OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

December 2006

Feature Article:
Review of the oil market in 2006, outlook for 2007

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

OPEC Monthly Oil Market Report

Publishing Schedule for 2007

Friday,	*19*	*January*
Thursday,	*15*	*February*
Thursday,	*15*	*March*
Monday,	*16*	*April*
Tuesday,	*15*	*May*
Thursday,	*14*	*June*
Monday,	*16*	*July*
Tuesday,	*14*	*August*
Friday,	*14*	*September*
Monday,	*15*	*October*
Thursday,	*15*	*November*
Friday,	*14*	*December*

Oil Market Highlights

- 2006 has been a good year for the global economy. World GDP is estimated to have grown by over 5% and all major regions have participated in this expansion. The recovery of the European economies, especially Germany, has been significant and the strength of domestic demand in Japan has sustained the good economic performance of 2005. The second half of the year has seen a rebalancing of growth away from North America and Japan which should permit a gradual adjustment of trade imbalances. Consumers and business were confident in the ability of central banks to manage economic policy and inflationary expectations have remained moderate despite sharp increases in oil and other commodity prices during the year. Developing Countries have continued to benefit from the growth in world trade and their increasing role in global manufacturing.
- The years of recovery since 2003 have reduced the margins of spare capacity in the advanced economies and many central banks have raised interest rates in 2006 to forestall the threat of rising inflation. In the Euro-zone there is also the prospect of significant fiscal tightening. 2007 may thus see some moderation in economic growth towards trend rates of expansion. In the United States, the weakness in the housing sector may affect consumer spending as households rebuild savings. US GDP is forecast to grow by only 2.6% next year. European growth will suffer from any downturn in the USA; moreover domestic spending will face headwinds from tighter monetary and fiscal policies. Growth is forecast to fall to 1.6% in the Euro-zone. Japan may perform better at 1.9%, sustained by the improving performance of the corporate sector. Growth in Developing Countries is expected to be lower in 2007, falling to 5.5% and China may also see modest deceleration to 9.2%. The forecast growth rate for the world economy in 2007 is unchanged from last month at 4.4%.
- The OPEC Reference Basket experienced a volatile month in November. In the first part of the month, a number of factors pressured prices lower including ample stocks, strong expectations for non-OPEC supply, slowing demand and warm winter weather. As a result, the Basket dropped to $53.90/b on 16 November. However, the prospect of a further OPEC output cut, the impending onset of winter in the west and a drop in US natural gas underground storage helped to revive market bullishness. As a result, the Basket saw a marginal gain of 44¢ for the month to close at $55.42/b. The upward trend continued over the first weeks of December on signs of OPEC's intent to rein in output to balance the market. However, the forecast for warmer winter weather kept a cap on prices. The Basket closed at $58.39/b on 15 December.
- Unusually warm weather across the globe in November, along with higher crude costs, have overshadowed the positive impact of the product stock draw and further undermined refinery margins across the board. Persistent low margins may continue over the next few months, as the slowing of US economic growth and warm weather weigh on the market and undermine any momentum supporting product prices and refinery margins. However, due to rising demand for middle and bottom of the barrel components over the next three months, refinery margins could improve slightly over this period and provide support for further crude demand.
- OPEC spot chartering decreased by 0.65 mb/d to average 11.88 mb/d during November, the lowest level so far in 2006, mainly due to the OPEC cut and weak shipping demand. OPEC spot fixtures decline 1.8 mb/d from previous year. The downward trend prevaded the crude freight market with VLCC Middle East/East and Westbound routes averaging WS72 and WS68 respectively. Suezmax tankers lost almost 23%, as plentiful tonnage availability had an affect on the market, and the West Africa/US Gulf route averaged WS122. The clean market also saw a declined except on the Mediterranean routes. Weather-related fweak demand and high products stock levels were among the main reason for the decline with freight rates to the East from both Middle East and Singapore falling to WS156 and WS168 respectively.
- World oil demand growth for 2006 is forecast to grow at a modest rate of 1.0 mb/d or 1.2%, broadly unchanged from the last *MOMR*. World oil demand is still following a normal fourth-quarter upward cycle, a trend which is expected to persist until year-end. The moderation in oil prices strengthened oil demand worldwide, although warm November weather resulted in slower-than-normal world oil demand growth at this time of year. Oil demand growth in November can be attributed mainly to Developing Countries and to some degree to growth in the USA. As for 2007, world oil demand growth is forecast to grow at a moderate rate of 1.3 mb/d or 1.57%, unchanged from our last *MOMR*. With the expecation of a return to normal winter weather, especially in OECD countries, the first quarter should experience typical upward cycle oil consumption, growing at 1.6%.
- Non-OPEC oil supply in 2006 is expected to grow 0.9 mb/d over the previous year, and a slight downward revision versus the last assessment. Downward adjustments to the 3Q06 data of the North Sea account for the bulk of the impact. In addition, slight downward revisions to the 4Q06 forecast of the USA, Mexico, and Azerbaijan have been implemented whilst upward revisions are limited to Kazakhstan. Preliminary data for the month of November puts non-OPEC supply at 52 mb/d, representing a y-o-y change of 1.5 mb/d. In 2007, Non-OPEC oil supply is expected to average 53 mb/d, representing an increase of 1.8 mb/d versus 2006 and broadly unchanged from last month. OPEC production in November averaged 28.8 mb/d.
- US total net crude oil imports fell 157,000 b/d to average 9.85 mb/d while product net imports decreased 81,000 b/d to stand at 1.7 mb/d, according to the preliminary data in November. Similarly, Japan's total oil imports dropped

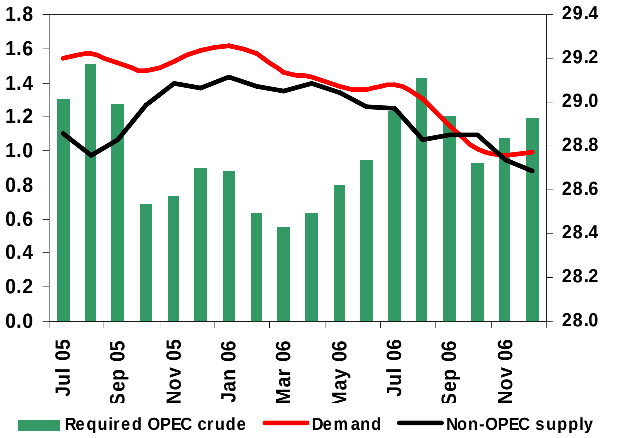
340,000 b/d in November to average 4.1 mb/d, around 8% lower than last month. Stock levels and weak demand due to the warm winter weather were the major factors affecting trade volume in both the USA and Japan. China's net oil imports fell in October by 1.08 mb/d from a month earlier to reach 2.9 mb/d, the lowest level so far in 2006, with fuel oil imports a major factor in the decline. India's total net oil imports continued to hover around 2.0 mb/d after a minor gain of 11,000 mb/d in October. The OECD estimates showed a decrease of close to 2% for the total net oil imports in October settling at around 27 mb/d.

- US total commercial oil stocks declined by 18.9 mb in November compared to the previous month to stand at 1,044.9 mb, almost at par with the year-ago level and 5% up above the average of the last five years. Crude oil stocks rose 5.1 mb to 339.7 mb to remain well above the year-ago level and the five-year average. Total commercial oil stocks in Western Europe witnessed an increase of 1.9 mb to 1,149.6 mb in November compared to the earlier month, remaining relatively stable and settling at 7% above the five-year average. Japanese total commercial oil inventories experienced a strong recovery of 6.3 mb to stand at 200.6 mb in October from the previous month, a cushion of 0.8% and 3% above the year-ago level and the five-year average.
- The estimated demand for OPEC crude in 2006 is expected to average 28.9 mb/d. On a quarterly basis, the new estimate shows that demand for OPEC crude is expected at 29.8 mb/d in the first, 28.2 mb/d in the second, 28.6 mb/d in the third and 29.1 mb/d in the fourth quarter. The forecast demand for OPEC crude in 2007 is expected to average 28.3 mb/d, representing a decline of 0.6 mb/d versus 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 29.4 mb/d in the first, 27.2 mb/d in the second, 27.9 mb/d in the third and 28.5 mb/d in the fourth quarter.

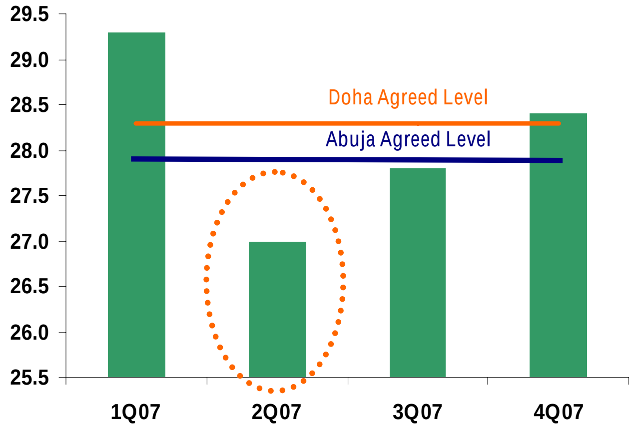
Review of the oil market in 2006, outlook for 2007

- The current year is likely to be remembered for strong upward price trends, with prices touching previously unchartered nominal heights, albeit far behind the absolute real peaks reached in 1980. It was also a year of high price volatility with fluctuations of almost $20/b, as market participants focused attention on bullish non-fundamental signals and downstream bottlenecks up through the summer, after which bearish factors in the form of crude oversupply and easing geopolitical tensions shifted attention to market fundamentals, leading to a sharp correction in prices of 27%. While prices have recently regained some of the lost ground, the question of whether prices will stabilize remains far from settled.
- Continued robust global economic growth in 2006, especially in the first part of the year, has not been matched by commensurate growth in oil demand. Other factors, including a particularly mild winter, rising prices and the removal of subsidies in some Developing Countries, dampened oil demand growth, resulting in progressive downward revisions in demand forecasts as the year unfolded (***Graph 1***). Global oil demand growth is now forecast to expand at 1.2% or 1.0 mb/d to average 84.3 mb/d, representing a downward revision of 0.5 mb/d from the initial forecast of 1.5 mb/d. Non-OECD countries now account for 100% of world oil growth this year, with the Middle East and China contributing the lion's share at 93%.

Graph 1:Revisions to 2006 forecast for growth in demand, non-OPEC supply and required OPEC crude (mb/d)



Graph 2: Quarterly demand for OPEC oil in 2007 (mb/d)



- Non-OPEC supply has also been subject to many unusual and varied factors in 2006, ranging from project changes, recovery in US output after the hurricanes last year and unplanned outages. This has led to revisions to annual non-OPEC supply growth from an initial forecast of 1.1 mb/d up to 1.4 mb/d and finally down to 0.9 mb/d. However, in monthly terms, non-OPEC supply has shown a y-o-y acceleration of well above 1 mb/d since July. In the fourth quarter of 2006, non-OPEC supply is expected to average 52.2 mb/d in the fourth quarter, representing y-o-y growth of 2.0 mb/d.
- With 2006 coming to a close, attention is now shifting to the outlook for next year. World GDP growth is expected to slow from 5.1% this year but remain at a still substantial 4.4%. Developing Countries will experience a small drop of 0.4% growth to 5.6%, while the slowdown in the OECD will be more substantial at 0.7% with similar downward revision in US growth. Continued strong performance in the Middle East and in China is expected, with the latter's growth projected to moderate to 9.2% from 10.4% this year. In 2007, the global oil demand forecast is based on the above expectations for the world economy and on a return to normal winter weather. Once again, the Middle East and China will lead world demand growth of 1.3 mb/d. The OPEC forecast lies within a generally narrow range of other forecasts of 1.0-1.4 mb/d.
- Indeed, risks for oil demand appear to be more weighed on the downside, given the dangers to global economic growth emanating from a visibly weakening US economy, where some forecasts show a non-negligible risk of downright recession. Moreover, the recently weakening US dollar may be an early reflection of diminished confidence in US economic prospects next year and the possible repercussions this may have for global growth.
- Non-OPEC supply in 2007 is expected to average 52.9 mb/d, representing growth of 1.8 mb/d versus 2006. In contrast to demand, the range of forecasts for non-OPEC supply is wider, reflecting the many uncertainties as well as revisions to the base. Moreover, while OPEC's forecast has remained pretty stable since July, other institutions have tended to strongly revise their forecast for 2007 from initial predictions. Year-on-year supply is expected to show strong growth in the first and second quarters of 2007 due to depressed levels in the first half of 2006 but also as a result of new project ramp ups.
- The above forecasts for 2007 thus point to weakening fundamentals. The strongest imbalance is expected to emerge during the second quarter of 2007 (***Graph 2***). The current stock cushion appears to be sufficient to accommodate the typical stock-draw expected in the first quarter with absolute crude stock at levels last witnessed in 1998 and OECD stocks in October still showing 54 days of demand cover, one day higher than 2005.
- The decision taken in Doha at a time of sharply declining prices is widely recognised to have satisfactorily reduced the imbalance in the market and, as a result, halted the destabilizing downward trend. As planned, OPEC met in Abuja to further review the market situation and decided to cut an additional 500,000 b/d as of February. This reduction has been scheduled to come into effect after the winter season, ensuring sufficient crude supplies during this strong demand period while addressing looming market imbalances in 2007.

Vienna, Austria **5 December 2006**

Joint Press Release

OPEC-EU Workshop on the Impact of Financial Markets on the Oil Price

The Organization of the Petroleum Exporting Countries (OPEC) and the European Union (EU) today concluded a two-day Joint Workshop on the Impact of Financial Markets on the Price of Oil. The event was co-chaired by the OPEC Acting Secretary General, Mohammed Barkindo and the EU Director for Conventional Energy Sources, Heinz Hilbrecht.

The workshop encompassed a wide range of differing views and perspectives, including those from oil companies, investment banks, stock exchanges, regulators, research institutions, hedge funds, pension funds, producers and inter-governmental agencies. While a broad array of related issues were discussed, the workshop focused on two key questions, namely:

- How well the current spot and future market structure performs the functions of price discovery, price transparency and risk transfer;
- Whether greater financial participation in oil has significantly influenced oil prices and price volatility.

Overall, the workshop highlighted the increasing integration of the physical and financial oil markets as well as the considerable potential for even greater interaction. Moreover, it was noted that over the last few years, financial market instruments have diversified and the market is continuing to evolve. The positive impact of financial markets, through liquidity and greater transparency in price discovery, was recognized, as well as the possible adverse effects such as higher price volatility if investors periodically exaggerate price trends. Additionally, concern was expressed that the futures and futures option are based on a very narrow volume of physical trading in major benchmark crudes, pointing the need for, among other things, the introduction of more representative physical benchmark contracts. Finally, the workshop emphasized the need for good regulation and the release of more frequent and high quality market data, which would benefit all market participants.

At the close of the workshop, OPEC and the EU noted that the successful outcome of the workshop, as well as the positive constructive nature of the dialogue, point to the need to expand the initial research on this complex and important issue. As a result, OPEC and EU agreed to pursue further research on this subject.

The next event to be held under the Energy Dialogue will be a Workshop on Energy Policies in Brussels in the first half of 2007.

Abuja, Federal Republic of Nigeria **14 December 2006**

143rd (Extraordinary) Meeting of the Conference

The 143rd (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Abuja, the Federal Republic of Nigeria, on 14 December 2006, under the Chairmanship of its President, HE Dr. Edmund Maduabebe Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation, and its Alternate President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference welcomed the presence of the Minister of Petroleum of the Republic of Angola, the Minister of Oil and Gas of the Sultanate of Oman, and the Minister of Energy and Mining of the Republic of Sudan, as well as high-level representatives from the Arab Republic of Egypt and Mexico, attending the Meeting as Observers.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, whose Members the Conference again thanked for their untiring efforts on behalf of the Organization, as well as other presentations.

Having reviewed the oil market outlook, including the overall demand/supply expectations for the year 2007, in particular the first and second quarters, as well as the outlook for the oil market in the medium term, the Conference observed that market fundamentals clearly indicate that there is more than ample crude supply, high stock levels and increasing spare capacity. The Conference noted that, although the global economy is forecast to continue to grow, economic growth is expected to slow down in 2007. Moreover, while world oil demand is estimated to increase by 1.3 mb/d in 2007, the Conference observed that this is likely to be more than offset by a projected increase of 1.8 mb/d in non-OPEC supply, its highest rise since 1984.

The Conference also noted, with satisfaction, that the decision it had taken in Doha to reduce production by 1.2 mb/d as of 1 November 2006 had succeeded in stabilizing the market and bringing it into balance, although prices remain volatile, reflecting the continuing supply overhang in the market.

In view of the above, the Conference decided to reduce current OPEC production by 500,000 b/d, with effect from 1 February 2007, in order to balance supply and demand. The Conference further reiterated the Organization's determination to take all measures deemed necessary to keep market stability through the maintenance of supply and demand in balance, for the benefit of producers and consumers alike. Concurring on the need, more than ever, for extreme vigilance in assessing the market during the coming months, the Conference also confirmed that its next Ordinary Meeting will be held on 15 March 2007, in Vienna, Austria.

In accordance with the provisions of Article 7 of the OPEC Statute, the Conference unanimously admitted the Republic of Angola as the twelfth Full Member of the Organization, with effect from 1 January 2007.

The Conference approved the Budget of the Organization for the year 2007.

The Conference decided to appoint Mr. Abdulla Salem El Badri, from the Socialist Peoples Libyan Arab Jamahiriya, as Secretary General of the Organization for a period of three years, with effect from 1 January 2007.

The Conference agreed that the III Summit of OPEC Heads of State and Government will take place in the Kingdom of Saudi Arabia in 2007.

The Conference paid glowing tribute to the excellent performance of its outgoing President, HE Dr. Edmund Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation, expressing particular appreciation of his also shouldering the responsibilities of Secretary General of the Organization during another challenging year, 2006, and praised his successful endeavours in the advancement of the aims of OPEC and its Members. The Conference equally commended Mr. Mohammed S. Barkindo, Nigeria's National Representative to the Economic Commission Board, for his excellent conduct of the day-to-day affairs of the Secretariat, as Acting for the Secretary General, during the same period.

The Conference expressed its sincere gratitude to His Excellency General Olusegun Obasanjo, Head of State of the Federal Republic of Nigeria, as well as the Government and people of Nigeria, for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. In addition, the Conference recorded its special thanks to HE Dr. Edmund Daukoru, Nigerian Minister of State for Petroleum Resources, and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on 14 January 2007, after ratification by Member Countries.

Highlights of the World Economy

Economic growth rates 2006-2007, %	World	OECD	USA	Japan	Euro-zone
2006	5.1	3.0	3.3	2.4	2.4
2007	4.4	2.3	2.6	1.9	1.6

Industrialised countries

United States of America

Manufacturing and service sectors show divergent performance

Revisions to third-quarter data raised the estimate of US GDP growth to 2.2% from 1.6%. The upward revision reflects stronger equipment and software spending and non-residential building activity, offsetting a downward revision in residential investment. Data relating to consumption and personal income and imports were revised down. Further data confirmed a pattern of diverging economic performance in the USA. Housing, autos and manufacturing are seeing a clear slowdown whilst the service sector continues to grow steadily. **New orders at US factories fell by 4.7% in October, the biggest fall in more than six years and the third drop in four months**. Inventories rose again suggesting growing slack in the economy and the Institute of Supply Management (ISM) index for manufacturing fell below 50 for the first time in more than three years. On the other hand the ISM services index rose in November and these activities form a much larger part of the US economy than the manufacturing sector. The business sector has also performed well this year and profits continued to grow rapidly in the third quarter. **On balance recent information suggests that the weaker sectors are having a gradually greater effect on overall income gains and retail sales and the economy may struggle to grow by as much as 2% in the final quarter.**

Weak demand and production adjustment needed to keep inventories lean may extend into the first quarter of 2007. As output decelerates there is a higher risk that the pace of employment growth will slow: the jump in jobless claims over recent weeks may signal a faster pace of layoffs in manufacturing and construction. It is clear that the recession in the housing industry is far from over and the spillover from this decline could continue to be significant. Even if demand bottomed in October/November, single-family housing starts would have to contract by at least 5% to reduce the current overhang of unsold homes. Lowering housing activity is certain to impact related consumer durables industries but the major uncertainty is the effect on consumer wealth, savings behaviour and consumer confidence. Whilst incomes are growing at a satisfactory rate it is not clear that consumers will be able **both** to maintain moderate spending gains **and** rebuild savings – especially if interest rates remain at current levels. **Next year consumer spending growth may fall short of the pace of underlying income generation.** Thus far in 2006 the spending of the business sector has made a major contribution to economic activity but there were worrying signs of weakness in the October durable goods report. Shipments of non-defense capital goods weakened for the second successive month and investment spending may struggle to increase in the final quarter.

Signs of slower economic growth have yet to have much impact on inflation in the USA. Core inflation was 2.4% year-on-year in October – only 0.1% below the peak rate of August. Nevertheless it seems likely that inflation will moderate as sharp revisions to labour productivity estimates confirmed that annualized unit labour cost growth in the third quarter was only 2.3%. **The lower labour cost inflation will be welcomed by the Federal Reserve and make it much more likely that interest rates will remain on hold until well into 2007.** At the same time the US central bank is unlikely to reduce interest rates unless the economy deteriorates sharply. A longer period of subpar growth may be necessary to make sure that inflation comes down and the authorities will also be reluctant to risk any destabilization of the currency markets. The dollar has fallen sharply in recent weeks and expectations of a narrowing differential between US and European interest rates might lead investors to diversify currency positions – especially if the growth rate of the European economy exceeds expectations in 2007.

Japan

Third-quarter data underlines the importance of exports

The economic performance of the Japanese economy in the middle quarters of the year was disappointing. Second quarter growth was revised down to 1.2% and the economic growth decelerated in the third quarter, growing by only 0.8%. The third quarter detail underlined the importance of exports. **Domestic final sales had risen for the previous six quarters but fell in this period. The rise in GDP was due entirely to higher net exports and inventory**

accumulation. There had been some positive signs from the Japanese consumer since the summer. Consumer and retail confidence improved in October and spending, particularly on services, looks set to keep personal consumption growth at 2% in the coming quarters. Nevertheless, the third quarter showed a 3.6% decline in private consumption, possibly as a result of unseasonable weather. **Japanese manufacturers made a strong start to the fourth quarter** as industrial production increased by 1.6%, month-on-month in October. Production of both high-tech and other goods increased in the month. Moreover, the Ministry of Economy, Trade and Industry projects further gains in November and December. Solid growth in exports lie behind this improvement and it appears that the build up in inventories represents intentional stock building by manufacturers and not a sign of weak demand.

The business indicators suggest that economy may grow by about 2% in the fourth quarter but most of the risks are on the downside. The rise in the value of the yen and the slowdown in the USA may affect exports whilst orders data indicates some fourth-quarter weakness in capital spending. This uncertain growth outlook and the weaker-than-expected outcome for inflation in October might be expected to deter the Bank of Japan from any rise in interest rates for the foreseeable future. Inflation will probably remain low reflecting falls in gasoline prices and persistent declines in unit labour costs. **In fact the Bank has not made any significant changes to its outlook for 2007 and continues to be concerned by the longer-term consequences of the shrinking margin of spare capacity in the economy.** On balance, it seems that policymakers want to proceed with gradual policy normalization, perhaps starting in January or February 2007. In any case the size of any likely hike in rates will have little impact on the growth outlook for 2007. **The key factor remains the health of the global economy and the strength of demand for Japanese exports which will, in turn, support further growth of capital investment.** A solid level of corporate activity will also boost household income next year, overcoming the recent stagnation in consumer spending. **GDP is expected to rise by 1.9% in 2007**. Such a performance would be slightly lower than the 2.2% growth recorded, on average, since the end of 2002 but would be in line with the long run potential of the Japanese economy.

Euro-zone

Euro-zone ends year in good health. Tighter monetary and fiscal policies, stronger exchange rate pose challenges for 2007

Third-quarter GDP growth for the Euro-zone was confirmed at 2%, in line with expectations. Final domestic demand remained robust, showing no sign of slowdown from the first half, whilst a strong rise in imports meant that net trade was a drag on growth despite another healthy performance from exports. All components showed steady growth. Most notable was the improvement in personal consumption which grew to 1.8% above its level in the third quarter of 2005. Preliminary indicators for the fourth quarter suggest that most of this strong momentum will be maintained. Although the external environment is becoming more difficult, business surveys remain positive. The November results from the Purchasing Managers' Institute indicated a consolidation in manufacturing activity and orders consistent with GDP growth of about 2½%. Altogether the third quarter GDP report and the monthly data releases confirm that 2006 will probably be the strongest year for growth since 2000. Prospects beyond the end of 2006 are much more uncertain, however, as a significant tightening in fiscal policy is likely to lead to a sharp dip in growth early next year.

As expected, the European Central Bank raised interest rates by ¼% to 3½% on 7 December. The outlook for 2007 remains open. Although interest rates have reached a neutral level the main policy risk is that strong growth of the money supply and credit may prompt the Bank to raise rates during the course of next year. Inflation is not expected to be a concern. The 'flash' estimate of Euro-zone inflation was 1.8% in November, slightly higher than the 1.6% recorded in October. Unless there are unanticipated shocks, Euro-zone inflation will not rise significantly above 2% in early 2007 despite the VAT hike in Germany. The financial futures markets anticipate that the 3 month rate of interest will be 3.9% by March 2007. By mid-2007 a slower pace of growth should allow the Bank to abstain from much further tightening and the peak of official interest rates should be no higher than 3¾ - 4%.

In 2006 the Euro-zone will benefit again from substantial growth in exports but in 2007 the stronger value of the euro, tighter fiscal conditions and higher interest rates should restrain growth. Slower growth in the USA will also have a negative impact on European exports. **However, the underlying momentum of the zone looks robust enough to avoid a pronounced downturn and GDP is expected to grow by 1.6% in 2007.** The negative influences on growth will bear greatest on Germany and this economy may struggle to grow by more than 1%.

Former Soviet Union

High growth of domestic demand boosts manufacturing; extractive industries continue to stagnate

The Russian economy benefited from strong growth in domestic demand in the first ten months of the year. The growth was led by fixed investment and construction activity. Industrial production growth increased to 5.4% in October and the growth rate for the first ten months of 2006 was 4.3% in comparison to the 3.7% recorded in 2005. Construction output increased by 24% in October but the output of the extractive sector remained depressed at only 0.6% above the levels of 2005. In October, inflation rate fell to 9.2%, as a result of lower food prices. In the first ten months of 2006 the rouble appreciated by 8% in real terms as very high earnings from oil and minerals exports boosted the currency. In general, the strong performance of energy export revenues has worsened the inflationary situation in Russia as these revenues have enabled further fiscal loosening. The final reading of the 2007 Budget was given in November. Expenditures are projected at 25% higher than the 2006 budget and revenues are expected to rise by 31% although this increase depends on high estimates of VAT revenues. The oil price assumption in the 2007 budget is $61/b.

Eastern Europe

Growth continues in Poland; moderate slowdown ahead for Hungary and Czech Republic

The Polish economy began the fourth quarter showing steady growth led by the manufacturing sector. Industrial production rose by 12.5% in October and manufacturing rose by 16.7%, thanks to a broad-based expansion across all the major sectors. Business surveys suggest that this growth will be sustained in 2007. Export-orientated industries continue to dominate as strong demand from Germany has compensated for the rise in the value of the zloty. By the end of November the Polish currency had reached a nine-month high against the euro. As a result of solid improvement in these indicators the GDP estimate for 2006 has been raised to 5.4%. **The political uncertainties in Hungary have had a negative impact on consumer and business confidence and GDP growth probably slowed to about 3.5% in the third quarter.** Investment spending contracted between July and September. The increase in the rate of VAT in September boosted the inflation rate which rose further to 6.3% in October and yet further pressure on internal spending may follow the fiscal reforms. Exports continue to grow strongly, reflecting the overall recovery in economic activity in Europe this year. **Nevertheless, tighter monetary conditions, fiscal adjustments and lower exports to the Euro-zone are expected to lead to much slower growth in 2007. The Czech economy grew by 6.6% in the first half of the year but slower growth in the motor vehicle industry depressed growth in the third quarter.** The rate of inflation fell to 1.3% in October following the decline in energy prices. The Czech current account deficit has deteriorated in 2006 and may exceed 4% of GDP following 2% last year. The public deficit is also cause for concern. The planned deficit for 2006 is expected to exceed the previous target of 2.3% and **the deficit outlook for 2007 is much worse, possibly as high as 4% of GDP**, and austerity measures may be needed to prevent the date for accession to the Euro-zone from slipping beyond 2011.

Developing Countries

Slowdown in the USA probably will not affect Asian exports

Inflation is up in China due to rise in food prices

China's economy, the world's fourth largest, is forecast to continue to grow at around 9.5% in 2007, with fixed asset investment up 20% at $1.68 trillion in 2006, according to the National Bureau of Statistics (NBS). Our forecast is for 9.2% next year. As global trade is growing at a much faster rate than global GDP, Asian exports will most probably continue to rise despite the slowing down of the U.S. economy. In fact the Chinese economy has made huge advances in productivity in addition to the lower costs of goods and services it provides. Some expect China's exports to jump 15% in 2007, with the trade surplus expected to reach $177 billion, $30 billion more than in 2006. It is estimated that 58% of all imports into the USA come from US subsidiaries operating in China. Consumer inflation picked up in November according to the NBS due to a rise in food prices. The Bureau states that consumers prices were 1.3% up compared to the same period last year. Non-food prices were up by just 1% while annual food prices rose by 3.7% compared to 2.2% in October.

Mixed reactions in Asia to the recent depreciation of the dollar; acceleration of GDP growth in Brazil

The recent decline of the dollar has worried most Asian Central Banks. Some appear to have intervened in order to avoid rapid appreciation of their currencies like South Korea and Thailand. Japan, however, has not responded to the strengthening of the yen against the dollar.

The declining inflation has allowed Brazil Central Bank to cut interest rate by 50 basis points to 13.25% on November 29th. Lower inflation and the interest rate reduction campaign of 12 successive cuts have accelerated the GDP to 3.2% y-o-y in the third quarter from 1.2% in the second. The most active sectors were construction followed by the agriculture. Strong currency helped push imports higher by 20%, but exports were not deterred by the currency appreciation.

The Argentinean economy was successful in achieving the main objectives in 2006. The twin fiscal and external surpluses were maintained that emerged after the devaluation of the currency board in 2002 and which have increased the resilience of the Argentinean economy. The inflationary spiral which was gathering momentum at the end of 2005 was also checked through administrative measures and a shift towards a less expansionary monetary stance.

OPEC Member Countries

BIS reports OPEC and Russia cut exposure to dollar

Oil producing countries have cut their exposure to the US dollar to the lowest level in two years and moved into euros, yen and sterling, according to data from the Bank for International Settlements. Russia and OPEC Members have reduced their dollar holdings from 67% in the first quarter to 65% in the second. Meanwhile, they increased their holdings of euros from 20 to 22%, the BIS has stated.

The BIS, the central bank for the developed world's central banks, says that "while the data are not comprehensive, they do appear to indicate a modest shift over the quarter in the US dollar share of reporting banks' liabilities to oil exporting countries."

The Central Bank of Nigeria stated that Nigeria's GDP has risen by 7.5% in 2006 which is below the target of 10% set by the government at the beginning of the year. Inflation rate has fallen to 6.5% as a result of ongoing reforms.

Oil prices, the US dollar and inflation

Economic pessimism hits the dollar

Weaker economic data had a sharp effect on the dollar in November. Market participants feared that the downturn in the housing market and the auto industry might spread to the rest of the economy and depress growth in 2007. At the same time the performance of the Euro-zone has continued to improve and euro interest rates have been increased. In November the dollar fell by 2% against the euro, by 1.9% against the British pound, by 1.8% against the Swiss franc and by 1.1% versus the yen.

In November the OPEC Reference Basket rose to $55.42/b from $54.97/b in October. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 0.7% to $37.44/b from $37.7/b. The value of the dollar fell by 1.4% as measured by the import-weighted modified Geneva I +US dollar basket[*].

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

Crude Oil Price Movements

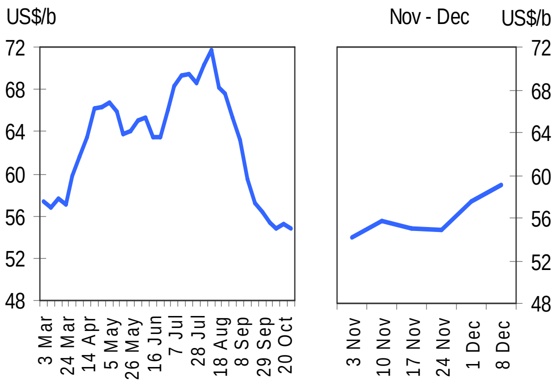
The market remained volatile in November, despite ample supply and the prospects of a further OPEC output cut

OPEC Reference Basket

The petroleum market began November on an upward note before the resumption of supply from Nigeria pushed the weekly Basket 1% or 60¢ lower to settle at $54.16/b. However, speculation regarding further OPEC supply cuts was outweighed by the forecast for warm weather amid healthy US crude oil stocks. Nonetheless, demand for winter fuels amid petroleum stock draws strengthened market sentiment. The second weekly Basket average rallied by nearly 3% or $1.58 to close at $55.74/b. Nevertheless, the market remained volatile as official data showed healthy OECD crude oil stock levels. The forecast for warm weather amid healthy winter fuel supply along with the weak economic outlook sent the third weekly average for the OPEC Basket to retreat 69¢ to close at $55.05/b. The downward trend eased in the fourth week as healthy fuel stocks outweighed a brief disruption in Alaska causing the Basket to slip a marginal 16¢. In the final week of the month, the bullish momentum gained strength on cold weather expectations, the weak US dollar and the prospect of a further OPEC output cut amid US petroleum stock draws, especially for winter fuels. The final weekly Basket average was up almost 5% or $2.70 to settle at $57.59/b. The upward trend furthered into early December as OPEC reined in output to balance market supply. However, forecast for warmer weather in the western hemisphere kept a cap on prices. The Basket closed 15 December at $58.39/b.

On a monthly basis, the Basket movement was volatile on speculative buying and winter fuel demand, yet healthy OECD crude oil stocks and initial forecasts for warm weather in North America amid healthy supply of winter fuels balanced market sentiment. Nevertheless, the upward trend resumed on pipeline outage in Alaska due to freezing weather, which supported the sour crude market, amid talks of OPEC cutting its output further in December. The monthly average rose a marginal 45¢ to close at $55.42/b

Graph 2: Weekly average Basket price, 2006

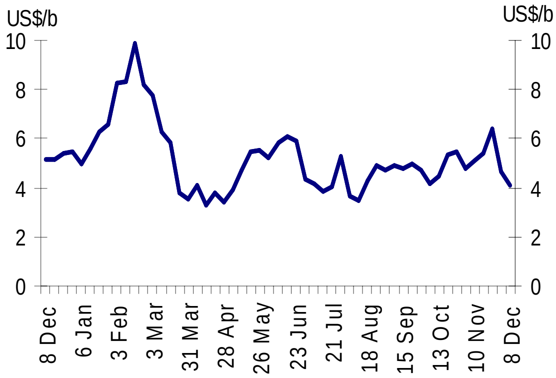


Winter demand for light-end products amid tight supply of light sweet grades widened the sweet/sour spread

US market

Cash crude in the US domestic market for light grades emerged on a stronger note. Tight supply of light crude at a time of refinery demand to produce winter fuels firmed price differentials. The WTI/WTS spread narrowed 70¢ to average $4.77/b in the first week. Nevertheless, a rise in US crude oil inventories amid lacklustre activities for sour grades widened the spread by 33¢ to $5.10/b in the second week. Nevertheless, in the third week, light sweet crude continued to improve supported by high prices for alternative imported crude. The WTI/WTS spread gained 32¢ to average $5.42/b. A draw on distillate stocks ahead of the long Thanksgiving holiday weekend pushed sour grade discounts further down amid the return of production from Alaska with the WTI/WTS spread widening 96¢ to $6.38/b. Forecast for a cold spell in the US northeastern region amid rising consumption for winter fuels and increasing demand for gasoline narrowed the sweet/sour spread. The WTI/WTS spread was $1.73 lower at $4.65/b, representing an eight-week low of $4.23/b. Nonetheless, demand for light-end products widened the monthly WTI/WTS spread by 58¢ to $5.41/b.

Graph 3: WTI spread to WTS

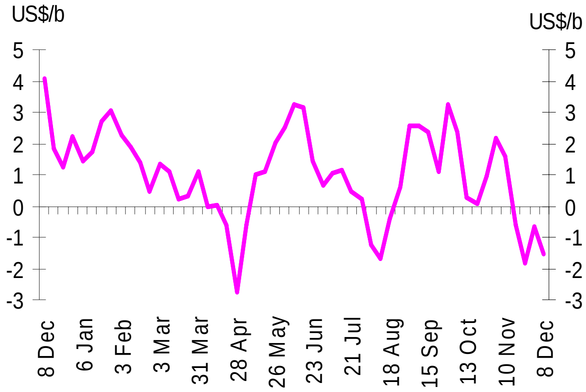


North Sea market

Tight supply of light sweet crude amid looming winter fuel demand contributed to firmer price differentials

The North Sea crude market began weak with unsold November cargoes amid the perception of soft December demand, although the threat of a North Sea drivers' strike kept volatility in place. Dated Brent's first weekly average closed $1.57 or 2.7% lower at $56.27/b. However, with the clearing of most prompt November barrels, the North Sea crude market strengthened. Despite a higher December loading programme, increased refinery demand amid tight supply of light sweet crude kept price differentials firm. Hefty draws on European distillate stocks lent further support to the market sentiment. The second weekly average for Brent was up $2 or 3.6% to settle at $58.28/b. Nevertheless, the bearish sentiment resumed on ample prompt supply and higher OPEC barrels in Europe. The weekly average for Dated Brent slipped a marginal 22¢ to $58.06/b. A buying spree for the first half of December lent support amid pre-winter supply disruption from North Sea oil fields. Yet, weak refining margins helped to cap prices. Brent's average for the fourth week was up a healthy 2.5% or $1.45 to close at $59.51/b. In the final week, the North Sea crude market emerged on continuation of weak refining margins, yet emerging winter fuel demand capped any further downward trend. Although Dated Brent closed higher by $3.13 or well over 5% at $62.64/b, differentials were under pressure amid high absolute prices. The monthly average for Brent in November was $1.48 or 2.6% higher than the previous month to stand at $57.72/b.

Graph 4: WTI premium to Dated Brent



Mediterranean market

Weak refining margins amid ample supply pressured the Urals crude market in the Mediterranean

The market in the Mediterranean had a weak start to the month amid poor refining margins for Urals crude with the weekly average spread under Brent widening 29¢ to $2.37/b. Nonetheless, the sentiment improved in the second week as the OPEC output cut began to show in the market. Higher demand for winter fuels amid improved refinery margins supported Urals crude. The weekly average discount under Brent narrowed 48¢ to $1.89/b, as Urals averaged $56.39/b, up $2.49 from the previous week amid tight supply. In the third week, an announcement by Transneft to expand capacity in the Baltic Pipeline System to 1.47 mb/d by the end of November kept market bearishness intact although shipment delays through the Bosporus Strait revived market strength. In the third week, the Brent/Urals spread widened 18¢ to $2.07/b, with the Urals average down to $55.99/b amid ample supply in December. Weak refining margins continued to pressure the Russian sour crude in the Mediterranean. The Urals discount to Brent doubled to $4.14/b with the fourth weekly average 62¢ lower at $55.37/b. An abundant supply of Urals crude in December enhanced the market's already weak sentiment. The Brent/Urals spread widened 32¢ to $4.46/b with the final weekly average for Urals at $58.18/b. The monthly average for Urals crude in November stood at $56.19/b, representing a gain of 60¢ over October with the spread under Brent some $3/b or 88¢ wider compared to the previous month.

Middle Eastern market

Winter fuel demand amid steady Middle East supply pressured the light sweet/heavy sour spreads

The market in the east saw increasing pressure from arbitrage of Western barrels amid a narrowing Brent/Dubai spread which averaged 44¢/b in the first week. Refiners refrained from further procurement while awaiting Mideast allocations following the Doha announcement. December Oman was sold at an 80¢/b discount to MOG. A cut in most retroactive prices and differentials supported market firmness in Asia. Oman crude improved with January on offer at parity, yet sold at a 15¢/b discount to MOG. Abu Dhabi Murban was assessed at a 10¢/b premium to ADNOC's OSP in the second week, with the Brent/Dubai spread more than doubling to 98¢/b. High December allocations from the Middle East amid weak refining margins placed strong downward pressure on the benchmark crude.

Nevertheless, a wider Brent/Dubai spread at $1.29/b, limiting the flow of western crude to Asia, supported market sentiment. January Oman was on offer at a 12¢/b discount to MOG while Abu Dhabi Murban was assessed near parity. Nevertheless, the expectation of higher refinery runs in China helped firm the market with kerosene-rich Abu Dhabi Murban crude reaching a high premium of 15¢/b to ADNOC's OSP, while Oman remained at steep discount of 28¢/b. In the fourth week, the Brent/Dubai spread averaged $3.62/b. In the final week, there was a draw on Japan's winter fuel stocks amid rising demand as the light sweet/heavy sour spread widened to $4.60/b. Dubai's monthly average stood at $56.77/b, an increase of 37¢ over the previous month, with the spread under Brent $1.11 narrower at $2.43/b.

Graph 5: Dated Brent spread to Dubai

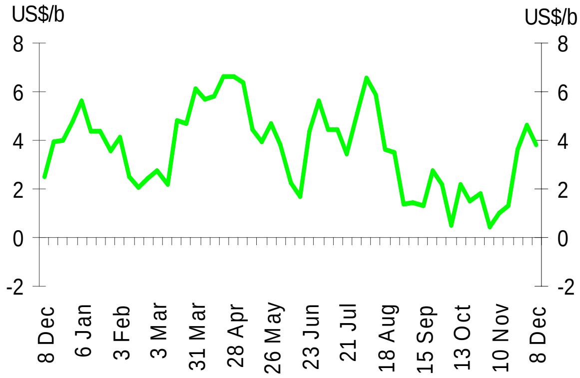


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Oct 06	Nov 06	Change Nov/Oct	Year-to-date average 2005	2006
OPEC Reference Basket	**54.97**	**55.42**	0.45	**50.54**	**61.34**
Arab Light	55.64	55.53	-0.12	50.05	61.39
Basrah Light	51.53	52.31	0.78	48.39	58.20
BCF-17	46.99	46.86	-0.13	40.47	52.30
Bonny Light	58.75	60.32	1.57	55.56	67.05
Es Sider	56.20	57.32	1.12	52.31	63.57
Iran Heavy	53.27	53.97	0.70	47.82	59.57
Kuwait Export	53.02	53.56	0.53	47.37	59.15
Marine	57.15	57.33	0.18	50.36	62.93
Minas	54.87	56.93	2.06	54.05	65.45
Murban	61.04	60.94	-0.10	53.99	66.31
Saharan Blend	58.55	59.77	1.22	54.45	66.26
Other Crudes					
Dubai	56.36	56.72	0.36	49.08	61.79
Isthmus	52.46	53.34	0.88	50.29	60.13
T.J. Light	48.05	51.63	3.58	46.09	55.09
Brent	57.80	58.92	1.12	54.30	65.40
W Texas Intermediate	58.82	58.94	0.12	56.32	66.38
Differentials					
WTI/Brent	1.03	0.02	-1.00	2.02	0.98
Brent/Dubai	1.44	2.20	0.76	5.22	6.25

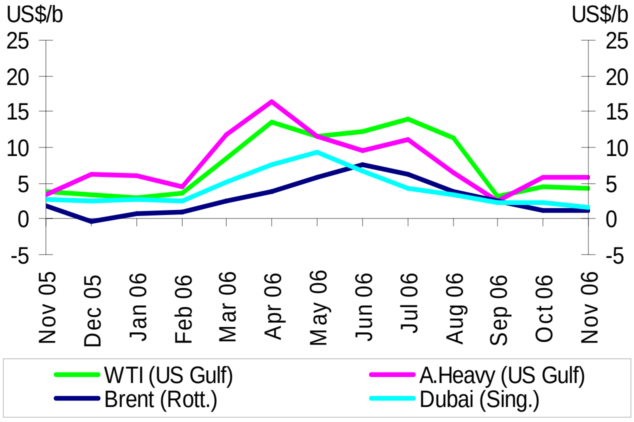
Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

Refinery margins have not yet bottomed up across the world

Unusually warm weather across the globe in November, along with higher crude costs, have overshadowed the positive impact of product stock draws and further undermined refinery margins across the board. As **Graph 6** shows, the refinery margin for benchmark Dubai crude in Singapore dropped to its lowest level this year to reach $1.57/b from $2.21/b in October. The same trend existed in the Atlantic Basin area. In Europe, the refinery margins for benchmark Brent crude oil in Rotterdam slipped to $1.14/b from $1.16/b in the previous month. In the US Gulf Coast, the refinery margin for the benchmark WTI crude fell to $4.20/b from $4.39/b in October. **The persisting low margins may continue over the next few months, as the slowing of US economic growth and warm weather weigh on the market and may not lend support to product prices and refinery margins. However, due to rising demand for middle and bottom of the barrel components over the next three months, refinery margins may improve slightly over this period and provide support for further crude demand.**

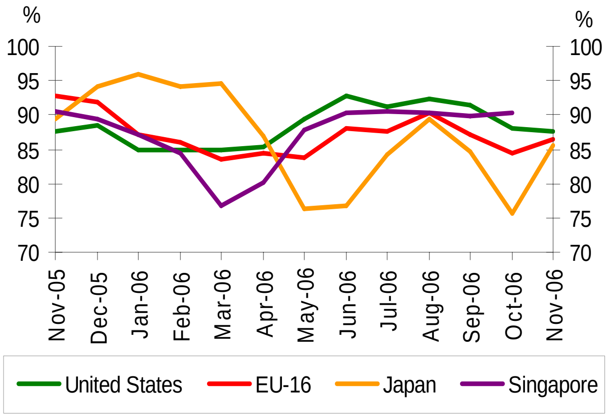
Graph 6: Refiners' margins



Refinery utilization rate rose in Asia and Atlantic Basin

Declining refinery margins over the last few months forced refiners to trim throughput levels in October, but the improving crack spread for clean products and draws on product stocks have encouraged refiners to raise throughput levels in November. **Despite recently increasing refinery throughputs, refinery utilization rates in Asia and Europe are still lower than the same period last year, although in the USA the level was almost the same.** As **Graph 7** demonstrates, the refinery utilization rate in Japan surged significantly in November to reach 85.6% from 75.7% in October, but was still almost 4% below the same period last year. In Europe, the utilization rate rose by 2% compared to the previous month but was nearly 6.5% below November 2005. In the USA, rates fell by 1.5% versus October to reach 87.6%. Although similar to the November 2005 level, refining utilization rates were still much lower than the historical level of around 93%.

Graph 7: Refinery utilization



US market

Product market sentiment in the USA remained muted in November

A combination of a short-term cold spell and refinery snags supported light product prices, but failed to switch product market sentiment significantly over the last few weeks. These developments along with higher demand for gasoline have raised gasoline prices and the crack spread against benchmark WTI crude since mid-November, but increasing refinery throughput and higher imports may erode its recent gain in the future.

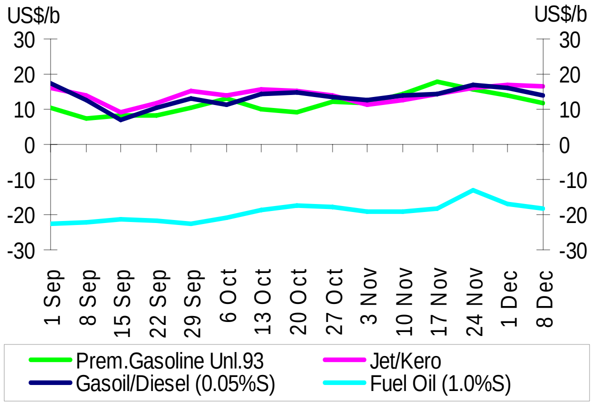
Stock-draws over the last few weeks helped middle distillate physical and futures markets to gain momentum, and the gasoil crack spread versus its corresponding benchmark WTI crude rose to about $16/b in late November from around $13.30/b in late October (*see Graph 8*). Given relatively comfortable stock levels and the re turn of refineries from maintenance as well as further available refinery capacity, the persisting situation in the distillate market is not expected to strengthen significantly over the next months to take the leadership of the physical and the futures market.

Unusually warm weather in Europe dampened heating oil demand

The refinery throughput level in Asia has improved compared to the previous month, but the bearish market sentiment has not yet changed

With regard to the bottom of the barrel complex, US market sentiment has not shifted yet and the performance of both the low-sulphur and the high-sulphur fuel oil market remained poor. According to the EIA, US fuel oil demand in November dropped by almost 360,000 b/d compared to the same period last year, which was attributed to higher gas substitution of utility plants.

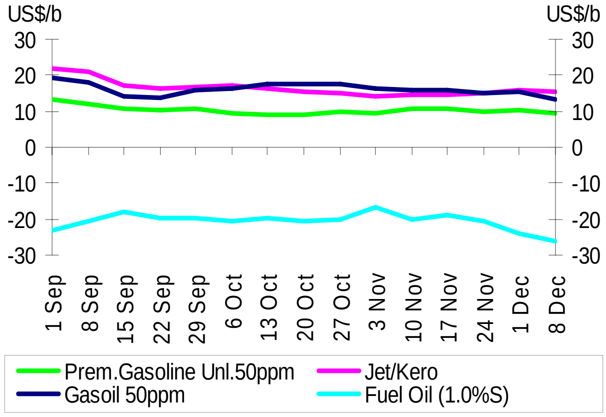
Graph 8: US Gulf crack spread vs. WTI



European market

The European product market has lost ground significantly since mid-August due to the lack of arbitrage opportunities for gasoline to the USA, and this has been exacerbated by poor export opportunities for fuel oil to Asia over the last two months. As is shown in **Graph 9**, the gasoline crack spread versus benchmark Brent crude has improved slightly in November compared to October, following more exports to the USA. However, given rising refinery output and low seasonal demand, the gasoline market situation is not expected to improve significantly in the near future.

Graph 9: Rotterdam crack spreads vs. Brent



Distillate stocks fell in November, but the mild weather has outweighed any impact on the heating oil market in the North-West Europe and capped the bullish development in distillate markets. However, market circumstances in the Mediterranean were slightly different, as stronger demand from east-Med helped the heating oil market. Meanwhile it is worth noting that the arrival of Asian gasoil in Europe, along with higher regional output, suggests that the European market will be well-supplied throughout the high demand season.

The European fuel oil market remained weak as well, due to the heavy export from the Baltic area and lack of export arbitrage opportunities to Asia. Cold weather in the coming months may lend some support to fuel oil prices, but fundamentally the European market is long on fuel, and the existing heavy discount to Brent crude will remain over the short term (*see **Graph 9***).

Asian market

Upon completion of cracker unit maintenance, the sentiment in the very light product market has changed, the crack spread of naphtha versus benchmark Dubai crude has widened compared to the previous month, and the persisting strength of the naphtha market may continue for the next few months. Despite bullish developments in the naphtha market, the gasoline market remained muted due to seasonal factors and higher exports from China, and the gasoline crack spread is not expected to rebound in the near future.

With regard to middle of the barrel components, the jet/kero prices were lifted recently, following the draw on kerosene stocks in Japan and higher Chinese jet/fuel demand. As Graph 10 shows, the jet/kero crack spread against Dubai crude surged to $19.14/b on 8 December from $15.77/b in early November. By increasing heating oil demand during winter, the present strength of the jet/kero spread may remain over the coming months. As far as the gasoil market is concerned, the Asian market still looks healthy, but compared to previous months has lost further ground, and the gasoil crack spread slipped to $15.32/b from around $20/b two months ago.

The Asian market sentiment for fuel oil has turned over the last few weeks as arbitrage cargoes from the west together with regional sluggish demand exerted downward pressure on the performance of fuel oil. These developments have caused the crack spread of high-sulphur fuel oil in Singapore to plummet to about minus $18.30/b in early December from minus $13.82/b in late October.

Graph 10: Singapore crack spreads vs. Dubai

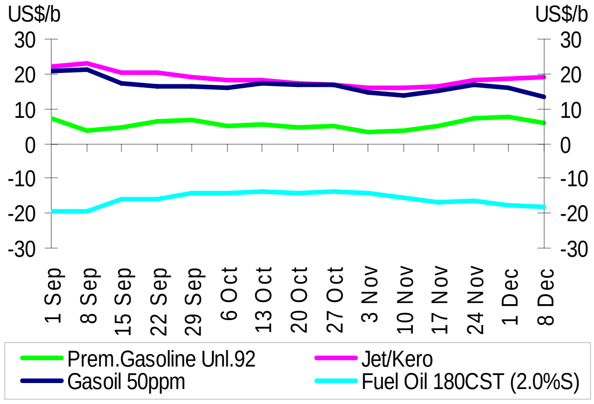


Table 2: Refined product prices, US$/b

		Sep 06	Oct 06	Nov 06	Change Nov/Oct
US Gulf (Cargoes):					
Naphtha		63.62	62.99	64.12	1.13
Premium gasoline	*(unleaded 93)*	72.4	69.94	74.03	4.09
Regular gasoline	*(unleaded 87)*	65.63	63.59	65.84	2.25
Jet/Kerosene		76.29	73.18	73.23	0.05
Gasoil	*(0.05% S)*	74.81	72.16	73.74	1.58
Fuel oil	*(1.0% S)*	42.71	40.76	44.56	3.80
Fuel oil	*(3.0% S)*	41.79	40.26	39.60	-0.66
Rotterdam (Barges FoB):					
Naphtha		68.51	66.51	67.4	0.89
Premium gasoline	*(unleaded 50 ppm)*	72.69	67.12	69.11	1.99
Premium gasoline	*(unleaded 95)*	64.8	59.92	61.52	1.60
Jet/Kerosene		79.71	73.68	73.81	0.13
Gasoil/Diesel	*(50 ppm)*	77.31	74.92	74.53	-0.39
Fuel oil	*(1.0% S)*	42.04	37.91	38.69	0.78
Fuel oil	*(3.5% S)*	40.67	39.25	38.7	-0.55
Mediterranean (Cargoes):					
Naphtha		56.94	55.46	56.16	0.70
Premium gasoline	*(50 ppm)*	71.74	67.91	70.33	2.42
Jet/Kerosene		77.73	72.53	72.33	-0.20
Gasoil/Diesel	*(50 ppm)*	77.33	73.68	74.31	0.63
Fuel oil	*(1.0% S)*	40.94	38.41	38.29	-0.12
Fuel oil	*(3.5% S)*	39.72	37.96	37.49	-0.47
Singapore (Cargoes):					
Naphtha		57.32	56.03	56.03	57.66
Premium gasoline	*(unleaded 95)*	65.86	61.83	61.83	62.89
Regular gasoline	*(unleaded 92)*	65.18	61.21	61.21	62.14
Jet/Kerosene		80.55	74.02	74.02	73.63
Gasoil/Diesel	*(50 ppm)*	77.75	73.12	73.12	72.04
Fuel oil	*(180 cst 2.0% S)*	43.25	42.46	42.46	40.53
Fuel oil	*(380 cst 3.5% S)*	42.24	42.4	42.4	39.84

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Sep 06	Oct 06	Nov 06	Nov/Oct	Sep 06	Oct 06	Nov 06	Nov/Oct
USA	15.67	15.09	15.00	-0.09	91.5	88.1	87.6	-0.50
France	1.85 R	1.67 R	1.76	0.09	93.6 R	84.5 R	89.1	4.60
Germany	2.14	2.14 R	2.36	0.22	88.2	88.3 R	97.2	8.90
Italy	1.92	1.84 R	1.90	0.06	82.7	79.0 R	81.7	2.70
UK	1.58	1.44 R	1.58	0.14	84.3	76.5 R	84.3	7.80
Eur-16	12.31 R	11.94 R	12.22	0.28	87.2 R	84.5 R	86.5	2.00
Japan	3.96	3.54	4.00	0.46	84.7	75.7	85.6	9.90

R *Revised since last issue.*

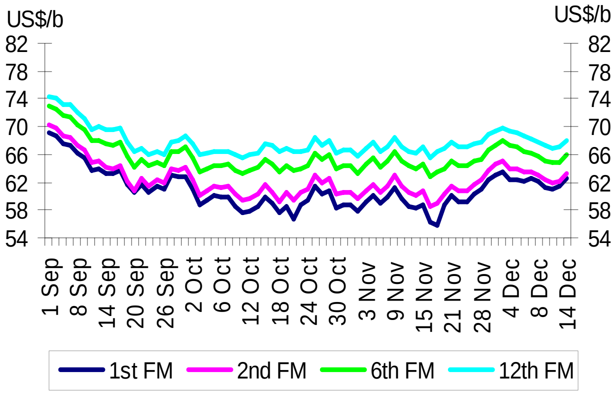
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Oil Futures Market

Net positions reversed into longs amid oil supply concerns

The futures market emerged on a weaker note amid the resumption of supply from Nigeria as Shell revamped 47,000 b/d and as winter fuel stocks far exceeded the previous year. Nonetheless, potential supply disruptions from Nigeria and a bomb threat to BP's 420,000 b/d refinery in Indiana triggered some bullish momentum. For the first weekly period, the CFTC reported that non-commercials increased long positions at a much faster rate than shorts causing short positions to drop some 6,500 lots to 4,800 contracts. Open interest volume saw a marginal increase of 2,200 lots to 1,160,800 contracts. With options included, open interest volume rose some 5,000 contracts to 2,048,000. Although the weekly average was down, Nymex WTI closed the first weekly period 20¢ higher at $58.93/b.

Graph 11: Nymex WTI futures prices, 2006

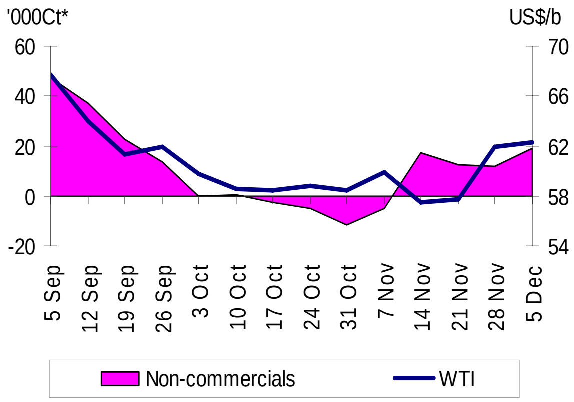


FM = future month

In the second weekly period, forecast for warmer weather amid healthy IEA stock levels triggered bearishness in the marketplace. Net non-commercial contract volume rose by a significant 22,150 lots amid a hefty drop in the short positions. Net positions flipped back into net longs at 17,300 lots after an absence of four weeks. Moreover, open interest peaked to a record-high of 1,220,500 contracts. In contrast, with options included, open interest fell a significant 173,600 lots to 1,874,400. Nymex WTI closed the weekly period down 65¢ at $58.28/b, while the weekly average was up 55¢ to 59.49/b.

In the third weekly period, concern over the economic outlook amid continued warm weather triggered fund liquidations. Although Nymex WTI closed the week $1.89 higher at $60.17/b amid the emergence of the new front month and cold weather disrupted oil shipments in Alaska, the weekly average was down by $1.53 or over 2.5% to settle at $57.96/b. The CFTC reported that short positions were up by 4,600 lots while the longs were down a marginal 300 lots implying a 4,900 lot drop in net positions to stand at 12,400 contracts net long. Open interest was down a considerable 67,600 lots to 1,152,900, yet when options were included, open interest was down by some 20,400 lots to 1,854,000.

Graph 12: Non-commercial net long positions vs WTI, 2006



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

In the fourth weekly period, a sudden change in the forecast for below-normal temperatures in the USA, the prospect of a further OPEC output cut on the horizon amid a weakening of the US dollar against major currencies helped Nymex WTI to gain $2.22 to stand at $60.18/b for the week. Non-commercial volumes rose with shorts outpacing the gain in longs, making the net change for a drop of a marginal 600 lots to net longs of 11,800 contracts. However, open interest inflated by nearly 20,000 to reach 1,172,500 lots and with options included, rose by nearly 33,300 lots to 1,887,300.

In monthly terms, Nymex WTI averaged $63.13/b, representing a gain of 26¢. The CFTC non-commercial weekly average of net positions was 9,200 lots long compared to the previous month of some 3,700 lots net short. Compared to last year, net positions increased by a significant

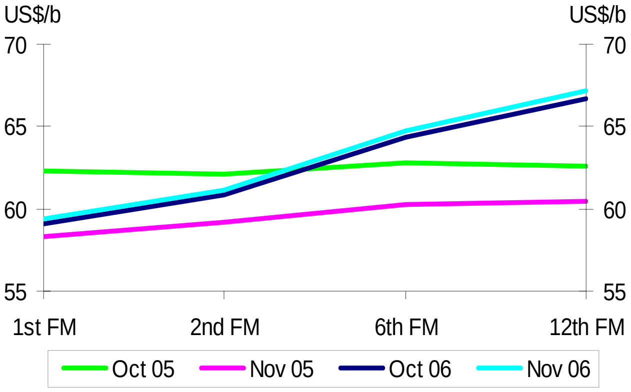
55,800 lots to average some 46,600 lots net short. Open interest averaged 7,500 lots higher at 1,176,700, or 348,600 contracts over the same period last year. Including options, monthly average was almost 1,916,000 lots, down nearly 124,000 contracts from October, but 433,000 lots higher than last year.

The Forward Structure

The contango structure continued at a wider base amid healthy US crude oil stocks

The contango continued running into the second year this month with the average contango spread for the 1st/2nd month having more than doubled since last year, at \$1.78/b, and 9¢ wider than the previous month. The 1st/6th month spread in November was \$5.37 with 1st/12th and 18th at \$7.75 and \$8.66/b, representing an expansion of 12¢, 20¢ and 26¢/b respectively. US crude oil stocks averaged some 5 mb higher for the month at 338 mb, a gain of some 17 mb over the same period last year.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures fell 0.65 mb/d in November to reach the lowest level so far this year

In November, global spot fixtures fell an estimated 1.25 mb/d or 6%, OPEC's share out of the estimated decline stood at 0.65 mb/d bringing OPEC spot fixtures to 11.88 mb/d, the lowest level so far this year. Compared to a year earlier, OPEC spot fixtures showed a decline of 1.8 mb/d or 13% in November. The OPEC cut as well as weak demand were the main factors behind the fall in spot fixtures. Non-OPEC spot fixtures shared almost half of the decline, falling around 0.6 mb/d or 8%.

OPEC sailings dropped 1.08 mb/d to 22.92 mb/d, the lowest level since August 2004 with a y-o-y decline of around 3%. Middle East sailings declined 0.65 mb/d to stand at 17.19 mb/d, the lowest level since January. Preliminary data for November indicates that US Gulf and East Coast and Caribbean arrivals fell 0.85 mb/d to stand at 9.15 mb/d, the lowest level since September 2005. Likewise, estimated arrivals for North-West Europe and Euro-Mediterranean regions experienced a decline of 0.43 and 0.27 mb/d, respectively.

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

	Sep 06	Oct 06	Nov 06	Change Nov/Oct
Spot Chartering				
All areas	18.17	19.75	18.51	-1.25
OPEC	12.08	12.52	11.88	-0.65
Middle East/east	5.42	4.63	4.57	-0.06
Middle East/west	1.40	1.61	1.20	-0.42
Sailings				
OPEC	23.54	24.00	22.92	-1.08
Middle East	17.94	17.83	17.19	-0.65
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.32	10.00	9.15	-0.85
North West Europe	7.21	7.65	7.22	-0.43
Euromed	4.36	4.77	4.51	-0.27
Japan	4.01	3.71	4.29	0.59

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

Crude freight rates fell on all major shipping routes in November with Aframax and Suezmax contributing to the main decline

The crude oil tanker market weakened on almost all of its major routes in November, at the time rates were expected to increase. Both the Suezmax and Aframax sectors came under pressure in November while the VLCC sector lost further ground, with declines ranging from 44% to 9% of world scale rates. VLCCs trading on the Middle East/eastbound long-haul route fell 12 points to average WS72, the second lowest rate after April. The decline of around 15% for the Middle East/eastbound long-haul route is attributed to tanker oversupply as well as the OPEC cut and weak demand. Likewise, VLCC trading rates on the Middle East/westbound route fell 10 points to average WS68, a level not seen at this time of the year since 2002. The loss in the westbound route from the Middle East represents a 13% drop, mainly due to high stock levels. Additionally, the impact of mild weather in the northeast, coupled with the OPEC cut and the decrease of oil-in-transit, all played a role in affecting the freight rates. Compared to a year earlier, current rates for VLCCs were down by 115 points on the east and 74 points on the west.

The Suezmax sector showed a mixed pattern during the month but averaged around 35 points lower on the world scale. Suezmax trading on the route to the USA saw a gain at the beginning of November before coming under pressure at the middle of the month, and then finally picking up again at the end of November. The West Africa/US Gulf Coast route lost 34 points to average WS122 and the North-West Europe/US East–US Gulf Coast route fell 36 points to average WS111. Different factors affected the Suezmax market in both upward and downward directions, among them tonnage availability and, freight rates for other tanker categories which encouraged charters to either split or join lift volumes. Also, the factors impacting the VLCC sector played a role in the 22% and 24% drop in rates in both West Africa and NW Europe to the US routes.

Table 5: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Sep 06	Oct 06	Nov 06	Change Nov/Oct
Crude					
Middle East/east	230-280	124	85	72	-12
Middle East/west	270-285	97	77	68	-10
West Africa/US Gulf Coast	130-135	140	156	122	-34
NW Europe/USEC - USGC	130-135	143	147	111	-36
Indonesia/US West Coast	80-85	234	180	163	-17
Caribbean/US East Coast	50-55	172	240	215	-25
Mediterranean/Mediterranean	80-85	144	199	112	-87
Mediterranean/North-West Europe	80-85	142	194	110	-84
Products					
Middle East/east	30-35	259	191	156	-35
Singapore/east	30-35	327	221	168	-52
Caribbean/US Gulf Coast	38-40	266	260	229	-31
NW Europe/USEC - USGC	33-37	225	223	208	-14
Mediterranean/Mediterranean	30-35	231	215	221	6
Mediterranean/North-West Europe	30-35	241	224	231	7

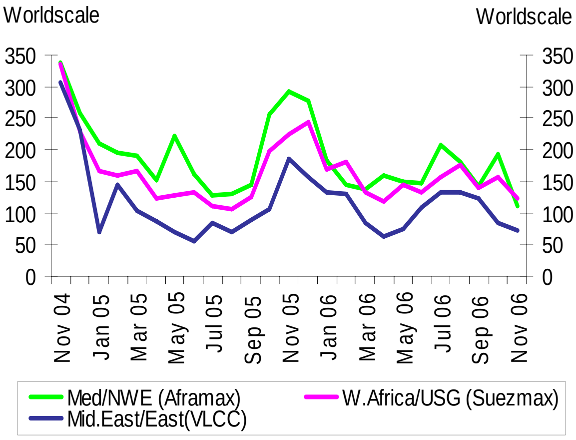
Source: Galbraith's Tanker Market Report and others.

Clean markets followed the decline trend except in Mediterranean which saw a minor increase in November

The Aframax tanker market showed a similar downward movement with rates for Caribbean/US East Coast and inter-Mediterranean and to the North-West Europe all experiencing a continuous declining trend throughout November while Indonesia/US West Coast maintained a relatively steady level, averaging WS163. The biggest drop in the Aframax sector came for the inter-Mediterranean route, which saw a loss of 87 points averaging WS112. Aframax trading in Mediterranean/NW Europe route fell 84 points to average WS110 with the surplus of tankers and the weak shipping demand as the major factors behind the drop in the Mediterranean. Similarly, a lack of activities, especially during the Thanksgiving holiday period, as well as tanker over-supply and other demand-related issues brought the Caribbean/US East Coast rates to average WS215 with a drop of around 10% or 25 points.

In the product markets, freight rates showed a mixed pattern with almost all the routes continuing the downward movement except for the Mediterranean routes which enjoyed a slight increase. Freight rates for 30,000-35,000 dwt tankers moving from the Middle East to the east lost 35 points to average WS156. Weak oil product demand, high stocks levels, mild winter in Northeast Asia and increased naphtha exports from India contributed to the steady decline in freight rates to the east. The drop represents a y-o-y loss of 61%. Rates for tankers of 30,000-35,000 dwt size trading on Singapore/east route fell 52 points or 24% to average WS168.

Graph 14: Monthly averages of crude oil spot freight rates



In the west, North-West Europe/US East Coast-US Gulf Coast freight rates fell 14 points to average WS208, November saw a mixed movement for rates on this route with levels starting low but picking-up at the end of the month, enticed by the opening of arbitrage opportunities. Caribbean/US Gulf Coast freight rates experienced a decline of 31 points to average WS229, representing a y-o-y loss of 31%.

The Mediterranean, the only region where freight rates saw some improvement, rates for 30,000-35,000 dwt tankers moving within the Mediterranean and between Mediterranean/NW Europe averaged WS221 and WS231, respectively. The rates came under pressure at the end of the month yet the November average still managed gains of around 6 points or 3%.

World Oil Demand

World oil demand in 2005

World oil demand in 2005 is expected to average 83.3 mb/d, representing growth of 1.0 mb/d, unchanged from the last *MOMR*.

World oil demand in 2006

World oil demand for 2006 expected to grow by 1.2% to average 84.3 mb/d

World oil demand growth for 2006 is forecast to grow at a modest rate of 1.0 mb/d or 1.2%, broadly unchanged from the last *MOMR*. World oil demand is still following a normal fourth-quarter upward cycle and this should continue until year-end. Stable oil prices have helped oil demand worldwide; however, warm November weather is slowing normal world oil demand growth at this time of year. November oil demand growth is mainly due to Developing Countries and to some degree to the USA.

Table 6: World oil demand forecast for 2006, mb/d

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.50	25.12	25.10	25.54	26.05	25.45	-0.05	-0.18
Western Europe	15.51	15.77	15.03	15.41	15.76	15.49	-0.02	-0.11
OECD Pacific	8.59	9.30	7.87	7.90	8.76	8.45	-0.14	-1.58
Total OECD	**49.60**	**50.19**	**47.99**	**48.84**	**50.57**	**49.40**	**-0.20**	**-0.40**
Other Asia	8.67	8.73	8.95	8.59	8.78	8.76	0.09	1.05
Latin America	5.06	4.99	5.15	5.28	5.22	5.16	0.09	1.87
Middle East	5.82	6.04	6.12	6.32	6.14	6.16	0.34	5.85
Africa	2.89	2.96	2.95	2.91	2.98	2.95	0.06	2.13
Total DCs	**22.44**	**22.72**	**23.16**	**23.10**	**23.12**	**23.03**	**0.59**	**2.62**
FSU	3.82	3.69	3.56	3.83	4.03	3.78	-0.04	-1.02
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	0.02	2.36
China	6.54	7.09	7.34	7.21	6.99	7.16	0.62	9.44
Total "Other Regions"	**11.24**	**11.75**	**11.80**	**11.92**	**11.90**	**11.84**	**0.60**	**5.33**
Total world	**83.28**	**84.66**	**82.96**	**83.86**	**85.60**	**84.27**	**0.99**	**1.18**
Previous estimate	83.28	84.61	82.97	83.84	85.60	84.26	0.98	1.17
Revision	0.00	0.05	-0.01	0.01	-0.01	0.01	0.01	0.01

Totals may not add due to independent rounding.

Estimated regional oil demand, year-to-date
OECD

North America’s oil demand is maintaining its upward seasonal cycle. According to the EIA weekly, US oil demand grew by 0.36 mb/d or 1.8% y-o-y in November, which was only one third of the October oil demand growth of 1.1 mb/d. The late arrival of cold weather in the USA had a negative effect on oil consumption, especially fuel oil.

OECD Europe

The warm November weather weakened oil demand in Europe pushing oil demand growth into the negative. Germany’s crude imports have been 1.8% lower so far this year than in the same period last year, although current energy costs have been inflated by one third. Furthermore, the high utilization of nuclear power plants along with the fuel switching has affected oil demand in Europe negatively. OECD Europe y-o-y third-quarter demand is estimated to decline by 0.16 mb/d.

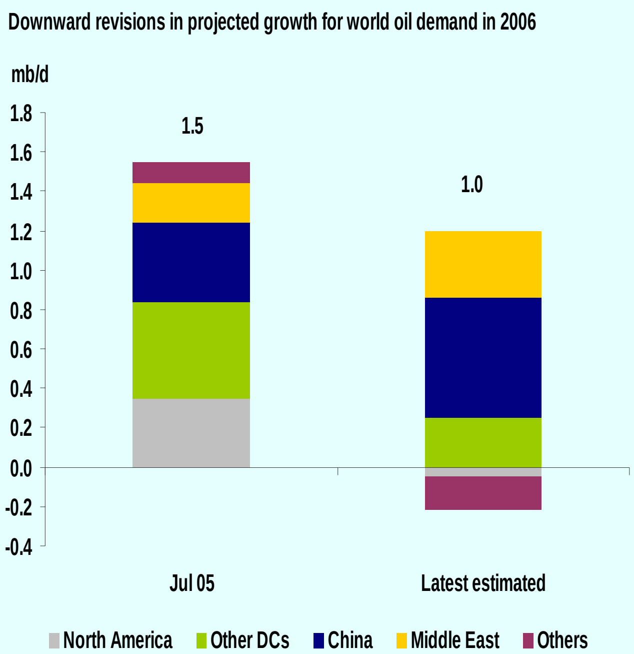
OECD Pacific

The normal fourth-quarter high demand cycle has increased South Korea’s oil demand by 7% in October y-o-y. Although the winter temperatures are above normal, the increase in oil demand is attributed to preparations ahead of winter. Contrary to South Korea, Japan’s oil demand fell by 6.5% in October y-o-y. High utilization of Japanese nuclear power plants reduced the sales of fuel oil by 16% in October y-o-y. Due to the unexpected low consumption of fuel oil and transport fuel, the **third-quarter y-o-y oil demand growth for OECD Pacific was revised down by 80,000 b/d**. In total, **the OECD countries’ y-o-y third-quarter oil demand growth was revised down by 0.1 mb/d to show a decline of 0.38 mb/d.**

Year 2006: Review of oil demand

- To some degree, the impact of high oil prices is contributing to a slowing in demand, mainly in the Developed Countries. The positive economic outlook was widespread among all regions in 2006. GDP growth rates have been revised up in the OECD as well as in the non-OECD countries. China's economic growth for 2006 has been robust with the country enjoying an annual growth rate of 10.4%; Developing Countries' GDP is estimated at a healthy 5.9% growth.

- Due to the strong decline in OECD oil demand, the world oil demand growth in 2006 has been revised down by 0.5 mb/d from the initial forecast of 1.5 mb/d. Non-OECD countries account for 100% of world oil growth this year.



OECD

- A warm winter in the northern hemisphere affected oil demand negatively especially in North America. US oil demand lost its momentum mainly due to the warmer weather, while higher oil prices further dented demand. The fact that higher prices for oil and moderate prices for natural gas encouraged power generation plants to substitute oil with gas is considered one of the main factors behind the sluggish US oil demand in the first half of 2006. Because of this fuel switching, US fuel oil consumption is estimated to decline by 25% y-o-y. In addition, the summer driving season in the USA was not strong, resulting in below average transport fuel demand. Motor gasoline, which represents the bulk of the energy consumed in the USA, is estimated to only grow by 1% this year as opposed to normal annual growth of 1.6%. Lower oil prices in the fourth quarter are expected to moderately help oil demand in North America; however, slowing economic activities in the USA appear to be curbing oil usage in the fourth quarter. Nevertheless, oil demand is expected to follow the typical cyclical winter pattern to be somewhat stronger than the first three quarters, reaching more than 1.0 and 0.36 mb/d growth in October and November respectively. Expected oil demand growth in the fourth quarter will not be sufficient to offset the overall decline in demand. As a result, oil demand growth in North America was revised down in 2006.

- In other OECD countries, economic indicators showed strong growth and Europe experienced colder weather, but oil demand figures remained disappointing, which was attributed to a certain degree to the high oil prices and the warm winter in the Pacific. Low economic activities and weaker automotive fuel consumption in the summer resulted in lower oil demand figures in the second and third quarters of 2006. In total, as a result of the large downward impact of North America, OECD oil demand in 2006 was revised down by 0.66 mb/d.

Developing Countries

- Developing Countries account for 100% of the 2006 world oil demand growth, with the Middle East and China contributing the lion's share at 97%. Higher oil prices and the removal of fuel subsidies depressed oil demand, especially in South-East Asia. India's oil demand started the year with disappointing growth in the first quarter but bounced back to reach more than 5.5% growth in the second quarter. However, due to the increase in domestic petroleum product prices, substantial fuel switching to gas among power plants, subsidized rail transport for cargo and subsidized electricity to farmers, Indian oil demand is expected to grow moderately to achieve only 2.4% growth in 2006. Other Asia region economic activities, showing GDP growth of 5.8%, have had to some degree a positive effect on oil demand this year. Affected by the moderate oil demand growth in India and the removal of price subsidies, Other Asia y-o-y oil demand growth was revised down during the year by 0.2 mb/d to average 8.8 mb/d in 2006. In contrast, the Middle East economy remained robust economy leading to unexpected strong oil demand growth in 2006. As a result of the region's strong economies and automotive fuel subsidies, Middle East oil demand growth was revised up by 0.14 mb/d to average 6.16 mb/d in 2006. Led by the strong oil demand growth of the Middle East, total oil demand in the Developing Countries accounts for 60% of the total world oil demand growth in 2006.

Other Regions

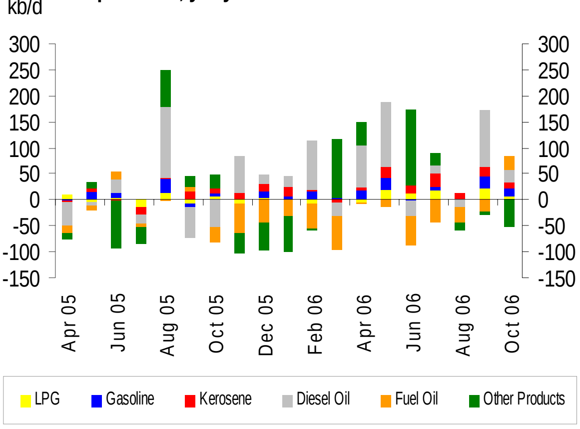
- China's healthy economy has been growing at a rate of 10.4% in 2006, leading to higher oil consumption. All supporting energy drivers such as industrial production, in-land cargo, agriculture, construction and passenger transportation have shown healthy growth pushing oil demand up further. The improvement of electric generating capacity moderated the demand for small diesel-powered generators; hence, the unusually strong demand for diesel seen in 2004 was not expected to be repeated in 2006. China raised its gasoline, gasoil and jet fuel prices twice this year. Unlike the first price hike of 3-5%, the second increase exceeded 10%. The price rise came as a result of high world oil prices. The hot summer put pressure on electricity demand which strengthened fuel oil consumption, resulting in a double-digit growth. The development of the rural areas, along with the agricultural season, further supported oil demand growth.

- China's new strategic oil storage facility in the capacity of 32.7 mb is officially ready and the filling process commenced this year. The filling process is based on the oil price level. The Chinese are utilizing lower oil prices as much as possible. The filling of the strategic oil storage has unexpectedly affected China's apparent oil demand positively. China's new car sales are estimated to exceed five million cars this year. This large growth in vehicle numbers in China has fueled transport fuel demand. Hence, China's oil demand is exceeding expectations in the second half of 2006. China's energy strategy emphasizes energy savings and efficiency, however, China has found that achieving its planned energy conservation goal of reducing energy consumption by 4% in 2006 to be harder than expected. Furthermore, China is pushing its biofuel programme with ambitious plans to increase production by an average of 40% annually. However, China's development of coal-to-liquid (CTL) has not been advancing as predicted. The project faces large risks and depends on governmental subsidies. If oil prices remain at current levels, the CTL may replace a little more than 1% of China's gasoline demand by 2010. As a result of the above factors, China's oil demand growth was revised up during the second half of the year by more than 0.22 mb/d to average at 7.16 mb/d.

Developing Countries

Other Asia's economic activities have turned out to be strong as expected with an average estimated GDP for 2006 of 5.8%. Lower oil prices are affecting some Asian countries' oil consumption; India lowered its retail petroleum product prices in late November. Gasoline and diesel prices have been slashed by 4.25% and 3% respectively. October y-o-y Indian oil demand showed a modest growth of 1.3% to average 2.5 mb/d. India's ten-month y-o-y oil demand growth reached 2.3% to average 2.6 mb/d.

Graph 16: Changes in Indian product demand by major products, y-o-y



Strong oil demand growth in Middle Eastern countries has turned out as expected. **Third-quarter oil demand growth is estimated at 0.3 mb/d y-o-y to average 6.3 mb/d for the Middle East.**

For total Developing Countries, third-quarter demand came as expected, growing by 0.5 mb/d y-o-y to average 23.1 mb/d.

Table 7: Indian growth of total requirements by component, kb/d

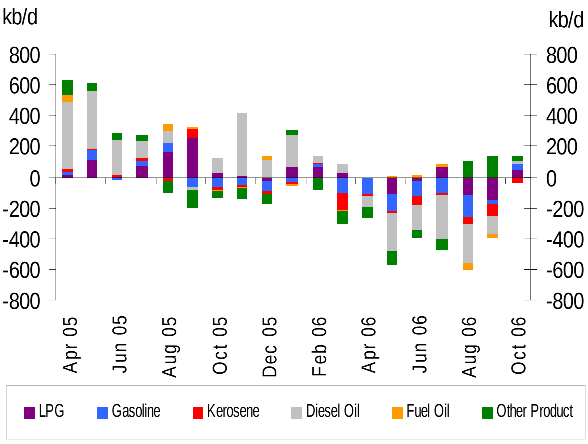
	Oct 06	Sep 06	Jan - Oct 06	Difference to Jan - Oct 05	%
LPG	338	339	327	7	2.1
Motor Gasoline	209	212	210	11	5.7
Jet Kero	282	299	280	12	4.6
Gas Diesel Oil	843	859	896	40	4.6
Residual Fuel Oil	367	348	329	-29	-8.0
Other Products	418	515	565	18	3.3
Total Oil Demand	**2,457**	**2,572**	**2,607**	**59**	**2.3**

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

Other Regions

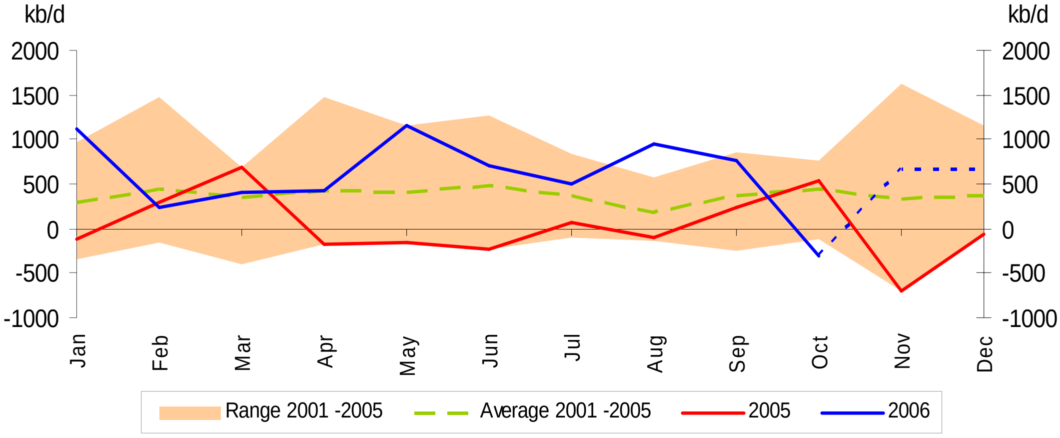
China's government plans to curb oil consumption this year has had little or no effect on total oil demand. As a result of the booming Chinese economy, oil demand growth for the third quarter exceeded expectations. Holiday travel and winter heating oil have pushed oil demand even higher late this autumn. Early in the year, strong economic activities, booming new car sales, above-normal summer heat, massive agricultural activities, and the huge governmental plans to develop the rural area pushed oil demand to a record-high this year to reach 9.4% growth. **As a result of the preparation for winter heating oil and holiday travels, China's third-quarter demand was revised up by 0.2 mb/d to show growth of 0.78 mb/d y-o-y.** As has been seen in the western hemisphere, China is gearing up to subsidize the bio-fuel industry via direct subsidies and tax breaks.

Graph 17: Changes in Chinese oil products



China's active economy kept oil demand growth on the rise. However, as far as apparent oil demand is concerned, the month of October showed negative growth in comparison to the same month last year. As for petroleum products, due to the high travel activities, jet fuel demand rose to a record-high of 23% in October. Chinese hydropower plant output decreased by 8% last month due to the drought affecting some of China's regions. However, this deficiency is expected to be met by coal or natural gas rather than oil. Cumulatively, the first ten months apparent demand grew by 10% y-o-y. Furthermore, crude imports grew by more than 15% for the same period, some of which is attributable to the late expansion of the refining business in China.

Graph 18: Changes in Chinese Apparent Oil Demand, y-o-y



Forecast regional demand in 2006

OECD

Stable oil prices are expected to moderately help oil demand in North America; however, warm weather in the fourth quarter along with the slowing economic activities has curbed oil demand growth. Nevertheless, oil demand is still expected to follow the winter cyclical pattern to be somewhat stronger than in the first three quarters. The y-o-y fourth quarter has been revised up by 0.1 mb/d accordingly. The expected oil demand growth is not anticipated to offset the total year demand decline. **North America's oil demand is forecast to decline by 50,000 b/d y-o-y to average 25.4 mb/d in 2006.**

Furthermore, as a result of the warmer-than-expected fourth-quarter weather in both the OECD Europe and Pacific regions, the y-o-y oil demand changes have been moderately revised down for the fourth quarter. **In total, OECD countries oil demand is estimated to decline by 0.2 mb/d to average 49.4 mb/d in 2006.**

Table 8: First and second quarter world oil demand comparison for 2006, mb/d

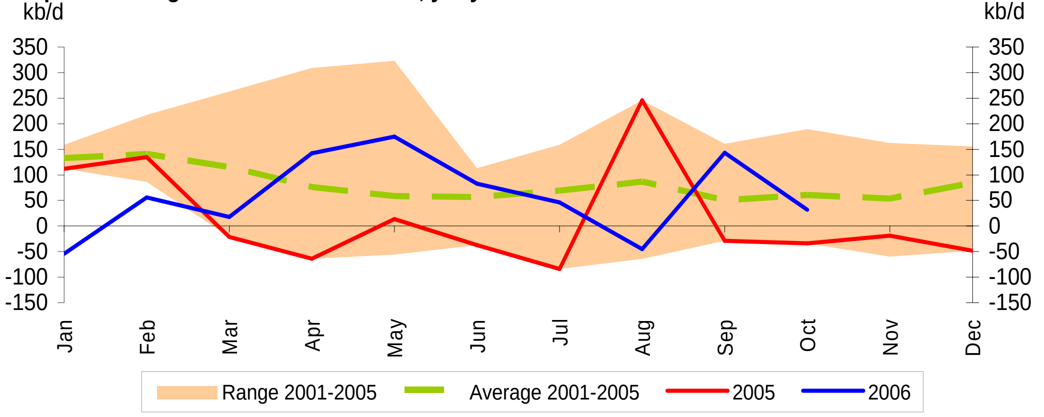
			Change 2006/05				Change 2006/05	
	1Q05	1Q06	Volume	%	2Q05	2Q06	Volume	%
North America	25.62	25.12	-0.49	-1.93	25.33	25.10	-0.23	-0.91
Western Europe	15.62	15.77	0.15	0.99	15.17	15.03	-0.14	-0.90
OECD Pacific	9.45	9.30	-0.15	-1.55	8.06	7.87	-0.19	-2.41
Total OECD	**50.68**	**50.19**	**-0.49**	**-0.96**	**48.56**	**47.99**	**-0.56**	**-1.16**
Other Asia	8.71	8.73	0.02	0.28	8.83	8.95	0.12	1.32
Latin America	4.89	4.99	0.10	2.04	5.07	5.15	0.08	1.52
Middle East	5.66	6.04	0.38	6.71	5.78	6.12	0.33	5.74
Africa	2.89	2.96	0.06	2.25	2.88	2.95	0.07	2.34
Total DCs	**22.15**	**22.72**	**0.57**	**2.57**	**22.57**	**23.16**	**0.59**	**2.63**
FSU	3.87	3.69	-0.18	-4.68	3.70	3.56	-0.14	-3.70
Other Europe	0.94	0.97	0.03	2.91	0.88	0.90	0.02	2.12
China	6.51	7.09	0.58	8.91	6.58	7.34	0.77	11.64
Total "Other Regions"	**11.32**	**11.75**	**0.43**	**3.77**	**11.15**	**11.80**	**0.65**	**5.81**
Total world	**84.15**	**84.66**	**0.51**	**0.60**	**82.28**	**82.96**	**0.68**	**0.83**

Totals may not add due to independent rounding.

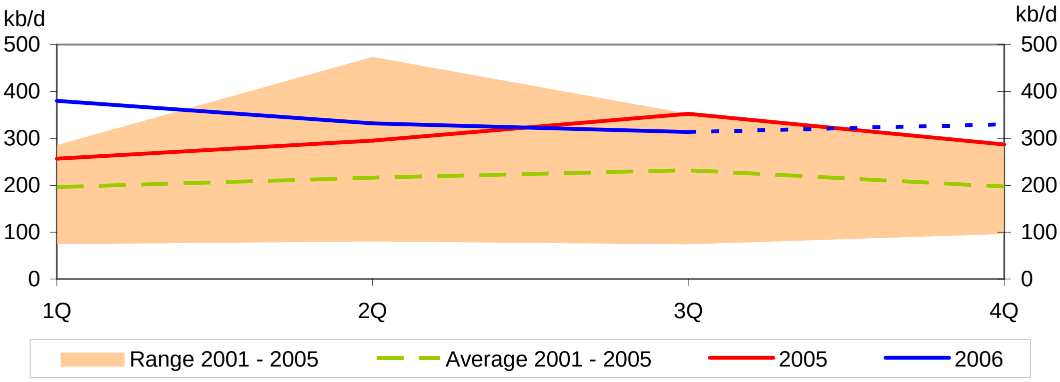
Developing Countries

The Indian economy kept its robust growth of 8.2% although it is not expected that total oil demand growth will exceed 2.4% for the year 2006. However, oil demand in the Middle East is expected to reach a high of 5.85% in 2006. **The 2006 oil demand growth in Developing Countries is expected to reach 0.6 mb/d to average 23.0 mb/d**.

Graph 19: Changes in Indian oil demand, y-o-y



Graph 20: Changes in Middle East oil demand, y-o-y



Other Regions

China's strong November oil imports reached a growth of 25% y-o-y. There is no seasonality that may drastically affect petroleum product demand in the fourth quarter; however, the filling of the newly-constructed strategic oil storage may play a major role in China's fourth-quarter oil demand fluctuation. China's **fourth-quarter oil demand growth is not expected to be as extreme as the third quarter, hence it is estimated to grow by 0.35 mb/d y-o-y to average 7.2 mb/d.**

Forecast for 2007 demand

World oil demand in 2007 to grow at a moderate 1.3 mb/d

World oil demand growth for 2007 is forecast to grow at a moderate rate of 1.3 mb/d or 1.57%, unchanged from the last *MOMR*. Given the normally cold winter, especially in OECD countries, the first quarter is expected to show a normal upward cycle oil consumption growth of 1.6%. North America's first-quarter oil demand is forecast to account for 30% of total world oil demand. Should the weather become warmer, then natural gas prices may become more attractive to power and petrochemical plants as a substitute fuel. Hence, this move will have a strong negative impact on world oil demand, as has been the case this year.

China and the Middle East will lead total world oil demand growth by 0.45 mb/d and 0.30 mb/d in 2007. Expected economic activities are the main factors behind robust oil demand in both regions. It must be noted that three new oil storage facilities in China are expected to be commissioned in 2007, which in turn will have a positive impact on China's apparent demand.

Table 9: Third and fourth quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	3Q05	3Q06	Volume	%	4Q05	4Q06	Volume	%
North America	25.58	25.54	-0.04	-0.16	25.48	26.05	0.57	2.23
Western Europe	15.56	15.41	-0.16	-1.01	15.69	15.76	0.07	0.45
OECD Pacific	8.08	7.90	-0.18	-2.18	8.79	8.76	-0.03	-0.32
Total OECD	**49.22**	**48.84**	**-0.38**	**-0.76**	**49.96**	**50.57**	**0.61**	**1.22**
Other Asia	8.53	8.59	0.06	0.72	8.62	8.78	0.16	1.86
Latin America	5.19	5.28	0.09	1.77	5.11	5.22	0.11	2.15
Middle East	6.00	6.32	0.32	5.31	5.81	6.14	0.33	5.68
Africa	2.84	2.91	0.06	2.28	2.93	2.98	0.05	1.69
Total DCs	**22.56**	**23.10**	**0.54**	**2.38**	**22.47**	**23.12**	**0.65**	**2.89**
FSU	3.78	3.83	0.06	1.54	3.93	4.03	0.10	2.54
Other Europe	0.87	0.88	0.01	0.92	0.85	0.88	0.03	3.46
China	6.43	7.21	0.78	12.10	6.64	6.99	0.35	5.24
Total "Other Regions"	**11.07**	**11.92**	**0.84**	**7.62**	**11.43**	**11.90**	**0.48**	**4.18**
Total world	**82.85**	**83.86**	**1.01**	**1.21**	**83.86**	**85.60**	**1.74**	**2.07**

Totals may not add due to independent rounding.

Table 10: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.45	25.52	25.21	25.65	26.27	25.66	0.21	0.83
Western Europe	15.49	15.62	15.13	15.47	15.82	15.51	0.02	0.13
OECD Pacific	8.45	9.40	7.77	7.91	8.76	8.46	0.01	0.09
Total OECD	**49.40**	**50.54**	**48.12**	**49.04**	**50.85**	**49.64**	**0.24**	**0.48**
Other Asia	8.76	8.81	9.07	8.80	8.98	8.91	0.15	1.77
Latin America	5.16	5.12	5.23	5.36	5.28	5.25	0.09	1.75
Middle East	6.16	6.33	6.35	6.67	6.47	6.46	0.30	4.88
Africa	2.95	3.01	3.00	2.95	3.05	3.00	0.05	1.75
Total DCs	**23.03**	**23.26**	**23.65**	**23.79**	**23.78**	**23.62**	**0.60**	**2.59**
FSU	3.78	3.78	3.50	3.76	4.13	3.79	0.01	0.32
Other Europe	0.91	1.01	0.88	0.90	0.95	0.93	0.03	3.19
China	7.16	7.44	7.85	7.72	7.41	7.61	0.45	6.26
Total "Other Regions"	**11.84**	**12.23**	**12.23**	**12.39**	**12.49**	**12.33**	**0.49**	**4.13**
Total world	**84.27**	**86.04**	**84.00**	**85.21**	**87.12**	**85.59**	**1.33**	**1.57**
Previous estimate	84.26	85.99	84.01	85.20	87.13	85.58	1.33	1.57
Revision	0.01	0.05	-0.01	0.02	-0.01	0.01	0.00	0.00

Table 11: 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	25.12	25.52	0.40	1.57	25.10	25.21	0.12	0.46
Western Europe	15.77	15.62	-0.15	-0.94	15.03	15.13	0.10	0.68
OECD Pacific	9.30	9.40	0.10	1.12	7.87	7.77	-0.09	-1.16
Total OECD	**50.19**	**50.54**	**0.35**	**0.70**	**47.99**	**48.12**	**0.13**	**0.26**
Other Asia	8.73	8.81	0.08	0.86	8.95	9.07	0.12	1.35
Latin America	4.99	5.12	0.13	2.58	5.15	5.23	0.09	1.72
Middle East	6.04	6.33	0.29	4.81	6.12	6.35	0.24	3.86
Africa	2.96	3.01	0.05	1.80	2.95	3.00	0.05	1.62
Total DCs	**22.72**	**23.26**	**0.55**	**2.41**	**23.16**	**23.65**	**0.49**	**2.13**
FSU	3.69	3.78	0.09	2.36	3.56	3.50	-0.06	-1.76
Other Europe	0.97	1.01	0.04	4.55	0.90	0.88	-0.02	-2.35
China	7.09	7.44	0.35	4.94	7.34	7.85	0.51	6.91
Total "Other Regions"	**11.75**	**12.23**	**0.48**	**4.10**	**11.80**	**12.23**	**0.42**	**3.59**
Total world	**84.66**	**86.04**	**1.38**	**1.63**	**82.96**	**84.00**	**1.04**	**1.26**

Totals may not add due to independent rounding.

Table 12: 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	25.54	25.65	0.12	0.45	26.05	26.27	0.22	0.85
Western Europe	15.41	15.47	0.07	0.44	15.76	15.82	0.06	0.36
OECD Pacific	7.90	7.91	0.01	0.18	8.76	8.76	0.00	0.05
Total OECD	**48.84**	**49.04**	**0.20**	**0.40**	**50.57**	**50.85**	**0.28**	**0.56**
Other Asia	8.59	8.80	0.21	2.49	8.78	8.98	0.21	2.36
Latin America	5.28	5.36	0.08	1.57	5.22	5.28	0.06	1.17
Middle East	6.32	6.67	0.35	5.54	6.14	6.47	0.33	5.29
Africa	2.91	2.95	0.04	1.51	2.98	3.05	0.06	2.06
Total DCs	**23.10**	**23.79**	**0.69**	**2.99**	**23.12**	**23.78**	**0.65**	**2.83**
FSU	3.83	3.76	-0.07	-1.80	4.03	4.13	0.09	2.31
Other Europe	0.88	0.90	0.02	2.79	0.88	0.95	0.07	7.72
China	7.21	7.72	0.51	7.11	6.99	7.41	0.42	6.03
Total "Other Regions"	**11.92**	**12.39**	**0.47**	**3.93**	**11.90**	**12.49**	**0.58**	**4.89**
Total world	**83.86**	**85.21**	**1.36**	**1.62**	**85.60**	**87.12**	**1.52**	**1.78**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply expected to grow at 0.9 mb/d in 2006

Non-OPEC

Forecast for 2006

Non-OPEC oil supply is expected to average 51.1 mb/d in 2006, representing an increase of 0.9 mb/d over 2005 and a slight downward revision versus the last assessment. Downward adjustments to North Sea 3Q06 data, and 4Q06 forecast for USA, Mexico and Azerbaijan account for the bulk of the impact. Upward revisions are limited to Kazakhstan. October data shows that total non-OPEC supply averaged 51.5-51.6 mb/d, slightly lower than last month's estimate. **Preliminary data for the month of November puts non-OPEC supply at 52 mb/d, representing a y-o-y change of 1.5 mb/d.**

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

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.14	14.16	14.17	14.34	14.62	14.32	0.18
Western Europe	5.77	5.71	5.31	5.08	5.47	5.39	-0.38
OECD Pacific	0.58	0.48	0.49	0.64	0.67	0.57	-0.01
Total OECD	**20.48**	**20.35**	**19.97**	**20.06**	**20.75**	**20.28**	**-0.20**
Other Asia	2.63	2.67	2.65	2.64	2.68	2.66	0.03
Latin America	4.27	4.36	4.43	4.45	4.61	4.46	0.20
Middle East	1.87	1.83	1.82	1.81	1.81	1.82	-0.05
Africa	3.78	4.02	3.93	4.13	4.34	4.11	0.33
Total DCs	**12.54**	**12.88**	**12.83**	**13.04**	**13.44**	**13.05**	**0.51**
FSU	11.55	11.67	11.97	12.14	12.25	12.01	0.46
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.67	3.68	3.68	0.07
Total "Other regions"	**15.32**	**15.50**	**15.82**	**15.96**	**16.08**	**15.84**	**0.52**
Total Non-OPEC production	**48.35**	**48.74**	**48.62**	**49.06**	**50.27**	**49.18**	**0.83**
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	**50.21**	**50.66**	**50.51**	**50.94**	**52.18**	**51.08**	**0.86**
Previous estimate	50.21	50.62	50.49	51.14	52.36	51.16	0.94
Revision	0.00	0.03	0.03	-0.20	-0.17	-0.08	-0.08

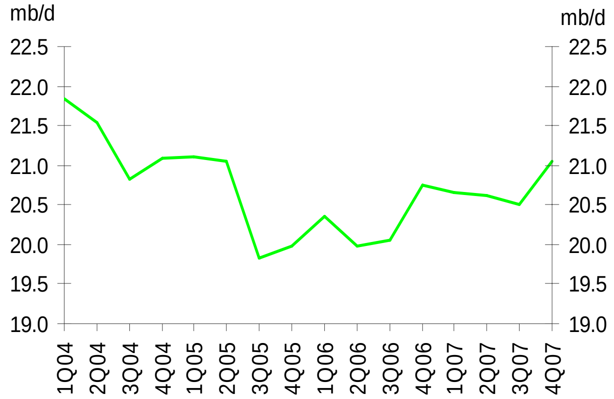
OECD

Total OECD oil supply is expected to average 20.3 mb/d, lower versus the last assessment. On a quarterly basis, total oil supply is expected to average 20.8 mb/d in 4Q06 which represents a downward revision of 0.2 mb/d versus last month. Preliminary data for the month of November puts total oil supply in OECD countries at 20.6 mb/d.

USA

Oil supply in the USA is expected to average 7.4 mb/d in 2006 representing an increase of 0.05 mb/d versus last year. On a quarterly basis, US output is expected to average 7.56 mb/d in 4Q06, a downward revision of 50,000 b/d versus last month, mainly to adjust recent trends with expected output for the period. It is worth noting that US supply has largely recovered from the impact of Katrina/Rita and the technical problems at Prudhoe Bay.

Graph 21: OECD's quarterly production



Preliminary data for the month of November indicates that US oil supply averaged 7.52 mb/d. No major shut-downs were reported during the month.

Mexico and Canada

The outlook for Mexico has been revised down slightly following lower than expected output in October and expectations that production will remain near current levels over the next few months. Total Mexican oil supply is still expected to average 3.7 mb/d in 2006; October output is estimated at 3.6 mb/d and November at 3.7 mb/d. The 4Q06 estimate has been revised down by 60,000 b/d versus last month. Previous issues of the *MOMR* have noted the negative impact that high inventories and soft demand in the USA have on Mexico's oil supply. Mexico's outlook will largely depend on these factors as well as underlying decline rates and new projects. Canadian oil supply is expected to average 3.2 mb/d in 2006, representing an increase of 0.16 mb/d versus 2005, unchanged from last month's assessment. In November, Canada produced 3.37 mb/d.

Western Europe

Oil supply in OECD Europe is expected to average 5.4 mb/d in 2006, representing a drop of 0.38 mb/d versus 2005 and a downward revision of 60,000 b/d versus last month. On a quarterly basis, total oil supply is expected to average 5.5 mb/d in the fourth quarter. Total oil supply in October is assessed at 5.2 mb/d (down versus preliminary estimates) and in November at 5.42 mb/d. North Sea maintenance is now largely over.

The bulk of the downward revisions in Europe is centered around Norway and the UK following a sharp revision to the 3Q06 data and an adjustment to the 4Q06 estimate of both countries. Norwegian oil supply is expected to average 2.8 mb/d in 2006, a drop of 0.18 mb/d from last year and a downward revision of 38,000 b/d versus last month. Preliminary data shows that production was 2.67 mb/d in October and 2.8 mb/d in November. Data for the month of October shows that production was lower than previously estimated.

Danish oil production recovered in October

UK oil supply is expected to average 1.7 mb/d, a drop of 0.18 mb/d versus last year and a downward revision of 23,000 b/d. Preliminary data for the month of October indicates that UK oil supply averaged 1.6 mb/d, but total supply is expected to rebound in November and December to 1.7 mb/d. The Buzzard field (200,000 b/d) is on track to come on-stream at the end of December and to ramp up in 2007. Danish oil supply is expected to average 0.35 mb/d, around 30,000 b/d less than in 2005; October data shows a large rebound (+100,000 b/d) in Danish oil production indicating that maintenance has been completed.

Asia Pacific

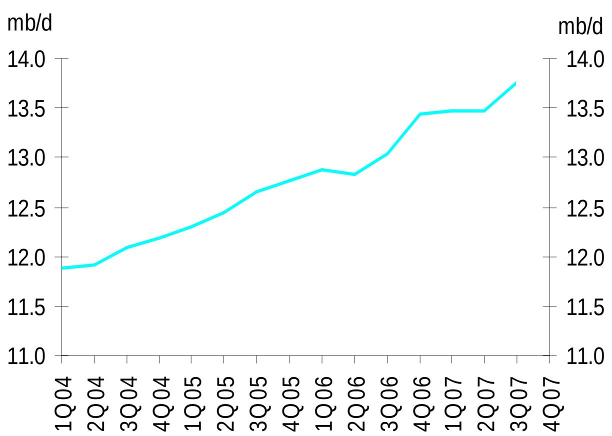
Australian oil production at its highest level since August 2003

Oil supply in the OECD Asia Pacific region is expected to average 0.57 mb/d in 2006, flat from last year and unchanged versus last month's assessment. On a quarterly basis, total oil supply is expected to average 0.67 mb/d in the fourth quarter. Australian oil supply is expected to average 0.51 mb/d in 2006, or 10,000 b/d lower versus last year. The forecast remains unchanged. Preliminary data for the month of October and November puts total Australian oil supply at 0.6 mb/d. Reports of underperforming fields continue to plague Australian expectations, but it is worth mentioning that supply is now at its highest level since August 2003.

Developing Countries

Oil supply in the Developing Countries (DCs) is expected to average 13.1 mb/d in 2006, representing a gain of 0.5 mb/d over 2005, unchanged from last month's report. On a quarterly basis, total oil supply in DCs is expected to average 13.4 mb/d in the fourth quarter. It should be emphasized that as the year draws to a close DCs as a group have performed well and in line with original expectations. The countries that stand out positively include Brazil, Colombia and Sudan, while those that stand out for negative reasons are Argentina, Ecuador and Egypt. At the time of writing, the contribution of several large projects has yet to be realized as some are still ramping up (P 50, 180,000 b/d; Golfinho, 100,000 b/d; P 34, 60,000 b/d; Dalia, 240,000 b/d). Total oil supply in November is estimated at 13.4 mb/d.

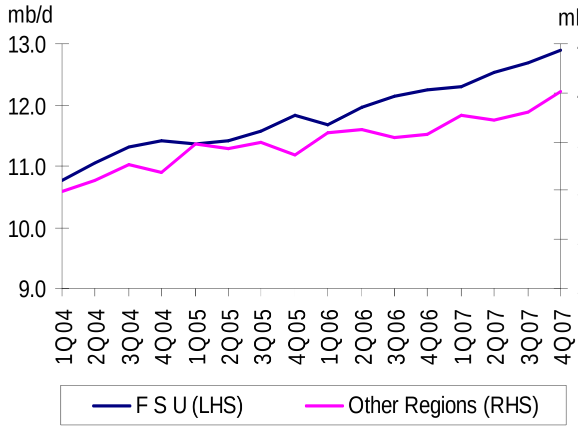
Graph 22: Developing Countries' quarterly



FSU, Other Regions

Oil supply in the FSU is expected to average 12 mb/d, representing an increase of 0.5 mb/d versus 2005, broadly unchanged versus last month. The estimate for Other Regions (China and Other Europe) remains unchanged with total oil supply expected at 3.8 mb/d in 2005 or 70,000 b/d higher versus 2005. On a quarterly basis, total oil supply in the FSU is expected to average 12.25 mb/d in the fourth quarter, which represent an upward revision of 62,000 b/d versus last month. November FSU oil supply is assessed at 12.2 mb/d.

Graph 23: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.6 mb/d in 2006, an increase of 0.2 mb/d versus 2005 and broadly unchanged versus last month's estimate. On a quarterly basis, Russia's oil supply is expected to average 9.72 mb/d in the fourth quarter. The latest data shows that supply averaged 9.71 mb/d in October and 9.75 mb/d in November. Crude export tariffs are expected to drop significantly in the December–January period to $24.75/b from a record of $32.25/b, which should lead to a surge in seaborne exports over the next couple of months. This, however, coincides with winter which sees closure of river transport systems, and strong demand for products in Russia. This report maintains a conservative outlook for Russia over the medium term and short-term fluctuations, including flat to a slight y-o-y decrease are within possibilities.

Caspian

Azeri oil production reached 790,000 b/d in the first week of December, but power failure shuts 200,000 b/d in the ACG field for 10 days

Total Azeri oil supply is expected to average 0.64 mb/d in 2006, representing an increase of 0.2 mb/d versus last year, but the 4Q06 estimate has been revised down slightly. Total oil supply is expected to average 0.7 mb/d in 4Q06, which represents a downward revision of 20,000 b/d versus last month following reports that 200,000 b/d will be shut in at the large ACG field for 10 days during 5-15 December due to a power supply failure. However, it should be noted that total output from the field was running at 620,000 b/d before the shutdown took place, which if combined with production of 170,000 b/d elsewhere in Azerbaijan suggests that the country's production reached 790,000 b/d in the first week of December. It is possible that the repairs may not finish in time, resulting in more downward revisions, but this report takes a cautious view given the nature of the problem and the fact that output is running well above expectations.

Kazakh oil production reached a new record-high in November

Kazakh oil production is expected to average 1.31 mb/d in 2006, representing an increase of 80,000 b/d versus last year and an upward revision of 14,000b/d versus last month's estimate. Data for the month of October puts Kazakh oil supply at 1.36 mb/d and 1.38 mb/d in November – a record-high for Kazakhstan. Ongoing maintenance at the Karachaganak condensate field is over.

China

Total oil supply is expected to average 3.7 mb/d in 2006, representing an increase of 70,000 b/d over last year. October data and preliminary figures for the month of November indicate that supply averaged 3.65 mb/d. This is lower than the previous estimate by around 40,000 b/d and as a result the 4Q06 outlook has been revised down. Domestic production has come off from the June 2006 record-high of 3.73 mb/d. A number of non-upstream factors may also be responsible for this, such as higher imports of crude and products, lower refinery runs, and a desire to manage production at some of the largest fields.

Revisions to the 2006 non-OPEC forecast

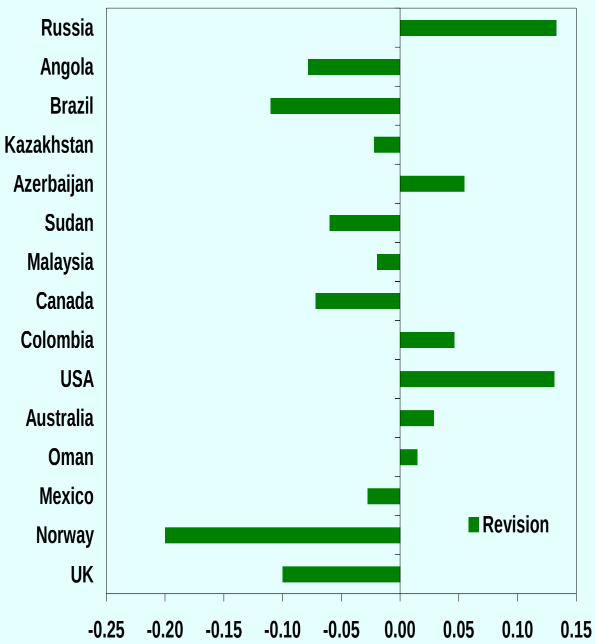
- OPEC Secretariat's first assessment in July 2005 expected 2006 non-OPEC supply to average 51.7 mb/d, representing growth of 1.1 mb/d over the previous year. The growth was distributed among all regions with only OECD Europe, OECD Pacific and the Middle East expected to show a drop. Russia was forecast to grow by only 0.1 mb/d. More importantly, the forecast showed that most of the increase would be seen in the second half of the year.

- However, following the impact of Katrina/Rita on US GoM production, there was a need to drastically adjust the forecast for 2005 and 2006 to capture the expected recovery of more than 1 mb/d of shut-in production. In effect, large volumes had to be taken from the 2005 base and added to the 2006 base. Between August and December 2005, the forecast for 2005 was revised down by 0.4 mb/d whilst the forecast for 2006 was revised up by 0.3 mb/d, based on the assumption that a full recovery in the US GoM would not take place until the third quarter of 2006.

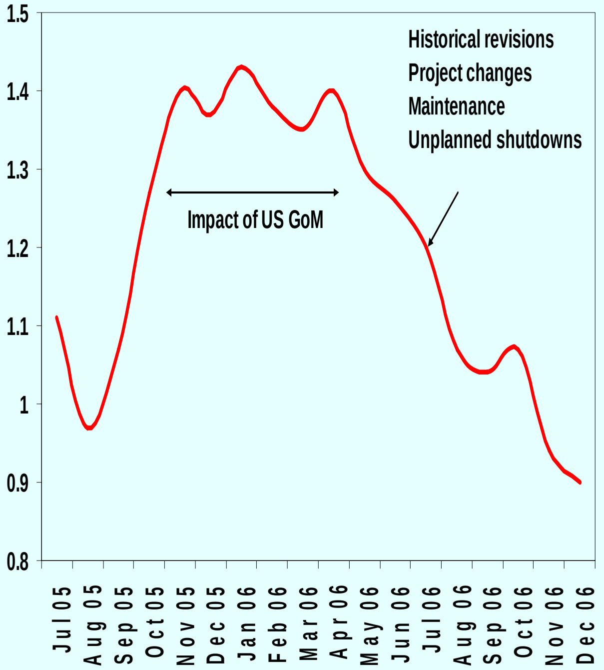
- In the last 12 months, the US GoM has mostly recovered and the usual four main types of revisions have been made — historical data, project changes, maintenance level, and unplanned shutdowns. However, it is worth noting that regarding project changes, there have been some delays as well as some projects that started ahead of schedule. Some fields have performed below expectations (Enfield in Australia, Chinguetti in Mauritania, etc), but others above expectations (ACG in Azerbaijan, etc). Maintenance levels have run deeper than originally expected in the North Sea, Brazil and Angola, whilst global unplanned shutdowns were particularly high in the first part of 2006. In contrast to market expectations, the US did not see any disruptions due to hurricane activity this year but there were short-lived problems at the giant Prudhoe Bay field. However, the hurricane season did affect production in Australia and China. Finally, Russia has grown at a higher level than expected, but weak underlying signs have persisted.

- After taking all these factors into account, the current assessment for 2006 non-OPEC supply now stands at 51.1 mb/d representing growth of 0.9 mb/d. Over three hundred revisions are typically performed each year and these can extend for up to two years as new data is received. Experience shows that the quality of the historical data reported by primary sources could have a material effect on forecasts as these would impact the forecasts of subsequent years. Additionally, revisions related to project changes, field performance, and maintenance levels could result in two way adjustments, while adjustments due to unplanned shutdowns and accidents cannot be predictable.

Revisions to the initial 2006 supply growth forecast for selected countries, mb/d



Non-OPEC supply revisions to the 2006 growth, mb/d



Non-OPEC supply expected to grow at 1.8 mb/d

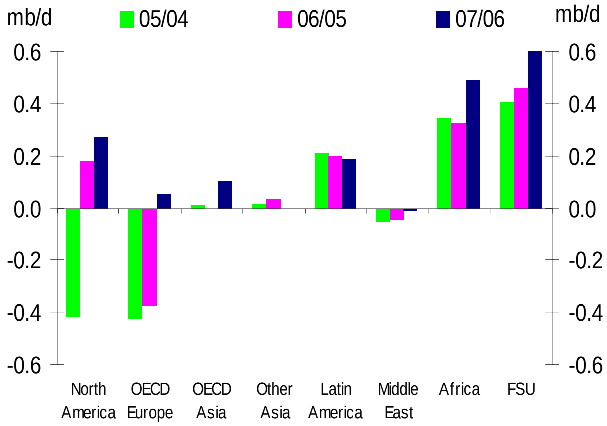
Forecast for 2007

Non-OPEC oil supply is expected to average 53 mb/d in 2007, representing an increase of 1.8 mb/d versus 2006 to remain broadly unchanged from last month. On a quarterly basis, non-OPEC supply is expected to average 52.3 mb/d, 52.4 mb/d, 52.9 mb/d, and 54 mb/d in the first, second, third and fourth quarters, respectively. The growth remains unchanged, but the base has been reduced following revisions to the 2006 data.

Table 14: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.32	14.54	14.60	14.52	14.70	14.59	0.27
Western Europe	5.39	5.45	5.38	5.27	5.65	5.44	0.05
OECD Pacific	0.57	0.65	0.63	0.70	0.69	0.67	0.10
Total OECD	**20.28**	**20.65**	**20.61**	**20.50**	**21.04**	**20.70**	**0.42**
Other Asia	2.66	2.64	2.55	2.67	2.76	2.66	-0.01
Latin America	4.46	4.64	4.63	4.63	4.69	4.65	0.18
Middle East	1.82	1.82	1.82	1.80	1.81	1.81	-0.01
Africa	4.11	4.38	4.47	4.67	4.85	4.60	0.49
Total DCs	**13.05**	**13.48**	**13.48**	**13.77**	**14.11**	**13.71**	**0.66**
FSU	12.01	12.30	12.54	12.69	12.90	12.61	0.60
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.68	3.76	3.74	3.78	3.86	3.79	0.10
Total "Other regions"	**15.84**	**16.21**	**16.43**	**16.61**	**16.90**	**16.54**	**0.70**
Total Non-OPEC production	**49.18**	**50.34**	**50.52**	**50.88**	**52.06**	**50.95**	**1.78**
Processing gains	1.90	1.92	1.92	1.92	1.92	1.92	0.02
Total Non-OPEC supply	**51.08**	**52.25**	**52.43**	**52.80**	**53.97**	**52.87**	**1.79**
Previous estimate	51.16	52.43	52.56	52.92	54.07	53.00	1.84
Revision	-0.08	-0.17	-0.12	-0.12	-0.10	-0.13	-0.05

Graph 24: Regional Non-OPEC supply growth, y-o-y



The FSU region is expected to grow by 0.6 mb/d to 12.6 mb/d; Caspian countries together are expected to deliver more growth than Russia, particularly Azerbaijan. Oil supply in the African region is forecast to grow 0.5 mb/d to 4.6 mb/d; most of the increase is expected to come from Angola, Equatorial Guinea and Sudan. Oil supply in the North American region is expected to grow 0.3 mb/d to 14.6 mb/d. The increase is driven by the unwinding of losses in the US Gulf of Mexico (GoM) and Alaska, and growth in the US GoM, ethanol and expansion of Canadian oil sands. Oil supply in the Latin American region is expected to grow by 0.2 mb/d to 4.7 mb/d; regional growth is driven by Brazil. Elsewhere, OECD Europe is expected to show a modest increase of 0.1 mb/d to 5.6 mb/d driven by the unwinding of production shut-ins in Norway but also new projects; a normal maintenance schedule is assumed. OECD Asia is expected to increase 0.1 mb/d to 0.7 mb/d. Oil supply in Other Asia and Middle East is expected to remain broadly flat.

Risks

As usual, the forecast does not take into account the impact of extreme hurricane activity in the USA and Asia, unplanned shut-downs, material project changes, demand trends, and political instability. Tightness in the oil service sector poses some risks. Rising underlying costs also pose a risk for small marginal projects, EOR, and stripper wells. Finally, but of equal importance, sharp downward fluctuations in energy prices could affect investment plans and — as a direct consequence — mature oil production, thereby reducing growth.

OPEC crude output averaged 28.84 mb/d

OPEC natural gas liquids and non-conventional oils

In 2006, OPEC NGLs and non-conventional oils are expected to average 4.3 mb/d, representing an increase of 0.2 mb/d over the previous year. In 2007, the expected growth for OPEC NGLs remains unchanged at 0.2 mb/d.

Table 15: OPEC NGL + non-conventional oils - 2004-2007

	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	2007	Change 07/06
Total OPEC	**4.02**	**4.08**	0.06	4.18	4.22	4.33	4.33	**4.27**	0.19	**4.44**	0.17

OPEC crude oil production

Total crude oil production averaged 28.84 mb/d in November, representing a drop of 0.59 mb/d from last month, according to secondary sources. Iraq's oil production stood at 2 mb/d.

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

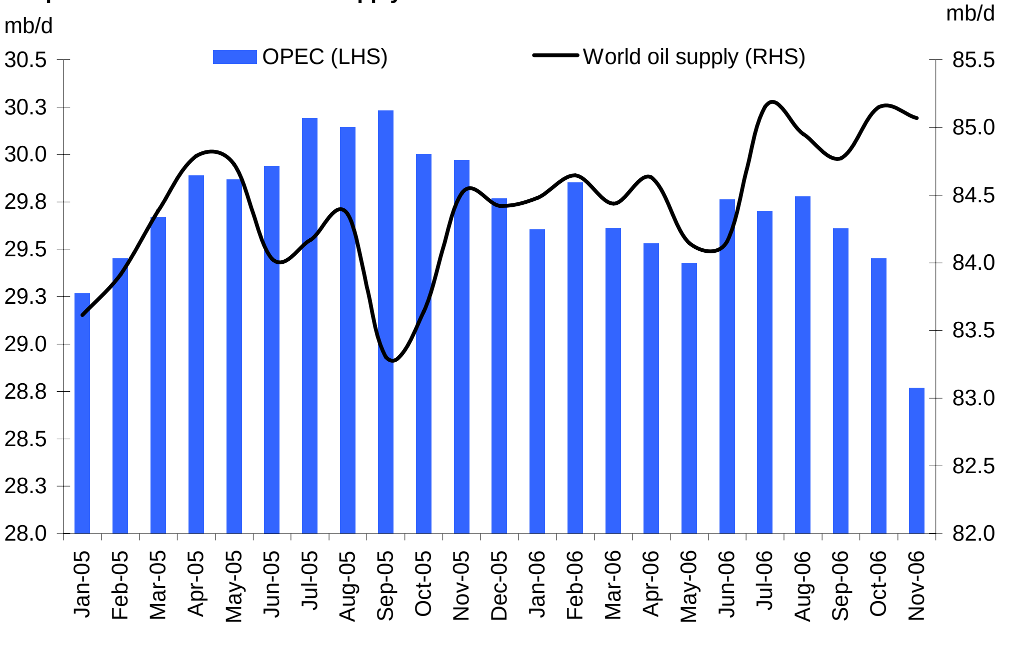
	2004	2005	4Q05	1Q06	2Q06	Sep 06	Oct 06	Nov 06	*Nov/ Oct*
Algeria	1,228	1,349	1,374	1,376	1,368	1,376	1,380	1,354	*-26.0*
Indonesia	968	942	935	922	914	876	870	873	*2.7*
IR Iran	3,920	3,924	3,911	3,849	3,800	3,892	3,837	3,772	*-64.7*
Iraq	2,015	1,830	1,675	1,711	2,001	2,073	2,026	1,985	*-40.8*
Kuwait	2,344	2,504	2,548	2,532	2,513	2,505	2,498	2,440	*-57.9*
SP Libyan AJ	1,537	1,642	1,665	1,680	1,699	1,728	1,728	1,692	*-36.3*
Nigeria	2,322	2,412	2,469	2,257	2,212	2,186	2,249	2,231	*-18.7*
Qatar	771	796	808	816	820	837	831	808	*-23.2*
Saudi Arabia	8,957	9,390	9,426	9,416	9,133	9,029	8,918	8,750	*-167.9*
UAE	2,360	2,447	2,518	2,528	2,535	2,578	2,578	2,493	*-84.5*
Venezuela	2,582	2,633	2,584	2,595	2,574	2,538	2,523	2,447	*-75.7*
OPEC-10	**26,988**	**28,038**	**28,237**	**27,972**	**27,569**	**27,543**	**27,412**	**26,860**	***-552.3***
Total OPEC	**29,004**	**29,868**	**29,912**	**29,683**	**29,571**	**29,617**	**29,438**	**28,845**	***-593.1***

Totals may not add due to independent rounding.

World oil supply

In November 2006 world oil supply averaged around 85 mb/d, slightly below the previous month. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources. This level is a new record for world oil supply. It is interesting to notice that only four years ago world oil supply was 75 mb/d.

Graph 25: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports are now expected to average 8.2 mb/d in 2006, an increase of 0.5 mb/d over the previous year. Next year, total FSU net oil exports are expected to average 8.7 mb/d, or 0.6 mb/d higher versus 2006, driven by new sources of crude from the Caspian and Russian product exports.

Current trends

Actual figures for the month of October indicate that total crude exports from the FSU were 5.8 mb/d. Including products, total net oil exports were 7.8 mb/d in the month. Crude exports increased via the Black Sea, rail Far East, CPC, and Batumi. Exports via the Georgian port of Supsa have been shut since the end of October and are likely to remain so until end-January 2007 according to some reports. This port has a capacity of around 150,000 b/d, with the rest of the exports going through the BTC pipeline (currently 400.000 b/d but capacity of 1 mb/d) to Ceyhan, rail to Batumi terminal (150,000 b/d), and pipeline to Novorossiysk (50,000 b/d). Exports will be diverted to other routes.

Table 17: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006 (forecast)	**7.98**	**8.41**	**8.31**	**8.21**	**8.23**	**0.54**
2007 (forecast)	**8.52**	**9.04**	**8.93**	**8.77**	**8.82**	**0.59**

Recent exports of crude and products by source, mb/d

	2004	2005	1Q06	2Q06	3Q06	Sep 06	Oct 06*
Crude							
Russian pipeline							
Black Sea	1,283	1,335	1,326	1,291	1,318	1,270	1,318
Baltic	1,396	1,462	1,470	1,671	1,576	1,634	1,736
Druzhba	1,256	1,315	1,365	1,355	1,250	1,230	1,272
Total	**3,935**	**4,112**	**4,161**	**4,317**	**4,144**	**4,134**	**4,326**
Other routes							
Russian rail	706	416	310	319	307	312	329
Russian - Far East	32	65	29	43	106	114	122
Kazak rail	24	17	46	30	23	18	18
CPC pipeline	490	648	595	672	669	614	620
Caspian	**252**	**295**	**353**	**446**	**408**	**368**	**373**
of which							
Supsa (AIOC) - Georgia	130	137	137	151	140	132	133
Batumi - Georgia	99	140	198	186	151	119	121
Total**	**1,504**	**1,441**	**1,334**	**1,510**	**1,513**	**1,920**	**1,757**
Total crude exports	**5,439**	**5,553**	**5,495**	**5,826**	**5,657**	**6,054**	**6,083**
Products							
All routes							
Fuel oil	753	836	896	938	958	729	737
Gasoil	702	759	893	809	828	897	960
Others	413	575	693	835	753	400	383
Total	**1,868**	**2,170**	**2,483**	**2,582**	**2,538**	**2,026**	**2,081**
Total oil exports	**7,307**	**7,723**	**7,978**	**8,408**	**8,195**	**8,080**	**8,164**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Please note: As of November 2006, world rig count data is only shown in Table 32 at the end of this report.

Oil Trade

OECD net oil imports decreased in October by 0.6 mb/d to average 26.8 mb/d led by US and Japan declines

OECD

According to the preliminary estimated data, OECD monthly crude oil imports continued their downward trend decreasing a further 0.2 mb/d to average 31.0 mb/d in October. However, this decline — corresponding to around 0.3 mb/d or 1% below a year earlier — was driven mainly by a significant drop in both US and Japanese imports. Similarly, OECD product imports edged down in October by 0.1 mb/d to average 12.7 mb/d with a decline of around 3% y-o-y.

Regarding exports, crude oil and product export estimates remained unchanged in October totalling 16.9 mb/d, composed of around 7.0 mb/d of crude oil and 9.9 mb/d of products. Crude oil and product exports edged down by 7,000 b/d and 75,000 b/d respectively. Accordingly, OECD net oil imports averaged 26.8 mb/d, a decline of 0.6 mb/d. Net crude oil imports reached 24.0 mb/d and product imports averaged around 2.8 mb/d in October. When compared to a year earlier, estimated OECD October net oil imports showed a y-o-y decline of 5%.

Table 18: OECD Crude and Product Net Imports/(Exports), tb/d

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	25,108	24,514	23,957	-556
Total products	3,020	2,894	2,829	-66
Total crude and products	**28,129**	**27,408**	**26,786**	**-622**

No major change took place in the sources of imports, as Saudi Arabia and the FSU remained the biggest suppliers of OECD crude oil with shares of around 17% and 15.9% respectively. Norway and Mexico followed with 9% and 8% shares, respectively. Netherlands, FSU and Venezuela continued to be the top suppliers of products to the OECD with a share of around 5% each.

US crude oil imports fell 0.15 mb/d to stand at 9.9 mb/d in November displaying a y-o-y decline of 357,000 b/d

USA

US crude oil and product imports declined moderately in November, compared to the significant drop experienced in the past two months. According to preliminary data, US crude oil imports continued to decrease, averaging 9.9 mb/d in November, the lowest level since April. This decrease of around 157,000 b/d over the previous month represents a y-o-y drop of 357,000 b/d or 3.5%. Similarly, product imports fell a further 34,000 b/d to average 3.0 mb/d. Compared to a year earlier, November product imports fell by around 0.8 mb/d or 21%. However, it is worth mentioning that in 2005 product imports during the same period were high due to the loss of major refining capacity due to the hurricanes. Motor gasoline and kerosene led the decline in product imports while distillate imports increased; such a pattern is consistent with the normal weakening of gasoline and improving of distillates during the summer/winter transition period. However, the recent phase of mild weather in the US northeast contributed to dampening demand that lowered crude and product imports as well as the refinery utilizations rate.

Table 19: USA Crude and Product Net Imports/(Exports), tb/d

	Sep 06	Oct 06	Nov 06	Change Nov/Oct
Crude oil	10,653	10,007	9,850	-157
Total products	1,723	1,791	1,710	-81
Total crude and products	**12,375**	**11,798**	**11,561**	**-238**

In contrast, exports, showed some increase on the product side with around 47,000 b/d increase to average 1.3 mb/d while crude exports remained steady at a marginal level. Accordingly, US net oil imports reached a low for the year averaging around 11.6 mb/d, a decline of around 0.2 mb/d. Compared with a year earlier, November net oil imports showed a y-o-y decline of around 1.5 mb/d or around 12%. Product net imports had the largest share of this drop with a decline of around 42% compared to last year. However, this is related to the increase in imports following last year's hurricanes. Net crude oil imports averaged 9.85 mb/d, a drop of around 0.15 mb/d from the previous month, the lowest level this year.

With 17% and 16% respectively, Mexico and Canada remained the main suppliers of US crude oil followed by Saudi Arabia and Venezuela with 12% each and Nigeria with a 14% share. Concerning product imports, Canada, Virgin Islands, and Algeria remain the main suppliers of the USA.

Japan

Japan's crude oil imports fell 324,000 mb/d resulting in net oil imports of 4.1 mb/d in November

Japan's crude oil imports continued to fall in November at a faster rate than the previous month. A similar trend was noted for product imports. As preliminary data shows, Japan's crude oil imports fell 0.3 mb/d or 8% in November from the previous month to average around 3.8 mb/d, the lowest level since June. Compared with a year earlier, Japan's crude oil imports fell around 0.3 mb/d which can be attributed to weak demand partially due to weather-related factors. Product imports experienced a similar movement with a minor drop of 19,000 b/d to average 0.65 mb/d, displaying a decline of around 25% or 0.2 mb/d compared to last year's figure. High stock levels as well as delays in maintenance of petrochemical plants were some of the main reasons for the product import decline. November data is dragging down the 2006 average, as the January-November average closed lower than the January-October one, at around 0.3 mb/d and 16,000 b/d for both crude oil and product imports, respectively.

In November, Japan's product exports reached 0.3 mb/d, according to the preliminary data, a drop of 3,000 b/d from October. As a result, Japan's net oil imports averaged 4.1 mb/d, around 0.3 mb/d less than the previous month, and compared to a year earlier net oil imports showed a 12% or 0.55 mb/d decline.

Table 20: Japan's Crude and Product Net Imports/(Exports), tb/d

	Sep 06	Oct 06	Nov 06	Change Nov/Oct
Crude oil	4,182	4,099	3,775	-324
Total products	133	377	361	-16
Total crude and products	**4,315**	**4,476**	**4,136**	**-340**

Saudi Arabia remained Japan's main crude oil supplier with around a 3% increase to reach 33%, followed by the United Arab Emirates with a share of around 27%, an almost 4% gin over the previous month. Qatar came in third place with around 12% while Iran and Kuwait had around 7-8% each. With regard to product imports, Saudi Arabia and the UAE remained Japan's top product suppliers covering almost 25% of total product imports with Indonesia, Korea, Kuwait, and the USA covering around 5-6 % each.

China

China's October crude oil imports displayed a y-o-y drop of 310,000 b/d or 8% bringing net oil imports to 2.9 mb/d the lowest level so far in 2006

China's crude oil imports declined by 0.7 mb/d in October to average 2.5 mb/d. Product imports also fell by 0.2 mb/d or 21% from the previous month to stand at 0.8 mb/d, according to preliminary data. The decline amounted to a reduction of total oil imports of around 0.95 mb/d or 22% compared with the previous month. Additionally, the drop in import represents a y-o-y decline of around 110,000 b/d or 3.1%. China fuel oil imports led the decline dropping by around 30%. In contrast, China's gasoil and jet fuel import increased in October from the previous month. During January-October 2006, China imported around 0.35 mb/d more crude and 0.1 mb/d more products than in the same period of the previous year.

Table 21: China's Crude and Product Net Imports/(Exports), tb/d

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	2,460	2,981	2,289	-693
Total products	925	1,015	629	-386
Total crude and products	**3,386**	**3,996**	**2,918**	**-1079**

With regard to exports, China's total oil exports increased by 0.12 mb/d during October. Product exports led the way while crude oil exports declined by around 36,000 b/d. The increase in oil exports amounted to 0.5 mb/d or 38% which represented a y-o-y growth of around 77%. However, it should be noted that China's total exports in October last year were very low.

Consequently, China's net crude oil imports in October averaged 2.3 mb/d, a decrease of around 0.7 mb/d or nearly 23% from the previous month. Similarly, net product imports displayed a decline of 0.4 mb/d or 38% over the previous month to stand at 0.63 mb/d or 100,000 b/d above the average of 2005.

In terms of deliveries, Iran became China's largest supplier in October with a 17% share against 12% in September. Oman and Angola were next with 13% each, followed by Saudi Arabia and Russia with 12% each. The order of suppliers conforms to the same month last year with the exception of Oman which has moved higher on the list.

India

India continued to show a stable level of imports with total oil imports of around 2.0 mb/d in October

Preliminary data shows that India's oil imports continued to be around 2.4 mb/d in October, up 19,000 b/d from the previous month and around 0.4 mb/d more than a year earlier. Crude oil imports stood at nearly 2.2 mb/d in October, an increase of 16,000 b/d or 1% over the previous month, while product imports reached 0.25 mb/d, edging up around 3,000 b/d or 1% over the previous month.

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

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	2,150	2,166	2,182	16
Total products	-191	-198	-203	-5
Total crude and products	**1,959**	**1,967**	**1,979**	**11**

With product exports rising 8,000 b/d to 0.45 mb/d, India's total net oil imports averaged almost 2.0 mb/d, an increase of 0.3 mb/d or 20% from a year earlier. Crude oil net imports stood at 2.2 mb/d, a gain of 0.26 mb/d or 13% over a year ago, while product net exports averaged 0.2 mb/d, around 73,000 b/d lower than a year ago.

Stock Movements

US total commercial oil stocks declined by 18.9 mb in November compared to the previous month

USA

Total commercial oil inventories in the USA ended the month at 1,044.8 mb, a drop of 18.9 mb from October, which left stocks almost at par with the year-ago level and 5% higher than the five-year average. The stock-draw came from products as crude oil inventories went up on a monthly basis.

Crude oil stocks continued to increase in November, gaining 5.1 mb to stand at 339.7 mb, which represents a healthy cushion of 5.4% and 13.9% higher than a year-ago and the five-year average. The minor increase in production may explain the build in crude oil inventories, which came despite an increase in refinery runs in November which rose from 15.06 mb/d to 15.14 mb/d from the previous month and a slight decline in imports. In terms of forward cover, crude oil stocks also look comfortable at 22.5 days which was 5% and 15% above the same month last year and the five-year average. Nevertheless, it is expected that a fall in crude oil inventories will take place in the next weeks when refiners increase throughputs and the impact of OPEC's 1.2 mb/d cut materializes.

Table 23: US onland commercial petroleum stocks*, mb

	Sep 06	Oct 06	Nov 06	Change Nov 06/Oct 06	Nov 05	12 Dec 06**
Crude oil	328.8	334.6	339.7	5.1	322.4	335.4
Gasoline	215.1	204.3	200.0	-4.2	201.6	199.9
Distillate fuel	151.0	139.3	132.4	-6.9	133.7	131.9
Residual fuel oil	42.8	42.1	42.6	0.5	39.8	42.7
Jet fuel	42.6	42.2	38.2	-4.0	42.4	38.6
Total	**1,088.7**	**1,063.7**	**1,044.9**	**-18.9**	**1,043.9**	**1,037.4**
SPR	687.9	688.5	688.6	0.1	685.6	688.6

* *At end of month, unless otherwise stated.*

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

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

Gasoline stocks experienced a 4.2 mb draw in November from the previous month, which left the level at 200 mb slightly below the year-ago figure and 3.4% below the average of the last five years. Forward cover for gasoline stood at 21.6 days, a decline of 2% compared to the same month last year and 5% below the five-year average. Despite a slight drop in November, domestic demand for gasoline stood at 9.3 mb/d, a very high level for this time of the year, which may be caused by the warm winter leading to more traveling by car.

Middle distillate stocks were seen at 132.4 mb in November, a drop of 6.9 mb from the previous month, 1.3 mb or 1% below the year-ago level and around 1 mb or 1% higher than the five-year average. Diesel stocks declined by 3.6 mb to 74.8 mb in November compared to the previous month, and stood at around 1% above the year-ago level and the five-year average. Despite greater imports and production, the large expansion in domestic demand may partially explain falling diesel inventories. Heating oil inventories saw a drop of 2.6 mb to 57.6 mb in November from the previous month, which left them 3.5% below the year ago and 1% higher than the five-year average. The fall in heating oil stocks can be attributed to the drop of 1.8% in production.

In the week ending 8 December, a draw on both product and crude stocks prompted a fall in total commercial oil inventories week-on-week in the USA. Total inventories dropped by7.47 mb to 1,037.4 mb or 1% and 5% above the year-ago level and the five-year average, respectively. Crude oil inventories declined for the third consecutive week, with the draw of 4.30 mb week-on-week, leaving the level at 335.43 mb. This was the outcome of lower imports as refinery runs declined. However, crude stocks remained comfortable at 4% and 13% against the last year-ago level and the five-year average. The forward cover of 21.9 days or 12% above the five-year average also appears healthy. As a result of high demand, gasoline stocks inched down by 0.17 mb to 199.86 mb which meant that stocks are 2% and 3% below the year-ago level and the five-year average. In terms of forward cover gasoline stood at 21.4 days or 4% and 7% below a year ago and the five-year average. On the middle distillate side, heating oil stocks were seen at 56.88 mb in the week ended 8 December week-on-week, a drop of 0.70 mb, due to the recent cold spell in the US Northeast which boosted demand. However, the forward cover for this key winter product was still at 61.6 days, 4 days above the year-ago level and 2% higher than the five-year average. Diesel inventories increased by 0.25 mb which set the level at 75.03 week-on-week, attributable to higher imports and production and lower demand.

Western Europe

Total commercial oil stocks in Western Europe rose 1.9 mb in November

Reversing the three-month downward trend, Western Europe's total commercial oil stocks inched up by 1.9 mb to 1,149.62 mb in November from the previous month, almost at par with the year-ago level and 7% above the five-year average. An increase in crude oil inventories was responsible for this outcome.

Crude oil stocks saw a considerable gain of 4.1 mb or around 140,000 b/d in November from the previous month. This left the level at 495.9 mb, 5.4% and 7.7% higher than a year earlier and the five-year average. The build took place despite a recovery in refinery runs mostly in Germany, which with the end of turnarounds rose from 11.9 mb/d to 12.2 mb/d in November compared to the previous month. Nevertheless, refinery runs were still well below year-ago levels, and this combined with lower exports of North Sea crude to the USA was a result of BFO's premium to WTI in November.

Table 24: Western Europe's oil stocks*, mb

	Sep 06	Oct 06	Nov 06	Change Nov 06/Oct 06	Nov 05
Crude oil	486.8	491.8	495.9	4.1	470.6
Mogas	132.3	129.5	130.3	0.8	140.9
Naphtha	28.2	28.6	28.6	0.0	26.3
Middle distillates	391.1	381.8	381.0	-0.8	389.0
Fuel oils	111.9	116.0	113.8	-2.2	118.3
Total products	635.3	627.3	625.1	-2.2	648.1
Total	**1,150.2**	**1,147.7**	**1,149.6**	**1.9**	**1,145.0**

** At end of month, with region consisting of the Eur–16.*
Source: Argus, Euroilstock.

Total product stocks declined by 2.2 mb to 625 mb in November from the previous month. This level was 3.6% below the year-ago level but 3.7% above the five-year average. Gasoline inventories rose by 0.8 mb to 130.3 in November, but were around 8% and 6% below the year-ago level and the five-year average. The upward effect of higher refinery runs was partly offset by growing exports to the USA. Middle distillate stocks inched down by 0.8 mb to 381 mb in November compared to the previous month which was 2% below the same month last year. This was caused by greater domestic demand which outpaced higher refinery runs. Residual fuel oil inventories dropped by 2.2 mb, which left the level at 113.8 mb, a fall of 3.8% from a year earlier, despite higher refinery output and imports from Russia and as exports to Singapore were reported.

Japan

The fall in Japanese total commercial crude inventories turned into a strong recovery of 6.2 mb to stand at 200.6 mb in October

Total commercial oil inventories in Japan were up by 6.2 mb to 200.6 mb in October relative to September, a cushion of 0.8% and 3% above the year-ago level and the five-year average. This development seems to be the result of a contra-seasonal build in crude oil stocks, which outpaced the draw on product inventories.

Compared to September, crude oil stocks rose a further 6.4 mb to 116.7 mb or 2.3% above a year ago but still 0.3% below the five-year average. Lower refinery runs, down by 7.9%, and falling imports from the previous month explained this outcome. A cut in the utilization rates in Japanese refineries was prompted by unusually high kerosene stock levels, resulting from contra-seasonal lower demand owing to the warm winter.

Table 25: Japan's commercial oil stocks*, mb

	Aug 06	Sep 06	Oct 06	Change Oct 06/Sep 06	Oct 05
Crude oil	108.6	110.3	116.7	6.4	114.0
Gasoline	12.7	13.6	13.7	0.1	14.2
Middle distillates	44.4	48.9	50.0	1.1	49.5
Residual fuel oil	21.2	21.6	20.3	-1.3	21.2
Total products	78.3	84.1	84.0	-0.1	84.9
Total**	**186.9**	**194.4**	**200.6**	**6.3**	**198.9**

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

Moving to total product inventories, the build in September became a small draw in October, with the level of 84 mb hovering 1.2 mb below the year-ago level, but still 6.1 mb above the five-year average. Despite dropping exports and greater imports, a fall in production and an 11.5% monthly increase in domestic sales led to the draw on product stocks. The lowest refinery utilization rate in three years contributed to the fall in product inventories in Japan. Naphtha, gasoil and Fuel Oil BC experienced the largest fall in stocks. In the case of gasoil there was a strong decline in imports. As noted above, METI reported that kerosene inventories went up by 5% m-o-m in October owing to high temperatures, but recent reports point to a falling trend which is expected to persevere when temperatures fall.

Balance of Supply and Demand

Demand for OPEC crude is expected at 29.1 mb/d in 4Q06

Estimate for 2006

The estimated demand for OPEC crude in 2006 is expected to average 28.9 mb/d. On a quarterly basis, the new forecast shows that demand for OPEC crude is expected at 29.8 mb/d in the first, 28.2 mb/d in the second, 28.6 mb/d in the third and 29.1 mb/d in the fourth quarter. According to secondary sources, average total OPEC crude capacity was 32.1 mb/d in the first, 32.3 mb/d in the second, and 32.5 mb/d in the third quarter.

Table 26: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.28**	**84.66**	**82.96**	**83.86**	**85.60**	**84.27**
Non-OPEC Supply	50.21	50.66	50.51	50.94	52.18	51.08
OPEC NGLs and non-conventionals	4.08	4.18	4.22	4.33	4.33	4.27
(b) Total Supply excluding OPEC Crude	**54.29**	**54.83**	**54.74**	**55.26**	**56.52**	**55.34**
Difference (a-b)	**28.99**	**29.83**	**28.22**	**28.59**	**29.08**	**28.93**
OPEC crude oil production (1)	29.87	29.68	29.57	29.70		
Balance	0.88	-0.14	1.36	1.10		

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

Demand for OPEC crude is expected at 29.4 mb/d in 1Q07 and 27.2 mb/d in 2Q07

Forecast for 2007

The estimated demand for OPEC crude in 2007 is expected to average 28.3 mb/d, representing a decline of 0.6 mb/d versus 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 29.4 mb/d in the first, 27.2 mb/d in the second, 27.9 mb/d in the third and 28.5 mb/d in the fourth quarter.

Table 27: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.27**	**86.04**	**84.00**	**85.21**	**87.12**	**85.59**
Non-OPEC Supply	51.08	52.25	52.43	52.80	53.97	52.87
OPEC NGLs and non-conventionals	4.27	4.31	4.36	4.46	4.61	4.44
(b) Total Supply excluding OPEC Crude	**55.34**	**56.57**	**56.80**	**57.26**	**58.58**	**57.31**
Difference (a-b)	**28.93**	**29.47**	**27.20**	**27.95**	**28.53**	**28.29**
OPEC crude oil production (1)						

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

Graph 26: Balance of supply and demand

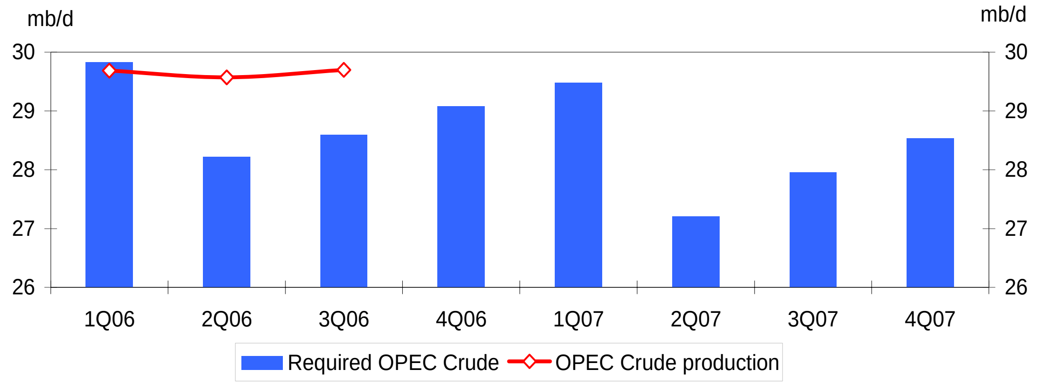


Table 28: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.2	48.0	48.8	50.6	49.4	50.5	48.1	49.0	50.9	49.6
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.5	26.0	25.5	25.5	25.2	25.7	26.3	25.7
Western Europe	15.3	15.4	15.5	15.5	15.8	15.0	15.4	15.8	15.5	15.6	15.1	15.5	15.8	15.5
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	9.4	7.8	7.9	8.8	8.5
DCs	20.3	20.6	21.7	22.4	22.7	23.2	23.1	23.1	23.0	23.3	23.7	23.8	23.8	23.6
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.0	3.8	3.8	3.5	3.8	4.1	3.8
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.2	7.0	7.2	7.4	7.9	7.7	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.7	83.0	83.9	85.6	84.3	86.0	84.0	85.2	87.1	85.6
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.4	20.0	20.1	20.8	20.3	20.6	20.6	20.5	21.0	20.7
North America	14.5	14.6	14.6	14.1	14.2	14.2	14.3	14.6	14.3	14.5	14.6	14.5	14.7	14.6
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.5	5.4	5.4	5.4	5.3	5.7	5.4
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.7	0.6	0.7	0.6	0.7	0.7	0.7
DCs	11.5	11.6	12.0	12.5	12.9	12.8	13.0	13.4	13.1	13.5	13.5	13.8	14.1	13.7
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.2	12.0	12.3	12.5	12.7	12.9	12.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.8	3.9	3.8
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	48.1	48.9	50.0	50.2	50.7	50.5	50.9	52.2	51.1	52.3	52.4	52.8	54.0	52.9
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	51.7	52.7	54.0	54.3	54.8	54.7	55.3	56.5	55.3	56.6	56.8	57.3	58.6	57.3
OPEC crude oil production (secondary sources)	25.4	26.9	29.0	29.9	29.7	29.6	29.7							
Total supply	77.0	79.6	83.0	84.2	84.5	84.3	85.0							
Balance (stock change and miscellaneous)	-0.8	0.2	0.7	0.9	-0.1	1.4	1.1							
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2547	2595	2596	2654	2761							
SPR	1347	1411	1450	1487	1487	1493	1495							
Total	3825	3928	3998	4082	4083	4148	4256							
Oil-on-water	816	883	906	961	964	975	968							
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	55							
SPR	28	29	29	30	31	31	30							
Total	79	80	81	83	85	85	84							
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.2	8.2	8.5	9.0	8.9	8.8	8.8
(a) - (b)	26.1	26.7	28.3	29.0	29.8	28.2	28.6	29.1	28.9	29.5	27.2	28.0	28.5	28.3

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

Table 29: World oil demand/supply balance: changes from last month's table † , mb/d

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

† This compares Table 28 in this issue of the MOMR with Table 28 in the November 2006 issue.

This table shows only where changes have occurred.

Table 30: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
Closing stock levels *mb*																
OECD onland commercial	2,630	2,478	2,517	2,547	2,595	2,465	2,545	2,581	2,547	2,542	2,623	2,640	2,595	2,596	2,654	2,761
North America	1,262	1,175	1,161	1,193	1257	1,145	1,193	1,206	1,193	1,201	1,275	1,256	1,257	1,239	1,276	1,342
Western Europe	925	895	922	924	944	919	933	945	924	951	925	952	944	949	943	961
OECD Pacific	443	408	435	430	394	400	420	430	430	389	422	432	394	408	436	459
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495
North America	552	601	640	678	687	654	664	672	678	690	698	696	687	688	690	690
Western Europe	356	357	374	377	407	371	366	367	377	376	401	405	407	407	411	411
OECD Pacific	380	389	396	396	393	398	398	396	396	396	395	393	393	392	393	393
OECD total	**3,918**	**3,825**	**3,928**	**3,998**	**4,082**	**3,888**	**3,974**	**4,016**	**3,998**	**4,005**	**4,116**	**4,134**	**4,082**	**4,083**	**4,148**	**4,256**
Oil-on-water	830	816	883	906	961	906	892	894	906	931	935	926	961	964	975	968
Days of forward consumption in OECD																
OECD onland commercial	55	51	51	51	53	51	52	51	50	52	53	53	52	54	54	55
North America	52	48	46	47	49	46	47	47	47	47	50	49	50	49	50	52
Western Europe	60	58	60	60	61	61	60	59	59	63	59	61	60	63	61	61
OECD Pacific	52	47	51	50	47	51	52	49	46	48	52	49	42	52	55	52
OECD SPR	27	28	29	29	30	30	29	29	29	30	30	30	30	31	31	30
North America	23	25	25	27	27	26	26	26	26	27	27	27	27	27	27	26
Western Europe	23	23	24	24	26	25	24	23	24	25	26	26	26	27	27	26
OECD Pacific	45	45	47	46	47	50	49	45	42	49	49	45	42	50	50	45
OECD total	**82**	**79**	**80**	**81**	**83**	**81**	**81**	**80**	**79**	**82**	**84**	**83**	**81**	**85**	**85**	**84**

Table 31: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2002	2003	2004	2005	05/04	1Q06	2Q06	3Q06	4Q06	2006	06/05	1Q07	2Q07	3Q07	4Q07	2007	07/06
USA	8.04	7.82	7.65	7.34	-0.31	7.20	7.37	7.44	7.56	7.40	0.05	7.60	7.55	7.48	7.57	7.55	0.15
Canada	2.84	2.98	3.07	3.03	-0.04	3.16	3.02	3.20	3.35	3.18	0.16	3.26	3.35	3.30	3.41	3.33	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.71	3.74	-0.03	3.69	3.70	3.75	3.72	3.71	-0.03
North America	14.48	14.60	14.56	14.14	-0.42	14.16	14.17	14.34	14.62	14.32	0.18	14.54	14.60	14.52	14.70	14.59	0.27
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.80	2.79	-0.18	2.78	2.75	2.84	3.01	2.84	0.06
UK	2.52	2.33	2.10	1.88	-0.22	1.89	1.70	1.48	1.73	1.70	-0.18	1.74	1.72	1.56	1.74	1.69	-0.01
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.36	0.35	-0.03	0.34	0.34	0.30	0.32	0.33	-0.02
Other Western Europe	0.44	0.47	0.51	0.54	0.03	0.53	0.56	0.55	0.58	0.56	0.02	0.58	0.58	0.58	0.58	0.58	0.02
Western Europe	6.67	6.43	6.19	5.77	-0.42	5.71	5.31	5.08	5.47	5.39	-0.38	5.45	5.38	5.27	5.65	5.44	0.05
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.59	0.51	-0.01	0.58	0.54	0.59	0.58	0.57	0.06
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.07	0.06	0.01	0.07	0.09	0.11	0.11	0.10	0.04
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.48	0.49	0.64	0.67	0.57	-0.01	0.65	0.63	0.70	0.69	0.67	0.10
Total OECD	21.92	21.68	21.32	20.48	-0.84	20.35	19.97	20.06	20.75	20.28	-0.20	20.65	20.61	20.50	21.04	20.70	0.42
Brunei	0.20	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.01	0.22	0.22	0.22	0.22	0.22	0.00
India	0.78	0.79	0.79	0.76	-0.04	0.78	0.79	0.76	0.80	0.78	0.02	0.80	0.77	0.79	0.79	0.79	0.00
Malaysia	0.76	0.78	0.79	0.77	-0.03	0.77	0.74	0.75	0.74	0.75	-0.02	0.73	0.70	0.75	0.82	0.75	0.00
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.38	0.38	0.39	0.38	0.00	0.36	0.33	0.38	0.39	0.37	-0.01
Asia others	0.37	0.40	0.42	0.51	0.09	0.52	0.53	0.53	0.53	0.53	0.02	0.53	0.53	0.53	0.54	0.53	0.01
Other Asia	2.45	2.52	2.61	2.63	0.02	2.67	2.65	2.64	2.68	2.66	0.03	2.64	2.55	2.67	2.76	2.66	-0.01
Argentina	0.84	0.84	0.79	0.76	-0.03	0.76	0.78	0.78	0.77	0.77	0.01	0.76	0.75	0.74	0.74	0.75	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.27	2.13	0.14	2.34	2.35	2.36	2.44	2.38	0.24
Colombia	0.58	0.55	0.53	0.53	0.00	0.53	0.54	0.53	0.53	0.53	0.01	0.53	0.53	0.53	0.53	0.53	0.00
Ecuador	0.38	0.41	0.51	0.51	0.00	0.52	0.55	0.55	0.54	0.54	0.03	0.53	0.52	0.52	0.51	0.52	-0.02
Trinidad & Tobago	0.15	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.19	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01
L. America others	0.25	0.26	0.27	0.29	0.02	0.29	0.30	0.30	0.30	0.30	0.01	0.29	0.29	0.29	0.29	0.29	-0.01
Latin America	3.93	4.02	4.05	4.27	0.21	4.36	4.43	4.45	4.61	4.46	0.20	4.64	4.63	4.63	4.69	4.65	0.18
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.90	0.82	0.79	0.78	0.00	0.77	0.75	0.75	0.75	0.76	-0.03	0.75	0.75	0.75	0.77	0.76	0.00
Syria	0.55	0.53	0.50	0.47	-0.03	0.44	0.44	0.44	0.43	0.44	-0.04	0.43	0.42	0.41	0.41	0.42	-0.02
Yemen	0.46	0.44	0.42	0.40	-0.02	0.41	0.41	0.41	0.42	0.41	0.01	0.43	0.43	0.42	0.41	0.43	0.01
Middle East	2.12	2.01	1.92	1.87	-0.05	1.83	1.82	1.81	1.81	1.82	-0.05	1.82	1.82	1.80	1.81	1.81	-0.01
Angola	0.89	0.88	1.00	1.26	0.26	1.45	1.33	1.47	1.54	1.45	0.18	1.59	1.62	1.79	1.93	1.73	0.28
Chad	0.00	0.02	0.16	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01
Congo	0.25	0.24	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01	0.69	0.68	0.69	0.69	0.68	-0.01	0.67	0.67	0.67	0.67	0.67	-0.02
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.37	0.37	0.01	0.38	0.40	0.42	0.42	0.41	0.04
Gabon	0.29	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04	0.35	0.36	0.44	0.55	0.43	0.09	0.57	0.60	0.59	0.59	0.59	0.16
Africa other	0.20	0.20	0.21	0.25	0.04	0.29	0.31	0.30	0.32	0.30	0.06	0.32	0.32	0.32	0.36	0.33	0.03
Africa	3.01	3.06	3.44	3.78	0.35	4.02	3.93	4.13	4.34	4.11	0.33	4.38	4.47	4.67	4.85	4.60	0.49
Total DCs	11.51	11.61	12.02	12.54	0.52	12.88	12.83	13.04	13.44	13.05	0.51	13.48	13.48	13.77	14.11	13.71	0.66
FSU	9.33	10.27	11.14	11.55	0.41	11.67	11.97	12.14	12.25	12.01	0.46	12.30	12.54	12.69	12.90	12.61	0.60
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.72	9.64	0.20	9.67	9.83	9.93	9.98	9.86	0.22
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.38	1.31	0.08	1.38	1.41	1.42	1.58	1.45	0.15
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.71	0.64	0.19	0.84	0.88	0.93	0.92	0.89	0.25
FSU others	0.45	0.47	0.46	0.44	-0.03	0.41	0.42	0.43	0.43	0.42	-0.01	0.41	0.41	0.41	0.41	0.41	-0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.67	3.68	3.68	0.07	3.76	3.74	3.78	3.86	3.79	0.10
Non-OPEC production	46.33	47.15	48.13	48.35	0.22	48.74	48.62	49.06	50.27	49.18	0.83	50.34	50.52	50.88	52.06	50.95	1.78
Processing gains	1.73	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	1.92	1.92	0.02
Non-OPEC supply	48.06	48.94	49.96	50.21	0.25	50.66	50.51	50.94	52.18	51.08	0.86	52.25	52.43	52.80	53.97	52.87	1.79
OPEC NGL	3.42	3.57	3.85	3.92	0.07	4.05	4.10	4.17	4.18	4.13	0.20	4.23	4.28	4.38	4.53	4.36	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.08	0.08	0.08	-0.05
OPEC (NGL+NCF)	3.60	3.71	4.02	4.08	0.06	4.18	4.22	4.33	4.33	4.27	0.19	4.31	4.36	4.46	4.61	4.44	0.17
Non-OPEC & OPEC (NGL+NCF)	51.66	52.65	53.99	54.29	0.30	54.83	54.74	55.26	56.52	55.34	1.05	56.57	56.80	57.26	58.58	57.31	1.96

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

Table 32: World Rig Count

	2002	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	2Q 06	3Q 06	Oct 06	Nov 06	Change Nov 06-Oct 06
USA	831	1,032	201	1,119	1,164	1,229	1,249	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,632	1,719	1,734	1,706	-28
Canada	266	372	106	528	202	326	420	369	-3	620	241	527	572	490	121	282	494	431	432	1
Mexico	65	92	27	107	113	111	108	110	18	114	116	104	93	107	-3	85	77	82	86	4
North America	1,162	1,496	334	1,754	1,479	1,665	1,777	1,669	173	2,013	1,693	2,050	2,143	1,975	306	1,999	2,290	2,247	2,224	-23
Norway	19	19	0	19	18	14	16	17	-2	15	18	19	17	17	0	20	16	2	10	8
UK	26	20	-6	15	19	14	15	16	-4	16	22	23	24	21	5	27	26	1	23	22
Western Europe	85	78	-7	69	70	57	62	65	-13	56	67	68	68	65	0	78	73	72	62	-10
OECD Pacific	17	18	1	19	22	26	20	22	4	24	25	27	24	25	3	28	25	29	25	-4
Total OECD	1,264	1,592	328	1,842	1,570	1,749	1,859	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,105	2,389	2,348	2,311	-37
Other Asia	111	117	6	119	128	127	130	126	9	133	140	146	148	142	16	150	156	152	151	-1
Latin America	106	116	10	114	127	129	134	126	10	133	138	141	151	141	15	162	164	169	157	-12
Middle East	62	70	8	69	68	69	73	70	0	69	71	73	75	72	2	79	82	84	87	3
Africa	43	48	5	48	53	56	57	54	6	58	58	54	60	58	4	66	72	82	82	0
Total DCs	322	350	28	350	376	381	394	376	26	393	407	414	433	412	36	457	474	487	477	-10
Non-OPEC Rig Count	1,588	1,944	356	2,194	1,949	2,132	2,255	2,132	188	2,489	2,194	2,562	2,670	2,479	347	2,564	2,865	2,839	2,790	-49
Algeria	20	20	0	18	20	20	20	19	-1	20	21	22	21	21	2	21	28	29	27	-1
Indonesia	46	45	-1	46	48	54	49	49	4	53	53	55	59	54	5	43	46	50	52	6
Iran	34	35	1	38	42	42	41	41	6	42	41	39	38	40	-1	45	47	45	46	-1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	6	5	-1	8	8	11	14	10	5	12	13	11	14	12	2	13	14	14	14	0
Libya	10	10	0	10	10	9	10	10	0	10	9	8	8	9	-1	9	10	10	12	2
Nigeria	12	10	-2	7	7	9	9	8	-2	9	9	9	8	9	1	9	10	10	8	-2
Qatar	13	8	-5	8	7	10	10	9	1	10	13	12	12	12	3	10	11	8	10	-1
Saudi Arabia	32	32	0	33	31	31	31	32	0	33	34	37	43	36	4	60	70	76	77	7
UAE	16	16	0	17	17	16	14	16	0	16	16	16	16	16	0	16	16	16	16	0
Venezuela	42	37	-5	52	50	52	65	55	18	66	72	66	70	67	12	83	85	79	75	-10
OPEC Rig Count	231	218	-13	236	240	254	263	249	31	271	281	275	289	276	27	309	337	337	337	0
Worldwide Rig Count*	1,819	2,162	343	2,430	2,189	2,386	2,518	2,381	219	2,760	2,475	2,837	2,959	2,755	374	2,873	3,202	3,176	3,127	-49
of which:																				
Oil	758	816	58	872	821	886	925	877	61	961	870	990	1,015	959	82	1,060	1,169	1,158	1,134	-27
Gas	1,044	1,328	284	1,538	1,351	1,478	1,573	1,485	157	1,777	1,583	1,823	1,928	1,778	293	1,802	2,016	1998	1971	-26
Others	17	18	1	20	17	22	20	20	2	22	22	25	17	22	2	13	18	20	22	3

/Excludes China and FSU.

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Main Contributors to Monthly Oil Market Report

WORLD ECONOMY	Dr. M. El-Shahati e-mail: MElShahati@opec.org: Mr. G. Skipper e-mail: gskipper@opec.org
CRUDE OIL PRICES	Mr. F. Al-Nassar e-mail: fal-nassar@opec.org
PRODUCTS AND REFINERY OPERATIONS	Mr. S. Keramati e-mail: skeramati@opec.org
THE TANKER MARKET	Mr. H. E. Khadadeh e-mail: hkhadadeh@opec.org
OIL TRADE	Mr. H. E. Khadadeh e-mail: hkhadadeh@opec.org
WORLD OIL DEMAND	Mr. E.S. Al-Khalifa e-mail: ekhalifa@opec.org
WORLD OIL SUPPLY	Mr. I. Sandrea e-mail: isandrea@opec.org
STOCK MOVEMENTS	Dr. O. López-Gonzalez e-mail: olopez@opec.org
COORDINATORS	Mr. M. Alipour-Jeddi Head, Petroleum Market Analysis Dept. e-mail: majeddi@opec.org Ms. C. Clemenz e-mail: cclemenz@opec.org Dr. A. Yahyai e-mail: ayahyai@opec.org Mr. D. Linton e-mail : dlinton@opec.org

Data is provided by Data Services Department.

Data Summary December 2006

OPEC Basket average price

US$ per barrel

↑ *up 0.45 in November*

November 2006	***55.42***
October 2006	*54.97*
Year-to-date	*61.34*

November OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.35*	*Kuwait*	*2.44*	*Saudi Arabia*	*8.75*
Indonesia	*0.87*	*SP Libyan AJ*	*1.69*	*UAE*	*2.49*
IR Iran	*3.77*	*Nigeria*	*2.23*	*Venezuela*	*2.45*
Iraq	*1.99*	*Qatar*	*0.81*	***TOTAL***	***28.84***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.3*	*World demand*	*85.6*
Non-OPEC supply	*55.3*	*Non-OPEC supply*	*57.3*
Difference	***28.9***	***Difference***	***28.3***

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

Stocks

US commercial oil stocks experienced a draw of 18.9 mb in November.

World economy

World GDP growth unchanged at 5.1% for 2006 and 4.4% for 2007.

Issued 18 December 2006.
Next report to be issued on 19 January 2007.
Data covers period up to the end of November 2006 unless otherwise stated.