OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
The product market situation ahead of the driving season

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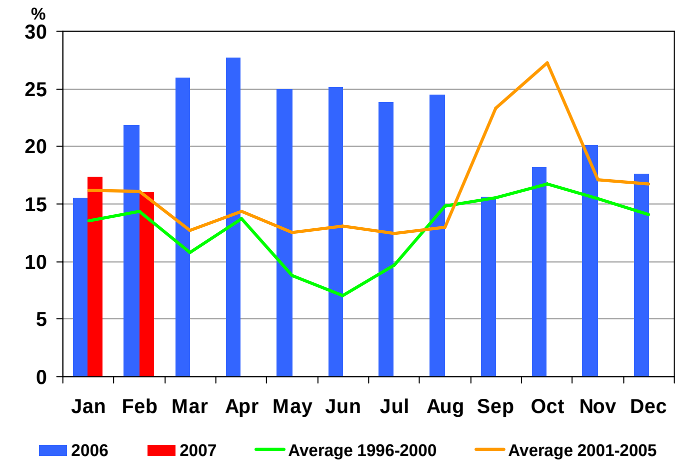
Oil Market Highlights

- The OPEC Reference Basket's monthly average rallied \$3.72 or over 7% in February to average \$54.45/b, after dropping nearly 13% in January. While a cold snap in the USA revived market bullishness, concern in the geopolitics kept volatility intact. In the first half of March, refinery problems in the USA amid draws on petroleum product inventories kept alertness in place. Improved refining margins in Europe were also seen lending support to market firmness as summer fuel stockpiling emerged... The Basket averaged \$57.78/b in the first half of March, after peaking to \$58.64/b earlier in the month. On 14 March, the Basket stood at \$57.14/b.
- World economic growth at 5.3% in 2006 and 4.6% in 2007 remains unchanged from last month. Developing Countries, excluding China, are forecast to grow at 5.7% in 2007 from 6.3% in 2006, while OECD growth for 2007 is forecast at 2.5% in 2007 from 3.1% in 2006. Data for the US is mixed, suggesting moderating growth in 2007, amidst worries on the wider financial implications of problems in the US sub-prime mortgage market. The economic recovery appears to be gaining momentum in Japan, while in the Euro-zone, economic indicators point to another year of solid growth, albeit at lower rates than last year. The recent turmoil in world financial markets which started on 27 February in China and spread to equity markets worldwide fueled fears of slowdown in the global economy. However, within days, markets had stabilized, recouping some of the losses, but remain nervous, especially in recent days, due to concerns in the US housing sector. Central Banks have been quick to respond, reassuring markets that the underlying economic conditions remained sound. However, potential downside risks to the world economic outlook are coming to the fore.
- Oil demand in North America picked up pace with the belated start to winter. Fuel oil demand was strong, affecting total world oil demand. World oil demand growth for 2007 is forecast to grow by 1.3 mb/d or 1.5%, an upward revision of 0.1 mb/d from the last *MOMR*. First-quarter oil demand in North America was revised up by 0.1 mb/d to average 25.45 mb/d, representing growth of 0.3 mb/d. Warm winter in other OECD regions led to a major decline in oil demand. For 2006, warm weather in the first and fourth quarters negatively affected global oil demand. The product which declined the most was fuel oil, mainly due to fuel switching in the OECD countries. Total world oil demand growth for 2006 is estimated at 0.8 mb/d or 1.0%, broadly unchanged from the last *MOMR*.
- Non-OPEC supply in 2007 is expected to average 50.6 mb/d, an increase of 1.2 mb/d over the previous year and a downward revision of 46,000 b/d from the last assessment, mainly due to baseline revisions for 4Q06. Preliminary data for February puts non-OPEC supply at 50.5 mb/d. In 2006, non-OPEC oil supply averaged 49.5 mb/d, representing an increase of 0.5 mb/d over the previous year and a downward revision of 17,000 b/d compared with the last assessment. The revisions were mainly due to adjustments in the final quarter of that year. Downward revisions in the USA and some Developing Countries were partly offset by upward revisions in the UK sector. OPEC crude oil production averaged 29.96 mb/d in February, broadly unchanged from the previous month.
- Continued cold weather in the USA along with refinery snags and pipeline problems provided support for product and crude prices. However, product prices in the USA and Asia failed to keep up with crude prices, leading to marginally lower refinery margins in those markets. In Europe, product market performance was better than in the crude market, resulting in a rise in Brent crude oil refinery margins. A draw on product stocks in the USA over the last few weeks, along with refinery maintenance and unplanned refinery outages and higher demand from the agricultural sector, may lend support to crude and product prices over the coming weeks. However, with the completion of the refinery maintenance schedule, product markets are expected to lose some of their current strength and exert pressure on refinery margins and crude oil prices.
- Preliminary data shows that OECD crude oil imports averaged 30.7 mb/d in January, an increase of 323,000 b/d over the previous month. Product imports rose by 0.4 mb/d to average 12.6 mb/d. In the USA, crude imports fell 0.58 mb/d to 9.5 mb/d in February, while Japan's imports edged down 100,000 b/d in the same month. China's net crude oil imports rebounded to reach 3.16 mb/d in January, a gain of around 645,000 b/d over the previous month, resulting from a 0.5 mb/d growth in imports versus a 144,000 b/d drop in exports. China's total net oil imports in January increased by 1.0 mb/d over the previous month and 11% over the same month last year. India's trade did not see any significant changes in January with crude imports at 2.36 mb/d and net product exports at 0.8 mb/d.
- Lower refining runs in USA and Europe due to seasonal maintenance and unplanned shutdowns left product inventories lower in these two regions in February. US product stocks decreased by 46.6 mb while crude inventories saw only a minor gain of 0.3 mb, leaving total commercial oil stocks at 987 mb, representing a drop of 46.3 mb from the previous month. In EU-16 (Eur-15 plus Norway), total oil stocks stood at 1,143 mb, down 11 mb from the previous month. Almost two thirds of the decline in EU-16 came from products. Nevertheless, both US and EU-16 stocks remained 16 mb and 51 mb above the five-year average. In January, Japan's commercial oil stocks reversed the trend, increasing 2 mb to 200 mb, implying a surplus of 16% above the five-year average, but preliminary data for February showed that stocks moved down below 190 mb.
- Demand for OPEC crude in 2006 is estimated to average 30.4 mb/d. In 2007, the demand for OPEC crude is expected to average at the same level of around 30.4 mb/d. On a quarterly basis, the demand for OPEC crude is expected at 31.3 mb/d, 29.4 mb/d, 30.4 mb/d and 30.5 mb/d respectively.

The product market situation ahead of the driving season

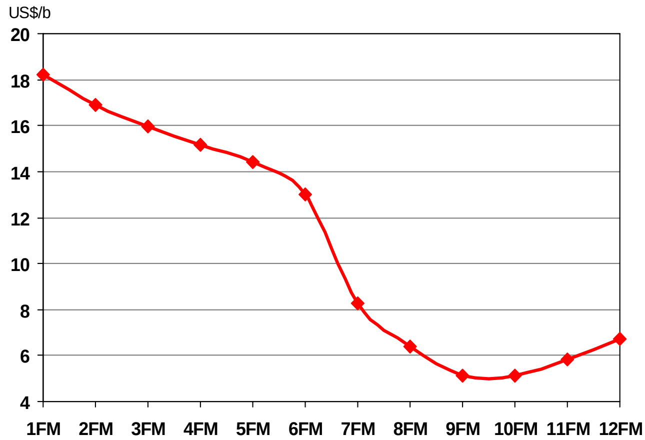
- In 2006, the oil market was largely been driven by developments on the product side, as the phasing out of MTBE from the gasoline pool, the switch to ultra-low-sulphur diesel in the USA, and potential refinery outages due to hurricanes, encouraged funds to invest in product markets, supporting both product and crude oil prices.
- However, product market sentiment changed significantly in mid-August as slowing incremental gasoline demand coincided with a decision by a major commodity index to liquidate its reformulated gasoline futures position without immediately rolling over into alternative gasoline contracts.
- These developments in the physical and futures product markets — along with increasing uncertainty about US economic growth and expectations of rising non-OPEC supply — triggered the bearish momentum in the crude oil and product markets. Not only did this situation result in lower crude prices but it also led to falling refining margins across the globe. The OPEC decision in Doha in October helped to stabilize the crude oil market. However, unseasonably warm weather in the fourth quarter across the globe placed further pressure on product prices and refinery margins at the end of the year.

*Graph 1: Gasoil price ratio to WTI**



*([Gasoil – WTI]/WTI) x 100

Graph 2: Forward gasoline crack spread in Nymex (1 March 2007)



- As **Graph 1** shows, the unusual warm winter resulted in a poor performance by middle distillates relative to crude in the fourth quarter — a period when distillates typically drive the market, providing support for crude demand and prices. However, since mid-January, a cold snap in the US Northeast along with refinery maintenance and unplanned outages helped to improve product market performance, providing support to refinery margins and crude oil prices. Looking ahead, the key question facing the market is whether the recent strength in the product market will persist over the coming months, allowing the product-led environment to continue in 2007.
- With the approaching end of the winter season, the distillate market is expected to lose part of its current strength in the coming months, as market players shift their attention to gasoline market developments. Gasoline stock-draws in the USA in recent weeks have helped to support crude oil prices, but the continuation of such bullish circumstances in the gasoline market is doubtful. Overall, refiners are sitting on comfortable stock levels across the world, and with the completion of US refinery maintenance schedule, gasoline stocks in the USA could rebound from the recent draw ahead of the driving season.
- Additionally, unlike in the past years, there is no mandate for major specification changes in the USA and Europe, and as a result the transition to summer gasoline grades in April is likely to be less problematic. The light refinery maintenance schedule in the first half of the year across the globe, along with the increasing use of ethanol-blended gasoline, should help to remove gasoline supply concerns for the coming months. The bearish outlook for gasoline is reflected in Nymex gasoline prices, which fell into deep backwardation at the start of the month (see ***Graph 2***).
- It should be noted that the combination of moderating demand growth and a 1 mb/d increase in distillate and conversion capacity should lead to an increase in spare refinery capacity this year, resulting in a more balanced situation in the product markets.
- As has been widely recognized, the proactive decisions taken by OPEC in Doha and Abuja have helped to guide the market toward improved balance and greater stability. However, with the end of the winter season and fewer concerns for this year's summer driving season, market attention should shift to crude oil market developments. As a result, aside from potential downside risks to the world economic outlook, other factors such as non-OPEC supply, the pace of incremental demand and non-fundamental factors including geopolitics warrant close monitoring as they are expected to be the main drivers behind crude oil price movements in the coming months.

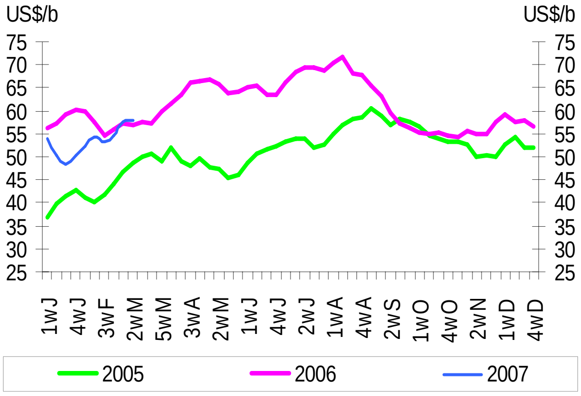
Crude Oil Price Movements

The OPEC Reference Basket rallied $3.72/b in February as a cold snap in the USA amid geopolitical developments kept volatility in the marketplace

OPEC Reference Basket

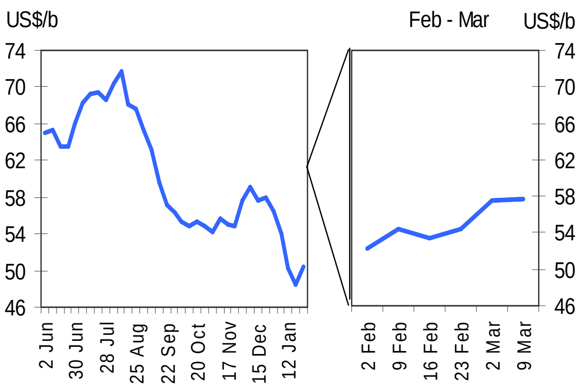
The market continued the stride into February amidst cold weather in the USA and delays at Russia's Black Sea outlet. The implementation of OPEC's cut strengthened market bullishness. However, the decline in fuel demand in Asia prevented prices from any further escalation. Nonetheless, revived Mideast geopolitics sustained market volatility. In the first week of the month, the OPEC Reference Basket rallied on average $2.1/b or over 4% to settle at $54.38/b, the highest weekly average so far this year. In the second week, assurance from OPEC Member Countries of steady supply amid a balanced market contributed to the renewed bearish market sentiment amid fading cold weather in the USA. Nonetheless, an upward revision to world demand forecast at a time of cargo deferral from a West African nation balanced market sentiment. The phasing-out of winter fuel demand inspired fund sell-offs in the paper market which kept prices in check. The Basket closed the second week with an average of $53.45/b representing a drop of 93¢ or 1.7%. The revival of mild weather in the Western Hemisphere exerted further downward pressure on winter fuel demand. A supply disruption in the upstream and downstream in the Northern Hemisphere along with resumed geopolitical developments extended market volatilities amid a narrowing arbitrage window for western crude to flow eastward. The Basket closed the week with an average rise of $1.02 or 1.9% to settle at $54.47/b. A late cold snap in the USA revived concern over winter fuels; however, the colder weather proved to be short-lived. Moreover, a sharp correction in China's main equity market which was echoed around the global appeared to indicate weaker confidence in continued strong global economic growth, which could limit energy consumption. The Basket closed the final days of the month with an average of $56.87/b, after peaking at $57.09 a day earlier.

Graph 1: OPEC Reference Basket - weekly spot crude



The Basket's monthly average rallied $3.72 or over 7% higher in February after a drop of nearly 13% in January. While a cold snap in the USA revived market bullishness, geopolitical concerns kept volatility intact. In the first half of March, refinery problems in the USA amid a draw on petroleum product stocks kept alertness in place. Improved refining margins in Europe were also seen lending support to market strength as summer fuel stockpiling began. Nonetheless, turbulence in the Asian and European stock markets revived concern over potential slower global economic growth which could eat into demand. Yet, the prospect of stronger gasoline consumption in the USA kept the marketplace somewhat balanced. The Basket averaged $57.78/b in the first half of March, after peaking to $58.64/b earlier in the month.

Graph 2: Weekly average Basket price, 2006-2007

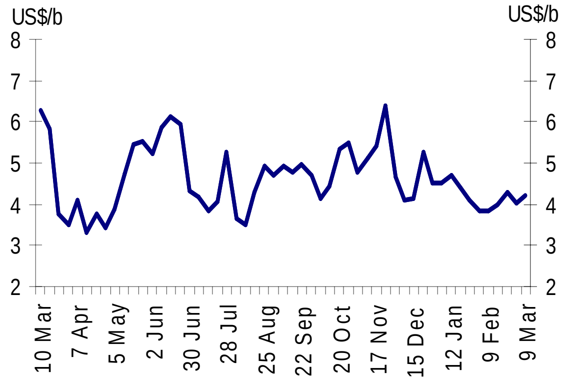


A draw on light-end product inventories amid outages in upstream and downstream ends kept the light crude spread narrower

US market

US light domestic crude firmed on a drop in heating fuels amid a planned strike in Nigeria which tightened light crude supply. The sentiment was enhanced by the announcement that Canada's largest offshore oil field would be shut for unplanned maintenance at a time of rising winter fuel demand. The WTI/WTS spread averaged $3.84/b in the first week of the month. Nevertheless, the sentiment eased in the second week amid the prospect of OPEC keeping output steady when it meets in March keeping the differential wider. Healthy stocks at the US Gulf Coast refineries added pressure on the sour crude. The WTI/WTS spread widened to peak at $4.22/b in the second week to average $4.01/b. In the third week, an unexpectedly hefty draw on distillate stocks, combined with a draw on gasoline inventories and downstream disruptions, widened sweet/sour differentials. The WTI/WTS spread peaked to $4.75/b with the third-week spread average at $4.31/b, 30¢ wider from the previous week. A further draw on refined products supported light crude amid demand for light-end products and seasonal stockpiling. The WTI/WTS spread narrowed in the final days of February to average $4.05/b. WTI's monthly average was $59.21/b for a gain of $4.81 or nearly 9% from the previous month with the spread over WTS narrowing 31¢ to $4.03/b.

Graph 3: WTI spread to WTS, 2006-2007

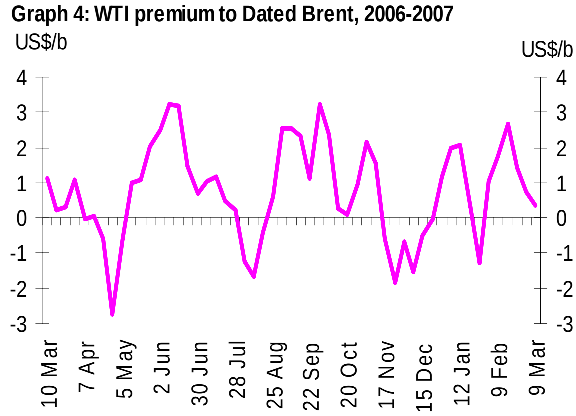


A decline in Forties quality amid the injection of crude from the new Buzzard field kept pressure on the North Sea market

North Sea market

The North Sea market began the month with leftover prompt barrels for February loading. Hence, sellers continued to lower offers to dispose of unsold barrels. The sentiment was even weaker on Forties amid the injection of lower quality crude from the new Buzzard field into the stream. Warm European weather amid healthy supply for March also added to the market's weak momentum. In the second week, while most participants were involved in a London industry event, questions continued regarding quality issues regarding the Forties grade, which kept the crude under pressure as refiners sought alternatives. However, healthy demand for March barrels amid improving refinery margins added support to North Sea crude in the third week. Healthy refinery demand in meeting seasonal fuel stock-builds supported market sentiment amid a drop in the US petroleum products prompting firmer price differentials. In the final days of the month, demand fulfillment for March barrels amid weak Forties quality was somewhat balanced by improving refining margins. Dated Bent closed the month at an average of $57.43/b for a gain of $3.75 or almost 7%.

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



Weather-related delays amid improved refining margins continued to keep Brent/Urals spread at a narrow level

Mediterranean market

Urals crude emerged in February on a stronger note amid continued weather-related delays at the Black Sea prompting worries over tighter supply. However, prices eased on by the resumption of loadings at the Novorossiysk outlet that had been closed due to high winds prompting late February loading. However, volatility continued on shipping delays while buyers looked for alternative grades. Competing refining margins for the sour crude kept market sentiment firm. Urals discount to Brent was 73¢ firmer at $3.47/b in the first week of the month. Tight supply from the Ceyhan pipeline lent support to the bullish momentum amid continuously strengthening refining margins. Dated Brent to Urals spread firmed to $3.38/b into the second week. A drop in Primorsk exports was seen potentially supporting the value of Urals, although ample Caspian's CPC pipeline supply kept the market balanced. Hence, the Brent/Urals spread was 49¢ wider at

$3.87/b in the third week. In the final days of February, refining margins remained strong. Urals discount to Brent was a marginal 17¢ firmer to $3.70/b. Urals monthly average was $53.81/b, with the spread under Brent 6¢ wider at $3.62/b.

Middle Eastern market

Opening arbitrage opportunities pressured Mideast crude differentials, although this was balanced by the commissioning of Oman's Sohar refinery

The market for Mideast crude started with a bearish sentiment on refinery run cuts in Japan amid mild winter demand. Unsold March barrels amid a weak crack spread for fuel oil pushed Oman to trade at a $50-60/b discount to MOG. The bearishness continued on emerging maintenance season in Asia amid refinery upgrade in Oman. Hence, the Brent/Dubai spread narrowed by a significant $1.31 to $1.55/b. In the second week of the month, ample Mideast supply poised weaker retroactive OSP. April Oman and Abu Dhabi light crude were discussed at a 10¢/b and 15¢/b discount to MOG and ADNOC's OSP respectively. The weakness was enhanced by the opening arbitrage opportunity for rival Russian Urals to flow eastward. The Brent/Dubai spread narrowed by a hefty 80¢ to 75¢/b, the narrowest weekly average since early January when it was around 24¢/b. However, the improved fuel oil crack spreads lent support to the Mideast medium/sour grades. In the third week, the Brent/Dubai spread widened to $2.73/b narrowing the arbitrage window and also adding to the market momentum for the Middle East crude. Moreover, some spot sellers of Mideast crude kept stems for their own system adding some strength to differentials. In the final days of the month, increasing demand from India balanced the market as Taiwan's purchase of Oman in its buy-tender was limited. Slower refinery maintenance capacity than last year kept firmness in the marketplace. The commissioning of Oman's 116,400 b/d Sohar refinery was also seen lending support to the grade amid lower supply, with April Oman trading between parity and a 10¢/b discount to MOG.

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

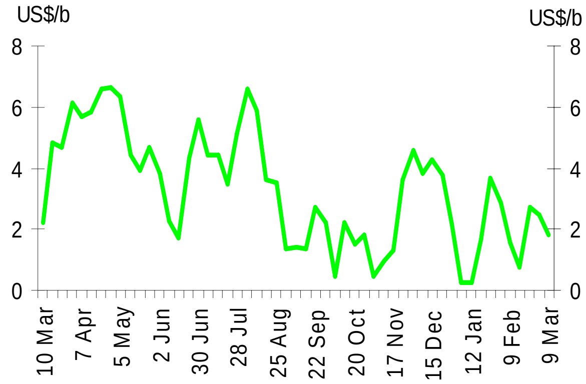


Table 1: OPEC Reference Basket and selected crudes, US$/b

			Change	Year-to-Date	
	Jan 07	Feb 07	Feb/Jan	2006	2007
OPEC Reference Basket	**50.73**	**54.45**	3.72	**57.57**	**52.50**
Arab Light	50.85	54.29	3.43	57.52	52.49
Basrah Light	47.63	51.19	3.56	53.99	49.33
BCF-17	42.68	48.04	5.36	46.92	45.23
Bonny Light	56.18	59.58	3.40	63.10	57.80
Es Sider	52.08	55.83	3.75	60.48	53.86
Iran Heavy	47.90	51.87	3.97	56.28	49.79
Kuwait Export	48.42	52.33	3.90	55.79	50.28
Marine	52.58	55.86	3.28	59.46	54.14
Minas	55.39	58.44	3.04	62.38	56.84
Murban	56.42	59.58	3.17	62.25	57.92
Saharan Blend	55.78	59.58	3.80	62.86	57.59
Other Crudes					
Cabinda	50.65	55.72	5.08	59.25	53.06
Dubai	51.92	55.61	3.69	58.10	53.67
Isthmus	48.90	53.48	4.57	56.27	51.08
T.J. Light	47.83	51.82	3.99	52.66	49.73
Brent	53.68	57.43	3.75	61.62	55.46
W Texas Intermediate	54.40	59.21	4.81	63.49	56.69
Differentials					
WTI/Brent	0.72	1.78	1.06	1.87	1.23
Brent/Dubai	1.76	1.82	0.06	3.52	1.79

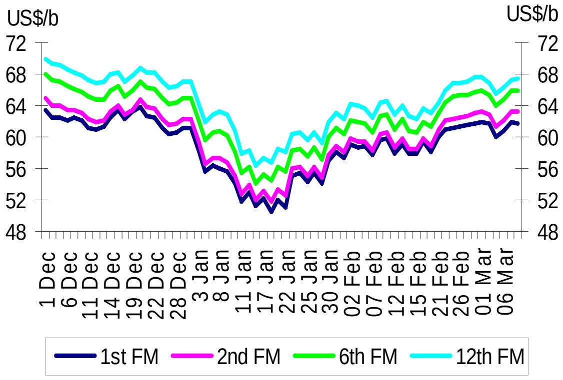
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Weather and geopolitics amid refined product supply concerns inspired some fund liquidations yet flipping the positions into net long

The Nymex futures market weakened at the start of the month. Non-commercial positions fell into net short as long positions were liquidated at a faster rate than the shorts. Speculator net short positions widened nearly 7,000 lots to 21,300 contracts. Moreover, open interest was 8,500 narrower at 1,298,500 contracts. With options included, open interest was 17,200 lots wider at 2,362,400. The Nymex WTI front-month contract closed the first weekly period at $58.88/b to average $58.42/b on weather-related and geopolitical issues.

Graph 6: Nymex WTI futures prices, 2006-2007

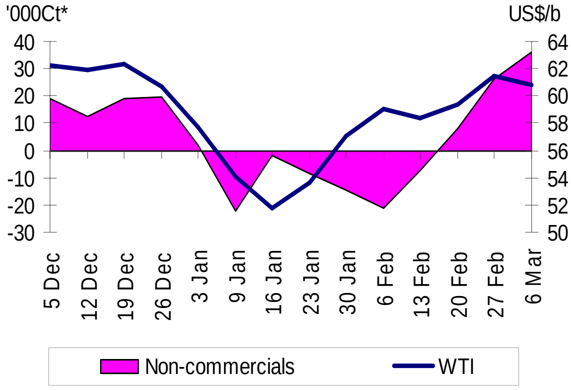


FM = future month

In the second weekly period, the Nymex WTI front-month contract closed at $59.06/b, averaging $58.84/b on continued weather-related and geopolitical concerns boosted by an upward revision to global demand expectations. Non-commercial net positions were 14,100 lots firmer but remained net short by 7,200 contracts. The rise was on the back of gains in both sectors of contracts. Thus, open interest rose by 24,300 to 1,322,800 lots, a record-high. Including options, open interest stood at a record-high of 2,412,000 contracts or 49,600 lots wider.

In the third weekly period, non-commercial net positions were furthered by another increase of 15,100 lots to turn net long by nearly 7,900 lots with short positions falling at a faster rate than longs in both sectors. Hence, open interest fell 95,300 lots to 1,227,500. With options included, open interest plunged by a hefty 203,500 to 2,208,500 lots. The Nymex WTI prompt month closed the third weekly period down to $58.07/b to average $58.36/b on the forecast for warmer weather amid slowing demand for winter fuels.

Graph 7: Non-commercial net long positions vs WTI, 2006-2007



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

In the final weekly period, the sentiment firmed on revived geopolitics and depleting gasoline and heating fuels amid refinery outages in the USA. The Nymex WTI rallied in the final week of February to $61.49/b to average $61/b. Non-commercial net positions were some 18,200 lots wider at 26,000 contracts net long. The rise in net volume was attributed to non-commercial long positions while shorts were liquidated. However, open interest widened by nearly 42,000 lots to 1,269,200 contracts. With options included, open interest was more than 59,000 lots firmer at 2,267,500 contracts.

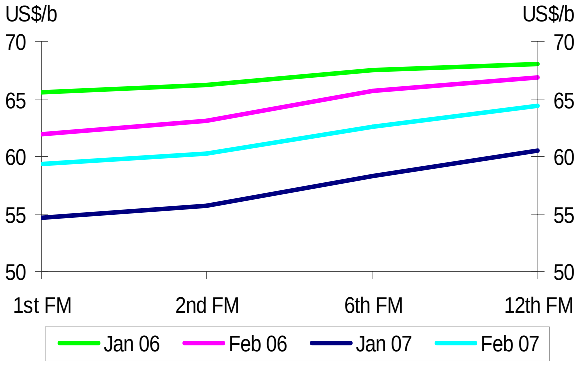
On a monthly basis, net non-commercials averaged 1,340 net long in February versus 9,000 net short the month before and 18,700 lots net short last year. Commercial long and short positions set record-highs of over 800,000 lots to stand net long by 14,500 lots. Open interest averaged 1,279,500 lots for the month, some 700 lots below the previous month and 355,000 over the same period last year. With options included, open interest averaged 78,500 wider at 2,312,600 lots or 760,800 higher than last year. The Nymex WTI front-month average was $5.04 or over 9% higher at $59.39/b, yet 4% lower than last year.

The contango spread continued to narrow on depleting refined products which prompted demand for crude oil

The Forward Structure

The forward structure was firmer to remain below the $1 spread in contango for the second month. The 1st/2nd month contango spread was at 81¢ or 18¢ narrower, the narrowest since June. The 1st/6th, /12th and /18th spreads were $3.20/b, $4.98/b and $5.51/b, or 45¢, 89¢ and $1.17/b narrower respectively. When comparing the contango spread to last year, the 1st/2nd month spread was 42¢ firmer while the 1st/6th and /12th month spreads were 53¢ and 3¢ narrower with no change against the 18th month. However, US crude oil stocks averaged 326.2 mb in February or 5.4 mb higher than in the previous month and 900,000 barrels over last year. Despite the higher crude oil inventory levels, a hefty draw on distillate and gasoline stocks prompted the narrowing of the forward structure.

Graph 8: Nymex WTI forward curve



FM = future month

Highlights of the World Economy

Economic growth rates 2006-2007, %					
	World	OECD	USA	Japan	Euro-zone
2006	5.3	3.1	3.3	2.2	2.7
2007	4.6	2.5	2.4	1.8	2.1

Industrialised countries

United States of America

Mixed data in early 2007 suggest moderating growth in the US economy, amid worries concerning the sub-prime mortgage market

Mixed data in early 2007 suggest moderating growth in the US economy, despite warnings by former Fed Chairman that the US economy has a one-in-three chance of falling into recession in 2007. Following the stock market turmoil, the Fed was quick to reassure markets that the underlying economy was sound and that its forecast for 2.5-3% growth in 2007 was unchanged. However, the Fed identified the depressed housing market as the greatest risk to the benign soft-landing scenario. Housing worries continue undiminished, with new home sales plunging by 16.6% m-o-m in January. Moreover, problems in the sub-prime mortgage market — where risky borrowers are given loans with little collateral — have escalated, as defaults rose to four-year-highs in the fourth quarter. This segment is estimated to account for 13% of the $10 trillion in home loans outstanding and represented a 35% share of the mortgage securities issued last year, up from 13% in 2003. A report from the Mortgage Bankers Association also shows that foreclosures on all types of US home loans rose to record highs during the fourth quarter, indicating that the trouble in the mortgage market is not confined to the riskier borrowers. The looming crisis in mortgage lending is exerting further downward pressure on share prices and there is the risk that it may lead to a credit crunch.

Adverse weather conditions in February, the coldest February since 1994, have contributed to the slowdown observed during the month in retail sales, employment and the growth in the services sector. Despite income gains, retail sales in February were lower than expected, rising by a meager 0.1% following no change in January. Sales excluding motor vehicles and gasoline declined 0.3%, the largest drop in almost three years. The figures point to a gradual slowdown in consumer spending which has been the mainstay of the economy. On the other hand, the Institute for Supply Management's report showed the index for services falling to 54.3 in February, lower than January's reading of 59.0, but still above the 50 mark, indicating that US service industries continue to grow, albeit at a more moderate pace. The employment report showed that the economy generated 97,000 new jobs in February, below the 189,000 average prevailing last year but in line with expectations. The rate of unemployment fell to 4.5% from 4.6% in January, essentially unchanged. Adverse weather may have affected the reading for both services and employment.

Fourth quarter GDP was revised down from an advance estimate of 3.5% to 2.2% following 2% growth in the third quarter. The inventory correction, which subtracted 1.35 percentage points from growth in the fourth quarter, is still underway. Business inventories rose 0.2% in January as sales declined by the most in four months. This indicates that orders to factories in coming months may be weaker. Durable goods orders in January fell by 7.8% after a December rise of 2.8%. In particular, orders for non-defense capital goods excluding aircraft, a forward indicator of future business investment, fell by 6%, the biggest decrease since January 2004. However, the Purchasing managers index for manufacturing rose in January indicating some improvement in the manufacturing sector. The index of leading indicators rose slightly in January by 0.1% for the second month in a row. Positive contributions were made by the money supply index of consumer expectation, average initial weekly claims for unemployment and stock prices.

The consumer price index in January rose by 2.1% from the same month in 2006. However, core inflation, excluding energy and food, increased faster at 2.7%. As the economy slows down, there are indications that the tightening monetary cycle in the US has reached its end, with rates unchanged at 5.25% since July 2006. Meanwhile, productivity gains slowed down and unit labour costs rose at a year-on-year rate of 3.4% in the fourth quarter, versus 1.5% a year earlier. It is expected that wage increases will start to catch up with the boom in corporate profits witnessed in the last five years. This could assist flagging private consumption growth but may also add upward pressure on prices. Overall, the early 2007 indicators point to moderating momentum in the economy which is expected to achieve a soft-landing growth rate of 2.4%, with the Fed seeing a possibility of strengthening towards the middle of the year.

Japan

Economic recovery gaining momentum in Japan in early 2007

Real GDP growth in the fourth quarter was revised upwards to 1.3% q-o-q or 5.5% at an annualized rate from 4.8% initially reported. This was in line with higher growth in private capital expenditures, which was revised up from 0.3% to 0.5% growth q-o-q. The growth in the fourth quarter was the fastest in three years, and indicates that the economic recovery has gained momentum. Recent data releases support this view with early indicators showing Japanese domestic demand growing strongly in the first quarter of 2007. The Cabinet Offices' Composite index, which is seen as a predictor of GDP growth, shows that both private consumption and business capital spending rose strongly in January, continuing the trend observed in the fourth quarter of 2006. The average amount of monthly consumption expenditures per household (two or more persons) in January rose 0.6% in both nominal and real terms from the previous year. The main increases were in clothing and footwear while expenditures on fuel, light and water charges fell by 7.1% in nominal terms and 8.0% in real terms. Moreover, the average amount of monthly income per worker's household increased by 0.7% in both nominal and real terms from the previous year. The average propensity to consume was unchanged at 87.8% from previous month. Labour markets remained tight with the number of unemployed persons reaching 2.64 mn in January, representing a decrease of 280 thousand or 9.6% from the previous year. The unemployment rate, seasonally adjusted, was reported at 4.0%, unchanged from the previous month.

On the positive side one also notes that core machinery orders (excluding volatile shipbuilding and electric power companies), a leading indicator for capital expenditure rose a seasonally adjusted 3.9% in January from 2% in the last quarter of 2006, indicating that the momentum in capital expenditure will be maintained in the first quarter. Separately, the consumer confidence index rose in February to 48.4 from 48.1 in January and 45.9 in December, depicting in particular improvements in the employment and income parts of the survey. Consumer price inflation fell down to zero in January raising doubts about the end of the deflationary pressures that had plagued Japan in the last years. Nevertheless, the Bank of Japan raised its overnight call rate by 25 basis points to 0.5% in February, bringing it to its highest level in a decade. This was the second interest rate hike after the July 2006 hike of 25 basis points from zero to 0.25%. The bank cited the accelerating rate of growth in the economy as the main reason for the monetary tightening, a view which differed from that of the Japanese government mainly concerned about avoiding to stifle the nascent recovery.

Euro-zone

Euro-zone data point to another year of solid growth in 2007, although at lower rates than last year

Euro-zone data point to another year of solid growth, with continued expansion in manufacturing, sustained activity in the services sector and improving labour markets. However, growth will be hampered this year by the slowdown in the global economy, the strong euro, higher interest rates and the mildly restrictive fiscal policies. The composite PMI index moved up slightly in February, while unemployment in January fell to 7.4%, the lowest level since 1999. Among member states, unemployment ranged between 3.6% in the Netherlands and 8.6% in Spain. Germany had an unemployment rate of 7.7% in January. Confidence remained high as shown by the European Commission's latest sentiment index for the Euro-zone which rebounded to 109.7 in February, after having retreated to 109.2 in January, from the six-year high of 110.0 reached in October of last year. This was primarily due to a rise in consumer confidence to its highest level since mid-2001, buoyed by better employment prospects and boding well for consumer spending. Business sentiment has also remained high in both the industrial and services sectors. There is however, a fall in the retail sector sentiment from last October's peak which may have been influenced by the German VAT rise. Seasonally adjusted retail sales themselves were weaker than expected in January, falling by 1% m-o-m, driven by a fall in Germany.

Annual money supply growth in January at 9.8% was near 17-year highs. However, the 150 basis point increase in interest rates since December 2005 has helped to dampen household borrowing. The annual growth rate of loans to households slowed to 7.9% in January, from 8.2% in December 2006 and 9.1% in September. The ECB has been concerned that strong mortgage lending would fuel a property price bubble. Consumer price inflation in January remained below the European Central Bank's target of 2%, declining to 1.8%. However, the ECB, as expected, resorted to another interest rate hike on March 8, lifting the refinancing rate by 25 basis points to 3.75% with further moves expected this year, since the ECB sees the present rate as being still on the accommodative side. The ECB also has raised its GDP forecast to 2.5% this year and it expects inflation to be around 1.8%. The Euro-zone trade surplus narrowed to 3.3 billion euro in December from 8.7 billion euro in November. The region achieved a small seasonally adjusted current account in the last four months of 2006, helped by the fall in oil prices in the last quarter of the year which contributed to reduce the value of imports. Exports continued to perform well throughout 2006, despite the higher currency, rising by 2.0% m-o-m and 14.9% y-o-y in December.

Former Soviet Union

Ukrainian GDP growth rebounded to 7.0% in 2006

In Russia inflation was 1.1 % in February which is down by 0.06 % compared to the last year. The progress relative to the 2006 period was due to the increase in food prices. RosStat reported that Russia exported 248.4 million metric tones of crude oil in 2006, down 2.0% from the figure for 2005 pointing to a rise in domestic consumption. Exports of crude oil in December 2006 amounted to 20.9 million tonnes, down 9.8% (y/y). The Russian Ministry of Economic Development and Trade is now projecting full-year growth at 6.05 % in 2007. Our forecast for Russian GDP in 2007 is at 6.0%.

Despite increasing prices on natural gas, relatively high inflation and a current account deficit, Ukraine demonstrated “decent” economic growth in 2006. Ukrainian GDP growth rebounded to 7.0% in 2006, according to preliminary official estimates. Ukraine’s GDP is largely fueled by its vast export-oriented steel industry and mounting domestic consumption. Increasing prices on fuel imports, including natural gas and oil from Russia, have forced industry to cut down on wasteful consumption and improve energy efficiency. The economic growth in 2007 is forecast to moderate due to the less favorable global metals environment that was the main economic stimuli last year.

Recent data shows that Romania’s economy rebounded from a disappointing 4.4% in 2005 to reach 7.7% in 2006. The rising domestic demand was the main driver behind acceleration in growth. The decline in the agriculture sector in 2005 caused by severe flooding rebounded in 2006. Net imports remained a drag on growth as imports expanded by 23% while exports grew by 10.6%.

Developing Countries

Chinese government announced measures to slowdown the economy

The Chinese government expects GDP to rise about 8% in 2007, with the projection deliberately pitched at a low level to signal the government’s intention to seek quality growth, as it focuses on making the structure of the economy more sound. In 2006, GDP grew at 10.7%, much higher than the government’s target of around 8%, raising questions about the federal government’s ability to control growth. Even with tighter measures to control capital flows, the government has struggled to rein in excessive lending and investment in many regions that have long operated independently. Our forecast for China’s growth is 9.4% in 2007.

China’s stock market recovered from end of February fall

On Tuesday 27 February, the Shanghai stock market plunged almost 9%. To many investors the sell-off was just the latest indication that share prices in the Chinese exchange have been defying reality as China’s stock market system is still relatively immature. It seems that the fall was triggered by rumors that the Chinese government would impose a tax on share profits to avoid a bubble – a move later denied by the government. Other worries added to the tension in stock market worldwide after Alan Greenspan’s pessimistic view about the US economy this year. While stock market movements are not usually considered as a sign of the macro economic performance, it should be highlighted that in China the link between the stock market and the economy is even weaker than other similar markets. It serves largely to raise funds for state companies, rather than the vibrant private sector. In moves to further stabilize the market, the government will likely focus on tightening controls of illegal activity.

China’s trade surplus approached record levels

China’s trade surplus surged to its second-highest level on record in February 2007, foreshadowing further international tensions over China's exchange-rate system, With this in mind, Chinese officials have said that policies to reduce their nation’s trade surplus need time to show results. The Chinese government announced that one of its priorities this year is to cut the trade surplus to head off rising trade tensions with major trading partners such as the US and EU. The government would tackle this problem by boosting domestic consumption and increasing imports while encouraging more growth in the services sector.

In India, industrial output growth sustained momentum in January, as shown by official data. Total output rose by 10.9% y-o-y, which despite being slower than the revised 12.5% annual gain recorded in December, still exceeded expectations. Sustained output growth continues to test capacity limits and increase inflationary pressures. In the year through 24 February, the wholesale price index rose by 6.10%, close to the previous week's gain of 6.05%. The government has cut administered fuel prices in an attempt to ease inflation.

OPEC Member Countries

Growth in oil and gas trickling down to other sectors in Angola

The oil sector has played the leading role in the recovery of the Angolan economy. The country grew by 11.2% in 2002, 20.6% in 2004 and 17.6% in 2006. Growth this year is forecast at 13.3%. However, Angola's economic growth, though determined by double digit growth in the oil sector, has also trickled down into the non-oil sector. After the oil and gas sector, which accounts for roughly half of Angola's GDP, the biggest contributions to GDP come from wholesale and retail trade, agriculture, forestry, and fisheries.

Inflation in Algeria rose by 1.8% y-o-y in January, down from 4.4% a month earlier according to the latest data released by Algeria's National Statistics Office. The monthly decrease in CPI was due to a 1.3% decrease in the cost of food from the previous month. Moderate inflation is forecasted this year despite increases in wages and expansionary fiscal policies suggesting a timely response from domestic supply.

Oil prices, the US dollar and inflation

The dollar lost some ground versus the euro and Swiss franc and fell marginally also against the yen in February, rising slightly against the pound sterling. The US currency fell by 0.58% versus the euro, 0.11% against the yen, and by 0.24% against the Swiss Franc. It rose by 0.12% against the pound.

The euro's strength versus the dollar was a reflection of the mounting evidence of improved economic conditions in the Euro-zone and in anticipation of the rise in euro-zone interest rates in March. The fall of the yen was arrested in February and it hovered around 120 yen/$. The small interest rate hike by the Bank of Japan on February 21st did little to lift the currency but it raised some fear that the carry trade may be unwinding.

In February, the OPEC Reference Basket rose by 7.33% to $54.45/b from $50.73/b in January. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by $2.4/b or 7.0% to $36.76/b from $34.35/b. The value of the dollar fell by 0.29% as measured against the import-weighted modified Geneva I +US dollar basket[*].

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

World Oil Demand

World oil demand grew by 0.8 mb/d in 2006 to average 84.1 mb/d

World oil demand in 2006

Warm weather in the first and fourth quarters of last year negatively affected global oil demand. The product declining the most was fuel oil, mainly in the OECD countries, as a result of fuel switching to natural gas. **Total world oil demand growth for 2006 is estimated at 0.8 mb/d or 1.0%, a slight downward revision from our last *MOMR***. Last year's oil demand growth came solely from the Developing Countries, with China and the Middle East as the main contributors.

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

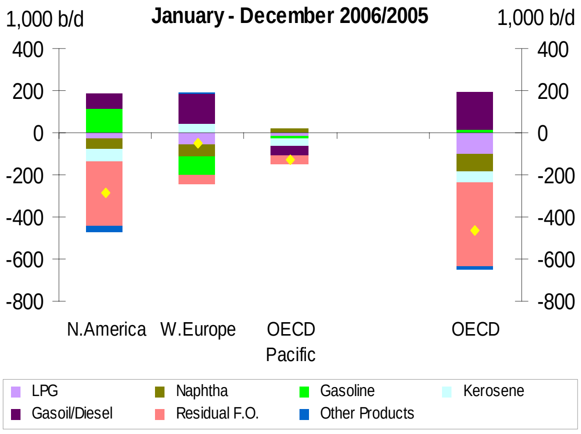
							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.52	25.12	25.10	25.47	25.35	25.26	-0.26	-1.00
Western Europe	15.51	15.77	15.03	15.43	15.50	15.43	-0.08	-0.52
OECD Pacific	8.59	9.30	7.87	7.90	8.77	8.46	-0.13	-1.56
Total OECD	**49.62**	**50.19**	**48.00**	**48.81**	**49.62**	**49.15**	**-0.47**	**-0.95**
Other Asia	8.67	8.73	8.95	8.62	8.88	8.79	0.12	1.44
Latin America	5.06	4.99	5.15	5.31	5.25	5.18	0.11	2.22
Middle East	5.82	6.04	6.12	6.38	6.17	6.18	0.35	6.08
Africa	2.89	2.96	2.95	2.91	3.02	2.96	0.07	2.42
Total DCs	**22.45**	**22.72**	**23.17**	**23.22**	**23.32**	**23.11**	**0.66**	**2.94**
FSU	3.82	3.69	3.56	3.84	4.13	3.80	-0.01	-0.39
Other Europe	0.88	0.97	0.90	0.88	0.88	0.91	0.02	2.41
China	6.54	7.09	7.34	7.21	7.02	7.17	0.63	9.57
Total "Other Regions"	**11.24**	**11.75**	**11.80**	**11.93**	**12.03**	**11.88**	**0.63**	**5.62**
Total world	**83.31**	**84.65**	**82.96**	**83.95**	**84.96**	**84.13**	**0.82**	**0.99**
Previous estimate	83.29	84.66	82.96	83.91	85.01	84.13	0.84	1.01
Revision	0.02	0.00	0.00	0.04	-0.04	0.00	-0.02	-0.03

Totals may not add due to independent rounding.

OECD

Warm weather in North America affected oil demand growth. Due to a fuel switching among power plants, the US fourth-quarter oil demand declined by 125,000 b/d or 0.06% y-o-y. The product declining most was residual oil which fell 0.37 mb/d due to fuel switching. Motor gasoline demand grew by 0.8%, which was half the average normal growth of 1.6%. As a result, **North America's fourth-quarter oil demand growth was revised down by 0.1 mb/d to show a y-o-y decline of 0.16 mb/d.** For the whole year, US oil demand fell by 0.3 mb/d.

Graph 9: OECD - Growth of total requirements by component



OECD Europe

Although crude imports rose 4%, oil demand for Spain fell 4% y-o-y in December. Most of the December oil imports went into strategic oil storage. LPG declined the most, at 17%, followed by fuel oil with 14.2%. Due to the unusually warm winter, **OECD Europe oil demand growth for the fourth quarter was revised down by 0.16 mb/d to show a y-o-y decline of 0.2 mb/d.** For the year, oil demand growth in OECD Europe declined by 0.08 mb/d y-o-y.

OECD oil demand growth for the fourth quarter declined 0.38 mb/d

OECD Pacific

Consumption of kerosene, which is mostly used in Japan for heating purposes, was low due to the warm winter in the Pacific region, causing fourth-quarter oil demand growth to be almost flat. In total, **OECD oil demand growth for the fourth quarter declined 0.38 mb/d y-o-y to average 49.62 mb/d.**

Table 3: Japanese Domestic Sales, kb/d

	Jan 07	Change from Jan 06	Change from Jan 06 %
Gasoline	914	-73	-7.4
Naphtha	908	-35	-3.7
Jet Fuel	90	-2	-2.1
Kerosene	682	-262	-27.8
Gas Oil	530	-39	-6.9
Other Products	826	-242	-22.7
Total Products	**3,949**	**-654**	**-14.2**

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

Developing Countries

Middle East and India oil demand was as strong as expected in the fourth quarter. Fourth-quarter oil demand growth in the Middle East is estimated at 0.36 mb/d y-o-y to average 6.17 mb/d. Saudi Arabia and Iran were the biggest consumers in the region at 1.9 mb/d and 1.7 mb/d in the fourth quarter y-o-y.

Demand in India grew by 2.9% in 2006 to average 2.6 mb/d

Oil demand in India grew by 2.9% in 2006 to average 2.6 mb/d. A boom in new car sales helped gasoline demand to reach its highest growth of 5.7% y-o-y.

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

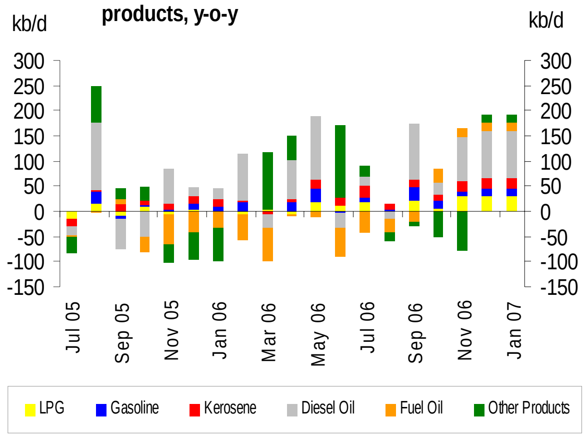


Table 4: Indian oil demand by main products, kb/d

	Jan 07	Dec 06	Jan07	Difference to Jan06	%
LPG	357	378	357	27	8.3
Motor Gasoline	212	257	212	17	8.7
Jet Kero	280	299	280	9	3.2
Gas Diesel Oil	1,020	1,026	1,020	73	7.8
Residual Fuel Oil	311	359	311	-7	-2.3
Other Products	625	533	625	78	14.2
Total Oil Demand	**2,805**	**2,853**	**2,805**	**197**	**7.5**

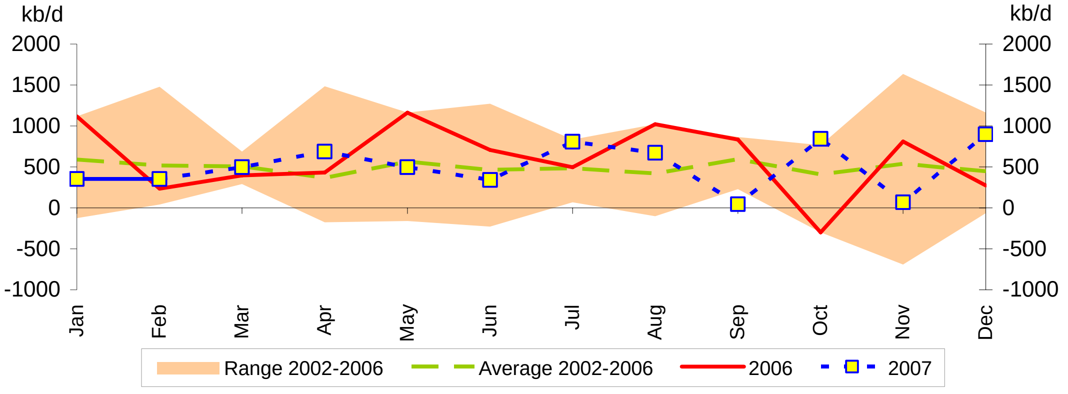
Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.

Other Regions

China's oil demand growth estimated at 0.63 mb/d to average 7.2 mb/d in 2006

Both FSU's and China's apparent oil demand for the fourth quarter turned out to be stronger than expected; hence, oil demand growth in the fourth quarter was revised up by 0.1 mb/d each. **China's oil demand growth is estimated at 0.63 mb/d to average 7.2 mb/d in 2006.** 12 mb of Chinese oil imports in December were used for filling the first SPR, which was commissioned in late summer 2006.

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



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

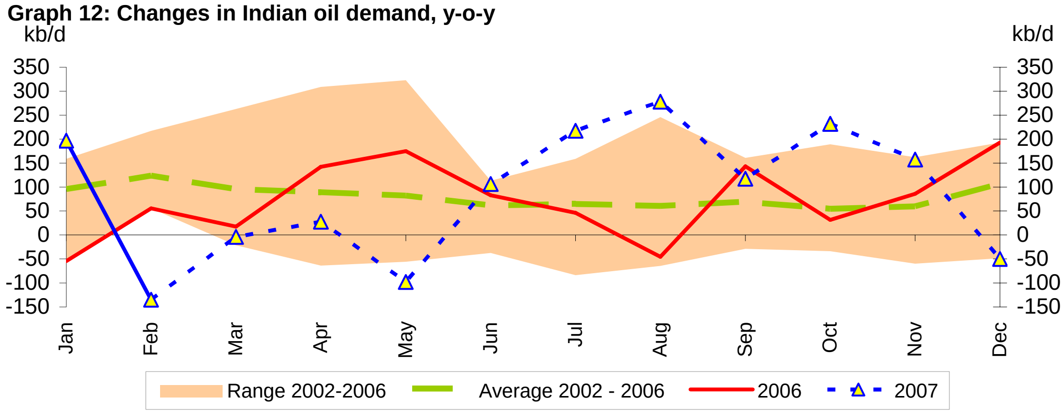


Table 5: First and second quarter world oil demand comparison for 2006, mb/d

			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	0.95	15.17	15.03	-0.14	-0.91
OECD Pacific	9.45	9.30	-0.15	-1.58	8.06	7.87	-0.19	-2.37
Total OECD	**50.68**	**50.19**	**-0.49**	**-0.98**	**48.56**	**48.00**	**-0.56**	**-1.15**
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	1.67
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**	**23.17**	**0.60**	**2.66**
FSU	3.87	3.69	-0.18	-4.69	3.70	3.56	-0.14	-3.74
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**	**3.76**	**11.15**	**11.80**	**0.65**	**5.79**
Total world	**84.15**	**84.65**	**0.50**	**0.59**	**82.28**	**82.96**	**0.69**	**0.84**

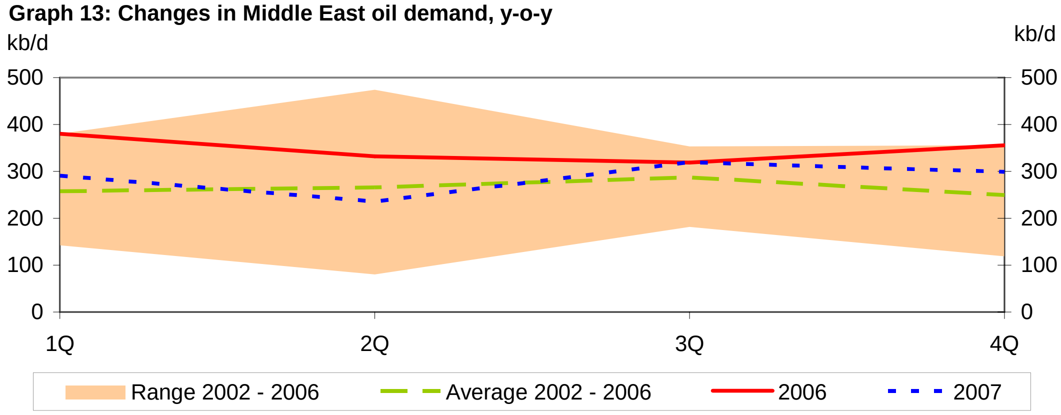
Totals may not add due to independent rounding.

Table 6: 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	25.61	25.47	-0.14	-0.56	25.51	25.35	-0.16	-0.63
Western Europe	15.57	15.43	-0.13	-0.86	15.70	15.50	-0.20	-1.24
OECD Pacific	8.08	7.90	-0.17	-2.13	8.79	8.77	-0.02	-0.27
Total OECD	**49.26**	**48.81**	**-0.45**	**-0.91**	**50.00**	**49.62**	**-0.38**	**-0.76**
Other Asia	8.53	8.62	0.09	1.07	8.62	8.88	0.26	3.06
Latin America	5.19	5.31	0.12	2.35	5.11	5.25	0.14	2.78
Middle East	6.03	6.38	0.35	5.78	5.81	6.17	0.36	6.12
Africa	2.84	2.91	0.06	2.28	2.93	3.02	0.08	2.81
Total DCs	**22.59**	**23.22**	**0.63**	**2.77**	**22.47**	**23.32**	**0.84**	**3.76**
FSU	3.78	3.84	0.06	1.66	3.93	4.13	0.19	4.90
Other Europe	0.87	0.88	0.01	0.84	0.85	0.88	0.03	3.76
China	6.43	7.21	0.78	12.17	6.64	7.02	0.38	5.66
Total "Other Regions"	**11.07**	**11.93**	**0.85**	**7.70**	**11.43**	**12.03**	**0.60**	**5.26**
Total world	**82.92**	**83.95**	**1.03**	**1.24**	**83.90**	**84.96**	**1.07**	**1.27**

Totals may not add due to independent rounding.

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



Forecast for 2007 demand

World oil demand in 2007 forecast to grow at 1.3 mb/d to 85.5 mb/d

Oil demand in North America has picked up due to the normal winter. Fuel demand was strong, which affected total world oil demand. **World oil demand growth for 2007 is forecast to see growth of 1.3 mb/d or 1.5%, an upward revision of 0.1 mb/d from our previous estimate**.

OECD

OECD oil demand growth forecast at 0.2 mb/d in 1Q07

According to the EIA weekly report, US demand for February skyrocketed by 1.4 mb/d y-o-y. Motor gasoline grew by 3.5% y-o-y in February, slightly lower than in January. Distillate fuel oil, the key product for oil demand, grew by a stunning 0.35 mb/d or 8.1%. This compares to last year when distillate fuel oil demand was hammered badly by the warm winter, growing at a dismal 1.3%. The cold winter in North America pushed the demand for petroleum products in Canada by 5% in January y-o-y. Canadian diesel consumption grew by 0.03 mb/d y-o-y in January. As a result of higher-than-expected oil demand, **oil demand growth in North America in the first quarter of 2007 was revised up by 0.1 mb/d y-o-y to show growth of 0.3 mb/d to average 25.45 mb/d. In total, the OECD countries oil demand growth is forecast at 0.2 mb/d to average 50.35 mb/d in the first quarter.**

OECD Europe

OECD Europe demand to decline 0.15 mb/d in 1Q07

In addition to low transport fuel demand, the warm winter in Europe negatively impacted oil demand. As a result, **oil demand in OECD Europe is expected to decline by 0.15 mb/d in the first quarter of 2007.**

OECD Pacific demand forecast to fall slightly in the first quarter

OECD Pacific

The Pacific Region is still experiencing a warmer than average winter. According to the Japanese Meteorological Agency, the February average was 8.6 degrees, which is 2.4 degrees above the 30-year average. The weather directly affects demand for kerosene and fuel oil. Japanese kerosene sales fell by 0.3 mb/d for January y-o-y. Furthermore, Japanese power plants have increased the utilization of nuclear generation over 70%, which in turn affected the consumption of fuel oil. In total, Japan's domestic petroleum product sales for January fell by 0.65 mb/d or 14% y-o-y. **Due to the decline in fuel oil and kerosene consumption in the OECD Pacific, oil demand consumption in the first quarter declined by a minor 0.02 mb/d to average 9.28 mb/d y-o-y.**

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

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.26	25.45	25.21	25.59	25.61	25.46	0.21	0.81
Western Europe	15.43	15.62	15.10	15.50	15.58	15.45	0.02	0.12
OECD Pacific	8.46	9.28	7.78	7.92	8.79	8.44	-0.02	-0.22
Total OECD	**49.15**	**50.35**	**48.09**	**49.00**	**49.98**	**49.35**	**0.21**	**0.42**
Other Asia	8.79	8.81	9.07	8.83	9.09	8.95	0.15	1.76
Latin America	5.18	5.09	5.23	5.39	5.31	5.26	0.08	1.55
Middle East	6.18	6.34	6.36	6.75	6.49	6.49	0.31	5.03
Africa	2.96	3.01	3.00	2.95	3.08	3.01	0.05	1.74
Total DCs	**23.11**	**23.24**	**23.66**	**23.93**	**23.97**	**23.70**	**0.60**	**2.58**
FSU	3.80	3.83	3.55	3.82	4.25	3.86	0.06	1.50
Other Europe	0.91	1.00	0.88	0.90	0.95	0.93	0.03	2.92
China	7.17	7.44	7.85	7.76	7.44	7.62	0.46	6.37
Total "Other Regions"	**11.88**	**12.27**	**12.27**	**12.48**	**12.64**	**12.42**	**0.54**	**4.55**
Total world	**84.13**	**85.86**	**84.03**	**85.41**	**86.59**	**85.48**	**1.34**	**1.60**
Previous estimate	84.13	85.72	83.97	85.26	86.53	85.37	1.24	1.47
Revision	0.00	0.14	0.06	0.15	0.07	0.10	0.10	0.12

Totals may not add due to independent rounding.

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

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.12	25.45	0.33	1.32	25.10	25.21	0.12	0.46
Western Europe	15.77	15.62	-0.15	-0.94	15.03	15.10	0.07	0.48
OECD Pacific	9.30	9.28	-0.02	-0.23	7.87	7.78	-0.09	-1.16
Total OECD	**50.19**	**50.35**	**0.16**	**0.32**	**48.00**	**48.09**	**0.10**	**0.20**
Other Asia	8.73	8.81	0.08	0.86	8.95	9.07	0.12	1.35
Latin America	4.99	5.09	0.10	1.98	5.15	5.23	0.08	1.52
Middle East	6.04	6.34	0.30	4.97	6.12	6.36	0.25	4.02
Africa	2.96	3.01	0.05	1.80	2.95	3.00	0.05	1.62
Total DCs	**22.72**	**23.24**	**0.53**	**2.32**	**23.17**	**23.66**	**0.49**	**2.13**
FSU	3.69	3.83	0.14	3.72	3.56	3.55	-0.01	-0.35
Other Europe	0.97	1.00	0.03	3.51	0.90	0.88	-0.02	-2.35
China	7.09	7.44	0.34	4.84	7.34	7.85	0.51	6.91
Total "Other Regions"	**11.75**	**12.27**	**0.51**	**4.38**	**11.80**	**12.27**	**0.47**	**4.01**
Total world	**84.65**	**85.86**	**1.20**	**1.42**	**82.96**	**84.03**	**1.06**	**1.28**

Totals may not add due to independent rounding.

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

	3Q06	3Q07	Change 2007/06 Volume	%	4Q06	4Q07	Change 2007/06 Volume	%
North America	25.47	25.59	0.12	0.45	25.35	25.61	0.26	1.03
Western Europe	15.43	15.50	0.07	0.44	15.50	15.58	0.08	0.50
OECD Pacific	7.90	7.92	0.01	0.18	8.77	8.79	0.02	0.28
Total OECD	**48.81**	**49.00**	**0.20**	**0.40**	**49.62**	**49.98**	**0.36**	**0.73**
Other Asia	8.62	8.83	0.21	2.48	8.88	9.09	0.21	2.33
Latin America	5.31	5.39	0.08	1.56	5.25	5.31	0.06	1.16
Middle East	6.38	6.75	0.37	5.80	6.17	6.49	0.33	5.27
Africa	2.91	2.95	0.04	1.51	3.02	3.08	0.06	2.04
Total DCs	**23.22**	**23.93**	**0.71**	**3.06**	**23.32**	**23.97**	**0.65**	**2.81**
FSU	3.84	3.82	-0.02	-0.49	4.13	4.25	0.12	2.98
Other Europe	0.88	0.90	0.02	2.79	0.88	0.95	0.07	7.70
China	7.21	7.76	0.55	7.66	7.02	7.44	0.42	6.00
Total "Other Regions"	**11.93**	**12.48**	**0.56**	**4.68**	**12.03**	**12.64**	**0.61**	**5.09**
Total world	**83.95**	**85.41**	**1.47**	**1.75**	**84.96**	**86.59**	**1.63**	**1.92**

Totals may not add due to independent rounding.

Alternative Fuels

Three new biodiesel plants with a capacity of 1.05 mt will be commissioned this year in Indonesia, further expanding the Asian biofuel industry. Although Asia is following the US lead in the biofuel industry, this is negatively affecting grain prices and negatively impacting the environment worldwide. The biofuel industry is facing a financial problem caused by declining oil prices and a worldwide increase in feedstock prices. The EU is encouraging members to provide incentives to motivate this industry. Starting April 2008, the UK will mandate minimum biofuel sales of at least 2.5% of oil companies' sales. The fall in diesel prices in Germany has so far reduced biodiesel consumption this year by almost 30%. Biofuel tax incentive lost its advantage which in turn affected biofuel demand for the first time.

Developing Countries

Indian oil demand grew a stunning 7.5% in January

In Other Asia, led by India and Indonesia, oil demand showed strong growth in January. **Indian oil demand for January grew by a stunning 7.5% or 0.2 mb/d y-o-y to average 2.8 mb/d.** Taiwan's January oil demand increased by almost 2% y-o-y halting a seven-month decline. Due to fuel switching, Taiwan's fuel oil demand fell by 11%, although jet fuel increased 3.5% to meet growing leisure travel over the New Year holiday.

DC oil demand forecast to grow by 0.53 mb/d in the first quarter

Strong economic activities in the Middle East are leading to healthy oil demand as expected. Middle East first-quarter oil demand growth is forecast at 0.3 mb/d to average 6.34 mb/d. **Developing Countries oil demand is forecast to grow by 0.53 mb/d y-o-y in the first quarter.**

Other regions

China's apparent oil demand is expected to achieve strong growth exceeding 4.8% y-o-y for January. China's net crude imports grew by 4.7% or 0.14 mb/d in January y-o-y. Strong economic activities along with the increase in new car sales have increased demand for petroleum products. China's first-quarter oil demand growth is forecast at 0.34 mb/d to average 7.44 mb/d y-o-y. FSU apparent demand is expected to exceed previous estimates; hence, 2007 oil demand was revised up by 0.05 mb/d. Oil demand in Other Regions is forecast to grow by 0.5 mb/d in the first quarter to average 12.27 mb/d.

World Oil Supply

Estimate for Non-OPEC supply growth revised down by 0.02 mb/d to 0.52 mb/d

Non-OPEC

Estimate for 2006

Non-OPEC oil supply is estimated to average 49.46 mb/d in 2006, an increase of 0.52 mb/d over 2005 and a downward revision of 17,000 b/d versus the last assessment. A 67,000 b/d downward revision to the fourth quarter of 2006 was behind the lower level for the year.

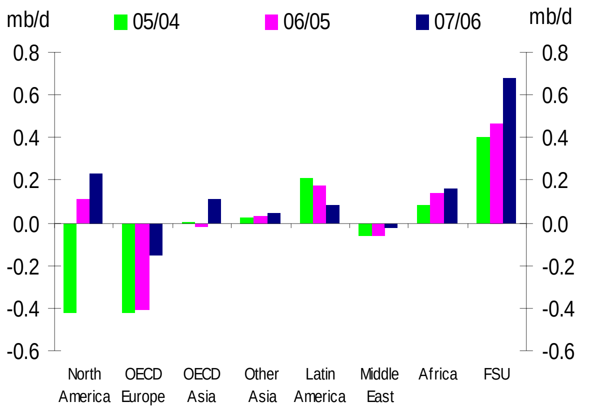
Table 10: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.13	14.13	14.15	14.34	14.36	14.25	0.11
Western Europe	5.77	5.70	5.32	5.06	5.33	5.35	-0.41
OECD Pacific	0.58	0.48	0.49	0.64	0.62	0.56	-0.02
Total OECD	**20.48**	**20.32**	**19.97**	**20.04**	**20.32**	**20.16**	**-0.32**
Other Asia	2.64	2.68	2.65	2.64	2.71	2.67	0.03
Latin America	4.26	4.35	4.44	4.47	4.47	4.43	0.17
Middle East	1.86	1.82	1.80	1.78	1.79	1.80	-0.06
Africa	2.52	2.58	2.62	2.67	2.75	2.65	0.14
Total DCs	**11.27**	**11.44**	**11.51**	**11.56**	**11.71**	**11.56**	**0.28**
FSU	11.55	11.67	11.97	12.15	12.28	12.02	0.47
Other Europe	0.16	0.15	0.15	0.15	0.14	0.15	-0.01
China	3.62	3.68	3.70	3.67	3.64	3.67	0.06
Total "Other regions"	**15.32**	**15.50**	**15.82**	**15.96**	**16.06**	**15.84**	**0.51**
Total Non-OPEC production	**47.07**	**47.27**	**47.30**	**47.56**	**48.08**	**47.56**	**0.48**
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	**48.94**	**49.19**	**49.19**	**49.44**	**50.00**	**49.46**	**0.52**
Previous estimate	48.94	49.19	49.19	49.44	50.07	49.47	0.54
Revision	0.00	0.00	0.00	0.00	-0.07	-0.02	-0.02

Revisions to the 2006 estimate, other historical

Revisions have been made to the 4Q06 estimate, resulting in an overall downward adjustment of around 67,000 b/d. The estimate for 4Q06 for the USA has been adjusted downwards by 34,000 b/d, while Mexico was reduced by 5,000 b/d. In the North Sea, a minor upward revision of 4,000 b/d was made to the 4Q06 oil production in Denmark. In Colombia and Ecuador, 4Q06 has been revised down by 7,000 b/d each. The 4Q06 estimate for China's production was revised down by around 19,000 b/d. Most of the above revisions were made upon receipt of actual data. As a result, the annual 2006 average estimate was revised down by around 17,000 b/d. On a regional basis, FSU performed well in 2006 with annual growth of around 0.47 mb/d. Total DCs, mainly Latin America and Africa, witnessed growth of around 0.17 mb/d and 0.14 mb/d respectively, and the group's total annual growth was 0.28 mb/d. DC growth was partially offset by a decline in the North Sea of around 0.41 mb/d. North America increased by 0.11 mb/d, mainly from Canada.

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



Non-OPEC supply expected to grow 1.18 mb/d in 2007

Forecast for 2007

Non-OPEC oil supply is expected to average 50.64 mb/d in 2007, an increase of 1.18 mb/d over 2006 and a downward revision of 46,000 b/d versus the last assessment. On a quarterly basis, non-OPEC supply is expected to average 50.3 mb/d, 50.3 mb/d, 50.5 mb/d, and 51.5 respectively. The revision to the outlook is principally due to the downward revision to the fourth quarter 2006 baseline of around 67,000 b/d and the receipt of actual data for some countries. Most of the revisions were made in the second and fourth quarters, with lower amounts in the other two quarters.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.25	14.42	14.39	14.43	14.68	14.48	0.23
Western Europe	5.35	5.32	5.22	5.00	5.28	5.20	-0.15
OECD Pacific	0.56	0.63	0.64	0.71	0.70	0.67	0.11
Total OECD	**20.16**	**20.37**	**20.25**	**20.14**	**20.65**	**20.35**	**0.19**
Other Asia	2.67	2.67	2.62	2.74	2.82	2.71	0.05
Latin America	4.43	4.47	4.47	4.51	4.61	4.52	0.08
Middle East	1.80	1.79	1.79	1.77	1.76	1.78	-0.02
Africa	2.65	2.74	2.78	2.85	2.90	2.82	0.16
Total DCs	**11.56**	**11.67**	**11.66**	**11.86**	**12.10**	**11.82**	**0.27**
FSU	12.02	12.48	12.66	12.74	12.90	12.70	0.68
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.67	3.68	3.68	3.71	3.74	3.71	0.03
Total "Other regions"	**15.84**	**16.31**	**16.49**	**16.60**	**16.79**	**16.55**	**0.71**
Total Non-OPEC production	**47.56**	**48.35**	**48.40**	**48.60**	**49.54**	**48.73**	**1.17**
Processing gains	1.90	1.92	1.90	1.90	1.93	1.91	0.01
Total Non-OPEC supply	**49.46**	**50.27**	**50.30**	**50.50**	**51.47**	**50.64**	**1.18**
Previous estimate	49.47	50.27	50.42	50.49	51.56	50.69	1.21
Revision	-0.02	0.01	-0.12	0.01	-0.08	-0.05	-0.03

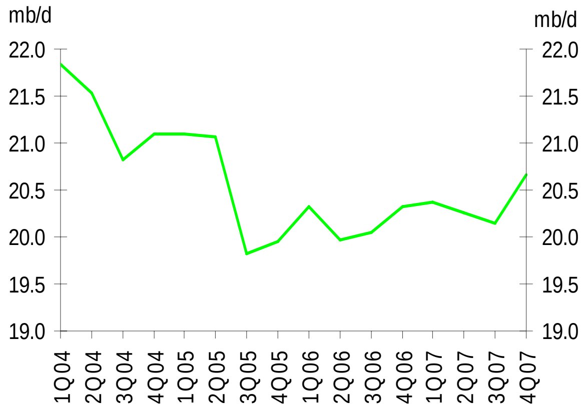
OECD

Total OECD oil supply is expected to average 20.35 mb/d, 38,000 b/d lower than the last assessment, but an increase of 0.19 mb/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.37 mb/d, 20.25 mb/d, 20.14 mb/d, and 20.65 mb/d respectively. February data puts OECD oil supply at 20.41 mb/d, an increase of 20,000 b/d over the January figure.

USA

Oil supply in the USA is expected to average 7.55 mb/d in 2007. This represents an increase of 0.16 mb/d versus last year and a downward revision of 42,000 b/d versus last month. Revisions made to 4Q07, including the downward revision of 34,000 b/d to the baseline (4Q06), were implemented for all quarters in 2007.

Graph 15: OECD's quarterly production



The Genghis Khan field is expected to start up in the 3Q07 and ramp up in the 4Q07, also the Atlantis South was delayed to late 2007 and its effect is expected to affect the 2008 outlook. Neptune will start up in the 4Q07 and some other small satellite fields may add some barrels to the 2007 US outlook. The February figure was 7.61 mb/d, around 20,000 b/d over the January figure.

Mexico to be watched closely in the coming months

Mexico and Canada

The outlook for Mexico has been revised down slightly by around 5,000 b/d which represents the baseline revision from 4Q06. Total Mexican oil supply is expected to average 3.6 mb/d in 2007; the third quarter at 3.7 mb/d represents the best performance of the year due to the expected increase in projects in the KMZ complex but according to latest news this could be shifted to 2Q07 or even earlier and thus requires further monitoring. Last month's production of 3.56 mb/d was almost the same level as in January.

Canada's syncrudes adding significant growth

Canadian oil supply is expected to average 3.3 mb/d in 2007, an increase of 0.14 mb/d over 2006 and around 12,000 b/d higher than last month's assessment. Upward revisions were made to the first, third and fourth quarters, while the second quarter was revised down due to some shifting in the maintenance schedules in the database. The Hibernia crude field of 0.18 mb/d, which had been shut down on 15 February due to technical problems, returned to operations ahead of schedule on 7 March. The February figures showed a level of around 3.25 mb/d or 10,000 b/d over the January level.

Western Europe

Oil supply in OECD Europe is expected to average 5.2 mb/d in 2007, a drop of 0.15 mb/d from the 2006 figure but practically the same as last month's assessment. On a quarterly basis, total oil supply is expected to average 5.3 mb/d, 5.2 mb/d, 5.0 mb/d, and 5.3 mb/d respectively.

Norwegian oil supply is expected to average 2.7 mb/d in 2007, 0.1 mb/d less than last year and a downward revision of 5,000 b/d versus last month. The contributions of the Vilje, Alveheim and Volve projects are expected to offset the expected decline in other fields. February figures show a level of around 2.79 mb/unchanged from the January level.

UK oil supply is expected to average 1.65 mb/d, a drop of 40,000 b/d versus last year but a 40,000 b/d increase from last month's assessment. The February production stood at 1.7 mb/d

Oil supply in Denmark is expected to average 0.31 mb/d, around 30,000 b/d below the 2006 level and unchanged from last month's assessment. In February, Denmark produced around 0.34 mb/d unchanged from the January production level.

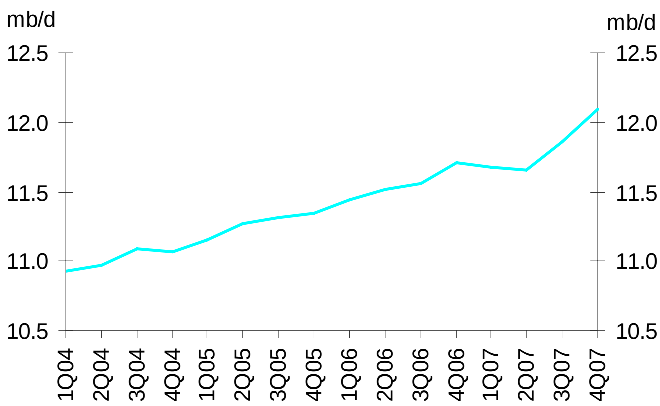
Asia Pacific

Oil supply in the OECD Asia Pacific region is expected to average 0.67 mb/d in 2007, representing growth of 0.11 mb/d compared to last year. On a quarterly basis, total oil supply is expected to average 0.63 mb/d, 0.64 mb/d, 0.71 mb/d and 0.70 mb/d respectively. Shut-downs in North-Western Australia of the Carnavon Basin due to cyclone activity (George and Jacob) affected the first-quarter figure down by around 10,000 b/d. The total shut-down was around 170,000 b/d for around one week.

Developing Countries

Oil supply in Developing Countries (DCs) is expected to average 11.84 mb/d in 2007, an increase of 0.27 mb/d over 2006 and 15,000 b/d less than last month's figure. On a quarterly basis, total oil supply in DCs is expected to average 11.67 mb/d, 11.66 mb/d, 11.86 mb/d and 12.10 mb/d respectively. Downward revisions to the base of 13,000 b/d and slight adjustments in both directions in Brazil, Colombia, Ecuador and Mauritania account for the bulk of the revision.

Graph 16: Developing Countries' quarterly production

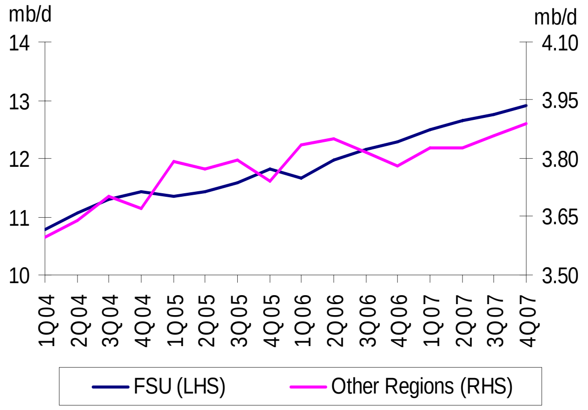


Downward revisions made to the outlook of Malaysia (-8,000 b/d) and Brazil (-6,000 b/d) have been offset by upward revisions to Africa Others (from Mauritania the Chinguetti field) by 6,000 b/d and Syria by 2,000 b/d. Other revisions were due to the changes in the baseline.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.7 mb/d, an increase of 0.68 b/d compared to 2006, 2,000 b/d less than last month. Minor downward revisions were made to 4Q07 for Kazakhstan. China was revised up slightly by 9,000 b/d. On a quarterly basis, total oil supply in the FSU is expected to average 12.48 mb/d, 12.66 mb/d, 12.74 mb/d and 12.90 mb/d respectively. Other Europe remains unchanged at 0.15 mb/d compared with the 2006 figure.

Graph 17: FSU and other region's quarterly production



Russia

Russian export duties down 13% as of April

Russian oil supply is expected to average 9.97 mb/d in 2007, an increase of 0.32 mb/d versus 2006 and unchanged from last month's estimate. Crude export tariffs are to witness another cut by April down by 13% to $21.37/b, another incentive for producers to increase exports.

Caspian

Azeri oil supply is expected to average 0.91 mb/d in 2007, representing an increase of 0.28 mb/d over last year. The latest production estimate puts total oil supply at 0.78 mb/d in February.

Kazak oil production is expected to average 1.40 mb/d in 2007, an increase of 0.1 mb/d over last year and down 2,000 b/d from last month. Data for February puts Kazak oil supply at 1.38 mb/d, around 70,000 b/d above the January figure.

China

China's total oil supply is expected to average 3.71 mb/d in 2007, an increase of 30,000 b/d over last year and an upward revision of 9,000 b/d from last month's report. Figures for February averaged 3.77 mb/d. Growth of around 28,000 b/d in Changqing oil already started to come on stream in February. Minor upward revisions to the annual average contributed by the removal of production constraints from the Zhao Dong field.

OPEC natural gas liquids and non-conventional oils

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

Table 12: 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**	**4.04**	0.02	4.18	4.22	4.33	4.33	**4.27**	0.22	**4.44**	0.17

OPEC crude oil production

OPEC crude output averaged 29.96 mb/d in February

Total crude oil production averaged 29.96 mb/d in February, almost unchanged from January, according to secondary sources. OPEC-10 production averaged 26.44 mb/d, or 0.3 mb/d lower than in January. Iraq's oil production averaged 1.99 mb/d, around 0.29 mb/d above the January figure, and Angola's oil production stands at 1.53 mb/d. Total OPEC production in 2006 was 30.91 mb/d.

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

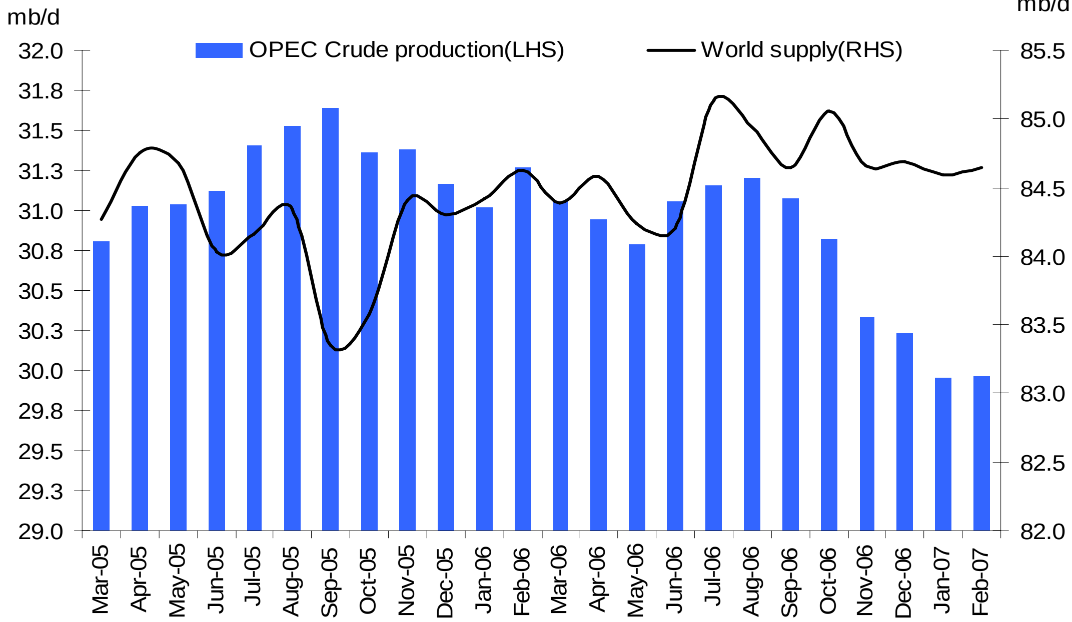
	2005	2006	2Q06	3Q06	4Q06	Dec06	Jan07	Feb07	*Feb/ Jan*
Algeria	1,349	1,366	1,368	1,361	1,359	1,352	1,345	1,332	*-13.0*
Angola	1,256	1,415	1,355	1,439	1,440	1,474	1,515	1,531	*16.0*
Indonesia	942	896	914	882	866	864	865	858	*-7.0*
Iran, I.R.	3,924	3,845	3,800	3,910	3,821	3,800	3,802	3,759	*-42.7*
Iraq	1,830	1,932	2,001	2,061	1,949	1,899	1,698	1,991	*292.7*
Kuwait	2,504	2,504	2,513	2,506	2,465	2,442	2,448	2,412	*-36.4*
Libya, S.P.A.J.	1,642	1,702	1,699	1,719	1,709	1,698	1,688	1,676	*-12.3*
Nigeria	2,412	2,235	2,213	2,220	2,251	2,259	2,225	2,218	*-7.3*
Qatar	792	822	820	834	816	808	803	792	*-10.5*
Saudi Arabia	9,390	9,116	9,133	9,135	8,787	8,680	8,657	8,538	*-118.8*
UAE	2,447	2,538	2,535	2,573	2,517	2,483	2,491	2,457	*-33.8*
Venezuela	2,633	2,539	2,574	2,504	2,485	2,474	2,416	2,401	*-15.0*
OPEC excl. Iraq	**29,291**	**28,979**	**28,926**	**29,084**	**28,516**	**28,333**	**28,254**	**27,974**	***-280.9***
OPEC excl. Angola & Iraq	**28,035**	**27,564**	**27,570**	**27,645**	**27,076**	**26,858**	**26,739**	**26,443**	***-296.9***
Total OPEC	**31,121**	**30,910**	**30,927**	**31,145**	**30,465**	**30,232**	**29,953**	**29,965**	***11.8***

Totals may not add due to independent rounding.

World Oil Supply

Figures for the month of February indicate that world oil supply averaged 84.65 mb/d. The main factors affecting supply have been discussed in previous sections. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 18: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports averaged 8.21 mb/d in 2006, an increase of 0.52 mb/d over the previous year. In 2007, total net oil exports are expected to average 8.84 mb/d or 0.62 mb/d over 2006. The forecast has been revised down slightly from the last assessment.

Current trends

Actual figures for the month of January indicate that total crude exports from the FSU amounted to 6.14 mb/d, around 118,000 b/d above the December figures. Russian pipeline exports increased by around 83,000 b/d, all of which was transported by the Black Sea pipeline. This increase was partially offset by Baltic and Druzhba pipelines. Russian rail and Russian Far–East added around 133,000 b/d, partially offset by the pipeline which declined by around 35,000 b/d from the December 2006 figure. However, the plan for building a new pipeline of 1 mb/d capacity to bypass Belarus is waiting for government approval.

Table 14: 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**	**8.15**	**8.21**	**0.52**
2007 (forecast)	**8.65**	**9.11**	**8.92**	**8.65**	**8.84**	**0.62**

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

	2005	2006	2Q06	3Q06	4Q06	Dec 06	Jan 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,291	1,318	1,224	1,189	1,442
Baltic	1,462	1,553	1,671	1,575	1,495	1,643	1,613
Druzhba	1,315	1,288	1,355	1,251	1,186	1,243	1,103
Total	**4,112**	**4,129**	**4,317**	**4,144**	**3,905**	**4075**	**4,158**
Other routes							
Russian rail	416	313	319	307	316	318	351
Russian - Far East	65	84	43	106	128	113	213
Kazak rail	17	31	30	23	17	17	17
CPC pipeline	648	661	672	670	677	660	625
Caspian	**295**	**396**	**446**	**408**	**332**	**282**	**281**
of which							
Supsa (AIOC) - Georgia	137	114	151	140	30	0	5
Batumi - Georgia	140	177	186	152	177	166	161
Total**	**1,441**	**1,702**	**1,510**	**1,839**	**1,967**	**1,949**	**1,984**
Total crude exports	**5,553**	**5,831**	**5,826**	**5,983**	**5,872**	**6,024**	**6,142**
Products							
All routes							
Fuel oil	836	861	938	819	854	873	706
Gasoil	759	841	809	854	812	923	597
Others	580	662	835	654	593	592	566
Total	**2,175**	**2,364**	**2,582**	**2,327**	**2,258**	**2388**	**1,869**
Total oil exports	**7,728**	**8,195**	**8,408**	**8,310**	**8,130**	**8,412**	**8,011**

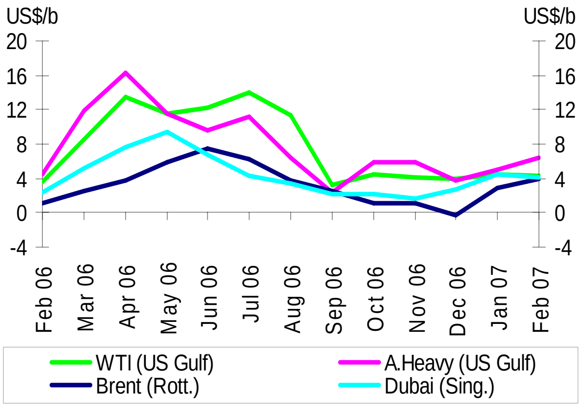
Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product market performance was relatively strong in February

Continued cold weather in the USA along with refinery snags and pipeline problems provided support for product and crude prices, although product prices in the USA and Asia failed to keep up with crude prices, leading to marginally lower refinery margins in those markets compared to January. As **Graph 19** shows, refinery margins for WTI crude oil at the US Gulf Coast fell to $4.22/b in February from $4.52/b in the previous month. In Asia, refinery margins followed the same trend, dropping to $4.12/b from $4.47b in January. In Europe, product market performance was better than in the crude market, resulting in a rise in Brent crude oil refinery margins to $3.86/b in February, up from $2.80/b in the previous month.

Graph 19: Refiners' margins

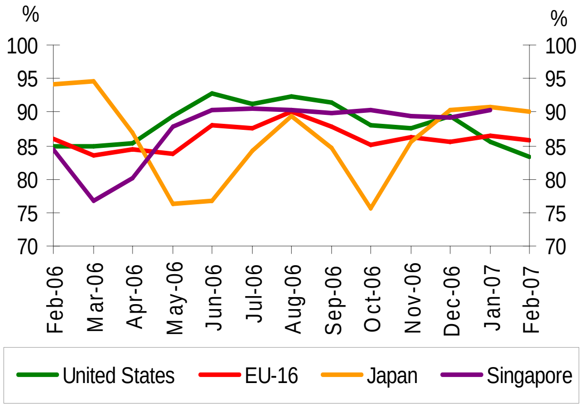


A draw on product stocks in the USA over the last few weeks, along with planned and unplanned refinery outages and higher demand from the agricultural sector, may lend support to crude and product prices in the next few weeks. However, with the completion of the refinery maintenance schedule, product markets are expected to lose some of their current strength and exert pressure on refinery margins and crude oil prices.

Refinery utilization rates were trimmed further across the globe in February

Due to the continuation of cold weather in the US North-East, the refinery utilization rate was expected to increase in the USA during February, but unplanned refinery snags along with the seasonal maintenance schedule have negatively affected the refinery operation level in the USA and led to a drop in the utilization rate of 2.2% to 83.4% from 85.6% in the previous month.

Graph 20: Refinery utilization



In Europe, refinery throughput was also adversely affected by the continuation of the warm winter and sluggish demand for various components of the barrel complex. As **Graph 20** displays, the European utilization rate dropped to 85.7% in February from 86.5% in the previous month.

In Asia, refinery operations dropped sharply compared to the same month last year, but only fell a slight 0.7% from the previous month. With the continuation of the seasonal maintenance schedule, the refinery utilization rate is expected to remain at a relatively low level across the globe in the next month.

US market

Refinery snags and the continuation of the cold weather consolidated the bullish momentum of the US product market

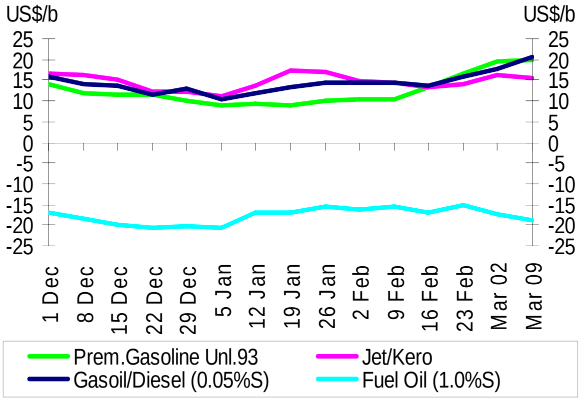
US product market sentiment has turned bullish since the middle of January due to a cold snap in the North-East, which triggered higher demand for the middle and the bottom of the barrel complex.

The new momentum of the US product market has also strengthened further by higher gasoline demand and refinery outages which resulted in gasoline stock-draws over the last weeks. This situation lifted gasoline prices and the crack spread versus benchmark WTI crude in the US Gulf Coast. As Graph 21 shows, the gasoline crack spread surged to $19.55/b in early March from $10.40/b in early February. Due to increasing arbitrage cargoes, US

gasoline market sentiment may ease over the next weeks, but it might remain relatively strong upon the completion of the seasonal refinery maintenance schedule.

Refinery snags and a winter storm further supported the US distillate market, with the US gasoil crack spread versus WTI rising to $17.57/b recently from $14.41/b in early February. With the approaching end of winter, heating oil may lose part of its current strength, but demand from the industrial and agricultural sectors might lend support to diesel, which is the major share of middle distillates.

Graph 21: US Gulf crack spread vs. WTI, 2006-2007



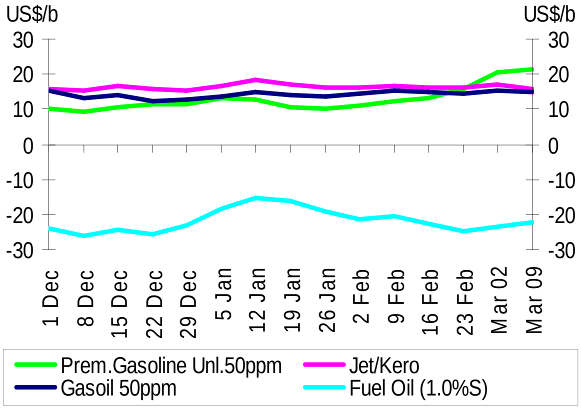
With regard to fuel oil, the US market lost ground in the latter part of February as lower natural gas prices exerted more pressure on fuel oil demand and prices. With the approaching shoulder season for utility plants, fuel oil demand and prices may drop further in the next months.

European market

Favourable arbitrage opportunities to the USA and Asia lifted product prices in Europe

The warm winter in Europe has dampened product demand in Europe, but the continued cold weather in the USA along with gasoline stock-draws over the last few weeks has produced support for European products, especially gasoline.

Graph 22: Rotterdam crack spreads vs. Brent, 2006-2007



As **Graph 22** shows, the gasoline crack spread against benchmark Brent crude in Rotterdam surged to $20.39/b in early March from about $10.80/b early in the previous month. Apart from gasoline, the European naphtha market was also supported by strong regional demand and arbitrage opportunities to Asia. The continuation of these circumstances might provide further support for European light product market in the coming months.

The recent bullish developments in the US product and refinery sectors have also lifted the physical and the futures gasoil markets in Europe, but due to higher availability of gasoil from Russia and lower regional demand, distillate prices are not expected to surge drastically. With the shift of market players' attention to the gasoline market, the European distillate market may lose part of its current strength, but since the European market is structurally short of gasoil, it should remain relatively strong over the next months.

As far as the fuel oil market is concerned, arbitrage opportunities to Asia supported high-sulphur fuel oil, but due to sluggish demand by regional utility plants, the low-sulphur fuel oil market remained under pressure, and its crack spread versus Brent plummeted to minus $23.47/b from minus $21.31/b in early February.

Asian market

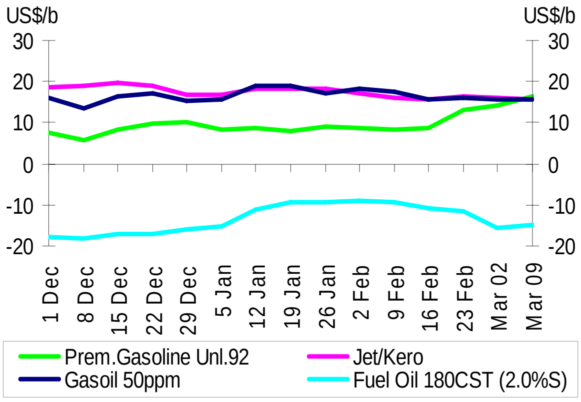
Sluggish regional demand put pressure on Asian product markets

In the first half of February, Asian gasoline market sentiment was very weak, and its crack spread against the benchmark Dubai crude reached $8/b. In the second half of the month, arbitrage opportunities to the US West Coast, combined with lower-than-expected Chinese exports, underpinned the Singapore gasoline market and lifted its crack spread against Dubai to $14.31/b, as shown in **Graph 23**.

Despite the relative weakness of the Asian gasoline market, regional naphtha prices have been strong since the beginning of this year due to lower Indian exports and increasing demand from petrochemical units. With new cracker units coming online in Asia over the next months, the Asian naphtha market is expected to remain relatively healthy compared to last year.

Meanwhile, unseasonably warm weather in North-East Asia adversely affected the middle distillate market in February and due to seasonal factors distillate demand is expected to fall further in the next months and to exert more pressure on the gasoil crack spread, which currently stands around $15.70/b.

Graph 23: Singapore crack spreads vs. Dubai, 2006-2007



With regard to fuel oil, the Asian market lost its earlier strength in the latter part of February as the arrival of huge arbitrage cargoes led to higher regional stocks and put downward pressure on the high-sulphur fuel oil market. As **Graph 23** shows, the Asian fuel oil spread versus Dubai plunged in early March to minus $15.44/b from about minus $8.80/b in early February.

Table 16: Refined product prices, US$/b

		Dec 06	Jan 07	Feb 07	Change Feb/Jan
US Gulf (Cargoes):					
Naphtha		65.65	58.86	67.27	8.41
Premium gasoline	*(unleaded 93)*	73.50	64.00	72.96	8.96
Regular gasoline	*(unleaded 87)*	67.33	59.14	68.21	9.07
Jet/Kerosene		76.27	69.47	73.44	3.97
Gasoil	*(0.05% S)*	75.16	67.48	74.13	6.65
Fuel oil	*(1.0% S)*	42.33	37.35	43.10	5.75
Fuel oil	*(3.0% S)*	39.43	36.41	40.24	3.83
Rotterdam (Barges FoB):					
Naphtha		71.49	66.59	72.25	5.66
Premium gasoline	*(unleaded 50 ppm)*	72.94	65.11	71.76	6.65
Premium gasoline	*(unleaded 95)*	64.93	57.91	63.82	5.91
Jet/Kerosene		78.27	70.78	73.96	3.18
Gasoil/Diesel	*(50 ppm)*	75.60	67.79	72.51	4.72
Fuel oil	*(1.0% S)*	37.32	36.04	34.67	-1.37
Fuel oil	*(3.5% S)*	37.82	33.81	37.99	4.18
Mediterranean (Cargoes):					
Naphtha		59.44	54.77	59.53	4.76
Premium gasoline	*(50 ppm)*	73.54	64.62	71.82	7.20
Jet/Kerosene		76.44	68.40	71.65	3.25
Gasoil/Diesel	*(50 ppm)*	75.64	66.93	70.87	3.94
Fuel oil	*(1.0% S)*	38.42	34.63	38.20	3.57
Fuel oil	*(3.5% S)*	37.37	34.49	37.30	2.81
Singapore (Cargoes):					
Naphtha		60.54	56.79	63.81	7.02
Premium gasoline	*(unleaded 95)*	68.16	61.59	66.80	5.21
Regular gasoline	*(unleaded 92)*	67.03	60.31	65.73	5.42
Jet/Kerosene		77.42	69.66	71.77	2.11
Gasoil/Diesel	*(50 ppm)*	74.14	69.71	72.22	2.51
Fuel oil	*(180 cst 2.0% S)*	41.47	41.23	44.95	3.72
Fuel oil	*(380 cst 3.5% S)*	40.34	40.24	43.70	3.46

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Dec 06	Jan 07	Feb 07	Feb/Jan	Dec 06	Jan 07	Feb 07	Feb/Jan
USA	15.31	14.79	14.40	-0.39	89.4	85.6	83.4	-2.20
France	1.73	1.75	1.83	0.08	87.4	89.5	90.1	0.60
Germany	2.27	2.21	2.23	0.02	93.6	91.6	93.2	1.60
Italy	1.86	1.84	1.83	-0.01	80.0	78.6	92.2	13.60
UK	1.59 R	1.53 R	1.41	-0.12	84.7 R	81.1 R	78.1	-3.00
Eur-16	12.09	12.15 R	12.03	-0.12	85.6	86.5 R	86.0	-0.50
Japan	4.22	4.25	4.22	-0.03	90.3	90.8	85.7	-5.10

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures declined by around 1.1 mb/d in February

Following the increase seen in the previous month, OPEC spot fixtures fell in February. However, the decrease did not totally offset the rise, causing levels to remain above the December figure. A decline of 1.09 mb/d or 8% was partially due to fewer activities in February as some participants were out of the market, either attending the International Petroleum Week or the Chinese New Year holiday. Non-OPEC spot fixtures declined by around 10% to average 6.88 mb/d in February. OPEC's share of total spot chartering remained steady at 65%, while Middle East/eastbound long-haul spot fixtures declined by 15%.

Preliminary data shows that sailings from the OPEC area moved up a slight 0.35 mb/d to settle at 22.27 mb/d. OPEC sailings increased in February by around 10 mb in total, and Middle Eastern sailings also rose by around 1% or 0.25 mb/d. According to preliminary estimates, arrivals in the USA and the Caribbean fell by 8% on the back of lower imports from the USA. The decrease in US arrivals in February represents an annual decline of around 7%.

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

	Dec 06	Jan 07	Feb 07	Change Feb/Jan
Spot Chartering				
All areas	17.46	21.59	19.72	-1.87
OPEC	11.53	13.93	12.84	-1.09
Middle East/east	4.90	6.14	5.21	-0.94
Middle East/west	1.65	1.51	1.72	0.21
Sailings				
OPEC	22.15	21.91	22.27	0.35
Middle East	16.29	16.50	16.75	0.25
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.74	9.83	9.12	-0.71
North West Europe	7.40	7.24	7.14	-0.10
Euromed	4.47	4.32	4.90	0.58

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

The crude oil tanker market remained bearish with a considerable decline in Aframaxes while VLCCs remained steady

The crude oil tanker spot market remained bearish in February. The winter demand in February failed to spur bullish sentiments and lift the market which has remained mostly in decline since October 2006. All major reported crude routes were either flat or declining on the different sectors except for cargoes from West Africa and the Caribbean. The VLCC sector remained steady in February, a position maintained since October 2006. While owners had hoped that rates would surge, they now fear that the rates achieved in February will be the highest for the year. The VLCC market started February with a steady movement and then declined in the middle of the month before recovering in the last week to remain steady. VLCCs trading on the Middle East/eastbound long-haul route averaged WS73, unchanged from the previous month but representing a y-o-y decline of 44%. The situation was similar with VLCCs trading on the Middle East/westbound route where rates averaged WS52, down 2 points from the previous month and the lowest level since 2003 as well as an annual decline of around 50%. From West Africa to the East, VLCCs averaged WS79, around 7 points higher than in the previous month. The slightly better rates in West Africa drove a few owners to remove their vessels from the Middle East Gulf to the West Africa region in favour of securing better rates where some charterers combined Suezmax cargoes and utilized VLCCs instead, taking advantage of lower rates compared with Suezmax. Reduced activities characterized the VLCC sector in February as many market participants were off due to the IP week and/or the Chinese New Year holiday. As a result, only 96 VLCC fixtures were reported in February compared to 134 in January. Additionally, lower demand for tonnage coupled with the OPEC cut and high inventory levels continued to dampen sentiment for the crude oil tanker spot market.

In February, the Suezmax market showed a mixed pattern with rates from West Africa experiencing a minor increase while North-West Europe rates fell slightly. Suezmax rates for the West Africa/US Gulf Coast route rose 5 points to average WS129 in February. Despite a minor increase over the previous month — which mainly came at the beginning of February — rates indicated a decline of around 52 points or 30% compared to the previous year. Limited activities is the main factor contributing to continued soft Suezmax rates with the number of reported fixtures averaging around 125 in February, down around 45 fixtures from the previous month. In West Africa, the total reported number of fixtures declined by around 13 and the number of vessels available for the next 30 days averaged around 8 vessels lower in February. Suezmax trading on the North-West Europe to the USA route averaged WS139, 10 points lower than in January, indicating a y-o-y decline of 40 points or 23%. The easing of delays in the Turkish Straits due to longer daylight hours along with the thin trade situation helped push down rates.

The Aframax sector came under pressure except for the Caribbean/US East Coast route where vessel tightness, partially created by increased VLCC lightering activities in the USA, helped raise the rates to average WS213, an increase of 35 points over the previous month. On an annual basis, rates in February improved for the Aframaxes trading on the Caribbean/US East Coast route displaying a y-o-y decline of 22 points or 10%. On the other hand, the rest of Aframax routes declined, with voyages from the Mediterranean experiencing sharp decreases. The improved situation in the Bosporus and Dardanelles Straits helped reduce voyage time thus increasing vessel availability. Additionally, the effect of the late winter on Russian seaborne exports, which dropped by around 100,000 b/d, reduced tonnage demand. Aframaxes rates averaged WS113 and WS117 on the intra-Mediterranean and Mediterranean to North-West Europe routes respectively. Similarly, limited activities on the Indonesia/US West Coast route in February indicated a 50% decrease in fixture numbers compared to the previous month, resulting in a 35-point decline in spot freight rates to average WS136.

Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Dec 06	Jan 07	Feb 07	Change Feb/Jan
Crude					
Middle East/east	230-280	68	73	73	0
Middle East/west	270-285	59	54	52	-2
West Africa/east	260	79	72	79	7
West Africa/US Gulf Coast	130-135	135	124	129	5
NW Europe/USEC - USGC	130-135	125	149	139	-10
Indonesia/US West Coast	80-85	148	152	136	-16
Caribbean/US East Coast	50-55	247	178	213	35
Mediterranean/Mediterranean	80-85	222	206	113	-93
Mediterranean/North-West Europe	80-85	224	199	117	-82
Products					
Middle East/east	30-35	213	189	162	-27
Singapore/east	30-35	291	262	182	-80
Caribbean/US Gulf Coast	38-40	286	263	285	22
NW Europe/USEC - USGC	33-37	313	240	267	28
Mediterranean/Mediterranean	30-35	242	245	261	16
Mediterranean/North-West Europe	30-35	252	255	271	16

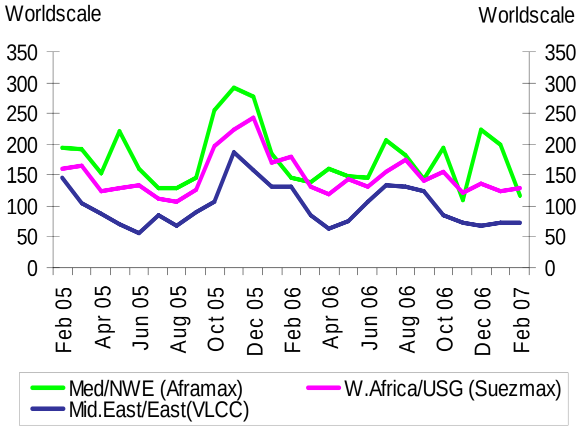
Source: Galbraith’s Tanker Market Report and Platt's.

Clean market rates decreased on East of Suez routes but rose on West of Suez

Unlike the crude oil tanker market, the product tanker market enjoyed some improvement on all West of Suez routes, while East routes remained under pressure. US shipping delays in mid-February supported the clean freight rates in the West by creating tonnage tightness which was furthered by product arbitrage opportunities to the East. The trans-Atlantic rates for 33,000-37,000 dwt tankers reversed the downward trend displayed last month, increasing 28 points to average WS267. Despite these gains, February rates indicated an annual decline of 30 points or 10%. In the Mediterranean, clean spot freight rates increased at the end of February after having remained relatively steady in the first half of the month as tonnage tightness prevailed. Intra-Mediterranean and Mediterranean/North-West Europe clean spot freight rates increased 16 points from last month to average WS261 and WS271 respectively. Similarly, clean freight rates from the Caribbean to the USA rose 22 points to average WS285 with an annual decline of around 13%.

In the East, the clean tanker market sentiment remained bearish in February. One of the main reasons was the weak tonnage demand as a result of high product stocks mainly in Japan, especially for kerosene, as sluggish winter demand did little to trim down inventories. Despite the slight increase in trans-Pacific activities, high stocks in the East coupled with lower naphtha exports from India had more weight on tonnage demand. The holiday season in particular negatively influenced tonnage demand. Accordingly, clean spot freight rates declined by 27 and 80 points on voyages to the east from the Middle East and Singapore, respectively. The Middle East clean freight rates averaged WS162 in February. Rates began declining at the beginning of the month before recovering at the end on the back of increased middle distillate activities. February rates for the East indicated a y-o-y decline of 22% and 48% from the Middle East and Singapore.

Graph 24: Monthly averages of crude oil spot freight rates



Oil Trade

OECD January crude oil imports increased by 0.3 mb/d while product imports increased 0.4 mb/d

OECD

OECD crude oil imports increased 323,000 b/d in January to average around 30.7 mb/d supported by the rise in US crude oil imports. Product imports stood at 12.6 mb/d, a gain of 400,000 b/d from the previous month. Similarly, crude oil and product exports rose by around 30,000 b/d and 200,000 to average 6.9 mb/d and 10.2 mb/d respectively. Consequently, OECD net crude oil and product imports increased by 480,000 b/d to average 26.3 mb/d in January.

However, it is worth noting that OECD trade saw considerable changes compared to the same month last year with crude oil imports showing a decline of 136,000 b/d and product imports decreasing by around 0.5 mb/d. At the same time, crude oil exports fell by 455,000 b/d while product exports increased a significant 1.3 mb/d. As a result, OECD net crude oil imports displayed a y-o-y growth of around 300,000 b/d or 1.4% whereas net product imports fell significantly by around 1.8 mb/d or 40%.

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

	Nov 06	Dec 06	Jan 07	Change Jan/Dec
Crude oil	23,763	23,545	23,834	289
Total products	2,328	2,244	2,437	192
Total crude and products	**26,091**	**25,790**	**26,270**	**481**

Saudi Arabia remained OECD's top crude supplier with around 20% while Russia came next with around 17% followed by the Iran, UAE and Venezuela with around 8% each. On the product supply side, Russia is on top of the list with 19% followed by Saudi Arabia with around 10%.

US crude oil imports dropped to 9.5 mb/d in February representing a y-o-y decline of 4.3%

USA

US crude oil imports decreased around 0.58 mb/d from the previous month, averaging 9.5 mb/d in February according to preliminary data. Product imports also declined, falling 200,000 b/d to nearly 3.2 mb/d. As a result, total US oil imports averaged 12.6 mb/d, indicating an annual decline of 0.65 mb/d or 5%. On the export side, US crude oil and product exports remained steady. Total US oil exports averaged 1.2 mb/d, down around 5% from the same month last year. Lower refinery throughput due to shutdowns/outages in February and the OPEC cut were the main reasons for the decline in crude oil imports. Similarly, low refinery throughput together with decreased product imports partially due to bad weather affected product stocks which experienced a decline in February according to preliminary data as the cold weather increased US demand.

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

	Dec 06	Jan 07	Feb 07	Change Feb/Jan
Crude oil	9,424	10,014	9,432	-582
Total products	1,829	2,185	1,990	-195
Total crude and products	**11,253**	**12,199**	**11,422**	**-777**

US net oil imports fell by around 0.8 mb/d or 6% from the previous month to average 11.4 mb/d in February. Compared to the same month of last year, US net oil imports experienced a drop of 5% or 580,000 b/d.

Canada remained the main supplier of US crude oil imports with more than 20%, followed by Mexico and Saudi Arabia with more than 16% each. Nigeria and Venezuela came next with around 13% each. Algeria, Angola, and Iraq were the top crude oil suppliers with 5-8% each. On the product side, Canada maintained the first position on the list with around 25%, followed by the Virgin Islands, Algeria, and Venezuela.

Japan's net oil imports fell 270,000 b/d in February as crude oil gains outweighed product losses

Japan

According to the preliminary estimated data, Japan's crude oil imports fell 120,000 b/d in February to average 4.2 mb/d. The decrease of around 3% came on the back of reduced crude throughput by different refiners. Japan's February product imports remained steady averaging 0.63 mb/d, an increase of around 20,000 b/d or 4% over the previous month. Yet, average product imports in February represented a y-o-y decline of around 7%. Accordingly, total oil imports in February averaged 4.8 mb/d, around 0.1 mb/d or 2% less than the previous month. On the export side, Japan's product exports increased a significant 177,000 b/d or 60% to average 470,000 b/d, a gain of 224,000 b/d y-o-y.

The decline in crude oil imports, which indicated an annual drop of 12%, came as a result of lower winter demand, mainly for kerosene for heating purposes, which resulted in high product stock levels which in turn drove refiners to reduce their crude throughput. Accordingly, product exports increased in order to ease the stock position; hence, a lot of gasoil and gasoline barrels found their way to the US West Coast market taking advantage of arbitrage opportunities there. As a result, Japan's net oil imports decreased by around 270,000 b/d in February to average 4.3 mb/d. Despite the decrease, the y-o-y decline reached 16% compared to the same month last year.

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

	Dec 06	Jan 07	Feb 07	Change Feb/Jan
Crude oil	4,281	4,313	4,193	-120
Total products	347	308	155	-153
Total crude and products	**4,629**	**4,621**	**4,348**	**-273**

For the sources of imports, UAE with 28% and Saudi Arabia with 22% were the largest crude oil suppliers accounting for around 50% of Japan's total crude oil imports. Iran followed with around 11%, Kuwait and Qatar came next with around 9% each. On the product side, UAE and Saudi Arabia remained the top suppliers together providing around 25% of Japan's product imports followed by Korea and the USA.

China's net oil imports soared by around 1 mb/d in January with an estimated annual growth of 11%

China

In January, China's crude oil imports continued the volatile trend, rebounding with an increase of around 0.5 mb/d, according to preliminary data. However, the increase in January missed offsetting the previous month's decline by 70,000 b/d, thus averaging lower than the record crude oil imports seen in November 2006. Despite the 18% increase in January, annual growth for crude oil imports in January marked a 1% increase over the same month last year. Similarly, China's total products imports soared by around 240,000 b/d in January to average around 0.96 mb/d. China's increase in product imports came mainly from the rise in kerosene and gasoil imports of around 70% and 50% respectively. Additionally, as Chinese refiners slashed fuel oil exports, fuel oil imports declined in January.

On the export side, China's crude oil exports fell to reach 70,000 b/d, a drop of 0.14 mb/d. Similarly, China's total product exports declined by 90,000 b/d to average 0.28 mb/d in January. The reduction in exports came as China is trying to retain energy resources for domestic consumption, hence total exports in January averaged only 350,000 m/d.

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

	Nov 06	Dec 06	Jan 07	Change Jan/Dec
Crude oil	3,220	2,517	3,162	645
Total products	451	347	679	332
Total crude and products	**3,671**	**2,864**	**3,841**	**977**

As a result, China's net crude oil imports increased 645,000 b/d or 26% in January to average 3.16 mb/d, slightly less than the record-high achieved in September 2006. Net product imports almost doubled in January to average 0.68 mb/d, leading to total net oil imports of 3.84 mb/d, a gain of around 1.0 mb/d from the previous month and 11% over the same month last year.

Once again, Angola and Iran were the top crude suppliers with 12% each. Saudi Arabia and Russia followed with 11% each, while Sudan, Kazakhstan and Oman supplied around 5% each.

India

India's net oil imports remained steady in January with a minor decline of 1.5% in crude oil imports

Preliminary data shows that India's crude oil imports continued to hover around 2.3 mb/d in January. While steady, India's crude oil imports experienced a minor fall of 34,000 b/d to average 2.36 mb/d. Despite the decline in January, India's crude oil imports showed annual growth of 5%. Similarly, India's product imports remained steady close to the December figure. As a result, India's total oil imports reached 2.7 mb/d in January, a loss of 40,000 b/d from the previous month.

Correspondingly, India's exports remained steady in January with a minor decline in product exports, averaging 790,000 b/d and indicating a drop of 20,000 b/d, mainly due to the decline in naphtha exports on the back of higher petrochemical margins. However, India's product exports in January indicated a growth of around 240,000 b/d or 40%.

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

	Nov 06	Dec 06	Jan 07	Change Jan/Dec
Crude oil	2,325	2,393	2,359	-34
Total products	-436	-468	-452	16
Total crude and products	**1,889**	**1,925**	**1,907**	**-18**

Consequently, India's net oil imports in January remained steady with a minor decline of around 18,000 b/d compared to the previous month to average 1.9 mb/d representing growth of around 2% from the same month last year. Although India's crude oil and product imports both increased on an annual basis, the increase in product exports offset the rise in oil imports.

Stock Movements

USA

US commercial crude oil stocks dropped below 990 mb, the first time in 11 months

US total commercial crude and product stocks dropped 46 mb or 1.6 mb/d to stand below 990 mb at the end of February for the first time since April 2006. The decline was more pronounced during the last week of the month, when stocks decreased by around 16 mb or 2.2 mb/d. Despite this strong decline, total stocks remained 16 mb above the five-year average. The drop, which was attributed to products, was due to strong demand for products in combination with a decline in refining runs, which fell by almost 2 percentage points during February. Low refining margins could also have contributed to the draw on product inventories, as refiners generally refrain from holding high stocks in order to avoid a negative impact on the price.

Crude oil stocks increased a minor 0.3 mb or 11,000 b/d to around 325 mb, helped by a decline in refining throughput but showed a deficit of around 17 mb from a year earlier. It is worth noting that crude oil stocks reached 329 mb in the week ending 23 February, the highest level since mid-December 2006, before retreating. However, when compared with the five-year average, at the end of the month crude oil stocks remained at a comfortable level, with a surplus of 30 mb.

Contrary to crude oil, product stocks dropped 46.6 mb or 1.67 mb/d, ending the month at 662 mb, the lowest level since June 2004. They were 36 mb or 5% lower than a year earlier. In addition to strong demand and lower refining runs, lower imports added more pressure on product stocks. Products saw mixed patterns with gasoline stocks continuing to increase for the fourth consecutive month while the rest of the products declined. Gasoline stocks displayed a build of 4.8 mb or 171,000 b/d due to weak demand, to stand at 223.7 mb, comfortably above the five-year average at 6 mb.

Distillates were the main contributor to the decline in product stocks, falling 13.5 mb due to increasing demand for heating oil and residual fuel because of cold weather and lower imports. This strong decline in distillates, which was in line with normal seasonal trends, left distillate stocks at 123.4 mb, almost similar to the five-year average. Residual fuel oil stocks dropped almost 7 mb or 16% to hit 35.7 mb, the lowest level since October 2005, due to strong demand which was helped by electric utilities switching back from natural gas. Jet fuel stocks remained stable at around 40 mb, but both residual fuel and jet fuel stocks were close to their five-year averages.

Table 25: US onland commercial petroleum stocks, mb

	Dec 06	Jan 07	Feb 07	Change Feb 07/Jan 07	Feb 06	9 Mar 07*
Crude oil	309.8	324.5	324.8	0.3	341.6	325.3
Gasoline	215.2	218.9	223.7	4.8	225.6	213.9
Distillate fuel	143.7	136.9	123.4	-13.5	134.9	120.4
Residual fuel oil	42.4	42.6	35.7	-6.9	44.2	35.2
Jet fuel	39.1	40.3	40.2	-0.1	42.7	39.8
Total	**1,032.3**	**1,033.2**	**986.9**	**-46.3**	**1,039.7**	**982.0**
SPR	688.6	688.6	688.6	0.0	684.8	688.6

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

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

In the week ending 9 March 2007, US commercial oil stocks fell 2.6 mb to 982.0 mb compared to the previous week. Crude inventories rose in line with expectations gaining 1.1 mb to 325.3 mb. This build could be attributed to the rebound in crude oil imports from the previous week, which increased 0.9 mb/d to 9.8 mb/d, combined with lower refinery runs due to planned refinery shut-downs for seasonal maintenance. Indeed, the refinery utilization rate dropped 0.2% to 85.7%. On the product side, gasoline stocks fell 2.5 mb to 213.9 mb, 4.4% below the same time last year, but remained around 1% above the last five-year average.

The gasoline stock-draw — the fifth consecutive weekly decline — occurred as refiners slowed down their rates despite higher imports, which increased by 120,000 b/d to average 970,000 b/d. The market is closely monitoring the development of gasoline inventories ahead of the driving season. Distillate stocks dropped 2.8 mb to 120.4 mb. Heating oil stocks accounted for 2.0 mb of the decline. It was the seventh consecutive weekly decline in distillate inventories, which now stand 6% below a year ago, but 5% higher than the last five-year average. The drop in heating oil inventories was attributed to persistent cold weather in the US Northeast as well as to refiners switching to focus on gasoline production.

Western Europe

EU-16 commercial oil stocks ended the month at 1,143 mb, 11 mb below the previous month but 51 mb above the five-year average

Total commercial oil stocks in EU-16 (Eur-15 plus Norway) dropped 11.2 mb or 400,000 b/d to stand at 1,143 mb at the end of February, their lowest level in 11 months. Products accounted for two-thirds of the draw, which left stocks 16 mb or 1.4% below a year earlier. This strong decline came as a result of a drop in refining runs due to seasonal maintenance and unplanned shutdowns. When compared with the five-year average, commercial oil stocks showed a surplus of 51 mb or 5%.

Table 26: Western Europe's oil stocks, mb

	Dec 06	Jan 07	Feb 07	Change Feb 07/Jan 07	Feb 06
Crude oil	487.9	474.6	470.6	-3.9	488.6
Mogas	134.3	139.1	136.9	-2.1	149.8
Naphtha	29.0	29.9	29.0	-0.9	27.1
Middle distillates	389.2	393.8	394.5	0.8	385.6
Fuel oils	114.5	117.4	112.4	-5.0	108.3
Total products	667.1	680.1	672.9	-7.3	670.8
Total	**1,154.9**	**1,154.7**	**1,143.5**	**-11.2**	**1,159.3**

Source: Argus, Euroilstock.

Lower OPEC production and increasing opportunities for transatlantic arbitrage left crude oil stocks down for the third consecutive month, albeit at a lower rate than in the previous month. Crude oil stocks declined 3.9 mb or 140,000 b/d to stand at nearly 471 mb, showing a y-o-y deficit of 18 mb or 4% and a surplus of 10 mb from the five-year average.

Following the same trend, product stocks, which showed a substantial build-up of 13 mb or 420,000 b/d in January, dropped 7.3 mb or 260,000 b/d in February to 673 mb, putting an end to the build trend displayed since last November. Nevertheless, when compared with the corresponding month, product stocks were 2 mb higher than the previous year and 40 mb above the five-year average.

The decline of 260,000 b/d from the previous month was essentially due to lower refining throughput which declined 120,000 b/d. In addition to lower production from refineries, higher exports to West Africa made gasoline stocks fall 2 mb, the first decline since last October, to stand at 137 mb, down 13 mb from a year ago. In contrast, middle distillate stocks displayed a marginal build of 0.8 mb or 30,000 b/d, helped by mild weather in the region, to settle at around 395 mb, which corresponds to 9 mb above the level of February 2006. Residual fuel oil stocks dropped 5 mb or 180,000 b/d to 112.4 mb, but remained 4 mb above a year earlier. This strong decline was driven by wide arbitrage to Asia-Pacific. Naphtha stocks dropped 0.9 mb to 29.0 mb, but showed a y-o-y growth of almost 4%.

Japan

Japan's commercial oil stocks reversed the trend, increasing 2 mb in January, implying a surplus of 16% over the five-year average

In Japan, total commercial oil stocks recovered from their previous two consecutive declines and increased 2 mb or 70,000 b/d in January to settle at the end of the month at 200 mb, up 28 mb or 16% from a year earlier and the five year average. The build was driven by products which increased 4 mb. Crude oil inventories dropped for the third month to stand at 110 mb, but remained 15 mb or 16% above a year earlier and the five-year average.

All products increased except naphtha which saw stocks decline due to strong demand and the tightening market in the Asia-Pacific. Gasoline stocks rose 2.4 mb or 20% at the end of the month to reach 15.0 mb while middle distillate stocks increased 2.6 mb to 44.3 mb and residual fuel stocks remained stable at around 21 mb. Strong demand from petrochemical plants left naphtha stocks continuing their downward trend to drop 1.1 mb or 10% and stand below 10 mb.

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

	Nov 06	Dec 06	Jan 07	Change Jan 07/Dec 06	Jan 06
Crude oil	114.9	112.1	110.0	-2.1	95.1
Gasoline	13.6	12.6	15.0	2.4	13.7
Naphtha	11.8	10.9	9.8	-1.1	11.3
Middle distillates	47.2	41.7	44.3	2.6	33.1
Residual fuel oil	19.9	20.8	20.9	0.1	18.7
Total products	92.5	86.0	90.1	4.1	76.7
Total**	**207.4**	**198.0**	**200.1**	**2.0**	**171.8**

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

Preliminary data from PAJ showed that total oil stocks declined below 200 mb during February and hit nearly 187 mb in the week ending 3 March, which corresponds to a draw of 10 mb compared with a month earlier. The drop was driven essentially by middle distillates, which fell 9 mb or 21%, while gasoline declined by 0.9 mb. The main contributor to the drop in middle distillates was kerosene, which is used in Japan as heating fuel. In contrast, crude oil stocks declined by less than 1 mb.

Balance of Supply and Demand

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

Estimate for 2006

The demand for OPEC crude in 2006 is estimated to average 30.4 mb/d. On a quarterly basis, the estimate shows that demand for OPEC crude was 31.3 mb/d, 29.6 mb/d, 30.2 mb/d and 30.6 mb/d respectively. According to secondary sources, total OPEC crude capacity was 34.8 mb/d at the end of 2006, up from 33.8 mb/d at the end of 2005.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.31**	**84.65**	**82.96**	**83.95**	**84.96**	**84.13**
Non-OPEC Supply	48.94	49.19	49.19	49.44	50.00	49.46
OPEC NGLs and non-conventionals	4.04	4.18	4.22	4.33	4.33	4.27
(b) Total Supply excluding OPEC Crude	**52.98**	**53.36**	**53.41**	**53.77**	**54.34**	**53.72**
Difference (a-b)	**30.33**	**31.29**	**29.55**	**30.18**	**30.62**	**30.41**
OPEC crude oil production (1)	31.12	31.11	30.93	31.15	30.46	30.91
Balance	0.79	-0.18	1.37	0.96	-0.16	0.50

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

Demand for OPEC crude is expected at 30.40 mb/d in 2007 almost unchanged from 2006

Forecast for 2007

The demand for OPEC crude in 2007 is expected to average 30.40 mb/d, broadly unchanged from the 2006 figure. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 31.27 mb/d, 29.37 mb/d, 30.45 mb/d and 30.51 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.13**	**85.86**	**84.03**	**85.41**	**86.59**	**85.48**
Non-OPEC Supply	49.46	50.27	50.30	50.50	51.47	50.64
OPEC NGLs and non-conventionals	4.27	4.31	4.36	4.46	4.61	4.44
(b) Total Supply excluding OPEC Crude	**53.72**	**54.58**	**54.66**	**54.97**	**56.09**	**55.08**
Difference (a-b)	**30.41**	**31.27**	**29.37**	**30.45**	**30.51**	**30.40**
OPEC crude oil production (1)	30.91					

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

Graph 25: Balance of supply and demand

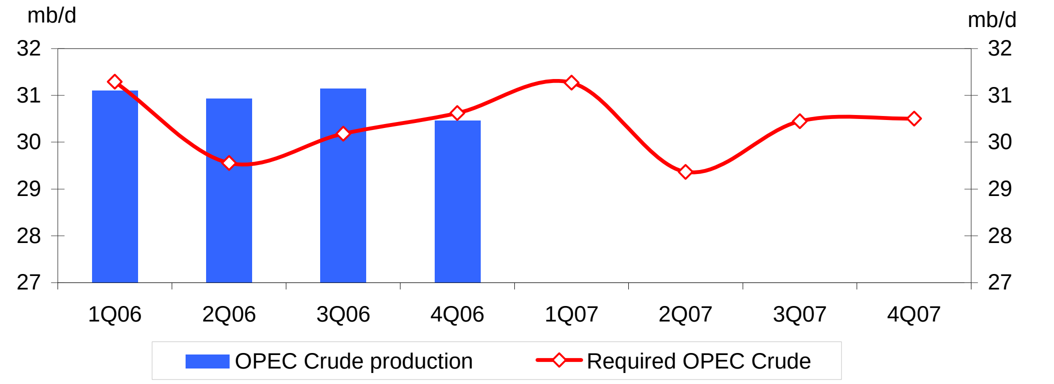


Table 30: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.2	48.0	48.8	49.6	49.1	50.3	48.1	49.0	50.0	49.4
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.5	25.3	25.3	25.5	25.2	25.6	25.6	25.5
Western Europe	15.3	15.4	15.5	15.5	15.8	15.0	15.4	15.5	15.4	15.6	15.1	15.5	15.6	15.5
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	7.9	8.8	8.5	9.3	7.8	7.9	8.8	8.4
DCs	20.3	20.6	21.7	22.4	22.7	23.2	23.2	23.3	23.1	23.2	23.7	23.9	24.0	23.7
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.1	3.8	3.8	3.5	3.8	4.3	3.9
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	1.0	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	7.8	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.7	83.0	83.9	85.0	84.1	85.9	84.0	85.4	86.6	85.5
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.3	20.0	20.0	20.3	20.2	20.4	20.3	20.1	20.7	20.4
North America	14.5	14.6	14.6	14.1	14.1	14.1	14.3	14.4	14.2	14.4	14.4	14.4	14.7	14.5
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.1	5.3	5.4	5.3	5.2	5.0	5.3	5.2
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
DCs	10.6	10.7	11.0	11.3	11.4	11.5	11.6	11.7	11.6	11.7	11.7	11.9	12.1	11.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.3	12.0	12.5	12.7	12.7	12.9	12.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	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	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	47.2	48.1	49.0	48.9	49.2	49.2	49.4	50.0	49.5	50.3	50.3	50.5	51.5	50.6
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.0	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	50.8	51.8	53.0	53.0	53.4	53.4	53.8	54.3	53.7	54.6	54.7	55.0	56.1	55.1
OPEC crude oil production (secondary sources)	26.2	27.8	30.0	31.1	31.1	30.9	31.1	30.5	30.9					
Total supply	77.0	79.6	83.0	84.1	84.5	84.3	84.9	84.8	84.6					
Balance (stock change and miscellaneous)	-0.8	0.3	0.7	0.8	-0.2	1.4	1.0	-0.2	0.5					
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2547	2597	2596	2655	2763	2677						
SPR	1347	1411	1450	1487	1487	1493	1495	1498						
Total	3825	3928	3997	4083	4083	4148	4258	4175						
Oil-on-water	815	882	905	961	963	975	968	909						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	56	53						
SPR	28	29	29	30	31	31	30	30						
Total	79	80	81	83	85	85	86	83						
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.1	8.2	8.7	9.1	8.9	8.7	8.8
(a) - (b)	27.0	27.6	29.3	30.3	31.3	29.6	30.2	30.6	30.4	31.3	29.4	30.4	30.5	30.4

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

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

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	-	-	-	-	-	-	-	-0.3	-0.1	0.1	-	-	-0.2	-
North America	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
FSU	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-0.1	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	-					
OECD closing stock levels (*mb*)														
Commercial	-	-	-	1	-	-	-4	3						
SPR	-	-	-	-	-	-	-	2						
Total	-	-	-	1	-	-	-4	5						
Oil-on-water	-	-	-	-	-	-	-	-						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Memo items														
FSU net exports	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1
(a) - (b)	-	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.1

† This compares Table 30 in this issue of the MOMR with Table 29 in the February 2007 issue.
This table shows only where changes have occurred.

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

	2001	2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Closing stock levels *mb*																	
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,465	2,545	2,581	2,547	2,543	2,623	2,638	2,597	2,596	2,655	2,763	2,677
North America	1,262	1,175	1,161	1,193	1257	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,239	1,276	1,347	1,272
Western Europe	925	895	922	924	944	919	933	945	924	952	925	952	944	949	943	958	976
OECD Pacific	443	408	435	430	395	400	420	430	430	389	422	432	395	409	436	459	428
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,498
North America	552	601	640	678	687	654	664	672	678	690	698	696	687	688	690	690	691
Western Europe	356	357	374	377	407	371	366	367	377	376	401	405	407	407	411	411	411
OECD Pacific	380	389	396	396	393	398	398	396	396	396	395	393	393	392	393	393	396
OECD total	3,918	3,825	3,928	3,997	4,083	3,888	3,974	4,016	3,997	4,005	4,116	4,132	4,083	4,083	4,148	4,258	4,175
Oil-on-water	830	815	882	905	961	906	891	894	905	931	935	926	961	963	975	968	909
Days of forward consumption in OECD																	
OECD onland commercial	55	51	51	51	53	51	52	51	50	52	53	53	52	54	54	56	53
North America	52	48	46	47	50	46	47	47	47	47	50	49	50	49	50	53	50
Western Europe	60	58	60	60	61	61	60	60	59	63	59	61	60	63	61	62	62
OECD Pacific	52	47	51	50	47	51	52	49	46	48	52	49	43	52	55	52	46
OECD SPR	27	28	29	29	30	30	29	29	29	30	30	30	30	31	31	30	30
North America	23	25	25	27	27	26	26	26	26	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	25	24	23	24	25	26	26	26	27	27	27	26
OECD Pacific	45	45	47	46	46	50	49	45	42	49	49	45	42	50	50	45	43
OECD total	82	79	80	81	83	81	81	80	79	82	84	83	81	85	85	86	83

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

	2002	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
USA	8.04	7.82	7.65	7.34	-0.31	7.20	7.37	7.47	7.52	7.39	0.05	7.62	7.55	7.43	7.61	7.55	0.16
Canada	2.84	2.98	3.07	3.02	-0.05	3.14	3.00	3.18	3.33	3.16	0.14	3.29	3.22	3.30	3.40	3.30	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.51	3.62	3.70	3.67	3.62	-0.07
North America	14.48	14.60	14.56	14.13	-0.42	14.13	14.15	14.34	14.36	14.25	0.11	14.42	14.39	14.43	14.68	14.48	0.23
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.76	2.70	2.61	2.72	2.70	-0.08
UK	2.52	2.33	2.10	1.88	-0.22	1.88	1.72	1.47	1.68	1.69	-0.20	1.69	1.65	1.55	1.71	1.65	-0.04
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.33	0.32	0.28	0.31	0.31	-0.03
Other Western Europe	0.44	0.47	0.51	0.54	0.03	0.53	0.56	0.54	0.55	0.55	0.01	0.55	0.55	0.55	0.55	0.55	0.00
Western Europe	6.67	6.43	6.19	5.77	-0.42	5.70	5.32	5.06	5.33	5.35	-0.41	5.32	5.22	5.00	5.28	5.20	-0.15
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.58	0.51	-0.02	0.56	0.55	0.60	0.59	0.58	0.06
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.07	0.09	0.11	0.11	0.09	0.04
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.48	0.49	0.64	0.62	0.56	-0.02	0.63	0.64	0.71	0.70	0.67	0.11
Total OECD	21.92	21.68	21.32	20.48	-0.84	20.32	19.97	20.04	20.32	20.16	-0.32	20.37	20.25	20.14	20.65	20.35	0.19
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	0.81	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	0.73	0.75	0.76	0.75	-0.01	0.76	0.76	0.81	0.87	0.80	0.04
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.37	0.37	0.38	0.38	-0.01	0.35	0.33	0.38	0.39	0.36	-0.01
Asia others	0.37	0.40	0.42	0.52	0.10	0.53	0.54	0.54	0.54	0.54	0.02	0.54	0.54	0.54	0.56	0.55	0.01
Other Asia	2.45	2.52	2.61	2.64	0.03	2.68	2.65	2.64	2.71	2.67	0.03	2.67	2.62	2.74	2.82	2.71	0.05
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	0.73	0.75	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.15	2.10	0.11	2.18	2.19	2.24	2.36	2.24	0.14
Colombia	0.58	0.55	0.53	0.53	0.00	0.53	0.54	0.54	0.53	0.54	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	0.28	0.31	0.31	0.30	0.30	0.01	0.30	0.30	0.30	0.30	0.30	0.00
Latin America	3.92	4.02	4.05	4.26	0.21	4.35	4.44	4.47	4.47	4.43	0.17	4.47	4.47	4.51	4.61	4.52	0.08
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	0.76	0.75	0.75	0.76	-0.03	0.73	0.73	0.73	0.73	0.73	-0.02
Syria	0.55	0.53	0.50	0.46	-0.04	0.44	0.44	0.44	0.44	0.44	-0.02	0.43	0.43	0.43	0.43	0.43	-0.01
Yemen	0.46	0.44	0.42	0.41	-0.01	0.40	0.39	0.38	0.39	0.39	-0.01	0.41	0.41	0.40	0.39	0.40	0.01
Middle East	2.12	2.01	1.92	1.86	-0.06	1.82	1.80	1.78	1.79	1.80	-0.06	1.79	1.79	1.77	1.76	1.78	-0.02
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	0.66	0.67	0.67	-0.02	0.64	0.64	0.64	0.64	0.64	-0.03
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.37	0.37	0.01	0.38	0.38	0.39	0.40	0.39	0.02
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	0.52	0.42	0.08	0.54	0.57	0.61	0.61	0.58	0.16
Africa other	0.20	0.20	0.21	0.25	0.04	0.30	0.33	0.32	0.32	0.32	0.07	0.32	0.33	0.33	0.37	0.34	0.02
Africa	2.12	2.17	2.43	2.52	0.08	2.58	2.62	2.67	2.75	2.65	0.14	2.74	2.78	2.85	2.90	2.82	0.16
Total DCs	10.61	10.72	11.01	11.27	0.26	11.44	11.51	11.56	11.71	11.56	0.28	11.67	11.66	11.86	12.10	11.82	0.27
FSU	9.33	10.27	11.14	11.55	0.41	11.67	11.97	12.15	12.28	12.02	0.47	12.48	12.66	12.74	12.90	12.70	0.68
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.86	9.96	10.01	10.04	9.97	0.32
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.37	1.40	1.36	1.46	1.40	0.10
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.71	0.64	0.19	0.83	0.88	0.95	0.98	0.91	0.28
FSU others	0.45	0.47	0.46	0.44	-0.03	0.41	0.42	0.44	0.44	0.43	-0.01	0.42	0.42	0.42	0.42	0.42	-0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.14	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.67	3.64	3.67	0.06	3.68	3.68	3.71	3.74	3.71	0.03
Non-OPEC production	45.42	46.26	47.13	47.07	-0.05	47.27	47.30	47.56	48.08	47.56	0.48	48.35	48.40	48.60	49.54	48.73	1.17
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	1.90	1.90	1.93	1.91	0.01
Non-OPEC supply	47.15	48.05	48.96	48.94	-0.02	49.19	49.19	49.44	50.00	49.46	0.52	50.27	50.30	50.50	51.47	50.64	1.18
OPEC NGL	3.42	3.57	3.85	3.89	0.04	4.05	4.10	4.17	4.18	4.13	0.24	4.23	4.28	4.38	4.53	4.36	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.08	0.08	0.08	-0.05
OPEC (NGL+NCF)	3.60	3.71	4.02	4.04	0.02	4.18	4.22	4.33	4.33	4.27	0.22	4.31	4.36	4.46	4.61	4.44	0.17
Non-OPEC & OPEC (NGL+NCF)	50.75	51.76	52.98	52.98	0.00	53.36	53.41	53.77	54.34	53.72	0.74	54.58	54.66	54.97	56.09	55.08	1.36

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

Table 34: World Rig Count

	2002	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	Jan07	Feb07	Change Feb07/Jan07
USA	831	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,714	1,736	22
Canada	266	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	568	635	67
Mexico	65	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	84	95	11
North America	**1,162**	**1,496**	**1,669**	**173**	**2,013**	**1,693**	**2,050**	**2,143**	**1,975**	**306**	**2,269**	**1,999**	**2,290**	**2,243**	**2,200**	225	**2,366**	**2,466**	**100**
Norway	19	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	17	1
UK	26	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	24	25	1
Western Europe	**85**	**78**	**65**	**-13**	**56**	**67**	**68**	**68**	**65**	**0**	**77**	**78**	**73**	**65**	**73**	8	**71**	**71**	**0**
OECD Pacific	**17**	**18**	**22**	**4**	**24**	**25**	**27**	**24**	**25**	**3**	**25**	**28**	**25**	**28**	**27**	2	**26**	**24**	**-2**
Total OECD	**1,264**	**1,592**	**1,755**	**163**	**2,093**	**1,785**	**2,146**	**2,234**	**2,065**	**310**	**2,371**	**2,105**	**2,389**	**2,336**	**2,300**	235	**2,463**	**2,561**	**98**
Other Asia	**111**	**117**	**126**	**9**	**133**	**140**	**146**	**148**	**142**	**16**	**153**	**150**	**156**	**152**	**153**	11	**158**	**158**	**0**
Latin America	**106**	**116**	**126**	**10**	**133**	**138**	**141**	**151**	**141**	**15**	**149**	**162**	**164**	**165**	**160**	19	**202**	**189**	**-13**
Middle East	**62**	**70**	**70**	**0**	**69**	**71**	**73**	**75**	**72**	**2**	**72**	**79**	**82**	**85**	**80**	8	**81**	**85**	**4**
Africa	**39**	**43**	**51**	**8**	**56**	**56**	**51**	**57**	**54**	**3**	**59**	**62**	**68**	**77**	**67**	13	**62**	**79**	**17**
Total DCs	**317**	**346**	**376**	**30**	**390**	**405**	**411**	**431**	**409**	**33**	**433**	**453**	**470**	**479**	**459**	50	**503**	**511**	**8**
Non-OPEC Rig Count	**1,581**	**1,938**	**2,131**	**193**	**2,483**	**2,192**	**2,560**	**2,667**	**2,477**	**346**	**2,806**	**2,560**	**2,861**	**2,818**	**2,761**	284	**2,968**	**3,074**	**106**
Algeria	20	20	19	-1	20	21	22	21	21	**2**	21	21	28	27	24	3	24	24	0
Angola	5	4	3	-1	3	3	3	2	3	**0**	4	4	4	4	4	1	5	5	0
Indonesia	46	45	49	4	53	53	55	59	54	**5**	55	43	46	52	49	-5	49	48	-1
Iran	34	35	41	6	42	41	39	38	40	**-1**	40	45	47	45	44	4	48	52	4
Iraq	na	na	na	na	na	na	na	na	na	**na**	na	na	na	na	na	na	na	na	na
Kuwait	6	5	10	5	12	13	11	14	12	**2**	12	13	14	15	14	2	16	13	-3
Libya	10	10	10	0	10	9	8	8	9	**-1**	9	9	10	12	10	1	13	13	0
Nigeria	12	10	8	-2	9	9	9	8	9	**1**	10	9	10	10	10	1	9	6	-3
Qatar	13	8	9	1	10	13	12	12	12	**3**	13	10	11	9	11	-1	9	11	2
Saudi Arabia	32	32	32	0	33	34	37	43	36	**4**	54	60	70	76	65	29	78	74	-4
UAE	16	16	16	0	16	16	16	16	16	**0**	17	16	16	16	16	0	15	13	-2
Venezuela	42	37	55	18	66	72	66	70	67	**12**	78	83	85	77	81	14	73	76	3
OPEC Rig Count	**236**	**222**	**252**	**30**	**274**	**284**	**278**	**291**	**279**	**27**	**313**	**313**	**341**	**341**	**327**	48	**339**	**335**	**-4**
Worldwid Rig Count*	**1,817**	**2,160**	**2,383**	**223**	**2,757**	**2,476**	**2,838**	**2,958**	**2,756**	**373**	**3,119**	**2,873**	**3,202**	**3,159**	**3,088**	**332**	**3,307**	**3,409**	**102**
of which:																			
Oil	758	816	877	**61**	961	870	990	1,015	959	**82**	1,069	1,060	1,169	1,156	1,114	**155**	1,240	1,297	**57**
Gas	1,042	1,326	1,486	**157**	1,774	1,583	1,823	1,928	1,777	**291**	2,035	1,802	2,016	1,983	1,959	**182**	2,050	2,091	**41**
Others	17	18	20	**2**	22	22	25	17	22	**2**	14	13	18	21	16	**-6**	17	21	**4**

**/Excludes China and FSU.*
na - Not available.
Source: Baker Hughes International & Secretariat's Estimates.
Note: Totals may not add up due to independent rounding.

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Data is provided by Data Services Department.

Data Summary March 2007

OPEC Basket average price

US$ per barrel

⬆ *up 3.72 in February*

February 2007	***54.45***
January 2007	*50.73*
Year-to-date	*52.50*

February OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.33*	*Iraq*	*1.99*	*Qatar*	*0.79*
Angola	*1.53*	*Kuwait*	*2.41*	*Saudi Arabia*	*8.54*
Indonesia	*0.86*	*SP Libyan AJ*	*1.68*	*UAE*	*2.46*
IR Iran	*3.76*	*Nigeria*	*2.22*	*Venezuela*	*2.40*
				TOTAL	***29.97***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.1*	*World demand*	*85.5*
Non-OPEC supply	*53.7*	*Non-OPEC supply*	*55.1*
Difference	***30.4***	***Difference***	***30.4***

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 46 mb in February, with the decline in products accounting for the loss.

World economy

World GDP growth unchanged at 5.3% for 2006 and to 4.6% for 2007.

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Next report to be issued on 16 April 2007.

Data covers period up to the end of February 2007 unless otherwise stated.