270-285	68	64	49	-15
West Africa/east	260	74	65	65	0
West Africa/US Gulf Coast	130-135	107	109	97	-13
NW Europe/USEC - USGC	130-135	106	107	98	-9
Indonesia/US West Coast	80-85	148	156	142	-14
Caribbean/US East Coast	50-55	168	141	163	22
Mediterranean/Mediterranean	80-85	182	109	118	9
Mediterranean/North-West Europe	80-85	176	105	115	9
Products					
Middle East/east	30-35	191	172	186	14
Singapore/east	30-35	239	208	226	18
Caribbean/US Gulf Coast	38-40	290	318	268	-50
NW Europe/USEC - USGC	33-37	303	296	226	-70
Mediterranean/Mediterranean	30-35	299	266	201	-65
Mediterranean/North-West Europe	30-35	309	276	211	-65

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

Clean spot freight rates increased in the East and declined in the West

The clean tanker market was mixed in July with East of Suez rates experiencing some upward movement while in the West rates came under pressure. Arbitrage economics played a major role in shaping the clean tanker market in July. In the East, clean tanker spot freight rates bounced back after the decline experienced in the previous month. Spot freight rates in July increased 8% and 9% on the routes from the Middle East and Singapore to the East, respectively. Tightening prompt tonnage availability in the Middle East facing growing demand on the back of increased naphtha activities created a bullish market in the first half of July. With the return of export facilities from maintenance in the Middle East and India's increased tonnage demand, clean tanker spot freight rates maintained the achieved gain and closed July with an increase of 8% from the previous month. Despite the increase, on an annual basis July rates indicated a y-o-y loss of 8%. From Singapore to the East, increased arbitrage to the US West Coast and healthy demand from Australia supported the market and rates increased 9% in July from the previous month. Increased jet fuel voyages from South Korea to the USA provided further support for clean spot freight rates in July which showed an annual decrease of 7%.

Graph 24: Monthly averages of crude oil spot freight rates



The closed naphtha arbitrage from the West to the East on the back of higher gasoline prices limited tonnage availability in the East. At the same time, the lack of arbitrage cargoes forced the availability list to grow in the West, bringing rates down.

West of Suez clean spot freight rates declined on all reported routes in July with rates declining 24% on average from North West Europe and the Mediterranean and by 16% from the Caribbean. In the Mediterranean, July clean tanker spot freight rates reached the lowest level so far this year. Good tonnage availability and lack of activities drove rates down with an annual decline of around 32%. From the Caribbean, clean sport freight rates declined to their lowest level since February 2007 in July on the back of limited activities. With the bulk of cargoes being cleared early in the month and some vessels remaining unemployed, clean spot freight rates declined in July with a y-o-y drop of 20%. Clean tanker spot freight rates for vessels transporting cargoes on the North West Europe/USA route declined 24% in July from the previous month, reaching the lowest level since November 2006. The decline in naphtha arbitrage cargoes to the east reduced vessel employment, while jet fuel arbitrage from the Middle East added to the list of available tonnage. Gasoline arbitrage economics to the USA fluctuated in July, but defined a floor for the clean spot freight rates from North-West Europe which showed an annual decrease of 28%.

Oil Trade

OECD net oil imports decreased in June on the back of lower net product imports yet indicated an annual growth of 1%

OECD

OECD crude oil imports increased in June by more than 1% from the previous month according to preliminary estimated data. Increased crude oil imports from Japan, South Korea, and the USA boosted the number while the decline in OECD Europe brought the number down. The improved refinery situation in addition to demand-related factors supported crude oil imports in June. On an annual basis, crude oil imports remained steady, indicating y-o-y growth of less than 1%. In contrast, product imports fell by 3.5% in June compared to the previous month on the back of relatively better refinery output. Compared to the same period last year, product imports showed a decline of less than 1%. For the first half of 2007, OECD crude oil and product imports indicated a decline of 2% and 6% respectively, compared to the same period last year.

OECD total exports are estimated to remain steady in June compared to the previous month. Crude oil exports indicated a minor increase of 1%, but displayed an annual decline of around 2%. At the same time, product exports increased in June by 1% to mark the highest level since January 2007. Accordingly, OECD net oil imports declined less than 1% on the back of decreasing net product imports in June compared to the previous month, but displayed annual growth of more than 1%. For the first six months of 2007, average OECD net oil imports indicated a decline of 3% compared to the same period of 2006.

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

	Apr 07	May 07	Jun 07	Change Jun/May
Crude oil	22,934	23,243	23,510	267
Total products	1,292	2,339	1,857	-482
Total crude and products	**24,226**	**25,581**	**25,366**	**-215**

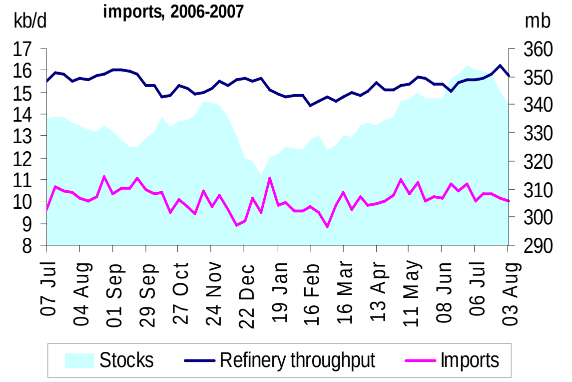
Saudi Arabia and Russia remained the largest suppliers of OECD crude oil imports in June with around 28%. On the product side, Russia and the Netherlands remained the top suppliers of OECD products with around 17%.

US net oil imports declined 2% in July as crude oil imports fell

USA

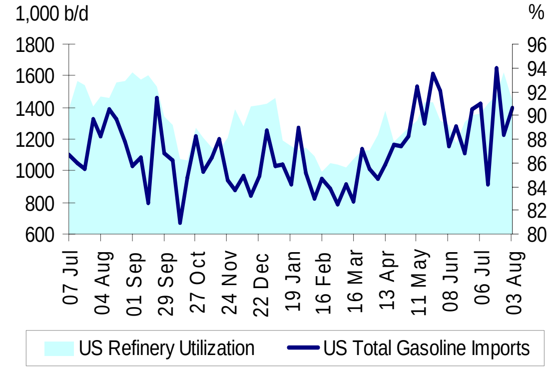
US crude oil imports dropped 3% in July from the previous month. On an annual basis, US crude oil imports in July remained steady with an increase of around 1%, according to preliminary data. Crude oil imports started July with a decline and then increased toward the middle of the month before declining at the end. The US West Coast and Gulf Coast areas were the major contributors to the decline in crude oil imports with a drop of around 9% in the US West Coast area in July. South America's exporters of heavy crude oil to the West Coast area were forced to sell some of their volumes to the Asia-Pacific region instead of their usual California market. The decline in crude oil imports in July came at the same time as the increase in refinery utilization rates; hence, crude oil stocks declined and total product stocks increased in July compared to the previous month.

Graph 25: US weekly crude oil stocks, refinery throughput and imports, 2006-2007



In July, US product imports remained steady with a minor decline of less than 1% from the previous month. The increase in refinery utilization rates was one of the main reasons behind the minor decline, which helped build product stocks, except for gasoline, in July. Imports of heating oil increased in July on the back of open arbitrage from the Baltic area to the USA. Residual fuel oil imports increased as well in July from the previous month. Gasoline imports increased in the USA in line with the decrease in production despite the rise in the refinery utilization rate. Gasoline arbitrage economics from North West Europe to the USA fluctuated in July, although imports increased over the previous month.

Graph 26: US Gasoline imports and refinery utilization, 2006-2007



On the other hand, US imports of jet fuel and other products declined in July compared to the previous month. US total exports declined on the back of lower product exports in July, which were 4% lower than the previous month. Despite the reported increase in fuel oil exports from the USA to Asia as the arbitrage was open in early July, exports of other products declined bringing US product exports to drop more than 15% on an annual basis. As a result, US total net crude oil and product imports averaged around 2% lower in July compared to the previous month driven mainly by the decline in crude oil imports. On an annual basis, US net oil imports saw an increase of 2%.

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

	May 07	Jun 07	Jul 07	Change Jul/Jun
Crude oil	10,408	10,495	10,188	-307
Total products	2,731	2,461	2,497	36
Total crude and products	**13,139**	**12,956**	**12,685**	**-271**

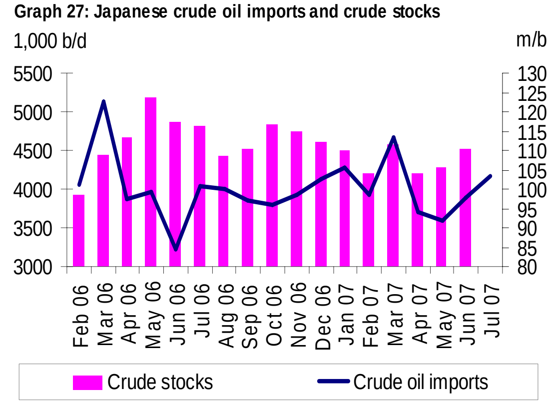
In May, Canada remained the main supplier of US crude oil with around 18% followed by Saudi Arabia with more than 15%. Mexico came third with around 14% followed by Venezuela and Nigeria with 12% and 9%, respectively. OPEC countries supplied more than 52% of US crude oil in May. On the product side, Canada remained the US top product supplier in May with 17% followed by Venezuela and the Virgin Islands with 7% each.

Japan

Japan's net oil imports rose 6% in July supported by increased crude oil imports

Preliminary estimated data show that Japan's crude oil imports continued the upward movement in July, rising a further 7% from the previous month. The increase in July represented an annual gain of 3.4%. The gradual increase in the refinery utilization rate that took place in July supported crude oil imports as did the requirement for direct crude oil burning for power generation, especially in the high demand period. Additionally, the shutdown of nuclear reactors at Kashiwazaki-Kariwa facilities after the earthquake that hit Niigata created extra crude oil requirements, whether to be refined or directly burned, to cover the gap in meeting electricity demand. Although inventories were sufficient for initial demand for thermal power generation, the supplies of crude oil have increased and are expected to rise further to meet the needs of the coming short-term period. Product imports remained steady with an increase of less than 2% in July from the previous month. Despite the decline, rising imports of

Graph 27: Japanese crude oil imports and crude stocks



fuel oil and residuals offset the decline in gasoline imports due to increased production. On an annual basis, Japan's product imports fell 10%.

On the other hand, Japan's product exports experienced an increase of 9% in July from the previous month. Gasoline exports declined despite the arbitrage to the US West Coast on the back of domestic demand in July. Jet fuel and fuel oil exports decreased, as local requirements for the latter rose following the earthquake. On the other hand, gasoil exports increased sharply counterbalancing other product declines on the back of healthy economics fueled by demand from South America and Europe. Product exports in July remained within the annual level increasing by less than 1%.

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

	May 07	Jun 07	Jul 07	Change Jul/Jun
Crude oil	3,542	3,894	4,172	278
Total products	127	160	128	-32
Total crude and products	**3,669**	**4,054**	**4,300**	**246**

As a result, Japan's net oil imports increased by around 6% in July from the previous month, supported by the rise in crude. The increase in product exports trimmed net oil imports which showed a steady-to-firming position of just under 2% compared to the same period last year. It is estimated that OPEC members supplied more than 78% of Japan's crude oil with Saudi Arabia and UAE remaining Japan's main crude oil suppliers, together representing in June more than 50%. Iran, Qatar and Kuwait came next with around 5-15% each. For products, Saudi Arabia and the UAE maintained their position as the top product suppliers to Japan together with more than 25%.

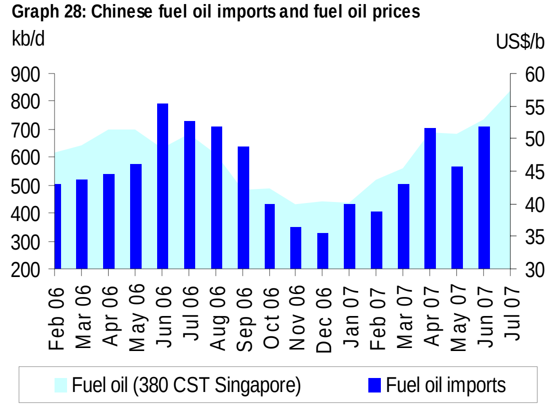
China

China's net oil imports increased 7% in June on the back of higher crude oil imports while product imports declined

China's crude oil imports rebounded in June with an increase of around 11% from the previous month. The increase, mounting to around 330,000 b/d, indicated an annual gain of around 18%. One of the main reasons for the increase in crude oil imports was the healthy demand for gasoil, gasoline and fuel oil which, in turn, required more feedstocks to refine, as the June refinery utilization rate is estimated to be higher than in May. For the first half of 2007, China imported on average 3,290 mb/d of crude oil with an increase of around 11% compared to the first half of 2006. China's refinery throughput is estimated to have increased in the first half of 2007 by 7% from the same period in 2006. On the other hand, China's product imports declined by 13% in June compared to the previous month with a steeper annual decline of around 35% due to improved local production. Imports of naphtha declined in June due to higher international prices as well as adequate domestic supply. Gasoil imports increased in June on the back of lower yield, while imports of jet fuel and gasoline declined from the previous month.

Fuel oil imports increased in June by around 10% from the previous month despite the increase in domestic production which is estimated to be 14% higher. Healthy demand for power generation supported imports even at record-high prices. As well, the effect of the fuel oil import tax reduction that took place in June helped discharge some of the volumes that were held in May. Fuel oil users were seeking lower price materials from sources such as Venezuela. Profits of utility plants and refinery units using fuel oil eroded as the government limits the electricity and product prices while international fuel oil prices reached a record-high. Iran, Russia, South Korea, and Venezuela were China's top suppliers of fuel oil in June. At the same time, fuel oil exports increased in June as producers managed to take advantage of high international prices which were much higher than domestic ones.

Graph 28: Chinese fuel oil imports and fuel oil prices



While fuel oil exports increased in June, exports of other products were mixed and the overall image of China's product exports remained steady with a minor increase from the previous month. China's gasoline exports increased by around 10% in June from the previous month mainly because May's exports were low as well as the effect of high international prices. Exports of jet fuel and naphtha increased in line with higher production, while gasoil exports declined sharply in order to meet healthy local demand. China's product exports in June indicated a monthly increase of 3.5% and an annual increase of 24%. In the first half of 2007, China exported 17% more products than the same period of 2006, as refiners with increased capacity were determined to benefit from the higher export prices than the local ones.

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

	Apr 07	May 07	Jun 07	Change Jun/May
Crude oil	3,480	2,935	3,340	405
Total products	641	618	472	-147
Total crude and products	**4,121**	**3,553**	**3,811**	**258**

With crude oil exports declining to 54,000 b/d, China's net crude oil imports averaged around 14% higher in June than the previous month. Hence, China's net oil imports increased 7.3% in June from the previous month as the drop in net products imports offset part of the net crude import gains. On an annual basis, China's net oil imports remained steady with the average of the first six months in 2007 higher by 6% than the same period in 2006. Iran was China's top crude oil supplier in June with 16% followed by Angola and Saudi Arabia with 14% and 13% each. Russia, Oman and Venezuela came next with around 5-11% each.

India

June net oil imports in India marked the first annual decline in 2007 which was driven mainly by the drop of crude oil imports on the back of refinery maintenance

In June, India's crude oil imports averaged 5.5% or 137,000 b/d lower than the previous month, marking the second consecutive monthly decline in crude oil imports so far in 2007. The decline in crude oil imports is attributed to preparations for planned refinery shutdowns as well as the unplanned ones that took place in June or that will be coming in the near future. Annually, crude oil imports experienced an increase of around 8%. On the product import side, despite the decline in domestic products sales in June compared to the previous month, India's product imports remained steady with a minor increase of less than 2%. Domestic sales of diesel, India's most utilized product which represents around 40% of petroleum product demand, declined slightly with easing consumption in the farm sector. As well, domestic sales of naphtha dropped as LNG supply improved, with petrochemical and fertilizer plants favouring lower-cost LNG. Fuel oil sales increased in India on the back of improved demand from power generation units in June.

On the export side, India's product exports in June declined around 2% from the previous month. India's exports of diesel and naphtha increased in June as refiners tried to capitalize on healthy margins created by high international prices relative to domestic ones. On the other hand, exports of gasoline declined as healthy local demand existed as well as jet fuel. India's product exports indicated a 19.3% y-o-y gain; the increase came on the back of refinery capacity additions. In the first half of 2007, India exported an average of 672,000 b/d of products, marking an increase of around 29% from the same period in 2006.

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

	Apr 07	May 07	Jun 07	Change Jun/May
Crude oil	2,641	2,487	2,350	-137
Total products	-404	-462	-442	20
Total crude and products	**2,237**	**2,026**	**1,908**	**-117**

As a result, India's net oil imports declined in June for the second consecutive month by around 6%. On an annual basis, India's net oil imports indicated a drop of around 2%, the first annual decline experienced in 2007. The decline in net oil imports came mostly from the drop in crude oil imports which was influenced by refinery outages in June. For the first six months in 2007, India's net oil imports indicated an increase of around 4% from the same period in 2006.

Stock Movements

Improving refinery runs helped gasoline stocks to move just below the five-year average while crude oil stocks remained well above despite a 12 mb draw

USA

US total commercial oil stocks stood at 1,034.1 mb at the end of July, the highest level so far this year since end-January and 20 mb above the five-year average. The increase of 6.8 mb from the end of the previous month was driven by products while crude oil inventories fell for the first time since end of February. The build in product stocks and the drop in crude oil inventories came as a result of the improvement in refining utilization rates and increasing gasoline imports.

Crude oil stocks dropped 12 mb to stand at 341.6 mb but remained well above the five-year average and close to a nine-year high. Most of the draw on crude oil stocks took place during the week ended 27 July when inventories dropped by 6.5 mb, the highest draw since the 8.1 mb seen in the week ending 22 December 2006. This strong decline is attributed essentially to the jump in refinery inputs which averaged more than 16.2 mb/d, the highest level since the week ending 26 August 2005.

Gasoline inventories continued to build for the third consecutive month to stand at around 205 mb, up 0.3 mb from the previous month, due to a rise in the refining utilization rate, which reached almost 93% for the first time in eight months during the last week of July. In addition, record-high imports of 1.7 mb/d during the week ending 27 July contributed largely to the build in gasoline stocks despite strong seasonal demand. Consequently, the gap with the five-year average shrank to just 3.2 mb or 2% compared with around 15 mb during the first half of last May.

Distillate stocks rose 5.4 mb, offsetting the draw of the previous month, to stand at 127.2 mb, the same level as the five-year average and the highest level since last January. The rise in distillate stocks was due to increasing production from refineries, particularly in the second half of the month. By product, the picture remained almost unchanged with heating oil showing a deficit of 15 mb from the five-year average and diesel oil displaying a surplus of the same level. Similarly, residual fuel oil and jet fuel rose 3.2 mb and 0.5 mb to 38.2 mb and 41.3 mb respectively, which corresponded to 4% and 5% above the respective five-year averages.

The return of refineries to normal activity in combination with continuous high imports is expected to leave product stocks — gasoline and distillates — at comfortable levels for the remainder of the driving season and ahead of winter. However, in contrast, crude oil inventories are showing yet a surplus of 35 mb above the five-year average and are expected to drop but to stay at a comfortable level in the coming next weeks.

Table 25: US onland commercial petroleum stocks, mb

	May 07	Jun 07	Jul 07	Change Jul 07 /Jun 07	Jul 06	03-Aug-07
Crude oil	348.4	353.6	341.6	-12.0	331.0	340.4
Gasoline	202.8	204.4	204.7	0.3	210.1	203.0
Distillate fuel	124.8	121.8	127.2	5.4	138.8	127.5
Residual fuel oil	36.6	35.0	38.2	3.2	43.0	38.6
Jet fuel	41.5	40.8	41.3	0.5	39.6	41.3
Total	**1,028.3**	**1,027.3**	**1,034.1**	**6.8**	**1,057.4**	**1,034.1**
SPR	690.3	690.3	690.3	0.0	687.8	690.3

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

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

In its latest report, the EIA estimated that both crude oil and gasoline stocks dropped in the week ending 3 August. Crude oil inventories fell 4.1 mb despite a pullback in the refining utilization rate, but remained above the five-year average. The decline, which was the fifth in a row, was attributed to the 167,000 b/d drop in imports and the effect of backwardation in the market. In contrast to crude oil, gasoline stocks remained slightly below the five-year average after having dropped 1.7 mb to 203 mb, as production from refineries dropped by almost 300,000 b/d.

Following the opposite trend, distillate inventories moved up nearly 1 mb to 127.5 mb and remained in line with the five- year average, due to heating oil, which jumped by almost 2 mb but remained below the five-year average while gasoil stocks stayed well above the five-year average.

As a result, total commercial oil stocks inched down by 0.3 mb to 1,034 mb, showing a deficit of 21 mb from a year ago and a surplus of 31 mb over the five-year average, respectively.

Western Europe

EU-16 commercial stocks remained at a comfortable level, nearly 50 mb above the five-year average

The latest data for July show that total commercial oil stocks in EU-16 (Eur-15 plus Norway) dropped a minor 2.3 mb to 1,150 mb to slip below the corresponding month's level of last year for the first time since March but remained well above the five-year average. Both crude oil and product stocks declined, with crude accounting for 86% of the losses with nearly 2 mb to stand at 485 mb. However, despite this decline, which resulted from increasing refinery runs and lower North Sea supplies, crude oil stocks remained at a comfortable 15 mb above the five-year average.

Table 26: Western Europe's oil stocks, mb

	May 07	Jun 07	Jul 07	Change Jul 07/Jun 07	Jul 06
Crude oil	501.0	487.3	485.3	-2.0	501.4
Mogas	128.1	126.1	125.6	-0.5	124.5
Naphtha	27.3	26.4	27.3	0.9	27.6
Middle distillates	405.9	399.0	398.6	-0.4	390.4
Fuel oils	115.4	113.8	113.5	-0.3	112.6
Total products	676.6	665.3	665.0	-0.3	655.0
Total	**1,177.5**	**1,152.6**	**1,150.3**	**-2.3**	**1,156.4**

Source: Argus, Euroilstock.

The increase in refining runs did not prevent product stocks from falling due to strong demand for diesel and high exports. Nevertheless, despite a marginal draw of 0.3 mb, product stocks remained at extremely high levels above the upper range of the last five years. At 665 mb, the surplus over the five-year average stood at 33 mb. Distillate stocks remained the main product behind the comfortable level even after a decline of nearly 0.4 mb ending the month slightly below 399 mb, due to healthy exports to Latin America, and showed a surplus of 8 mb over last year's level and 35 mb above the five-year average. Following their normal trend, motor gasoline stocks fell a further 0.5 mb to stand at 125.6 mb, the first time this year above the level of the corresponding month last year, but remained below the five-year average. The drop was driven by exports and lower crack spreads. Following the same trend, residual fuel oil inventories fell 0.3 mb to 113.5 mb, slightly higher than last year's level. The only exception was naphtha, which saw inventories increase by almost 0.9 mb to 27.3 mb, helped by higher production from refineries, which returned from seasonal maintenance.

Japan

Total commercial stocks in Japan surged by 7.4 mb to 186 mb in June, the second highest level this year after January

In June, Japanese commercial oil stocks rose 7.4 mb or 4.2%, the highest increase since last September, to stand at 186.1 mb at the end of the month, which corresponds to 1 mb above the five-year average. With this level, the gap to the corresponding month of the previous year was halved to 10 mb compared to 20 mb in May. More than 60% of the build in stocks was attributed to crude oil, which saw a second consecutive increase, to remain above 110 mb due to the combination of a low refining utilization rate of less than 76% and an increase of 6.4% in imports. However, despite this build of 4.7 mb or 4.5%, crude oil stocks were below the lower range of the five-year average for the first time this year. In contrast to crude oil, total products, which rose 2.7 mb to 76 mb, continued to hover alongside the upper range of the five-year average, reflecting lower demand for petroleum products. Nevertheless, the detailed picture was mixed with distillate stocks continuing to increase to remain at a comfortable level above the five-year average, while gasoline experienced a further downward trend. The drop in gasoline stocks followed the seasonal norm as gasoline stocks usually fall in May-July as a result of planned refinery maintenance. At 12.3 mb, gasoline stocks showed a deficit of 1.2 mb from a year earlier and the five-year average. Distillate inventories increased further to stand at 31.4 mb, 2.4 mb over the previous month, and continued to hover around the same levels of last year and the five-year average since April. The build in distillate stocks came essentially from naphtha, which surged by 1.5 mb to 13.1 mb, representing a nine-month high.

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

	Apr 07	May 07	Jun 07	Change Jun 07/May 07	Jun 06
Crude oil	103.9	105.5	110.3	4.7	117.3
Gasoline	13.6	13.5	12.3	-1.2	13.7
Naphtha	11.3	11.7	13.1	1.5	13.2
Middle distillates	27.6	28.9	31.4	2.4	31.6
Residual fuel oil	19.5	19.0	19.0	0.0	20.3
Total products	71.9	73.1	75.8	2.7	78.8
Total**	**175.9**	**178.6**	**186.1**	**7.4**	**196.1**

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

For July, preliminary data from the Petroleum Association of Japan (PAJ) indicate that both crude oil and products increased by more than 4 mb each. Crude oil stocks rose a further 4.1 mb to stand at 115 mb in the week ended 28 July, the highest level so far this year and almost the same level as last year and compared to the five-year average. Similarly, product stocks rose 4.6 mb. The gain in both crude and product stocks was driven by higher crude oil imports and refining runs.

Balance of Supply and Demand

Demand for OPEC crude forecast at 31.0 mb/d in 2007, an increase of 0.1 mb/d

Estimate for 2007

The demand for OPEC crude in 2007 is forecast to average 31.00 mb/d, an increase of 0.1 mb/d over the previous year. On a quarterly basis, demand for OPEC crude is expected at 31.22 mb/d, 30.30 mb/d, 31.14 mb/d and 31.32 mb/d respectively.

Table 28: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.44**	**85.66**	**84.44**	**85.68**	**87.08**	**85.72**
Non-OPEC Supply	49.45	50.23	49.79	50.14	51.16	50.33
OPEC NGLs and non-conventionals	4.09	4.21	4.34	4.39	4.61	4.39
(b) Total Supply excluding OPEC Crude	**53.54**	**54.44**	**54.14**	**54.53**	**55.77**	**54.72**
Difference (a-b)	**30.90**	**31.22**	**30.30**	**31.14**	**31.32**	**31.00**
OPEC crude oil production (1)	30.88	29.96	30.13			
Balance	-0.02	-1.26	-0.18			

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

Demand for OPEC crude expected at 30.76 mb/d in 2008, a decline of 239,000 b/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 30.76 mb/d, around 239,000 b/d below the 2007 figure. On a quarterly basis, demand for OPEC crude is expected at 31.00 mb/d, 29.65 mb/d, 30.90 mb/d and 31.47 mb/d respectively.

Table 29: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.72**	**87.24**	**85.45**	**86.81**	**88.75**	**87.06**
Non-OPEC Supply	50.33	51.54	50.97	50.96	52.13	51.40
OPEC NGLs and non-conventionals	4.39	4.71	4.83	4.95	5.15	4.91
(b) Total Supply excluding OPEC Crude	**54.72**	**56.24**	**55.80**	**55.90**	**57.28**	**56.31**
Difference (a-b)	**31.00**	**31.00**	**29.65**	**30.90**	**31.47**	**30.76**

Graph 29: Balance of supply and demand

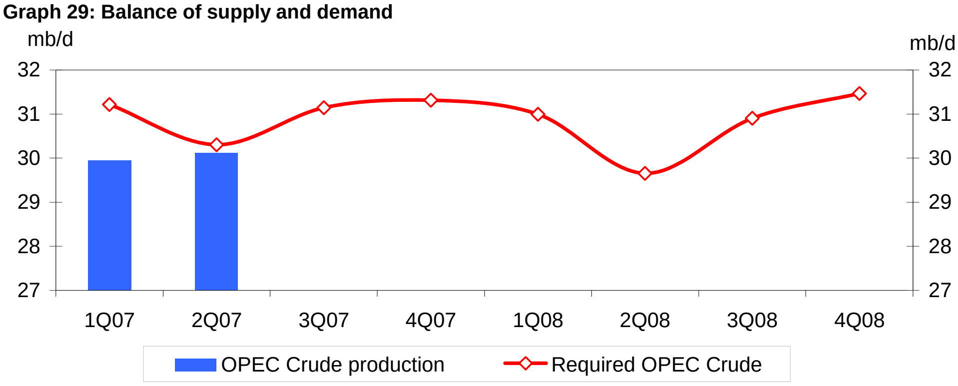


Table 30: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.2	49.6	48.1	49.1	50.3	49.3	50.3	48.1	49.1	50.9	49.6
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.6	25.8	25.6	26.0	25.6	25.8	26.2	25.9
Western Europe	15.4	15.5	15.6	15.6	15.1	14.9	15.6	15.7	15.3	15.3	14.8	15.5	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.9	8.8	8.3	8.9	7.6	7.8	8.9	8.3
DCs	20.6	21.7	22.5	23.3	23.7	24.0	24.0	24.1	23.9	24.2	24.5	24.6	24.7	24.5
FSU	3.7	3.8	3.9	3.9	3.9	3.7	3.9	4.3	4.0	3.9	3.8	4.0	4.3	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	6.5	7.1	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	82.3	83.5	84.4	85.7	84.4	85.7	87.1	85.7	87.2	85.5	86.8	88.7	87.1
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.4	20.0	20.1	20.6	20.3	20.8	20.2	20.0	20.8	20.5
North America	14.6	14.6	14.1	14.2	14.3	14.3	14.3	14.6	14.4	14.8	14.4	14.5	14.9	14.6
Western Europe	6.4	6.2	5.8	5.4	5.5	5.1	5.1	5.3	5.3	5.3	5.1	4.8	5.1	5.1
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.8	0.9	0.8
DCs	10.8	11.0	11.3	11.5	11.5	11.5	11.6	11.8	11.6	11.9	11.8	11.9	12.0	11.9
FSU	10.3	11.1	11.5	12.0	12.5	12.5	12.6	12.8	12.6	12.9	13.0	13.1	13.4	13.1
Other Europe	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	0.1
China	3.4	3.5	3.6	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
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	48.1	49.0	49.0	49.5	50.2	49.8	50.1	51.2	50.3	51.5	51.0	51.0	52.1	51.4
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	4.8	4.9	5.1	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.8	53.0	53.1	53.5	54.4	54.1	54.5	55.8	54.7	56.2	55.8	55.9	57.3	56.3
OPEC crude oil production (secondary sources)	27.8	30.0	31.1	30.9	30.0	30.1								
Total supply	79.6	83.0	84.2	84.4	84.4	84.3								
Balance (stock change and miscellaneous)	0.3	0.7	0.7	0.0	-1.3	-0.2								
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2685	2606	2673								
SPR	1411	1450	1487	1499	1503	1505								
Total	3928	3997	4083	4184	4108	4178								
Oil-on-water	882	905	958	908	912	n.a.								
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	54								
SPR	29	29	30	30	31	31								
Total	80	81	83	85	85	85								
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.8	8.6	8.5	8.6	9.0	9.3	9.1	9.0	9.1
(a) - (b)	27.5	29.3	30.4	30.9	31.2	30.3	31.1	31.3	31.0	31.0	29.7	30.9	31.5	30.8

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

n.a. Not available.

Table 31: 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	-	-0.1	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-
Western Europe	-	-	0.1	0.1	-	-0.1	-	0.1	-	-	-0.1	-	0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.1	0.2	-0.2	-
(a) Total world demand	-	-	0.1	0.1	-	0.1	0.2	0.2	0.1	0.1	0.2	0.4	-	0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-0.2	-0.1	-	-0.1	-	0.1	-	0.1	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	0.1								
Total supply	-	-	-	-	-	-0.1								
Balance (stock change and miscellaneous)	-	-	-0.1	-0.1	-	-0.2								
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	2	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	2	-								
Oil-on-water	-	-	-	-	-	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	0.1	-
(a) - (b)	-	-	0.1	0.1	-	0.3	0.4	0.2	0.2	-	0.1	0.4	-0.2	-

† This compares Table 30 in this issue of the MOMR with Table 30 in the July 2007 issue.
This table shows only where changes have occurred.

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

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07
Closing stock levels *mb*																				
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,685	2,465	2,545	2,581	2,547	2,543	2,623	2,638	2,597	2,598	2,657	2,766	2,685	2,606	2,673
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	1,241	1,276	1,347	1,277	1,237	1,295
Western Europe	925	895	922	924	944	980	919	933	945	924	952	925	952	944	949	945	961	980	953	953
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	424
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	1,503	1,505
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	416
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	397	397
OECD total	3,918	3,825	3,928	3,997	4,083	4,184	3,888	3,974	4,016	3,997	4,005	4,116	4,132	4,083	4,085	4,150	4,261	4,184	4,108	4,178
Oil-on-water	830	815	882	905	958	908	906	891	894	905	934	931	926	958	960	968	964	908	912	n.a.
Days of forward consumption in OECD																				
OECD onland commercial	55	51	51	51	53	54	51	52	51	50	52	53	53	52	54	54	56	54	54	54
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	50	50	53	50	49	51
Western Europe	60	58	60	59	61	64	61	60	59	59	62	59	60	59	63	61	61	65	64	61
OECD Pacific	52	47	51	50	47	51	51	52	49	45	48	53	49	43	52	55	53	49	54	54
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	30	31	31	30	30	31	31
North America	23	25	25	27	27	27	26	26	26	26	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	26	27	26	26	27	28	27
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	50
OECD total	82	79	80	81	83	85	81	81	80	79	82	84	83	81	85	85	86	84	85	85

n.a. Not available.

Table 33: 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	-0.31	7.21	7.38	7.47	7.48	7.39	0.04	7.46	7.52	7.40	7.52	7.48	0.09	7.64	7.61	7.62	7.81	7.67	0.20
Canada	2.98	3.07	3.03	-0.04	3.19	3.03	3.16	3.30	3.17	0.14	3.30	3.18	3.26	3.42	3.29	0.12	3.51	3.31	3.32	3.42	3.39	0.10
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	3.67	3.64	3.62	-0.07	3.60	3.48	3.52	3.65	3.56	-0.06
North America	14.60	14.56	14.14	-0.42	14.18	14.18	14.33	14.29	14.25	0.11	14.34	14.28	14.33	14.58	14.39	0.14	14.75	14.40	14.46	14.89	14.62	0.24
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	2.56	2.69	2.61	-0.17	2.70	2.57	2.45	2.66	2.60	-0.01
UK	2.33	2.10	1.88	-0.22	1.89	1.73	1.49	1.71	1.70	-0.18	1.79	1.69	1.61	1.72	1.70	0.00	1.69	1.58	1.42	1.48	1.54	-0.16
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	0.27	0.29	0.30	-0.05	0.29	0.28	0.25	0.27	0.27	-0.02
Other Western Europe	0.47	0.51	0.54	0.03	0.55	0.56	0.54	0.57	0.55	0.02	0.64	0.65	0.65	0.65	0.65	0.09	0.65	0.65	0.65	0.65	0.65	0.00
Western Europe	6.43	6.19	5.77	-0.42	5.73	5.33	5.08	5.39	5.38	-0.39	5.47	5.10	5.09	5.35	5.25	-0.13	5.34	5.08	4.77	5.06	5.06	-0.19
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.52	0.58	0.60	0.56	0.05	0.58	0.59	0.66	0.74	0.64	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	0.08	0.11	0.08	0.02	0.11	0.14	0.14	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	0.59	0.67	0.71	0.63	0.07	0.69	0.73	0.80	0.89	0.78	0.14
Total OECD	21.68	21.32	20.48	-0.83	20.39	20.01	20.05	20.29	20.19	-0.30	20.38	19.98	20.09	20.64	20.27	0.08	20.78	20.21	20.03	20.83	20.46	0.19
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.20	0.20	0.20	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	0.00
India	0.79	0.79	0.76	-0.04	0.78	0.79	0.76	0.81	0.78	0.02	0.81	0.79	0.81	0.80	0.80	0.02	0.80	0.81	0.83	0.82	0.81	0.01
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.72	0.73	0.75	0.73	-0.02	0.78	0.76	0.76	0.77	0.76	0.03
Vietnam	0.35	0.40	0.38	-0.02	0.38	0.37	0.36	0.36	0.37	-0.01	0.37	0.37	0.41	0.40	0.39	0.02	0.37	0.35	0.41	0.46	0.40	0.01
Asia others	0.41	0.43	0.53	0.10	0.59	0.59	0.58	0.57	0.58	0.05	0.60	0.61	0.59	0.60	0.60	0.02	0.62	0.62	0.62	0.62	0.62	0.02
Other Asia	2.53	2.63	2.65	0.02	2.75	2.67	2.68	2.73	2.71	0.06	2.72	2.69	2.73	2.75	2.72	0.01	2.77	2.73	2.81	2.87	2.80	0.08
Argentina	0.84	0.80	0.77	-0.02	0.76	0.78	0.79	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.77	-0.01	0.75	0.74	0.73	0.72	0.73	-0.03
Brazil	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.15	2.10	0.11	2.15	2.14	2.22	2.37	2.22	0.12	2.51	2.49	2.53	2.56	2.52	0.30
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.52	0.52	0.52	0.52	-0.01	0.52	0.52	0.52	0.52	0.52	0.00
Ecuador	0.41	0.51	0.54	0.02	0.55	0.55	0.55	0.52	0.54	0.00	0.51	0.51	0.52	0.51	0.51	-0.03	0.51	0.50	0.50	0.49	0.50	-0.01
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.18	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01	0.18	0.18	0.18	0.18	0.18	0.00
L. America others	0.26	0.26	0.29	0.02	0.28	0.30	0.31	0.30	0.30	0.01	0.30	0.30	0.30	0.30	0.30	0.00	0.30	0.30	0.30	0.30	0.30	0.00
Latin America	4.02	4.06	4.30	0.24	4.38	4.44	4.46	4.46	4.44	0.14	4.44	4.42	4.50	4.63	4.50	0.06	4.76	4.72	4.75	4.77	4.75	0.25
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.76	0.75	0.75	0.76	-0.03	0.73	0.72	0.72	0.72	0.72	-0.04	0.72	0.72	0.72	0.72	0.72	0.00
Syria	0.53	0.50	0.46	-0.04	0.44	0.42	0.41	0.40	0.42	-0.04	0.39	0.39	0.38	0.37	0.38	-0.03	0.37	0.36	0.35	0.34	0.35	-0.03
Yemen	0.44	0.42	0.42	0.00	0.40	0.39	0.38	0.38	0.39	-0.03	0.38	0.38	0.37	0.36	0.37	-0.02	0.36	0.35	0.34	0.34	0.35	-0.03
Middle East	2.01	1.92	1.87	-0.05	1.82	1.78	1.75	1.74	1.77	-0.10	1.70	1.69	1.67	1.65	1.68	-0.09	1.65	1.63	1.61	1.59	1.62	-0.06
Chad	0.02	0.16	0.18	0.02	0.16	0.16	0.16	0.16	0.16	-0.03	0.15	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
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	0.24	0.24	-0.01	0.25	0.26	0.26	0.28	0.26	0.02
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	0.62	0.64	0.65	0.66	0.64	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.35	0.36	0.01	0.37	0.38	0.38	0.39	0.38	0.01	0.40	0.40	0.39	0.39	0.39	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	0.25	0.26	0.25	0.00
South Africa	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01	0.18	0.18	0.18	0.18	0.18	-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	0.52	0.51	0.51	0.10	0.50	0.49	0.48	0.48	0.49	-0.02
Africa other	0.20	0.21	0.25	0.04	0.30	0.33	0.32	0.32	0.32	0.07	0.35	0.35	0.34	0.38	0.35	0.03	0.39	0.39	0.39	0.39	0.39	0.03
Africa	2.19	2.43	2.52	0.08	2.56	2.59	2.60	2.69	2.61	0.09	2.68	2.68	2.71	2.75	2.71	0.10	2.74	2.76	2.76	2.79	2.76	0.06
Total DCs	10.75	11.04	11.34	0.30	11.52	11.48	11.48	11.62	11.52	0.19	11.53	11.48	11.61	11.79	11.61	0.08	11.92	11.84	11.94	12.02	11.93	0.32
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.48	12.55	12.80	12.59	0.57	12.92	13.02	13.11	13.38	13.11	0.52
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	9.96	9.89	0.24	10.03	10.08	10.17	10.28	10.14	0.25
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	1.32	1.39	1.35	0.05	1.41	1.43	1.40	1.52	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	0.88	0.91	1.02	0.92	0.27	1.04	1.08	1.11	1.15	1.09	0.18
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.43	0.43	0.43	0.01	0.43	0.43	0.43	0.43	0.43	0.00
Other Europe	0.17	0.17	0.16	-0.01	0.15	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	3.41	3.49	3.62	0.13	3.68	3.70	3.67	3.64	3.67	0.06	3.75	3.79	3.82	3.85	3.80	0.13	3.83	3.81	3.79	3.80	3.81	0.01
Non-OPEC production	46.29	47.15	47.14	-0.01	47.42	47.31	47.49	47.99	47.55	0.41	48.31	47.87	48.22	49.23	48.41	0.86	49.59	49.03	49.02	50.18	49.46	1.04
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	48.09	48.98	49.01	0.03	49.34	49.20	49.36	49.91	49.45	0.45	50.23	49.79	50.14	51.16	50.33	0.88	51.54	50.97	50.96	52.13	51.40	1.07
OPEC NGL	3.57	3.85	3.92	0.07	3.88	3.95	4.03	3.92	3.95	0.02	4.13	4.26	4.30	4.52	4.30	0.36	4.62	4.74	4.86	5.06	4.82	0.51
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	0.09	0.09	-0.05	0.09	0.09	0.09	0.09	0.09	0.00
OPEC (NGL+NCF)	3.71	4.02	4.08	0.06	4.01	4.07	4.18	4.08	4.09	0.01	4.21	4.34	4.39	4.61	4.39	0.30	4.71	4.83	4.95	5.15	4.91	0.52
Non-OPEC & OPEC (NGL+NCF)	51.80	53.00	53.09	0.08	53.34	53.28	53.54	53.99	53.54	0.45	54.44	54.14	54.53	55.77	54.72	1.18	56.24	55.80	55.90	57.28	56.31	1.58

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

Table 34: World Rig Count

	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	Jun07	2Q 07	Jul07	Change Jul/Jun07
USA	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,771	1,757	1,777	6
Canada	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	210	139	349	139
Mexico	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	90	88	97	7
North America	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	2,071	1,984	2,223	152
Norway	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	13	19	18	5
UK	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	23	29	27	4
Western Europe	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	64	78	77	13
OECD Pacific	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	29	30	31	2
Total OECD	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,164	2,091	2,331	167
Other Asia	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	158	157	155	-3
Latin America	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	195	194	188	182	-12
Middle East	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	85	85	89	4
Africa	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	83	80	84	1
Total DCs	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	510	520	510	510	-10
Non-OPEC Rig Count	1,938	2,131	193	2,483	2,192	2,560	2,667	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,963	2,686	2,603	2,843	157
Algeria	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	28	26	24	-4
Angola	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	4	4	3	-1
Indonesia	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	60	56	59	-1
Iran	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	50	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	5	12	13	11	14	12	2	12	13	14	15	14	2	14	15	13	14	-1
Libya	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	13	12	14	1
Nigeria	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	7	5	-2
Qatar	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	14	12	14	0
Saudi Arabia	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	76	76	78	2
UAE	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	16	15	15	-1
Venezuela	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	82	80	81	-1
OPEC Rig Count	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	342	365	352	357	-8
Worldwid Rig Count*	2,160	2,383	223	2,757	2,476	2,838	2,958	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,305	3,051	2,955	3,200	149
of which:																				
Oil	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,179	1,155	1,244	65
Gas	1,326	1,486	157	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,854	1,782	1,936	82
Others	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	18	19	20	2

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary August 2007

OPEC Basket average price

US$ per barrel

up 4.98 in July

July 2007	**71.75**
June 2007	66.77
Year-to-date	61.47

July OPEC production

in million barrels per day, according to secondary sources

Algeria	1.37	Iraq	2.15	Qatar	0.83
Angola	1.66	Kuwait	2.43	Saudi Arabia	8.53
Indonesia	0.84	SP Libyan AJ	1.69	UAE	2.53
IR Iran	3.81	Nigeria	2.18	Venezuela	2.36
				TOTAL	**30.38**

Supply and demand

in million barrels per day

2007		**2008**	
World demand	85.7	World demand	87.1
Non-OPEC supply	54.7	Non-OPEC supply	56.3
Difference	**31.0**	**Difference**	**30.8**

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

Stocks

Total OECD commercial stocks increased a further 13 mb in June to stand 67 mb above the five-year average. In the USA, commercial crude oil stocks in July stood around 35 mb above the five-year average.

World economy

World GDP unchanged for 2007 and revised up slightly for 2008; both at 5.0%.

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Data cover period up to the end of July 2007 unless otherwise stated.