OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

March 2008

Feature Article:
Recent oil market dualism

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

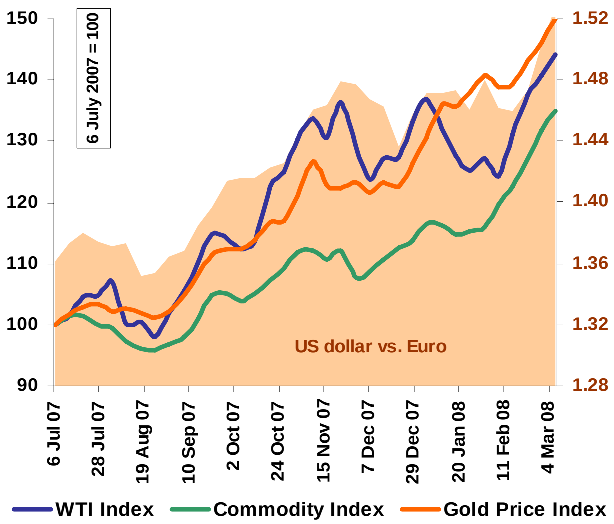
Oil Market Highlights

- The OPEC Reference Basket averaged $90.64/b in February, representing a gain of $2.29 or 2.59% over the previous month. Prices were pushed higher by US dollar weakness, which encouraged the continued inflow of funds into the paper-oil market as investors sought to hedge against inflation and currency fluctuations. Revived geopolitical developments also pressured the market, although the upward trend was capped by builds in US crude oil and gasoline stocks. The Basket surged into the first week of March peaking above the $100/b level amid continued dollar depreciation and a late winter cold snap in North America. The OPEC Reference Basket price reached $102.39/b on 13 March.
- World economic growth is forecast at 4.6% in 2008, unchanged from the previous month despite slight downward revisions in some regions. In the US, fears of a recession in the first half of the year have been fanned by a bearish employment report and a drop in retail sales in February as well as falling consumer confidence in early March. Mortgage-related asset write downs and losses reported by some of the world's biggest financial institutions now approach $190 bn. Recent surveys indicate that sentiment appears to be worsening, even outside the US. Separately, inflation picked up in China, with consumer prices increasing at an eleven-year high rate of 8.7% in February, raising expectations of a faster revaluation of the yuan as a means of curbing inflation and slowing economic growth. The forecast for China remains unchanged at 9.9% for 2008. Growth in the US has been revised down 0.3 pp to 1.3% while the Euro-zone remains unchanged at 1.8% with signs of resilience mainly coming from the Euro-zone's largest economy, Germany. Japanese growth is also unchanged at 1.2%.
- The weather is once again the main factor in OECD oil demand this winter; the warm winter not only reduced winter product consumption, but also triggered power plants to switch to cheaper natural gas. First-quarter OECD oil consumption is expected to be below earlier forecasts. However, the stronger-than-expected oil demand in non-OECD regions will to some degree offset the downward revision world-wide. World oil demand in 2008 is forecast to grow by 1.2 mb/d to average 87.0 mb/d, in line with last month's estimate. The slowing world economy and warm weather in some parts of the OECD regions dented the demand for winter products. Fourth-quarter OECD demand growth was revised down by 0.2 mb/d which was offset by strong growth in Latin America and Africa. The world oil demand growth estimate for 2007 remains unchanged at 1.2 mb/d or 1.4%.
- Non-OPEC supply growth in 2007 is estimated at 0.6 mb/d, broadly unchanged from last month's assessment. Minor downward adjustments to Canada, Chad and Russia were almost totally offset by upward adjustments in the US, UK and Sudan. For 2008, non-OPEC supply growth is expected to average 0.9 mb/d representing a downward revision of 0.2 mb/d due to revisions to Canada, Mexico, Norway, UK, Brazil, Chad and Russia, which were partially offset by upward adjustments to Sudan, Other Western Europe and the USA. In February, total OPEC crude oil production averaged 32.1 mb/d, an increase of 82,500 b/d over the previous month. Production in Iraq witnessed significant gains.
- The product market sentiment improved slightly following a recent cold snap in the Atlantic Basin and lower refinery runs due to the seasonal maintenance schedule. Over the coming months, a combination of slowing demand for middle distillates, gasoline stock builds across the globe especially in the US, and high crude oil prices may limit the impact of seasonal refinery turnarounds on refining margins. However, the potential risk of refinery outages may change the current circumstances of the product market and support both product and crude prices.
- OPEC spot fixtures rose by 4% in February to average 14.9 mb/d, supported by increased fixtures to the East, while non-OPEC spot fixtures decreased by 9% to average 7.0 mb/d. OPEC sailings were broadly steady in February, dropping only 90,000 b/d from the previous month to stand at 23.3 mb/d. VLCC crude oil freight rates declined on all routes in February, dropping 17% on average on lower activities and ample availability. Suezmax rates decreased in February on the back of the bearish market. Product spot freight rates also declined due to limited activities and closed gasoline arbitrage to the US as well as lower refinery runs and margins.
- Preliminary data show that OECD total net oil imports increased 0.7 mb/d in January from the previous month on the back of higher net crude oil and product imports, supported by winter demand. US crude imports fell 400,000 b/d in February to average around 9.8 mb/d while US product imports decreased by 95,000 b/d on the back of lower refinery runs. In February, Japan's net oil imports declined 158,000 b/d, driven by lower crude imports in anticipation of the refinery maintenance season as well as weak margins. China's crude oil imports rose in January to average 3.3 mb/d while product imports rose 22%. India's net oil imports dropped 17% in January due to falls in crude oil and product imports, indicating y-o-y growth of 5%.
- US commercial oil stocks fell around 4 mb in February but remained at the same level as a year ago to display an overhang of 24 mb with the five-year average. The drop was driven by products, which despite the decline remained above the five-year average supported by gasoline stock builds which reached a 14-year high of 234 mb at the end of the month and increased further in early March. Crude oil stocks continued to rise to move above the five-year average. In EU-15 plus Norway, total oil inventories offset the gain of the previous month but both crude oil and products were in line with the five-year average. However, Japan's commercial oil stocks remained stable in January while the deficit with the five-year average narrowed to just 3 mb whereas preliminary data show that inventories declined sharply in February.
- The demand for OPEC crude in 2007 is expected to average 31.9 mb/d, an increase of 0.3 mb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.7 mb/d, a decline of 0.2 mb/d.

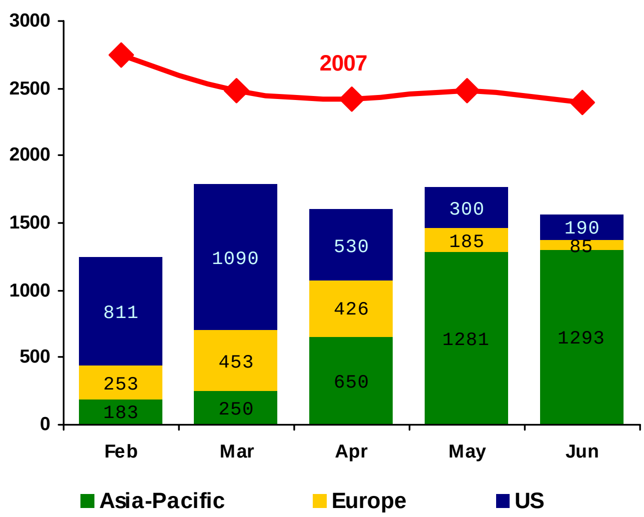
Recent oil market dualism

- A quick review of the current oil market situation seems to tell two stories. With benchmark prices at record highs, price levels imply that the market is exceptionally tight. At the same time, fundamentals point to a softer market with OECD commercial stocks currently well above the five-year average, continued downward revisions to demand and downside risks gaining momentum due to the economic slowdown in the US. Indeed, it appears as if competing dynamics are moving the market in opposite directions. How long this duality can continue is one of the key questions facing the oil market in the coming months.
- Over the last five weeks, the OPEC Reference Basket has jumped by 22% to $102.39/b. This sharp increase in prices has coincided with a continuing decline in the value of the US dollar, which has fallen by 4.6% against the euro. In addition to making oil cheaper in other currencies, US dollar weakness has also affected oil prices through asset portfolio substitutions. This occurs when rising assets, such as crude futures contracts, are directly substituted for declining assets, such as the US dollar, or when assets that are expected to benefit from the declining dollar — commodity baskets and index funds — are added to investment portfolios, indirectly resulting in larger purchases of paper-oil contracts. These substitutions usually occur quickly and influence short-term oil prices by changing demand configuration in the paper-oil market. A similar dynamic can be seen impacting other commodity prices (*see* ***Graph 1***) as investors seek to hedge against inflation and the declining value of the US dollar.

Graph 1: Developments in US dollar, gold, commodities and WTI



Graph 2: Spring 2008 refinery maintenance and 2007 outages (tb/d)



- The increased flow in investments between oil and other commodity and financial assets has also opened the oil market to volatility in non-oil financial asset prices. The recent turbulence in key global equity markets has encouraged investors to seek better returns in the commodity markets. The increased flow of speculative money into the crude futures market can been seen in the rise in non-commercial net long positions on the Nymex, which have increased for four consecutive weeks to 99,500 contracts, the highest level since last November.
- While financial market dynamics have lifted prices to record levels, fundamentals indicate a market which is currently well-balanced and expected to soften over the coming months. One key indicator about the health of the market over the coming months is gasoline stocks. The recent strong builds in gasoline stocks in the US and elsewhere should cause the poor performance of refinery economics and encourage refiners to trim crude demand and refinery throughputs. Additionally, spring refinery turnarounds appear light this year, particularly in the Atlantic Basin (*see* ***Graph 2***). On average refinery turnarounds for the first quarter of 2008 are expected at around 1 mb/d in the US compared to 1.5 mb/d over the same period last year. In the second quarter, this figure is expected to fall even further. The expected return of long-idled refinery capacity in the second quarter should also help to further ease product markets. This along with incremental production of ethanol by about 150,000 b/d in 2008 and uncertainty about product demand should ease gasoline supply concerns which in recent years have been one of the key drivers of the market in the first half of year.
- The projections for 2008 show that the growth in non-OPEC supply plus OPEC NGLs and non-conventional oil will outpace world oil demand growth. This would result in a demand for OPEC crude which is lower than current OPEC production of 32.1 mb/d. With latest data pointing to a potential recession in the US, oil demand growth is not likely to be higher than projected, resulting in lower demand for OPEC crude. At the same time, early indications clearly show that the market is amply supplied. OECD commercial stocks have risen sharply in January to stand 48 mb above the five-year average and preliminary data indicate that stocks could rise to as much as 60 mb above the five-year average in February. These gains should help to alleviate the impact of speculative activity.
- Despite expectations of softer fundamentals, increasing downside risks and impending lower demand season, OPEC Ministers agreed to leave production levels unchanged to support market stability. Although the next scheduled Ministerial Meeting is in September, OPEC Members will continue to closely monitor ongoing market developments and as always stand ready to take the necessary measures in line with their commitment to market stability and ensuring adequate supplies.

Vienna, Austria **5 March 2008**

148th Meeting of the OPEC Conference

The 148th (Ordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 5 March 2008, under the Chairmanship of its President, HE Dr Chakib Khelil, Minister of Energy, and Mines of Algeria and Head of its Delegation, and its Alternate President, HE Désiderio daGraça Verissimo e Costa, Minister of Petroleum of Angola and Head of its Delegation.

The Conference warmly welcomed the Minister of Petroleum of the Arab Republic of Egypt, the Assistant Secretary of Energy of Mexico, the Deputy Minister of Oil and Gas of the Sultanate of Oman, the Deputy Minister of Industry and Energy of the Russian Federation, and the Minister of Energy and Mining of Sudan, attending the Meeting as Observers.

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

In reviewing the prospects for the oil market, the Conference highlighted the economic slowdown in the USA, which, together with the deepening credit crisis in financial markets, is increasing the downside risks for world economic growth and, consequently, demand for crude oil. The Conference observed that the market is well-supplied, with current commercial oil stocks standing above their five-year average. The Conference further noted, with concern, that the current price environment does not reflect market fundamentals, as crude oil prices are being strongly influenced by the weakness in the US dollar, rising inflation and significant flow of funds into the commodities market. In spite of the seasonally low demand in the second quarter, the Conference decided to maintain OPEC production levels, emphasized that increased uncertainty and volatility call for continued market vigilance and reiterated the commitment of Member Countries to market stability and ensuring adequate supplies.

The Conference was briefed by the Head of Delegation of the Bolivarian Republic of Venezuela on the ongoing legal dispute between ExxonMobil Corporation, on the one hand, and the Bolivarian Republic of Venezuela and its national oil company, Petroleos de Venezuela SA, on the other. The Conference expressed its support to the Bolivarian Republic of Venezuela and Petroleos de Venezuela SA, in the exercise of its sovereign rights over its natural resources, in accordance with international law, a right reiterated by the Algiers, Caracas and Riyadh Summit Declarations of OPEC Heads of State and Government. The Conference called for resolving any such disputes through good faith and amicable negotiations, and excluding *ex parte* pre-judgement measures which will make finding fair solutions more difficult.

The Conference welcomed the Yasuni-ITT Initiative presented by Ecuador and expressed its interest and support, considering that this proposal is consistent with the energy and environment-protection objectives established at the Third Summit of OPEC Heads of State and Government which took place in Riyadh, Kingdom of Saudi Arabia, on 17 and 18 November 2007.

The Conference passed Resolutions that will be published on 5 April 2008, after ratification by Member Countries.

The Conference decided that its next Ordinary Meeting will be convened in Vienna, Austria, on Tuesday, 9 September 2008.

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

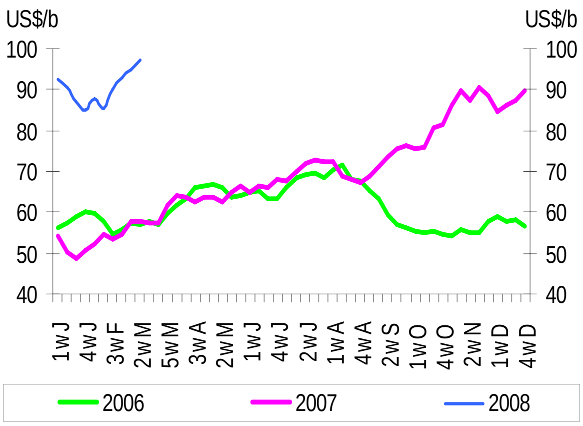
Crude Oil Price Movements

US dollar weakness and geopolitical concerns sustained market bullishness

*OPEC Reference Basket**

The market emerged in early February on a weaker note amid recession fears while US crude oil inventories continued to stockpile heavily amid lower refinery runs. The prospect of lower demand amid weak margins lent support to market bearishness. The Basket plunged in the first week by a hefty $2.26 or 2.6% to average $85.58/b. Nevertheless, the bearish momentum was short-lived amid revived supply disruptions from West Africa and the North Sea. A dispute over assets in South America revived geopolitical tensions and raised concerns over a supply shortfall. A cold snap in the US and a rise in January retail sales lent some support to market bullishness.

Graph 1: OPEC Reference Basket - weekly spot crude

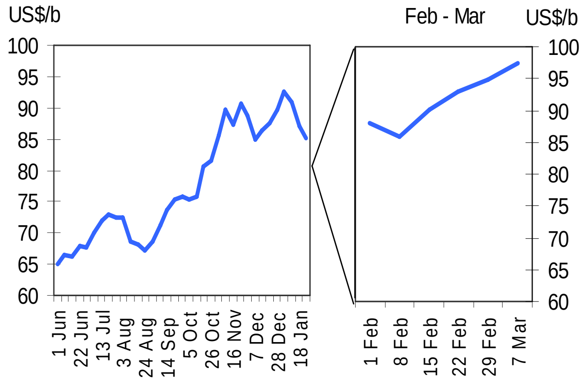


In the second week, the average OPEC Reference Basket surged a hefty 5.2% or $4.48 to settle at $90.06/b. In the third week, market volatility resumed amid a slower refinery run rate due to snags and poor margins, strengthening market sentiment while the prospect that the US Federal Reserve would cut the interest rate lent support while the weak US dollar inspired further investment into the petroleum complex. In contrast, a healthy build in US crude oil stocks kept a cap on bearishness in the marketplace.

In the third week, the Basket average was up $2.76 or over 3% to settle at $92.82/b. Market bullishness remained into the final week of the month on the continued weak US dollar exchange rate against major currencies inspiring investment in the futures market and keeping the momentum strong. A late winter cold snap in the Western Hemisphere revived fear over a seasonal fuel supply shortfall. Speculations that OPEC might keep output steady were perceived as tightening market supply. Nevertheless, continued builds in crude oil and gasoline stocks in the US somewhat revived market bearishness. The Basket averaged the fourth week at $94.74/b representing a rally of $1.92 or over 2%, after peaking at a record of $96.35/b.

On a monthly basis, the OPEC Reference Basket averaged at a record of $90.64/b for a gain of $2.29 or 2.59%. Incorporating Ecuador's Oriente crude reduced the Basket by 17¢/b. Revived geopolitical developments from the Middle East to South America while West African supply continued to be tight kept the bulls intact. A healthy build in the US crude oil stocks and gasoline supply prevented the market from rising further. The weak US dollar dominated continuing to inspire investment into the energy market lent support to the bullishness in the marketplace. The Basket surged in March peaking above the $100 level to average $98.92/b over the first nine days of the month on continued dollar weakness and a late winter cold snap in North America. The Basket stood at $102.39/b on 13 March.

Graph 2: Weekly average Basket price, 2007-2008



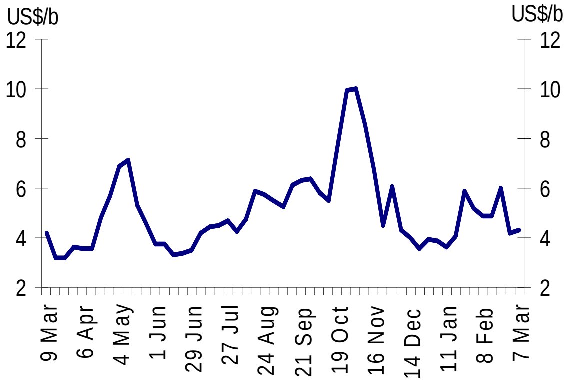
*** The OPEC Reference Basket has been revised to include Ecuador's Oriente crude with 23.8°API and 1.4% sulphur content effective 19 October 2007.**

Continued build in US crude stocks and volatile transatlantic spread supported sweet grades

US market

Sweet crude oil in the US domestic market emerged on a steadily weak note with the arrival of rival crude on the narrowing spread of Mideast price differentials also lent support. A flip in the forward structure into slight contango outweighed the cost of imports, lending support to the buying spree which firmed the light grade spread amid easing outright prices. The WTI/WTS weekly average spread was unchanged at $5.16/b. In the second week, the forecast for lower winter fuels amid a cold snap and WTI's flip into a premium with Brent opened the transatlantic opportunity. Higher refinery run rates amid seasonal stock-builds supported light grade to remain strong. In the second week the WTI/WTS spread was 30¢ narrow at $4.86/b. Nevertheless, the further opening of the transatlantic arbitrage window in the third week pressured light grade in the US domestic market. High outright prices also lent support for the forward curve to flip back into steep backwardation implying prompt demand. Light grade came under pressure amid a healthy rise in gasoline supply the week before. However, volatility remained on the back of a drop in distillate stocks. The WTI/WTS spread widened by $1.15 to average $6.01/b, the widest in twelve weeks. Nevertheless, depleting winter fuels supplies amid looming later winter demand revived the bullishness in the US domestic market. The narrowing transatlantic window and healthy refining margins for light-end products supported light grade firmness. In the fourth week, the WTI/WTS average spread was $1.84 narrower at $4.17/b after dipping to $3.75, a seven-week low. WTI's monthly average was $95.32/b for a gain of $2.45 or 2.6%, with a $5/b premium to WTS, a four-month high.

Graph 3: WTI spread to WTS, 2007-2008

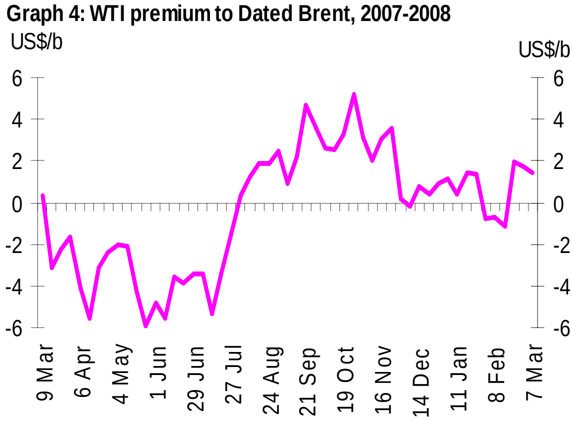


Supply disruptions in the North Sea weighed on narrowing trans-Atlantic spread

North Sea market

The month started off weak for the North Sea market amid softer refining margins. However, differentials firmed later in the first week amid the shutdown of two key oilfields connected to the Forties energy complex. Total confirmed that it halted oil and gas production from its Elgin-Franklin fields in the North Sea, shutting around 280,000 boe/d. Nevertheless, the higher March loading programme was expected to calm market sentiment. Brent moved further into a premium to WTI limiting outbound transatlantic barrels and adding to bearishness in the regional market. In the first week, the average for Brent over WTI was steady at 75¢/b. In the second week, sentiment emerged on a stronger note amid equity holders staying on the sidelines on the prospect of higher differentials. Prompt requirement lent support to North Sea crude. Brent premium to WTI continued to widen into the second week, rising by 38¢ to $1.13/b. However, prompt availability amid the closure of the arbitrage window pushed North Sea differentials lower. With many participants attending the IP Week in London, activities were low in the third week while improving refinery margins lent support to the buying spree as differentials eased. Brent flipped back into a discount to WTI by $1.96/b. In the final week, continued improvement in refining margins lent support to North Sea crude differentials amid late winter demand. The Brent discount to WTI in the fourth week was 22¢ narrower at $1.74/b. On a monthly basis, Brent averaged $94.98/b for a gain of $2.98 or 3.2% with the discount to WTI narrowing 53¢ to 34¢/b.

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



Weak refining margins and flow of Kirkuk crude pressured the Mediterranean market

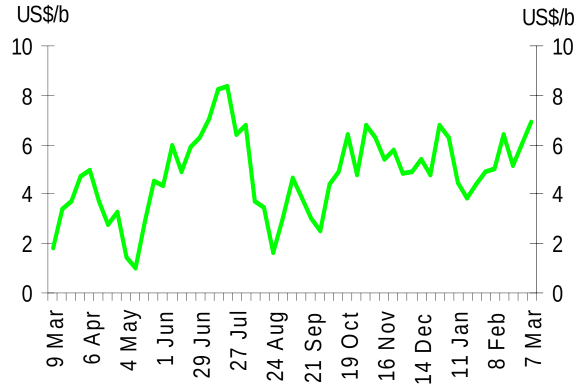
Mediterranean market

The Urals had a quiet start to the month amid the flow of Iraq's Kirkuk crude while sentiment in North-West Europe was firm on prompt demand. Poor refining margins were balanced by uncertainty over supply from Iraq's northern outlet. The Urals discount to Brent remained unchanged over the first week averaging $3.10/b. Continued softening of refining margins into the second week pressured Mediterranean crude differentials. The Urals discount to Brent widened further by $1.09 to $4.19/b peaking at $4.45/b, the widest level since January 2007. In the third week, improvement in refining margins lent support to the Russian grade. Brent premium to Urals was 33¢ narrower at $3.86/b. Continuously healthy refining margins with talks over pipeline maintenance in the Primorsk area supported the grade to firm. The steady flow of Kirkuk crude kept calmness in the marketplace. The Urals discount to Brent narrowed further by 10¢ to $3.76/b. In February, the Urals average rose $1.92 or 2.2% to $91.14/b, with the discount to Brent up $1.06 to $3.84/b, the widest monthly average since December 2006.

Lower Asian procurement due to seasonal maintenance pressures Mideast crude

Middle Eastern market

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



The Middle East crude edged lower on the prospect of new high OSPs after Dubai hit a record amid OPEC indicating there was no need for further output. April Oman was heard sold at a strong premium of 15¢/b to MOG. However, unsold March stems lent support to market bearishness in the east amid participants engaged in the Chinese Lunar New Year. In the first week, the Brent/Dubai spread remained at $4.93/b. Weakness continued into the second week, with refiners pointing to the maintenance season and buyers saying that April levels could be weak. The Brent/Dubai spread average in the second week widened by $1.50 to $6.43/b. The sentiment weakened further into the third week with the Middle East crude edging down on weaker demand to trade at a discount for April loading. Murban crude was heard sold at a discount of 15-29¢/b to ADNOC's OSP. Slower refinery run rates amid seasonal maintenance supported the bearishness, although healthy margins for jet fuel and gasoil prevented differentials from slumping further. Depleting winter fuel stocks in Japan lent support to the Mideast crude with Murban trading at a 20¢/b premium to ADNOC's OSP. Thus, the weekly average Brent/Dubai spread was $1.25 narrower at $5.18/b. The clearing of April loading barrels and firming gasoil crack spreads lent support to the market. However, high outright prices and lower refinery runs are expected to slow procurement, which to some extent supported the bearish note in the marketplace. Brent/Dubai's final weekly average spread inched up by 83¢ to $6.01/b. Dubai's monthly average was up by 3.2% or $2.82 to settle at a record of $91.52/b, with the discount to Brent increasing 93¢ to an eight-month high of $5.58/b.

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

	Jan 08	Feb 08	Change Feb/Jan	Year-to-Date 2007	Year-to-Date 2008
OPEC Reference Basket	**88.35**	**90.64**	**2.29**	**52.59**	**89.47**
Arab Light	88.75	91.26	2.51	52.49	89.98
Basrah Light	85.21	88.80	3.59	49.33	86.96
BCF-17	80.59	80.36	-0.23	45.23	80.48
Bonny Light	94.85	96.98	2.13	57.80	95.89
Es Sider	91.40	94.28	2.88	53.87	92.81
Girassol	88.68	92.13	3.45	54.22	90.36
Iran Heavy	86.36	88.51	2.15	49.79	87.41
Kuwait Export	85.63	87.77	2.14	50.28	86.68
Marine	88.35	90.12	1.77	54.14	89.22
Minas	95.33	95.55	0.22	56.84	95.44
Murban	92.04	94.25	2.21	57.92	93.12
Oriente	79.38	80.80	1.42	47.21	80.09
Saharan Blend	93.60	96.73	3.13	57.59	95.13
Other Crudes					
Dubai	87.35	89.40	2.05	53.67	88.35
Isthmus	88.07	90.28	2.21	51.08	89.15
T.J. Light	85.52	87.93	2.41	49.73	86.70
Brent	92.00	94.98	2.98	55.47	93.46
W Texas Intermediate	92.87	95.32	2.45	56.69	94.06
Differentials					
WTI/Brent	0.87	0.34	-0.53	1.22	0.61
Brent/Dubai	4.65	5.58	0.93	1.79	5.10

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

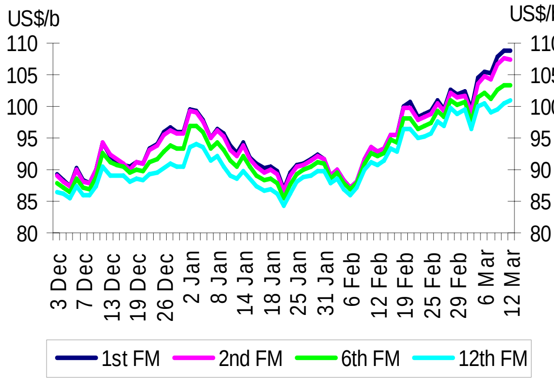
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Weak US dollar coupled with revived geopolitical tensions supported the futures markets

Non-commercials short positions continued to reduce net long positions in February as longs fell at a faster rate than short positions, according to the weekly CFTC report. The net change was down by 2,400 lots to nearly 27,500, the lowest level since August. In contrast, open interest rose a marginal 2,700 to 1,368,500 lots. With options included, open interest gained a hefty 78,800 lots to a record of 2,677,600, the highest since October.

Graph 6: Nymex WTI futures prices, 2007-2008



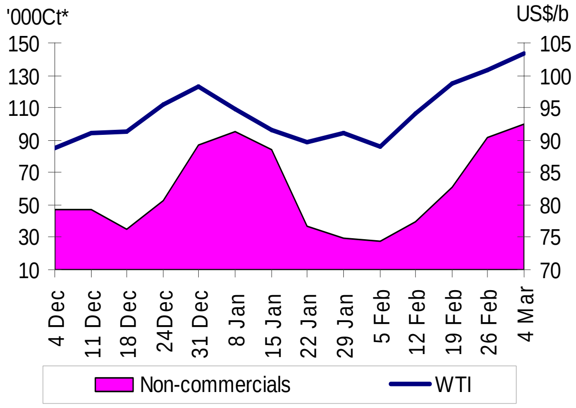
FM = future month

In the first weekly period, the market was dominated by the weak economic outlook which revived concern over a recession undermining oil demand. However, northern Mideast and West African geopolitics kept alertness in place. The Nymex WTI front month contract weekly average was up a marginal 34¢ to $90.29/b, yet the period closed $3.23 lower at $88.41/b.

In the second weekly period, volatility resumed amid healthy crude oil stocks-builds easing the supply fear premium. Yet, supply outages from the North Sea and West Africa inspired jitteriness. A cold snap in the US Northeast lent support to speculative movement into the energy futures. Hence, Nymex WTI closed the week at $92.78/b for a gain of $4.37/b or almost 5% higher on the week to average $90.68/b, an increase of 39¢. In the second weekly period, non-commercials increased net long positions by a hefty 12,500 lots to almost 40,000 amid a significant build in longs while the shorts depleted marginally. Open interest inflated by 24,500 contracts to 1,393,000. Including options, open interest was up by nearly 36,000 lots to an all-time high of 2,713,550.

In the third weekly period, non-commercials continued to inflate long positions significantly at the same time heavily depleting short positions. Thus, net longs were up by another 21,000 lots to nearly 60,900. In contrast, open interest fell 37,900 lots to 1,355,100 amid declines in non-reportable positions. Crude oil futures continued to escalate on the back of revived geopolitical tensions in South America, refinery outages and a cold snap which prompted a surge in gasoline and natural gas futures. Nymex WTI prompt month rallied to the $100 level to average the weekly period at $96.06/b for a gain of $5.38 or almost 6%.

Graph 7: Non-commercial net long positions vs WTI, 2007-2008



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

In the fourth weekly period, market bullishness was dominated by the weak US dollar exchange rate against major currencies. Moreover, a late winter cold snap in the Western Hemisphere and OPEC keeping output steady lent support to market bullishness. Nymex WTI closed the week up by 87¢ to $100.88/b with the weekly average increasing $3.52 or 3.6% to $99.58/b. Non-commercials continued to inflate net long positions by another 30,800 contracts to 91,600 amid continued build in the longs for the third week while the shorts continued to deplete. Moreover, open interest was up 50,800 contracts to almost 1,406,000. With options included, open interest inflated by a significant 111,400 contracts to 2,699,600.

Nonetheless, volatility resumed in the final days of the month amid profit-taking while a fire at the natural gas pipeline at the Bacton terminal in Norfolk, England, alerted concern about supply of heating fuels amid a late winter cold snap, reviving memories about the incident last July at the Central Area Transmission System (CATS) gas import pipeline which caused the shutdown of some North Sea fields. Natural gas futures surged by 4.2% to an over two-year high, exerting pressure on the petroleum complex. An attack on Nigeria's export pipeline boosted the bullish market momentum. Continued US dollar weakness encouraged further investment in the petroleum futures. In the final week to 4 March, non-commercial net longs inflated by 7,900 lots to 99,500 amid a hefty decline in shorts while the longs rose moderately. Open interest was up by 45,000 lots to 1,451,000. Including options, open interest volume was up nearly 121,800 lots at a record high of 2,821,400.

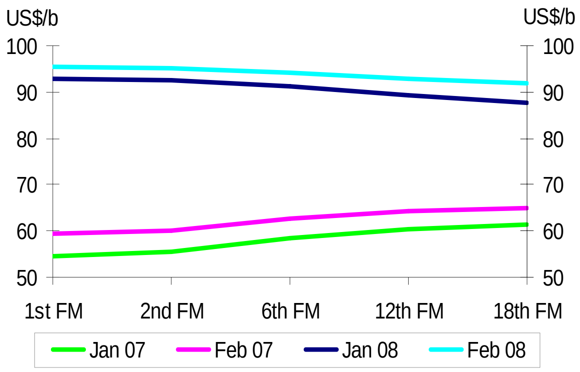
On a monthly basis, the weekly average for non-commercial net longs in February was 54,970 lots, down by 6,500, yet 53,600 higher than last year. Long volume has risen since January at a slower rate than shorts. Open interest was down by 14,600 lots to 1,380,700, nearly 101,200 higher than last year. The slowing economic outlook which is foreseen to dent demand inspired fund sell-offs for profit-taking early in the month. Nonetheless, the weak US dollar exchange rate and revived tensions concerning a South American assets dispute amid a later winter in the US supporting further speculative investment in the energy market. In monthly terms, the Nymex WTI front-month average rose $2.42 or 2.6% to $95.35/b, after peaking at $102.59/b.

The Forward Structure

Lower refinery runs supported crude oil stocks to rise easing the front end of the curve

The forward curve eased in backwardation with the 1st/2nd month spread average in February narrowing by 18¢ to 16¢/b from the previous month, compared to an 81¢/b contango a year ago. The 1st/6th, 1st/12th and 1st/18th month backwardation spreads were at $1.18, $2.44 and $3.54/b, narrower by 65¢, $1.24 and $1.65/b respectively. US crude oil inventories averaged 304 mb in February representing a gain of almost 16 mb over the previous month but 22.2 mb lower than last year. Higher procurements supported the curve to narrow, while slower refinery runs on poorer margins amid slower demand growth are foreseen to keep crude stocks at a comfortable level.

Graph 8: Nymex WTI forward curve



FM = future month

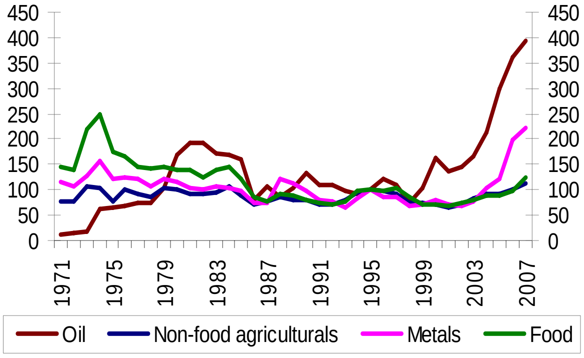
Commodity Markets

Trends in selected commodity markets

Upward trend in commodity prices continued in February

The upward trend in both fuel and non-fuel commodity prices seen in January as a whole continued in February despite the persistent problems in the financial sphere and further deterioration in the broader US economy in February. The boom in commodity prices, **comparable to the one seen in the 1970s,** seems to be largely related to supply tightness and strong investment demand arising from a switch out of financial assets owing to concerns about a further depreciation of the dollar and inflation. The expansionary monetary policies pursued by the Fed led to an increase in US bond prices which is supposed to be good for stock and commodity prices. Although it must be noted that stock indexes declined despite the cut in the US interest rate, commodity prices have been resilient to the decline on a monthly basis. The commodity index increased by 5.5% in February over the previous month (m-o-m) driven by a 4.7% rise in energy prices and 7% in non-fuels.

Selected commodity dollar price indices, 1995 = 100



Sources: The Economist and OPEC data base.

Note: Indices are calculated on the basis of nominal prices of various commodities within each category, weighted on the basis of the value of their imports into the OECD countries.

Coal prices climbed 43.1% in February (relative to the previous month) due to supply shortfalls in China and Australia caused by unfavorable weather conditions and concerns related to South African exports resulting from power shortages.

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

		% Change		% Change
	Dec/Nov	**Jan/Dec**	**Feb/Jan**	**Feb 08/Feb 07**
Commodity	-0.8	3.5	5.5	44.2
Non-fuel	0.1	5.5	7.0	20.0
Energy	-1.3	2.5	4.7	61.6
Crude	-2.0	1.6	3.2	62.8
Natural gas	0.3	12.0	7.0	6.7
Gold*	-0.1	10.5	3.7	38.7
Silver*	-2.7	11.6	10.1	26.3
Food	4.8	4.9	8.1	39.1
Corn	5.4	14.6	6.5	24.0
Soybeans	11.4	7.1	5.4	62.5
Soybean oil	4.0	11.3	14.4	96.7
Industrial metals	-5.9	9.7	7.0	9.7
Aluminium	-5.0	3.1	13.4	-1.9
Copper	-4.7	6.8	12.2	38.9
Nickel	-14.6	6.6	1.0	-31.7
Sugar	-2.3	-2.7	-0.3	0.3
Wheat	14.5	0.3	15.0	112.5
Zinc	-6.9	-0.6	4.0	-26.0

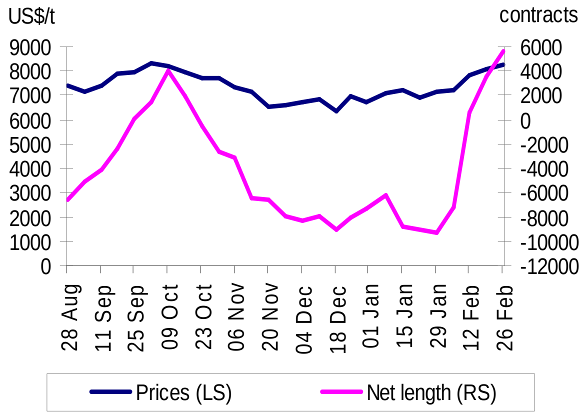
Sources: IMF; Estimations based on data provided by the IMF.
** Kitco*

Spot gold prices increased at a more moderate rate of 3.7% in February from the previous month to stand at $917.74/oz while silver prices climbed to 10% in February over the previous month on greater demand from investors looking for a hedge against the falling US dollar and inflation (*see* ***Table 2)***. It is expected that supply-side problems in gold could maintain the positive sentiment. Despite some stabilisation of the dollar at low levels by the end of February, investment demand is still strong which, together with concerns about an inflation and economic recession, indicates a positive outlook for gold. The dollar began to decline again in March due to expectations of a further interest rate cut in the US.

Large gains in lead, aluminum and copper in February linked to tight supply

Industrial metal prices climbed 7.0% in February and it must be noted that the growth in January was 9% according to an upward correction of the IMF. Supply-side concerns continued exerting pressures on some industrial metals, in the face of important production losses in China and South Africa owing to power shortages. Likewise, higher Chinese demand also contributed to the upward trend in industrial metal prices. Observers point out that even speculative demand has contributed to rising industrial metal prices, the determinant factors are related to expected higher demand and constrains in metal supply due to the structural tightness in global energy markets.

Graph 9: Copper prices vs. net length, 2007-2008



Lead prices surged 18% owing to falling inventories, lower production caused by bad weather conditions and higher battery demand in China. **Aluminum prices grew by 13.4%** due to reduced production related to power cuts to energy-intensive smelters in China and South Africa. Higher aluminum prices may also reflect increased activities in the petroleum sector. **Copper prices rose further by nearly 12.2% in February** from the previous month as a result of persistent tight fundamentals — falling stocks, higher Chinese imports and expected tight supply this year even if short-term problems in the Chinese market have eased. According to some observers, near-dated copper prices may be affected by the risk of fund liquidation because of the increase in net length since February which reached a 12-month high of 9,096 contracts in the first week of March (*see **Graph 9***). However, rising marginal production costs may continue to support back-end prices because the underlying production infrastructure remains underdeveloped and substantial investment is required. It is expected that the 3-month LME copper prices will be supported by both structural and cyclical factors, namely, higher marginal costs of production and continued Chinese demand strength.

Agricultural prices remained one of the best performing commodities during 2008 rising by 8.5% in February over the previous month, with wheat, soybeans and corn gaining the most. Investment demand has contributed to this outcome but fundamental factors seem to be the determinant ones. Inflows into agricultural ETPs were more than 1.1 bn in February up from 700 mn in January and net length in non-commercial are at very high value according to the CFTC data (*see **Graph 10***). Nevertheless, a look at individual commodity markets shows that the share of speculative money in total market value (in volume) is very low; for instance, in the soybean market speculative investment accounts for only 0.5% of the total value of transactions. Thus it seems that the long-run fundamentals support agricultural prices. **A recent study by the World Bank provides evidence that prices of food and crude oil have begun to be positively correlated.**

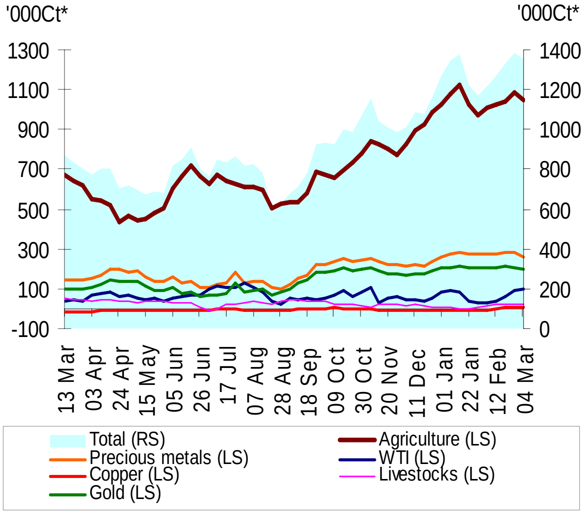
Food prices jumped 8% driven by a boom in wheat which was related to bad weather conditions in China and USA and expected low inventories. Rice prices escalated by 23.7% as a result of higher wheat prices and limited export supplies. Soybean oil continued to rise by 14%, while corn grew at a lower pace of 6.5% in February. The outlook for the grain complex remains positive for 2008 despite concern about the worsening economic broader condition owing to low inventories and greater demand from the food, fuel and feed sectors.

Investment flow into commodities

A hefty increase in speculative net inflow for copper and some agricultural products in major US commodity markets in February after a decline in the last two weeks of January

As illustrated by **Graph 10**, the **non-commercial net inflow for the major US commodity markets covered by the CFTC in terms of volumes increased during February,** with a decline taking place in the first week of March due to liquidation of longs owing to the gloomy outlook of the global economy**.** The net inflow of non-commercials in total commodities recovered in the US in February following a drop during the second half of January due to the deteriorating economic conditions. **Total net inflow reached a high of 54,782 contracts in the last week of February**. As expected, copper showed the greatest increase in non-commercial net length during February given its high price while some agricultural commodities also registered a greater inflow of speculative money.

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



Ct = *Each contract is 1,000 barrels.

Copper speculative net length began to recover in the first week of February staying in positive territory during the month and the first week of March, jumping from 554 contracts in the first week of February to 5,581 contracts in the last week of this month, respectively.

Gold speculative net length declined during the first week of February followed by a mild recovery in the second and third weeks and a decline at the end of the month and the beginning of March which was associated with the stabilization of gold prices.

Highlights of the World Economy

Economic growth rates 2007-2008, %							
	World	**OECD**	**USA**	**Japan**	**Euro-zone**	**China**	**India**
2007	**5.4**	**2.7**	**2.2**	**2.1**	**2.6**	**11.4**	**8.6**
2008	**4.6**	**1.9**	**1.3**	**1.4**	**1.8**	**9.9**	**8.0**

Industrialised countries

United States of America

US economy appears to be moving toward a recession as employment drops, manufacturing and services stagnate, and equity and credit market concerns persist despite Fed efforts

Recent indicators reinforce the view that the US economy may be on the brink of recession. At least in the first quarter, growth is expected to be very close to zero and the second quarter growth is equally fragile. The recession-like conditions include a drop in employment for the second month in February, both ISM indices (manufacturing and services) below the 50 threshold level separating contraction and expansion, consumer confidence at 5-year lows and a continued contraction in the housing sector with falling sales and prices; moreover, persistent equity and credit markets concerns. By 12 March, the S&P 500 had fallen by 16% from its October 2007 record, only four percentage points away from the typical 20% drop that is seen to define a bear market. Mortgage-related asset writedowns and losses reported by the world's biggest banks financial institutions are now estimated to approach $190bn.

The housing sector indicators continued to point to a deepening recession in that sector. Pending home sales were unchanged while existing home sales fell by 0.4% in January to an annual rate of 4.89 million, the lowest level since records began nine years ago. New-home sales also fell in January to the lowest level since February 1995. Home prices as reported by the S&P Case-Shiller national home index for 20 metropolitan areas dropped by 9.1% from year ago in December, following a 7.9% drop the previous month. This was the 12th monthly decline in a row and the biggest since records started in 2001. Foreclosures rose by 60% in February for the 26th consecutive month of year-on-year monthly foreclosure increases. This is adding to the stock of unsold homes estimated at over 10 months in January. More than 223,000 properties are in some stage of default, or 1 in every 557 US. households. Home sales and prices are widely expected to fall further in 2008.

The Institute of Supply Management's non-manufacturing index picked up in February from the previous month when it rose to 49.3 from an upwardly revised but still very low 44.6 in January which had marked the first sub-50 levels since early 2003. The ISM manufacturing index fell to a new five year low of 48.3 in February from 50.7 in January. These levels are consistent with stagnation. Moreover, the labour report was quite weak. Payroll numbers fell by 68,000 in February following a revised drop of 22,000 in January. However, the unemployment rate dipped to 4.8% from 4.9% in January, as the labour force contracted while wages grew slightly by 0.3% (month-on-month) m-o-m and weekly hours worked were unchanged. Weekly figures indicate that unemployment benefits climbed to the highest level in 21/2 years to 2.84 mn in the week ending 1 March, the highest since September 2005, from 2.83 mn the prior week. Moreover, first time claims for benefits were unchanged at 353,000 from week ago. So far this year, weekly claims have averaged 345,500 compared with 322,000 in 2007.

Consumer confidence continued to drop. The latest measure, the RBC Cash Index, fell to a mark of 33.1 in early March, down from 48.5 in February, compared to 92.3 in March 2007 and the worst reading since the index started in 2002. The Conference Board's measure of consumer confidence for February had also fallen to five year low of 75 from 87.3 in January, underscoring the difficulties consumers are facing as a result of falling home prices, the tightening credit conditions as well as softening labour markets, falling equity prices and rising food and energy costs. The sharp drop in confidence is already translating into lower private consumption. In fact, retail sales in February, which constitute around 50% of private consumption expenditures, unexpectedly fell by 0.6% in February following a rise of 0.4% in January. Sales of cars and of gasoline fell.

To counteract the gathering gloom, the Fed has announced a new lending facility. Under the new Term Securities Lending Facility, the Fed will lend $200 bn worth of treasuries for 28-day periods to securities firms in return for mortgage debt. The weekly auctions are to begin on 27 March. This facility is aimed at breaking a threatening adverse financial feedback loop, whereby financial disruptions have a negative effect on investment and consumer expenditure, which in turn leads to an even worse credit crunch. So far, the announcement was not successful in calming financial markets substantially. It is also widely expected that the Fed will lower the federal fund rate target again in its next scheduled meeting on March 18, by at least 50 basis points, which would take the rate down to 2.5%. It must be noted that inflation has continued to rise. In particular, wholesale prices rose by 1% in January m-o-m following a 0.3% drop in December, while headline consumer price increase in January had reached 4.3% on year ago.

The US Administration economists, however, see the economy passing through a temporary weak phase and recovering quickly as of the second quarter. Our forecast for the US economy has been revised down 0.3% to 1.3% for 2008. First quarter growth is expected to be flat while the second quarter may be slightly negative before a mild recovery in the second half of the year takes hold.

Japan

Japanese economic growth to moderate in 2008; early indicators show a drop in industrial production while weakening US economy and strong yen expected to dent exports.

The Japanese economy grew at a revised 3.5% annualized rate in the last quarter of 2007, from an initial estimate 3.7%, due to a downward revision in capital expenditures, which fell by 7.3% y-o-y in Q4. Growth in 2008 is expected to slow down. The main question remains whether household spending can pick up the slack if exports and capital expenditure growth slows, as expected, in 2008. Consumer spending accounts for more than half of the economy.

The leading index fell to 30% in January, below the threshold 50 level, signaling growth will slow in the next 3-6 months. The index has been below 50 for 5 of the 6 preceding months. It includes indicators such as stock prices and housing starts. The Nikkei stock index has dropped by more than 17% so far this year. Housing starts have been suffering from changes in construction regulations. The Japanese government cut its assessment for the economy in February for the first time in 15 months in expectation of a moderation in growth resulting from a slowdown in exports and production as well as the drop in home construction. With the strong appreciation in the yen, coming close to ¥100/$ level in the second week of March, exports to the US, the main trading partner of Japan are expected to suffer. Already, with the slowdown in the US economy, shipments to the US have been falling for the last five months. The four-year long Japanese economic expansion has been led primarily by exports with domestic demand stagnating.

However, there are encouraging signs on the wage and consumption front in the January data. The Cabinet Office’s private consumption index exhibited modest growth in January and core wages turned positive. Wages rose by 1% on year-ago in January, the most since June 2006. Bonuses rose by 12.1%. Last year wages had dropped by 0.7%. Should the improvement turn into a trend, may help raise consumer confidence, which continued to fall in February to 36.1 from 37.5 in January, reaching the lowest level since March 2003, as prices of food and energy rose. Household spending did increase at the quickest pace in more than three years in January. Consumer prices excluding fresh food climbed 0.8% from a year earlier as companies passed on higher costs of oil, wheat and soybeans to consumers. The unemployment rate remained at 3.8% in January, indicating a relatively strong labour market.

Moreover, machinery orders, an indicator of capital spending in the next three to six months, rose 19.6%, the fastest pace in seven years, m-o-m in January, following a two-month decline. Manufacturing-equipment orders climbed 13.8% from a month earlier, while non- manufacturing orders surged 21.9%. This is interpreted as a sign that demand from emerging markets may help the economy ride out the U.S. downturn. Exports to emerging markets now constitute more than 50% of Japanese exports. However, the IMF expects that the rate of expansion in exports to emerging markets will moderate somewhat to a pace of 6.9% in 2008 from 7.8% in 2007.

On the other hand, industrial production fell at the fastest pace in a year in January dropping by 2% from the previous month when it had risen by 1.4%. The Ministry of Trade report also indicated that production would fall further in February by 2.9%, before rebounding by 2.8% in March. Overall, we expect the Japanese economy to expand at a pace of 1.4% in 2008 from 2.1% in 2007

Euro-zone

Euro-zone economy to slow down in 2008 but unexpected resilience shown by German economy in early 2008

In the Euro-zone, the latest GDP data was unrevised at 2.2% y/y in the fourth quarter of 2007. Growth was led by investment and exports. Household consumption remained weak in the fourth quarter falling by 0.1%. For 2008, early indicators still show that consumption remains weak. Retail sales in January rose by 0.4% on month ago levels but remained slightly below year ago levels. On the positive side one notes that the overall Euro-zone PMI unexpectedly moved higher in February to 52.7 from 51.8 in January. This was led by a strong performance in the services sector where the PMI rose to 52.3 from the low 50.6 in January. On the other hand, the manufacturing PMI eased somewhat but remained above the 50 threshold level separating expansion from contraction. Overall, the pace of expansion appears to be slower than in the last quarter of 2007.

However developments in Germany indicate surprising resilience in the largest euro-zone economy to the drag from a rising euro, a slowing US economy and spillovers from the financial sector stress. Investor confidence as reported by the ZEW Center for European Economic Research rose unexpectedly to minus 32 from 39.5 in February. The index had fallen to a 15-year low of 41.6 in January. Moreover, exports increased by 3.8% in January after a fall of 1.3% in December. In 2007, German exports rose 8.5% to $1.5 trillion as rising demand, among others, from China and Russia helped to compensate fro the slowdown in US demand. Sales to China rose by 8.9% last year, while those to Russia by 21% even as US demand for German goods dropped by 5.9%. One also notes the strong rise of 7% in plant and machinery orders in January while employment fell to the lowest level in 15-year to 8% and industrial production increased.

However, the divergence in performance among Euro-zone member is becoming more obvious. While Germany and also France appear to be weathering the storm, countries like Spain and Italy are facing headwinds as can be seen from the PMI indices for individual euro-zone members. Manufacturing PMI was below the 50 mark level for Spain, while services PMI dropped to below 50 for both countries in the January-February period.

The European Central Bank has kept interest rates on hold as inflation remained at 3.2% in February. The ECB is still more worried about inflation than about growth prospects, particularly due to higher food and energy prices and generous wage settlements. Employment remains healthy, with the rate of unemployment at record low levels. The rate of unemployment was unchanged at 7.2%, while seasonally adjusted industrial production grew by 0.9% m-o-m or 3.8% from January 2007 after remaining flat in December 2007, helped by healthy developments in Germany and France. However, European economic confidence fell in February on inflationary concerns and the threat of a rising euro. An index of executive and consumer sentiment in the euro area declined to 100.1, the lowest since November 2005, from 101.7 in January. The euro reached an intraday record highs of $1.5573/€ on March 12. It also touched 12-year lows of less than 100 yen on March 13.

Overall, growth in the Euro-zone is forecast at 1.8% this year from 2.6% in 2007.

Former Soviet Union

In the past five years, the Russian economy has grown at an annual rate exceeding 7%

Russian economic growth is expected to have slowed down to 6.1% in January, reflecting weaker expansion in services. According to the Russian government, Russia's GDP could grow by 7% in 2008 instead of the planned 6.6%, while food prices are unlikely to follow last year’s trend of sharp increases. In the past five years, the Russian economy has mostly grown at an annual rate exceeding 7% except for 2005 when GDP expanded 6.4%. In 2006, GDP grew 7.4%. Russia is less exposed than other countries to the credit crisis gripping western financial markets but inflation in Russia stood at 11.9% in 2007, exceeding the government’s initial target of 8% for last year, compared to 9% in 2006, as the cost of basic foodstuffs accelerated 20%.

To sustain Russia's economic recovery, the government plans to diversify the economy away from dependence on natural resources and open it more to international investment. Russia’s reserves have greatly risen from practically zero in 1998 to $480 bn currently — the third largest in the world. The country is now almost debt-free with a budget surplus of 6% of GDP, and a trade surplus almost twice as much again. Retail sales are growing at around 13% a year in real terms. Construction is expanding by 16% a year, and domestic investment by 20%. This trend is now attracting massive foreign investment.

Developing Countries

Consumer price index in China in January rose 7.1%

The consumer price index in China in January rose 7.1% and accelerated further to 8.7% in February, marking the sharpest increase for 11 years. Repeated increases in lending rates and the deposit reserve ratio have failed to curb price rises. The Chinese government pledged to cap consumer price index (CPI) growth rate within 4.8% in 2008 — the average level of last year — to ease the country's mounting inflationary pressures. The government will vigorously boost production of food, edible oil, meat and other necessities, strictly reining in the industrial use of grain and grain exports, while adequately increasing imports of major consumer products that are in short-supply on the domestic market. For 2008, China will follow a prudent fiscal policy and a tight monetary policy, to sustain steady and fast economic development and avoid drastic fluctuations in the economy.

Most forecasts indicate that 2008 growth in China would be around 10% "mildly" down from the 11.4% in 2007 against the 8% governmental target

On the basis of improving the economic structure, productivity, energy efficiency and environmental protection, China's GDP growth target is set at 8% in 2008. However, most forecasts indicate that this year's China's GDP growth would be around 10%, "mildly" down from last year's 11.4%. The People's Bank of China, the central bank, has said it will keep the tight monetary policy unchanged to rein in growing inflation. The central bank has taken a series of measures such as raising the reserve requirement ratio 11 times and the benchmark interest rates six times since last year to absorb excess liquidity and the measures have played a positive role in slowing down the growth in inflation.

India's inflation accelerated after the government raised retail prices of gasoline and diesel

India's inflation accelerated to an eight-month high after the government raised retail prices of gasoline and diesel for the first time in more than one and half years. Inflation accelerated after the government on 14 February raised gasoline prices by 4.5%, the first increase since June 2006, to help cut losses of the nation's oil companies and lower the burden of record crude oil costs. India also raised diesel prices. Inflation in India should remain moderate in the coming months due to policy measures taken over the last year. Supply-side pressures were likely in areas such as the farm sector and infrastructure, and monetary policy needed to address inflationary expectations caused by price rises that were due to supply and demand mismatches. The government said monetary policy had to manage continued capital flows and their impact on the exchange rate, foreign exchange reserves and market liquidity. The central bank bought almost $75 billion in intervention in 2007 trying to contain the rise of the rupee. Such dollar buying adds rupees to the domestic money market, which could be inflationary if left in the system. The central bank raised banks' reserve requirement by 2.5% since December 2006 with the last increase in November, to manage the amount of cash in the banking system. It has also sold special bonds to absorb funds released by its intervention.

Brazilian industry employed 2.2% more workers than in 2007

The Brazilian industry employed in 2007 2.2% more workers than in 2006, Brazil's Geography and Statistics Institute (IBGE) said. According to the institute, it was the biggest annual rise registered since the IBGE started carrying out annual studies in 2001. In December 2007, industrial employment increased 3.5% from December 2006, and dropped 0.5% from November 2007. Brazil's industrial output grew 6% last year, its biggest expansion since 2004, the state statistical agency said. The expansion was largely due to domestic demand, sustained by a rise in credit, employment and salaries, IBGE said. Data show Brazil ran up a current account deficit of $4.23 bn in January. The increase in Brazil's rate of growth in recent years — from an average rate of 2.5% over the two decades to 2003 to more than 5% last year — has been driven by exports. Indeed, while the current account is going into the red, the capital account is strongly positive. In January, it showed a surplus of $7.5 bn, driven by foreign direct investment of $4.8 bn. Brazil's currency, therefore, continues to appreciate.

OPEC Member Countries

Reform of tax system in Kuwait

To enhance economic expansion, Kuwait, amongst other measures, reformed the tax system and uncovered a massive plan to upgrade the oil sector. A flat 15% tax will be applied on profits of foreign firms operating in Kuwait. The old progressive tax structure charged companies between 5% and 55%. Officials hope that the move will entice international firms to invest in the country. With regard to the petroleum sector, state-owned Kuwait Petroleum Corporation (KPC) intends to invest $51 billion in upgrading production and refinery expansion.

Sources of inflation in Saudi Arabia include housing, supply shortages, strong domestic demand, a surge in liquidity and high import prices

Inflation in Saudi Arabia averaged 4.1 % in 2007 and might rise to 4.7 % this year, despite a series of measures announced by the government recently to ease the impact. Reasons behind such a rise, according to the Saudi Arabian government, are housing supply shortages, strong domestic demand, a surge in liquidity, and high import prices. Factors are concentrated on the demand side, especially government expenditure, and level of domestic liquidity. Inflation is also due to external factors including the surge in world prices of food, capital equipment, and raw materials, and to a much lesser extent to the depreciation of the Saudi Arabian riyal against the currencies of major trading partners.

Oil prices, the US dollar and inflation

The US dollar dipped to new record lows versus the euro and 12-year lows against the yen in the second week of March

The US dollar downward trend slowed down in February. On average, over the whole month, US currency continued to fall versus the Swiss franc (-0.46%), and against the Japanese yen (-0.3%), and the euro (-0.2%) but rose slightly against the pound sterling (+0.3%) The euro averaged $1.4746 in February from $1.4717 the previous month.

However, the averages for the month mask the sharp downturn in the dollar/euro rate towards the end of February when the US currency broke through the 1.5 resistance level and proceeded to intraday record lows of $1.5573/€ on March 12. It also touched 12-year lows of less than 100 yen on March 13. The increasingly bearish sentiment about the US economy and the prospects of lower US interest rates has continued to pressure the US dollar. It is widely expected that the Fed will lower the target for the federal fund rate at its next regular meeting on March 18 from 3%, while the ECB continued to hold its main refinancing rate at a six-year high of 4%.

In February, the OPEC Reference Basket rose by $2.29/b or about 2.6% to $90.64/b from $88.35/b in January. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price rose almost $1.2/b or 2.1% to $57.42/b from $56.24/b. The dollar depreciated by 0.15% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by over 0.3%.*

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

World Oil Demand

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

World oil demand in 2007

Mild weather in the OECD regions dented oil demand in the last quarter; hence, fourth-quarter oil demand growth in OECD was revised down by 0.2 mb/d. Latin American and African oil demand were stronger than expected, resulting in an upward revision of 0.2 m/d. Looking at the world in total, these two reverse revisions offset each other. **World oil demand growth for 2007 is forecast at 1.2 mb/d or 1.4%, unchanged from the last *MOMR*.** Strong economic growth in non-OECD countries accounted for all of last year's oil demand growth.

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

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.31	25.67	25.43	25.49	25.59	25.54	0.24	0.94
Western Europe	15.63	15.22	14.96	15.40	15.64	15.30	-0.32	-2.06
OECD Pacific	8.40	8.83	7.80	7.81	8.71	8.29	-0.12	-1.41
Total OECD	**49.34**	**49.71**	**48.19**	**48.71**	**49.93**	**49.13**	**-0.20**	**-0.41**
Other Asia	8.83	8.98	9.11	8.90	9.29	9.07	0.24	2.70
Latin America	5.26	5.25	5.43	5.60	5.56	5.46	0.21	3.90
Middle East	6.19	6.45	6.44	6.60	6.44	6.48	0.29	4.67
Africa	3.00	3.14	3.08	3.09	3.18	3.12	0.12	4.06
Total DCs	**23.28**	**23.81**	**24.06**	**24.19**	**24.48**	**24.14**	**0.85**	**3.67**
FSU	3.89	3.87	3.71	4.00	4.32	3.97	0.09	2.27
Other Europe	0.91	1.01	0.92	0.91	0.91	0.93	0.02	2.74
China	7.16	7.48	7.77	7.72	7.38	7.59	0.42	5.92
Total "Other Regions"	**11.96**	**12.35**	**12.39**	**12.63**	**12.61**	**12.50**	**0.54**	**4.49**
Total world	**84.58**	**85.87**	**84.65**	**85.53**	**87.02**	**85.77**	**1.19**	**1.41**
Previous estimate	84.58	85.84	84.59	85.49	87.13	85.76	1.19	1.40
Revision	0.00	0.03	0.06	0.04	-0.11	0.00	0.00	0.00

Totals may not add due to independent rounding.

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

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.22	25.67	0.44	1.76	25.06	25.43	0.37	1.48
Western Europe	15.96	15.22	-0.74	-4.66	15.23	14.96	-0.27	-1.77
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.43**	**49.71**	**-0.72**	**-1.42**	**48.11**	**48.19**	**0.09**	**0.18**
Other Asia	8.77	8.98	0.20	2.34	8.97	9.11	0.14	1.57
Latin America	5.07	5.25	0.18	3.58	5.24	5.43	0.19	3.68
Middle East	6.09	6.45	0.35	5.76	6.14	6.44	0.30	4.82
Africa	3.00	3.14	0.14	4.51	2.98	3.08	0.10	3.43
Total DCs	**22.94**	**23.81**	**0.87**	**3.80**	**23.33**	**24.06**	**0.73**	**3.14**
FSU	3.76	3.87	0.11	2.79	3.63	3.71	0.08	2.15
Other Europe	0.97	1.01	0.04	3.68	0.90	0.92	0.02	1.96
China	7.12	7.48	0.36	5.10	7.37	7.77	0.40	5.44
Total "Other Regions"	11.85	12.35	**0.50**	**4.25**	11.90	12.39	**0.50**	**4.17**
Total world	**85.21**	**85.87**	**0.66**	**0.77**	**83.33**	**84.65**	**1.31**	**1.58**

Totals may not add due to independent rounding.

OECD demand expected to decline 0.2 mb/d in 2007

OECD

Recent data indicate that temperatures were above normal in OECD and the winter product consumption was not as high as expected. North America's oil demand growth was revised down by 60 tb/d in the fourth quarter to show growth of 0.18 mb/d y-o-y. Europe was warm in the fourth quarter as well, which caused oil demand to be below expectation; hence the OECD Europe oil demand growth was revised down by 100 tb/d in the fourth quarter to show a decline of 80 tb/d y-o-y. Furthermore, warm weather in Japan and South Korea caused low kerosene consumption in the fourth quarter. Rainy weather during year-end holidays affected transport fuel consumption in the Pacific. Hence, OECD Pacific oil demand was revised down slightly by 50 tb/d in the fourth quarter. OECD oil demand is expected to show a y-o-y decline of 0.2 mb/d in 2007.

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

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.53	25.49	-0.04	-0.15	25.40	25.59	0.18	0.72
Western Europe	15.60	15.40	-0.20	-1.27	15.72	15.64	-0.08	-0.53
OECD Pacific	7.85	7.81	-0.04	-0.50	8.71	8.71	-0.01	-0.09
Total OECD	**48.99**	**48.71**	**-0.28**	**-0.56**	**49.84**	**49.93**	**0.09**	**0.18**
Other Asia	8.64	8.90	0.25	2.92	8.94	9.29	0.35	3.96
Latin America	5.39	5.60	0.22	4.08	5.33	5.56	0.23	4.25
Middle East	6.35	6.60	0.25	3.89	6.18	6.44	0.26	4.28
Africa	2.95	3.09	0.14	4.61	3.07	3.18	0.11	3.71
Total DCs	**23.33**	**24.19**	**0.86**	**3.66**	**23.52**	**24.48**	**0.96**	**4.08**
FSU	3.91	4.00	0.09	2.32	4.24	4.32	0.08	1.89
Other Europe	0.88	0.91	0.02	2.56	0.88	0.91	0.02	2.70
China	7.23	7.72	0.49	6.76	6.94	7.38	0.44	6.35
Total "Other Regions"	12.02	12.63	**0.60**	**5.01**	12.07	12.61	**0.54**	**4.52**
Total world	**84.35**	**85.53**	**1.18**	**1.40**	**85.42**	**87.02**	**1.59**	**1.87**

Totals may not add due to independent rounding.

Alternative Fuels

China will fully adopt the 10% ethanol gasoline blend in the Guangxi province by April and will phase out regular gasoline. This move would ease the dependence on imported gasoline but would exacerbate the pressure on domestic food prices and environment.

Various specialized food organizations are calling for governments world-wide to re-think their biofuel plans. These organizations are blaming biofuel development plans, especially in the OECD and China, for the recent massive increase in food prices. It has been widely feared that biofuel plans could worsen hunger in many places in the world. Critics also aimed at the US biofuel subsidy plan, valued at around 51 ¢/gallon. The critics are not only directed at massive subsidy costs but are also questioning whether biofuel is a truly green fuel.

The recent increase of around 50% in sugar prices has put a strain on biofuel production facilities in Brazil. Although the high oil prices helped the biofuel industry, other factors such as increased raw material prices (as with sugar and corn) have made it hard for the industry to maintain profitability.

World oil demand expected to grow by 1.2 mb/d in 2008 to average 87.0 mb/d

World oil demand in 2008

The weather is once again the main factor in OECD oil demand this winter; the warm winter not only reduced winter product consumption, but also triggered fuel switching to cheaper natural gas among power plants. Weather pattern effects can come about easily and quickly to reduce oil demand. It is anticipated that first-quarter OECD oil consumption will be below earlier forecasts. However, the stronger-than-expected oil demand in non-OECD regions will to some degree offset the downward revision world-wide.

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

							Change 2008/07	
	2007	1Q08	2Q08	3Q08	4Q08	2008	Volume	%
North America	25.54	25.76	25.57	25.60	25.86	25.70	0.15	0.60
Western Europe	15.30	15.32	14.91	15.33	15.76	15.33	0.02	0.15
OECD Pacific	8.29	8.88	7.68	7.65	8.74	8.24	-0.05	-0.60
Total OECD	**49.13**	**49.96**	**48.16**	**48.58**	**50.35**	**49.26**	**0.13**	**0.26**
Other Asia	9.07	9.15	9.24	9.07	9.44	9.23	0.16	1.74
Latin America	5.46	5.42	5.53	5.69	5.66	5.58	0.11	2.06
Middle East	6.48	6.71	6.72	6.88	6.72	6.76	0.27	4.24
Africa	3.12	3.19	3.13	3.16	3.24	3.18	0.06	1.81
Total DCs	**24.14**	**24.46**	**24.62**	**24.80**	**25.06**	**24.74**	**0.60**	**2.50**
FSU	3.97	3.92	3.77	4.06	4.37	4.03	0.05	1.38
Other Europe	0.93	1.04	0.96	0.93	0.93	0.96	0.03	2.90
China	7.59	7.80	8.13	8.20	7.80	7.98	0.40	5.21
Total "Other Regions"	**12.50**	**12.75**	**12.85**	**13.18**	**13.10**	**12.97**	**0.48**	**3.82**
Total world	**85.77**	**87.17**	**85.63**	**86.57**	**88.52**	**86.97**	**1.21**	**1.41**
Previous estimate	**85.76**	**87.19**	**85.60**	**86.53**	**88.63**	**86.99**	**1.23**	**1.43**
Revision	**0.00**	**-0.02**	**0.03**	**0.04**	**-0.11**	**-0.02**	**-0.02**	**-0.02**

Totals may not add due to independent rounding.

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

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.67	25.76	0.09	0.37	25.43	25.57	0.14	0.55
Western Europe	15.22	15.32	0.10	0.66	14.96	14.91	-0.05	-0.34
OECD Pacific	8.83	8.88	0.05	0.60	7.80	7.68	-0.12	-1.56
Total OECD	**49.71**	**49.96**	**0.25**	**0.50**	**48.19**	**48.16**	**-0.03**	**-0.07**
Other Asia	8.98	9.15	0.18	1.95	9.11	9.24	0.14	1.48
Latin America	5.25	5.42	0.17	3.24	5.43	5.53	0.09	1.69
Middle East	6.45	6.71	0.26	4.03	6.44	6.72	0.28	4.35
Africa	3.14	3.19	0.05	1.59	3.08	3.13	0.05	1.62
Total DCs	**23.81**	**24.46**	**0.66**	**2.75**	**24.06**	**24.62**	**0.56**	**2.31**
FSU	3.87	3.92	0.05	1.31	3.71	3.77	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.48	7.80	0.32	4.28	7.77	8.13	0.36	4.64
Total "Other Regions"	**12.35**	**12.75**	**0.40**	**3.24**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.87**	**87.17**	**1.30**	**1.52**	**84.65**	**85.63**	**0.98**	**1.16**

Totals may not add due to independent rounding.

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

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.49	25.60	0.11	0.43	25.59	25.86	0.27	1.06
Western Europe	15.40	15.33	-0.08	-0.51	15.64	15.76	0.12	0.77
OECD Pacific	7.81	7.65	-0.16	-2.05	8.71	8.74	0.03	0.34
Total OECD	**48.71**	**48.58**	**-0.13**	**-0.26**	**49.93**	**50.35**	**0.42**	**0.84**
Other Asia	8.90	9.07	0.17	1.91	9.29	9.44	0.15	1.65
Latin America	5.60	5.69	0.09	1.61	5.56	5.66	0.10	1.80
Middle East	6.60	6.88	0.28	4.24	6.44	6.72	0.28	4.33
Africa	3.09	3.16	0.07	2.27	3.18	3.24	0.06	1.76
Total DCs	**24.19**	**24.80**	**0.61**	**2.52**	**24.48**	**25.06**	**0.59**	**2.40**
FSU	4.00	4.06	0.06	1.46	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.07	0.91	0.93	0.02	2.21
China	7.72	8.20	0.48	6.22	7.38	7.80	0.42	5.69
Total "Other Regions"	**12.63**	**13.18**	**0.56**	**4.41**	**12.61**	**13.10**	**0.49**	**3.89**
Total world	**85.53**	**86.57**	**1.04**	**1.22**	**87.02**	**88.52**	**1.50**	**1.72**

Totals may not add due to independent rounding.

World oil demand is forecast to grow by 1.2 mb/d for 2008 to average 86.97 mb/d, unchanged from the previous *MOMR*. Slow world economy and warm winter in some parts of the OECD regions dented demand for winter products. Fluctuating weather patterns caused oil demand in the OECD to decline in February.

The halt in economic activities in China over the Chinese New Year holiday season last month did not affect the country's oil consumption. In fact, power shortages caused independent power generators to kick in, which led to excessive diesel demand. Oil demand in other non-OECD countries— such as the Middle East, India, and Latin America — was strong, offsetting the weak OECD oil demand during February.

Although the slowdown in the world economy, along with high retail petroleum prices, is considered a major variable in oil demand this year, the weather will play a significant role in oil demand as well. **Strong non-OECD oil demand is expected to boost total world oil demand by 1.3 mb/d y-o-y in the first quarter.**

OECD North America

Demand growth in North America revised down to 0.1 mb/d for the first quarter of 2008

The mild winter in the US has caused North American oil demand to decline beyond expectations. Hence, North American oil demand was revised down by 0.15 mb/d y-o-y in the first quarter. Economic slowdown and retail prices have curbed US gasoline demand growth for February to only 0.48% y-o-y. However, despite current prices, Mexican gasoline consumption grew strongly by 5.5% y-o-y in January. Mexican transport fuel has been growing strongly; in fact January gasoline demand grew at the same rate as December. Due to the low demand for fuel oil because of the warm climate, total Mexican oil demand remained almost flat for January y-o-y.

Unlike January, February oil demand in the US showed a strong decline caused by weak demand for winter products such as heating and fuel oil, which alone declined by 9.8% in the US. Hence, total US oil consumption declined by 658 tb/d or 3.05% y-o-y in February. Year-to-date, as a result of atypical weather, the US has lost 0.29 mb/d of heating and residual fuel oil.

Canadian oil demand followed the normal high winter seasonality in January and grew by 2.4% y-o-y. Residual and diesel fuel oil grew strongly by 4% and 3% in January.

Due to mild weather, North America's oil demand was revised down by 0.15 mb/d in the first quarter to show a growth of 0.1 mb/d y-o-y.

OECD Europe

Mild weather in Europe relaxed oil consumption in the continent this quarter. Winter product consumption changes so far are flat if not on the decline across Europe. The UK inland consumption showed a decline of 3.3% y-o-y in January to average 1.5 mb/d. Likewise, a strong 10.5% decline in Italian gasoline led the country's total oil demand to fall by 1.7% y-o-y in January. France also followed suit; thus oil demand declined by 2.5% y-o-y in January. The movement from gasoline to diesel vehicle powered-engines pushed demand for diesel to grow by 2.3% y-o-y in January. This phenomenon is increasing across Europe. As was seen in North America, the European industrial sector has been switching to gas due to the mild weather. As a result of efficiency and mild weather, OECD Europe's oil demand is forecast to grow by 0.1 mb/d y-o-y in the first quarter to average 15.32 mb/d.

OECD Pacific

In an effort to reduce pressure on end-users and to curb inflation, South Korea reduced its petroleum product sales tax by 10% until the end of the year. South Korea's energy sales tax is one of the highest and a 10% reduction will not have a major effect on governmental revenue. With regard to oil demand, the mild weather has depressed the country's total oil demand for January by 2.5% y-o-y.

Table 9: Japanese Domestic Sales, tb/d

	Jan 08	Change from Jan 07	Change from Jan 07 %
Gasoline	929	9	1.0
Naphtha	895	-40	-4.3
Jet Fuel	85	-6	-6.2
Kerosene	696	12	1.8
Gas Oil	537	8	1.6
Other Products	945	119	14.5
Direct Use of Crude	248	98	65.0
Total	**4,336**	**201**	**4.9**

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

Domestic oil sales in Japan in January grew for the first time since last October

Crude and fuel oil burning demand raised Japanese imports by 8.5% y-o-y for January. Low temperatures in late January along with continuous maintenance in nuclear power plants pushed demand for fuel oil slightly higher in Japan. Semi-cold weather increased kerosene consumption by 1.8% in January y-o-y. Given the strong crude and fuel oil burning, Japan's domestic oil sales rose for the first time since last October increasing by 0.2 mb/d y-o-y in January to average 4.3 mb/d.

Developing Countries

India allowed retailers to increase petroleum product prices which have been frozen since June 2006. The new marginal increase of 4.6% for gasoline and 3.3% for diesel was only a small fraction of the price differential to international prices. This recent price hike is not expected to have a large impact on gasoline and diesel demand in the near future; however, it could slightly dent transport fuel demand. India's oil demand in January grew as expected by 4.3% y-o-y adding 120 tb/d to total oil demand. Diesel demand alone accounted for 77% of the country's monthly oil demand growth. Agricultural and transport diesel consumption are the main drivers behind strong diesel demand.

Graph 11: Yearly changes in Indian oil demand (12 month moving averages)

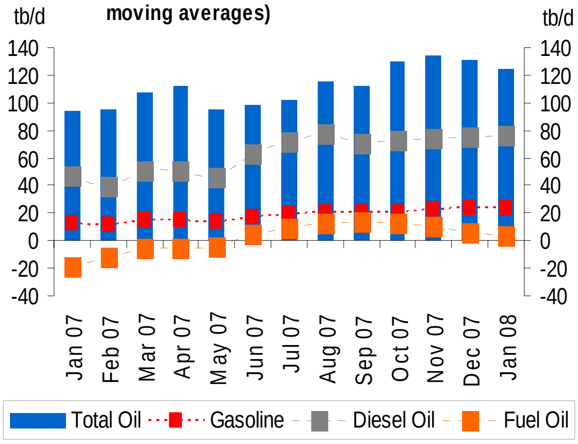
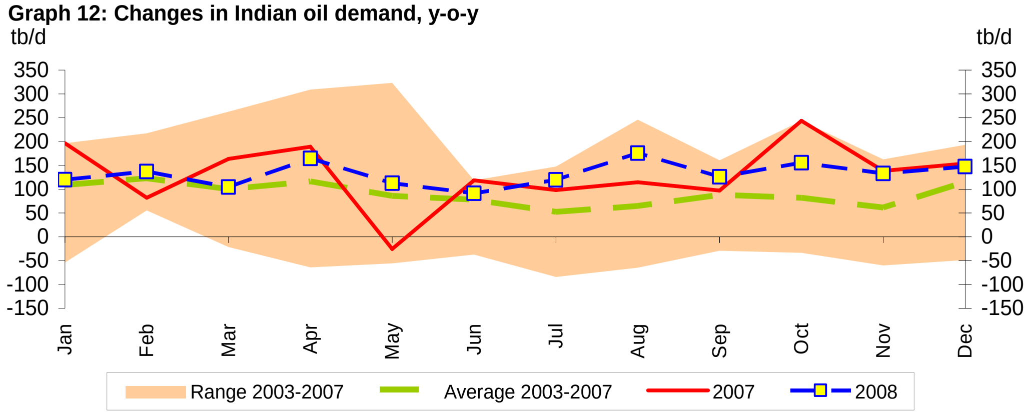


Table 10: Indian oil demand by main products, tb/d

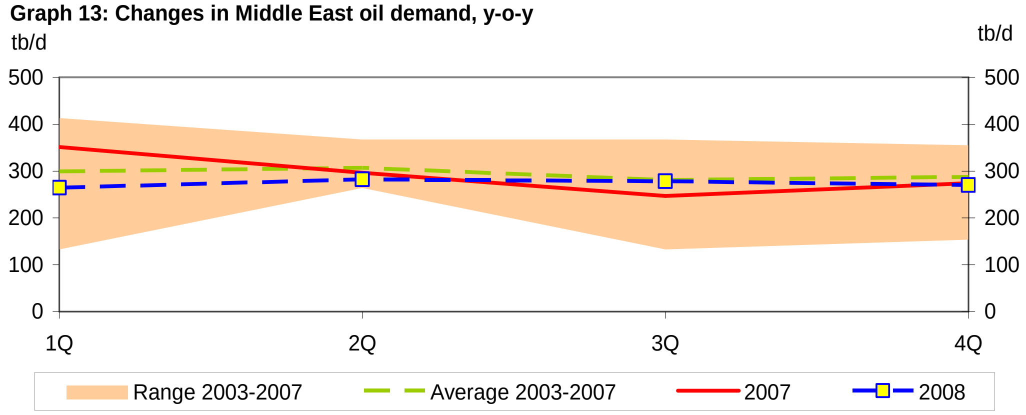
			Difference to	
	Jan 08	Dec 07	Jan 07	%
LPG	382	413	25	7.1
Motor Gasoline	230	283	18	8.5
Jet Kero	293	310	12	4.3
Gas Diesel Oil	1,112	1,136	92	9.0
Residual Fuel Oil	286	326	-25	-8.1
Other Products	622	540	-2	-0.4
Total Oil Demand	**2,925**	**3,007**	**120**	**4.3**

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

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



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



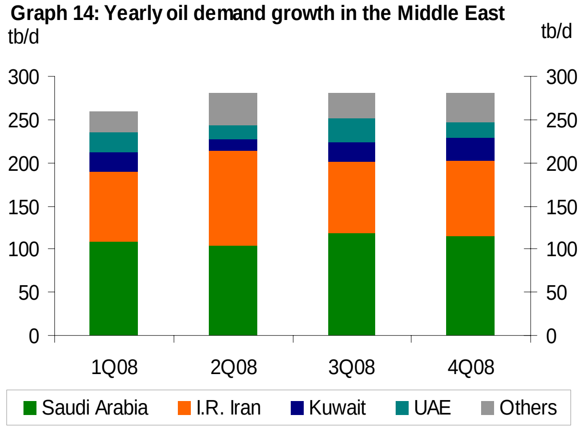
Middle East demand expected to grow by 0.27 mb/d in 2008

Strong economic growth of 5.4% in the Middle East, which contains the majority of energy intensive projects, is forecast to increase the region's oil demand growth by 4.2% in 2008. **Middle East oil demand is forecast to grow by 0.27 mb/d y-o-y to average 6.76 mb/d in 2008.** Both Saudi Arabian and Iran's oil demand are forecast to show growth of 0.2 mb/d y-o-y in the first quarter of 2008.

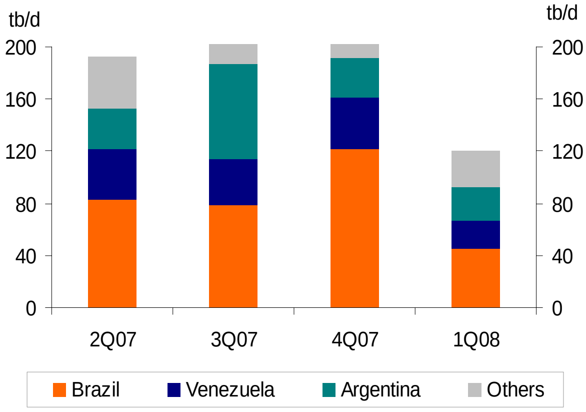
Various countries in Asia are struggling with petroleum product subsidies. Given the increase in international prices, oil import bills are becoming hard to subsidize; however, governments are still managing to keep the lid on prices. Vietnam gave limited relief to its retailers by allowing them to hike prices for end-users by 10%.

Latin America's oil demand is growing strongly with the push from Brazil, Venezuela, and Argentina. These three countries are adding 78% of the total oil demand growth of the South American continent in the first quarter of 2008. **Developing Countries' oil demand growth for the first quarter is forecast at 0.66 mb/d y-o-y.**

Graph 14: Yearly oil demand growth in the Middle East



Graph 15: Yearly oil demand growth in Latin America



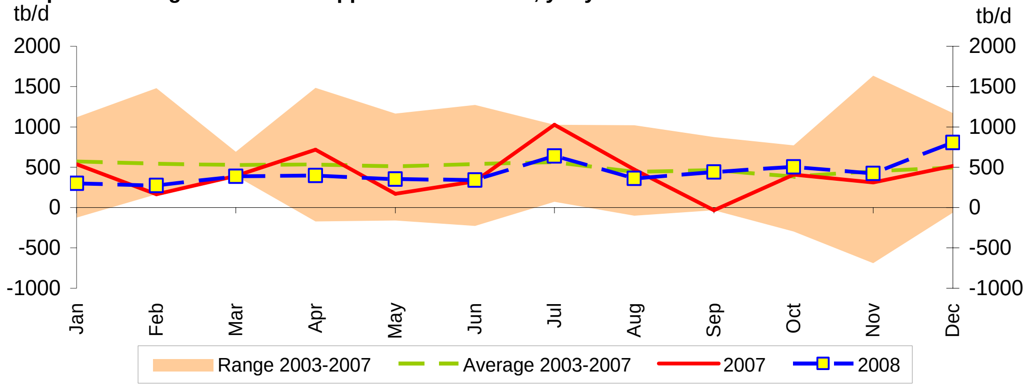
Other Regions

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

China's apparent oil demand for January exceeded 8 mb/d for the first time ever. However, the y-o-y January oil demand growth was moderate because of the high demand during the same month last year. Transport, agriculture, and industry were the main drivers for the strong diesel consumption in January. Diesel consumption in China accounts for 37% of total oil burned in China. In February, a winter storm caused a major loss of power which activated mobile generators and caused diesel demand to climb strongly.

China has applied a minor consumption tax on some petroleum products; however, this new tax is not expected to affect oil demand in the country. Despite China's plan to curb air passenger travel growth and despite the latest freezing storm which wrecked air travel for some time, jet fuel demand, with the help of Olympic travel this summer, is forecast to grow by a strong 10% in 2008. China's oil demand growth this year is expected to be driven by transport fuel, which represents more than a third of total oil consumption. **China's apparent oil demand for 2008 is forecast to grow by 0.4 mb/d y-o-y to average 7.98 mb/d**. It is worth mentioning that the Chinese government plans to reduce energy intensity by 4% in 2008. Thus, the apparent oil demand growth estimate for 2008 is only 0.02 mb/d less than in the previous year.

Graph 16: Changes in Chinese apparent oil demand, y-o-y



In Russia, the cold winter and strong economic growth of 7.1% are expected to drive FSU apparent oil demand growth up this quarter by 0.1 mb/d y-o-y. As a result of recently increased export tariffs, crude producers in Russia reduced exports for February by 12% y-o-y. This export tax has been an effective tool for the central government to control oil business within the country.

World Oil Supply

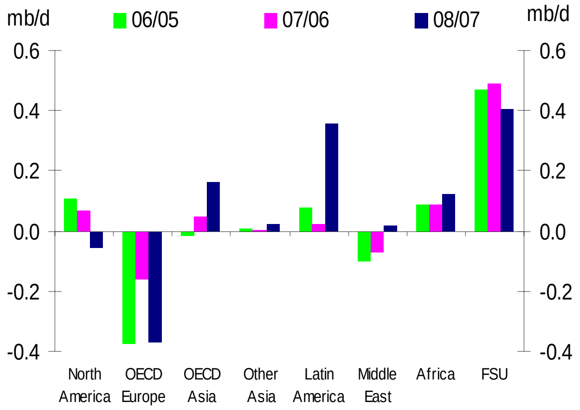
Non-OPEC supply growth in 2007 estimated at 0.56 mb/d to average 49.46 mb/d

Non-OPEC

Estimate for 2007

Non-OPEC supply is estimated to have increased around 0.56 mb/d in 2007 to reach 49.46 mb/d broadly unchanged from last month's assessment. Downward revisions to Canada, Chad and Russia were partially offset by upward revisions to the USA, Sudan and Other Western Europe. Revisions were based on actual data. On a quarterly basis, non-OPEC supply now stands at 49.82 mb/d, 49.48 mb/d, 49.00 mb/d and 49.53 mb/d respectively.

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



Revisions to the 2007 estimate

Non-OPEC supply for 2007 experienced a minor downward revision of 5 tb/d from the previous month. The estimate for 4Q07 for the USA has been revised up by 18 tb/d. Mexico's production in 4Q07 has been revised up by 2 tb/d while Canada was revised down by 61 tb/d for the same quarter. In the North Sea, 4Q07 oil production in the UK was revised up by 53 tb/d. In Asia, Philippines and Myanmar saw minor downward revisions. Yemen has been revised down by 9 tb/d from the annual figure and extended through 2008 as the decline rate has been adjusted according to the latest news. The 4Q07 estimate for Russia has been revised down by 16 tb/d.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.38	14.41	14.22	14.25	14.31	0.07
Western Europe	5.39	5.52	5.21	4.96	5.22	5.23	-0.16
OECD Pacific	0.56	0.57	0.61	0.63	0.63	0.61	0.05
Total OECD	**20.19**	**20.47**	**20.23**	**19.80**	**20.09**	**20.15**	**-0.04**
Other Asia	2.72	2.72	2.68	2.69	2.73	2.71	-0.02
Latin America	3.86	3.88	3.88	3.88	3.87	3.88	0.02
Middle East	1.76	1.70	1.69	1.69	1.68	1.69	-0.07
Africa	2.60	2.69	2.67	2.65	2.74	2.69	0.09
Total DCs	**10.94**	**10.99**	**10.91**	**10.90**	**11.03**	**10.96**	**0.02**
FSU	12.02	12.51	12.44	12.50	12.59	12.51	0.49
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.69	3.78	3.82	3.73	3.75	3.77	0.07
Total "Other regions"	**15.87**	**16.43**	**16.41**	**16.38**	**16.48**	**16.43**	**0.56**
Total Non-OPEC production	**46.99**	**47.90**	**47.56**	**47.08**	**47.60**	**47.53**	**0.54**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**48.89**	**49.82**	**49.48**	**49.00**	**49.53**	**49.46**	**0.56**
Previous estimate	48.90	49.81	49.51	48.99	49.54	49.46	0.56
Revision	-0.01	0.00	-0.03	0.02	-0.01	-0.01	0.00

In 2007, the FSU showed growth of 0.49 mb/d; Azerbaijan witnessed another year of strong performance with growth of 0.21 mb/d, whilst Kazakhstan showed modest growth of 0.05 mb/d. Russia's growth is estimated at 0.21 mb/d. The Latin American region remained almost flat as only Brazil witnessed a minor growth of 0.05 mb/d while others were flat or showed a drop compared with the previous year. North America's production increased by 0.07 mb/d driven by Canada and the USA, while Mexico's production dropped a significant 0.21 mb/d. The African region increased by 0.09 mb/d. Most of the increase came from Sudan. China showed a modest increase from expansions and new projects. In OECD Pacific, both Australia and New Zealand showed modest increases. Other Asia and Middle East remained broadly flat. OECD Europe dropped 0.16 mb/d; the UK saw a drop of 0.04 mb/d, while Norway showed a significant loss of 0.22 mb/d due to field declines, heavy maintenance and unplanned shut-downs.

Forecast for 2008

Non-OPEC supply growth in 2008 expected at 0.91 mb/d to average 50.37 mb/d

Non-OPEC supply is expected to average 50.37 mb/d in 2008, an increase of 0.91 mb/d over the previous year and a downward revision of 164 tb/d from last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 50.26 mb/d, 49.96 mb/d, 50.03 mb/d and 51.22 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.31	14.33	14.04	14.09	14.57	14.26	-0.06
Western Europe	5.23	5.17	4.89	4.55	4.83	4.86	-0.37
OECD Pacific	0.61	0.67	0.71	0.80	0.88	0.77	0.16
Total OECD	**20.15**	**20.18**	**19.64**	**19.44**	**20.27**	**19.88**	**-0.27**
Other Asia	2.71	2.78	2.79	2.87	2.96	2.85	0.14
Latin America	3.88	4.10	4.19	4.31	4.33	4.23	0.35
Middle East	1.69	1.69	1.70	1.71	1.72	1.70	0.02
Africa	2.69	2.81	2.81	2.80	2.81	2.81	0.12
Total DCs	**10.96**	**11.38**	**11.49**	**11.69**	**11.82**	**11.60**	**0.64**
FSU	12.51	12.77	12.85	12.92	13.13	12.92	0.41
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.77	3.84	3.89	3.89	3.90	3.88	0.11
Total "Other regions"	**16.43**	**16.75**	**16.89**	**16.96**	**17.18**	**16.94**	**0.52**
Total Non-OPEC production	**47.53**	**48.31**	**48.02**	**48.09**	**49.27**	**48.42**	**0.89**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.46**	**50.26**	**49.96**	**50.03**	**51.22**	**50.37**	**0.91**
Previous estimate	49.46	50.39	50.12	50.18	51.43	50.53	1.07
Revision	-0.01	-0.13	-0.16	-0.15	-0.21	-0.16	-0.16

OECD

Total OECD forecast to decline by 265 tb/d

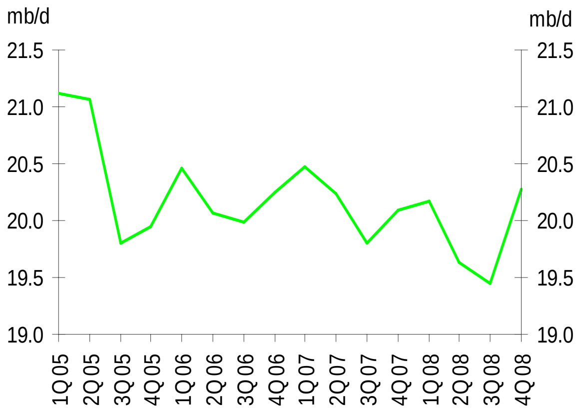
Total OECD oil supply is expected to reach 19.88 mb/d, a drop of 0.27 mb/d below the 2007 figure. On a quarterly basis, OECD oil supply is expected to average 20.18 mb/d, 19.64 mb/d, 19.44 mb/d and 20.27 mb/d respectively. Preliminary data for the January-February average put total OECD at around 20.22 mb/d.

USA

North America expected to stay almost flat over 2007

In 2008, oil supply in the USA is expected to reach 7.65 mb/d representing growth of 151 tb/d over 2007 and a minor upward revision from the previous assessment. On a quarterly basis, US oil supply in 2008 is expected at 7.61 mb/d, 7.56 mb/d, 7.58 mb/d and 7.82 mb/d respectively. Atlantis South, which experienced many delays and started up on 18 December with initial production of 35 tb/d, is currently producing 110 tb/d and will continue to ramp up during the year to peak at 200 tb/d. Genghis Khan also started up late in 2007 and is ramping up slower than expected to reach its peak at 55 tb/d during the year. Neptune's startup is expected to come onstream in March and ramp up during the year, reaching its peak by end-2008 at around 50 tb/d. Blind Faith may witness a boost and is expected to start production in 2Q08 and ramp up faster with a fourth well to increase its peak to around 60 tb/d. Thunder Horse startup now is expected around November 2008. Growth attributed to biofuels is expected at around 65 tb/d. The preliminary figure for US January-February average production stands at around 7.52 mb/d.

Graph 18: OECD's quarterly production



Canada and Mexico

Syncrude returned slowly from extreme cold weather

Canadian oil supply for 2008 is expected to average 3.35 mb/d, almost flat compared with the 2007 figure following a downward revision of 21 tb/d. On a quarterly basis, Canadian supply is forecast at around 3.39 mb/d, 3.28 mb/d, 3.30 mb/d and 3.43 mb/d respectively. The Syncrude output (350 tb/d capacity), which has been suspended for several days due to extreme cold weather, averaged 50 tb/d and 100 tb/d in January and February respectively. The preliminary average for the January-February figure is 3.44 mb/d.

Mexico revised down due to sharper decline in Cantarell field

Mexico's oil supply has been revised down by 48 tb/d for 2008 and now stands at 3.26 mb/d representing a significant decline of 227 tb/d compared with the 2007 annual figure. On a quarterly basis, Mexico's oil supply is forecast at 3.33 mb/d, 3.19 mb/d, 3.21 mb/d and 3.32 mb/d respectively. Even the faster ramp up of the KMZ could not compensate for the sharp decline in the giant Cantarell field and other mature fields when combined with the effect of bad weather. Preliminary January-February average oil supply is estimated at around 3.35 mb/d.

Western Europe

Western Europe estimated to decline significantly by around 370 tb/d

Oil supply in this group is expected to reach a level of 4.86 mb/d representing a decline of 370 tb/d from the 2007 figure following a 21 tb/d downward revision from last month's assessment. The downward revision, which was mainly attributed to Norway with 24 tb/d, was partially offset by other West European countries. On a quarterly basis, oil supply in Western Europe is expected at 5.17 mb/d, 4.89 mb/d, 4.55 mb/d and 4.86 mb/d respectively. The preliminary January-February average oil supply figure is estimated at around 5.23 mb/d.

Norway is estimated to produce 2.46 mb/d which represents a decline of 96 tb/d below the 2007 figure and a downward revision of 25 tb/d from last month's assessment. On a quarterly basis, production is forecast at 2.60 mb/d, 2.44 mb/d, 2.30 mb/d and 2.49 mb/d respectively. The preliminary figure for Norway's average January-February production is estimated at 2.56 mb/d. Decline rates of mature fields could lead to further revisions in the months ahead.

UK output for 2008 is expected at 1.41 mb/d, a decline of around 257 tb/d from the previous year and 5 tb/d less compared with last month's assessment. Quarterly figures now stand at 1.57 mb/d, 1.45 mb/d, 1.28 mb/d and 1.34 mb/d respectively. Preliminary figure for UK's January-February average production is estimated at 1.66 mb/d.

Asia Pacific

OECD Pacific estimated to grow by 162 tb/d

Oil supply in this group is expected to average 0.77 mb/d which represents an increase of 162 tb/d over the 2007 figure and broadly unchanged from last month's assessment. On a quarterly basis, production is expected to average 0.67 mb/d, 0.71 mb/d, 0.80 mb/d and 0.88 mb/d respectively.

Australia affected by bad weather and technical problems

Australia's oil supply is expected to average 0.63 mb/d in 2008 which represents growth of 101 tb/d over last year's figure. Australia's preliminary January-February average supply figure is 0.58 mb/d. The cyclone season started earlier with higher activity which affects net production due to safety shut-downs, especially in the north west. Declines in the mature fields also contribute to slower growth.

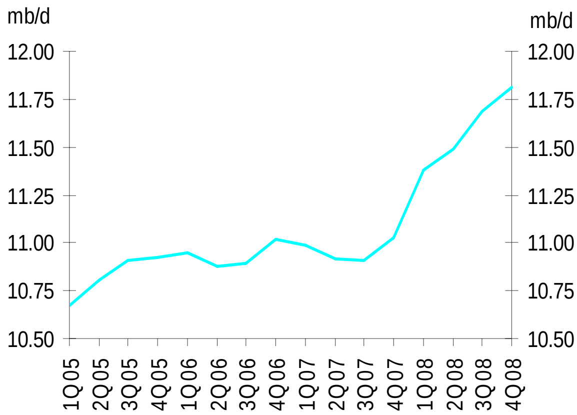
New Zealand is expected to add 60 tb/d over the 2007 figure to reach 0.14 mb/d. New Zealand's preliminary January-February average oil supply figure is 0.11 mb/d. Maari is expected to startup in April 2008, ramping up during the year to peak at 32 tb/d by the end of 2008.

Developing Countries

Oil supply in the Developing Countries is expected to reach 11.60 mb/d, which represents growth of 637 tb/d over last year and an upward revision of 31 tb/d from the previous assessment. On a quarterly basis, DC supply is expected to average 11.38 mb/d, 11.49 mb/d, 11.69 mb/d and 11.82 mb/d respectively.

Brazil, Other Asia and Africa are the main contributors to the growth this year. Preliminary January-February average figure puts total DC oil supply at 11.22 mb/d.

Graph 19: Developing Countries' quarterly production



Other Asia is expected to reach 2.85 mb/d representing growth of 142 tb/d and a minor downward revision from last month's assessment. On a quarterly basis, Other Asia is expected to average 2.78 mb/d, 2.79 mb/d, 2.87 mb/d and 2.96 mb/d respectively. India, Malaysia and Vietnam are the main contributors to the growth.

Oil supply in **Latin America** is expected to average 4.23 mb/d in 2008, a significant growth of around 354 tb/d and a downward revision of around 56 tb/d from last month's assessment with a quarterly distribution at 4.10 mb/d, 4.19 mb/d, 4.31 mb/d and 4.33 mb/d respectively. Brazil is the major contributor to the growth with around 353 tb/d. Preliminary figures for January-February put output at around 2.27 mb/d. Roncador P-52 and P-54 which started late last year are currently ramping up and improving production figures.

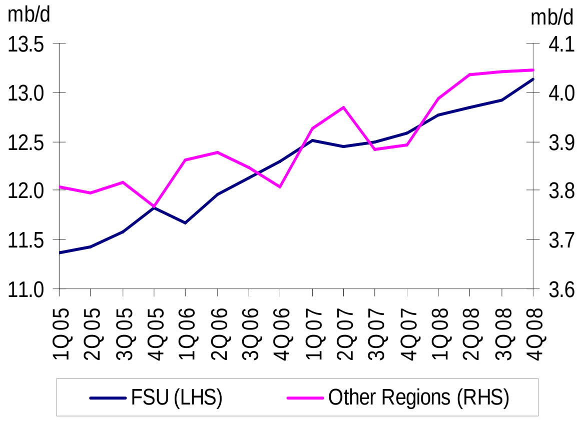
Africa is expected to produce around 2.81 mb/d in 2008 for a growth of around 122 tb/d over the 2007 figure and an upward revision of 31 tb/d over last month's assessment. On a quarterly basis, the oil supply from this group is expected to average 2.81 mb/d, 2.81 mb/d, 2.80 mb/d and 2.81 mb/d respectively. An upward revision has been made to Sudan figures as some EOR operations increased production in the Greater Nile fields by 30-50 tb/d. Preliminary figures for January-February puts Africa's total oil supply at around 2.77 mb/d.

The **Middle East** is the only group which is expected to stay broadly flat at around 1.70 mb/d with a quarterly distribution of 1.69 mb/d, 1.70 mb/d, 1.71 mb/d and 1.72 mb/d respectively. Expected Yemen production figures have been revised down by around 28 tb/d from the annual average due to recent news regarding decline rates for mature fields.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.96 mb/d which represents 0.41 mb/d growth over the 2007 figure and a downward revision of 43 tb/d compared with last month's assessment. On a quarterly basis, FSU oil supply expected to average 12.77 mb/d, 12.85 mb/d, 12.92 mb/d and 13.13 mb/d respectively. Other Europe is expected to stay flat at around 0.15 mb/d while China is expected to average 3.88 mb/d.

Graph 20: FSU and other region's quarterly production



Russia

Project delays and export duties affect Russian supply performance

Russian oil supply is expected to reach 9.98 mb/d which represents growth of 118 tb/d and a downward revision of 37 tb/d compared with last month's assessment. On a quarterly basis, Russian oil supply is expected at 9.92 mb/d, 9.95 mb/d, 9.99 mb/d and 10.06 mb/d respectively. The Prirazlom field has been delayed further to late 2009 or early 2010. The preliminary January-February figure for Russian oil supply stands at around 9.83 mb/d.

Caspian

Oil supply in **Kazakhstan** is expected to grow by around 93 tb/d to reach 1.44 mb/d, a minor downward revision from last month's assessment. The quarterly distribution is seen at 1.42 mb/d, 1.44 mb/d, 1.41 mb/d and 1.50 mb/d respectively. Tengiz expansion SGP will continue its ramp up during the year at a slightly slower rate. The preliminary figure for Kazahstan oil supply in January-February is estimated at around 1.39 mb/d.

Oil supply in **Azerbaijan** is expected to grow by 200 tb/d over 2007 to reach 1.06 mb/d in 2008, unchanged from last month's assessment.

China

Oil supply in China is expected to average 3.88 mb/d representing growth of 112 tb/d. On a quarterly basis, China's oil supply is expected to average 3.84 mb/d, 3.89 mb/d, 3.89 mb/d and 3.90 mb/d respectively. Preliminary average January-February figure is estimated at 3.83 mb/d as China's offshore production losses in December returned back onstream.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.39 mb/d in 2007, an increase of around 0.34 mb/d over the previous year. For 2008, OPEC NGLs and non-conventional oils are expected to reach 4.93 mb/d, an increase of 0.53 mb/d over the 2007 estimate.

Table 13: OPEC NGL + non-conventional oils - 2005-2008

	2005	**2006**	**Change** 06/05	1Q07	2Q07	3Q07	4Q07	**2007**	**Change** 07/06	**2008**	**Change** 08/07
Total OPEC	**4.08**	**4.06**	-0.02	4.22	4.35	4.40	4.62	**4.40**	0.34	**4.93**	0.53

OPEC production averaged 32.09 mb/d in February

OPEC crude oil production

Total OPEC crude oil production averaged 32.09 mb/d in February according to secondary sources, an increase of 83 tb/d from the January figure. OPEC production (not including Iraq) averaged 29.76 mb/d, down by around 64 tb/d from the January figure. Production in Iraq saw a significant increase of 146 tb/d while Angolan and Indonesian output rose 35 tb/d and 27 tb/d respectively.

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

	2006	2007	2Q07	3Q07	4Q07	Dec 07	Jan 08	Feb 08	*Feb/Jan*
Algeria	1,365	1,360	1,352	1,365	1,387	1,392	1,400	1,412	*12.0*
Angola	1,385	1,660	1,628	1,678	1,777	1,808	1,857	1,892	*35.2*
Ecuador	536	507	508	508	509	511	504	498	*-6.3*
Indonesia	895	844	844	836	841	845	842	869	*27.1*
Iran, I.R.	3,845	3,855	3,845	3,861	3,907	3,907	3,947	3,866	*-80.7*
Iraq	1,932	2,089	2,021	2,107	2,333	2,381	2,182	2,328	*146.0*
Kuwait	2,520	2,464	2,432	2,467	2,508	2,530	2,553	2,550	*-3.8*
Libya, S.P.A.J.	1,702	1,710	1,695	1,718	1,741	1,746	1,750	1,741	*-9.0*
Nigeria	2,235	2,125	2,040	2,154	2,157	2,145	2,051	2,062	*10.9*
Qatar	821	807	794	814	826	832	844	842	*-2.2*
Saudi Arabia	9,112	8,654	8,537	8,584	8,921	9,012	9,077	9,056	*-21.1*
UAE	2,540	2,503	2,524	2,575	2,426	2,526	2,598	2,582	*-16.3*
Venezuela	2,539	2,392	2,388	2,377	2,395	2,394	2,402	2,392	***-9.3***
Total OPEC	**31,428**	**30,970**	**30,609**	**31,045**	**31,729**	**32,029**	**32,007**	**32,089**	***82.5***
OPEC excl. Iraq	**29,496**	**28,880**	**28,588**	**28,938**	**29,396**	**29,647**	**29,824**	**29,761**	***-63.5***

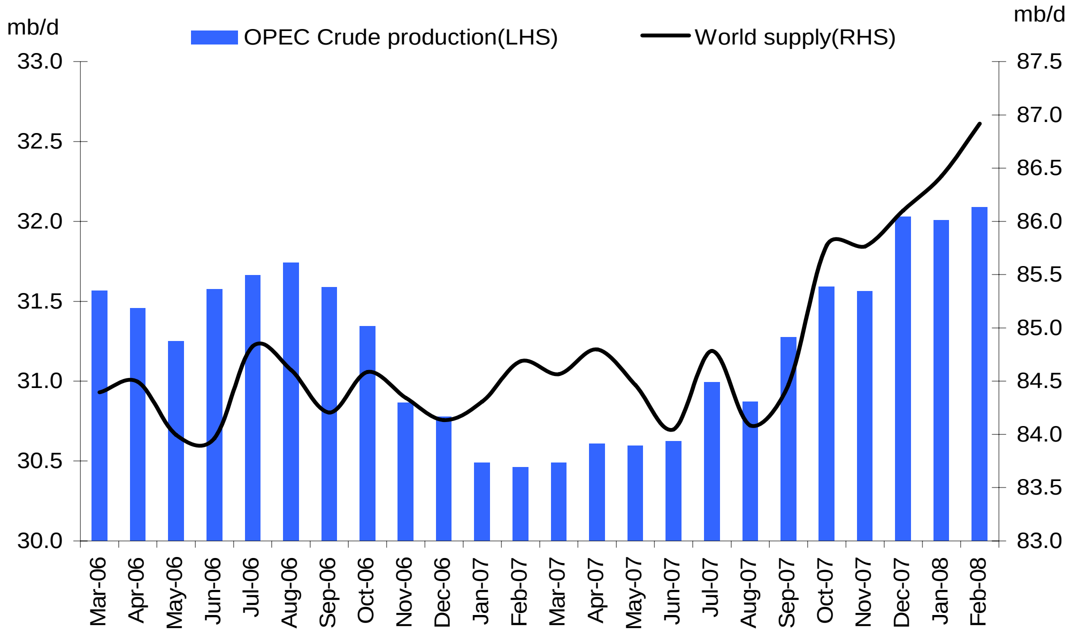
Totals may not add due to independent rounding.

World oil supply rose 0.5 mb/d in February

World Oil Supply

Preliminary figures for the month of February indicate that world oil supply averaged 86.92 mb/d, which represents a gain of 0.49 m/d over the level of the previous month, with OPEC crudes' share at 36.9%. The estimate is based on OPEC crude production according to secondary sources, estimates for OPEC NGLs and preliminary data for non-OPEC supply.

Graph 21: OPEC and World oil supply



FSU net oil exports expected to gain 350 tb/d in 2008

FSU net exports of crude and products

Total FSU net oil exports are estimated to average 8.54 mb/d in 2007, an increase of 0.41 mb/d over the 2006 level. In 2008, total FSU net oil exports are forecast to reach 8.89 mb/d, an increase of 0.35 mb/d over the estimated 2007 figure.

Current trends

Actual figures for December indicate that total crude exports from the FSU averaged 6.22 mb/d. The preliminary figures for January averaged 6.02 mb/d, a decline of 203 tb/d from the previous month. Russian pipeline exports in January stayed flat as the drop in the Baltic pipeline was offset by the increase in the Druzhba pipeline, while the Black Sea pipeline was almost flat. Russian Rail, Russian-Far East and CPC pipeline witnessed declines in January of 62 tb/d, 46 tb/d and 31 tb/d respectively from the previous month.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.64**	**8.74**	**8.50**	**8.26**	**8.54**	**0.41**
2008 (forecast)	**8.85**	**9.08**	**8.86**	**8.76**	**8.89**	**0.35**

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

	2006	2007	2Q07	3Q07	4Q07	Dec 07	Jan 08*
Crude							
Russian pipeline							
Black Sea	1,288	1,361	1,398	1,332	1,294	1,205	1,214
Baltic	1,553	1,631	1,647	1,647	1,631	1,677	1,641
Druzhba	1,288	1,123	1,134	1,091	1,128	1,120	1,149
Total	**4,129**	**4,115**	**4,180**	**4,071**	**4,052**	**4,002**	**4,004**
Other routes							
Russian rail	313	289	255	266	300	317	255
Russian - Far East	84	246	231	246	263	250	204
Kazak rail	31	15	13	12	17	17	17
CPC pipeline	661	693	712	673	678	667	636
Caspian	**396**	**246**	**250**	**196**	**205**	**217**	**164**
of which							
Supsa (AIOC) - Georgia	114	0	0	0	0	0	0
Batumi - Georgia	177	138	140	105	121	136	101
Total**	**1,702**	**2,226**	**2,298**	**2,143**	**2,228**	**2,219**	**2,014**
Total crude exports	**5,831**	**6,341**	**6,478**	**6,214**	**6,280**	**6,221**	**6,018**
Products							
All routes							
Fuel oil	861	841	786	789	913	1,005	978
Gasoil	841	677	601	597	814	854	813
Others	662	670	671	676	730	590	788
Total	**2,364**	**2,188**	**2,058**	**2,062**	**2,458**	**2,449**	**2,580**
Total oil exports	**8,195**	**8,529**	**8,536**	**8,275**	**8,738**	**8,670**	**8,598**

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

* *Preliminary.*

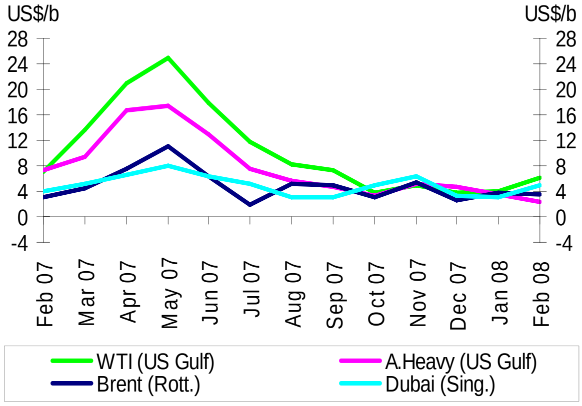
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product market sentiment improved slightly in February

The product market sentiment improved slightly following a recent cold snap in the Atlantic Basin and lower refinery runs due to the seasonal maintenance schedule. A combination of slowing demand for middle distillates, gasoline stocks building across the globe, especially in the US, and high crude oil prices may limit the impact of seasonal refinery turnarounds on refining margins in the coming months. However, the potential risk of refinery snags may change the current circumstances of the product market and support both product and crude prices.

Graph 22: Refining margins



As **Graph 22** shows, refinery margins for the WTI crude at the US Gulf Coast surged by $2.03 to $6.05/b in February from $4.02/b in January. In Europe, refinery margins for Brent crude oil in the Rotterdam market almost remained steady compared to January, due to the weakness of the gasoline and fuel oil markets.

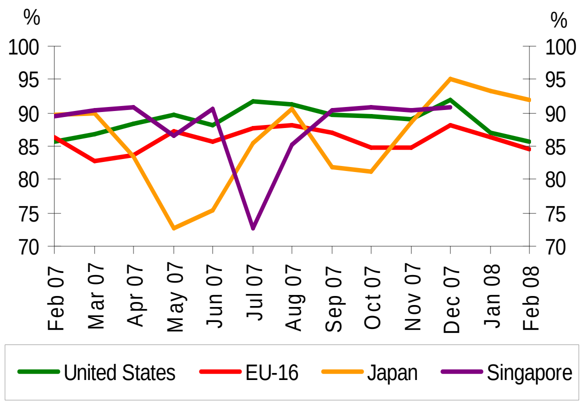
In Asia, higher regional demand for the light and middle-of-the-barrel components supported product prices and lifted refinery margins. As **Graph 22** indicates, refinery margins for Dubai crude oil in the Singapore market soared to $5.04/b in February from $3.04/b in January.

Refinery operations

Refinery throughputs were trimmed further across the globe

The decline in the refining margins over the last few months negatively affected refining operations around the board, leading to early refinery maintenance, particularly in the Western Hemisphere. The current circumstances of the product markets and refining margins may encourage further discretionary cuts in the future.

Graph 23: Refinery utilization rates



As Graph 23 shows, the refinery utilization rate in the US declined by 1.5% in February compared to the previous month, reaching 85.6%. In Europe, the refinery utilization rate decreased by 1.8% to 84.6% in February from 86.4% in the previous month. In Asia, refiners followed the same trend, with operation levels falling especially in the north area. In Japan, the refinery utilization rate dropped 1.3% to 92%.

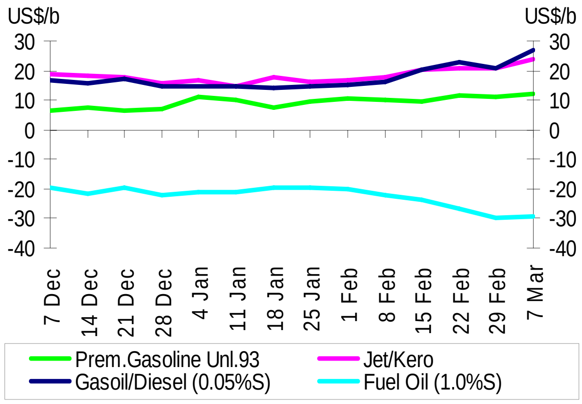
Looking ahead, with the scheduled spring refinery maintenance and the approaching shoulder season, global refinery utilization rates are expected to remain relatively low in the coming months.

US market

The US product market sentiment remained lacklustre

The continuation of gasoline stock-builds amid lower seasonal demand and higher imports has overshadowed the other bullish developments in the US product market, exerting pressure on the gasoline cash market versus the futures. This situation has also affected the forward market, with the gasoline crack spread falling in recent weeks. The present bearish momentum of the gasoline market may improve in the future, as refiners switch to summer grades.

Graph 24: US Gulf crack spread vs. WTI, 2007-2008



Despite the gloomy circumstances of the gasoline market, middle-of-the-barrel components did better due to the recent cold snap in the northeast and export opportunities to Europe and Latin America. This provided support for both physical and futures markets for middle distillates, lifting the gasoil crack spread against WTI crude oil in the US Gulf Coast to $20.55/b in late February from about $16/b in the same period of the previous month **(*see Graph 24*).** Following these developments, market players have also increased net long positions in the Nymex heating oil market over the last few weeks.

In the US, fuel oil market circumstances especially for high-sulphur grades remained sluggish due to lower regional demand and lack of arbitrage opportunities to the other markets. This situation has further undermined the discounted value of fuel oil versus WTI crude oil. As a result, the crack spread plummeted to minus $29.73/b in the last week of February from around minus $19.60/b in the same period of the previous month. Looking forward, the recent cold spell along with higher refinery turnarounds and lower domestic production may provide support for the US fuel oil market in the coming weeks.

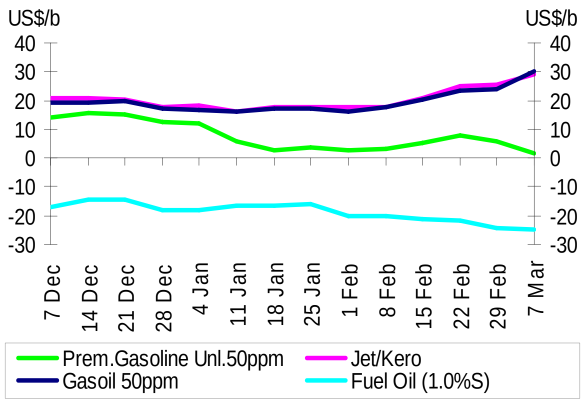
European market

Gasoil crack spread boosted in February

The European product market sentiment for the top- and the bottom-of-the-barrel components has been weak recently, while the middle distillate market strengthened over the same period. European benchmark ICE gasoil reached a record level in the last weeks amid increasing refinery maintenance and tight regional supply.

The prompt market for middle distillates remained backwardated and the cash market premium for gasoil in both North-West Europe and the Mediterranean area is relatively high. As **Graph 25** shows, the gasoil crack spread against Brent crude oil in Rotterdam surged reaching $24.15/b in the latter part of February from nearly $17/b in late January. The present bullish sentiment for distillates may persist over the coming months.

Graph 25: Rotterdam crack spreads vs. Brent, 2007-2008



Despite the strong performance of middle distillates, the European gasoline market was adversely affected by stock-builds on both sides of the Atlantic and lighter refinery turnarounds in the US and Europe. The current bearish sentiment of the European gasoline market may continue over the coming weeks and might put pressure on refinery economics.

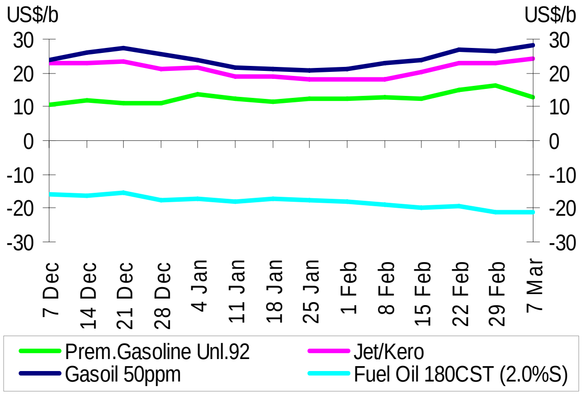
With regard to the fuel oil market, the situation of high-sulphur grades in the Mediterranean area appears tight due to higher regional demand from the utility plant and bunker sectors. But higher Russian exports combined with sluggish regional demand and lower export opportunities to Asia compounded the previously bearish momentum of the North-West European market for both low- and high-sulphur fuel oil. The low-sulphur fuel oil crack spread against the Brent crude slipped to minus $24.15/b in late February from around minus $20/b in the previous month **(***see* ***Graph 25*****)**.

Asian market

The Asian product market appears stronger than other markets

The gasoline market in Asia has been supported by lower Chinese exports and higher regional demand, and its crack spread versus Dubai crude oil reached $16.33/b in late February. With the approach of the Asian refinery maintenance season, the Asian gasoline market is expected to retain its present sentiment in the near future.

Graph 26: Singapore crack spreads vs. Dubai, 2007-2008



With regard to naphtha, higher arbitrage cargoes from Europe and more exports from India have mitigated naphtha supply concerns, narrowing its backwardated level for the coming months. The Asian naphtha market may weaken in the future as we approach the cracker units' maintenance schedules in the coming months.

Among the middle of the barrel components, the gasoil market continued to flourish amid higher regional demand, especially from China, Indonesia and Vietnam, and export opportunities to Europe. The gasoil crack spread against Dubai crude oil hit over $26.50/b in late February, and its present strong momentum could persist, due to increasing seasonal demand from the agriculture sector and export opportunities to other markets. Apart from gasoil, the jet/kero market also performed well in the last few weeks due to higher Chinese demand and export opportunities to the US, and the widening spread versus Dubai crude **(***see* ***Graph 26*****)**.

As far as the fuel oil market is concerned, sluggish regional demand and higher arbitrage inflows from the rest of the world have compounded its bearish sentiment and widened the discounted crack spread of high-sulphur fuel oil versus Dubai crude to around minus $21/b in the last week of February.

Table 17: Refined product prices, US$/b

		Dec 07	Jan 08	Feb 08	Change Feb/Jan
US Gulf (Cargoes):					
Naphtha		92.43	96.06	96.63	0.57
Premium gasoline	*(unleaded 93)*	98.93	102.16	105.63	3.47
Regular gasoline	*(unleaded 87)*	95.37	97.48	101.46	3.98
Jet/Kerosene		109.42	109.49	114.89	5.40
Gasoil	*(0.05% S)*	107.54	107.04	114.73	7.69
Fuel oil	*(1.0% S)*	70.83	72.88	69.85	-3.03
Fuel oil	*(3.0% S)*	68.13	69.44	67.88	-1.56
Rotterdam (Barges FoB):					
Naphtha		110.06	108.66	109.36	0.70
Premium gasoline	*(unleaded 50 ppm*)*	105.68	95.82	100.30	4.48
Premium gasoline	*(unleaded 95)*	94.05	94.13	98.53	4.40
Jet/Kerosene		111.11	109.32	116.97	7.65
Gasoil/Diesel	*(50 ppm*)*	109.94	108.70	115.98	7.28
Fuel oil	*(1.0% S)*	75.17	74.81	73.26	-1.55
Fuel oil	*(3.5% S)*	66.06	65.73	64.89	-0.84
Mediterranean (Cargoes):					
Naphtha		92.01	91.81	92.56	0.75
Premium gasoline	*(50 ppm)*	106.35	107.01	110.83	3.82
Jet/Kerosene		108.18	107.43	114.50	7.07
Gasoil/Diesel	*(50 ppm)*	111.52	109.47	117.20	7.73
Fuel oil	*(1.0% S)*	73.12	73.04	72.13	-0.91
Fuel oil	*(3.5% S)*	65.28	63.97	64.09	0.12
Singapore (Cargoes):					
Naphtha		92.24	93.12	94.99	1.87
Premium gasoline	*(unleaded 95)*	98.38	100.49	104.97	4.48
Regular gasoline	*(unleaded 92)*	97.09	99.56	104.04	4.48
Jet/Kerosene		108.31	106.17	111.03	4.86
Gasoil/Diesel	*(50 ppm)*	111.33	108.94	114.97	6.03
Fuel oil	*(180 cst 2.0% S)*	70.37	70.04	70.00	-0.04
Fuel oil	*(380 cst 3.5% S)*	70.89	70.56	70.26	-0.30

**/ From January 2008 = 10ppm*

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Dec 07	Jan 08	Feb 08	Feb/Jan	Dec 07	Jan 08	Feb 08	Feb/Jan
USA	15.86	15.20	14.93	-0.27	91.8	87.1	85.6	-1.50
France	1.73 R	1.63	1.59	-0.04	88.4 R	84.1	82.1	-2.00
Germany	2.31 R	2.21 R	2.15	-0.06	95.5 R	91.6 R	89.0	-2.60
Italy	1.95 R	1.81 R	1.86	0.05	83.3 R	77.6 R	79.7	2.10
UK	1.52 R	1.51 R	1.41	-0.10	80.3 R	81.1 R	75.9	-5.20
Eur-16	12.39 R	12.12 R	11.88	-0.24	88.2 R	86.4 R	84.6	-1.80
Japan	4.44 R	4.34	4.28	-0.06	95.0 R	93.3	92.0	-1.30

R *Revised since last issue.*
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Tanker Market

OPEC spot fixtures increased by 4% while sailings remained steady in February

OPEC spot fixtures continued to rise with an increase of 4% in February from the previous month. The increase came despite the decline in global activities due to various holidays and events that kept market players away from their desks. The increase in OPEC spot fixtures supported global fixtures, which remained relatively steady with a minor decline of 0.3%. Compared to the same period last year, both global and OPEC spot fixtures indicate increases of 10% and 16%, respectively. Non-OPEC spot fixtures decreased 9% in February compared to a month earlier. Middle East eastbound fixtures — including OPEC and non-OPEC — indicated an increase of 11% in February from the previous month, while fixtures to the West displayed a decrease of 11% in the same period.

Preliminary data show that February OPEC sailings were steady with a minor decline of 0.4% from the previous month. However, on an annual basis, OPEC sailings in February represented a rise of 3%. Estimated data indicate that arrivals at major regions in the world declined slightly in February from the previous month with arrivals at the US Gulf and East Coasts and the Caribbean displaying a drop of 3.0%, representing a decrease of 6% compared to the same period last year. Arrivals at North-West Europe also indicated a decline of 3% in February from the previous month while Euromed arrivals decreased by 4%.

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

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Spot Chartering				
All areas	19.67	21.93	21.86	-0.06
OPEC	13.73	14.24	14.88	0.63
Middle East/east	4.90	5.59	6.22	0.64
Middle East/west	1.64	1.82	1.62	-0.20
Sailings				
OPEC	23.45	23.35	23.25	-0.09
Middle East	17.50	17.26	17.15	-0.11
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.28	8.49	8.22	-0.27
North West Europe	7.39	7.44	7.23	-0.21
Euromed	4.51	4.56	4.37	-0.19

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

The crude oil tanker market continued to declined as activity level dropped in February

In February, the spot tanker market continued the downslide that began in January after spot freight rates reached very high levels in December. The decline took place on all reported routes except for the spot rates for clean tankers moving from the Caribbean to the US. The dirty Aframax sector lost the most ground in February, while the clean sector lost the least, in terms of spot freight rates. With fewer days in the month, February business days were much lower due to the Lunar New Year holiday in many Asian countries as well as holidays in Latin America and the International Petroleum Week which took many market players off the market for some time. Accordingly, activities fluctuated with participants trying to cover positions prior to leaving office or after coming back depending on their requirements. Despite reduced availability and relatively high bunker fuel oil prices, owners were not able to capitalize on these factors to fortify spot freight rates.

The VLCC sector declined by 17% in February from the previous month on average for all reported routes. VLCC spot freight rates started February with a slight heightening as some charterers rushed to the market to cover their positions prior to the Lunar New Year holiday. However, once the holiday started, rates retreated to lower levels as activity became subdued. Yet some charterers slowly took advantage of the market situation in order not to create a stampede which will support rates.

In the East of Suez, VLCC spot freight rates on the long-haul Middle East to East route declined by 19% in February from the previous month. The decline came on the back of slow activity in general supported by the seasonal pattern as well as weak margins that contained refiners' desire to run their units at high capacity. Additionally, the preparation for the upcoming maintenance season negatively influenced imports, not to mention high oil prices. Furthermore, the decline in VLCC spot freight rates in February can be attributed to the relatively high spot freight rates in the previous month. On an annual basis, VLCC spot freight rates on the Middle East to East route indicated an increase of 73%. VLCC spot freight rates on the long-haul Middle East to West route indicated a decline of 24% in February from the previous month. Rising stock levels in the US as well as preparation for the maintenance season, coupled with frail margins, all hindered the sentiments and exerted pressure on spot freight rates. However, compared to the same period last year, VLCC spot freight rates exhibited an increase of 72% on the Middle East to West route.

In the West, VLCC spot freight rates followed a similar trend decreasing 9% in February from the previous month. The relatively tight availability list halted a further decline; however, the possibility of breaking the cargoes to load on Suezmax, which showed solid availability, revived the bearish sentiments. VLCC spot freight rates from West Africa to the East were influenced by competing developments in the Eastern market, resulting in a relatively moderate decline. However, on an annual basis, VLCC spot freight rates indicated an increase of 26% in February.

The Suezmax sector went through similar developments as in the VLCC sector. On average, Suezmax spot freight rates declined by 16% in February from the previous month on reported routes. From West Africa to the US, although the activity level remained relatively healthy compared to the previous month, availability halted the increase. Additionally, given the fact that a considerable number of fixtures came as charterers chose to employ Suezmax instead of VLCC, the sentiments to support Suezmax spot freight rates were not especially strong. Compared to the same month last year, Suezmax spot freight rates from West Africa displayed a 3% decline in February. On the route from North-West Europe to the US, Suezmax spot freight rates indicated a decline of 20% in February from the previous month. Rising stock levels in the US and the refinery margin situation as well as the maintenance season were among the factors behind the decline, despite the reported increase in North Sea-loading in March. Additionally, weak Black Sea and Mediterranean activities halted any rise in the Suezmax spot freight rates from North-West Europe. On an annual basis, Suezmax spot freight rates experienced a 13% decline in February.

Table 20: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude					
Middle East/east	230-280	256	156	126	-29
Middle East/west	270-285	171	118	90	-28
West Africa/east	260	171	109	99	-10
West Africa/US Gulf Coast	130-135	231	147	124	-23
NW Europe/USEC - USGC	130-135	212	150	121	-29
Indonesia/US West Coast	80-85	240	185	151	-34
Caribbean/US East Coast	50-55	303	215	153	-62
Mediterranean/Mediterranean	80-85	210	188	144	-45
Mediterranean/North-West Europe	80-85	207	185	141	-44
Products					
Middle East/east	30-35	244	225	178	-47
Singapore/east	30-35	296	234	186	-48
Caribbean/US Gulf Coast	38-40	264	271	277	6
NW Europe/USEC - USGC	33-37	226	250	221	-29
Mediterranean/Mediterranean	30-35	277	193	182	-11
Mediterranean/North-West Europe	30-35	287	203	192	-11

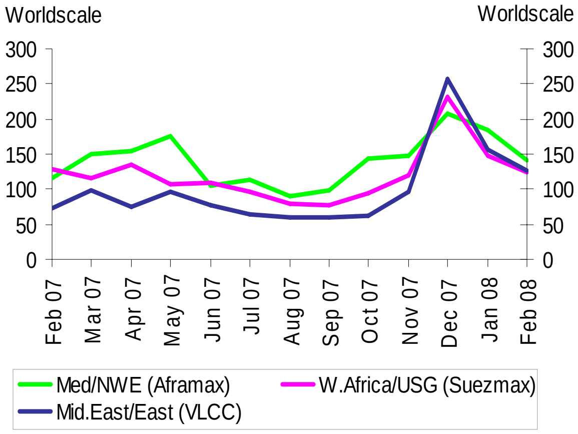
Source: Galbraith's Tanker Market Report and Platt's.

The Aframax sector came under pressure in February from the previous month declining by 24% on average. Spot freight rates for upcoast voyages from the Caribbean to the US decreased by 29% in February from a month earlier. The holiday period in Latin America as well as high inventories in the US were the main factors limiting activities that lengthened the position list exerting further downward pressure on rates. For the reported East of Suez route, Aframax spot freight rates dropped 19% in February on the back of market developments in Asia and the US. In the Mediterranean, Aframax spot freight rates declined by 24% in February from the previous month supported by the extensive availability list and limited activities on the back of the above-mentioned market developments.

Clean market rates decreased on most routes except for the Caribbean

The clean tanker market came under pressure in February from the previous month on all reported routes except upcoast voyages from the Caribbean. On average, clean tanker spot freight rates declined by 10% in February from a month earlier. Limited activities — with clean spot fixtures dropping by 16% in February from the previous month — were the main factor contributing to the decrease as various participants remained off the market due to various holidays and events across the globe. East of Suez clean spot freight rates declined by 21% on average in February from the previous month. The decline in refinery utilization as well as preparation for the coming maintenance season for petrochemical plants halted the increase in activities. Tonnage availability also supported the decrease in spot freight rates in the East. However, on an annual basis, East of Suez clean spot freight rates indicated an increase of 7% in February compared to the same period last year.

Graph 27: Monthly averages of crude oil spot freight rates



Clean spot freight rates declined by 5% on average in the West of Suez in February from the previous month. Spot freight rates for voyages from the Caribbean to the US saw the only increase in February, rising 2% over the previous month. Despite healthy availability and relatively moderate activities, the delays caused by the closure of the Houston Channel supported the sentiments for spot freight rates to end the month on a slightly positive note. From North-West Europe to the US, the closed gasoline arbitrage, on the back of high US gasoline stocks, limited the activity level in addition to other market developments. Accordingly, spot freight rates declined by 12% in February from a month earlier. The closed arbitrage stretched tonnage availability and hence influenced the Mediterranean market, which declined by 6% in February from the previous month. On an annual basis, Mediterranean clean spot freight rates indicated a 30% decline in February.

Oil Trade

OECD crude oil imports increased in January due to winter requirements

OECD

OECD crude oil imports increased by 2% in January over the previous month to average 31.9 mb/d, according to preliminary estimates. The rise in OECD crude oil imports came on the back of winter requirements with increases noticed seen in the US, Japan and South Korea. Compared to the same period last year, OECD crude oil imports indicated growth of 4% in January. Similarly, OECD product imports experienced an increase of 2% in January from the previous month supported by a decline in refinery utilization rates. The increase in product imports came mainly from the US, Europe and South Korea, while Japan's product imports indicated a decline, although not large enough to offset increases in other regions. Product imports showed y-o-y growth of 5%.

Regarding exports, according to the estimated data, OECD crude oil exports increased 3% over the previous month to average 6.5 mb/d in January. In contrast, OECD product exports declined in January by 1% to average 9.1 mb/d, but represented annual growth of 5%. Consequently, total OECD net oil imports averaged 27.1 mb/d, an increase of 2.8% over the previous month. The support for total net imports came from both crude oil and product imports. Compared to the same period last year, OECD total net oil imports experienced an increase of 6.2% in January.

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

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Crude oil	24,084	24,914	25,345	431
Total products	1,836	1,464	1,774	310
Total crude and products	**25,920**	**26,378**	**27,119**	**741**

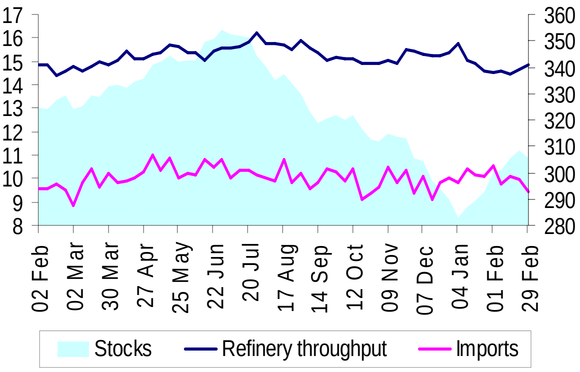
Saudi Arabia and Russia remained the main suppliers of OECD crude oil in January at around 27% for both, followed by Venezuela with 6.1%. Canada and Norway came next with 5.8% and 5.4% respectively. For products, Russia remained the top product supplier with its share of 9.4% followed by the Netherlands with 9.3%.

US crude oil and product imports declined in February

USA

US crude oil imports declined by 4% in February from the previous month to average 9.8 mb/d, according to preliminary data. The decline came as the refinery utilization rate dropped in February. Despite the decline in crude oil imports, US crude oil stocks rose in February compared to the previous month. Additionally, the preparation for the upcoming maintenance season supported the decline in February. However, on an annual basis, US crude oil import displayed an increase of 4% in February.

Graph 28: US weekly crude oil stocks, refinery throughput and imports, 2007-2008



On the other hand, US product imports decreased 3% in February from the previous month despite a decline in product output. All major elements of product imports declined with fuel oil imports indicating a drop of 22% in February. The decline in fuel oil demand supported the decline in imports despite a drop in fuel oil production in February. Similarly, gasoline imports decreased by 15% in February over the previous month. The closed gasoline arbitrage from North-West Europe contributed largely to the decline in US gasoline imports despite reduced output and steady demand. Imports of both kerosene and distillates also declined in the US in February from the previous month even with demand increasing slightly for both products and refinery output falling. Compared to the same period last year, US product imports experienced a 7% increase in February.

As a result, US total net oil imports declined by 4% in February from the previous month. The decrease of both crude oil and product imports supported the decline in total net oil imports, in addition to the increase in product exports. Despite the drop in US total net oil imports, on an annual basis, US total net imports displayed an increase of 4% in February.

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

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude oil	9,719	10,207	9,807	-400
Total products	2,050	2,262	2,115	-147
Total crude and products	**11,769**	**12,469**	**11,922**	**-547**

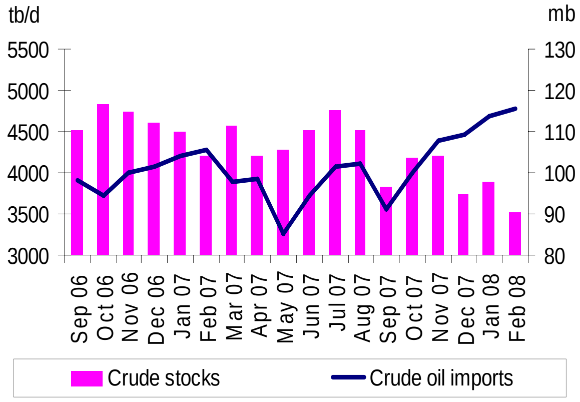
For the sources of imports, Canada remained the top crude oil supplier for the US in December with 18% followed by Saudi Arabia with 17%. Venezuela and Mexico came next with around 13% for each. OPEC Member Countries supplied 59% of total US crude oil in December. For products, Canada maintained the first place with 19% followed by the Virgin Islands with 13%. Russia and Algeria followed with 9% and 8%, respectively.

Japan

Japan's net oil imports decreased 3% in February as crude oil imports declined

According to estimated data, Japan's crude oil imports fell 5% in February from the previous month. The decrease came on the back of reduced crude throughput by different refiners as the kerosene demand season for heating draws to a close. Additionally, many Japanese refiners announced that they will continue to operate on a reduced throughput during March due to weak domestic demand which influenced margins. Japan's February product imports increased 5% or 28,000 b/d from the previous month. Yet, product imports in February represented a y-o-y decline of 10%. Accordingly, total oil imports in February averaged 5.0 mb/d, a decline of 4% below the previous month.

Graph 29: Japanese crude oil imports and crude stocks



On the export side, Japan's product exports decreased 8% in February on the back of reduced refinery runs. Fuel oil exports decreased in February from the previous month, while exports of gasoline and kerosene increased over the same period. Despite the decline in February, Japan's product exports indicated annual growth of 5%.

Japan's net oil imports decreased in February by 3% from the previous month. The drop came as a result of reduced crude oil imports which outweighed the increase in product imports. The decline in product exports partially offset the drop in Japan's net oil imports, with Japan's net product imports falling by 42% in February from the previous month. On an annual basis, Japan's net oil imports rose 2% in February.

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

	Dec 07	Jan 08	Feb 08	Change Feb/Jan
Crude oil	4,457	4,686	4,461	-225
Total products	104	46	113	67
Total crude and products	**4,560**	**4,732**	**4,574**	**-158**

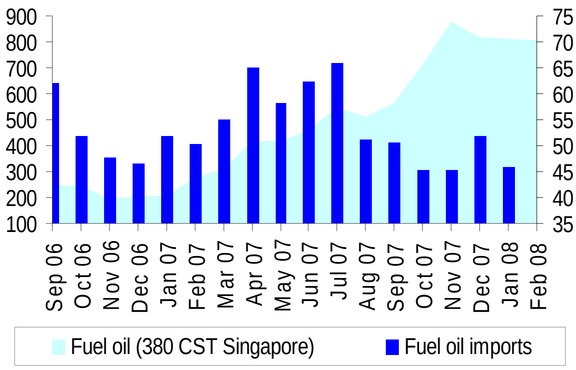
For the sources of imports, Saudi Arabia with 27% and the UAE with 24% were the largest crude oil suppliers accounting for around 50% of Japan's total crude oil imports in January. Iran followed with around 13%, while Qatar and Kuwait came next with around 12% and 7%, respectively. OPEC Member Countries supplied 89% of Japan's crude in January. On the product side, Kuwait, Saudi Arabia and the UAE were the top suppliers together providing around 40% of Japan's product imports followed by Korea and Indonesia.

China's net oil imports in January increased by 18% compared to the previous month, supported by higher volumes of crude oil and product imports and a sharp decline in exports

China

China's crude oil imports in January continued the volatile trend shown over the last six months, rebounding with an increase of about 250,000 b/d or 8% compared to the previous month. Compared to the same month last year, China's crude oil imports in January of about 3.3 mb/d showed an increase of about 2%. The rise came in line with the central government's direction to state-owned oil groups to lift the imports of crude oil and products, to operate their refineries at full capacity and to delay maintenance of their refining facilities in an attempt to address the widespread supply crunch China has experienced during the fourth quarter of 2007.

Graph 30: Chinese fuel oil imports and fuel oil prices



Similarly, product imports increased in January by 22% over the previous month and by 17% compared to a year earlier. Gasoil, gasoline and jet fuel were among the products whose imports increased substantially in January, while fuel oil imports continued their downward trend, decreasing by 27% compared to the previous month and by the same percentage compared to January 2007. Gasoil imports in January marked a record monthly high with an increase of 3% over the previous month, and by 32.8% compared to the average gasoil imports in 2007. Imports of gasoil and gasoline surged in China since the third quarter of 2007 on the occurrence of an oil product shortage in the country, especially in the south.

On the export side, China's crude oil exports fell to a six-month low with of only 42,000 b/d, a decrease of over 70% compared to the previous month and 41% compared to a year earlier. Similarly, China's product exports decreased in January by 17% compared to the previous month, yet indicating an increase of 10% compared to the same month last year. The decline in both crude oil and product exports in January was the result of Chinese oil companies retaining more of their crude and product production to meet the strong domestic oil demand.

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

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Crude oil	3,253	2,881	3,254	374
Total products	261	277	485	208
Total crude and products	**3,514**	**3,158**	**3,738**	**581**

As a result, China's net oil imports in January increased by about 580,000 b/d or 18% compared to the previous month and by 5% compared to the same month last year. China's net oil imports in January were also 2% higher than China's average net oil imports of 3.6 mb/d for the year 2007. The rise was the result of increases in both net crude oil and product imports of 13% and 75% respectively compared to the previous month. These figures also reflect China's increased crude oil and product imports in January, together with a reduction in its crude oil and product exports in the same month, reflecting strong and expanding domestic demand. With net crude oil and product imports of about 3.7 mb/d, China imported about half of its crude requirements in January from outside sources.

Despite its declining share of about 3%, Angola remained China's top crude oil supplier in January with 17.5%, followed by Iran and Saudi Arabia with 16% each. Altogether, OPEC Member Countries supplied about 64% of China's crude oil imports in January. Main non-OPEC suppliers include Russia, Oman and Sudan with 7% each.

India's net imports declined by 17% in January, supported by lower net crude oil imports and steady product exports

India

India's crude oil imports fell in January from a high level in December. Crude oil imports in January were about 322,000 b/d or 12% lower than December's 2.7 mb/d. The fall in crude oil imports was largely due to reduced agricultural activities with no major sowing or harvesting of crops taking place in January. Despite this fall, India's crude oil imports in January were almost identical with its average crude oil imports for the year 2007 and about 8% higher than a year earlier as state-run refineries met the jump in demand for transport fuels ahead of an expected rise in retail prices.

Similarly, India's product imports declined in January by 22% compared to the previous month, yet, compared to the same month last year, showed a significant rise of 36% reflecting strong local demand for oil products as indicated by India's domestic sales which increased by about 4% in January compared to a year earlier. Strong local demand is more evident in India's consumption of gasoil, which accounts for nearly a third of domestic demand, and gasoline which grew by 16% and 14% respectively on an annual basis. Local demand for naphtha fell by 7% in January compared to a year earlier, yet, naphtha imports in January were 12% higher compared to January 2007 as work to upgrade a processing plant at India's largest gas field temporarily trimmed gas supplies.

On the export side, India's exports remained steady in January with a minor decline of 3% compared to the previous month. This fall came as a result of increases in fuel oil, gasoline and jet fuel exports by 48%, 12% and 8% respectively, as well as larger decreases in exports of naphtha and most importantly of gasoil by 16%. However, on an annual basis, India's product exports in January indicated growth of 189,000 b/d or 36% over January 2007.

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

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Crude oil	2,260	2,696	2,374	-322
Total products	-270	-252	-337	-85
Total crude and products	**1,990**	**2,443**	**2,037**	**-406**

As a result, India's net oil imports decreased in January by about 407,000 b/d or 17% compared to the previous month to average 2.0 mb/d. This fall was the result of a decline in net crude oil imports of 322,000 b/d and a decrease in net product imports of 85,000 b/d. On an annual basis, India's net oil imports in January increased by 5% compared to the same month last year.

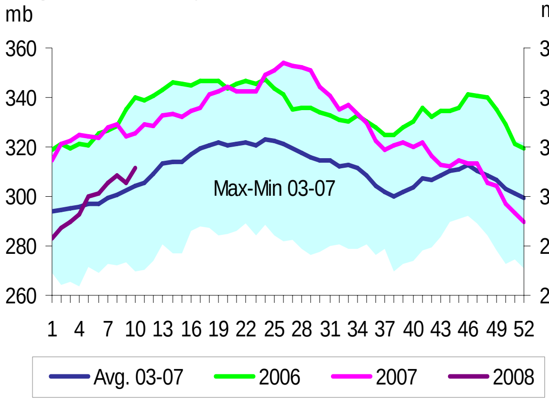
Stock Movements

US crude oil stocks continued to rise to stay within the seasonal range while gasoline stocks saw further gains to hit a 14-year high in February

USA

Despite a drop of around 4 mb in February, US commercial oil stocks remained comfortable at 977 mb, unchanged from the previous year, and well above the average of the previous five years. The drop of 4 mb, which is marginal compared with the draw of 58 mb witnessed a year ago, resulted from an increase of around 6 mb in crude oil and a drop of 10 mb in products as maintenance continued to push down refinery runs in February.

Graph 31: US Weekly Commercial Crude Oil Stocks



Crude oil commercial stocks added a further 6.4 mb, bringing the total build since the beginning of the year to more than 20 mb. Crude oil stocks reversed the downward trend displayed during the second half of 2007 and began increasing at the beginning of the year before dropping for the first time in the last week of February (*see **Graph 31***). At 306.3 mb, US commercial crude oil inventories moved back above the five- year average and in terms of days of forward cover are at 21.3 days, half a day above the average.

Product stocks followed their seasonal trend, falling 10 mb but remaining very comfortable even above the level of the corresponding month of the previous year due to gasoline stocks, which hit a 14-year high of 234 mb following 17 consecutive weeks of increase (*see **Graph 32***). The surge in gasoline stocks translated into an improvement in days of forward cover, which now corresponds to around 26 days, almost 2 days or 7% above the average. In contrast to gasoline, distillate stocks fell for the third consecutive month to stand at 117.5 mb but remained within the upper end of the five-year range, corresponding to almost 27 days of forward cover, implying more than half a day above the average and a year ago. The decline of 9.6 mb was shared by heating oil and diesel inventories. Residual fuel oil stocks remained stable at around 37 mb, while jet fuel stocks fell 1.9 mb, offsetting the build of the previous month, to stand at 39.3 mb, the lowest level in a year.

Graph 32: US Weekly Gasoline Stocks

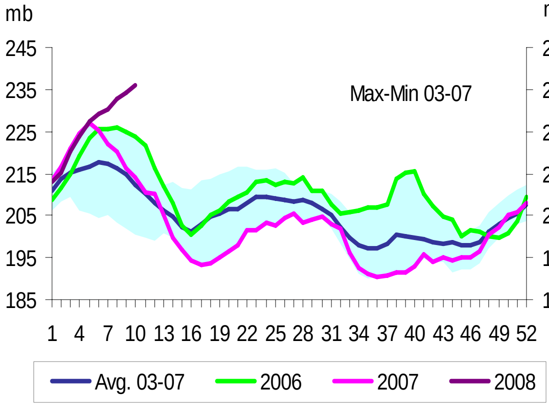


Table 26: US onland commercial petroleum stocks, mb

	Dec 07	Jan 08	Feb 08	Change Feb 08 /Jan 08	Feb 07	07 Mar 08 *
Crude oil	285.9	300.0	306.3	6.3	318.0	311.6
Gasoline	215.1	227.5	234.3	6.8	215.0	236.0
Distillate fuel	133.5	127.1	117.5	-9.6	123.2	116.4
Residual fuel oil	38.6	36.5	36.5	0.0	35.9	36.6
Jet fuel	39.5	41.2	39.3	-1.9	38.7	38.9
Total	**964.7**	**980.8**	**977.1**	**-3.7**	**976.9**	**982.7**
SPR	696.9	698.3	698.7	0.4	688.6	698.8

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

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

The Strategic Petroleum Reserve (SPR) continued to rise for the seventh consecutive month. With a build of 0.4 mb in February, the SPR is close to its all-time high of 700 mb, reached before hurricanes Katrina and Rita in August 2005. However, the SPR is likely to set new records if the US government continues to fill stocks as planned with 70,000 b/d in the first half of 2008 to reach the objective of 727 mb as required by the 2005 Energy Policy Act. Nevertheless, criticisms continue to be raised against the plan and a proposal initiated by Democrats to stop filling stocks at current crude oil price levels is gaining popularity within the Senate.

The latest data show that US commercial stocks increased further in early March with crude oil jumping 6.2 mb to 311.6 mb in the week-ending 7 March, implying a surplus of 8 mb above the five-year average. The gains were mainly due to strong imports. Increased imports also helped gasoline stocks to build 1.7 mb, the eighteenth increase in a row, to hit 236 mb, a 14-year high, which left stocks very comfortable at 24 mb or 11% over the five-year average. In contrast, distillate inventories, due to strong demand for heating oil amid cold weather, dropped 1.2 mb to 116.4 mb but remained comfortable within the upper end of the five-year range. Consequently, total US commercial stocks stood at 983 mb, a gain of 1 mb over a year earlier but displayed an overhang of 34 mb from the average of the previous five years.

Western Europe

EU-16 oil stocks declined in February but remained within the upper-end of the five-year range

EU-16 (EU-15 plus Norway) total oil stocks fell 12 mb or 1% in February, offsetting the build of the previous month, to stand at 1,116 mb, which corresponds to a drop of 57 mb from a year earlier. Nevertheless, compared to the previous five-year average, inventories showed a surplus of 7 mb

The decline was attributed to crude oil which fell more than 10 mb from its high January level, the sharpest decline since last June, to close the month at 471 mb, in line with the five-year average. The drop of 10 mb was in line with the seasonal trend over this period. Lower imports were the main reason behind the draw on crude oil inventories, and the cut of around 2 percentage points in the refinery utilization rate could not prevent stocks from falling.

Product stocks dropped nearly 2 mb on the back of lower production from refineries but jumped above the five-year average as the decline was small compared with the typical seasonal draw of around 14 mb. Within products, gasoline stocks reversed the previous month's losses, rising 0.8 mb to move back to 128.6 mb, the December level and the highest since last April. The small build of 27,000 b/d did not help gasoline stocks to move from a very low level and they continued to show a deficit of 11 mb from a year earlier and 19 mb or 13% from the five-year average. The drop in refinery runs did not affect distillate stocks as refiners maximized production amid healthy margins. Thus, distillate stocks remained almost unchanged at a comfortable level of 374 mb, implying a surplus over the five-year average of 21 mb or 6%. Residual fuel oil inventories fell 3 mb to 112 mb, down 3 mb from a year earlier, whereas naphtha stocks stayed at 29 mb, 1 mb higher than a year ago.

Table 27: Western Europe's oil stocks, mb

	Dec 07	Jan 08	Feb 08	Change Feb 08/Jan 08	Feb 07
Crude oil	471.7	481.4	471.2	-10.1	487.4
Mogas	128.8	127.8	128.6	0.8	139.4
Naphtha	29.9	29.0	29.0	0.0	28.0
Middle distillates	371.8	375.2	374.6	-0.5	403.0
Fuel oils	112.9	114.1	112.1	-2.0	114.9
Total products	643.4	646.1	644.3	-1.8	685.2
Total	**1,115.1**	**1,127.5**	**1,115.6**	**-11.9**	**1,172.5**

Source: Argus, Euroilstock.

Japan

Commercial oil inventories in Japan 3 mb below the five-year average, while preliminary February data indicate a hefty draw

Following a hefty draw of more than 8 mb in December, Japanese commercial oil stocks declined a minor 0.6 mb in January, the lowest decrease since March 2007. At 177.4 mb, the deficit with the average of the previous five years narrowed to just 3 mb or 2%. The marginal draw of 0.6 mb was the result of a combined build in crude oil and drop in products, due to a cut in refinery runs, an increase in crude oil imports and a decline in product imports.

Helped by the drop in refinery runs, commercial crude oil stocks recovered from the all time-low level in December and surged by almost 3 mb to stand at around 98 mb. This was the first time that crude oil stocks displayed a build in January since 2005. Nevertheless, despite this build, Japan's commercial crude oil stocks remained at the lower end of the five-year range.

In contrast and due to refinery cuts, the recovery in product stocks witnessed in December did not continue in January and stocks declined by 3.6 mb, the sharpest decrease in ten months, but remained comfortable. The drop in product inventories was driven by distillates and residual fuel, which fell by around 2 mb each to stand at 37 mb and 17.2 mb, respectively. Following the fifth consecutive draw, Japan's distillate stocks hit the lowest level since last August but remained within the upper end of the five-year range. Gasoline stocks continued their upward trend and built nearly 1 mb to stand at close to 13.8 mb, slightly below the five-year average. Regarding the comparison with the five-year average, as the level of gasoline stocks is small such as around 12 mb to 14 mb, even a small change could make a big difference with the average. An increase of 1 mb or a decline of the same amount could result in an overhang or a deficit with the five-year average.

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

	Nov 07	Dec 07	Jan 08	Change Jan 08/Dec 07	Jan 07
Crude oil	104.1	94.9	97.8	2.9	110.0
Gasoline	11.9	12.9	13.8	0.9	15.1
Naphtha	12.4	12.1	11.4	-0.6	9.9
Middle distillates	39.8	38.8	37.0	-1.8	44.4
Residual fuel oil	18.1	19.4	17.2	-2.1	20.9
Total products	82.2	83.1	79.6	-3.6	90.3
Total**	**186.3**	**178.0**	**177.4**	**-0.6**	**200.3**

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

Preliminary data show that both crude oil and product inventories declined in February. Crude oil stocks fell around 4 mb to return to their all-time low whereas distillates lost more than 8 mb to stand below 30 mb for the first time since May 2007. However, products such as gasoline, residual fuel and naphtha remained stable.

Balance of Supply and Demand

Demand for OPEC crude in 2007 increased by 292 tb/d to 31.9 mb/d

Estimate for 2007

The demand for OPEC crude in 2007 is estimated to average 31.91 mb/d, an increase of 292 tb/d over the previous year. On a quarterly basis, demand for OPEC crude averaged 31.84 mb/d, 30.82 mb/d, 32.13 mb/d and 32.86 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.58**	**85.87**	**84.65**	**85.53**	**87.02**	**85.77**
Non-OPEC Supply	48.89	49.82	49.48	49.00	49.53	49.46
OPEC NGLs and non-conventionals	4.06	4.22	4.35	4.40	4.62	4.40
(b) Total Supply excluding OPEC Crude	**52.95**	**54.03**	**53.83**	**53.40**	**54.15**	**53.85**
Difference (a-b)	**31.62**	**31.84**	**30.82**	**32.13**	**32.86**	**31.91**
OPEC crude oil production (1)	31.43	30.48	30.61	31.04	31.73	30.97
Balance	-0.19	-1.35	-0.21	-1.08	-1.14	-0.95

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

Demand for OPEC crude in 2008 expected to decline by 236 tb/d to 31.7 mb/d

Forecast for 2008

In 2008, the demand for OPEC crude is expected to average 31.68 mb/d, a decline of 236 tb/d compared with the 2007 figure. On a quarterly basis, demand for OPEC crude is expected to average 32.19 mb/d, 30.83 mb/d, 31.57 mb/d and 32.13 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.77**	**87.17**	**85.63**	**86.57**	**88.52**	**86.97**
Non-OPEC Supply	49.46	50.26	49.96	50.03	51.22	50.37
OPEC NGLs and non-conventionals	4.40	4.73	4.85	4.97	5.17	4.93
(b) Total Supply excluding OPEC Crude	**53.85**	**54.99**	**54.80**	**55.00**	**56.38**	**55.30**
Difference (a-b)	**31.91**	**32.19**	**30.83**	**31.57**	**32.13**	**31.68**

Graph 33: Balance of supply and demand

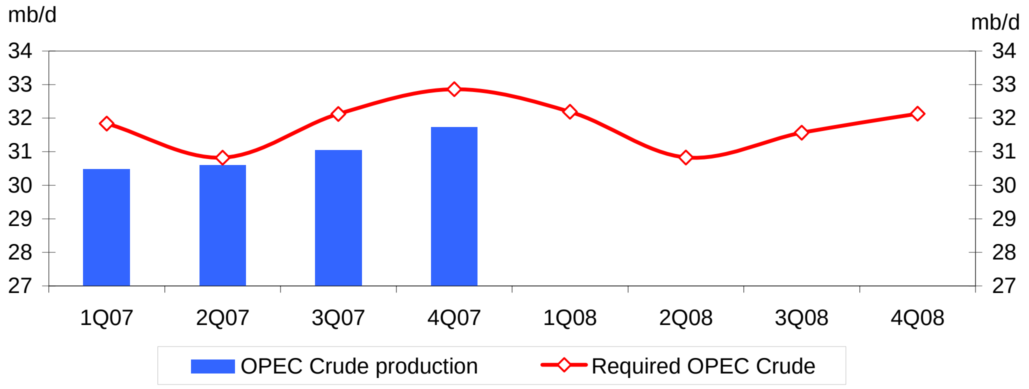


Table 31: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	49.9	49.1	50.0	48.2	48.6	50.3	49.3
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.5	25.8	25.6	25.6	25.9	25.7
Western Europe	15.4	15.5	15.6	15.6	15.2	15.0	15.4	15.6	15.3	15.3	14.9	15.3	15.8	15.3
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.7	8.3	8.9	7.7	7.7	8.7	8.2
DCs	20.6	21.8	22.5	23.3	23.8	24.1	24.2	24.5	24.1	24.5	24.6	24.8	25.1	24.7
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.6	84.6	85.9	84.6	85.5	87.0	85.8	87.2	85.6	86.6	88.5	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	19.8	20.1	20.1	20.2	19.6	19.4	20.3	19.9
North America	14.6	14.6	14.1	14.2	14.4	14.4	14.2	14.2	14.3	14.3	14.0	14.1	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.2	5.2	5.2	4.9	4.5	4.8	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.8
DCs	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.0	11.0	11.4	11.5	11.7	11.8	11.6
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.8	12.9	12.9	13.1	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.5	49.5	50.3	50.0	50.0	51.2	50.4
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.4	52.5	52.6	53.0	54.0	53.8	53.4	54.2	53.9	55.0	54.8	55.0	56.4	55.3
OPEC crude oil production (secondary sources)	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0					
Total supply	79.7	83.1	84.2	84.4	84.5	84.4	84.4	85.9	84.8					
Balance (stock change and miscellaneous)	0.3	0.7	0.6	-0.2	-1.4	-0.2	-1.1	-1.1	-0.9					
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2679	2603	2675	2669	2585						
SPR	1411	1450	1487	1499	1507	1509	1523	1526						
Total	3928	3998	4083	4177	4110	4183	4192	4111						
Oil-on-water	882	905	958	910	912	909	930	940						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	55	54	55	53	52						
SPR	29	29	30	30	31	31	30	31						
Total	80	80	83	85	85	86	84	82						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.8	9.1	8.9	8.8	8.9
(a) - (b)	27.9	29.8	31.1	31.6	31.8	30.8	32.1	32.9	31.9	32.2	30.8	31.6	32.1	31.7

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

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

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-	-0.21	-	-0.15	-	-	-0.21	-0.10
North America	-	-	-	-	-	-	-	-0.06	-	-0.15	-	-	-0.06	-0.06
Western Europe	-	-	-	-	-	-	-	-0.10	-	-	-	-	-0.10	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	0.09	-	0.13	-	-	0.09	0.08
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.06	-	-0.11	-	-	-	-	-0.11	-
World demand growth	*-*	*-*	*-*	*-*	*0.03*	*0.06*	*0.03*	*-0.11*	*-*	*-0.05*	*-0.03*	*-*	*-*	*-0.02*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-0.07	-0.11	-0.10	-0.09	-0.09
North America	-	-	-	-	-	-	-	-	-	-0.07	-0.07	-0.06	-	-0.07
Western Europe	-	-	-	-	-	-	-	0.06	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.08	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-0.13	-0.16	-0.15	-0.21	-0.16
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*0.01*	*-0.02*	*0.02*	*-*	*-*	*-0.14*	*-0.13*	*-0.17*	*-0.20*	*-0.16*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-0.13	-0.16	-0.15	-0.21	-0.16
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.09	-	0.10	-					
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	8	30						
SPR	-	-	-	-	-	-	-	6						
Total	-	-	-	-	-	-	8	35						
Oil-on-water	-	-	-	-	-	-	-	-						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	1						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	1						
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-0.08	-
(a) - (b)	-	-	-	-	-	0.09	-	-0.10	-	0.12	0.19	0.19	0.10	0.15

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

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

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Closing stock levels *mb*																						
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,679	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,658	2,767	2,679	2,603	2,675	2,669	2,585
North America	1,262	1,175	1,161	1,193	1,257	1,275	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,275	1,233	1,294	1,295	1,232
Western Europe	925	895	922	924	945	975	919	933	945	924	952	925	952	945	949	945	958	975	953	954	946	948
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	426	429	405
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,509	1,523	1,526
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695	699
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415	425	423
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	401	401	403	404
OECD total	3,918	3,825	3,928	3,998	4,083	4,177	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,084	4,151	4,262	4,177	4,110	4,183	4,192	4,111
Oil-on-water	830	815	882	905	958	910	906	891	894	905	934	931	926	958	962	968	966	910	912	909	930	940
Days of forward consumption in OECD																						
OECD onland commercial	55	51	51	51	53	55	51	52	51	50	52	53	53	52	54	54	56	54	54	55	53	52
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51	51	48
Western Europe	60	58	60	59	60	64	61	60	59	59	62	59	60	59	62	61	61	64	64	62	60	62
OECD Pacific	52	47	51	50	47	52	51	52	49	45	48	53	49	43	52	55	53	49	53	55	49	46
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	29	31	30	30	30	31	31	30	31
North America	23	25	25	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	25	24	23	24	25	26	26	25	27	26	26	27	28	27	27	28
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	51	46	46
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	86	84	85	86	84	82

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

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.41	7.53	7.50	0.14	7.61	7.56	7.58	7.82	7.65	0.15
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.34	3.20	0.17	3.34	3.24	3.36	3.39	3.33	0.14	3.39	3.28	3.30	3.43	3.35	0.02
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.33	3.19	3.21	3.32	3.26	-0.23
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.25	14.24	0.11	14.38	14.41	14.22	14.25	14.31	0.07	14.33	14.04	14.09	14.57	14.26	-0.06
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.60	2.44	2.30	2.49	2.46	-0.10
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.80	1.75	1.47	1.66	1.67	-0.04	1.57	1.45	1.28	1.34	1.41	-0.26
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.30	0.30	0.28	0.30	0.29	-0.02
Other Western Europe	0.48	0.52	0.53	0.01	0.55	0.56	0.55	0.57	0.56	0.03	0.69	0.70	0.69	0.68	0.69	0.13	0.69	0.69	0.69	0.69	0.69	0.00
Western Europe	6.44	6.20	5.76	-0.44	5.73	5.34	5.09	5.39	5.39	-0.38	5.52	5.21	4.96	5.22	5.23	-0.16	5.17	4.89	4.55	4.83	4.86	-0.37
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.54	0.52	0.53	0.02	0.55	0.58	0.65	0.73	0.63	0.10
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.10	0.08	0.02	0.12	0.13	0.15	0.15	0.14	0.06
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.63	0.63	0.61	0.05	0.67	0.71	0.80	0.88	0.77	0.16
Total OECD	21.70	21.33	20.48	-0.86	20.47	20.07	19.98	20.25	20.19	-0.29	20.47	20.23	19.80	20.09	20.15	-0.04	20.18	19.64	19.44	20.27	19.88	-0.27
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.18	0.17	0.17	0.18	-0.04	0.17	0.17	0.17	0.17	0.17	-0.01
India	0.79	0.79	0.76	-0.03	0.79	0.80	0.77	0.82	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.84	0.85	0.84	0.84	0.02
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.74	0.76	0.78	0.76	0.00	0.79	0.78	0.81	0.85	0.81	0.05
Thailand	0.26	0.25	0.30	0.04	0.32	0.33	0.32	0.31	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.01	0.35	0.35	0.35	0.35	0.35	0.01
Vietnam	0.38	0.42	0.39	-0.03	0.39	0.37	0.36	0.36	0.37	-0.02	0.36	0.34	0.34	0.36	0.35	-0.02	0.36	0.35	0.40	0.46	0.39	0.04
Asia others	0.15	0.18	0.26	0.07	0.27	0.26	0.26	0.26	0.26	0.01	0.27	0.27	0.27	0.27	0.27	0.00	0.28	0.30	0.30	0.30	0.29	0.02
Other Asia	2.56	2.66	2.68	0.02	2.77	2.68	2.70	2.75	2.72	0.04	2.72	2.68	2.69	2.73	2.71	-0.02	2.78	2.79	2.87	2.96	2.85	0.14
Argentina	0.84	0.80	0.78	-0.02	0.76	0.78	0.78	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.76	0.75	0.74	0.73	0.74	-0.02
Brazil	1.80	1.79	1.99	0.20	2.06	2.08	2.10	2.15	2.10	0.11	2.16	2.15	2.16	2.14	2.15	0.05	2.36	2.46	2.58	2.62	2.50	0.35
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.53	0.54	0.54	0.53	0.00	0.54	0.54	0.54	0.54	0.54	0.01
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.17	0.18	0.00	0.16	0.16	0.16	0.17	0.16	-0.02	0.17	0.17	0.17	0.17	0.17	0.00
L. America others	0.24	0.26	0.30	0.04	0.26	0.26	0.27	0.26	0.26	-0.03	0.26	0.27	0.27	0.27	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01
Latin America	3.59	3.54	3.78	0.23	3.81	3.85	3.87	3.88	3.86	0.08	3.88	3.88	3.88	3.87	3.88	0.02	4.10	4.19	4.31	4.33	4.23	0.35
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.73	0.72	0.71	0.71	0.72	-0.03	0.73	0.75	0.77	0.79	0.76	0.05
Syria	0.53	0.49	0.45	-0.04	0.43	0.43	0.42	0.41	0.42	-0.03	0.41	0.40	0.39	0.38	0.39	-0.03	0.38	0.37	0.37	0.37	0.37	-0.02
Yemen	0.45	0.42	0.42	0.00	0.40	0.39	0.38	0.36	0.38	-0.03	0.36	0.36	0.38	0.38	0.37	-0.01	0.37	0.37	0.36	0.35	0.36	-0.01
Middle East	2.01	1.91	1.86	-0.05	1.81	1.77	1.74	1.72	1.76	-0.10	1.70	1.69	1.69	1.68	1.69	-0.07	1.69	1.70	1.71	1.72	1.70	0.02
Chad	0.02	0.16	0.18	0.02	0.16	0.15	0.16	0.16	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.13	-0.02
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.27	0.29	0.27	0.03
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.66	0.65	0.64	0.65	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.36	0.36	0.36	0.35	0.36	0.00	0.37	0.38	0.37	0.38	0.37	0.02	0.39	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.26	0.26	0.26	0.01
South Africa	0.17	0.20	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.50	0.50	0.48	0.51	0.50	0.09	0.55	0.54	0.53	0.53	0.54	0.04
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.34	0.39	0.35	0.03	0.40	0.40	0.41	0.41	0.41	0.05
Africa	2.16	2.40	2.51	0.11	2.56	2.58	2.58	2.68	2.60	0.09	2.69	2.67	2.65	2.74	2.69	0.09	2.81	2.81	2.80	2.81	2.81	0.12
Total DCs	10.32	10.52	10.83	0.31	10.95	10.88	10.89	11.02	10.94	0.11	10.99	10.91	10.90	11.03	10.96	0.02	11.38	11.49	11.69	11.82	11.60	0.64
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.51	12.44	12.50	12.59	12.51	0.49	12.77	12.85	12.92	13.13	12.92	0.41
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.86	9.86	0.21	9.92	9.95	9.99	10.06	9.98	0.12
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.41	1.50	1.44	0.09
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	1.00	1.03	1.08	1.13	1.06	0.20
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.44	0.42	0.45	0.44	0.44	0.02	0.43	0.43	0.43	0.43	0.43	-0.01
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.84	3.89	3.89	3.90	3.88	0.11
Non-OPEC production	45.89	46.67	46.65	-0.01	46.95	46.79	46.85	47.38	46.99	0.34	47.90	47.56	47.08	47.60	47.53	0.54	48.31	48.02	48.09	49.27	48.42	0.89
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	47.69	48.50	48.51	0.02	48.87	48.68	48.72	49.30	48.89	0.38	49.82	49.48	49.00	49.53	49.46	0.56	50.26	49.96	50.03	51.22	50.37	0.91
OPEC NGL	3.58	3.86	3.93	0.07	3.85	3.92	4.01	3.90	3.92	-0.01	4.13	4.26	4.31	4.52	4.31	0.39	4.62	4.74	4.86	5.06	4.82	0.52
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.10	0.09	-0.05	0.10	0.10	0.10	0.10	0.10	0.02
OPEC (NGL+NCF)	3.72	4.03	4.08	0.06	3.98	4.05	4.16	4.06	4.06	-0.02	4.22	4.35	4.40	4.62	4.40	0.34	4.73	4.85	4.97	5.17	4.93	0.53
Non-OPEC & OPEC (NGL+NCF)	51.40	52.52	52.60	0.07	52.85	52.72	52.88	53.36	52.95	0.36	54.03	53.83	53.40	54.15	53.85	0.90	54.99	54.80	55.00	56.38	55.30	1.44

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

Table 35: World Rig Count

	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	Jan 08	Feb 08	Change Feb/Jan
USA	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,749	1,765	16
Canada	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	494	620	126
Mexico	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	97	94	-3
North America	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,340	2,479	139
Norway	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	17	11	-6
UK	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	29	27	22	26	2	20	16	-4
Western Europe	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	78	76	73	75	2	72	60	-12
OECD Pacific	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	30	32	30	29	2	33	31	-2
Total OECD	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,445	2,570	125
Other Asia	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	157	151	150	154	1	154	147	-7
Latin America	107	116	9	123	126	130	138	129	13	137	151	153	153	149	20	183	178	173	181	178	29	180	189	9
Middle East	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	85	87	86	85	5	90	89	-1
Africa	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	80	88	88	83	16	88	84	-4
Total DCs	337	363	26	381	393	400	418	397	34	421	442	459	472	449	52	510	510	509	515	511	62	519	509	-10
Non-OPEC Rig Count	1,931	2,120	189	2,477	2,180	2,549	2,654	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	2,977	3,099	122
Algeria	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	26	28	28	27	3	27	22	-5
Angola	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	4	3	5	4	0	5	6	1
Ecuador	9	10	1	10	12	11	13	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	7	0
Indonesia	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	56	60	64	57	8	64	67	3
Iran	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	48	51	3
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	5	12	13	11	14	12	2	12	13	14	15	14	2	14	13	13	11	12	-2	12	11	-1
Libya	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	14	14	0
Nigeria	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	11	6	-5
Qatar	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	11	0
Saudi Arabia	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	76	78	77	77	12	77	79	2
UAE	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	13	12	-1
Venezuela	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	81	83	2
OPEC Rig Count	231	262	31	284	296	289	304	291	29	325	324	352	355	339	48	354	362	371	368	362	23	370	369	-1
Worldwid Rig Count*	2,162	2,382	220	2,761	2,476	2,838	2,958	2,756	374	3,119	2,873	3,202	3,161	3,090	334	3,304	2,955	3,213	3,218	3,170	80	3,347	3,468	121
of which:																								
Oil	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,309	1,432	123
Gas	1,326	1,486	160	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,906	1,910	-49	1,987	2,010	23
Others	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	51	26	-25

As of this issue Ecuador is included in "OPEC Rig Count".

\/Excludes China and FSU.

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Contributors to the *OPEC Monthly Oil Market Report*

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

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

Analysts

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

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

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

Data Summary March 2008

OPEC Basket average price

US$ per barrel

up 2.29 in February

February 2008	***90.64***
January 2008	*88.35*
Year-to-date	*89.47*

February OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.41*	*SP Libyan AJ*	*1.74*
Angola	*1.89*	*Nigeria*	*2.06*
Ecuador	*0.50*	*Qatar*	*0.84*
Indonesia	*0.87*	*Saudi Arabia*	*9.06*
IR Iran	*3.87*	*UAE*	*2.58*
Iraq	*2.33*	*Venezuela*	*2.39*
Kuwait	*2.55*	***TOTAL***	***32.09***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.8*	*World demand*	*87.0*
Non-OPEC supply	*53.9*	*Non-OPEC supply*	*55.3*
Difference	***31.9***	***Difference***	***31.7***

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

Stocks

OECD commercial oil stocks surged almost 33 mb in January to 2,617 mb, which corresponds to 48 mb above the five-year average. US commercial inventories at 977 mb remained comfortable at end-February, with gasoline stocks hitting a 14-year high of 234 mb.

World economy

World GDP for 2007 revised up to 5.4% but unchanged at 4.6% for 2008.

Issued 14 March 2008.
Next report to be issued on 15 April 2008.
Data cover period up to the end of February 2008 unless otherwise stated.