OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

From Doha to Abuja: The world oil market searching for balance

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

- For the second successive month estimates of Euro-zone GDP growth for 2006 have been revised up following reports of stronger economic activity. This year the GDP of the Euro-zone is expected to grow by 2.4%. In contrast the estimate for the USA has been reduced to 3.3% as a result of weakness in the housing sector and some manufacturing industries. The estimate for Japan has also been reduced by 0.3% to 2.5% as stagnant consumer spending has clearly depressed economic performance in the third quarter. Although economic growth in China fell slightly in the third quarter to 10.4% as a result of a deceleration in investment spending, exports continue to expand very strongly and the estimate for GDP growth in 2006 has been raised to 10.4%. Expectations for some Developing Countries, particularly in Latin America, have also improved. On balance these revisions have raised the estimate for world economic growth this year to 5.1% from 5%.
- The prospects for 2007 are not so favourable and all regions are expected to see lower growth. In the United States, the weakness in the housing sector may affect consumer spending as households rebuild savings. Moreover the Federal Reserve may need to maintain a restrictive policy if rising labour costs and slower productivity growth combine to put upward pressure on inflation in a climate of shrinking spare capacity. US GDP is forecast to grow by only 2.6% next year. European growth will suffer from any downturn in the USA; moreover domestic spending is expected to face headwinds from tighter monetary and fiscal policies. Growth is forecast to fall to 1.6% in the Euro-zone. Japan may perform better at 1.9%, sustained by the improving performance of the corporate sector. Growth in Developing Countries is expected to be lower in 2007, falling to 5.5% and China may also see modest deceleration to 9.2%. The forecast growth rate for the world economy in 2007 is unchanged from last month at 4.4%.
- Ample global supplies and calmer geopolitical trends caused oil prices to fall sharply in October. However, the prospects of lower sour crude supply helped price differentials to firm amid opening arbitrage opportunities for western crudes into Asia. The OPEC Reference Basket plunged by 7.4% or $4.37 to settle at $54.97/b for October, the lowest monthly average so far this year. In the first two weeks of November, prices stablized following the OPEC decision in Doha to cut output. Downstream problems in the USA and upstream concerns in Nigeria and the Middle East also supported prices. The OPEC Basket stood at $55.19/b on 14 November.
- A combination of the refinery maintenance schedule with product stock-draws over the last few weeks has softened the bearish sentiment of the product markets but failed to lift refinery margins in Europe and Asia. Upon completion of the maintenance schedule in the Atlantic Basin and with uncertainty about winter weather conditions as well as distillate demand level, the current soft sentiment of the product markets is not expected to shift significantly over the next few weeks and products are not expected to take the driver's seat. This bearish view not only pervades the physical market, but can also be seen in the futures market, which has resulted in lower net-long positions of non-commercial players in the heating oil futures over the last few weeks. Despite this bearish view, there is still a chance that a very prolonged cold snap in the Atlantic Basin might support crude and product prices.
- OPEC spot fixtures increased by 0.6 mb/d to average 12.8 mb/d in October, the first increase after three months of decline, partially due to an increase in production from non-Middle East OPEC members. Compared with a year earlier, OPEC spot fixtures fell by 1.8 mb/d. VLCC market weakened on the Middle East/East and Westbound routes to average WS85 and WS77 respectively, mainly due to ample tonnage availability. The Suezmax sector remained strong with West Africa/US Gulf route averaging WS156, in line with the five-year average for the month. Clean tanker freight rates continued to fall, while rates for clean vessels moving from Singapore to the East experienced the largest decline at around 33% to average WS221.
- World oil demand for 2006 is expected to average 84.3 mb/d, representing growth of 1.0 mb/d or 1.2%, broadly unchanged from the last *MOMR*. US oil demand has finally begun to pick up, tracking the normal fourth-quarter upward cycle. Other OECD countries are following suit with a slight increase in oil demand growth in October. Assuming normal winter temperatures, this increased consumption is expected to continue until the end of the year. Other Asia economic growth is expected to be stronger for the rest of 2006, which is anticipated to strengthen oil demand growth. The Middle East is maintains its strong momentum for oil consumption to record the second-largest growth in world oil demand this year. In China, oil demand is exceeding expectations in the second half of 2006, resulting in an upward revision of 40,000 barrels to show a growth of 0.57 mb/d for 2006. The world oil demand forecast for 2007 has been slightly increased to reflect the upward revision in China. As a result, world oil demand growth for next year is expected to grow at a moderate rate of 1.3 mb/d or 1.6%.
- Non-OPEC oil supply is expected to average 51.2 mb/d in 2006, representing an increase of 0.94 mb/d over 2005. September non-OPEC output is now assessed at 51.3 mb/d, down 0.4 mb/d from preliminary figures. Preliminary data for the month of October puts total non-OPEC supply at around 51.7 mb/d, representing a y-o-y change of 2.1 mb/d. OPEC crude production averaged 29.4 mb/d in October. In 2007, non-OPEC oil supply is expected to average 53 mb/d, representing an increase of 1.8 mb/d versus 2006 and broadly unchanged from last month. On a quarterly basis, it is expected to average 52.4 mb/d, 52.6 mb/d, 52.9 mb/d, and 54.1 mb/d in the first, second, third and fourth quarters, respectively. The growth estimate for Russia next year (0.19 mb/d), although reduced, may still turn out to be optimistic. In October, OPEC crude production averaged 29.4 mb/d, representing a drop of 0.16 mb/d from the previous month.

- OECD total net oil imports declined for the first time in 2006 to average 27.8 mb/d in October but still managed to display y-o-y growth of 3%. US net oil imports plunged to 11.8 mb/d, after dropping 950,000 b/d as a result of high stocks, weaker demand and the lower refining utilization rate. Japan’s net oil imports fell 84,000 b/d to 4.2 mb/d, offsetting the increase displayed in September. China’s crude oil imports surged a further 500,000 b/d to hit an all-time high of nearly 3.3 mb/d in September, driven by strong demand, reported stockpiling of the SPR and the start-up of a new refinery while product imports retreated by around 50,000 b/d to 1.0 mb/d. Again India’s net oil imports remained stable at around 2.0 mb/d.
- US total commercial inventories witnessed a 25 mb draw in October compared to the previous month to stand at 1,063.7 mb. The loss was solely due to declines in product inventories as crude oil stocks rose. Despite the loss, total commercial inventories remain at comfortable levels against the year-ago level and the five-year average. In the Eur-16 (EU plus Norway), total commercial oil stocks edged down by 7.2 mb to 1,138.9 mb and now stand 1.4% below a year earlier but still 6.8% higher than the five-year average. Japanese total commercial crude oil stocks experienced a build of 7.5 mb to 194.3 mb in September from the previous month, owing to an expansion in product inventories and crude oil.
- The estimated demand for OPEC crude in 2006 is expected to average 28.8 mb/d. On a quarterly basis, the new estimate shows that demand for OPEC crude is expected at 28.4 mb/d in the third quarter and 28.9 mb/d in the fourth. In 2007, the forecast demand for OPEC crude is expected to average 28.1 mb/d, representing a decline of 0.7 mb/d versus 2006. On a quarterly basis, demand for OPEC crude is expected at 29.3 mb/d in the first, 27.1 mb/d in the second, 27.8 mb/d in the third and 28.4 mb/d in the fourth quarter.

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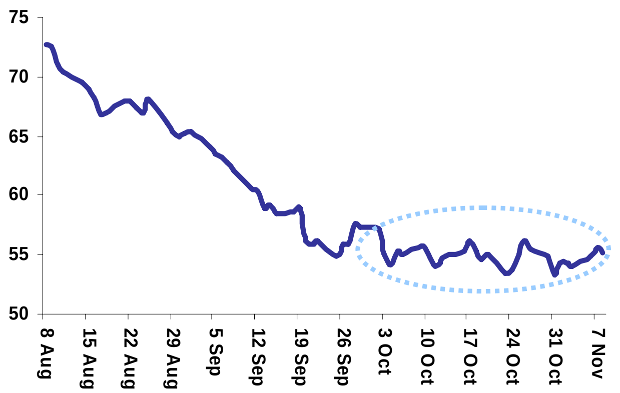
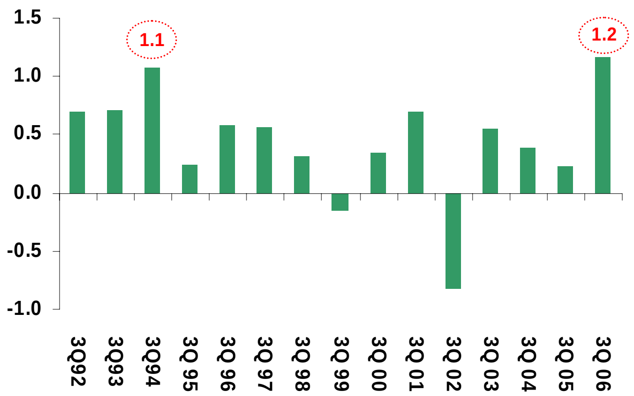
- The OPEC Ministerial decision to cut production levels by 1.2 mb/d effective 1 November 2006 appears to have largely achieved its purpose of stabilizing markets and arresting the sharp fall in oil prices seen the last few months. Prior to the Ministerial Meeting, OPEC Reference Basket had plunged 27% from a peak of $72.68/b on 8 August to $53.37/b on 31 October. However, since then the Basket has fluctuated within a narrow range of $53-56/b (*see **Graph 1***). Although the Basket price seems to have somewhat stabilized, the recent sharp fall in prices may indicate the end of the steady bullish phase that has characterized the market since 2004. If so, then it would be important to get an indication of what this new transitional phase might entail. So far, this transitional period appears to be marked by a slowdown in global economic growth, downward revisions in oil demand growth, plentiful stocks and a surge in non-OPEC supply.
- Additionally, speculators continue to have an impact on the crude market in the period of falling prices. The behaviour of non-commercials may have contributed to somewhat exacerbating price trends, this time on the downside. However, although the fall in net long positions of non-commercials since August mirrored the drop in the prompt oil prices, open interest has remained undiminished, indicating unbroken flows of funds into oil futures markets.

Graph 1: OPEC Reference Basket stabilizing (US$/b)



Graph 2: OECD 3Q stock change (mb/d)



- As for market fundamentals, the most likely outcome for the world economy next year remains a moderate slowdown to a growth rate above 4%, but the growing uncertainties surrounding the US outlook mean that the possibility of a sharper downturn should not be overlooked. While the developing world continues to exhibit robust growth, in particular China – albeit with some signs of a possible soft-landing – the noticeable drop in third-quarter US growth highlights the risks surrounding the global short-term economic outlook. Recent US data indicates that the weakness in the US housing sector and in manufacturing may be spreading to the economy as a whole. The Japanese economy also slowed in the third quarter despite the strong performance of the corporate sector. Data from the European region has been more encouraging. However, it is unlikely that European consumers will be able to generate self-sustaining growth in the region, if the US and Japanese economies weaken in 2007.
- At the start of the winter season in the US Northeast, the fall in heating oil inventories in the last four weeks has triggered some concerns about the adequacy of these seasonally important stocks. However, a closer look at US data reveals that despite the consecutive draws on heating fuels, stocks remain 15% higher than a year ago and 10% above the average for the last five years. This recent drop in heating oil stocks can be attributed to a fall in production as well as imports, reflecting the typical refinery maintenance cycle at this time of year, rather than an indication of any shortage in crude supplies. Indeed, US crude stocks have continued to rise and are presently 11% higher than five-year average and 4% above last year's level. Similarly, global inventories are plentiful as shown by OECD total commercial stocks at the end of September, which were 29 mb above the previous month and 6% higher than the average of the last five years. This translates into 55 days of forward cover, two days more than last year when stocks were generally considered by the industry to be more than adequate. Moreover, OECD commercial stocks levels are currently the highest since November 1998, with the stock-build averaging 1.2 mb/d, the biggest 3Q increase since 1991 (*see **Graph 2***). As the OPEC cuts begin to take effect, some fall in crude inventories is bound to be observed, however, it should not strongly impact the overall healthy picture.
- On the demand side, the wide range of forecasts for 2007, generally between 1.1 mb/d to 1.6 mb/d, is indicative of the uncertainty surrounding the outlook for the rest of this year and next, with OPEC estimating a 1.3 mb/d increase in 2007. This mirrors both the ambiguous global economic prospects as well as the dynamics of oil demand growth in developing countries. On the supply side, the net outlook remains exceptionally bullish next year despite widespread revisions to non-OPEC supply, with an expected increase of 1.8 mb/d for non-OPEC supply, unchanged from last month. This indicates a drop in the demand for OPEC oil in 2007 of around 0.7 mb/d, an imbalance which the OPEC decision at Doha was aimed at redressing.
- Looking forward, if OPEC-10 were to continue producing at the agreed level with Iraq output at around 2 mb/d, this would lead to a build of up to 1.4 mb/d in the second quarter of 2007, compared to a typical build of 1.1 mb/d. This continuation of above-average stock levels may point to a further imbalance in supply/demand fundamentals. Incoming data will provide further indications of market trends in the coming weeks and serve as key inputs for discussions at the upcoming Meeting of the Conference scheduled for 14th December in Abuja.

Doha, Qatar **20 October 2006**

Consultative Meeting of the OPEC Conference

A Consultative Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Doha, Qatar, on 19th and 20th October 2006, under the Chairmanship of the Alternate President of the Conference, HE Mohammed Bin Dhaen Al-Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference extended a warm welcome to HE Sheikh Ali Al-Jarrah Al-Sabah, Head of the Delegation of the State of Kuwait, who was attending a Meeting of the Conference for the first time since his appointment as Minister of Energy.

Having reflected on the oil market situation, in particular forecasts for the fourth quarter 2006 and the year 2007, the Conference observed that actions taken by OPEC in recent years have contributed to stability in the oil market, to the benefit of producers and consumers alike, and have demonstrated OPEC's success in assuring adequate supplies to consumers. Heads of Delegation noted with concern, however, that crude oil supplies are well in excess of actual demand, as the above-average level of crude stocks in OECD countries demonstrates, and that the over-supply situation and imbalance in supply/demand fundamentals have destabilized the market.

In the light of the foregoing, and in order to ensure market stability, the Conference decided to reduce production by an amount of 1.2 mb/d, from current production of about 27.5 mb/d, to 26.3 mb/d, effective 1st November 2006. This interim arrangement will be reviewed at the Extraordinary Meeting of the Conference scheduled to convene in Abuja, Federal Republic of Nigeria, on 14th December 2006. In the interim, the Conference requested the Secretariat to continue closely monitoring the market.

Heads of Delegation re-emphasized the Organization's unswerving and repeatedly-proven commitment to providing adequate supplies of petroleum to consuming nations. Member Countries reaffirmed their determination to continue investments in capacity expansion, as well as their commitment to stabilize the market.

The Conference expressed its sincere gratitude to the Government of the State of Qatar and the authorities of the City of Doha for their warm hospitality and the excellent arrangements made for the Meeting.

Below are the figures agreed for the production cuts of OPEC Member Countries (with the exception of Iraq), effective as of 1 November 2006:

	Decrease (b/d)
Algeria	**59,000**
Indonesia	**39,000**
I. R. Iran	**176,000**
Kuwait	**100,000**
Libya	**72,000**
Nigeria	**100,000**
Qatar	**35,000**
Saudi Arabia	**380,000**
UAE	**101,000**
Venezuela	**138,000**
Total	**1,200,000**

Highlights of the World Economy

Economic growth rates 2006-2007, %

	World	OECD	USA	Japan	Euro-zone
2006	5.1	3.0	3.3	2.5	2.4
2007	4.4	2.4	2.6	1.9	1.6

Industrialised countries

United States of America

Housing and manufacturing remain under pressure. Lower productivity growth may foreshadow higher inflation

Third quarter data confirmed that the slump in US residential construction had a marked impact on the economy as GDP grew by only 1.6%. The composition of growth featured higher consumer spending and business investment but steady expansion in these categories was unable to outweigh a 17% drop in residential investment and a negative contribution from net exports. The mix of growth, with inventories higher than expected, suggests that fourth quarter growth may struggle to exceed 2%. However, the economy shows divergent trends. Housing, related manufacturing industries and autos are weak whilst employment data indicates that most sectors of the US economy continue to grow at satisfactory rates. Although October payrolls rose by only 92,000 there were large upward revisions to the data for September and August. The payroll details were also supportive, with an up-tick in the average workweek, a hefty rise in average earnings and the number of hours worked. October also saw a fall in the rate of unemployment to 4.4%. There is no doubt that nominal incomes have been rising at a solid rate and these gains would normally justify an optimistic outlook for consumer spending – especially considering the recent gasoline-induced decline in inflation**. Nevertheless the recession in the housing industry is far from over and the spillover from this sector's decline could continue to be significant.** Lower housing activity is certain to impact related consumer durables industries but the major uncertainty is the effect on consumer wealth and savings behaviour. Whilst incomes are growing at a satisfactory rate it is not clear that consumers will be able **both** to maintain moderate spending gains **and** rebuild savings – especially if interest rates remain at current levels. In recent years US consumption growth has been far higher than the growth in real incomes. Debt levels have risen and households have relied on higher asset prices to compensate for lower savings out of income. **Next year consumer spending growth may not keep up with the growth in income.** An important indicator may be the forthcoming holiday selling season which will provide a gauge for US consumer confidence.

A negative consequence of the rather strong labour market is an upward trend in employment costs. In the third quarter the employment cost index rose by 3.3% over 2005 levels. Taken together with the sharp deceleration in labour productivity growth to 1.3% over the past year, this suggests that upside inflation risks cannot be ignored despite the recent moderation in both core and headline inflation rates. **If the housing-led weakness does not restrain the growth of the economy in the early months of 2007, the gap between potential and actual output will remain uncomfortably tight. In these circumstances the current level of the Federal Funds rate may not be sufficient to further moderate inflationary pressures.** The combination of any rise in growth back towards trend and a high inflation rate may translate into higher US interest rates by the end of the first quarter.

Trends in labour productivity are hard to distinguish from cyclical movements but it appears that the IT-related boost to productivity growth of the late 1990s came to an end by 2005. In order to avoid any further acceleration in unit labour costs becoming embedded in inflationary expectations next year, the Federal Reserve might have to depress growth sufficiently to create considerable spare capacity in the US economy. **Overall GDP growth is expected to be about 2% in the second half of this year, reducing the growth estimate for 2006 to 3.3%. In 2007 GDP growth is expected to fall further to 2.6% as lower growth of consumer spending, business investment and exports takes effect.**

Japan

Japanese companies face inventory adjustment, households remain cautious

The recent semiannual report of the Bank of Japan underlined that the corporate sector continued to make steady progress over the past six months whilst household spending has been weaker than expected. **Private consumption was particularly disappointing over the summer period and a decline in capital goods shipments suggests that investment growth also softened in the third quarter.** Industrial production rose by nearly 4% in the third quarter but survey evidence indicates deceleration towards the end of the year. The ratio of new orders to finished goods inventory fell again in October – probably reflecting the 7% increase in the inventories of the electronics sector. The likely fall in consumer spending in the third quarter means that GDP probably struggled to record any positive growth in this period. Export growth was substantial but public investment in construction fell sharply in July and August.

On balance, the economy is expected to rebound in the fourth quarter but the recovery may be subdued. The electronics sector tends to lead the manufacturing cycle in Japan and overall industrial production growth may not recover until customer holiday/New Year demand has reduced inventory levels. Export growth is also likely to moderate considering that new export orders in October declined, following an even sharper decline in September. There is no reason to expect higher wage growth in the final quarter as downward pressure on profit margins will encourage companies to control wage growth thus consumer spending may struggle to grow by more than 1%. **For the second half of this year the estimate for GDP growth has been reduced from 2.8% to 1.7%, taking the growth estimate for 2006 as a whole down to 2.5%.**

This moderation in the growth outlook and the weaker than expected outcome for inflation in September might be expected to deter the Bank of Japan from any rise in interest rates for the foreseeable future. However, the Bank has not made any significant changes to its outlook for 2007 and continues to be concerned by the possibility of overheating in business investment and an eventual tightening in the labour market. **In particular the Bank fears the inflationary consequences "if an expectation takes hold that interest rates will remain low for a long time regardless of economic activity and prices".** The Bank expects the rate of inflation in Japan to rise to 0.5% for the fiscal year 2007. On balance it seems that policymakers want to proceed with gradual policy tightening, perhaps starting in January or February 2007. **The yen has continued to be weak and this factor may encourage the Bank of Japan to act.** If Japanese interest rates remain very low next year and the yen remains depressed in relation to the US dollar this may impact other Asian currencies which may prefer not to appreciate against the yen. Weak Asian currencies in 2007 may inhibit moves to narrow trade imbalances between the US and Asia, aggravating political pressure for action on trade flows.

In any case, the size of any likely hike in rates will have little impact on the growth outlook for 2007. **The key factor remains the health of the global economy and the strength of demand for Japanese exports which will, in turn, support further growth of capital investment.** A solid level of corporate activity will also boost household income next year, overcoming the recent moderation in consumer spending. **GDP is expected to rise by 1.9% in 2007**. Such a performance would be slightly lower than the 2.2% growth recorded, on average, since the end of 2002 but would be in line with the long run potential of the Japanese economy.

Euro-zone

Euro-zone manufacturing sector growing steadily, consumer spending remains subdued

Preliminary indicators for the third quarter suggest that most of the strong momentum of the first half of this year continued into the second half. Business confidence is holding up in the Euro-zone in manufacturing, in contrast to the weakness in the US, but remains clearly lower in services and among consumers. In particular, the weakening stabilization of consumer sentiment in recent months suggests a moderate pace of spending in the fourth quarter despite the fall in energy costs. Non-auto retail sales appear to have weakened in September (based on German and French data) while car sales declined in the third quarter. The Euro-zone services Purchasing Managers Index fell in October – the fourth monthly contraction since the index peaked in June. Overseas and investment demand continue to strengthen, however, and manufacturing surveys for October were stronger than expected. Demand and production plans improved and the balance of inventories declined further. **The EU economic sentiment index for October jumped one point to 110.3, a new cycle high.** This survey evidence is consistent with a pace of growth that, while probably not as high as in the second quarter, would still be well above the performance of the region in 2004 and 2005. It is significant that the increase in the October Purchasing Manager Index for manufacturing was driven by gains in Italy, Spain and to a lesser extent France, suggesting that the current cyclical momentum is broadly based. The employment component of this index did not increase. This is consistent with solid productivity gains in the sector – a positive for corporate profits and investment, though less so for consumer demand.

At its November press conference the European Central Bank signaled its intention to raise official rates again in December (most probably to 3.5%) but left the outlook for 2007 entirely open. The emphasis was towards higher rates as the Bank stated that confirmation of its baseline scenario for economic growth and inflation would warrant further withdrawal of monetary accommodation. GDP growth next year is unlikely to exceed ECB projections of 2.1% while inflation may surprise the Bank on the downside. At present only persistent credit strength creates risks of higher interest rates in the first quarter of 2007. The ‘flash’ estimate of Euro-zone inflation fell to 1.6% in October, down from the 1.7% recorded in September and the core rate, which excludes food and energy costs, was also probably subdued. Unless there are unanticipated shocks, Euro-zone inflation will not rise significantly above 2% in early 2007 despite the VAT hike in Germany. The financial futures markets anticipate that the 3 month rate of interest will be 3.7% by December 2006 and 3.9% by March 2007 which should mark the end of the upward rate adjustment process. By mid-2007 a slower pace of growth should allow the Bank to abstain from much further tightening and the peak of official interest rates should be no higher than 3¾-4%.

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

Former Soviet Union

GDP accelerated in the second quarter. Investment spending is driving strong growth in construction

According to the Ministry of Economic Development and Trade, GDP grew by 7.4% year-on-year in the second quarter. For the first half of 2006 GDP rose by 6.5% driven by construction activity and retail and wholesale trade. Buoyant exports and a remarkable recovery in fixed investment have kept the economy growing strongly in the second half. **As a result of these trends, GDP is forecast to grow by 6.5% in 2006.** Industrial production growth fell slightly to 4.1% in September and the growth rate for the first nine months of 2006 was 4.2% in comparison to the 3.6% recorded in 2005. Construction output increased by 18% in September and growth in the output of the extractive sector showed a slight improvement, rising by 2.4% in the first nine months of the year. In September inflation fell to 9.4%, as a result of lower food prices and in response the Central Bank of Russia reduced its main policy interest rate by 0.5% to 11%. In the first eight months of 2006 the rouble has appreciated by 7.7% in real terms as very high earnings from oil and minerals exports boosted the currency. The strong performance of energy export revenues has worsened the inflationary situation in Russia as these revenues have enabled further fiscal loosening. The second reading of the 2007 Budget was given in October. Expenditures are projected at 28% higher than the 2006 budget and revenues are expected to rise by 31% although this increase depends on high estimates of VAT revenues.

Eastern Europe

Poland benefits from good growth in EU economies

Negotiations between the leading political parties in Poland enabled the Prime Minister to reinstate the previous coalition. Despite these political tensions the Polish economy continued to perform well in the third quarter. The rate of growth of GDP was probably above 5% as a result of solid internal and external demand. Strong wage and employment growth were behind a surge in private consumption which was also accompanied by robust growth in fixed investment spending. Net trade also contributed to GDP. Early indications for the fourth quarter suggest this momentum was maintained and the GDP estimate for 2006 has been raised to 5.2%. The good economic results and improved political background allowed the zloty to strengthen to above €/PLN 3.90.

Politics also dominated the headlines in Hungary although the government appears to have weathered the worst of the storms. The political uncertainties have had a negative impact on consumer and business confidence and GDP growth probably slowed in the third quarter. The increase in the rate of VAT in September boosted the inflation rate to 5.9% and further pressure on internal spending may follow the fiscal reforms. Exports continue to grow strongly, reflecting the overall recovery in economic activity in Europe this year. **Nevertheless tighter monetary conditions, fiscal adjustments and lower exports to the Euro-zone are expected to lead to much slower growth in 2007. The Czech economy grew by 6.6% in the first half of the year.** The fastest growing sector continues to be transport equipment. The rate of inflation fell to 1.9% in 2005 but has risen to 2.9% in the first nine months of this year as a result of higher energy and utility prices. The Czech trade balance deteriorated slightly in the second quarter as higher exports of road vehicles and parts could not match the extra expenditure on imported fuels. The planned public deficit for 2006 is expected to exceed the previous target of 2.3% and **the deficit outlook for 2007 is much worse, possibly as high as 4% of GDP**, and austerity measures may be needed to prevent the date for accession to the Euro-zone from slipping beyond 2011.

Developing Countries

China's annual producer price inflation fell to 2.9% in October

GDP in China expanded by 10.7% in the first nine months from a year earlier, making a 10 percent-plus growth for the full year a racing certainty. However, China's annual producer price inflation fell to 2.9% in October from 3.5% in September, undershooting forecasts and showing that price pressures are muted despite strong economic growth. A breakdown from the National Bureau of Statistics (NBS) showed that the cost of raw materials, oil products and clothes all rose less sharply last month. The decline in oil prices as well as some of the commodities is helping to contain the increase in producer prices. Crude oil cost 9.2% more than in October 2005, after leaping 22.3% in September from a year earlier. China's forex reserves overtook Japan's to become the world's largest in February, standing at 987.9 billion dollars at the end of September, according to government data. The inflow of foreign direct investment and continuous inflows of funds aimed at short -term speculative gains have both helped reserves reach their current size, but booming exports are by far the most important factor. The Chinese central bank is struggling to keep the exchange rate stable. The inflow of money puts upward pressure on the Chinese currency, and the central bank has to counteract this by buying up foreign currency, adding to the already bulging reserves.

Chinese Forex reserves tapped a trillion dollars in November

Inflation figures in India show signs of an overheating economy

The Reserve Bank of India warned of overheating in one of the world's fastest growing economies as it juggled interest rates in a mid-term policy review aimed at keeping prices in check. The Bank raised the cost for bank borrowing by a quarter percentage point to 7.25% and kept its reverse repurchase rate, the rate paid for deposits from commercial banks, at a four-year high of 6.0%. The central bank said global oil prices, although down by more than 10 dollars from record levels above 70 dollars earlier this year, and a booming economy posed a threat to price stability. The economy, which grew 8.4% in the fiscal year ended March and 8.9% in the quarter ended June, showed "signs of overheating". The fact that the Bank raised the rate at which it lends money to banks and not its main monetary tool, the reverse repo rate, at which it drains funds from the system, was a warning that it could act again soon.

IMF: Internal factors drive Latin American economic growth

In a recent report the IMF expects Latin America to grow by 4.75% this year and by 4.25% in 2007. It said the expansion compared favourably to previous upswings, mainly because governments had been running sizeable current accounts and primary fiscal surpluses and reducing debt burdens. However, the report also singled out a number of vulnerabilities. Slower US growth, commodity price volatility and tightening global financial markets are among the external risks, but the Fund placed greater emphasis on internal factors (expansionary fiscal policy, budget rigidities and low levels of public investment).

OPEC Member Countries

SAMA expects Saudi Arabia's GDP to grow by 6.5% in 2005

According to the Saudi Arabian Monetary Agency (SAMA), Saudi Arabia's GDP grew by 6.5% in 2005 compared to 5.3% in the previous year while its budget surplus amounted to SR218 billion. The Kingdom's admission to the World Trade Organization was one of the major economic achievements of 2005. It was an important step toward integrating into the global economy, attracting foreign investment, opening and expanding markets and strengthening the competitiveness of the national economy. This growing foreign investment reflected the strength of the Saudi economy and the Kingdom's investment-friendly climate. Part of these investments came through the capital market, which offers additional channels to finance projects and new investment tools.

Oil prices, the US dollar and inflation

Range trading in foreign exchange markets

Hopes of stronger economic growth towards year end supported the dollar in a quiet month. The subdued performance of the euro was surprising considering the strengthening Euro-zone economy and the restrictive policy attitude of the European Central Bank. Low interest rates continued to put pressure on the yen and the dollar rose to ¥119. In October the dollar rose by 0.9% against the euro, by 0.6% against the British pound, by 1.3% against the Swiss franc and by 1.4% versus the yen.

In October the OPEC Reference Basket fell to $54.97/b from $59.34/b in September. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 6.9% to $37.70/b from $40.48/b. The value of the dollar rose by 0.7% as measured by the import-weighted modified Geneva I +US dollar basket*.

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

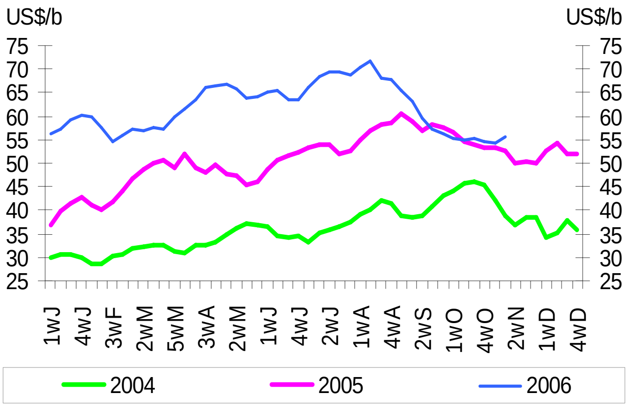
Crude Oil Price Movements

The bearish market sentiment continued amid ample global crude oil supply with the OPEC Reference Basket slipping over 7% to stand at $54.97/b in October

OPEC Reference Basket

The market emerged in October in a volatile mode. While some OPEC Members reduced output in an attempt to trim a sharp downward trend in prices, ample supply outweighed expectations for a possible OPEC output cut. In the first week, the Basket dropped $1.01/b or nearly 2% to average $55.32/b.

Graph 1: OPEC Reference Basket - weekly spot crude

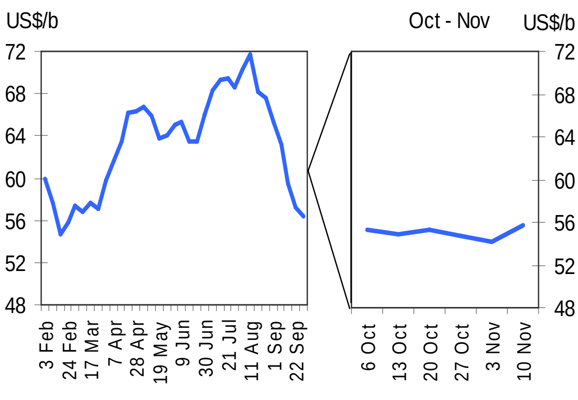


In the second week, the prospect of lower OPEC output amid healthy European winter demand as refineries returned from maintenance supported revived bullish sentiment. Nonetheless, steady supply from the Middle East to Asia eased prices further, with output from West Africa also contributing amid the report of an OPEC cut on the horizon and outages from Norway. The Basket's weekly average dropped a marginal 47¢ or less than 1% to settle at $54.85/b. The bullish market sentiment sustained in the third week ahead of an OPEC meeting in Doha to assess excess oil output. A cold snap in the USA and outages in the North Sea helped firm the market. Nevertheless, weak economic indicators in the USA amid ample supply prevented a further rally. The Basket rose 43¢ or nearly 1% in the third week —the first rise in ten weeks — when it to average $55.28/b.

The fourth week emerged on a bearish note with questions regarding the implementation of OPEC's production cut. The Basket plunged nearly 3% on Monday 23 October. Nevertheless, the bearishness was short-lived as OPEC started to apply the Doha decision to cut production by 1.2 mb/d. The strong market sentiment was supported by a surprise drop in US crude oil stocks, the Basket surged well over 4% in two days. Yet, fund profit-taking resumed the downward movement. The Basket closed the last day of the month at $53.37/b, marking the lowest daily figure so far this year. For the week, the Reference Basket averaged $54.76/b dropping 52¢ or almost 1%.

In monthly terms, the Basket moved lower on ample global supply and fading tensions in the Mideast geopolitics as OPEC had yet to start the production cut. The OPEC Basket fell a hefty 7.4% or $4.37 to average $54.97/b, the lowest monthly average so far this year. In the first two weeks of November, the OPEC Basket price stabilized as OPEC implemented the Doha decision to ease oversupply. Supply concerns in the US downstream and the Middle East upstream as well as concerns in Nigeria also provide support. Hence, the first two weeks of the month the Basket averaged $55.74/b and stood at $55.19/b on 14 November.

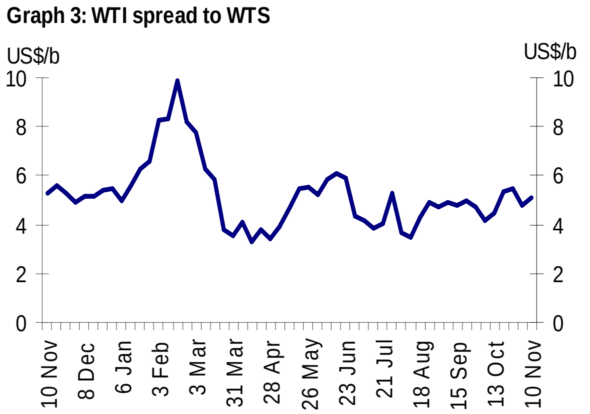
Graph 2: Weekly average Basket price, 2006



Expectation of an OPEC output cut somewhat firmed the sweet/sour spread

US market

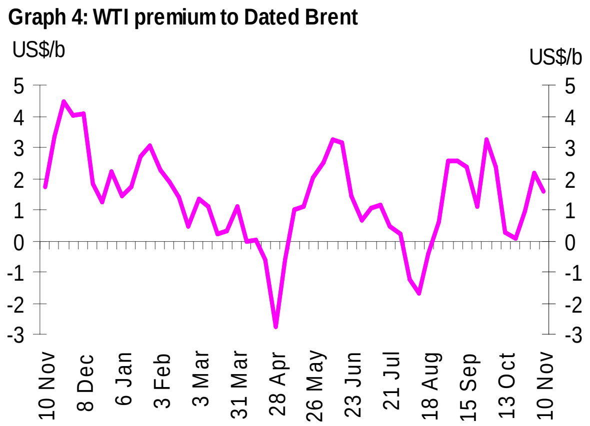
The US cash crude market was underpinned by anticipation of an OPEC output cut which supported the sour grade amid fears of a possibly supply disruption from Nigeria. The WTI/WTS weekly average was 55¢ narrower at $4.15/b, the narrowest in eight weeks, at a time of weakening refining margins. In the second week, a temporary shut-down in the North Sea amid emerging seasonal refinery turnarounds in the USA supported light sweet grades to firm. The WTI/WTS weekly spread widened by 30¢ to $4.45/b. In the third week, the widened contango spread prompted a buying spree in the US domestic crude market ahead of futures contracts expiry. Thus, the sweet/sour spread expanded by a hefty 88¢ to $5.33/b. In the fourth week, an announced OPEC output cut was balanced by covering of short positions amid more prompt move in the sour market. Thus, the WTI/WTS spread widened to well over $6/b when the weekly average widened by another 14¢ to $5.47/b. In the final days of the month, the spread was $4.80/b as OPEC cutback neared. WTI's monthly average was 57¢ wider at $59.50/b with the spread over WTI 15¢ narrowing to $4.68/b.



North Sea market

Volatility dominated the North Sea crude market on lingering October barrels as refineries returned from maintenance

Lingering October cargoes pressured differentials for North Sea crude which fell to their lowest level for the year. Weak prices prompted sellers to dispose of cargoes as the November programme emerged in the first week. In the second week, the clearing of October cargoes firmed the BFO differentials amid the prospect of healthier winter demand in November as refineries returned from seasonal maintenance. Nevertheless, some unsold October cargoes amid the perception of rising supply in November revived market bearishness. In the third week, lingering supply disruptions from Norway as plant demand resumed after turnaround poised the market from a downward move. In the fourth week, rising regional freight rates amid high inventory levels triggered a return to volatility. In the final days of the month, plentiful supplies amid disappointing refinery demand kept the pressure on price differentials. Brent's monthly average stood at $56.75/b, representing a drop of 97¢ or 1.7%.



Mediterranean market

Lower supply of sour crude in the Mediterranean supported price differentials

In the first week of October, Urals crude in the Mediterranean firmed on strengthening fuel oil margins amid an increase in November price differentials by a Mideast major. Thus, Urals firmed to a nine-month high. In the first week, Urals averaged $1.48/b under Dated Brent. In the second week, lower supply from a Mideast major amid sustained healthy refinery margins firmed Urals discount to Dated Brent to $1.77/b. However, lingering North-West Europe cargoes prompted sellers to move to the Mediterranean, thereby weakening price differentials in the third week amid unsold October cargoes with ample November supply. Hence, Urals discount widened to its lowest level in nine weeks with the third weekly average at $3.11/b, an increase of $1.34. Nonetheless, clearing October barrels amid a larger-than-expected OPEC output cut firmed the sour grade. Furthermore, perception that the November programme would show lower scheduled exports from Primorsk compared to the previous month supported the sour grade, which also saw gains following followed a pipeline leaked to the west of Chelyabinsk in the southern Urals. However, questions regarding OPEC's implementation of production reduction kept the sour market somewhat in balance. Urals weekly average discount to Brent was $1.03 narrower at $2.08/b. The firmness continued in the final days of the month as OPEC Member Countries informed customers of lower allocations. Urals monthly average discount to Dated Brent was 13¢ firmer at $2.26/b.

A narrowing Bent/Dubai spread attracted more rival western crude to flow eastward, pressuring the Middle East market

Middle Eastern market

The Middle East market emerged in October on weak refining margins amid some unsold Abu Dhabi barrels for November loading. Kerosene stocks in Japan were healthy, and new competition came from Russia's light sweet Sokol crude, which began export last month. The narrowed Brent/Dubai spread was also seen weakening demand for sour crude as it made rival West African crude comparatively more attractive. December Oman was trading at a 15¢ discount to MOG. Moreover, lower refinery run rates due to poor refining margins also kept bearishness intact. In the first week of the month, the Brent/Dubai spread was 48¢/b, down from $2.21 the week before. Despite the wide Brent/Dubai spread amid wider differentials for rival West African and Urals crude due to strong European and US demand, the market sentiment weakened further on softer Asian demand. In the second week, December Oman was assessed at a discount of 25-30¢/b to MOG, with the prospect for Abu Dhabi kerosene-rich crude to be valued at a steep discount as kerosene stocks in Japan are rising, suggesting that refiners would not increase runs ahead of winter. The market bearishness continued in the third week on the narrowing Brent/ Dubai spread which fell by 71¢ to $1.51/b. The incoming production from the Sakhalin-1 oilfield added further downward pressure. December Oman traded at a 30-35¢/b discount to MOG, while Abu Dhabi Murban was valued at some 50¢/b to ADNOC's OSP. The market sentiment firmed in the fourth week on lower supply from the Middle East and the widened sweet/sour crude spread. December Oman was discussed at a 25¢ discount to MOG while Murban was assessed at a 30¢ discount to the OSP. However, weak demand mainly from Japan amid lower refinery run rates poised market bullish movement. Moreover, the flow of some arbitrage barrels in a contango market pressured the Middle East crude. The weakness continued in the final days of the month amid ample supply and weak demand, with December Oman on offer at a 74¢/b discount to MOG, yet Murban was firm at a 30¢/b discount to ADNOC's OSP.

Graph 5: Dated Brent spread to Dubai

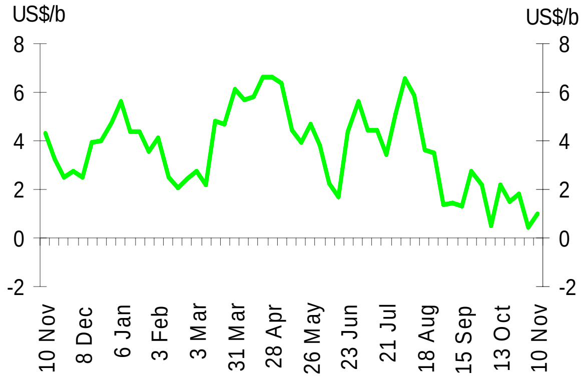


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Sep 06	Oct 06	Change Oct/Sep	Year-to-date average 2005	2006
OPEC Reference Basket	**59.34**	**54.97**	-4.37	**50.47**	**61.95**
Arab Light	59.72	55.64	-4.08	49.91	61.98
Basrah Light	56.40	51.53	-4.87	48.45	58.80
BCF-17	50.96	46.99	-3.97	40.40	52.85
Bonny Light	63.87	58.75	-5.12	55.41	67.74
Es Sider	61.54	56.20	-5.34	52.07	64.21
Iran Heavy	57.14	53.27	-3.88	47.67	60.14
Kuwait Export	56.75	53.02	-3.73	47.19	59.72
Marine	60.90	57.15	-3.75	50.08	63.50
Minas	63.32	54.87	-8.44	54.09	66.33
Murban	65.01	61.04	-3.97	53.79	66.86
Saharan Blend	63.27	58.55	-4.72	54.30	66.93
Other Crudes					
Dubai	59.82	56.36	-3.46	48.84	62.30
Isthmus	57.18	52.46	-4.73	50.17	60.82
T.J. Light	52.35	48.05	-4.30	45.96	55.44
Brent	61.71	57.80	-3.92	54.21	66.06
W Texas Intermediate	64.00	58.82	-5.18	56.12	67.14
Differentials					
WTI/Brent	2.29	1.03	-1.26	1.92	1.08
Brent/Dubai	1.89	1.44	-0.46	5.37	6.32

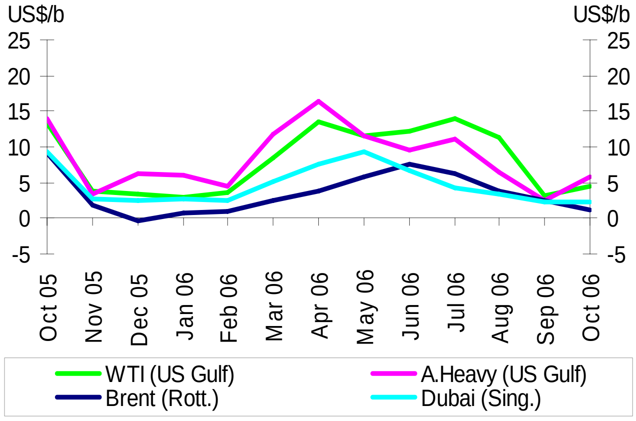
Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

Refinery margins improved slightly in the USA in October

A combination of the refinery maintenance schedule with product stock-draws over the last few weeks has softened the bearish sentiment of the product markets but failed to lift the refinery margins in Europe and Asia. As **Graph 6** shows, refinery margins in Europe slid to $1.16/b from $2.59/b in September, while in Asia they reached $2.21/b from $2.24/b in the previous moth. In the USA, the recent bullish factors reversed the downward trend for refinery margins which surged by $1.14/b to $4.39/b from $3.25/b in September. **Upon completion of the maintenance schedule in the Atlantic Basin and with uncertainty about winter weather conditions as well as distillate demand level, the current soft sentiment of the product markets is not expected to shift significantly over the next few weeks and products are not expected to take the driver's seat. Such a bearish view not only prevailed in the physical market, but can also be seen in the futures market, which has resulted in higher net-long positions of non-commercial players in the heating oil futures over the last few weeks. Despite this bearish view, there is still a chance that a very prolonged cold snap in the Atlantic Basin might support crude and product prices.**

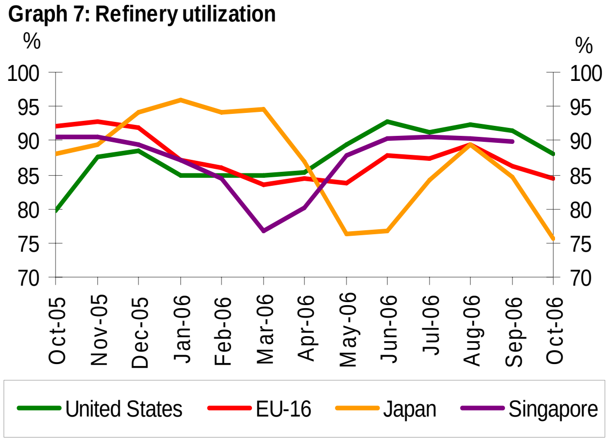
Graph 6: Refiners' margins



Slowing refinery margins forced Asian refiners to cut throughputs

In the fourth quarter of last year, post-Karina and Rita conditions and very attractive refinery margins encouraged refiners across the world to maximize their throughputs and to postpone their regular maintenance schedule. However, this year slowing demand for transportation fuel oil and switching to substitution fuels in the industrial sectors over the last few months have resulted in higher stocks for different products and falling refinery margins. This in turn has pushed refiners to trim their throughput levels compared to previous months. **Graph 7 shows that the Japanese refinery utilization rate slid to 75.7% from 84.7% in September, with Atlantic Basin refiners followingd suit. In the USA, the utilization rate declined by 3.4% to reach 88.1% from 91.5% in the previous month. Similarly, European refinery throughput fell due to the maintenance schedule and slowing margins, while the utilization rate slipped to 84.4% from 86.3% in the previous month. With the approaching winter season and the completion of the autumn maintenance schedule, refinery utilization rates are expected to increase across the globe in November and December.**

Graph 7: Refinery utilization



US market

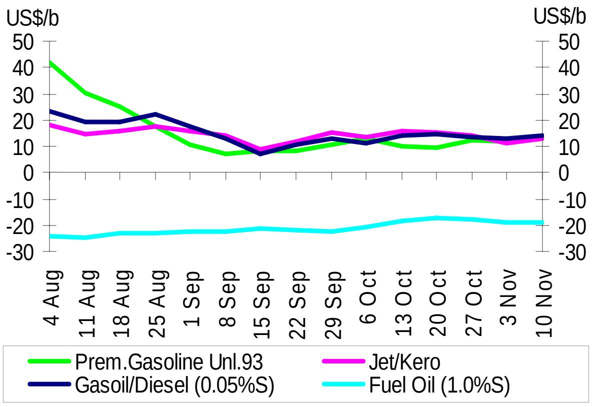
The US market recaptured part of earlier losses

The draw on product stocks and the refinery maintenance schedule along with some unplanned refinery outages provided support for the market, and gasoline prices have revived from very low levels in September. As **Graph 8** shows, the gasoline crack spread against WTI benchmark crude rose to above $12/b from about $10/b in the previous month. Higher implied demand and lower gasoline imports over the last couple of weeks contributed to the positive development.

Upon completion of refinery maintenance and higher gasoline production as well as lower seasonal demand, the underlying situation in the US market is not expected to change significantly over the next months. The main development in the US gasoline market in October was also the switching of the spot pricing system to RBOB futures. RBOB futures were introduced by Nymex in October 2005, but market players have been slow in adopting them.

Furthermore, physical and futures distillate markets in the USA also gained over the last few weeks, and spread level versus WTI crude improved compared to September. Despite the recent improvements in distillate demand and prices, no significant changes from the present situation are expected for the middle of the barrel component market in the near future, as higher online capacity suggests increased ability to meet higher seasonal demand.

Graph 8: US Gulf crack spread vs. WTI



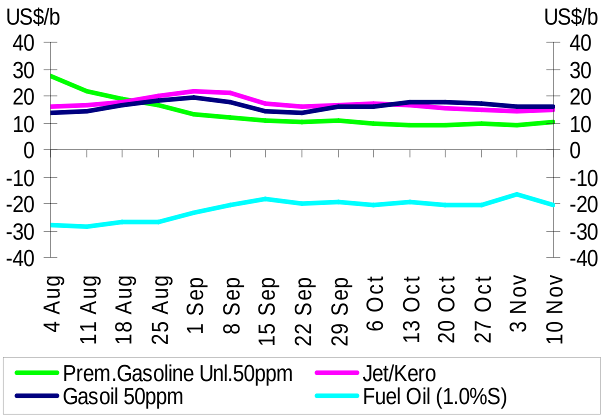
In the fuel oil market, the recently cooler weather has led to moderate increases in demand for low-sulphur fuel oil, but high inventories and low natural gas prices continue to threaten fuel oil demand and prices, and its poor performance may persist in the next months.

European market

A deep maintenance schedule failed to change the European product market circumstances in October

The bearish sentiment of the European product market, which began in the middle of August, continued over the last few weeks further undermining refinery margins in October. The lack of arbitrage opportunities for gasoline to the USA contributed significantly to the downward movement, and it may deteriorate more in the next months if European refiners increase runs in November and December, and if the arbitrage opportunity for gasoline to the other side of the Atlantic Basin remains closed. As **Graph 9** shows, the crack spread of premium gasoline against the Brent benchmark crude fell from about $25/b in August to below $10/b in the last few weeks. The low margin for gasoline has also adversely affected the naphtha market in Europe.

Graph 9: Rotterdam crack spreads vs. Brent



As for distillates, unprecedented buying of heating oil by consumers in Germany ahead of tax hikes effective 1 January 2007 has given some support to gasoil prices, but high primary and tertiary stock levels would ease the risk of a shortage in heating oil supply over the next months. As a result, current prices and crack spreads for distillates versus Brent crude in Rotterdam are not expected to improve sharply over the next months.

The European fuel oil market is still lacklustre, and the closure of arbitrage opportunities to Asia exerted more pressure on the poor performance of the bottom of the barrel component of the market. However, potential exports to the USA during the heating season and lower amounts of Russian fuel oil exports during winter may improve both the low-sulphur and the high-sulphur European fuel oil market in the near future.

Asian market

Sluggish regional demand exerted further downward pressure on the distillate market

With the exception of fuel oil, the market sentiment for most products has not changed from the previous month, and it further trimmed the crack spread for the top and the middle of the barrel components. As **Graph 10** shows, the crack spread of gasoline versus Dubai benchmark crude in Singapore fell to $3.29/b on 3 November from $6.95/b late September. Higher demand for the New Year holidays and higher Chinese export taxes effective in November may lend some support to the gasoline market, but it is not expected to lift the gasoline cracks significantly.

Similarly, the performance of the naphtha market in October was relatively weak due to ample regional supply and a lack of effective demand. With the return of cracker units to normal operation in November after a deep maintenance schedule over the last months, market players expected the crack spread of naphtha to rise in the coming months, but high inventory levels and ample future supply may still cap any bullish movement.

High distillate stocks in Japan and the weakness of regional demand put downward pressure on gasoil and jet/kero prices, forcing some Asian refiners to cut throughput levels. A cold spell in the north-west of Asia could change the current bearish momentum of the distillate market in Asia and support crude and product prices.

Despite falling gasoline and distillate crack spreads in October, the performance of the bottom of the barrel complex against Dubai crude improved slightly due to higher Chinese demand and lower European fuel oil inflows to Asia. As **Graph 10** shows, the high-sulphur fuel oil crack spread versus Dubai in Singapore narrowed to minus $13.82/b in late October from minus $14.16/b in the same period of last month.

Graph 10: Singapore crack spreads vs. Dubai

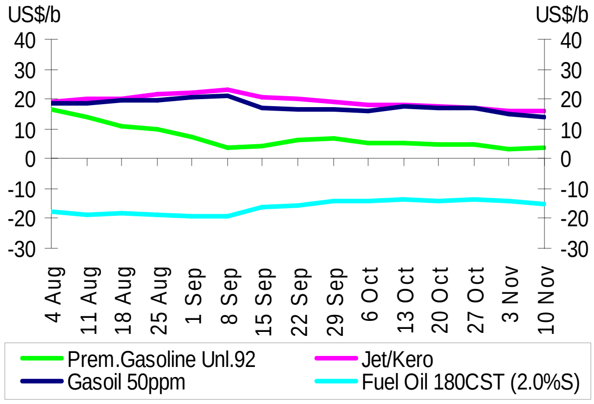


Table 2: Refined product prices, US$/b

		Aug 06	Sep 06	Oct 06	Change Oct/Sep
US Gulf (Cargoes):					
Naphtha		72.99	63.62	62.99	-0.63
Premium gasoline	*(unleaded 93)*	97.94	72.4	69.94	-2.46
Regular gasoline	*(unleaded 87)*	85.62	65.63	63.59	-2.04
Jet/Kerosene		89.57	76.29	73.18	-3.11
Gasoil	*(0.05% S)*	93.34	74.81	72.16	-2.65
Fuel oil	*(1.0% S)*	52.58	42.71	40.76	-1.95
Fuel oil	*(3.0% S)*	49.59	41.79	40.26	-1.53
Rotterdam (Barges FoB):					
Naphtha		81.35	68.51	66.51	-2.00
Premium gasoline	*(unleaded 50 ppm)*	93.21	72.69	67.12	-5.57
Premium gasoline	*(unleaded 95)*	83.09	64.8	59.92	-4.88
Jet/Kerosene		91.68	79.71	73.68	-6.03
Gasoil/Diesel	*(50 ppm)*	89.75	77.31	74.92	-2.39
Fuel oil	*(1.0% S)*	46.38	42.04	37.91	-4.13
Fuel oil	*(3.5% S)*	46.41	40.67	39.25	-1.42
Mediterranean (Cargoes):					
Naphtha		67.81	56.94	55.46	-1.48
Premium gasoline	*(50 ppm)*	93.24	71.74	67.91	-3.83
Jet/Kerosene		89.91	77.73	72.53	-5.20
Gasoil/Diesel	*(50 ppm)*	89.83	77.33	73.68	-3.65
Fuel oil	*(1.0% S)*	49.86	40.94	38.41	-2.53
Fuel oil	*(3.5% S)*	44.99	39.72	37.96	-1.76
Singapore (Cargoes):					
Naphtha		66.59	57.32	56.03	-1.29
Premium gasoline	*(unleaded 95)*	81.22	65.86	61.83	-4.03
Regular gasoline	*(unleaded 92)*	80.36	65.18	61.21	-3.97
Jet/Kerosene		89.47	80.55	74.02	-6.53
Gasoil/Diesel	*(50 ppm)*	88.19	77.75	73.12	-4.63
Fuel oil	*(180 cst 2.0% S)*	50.16	43.25	42.46	-0.79
Fuel oil	*(380 cst 3.5% S)*	47.61	42.24	42.4	0.16

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Aug 06	Sep 06	Oct 06	Oct/Sep	Aug 06	Sep 06	Oct 06	Oct/Sep
USA	15.80	15.67	15.09	-0.58	92.3	91.5	88.1	-3.40
France	1.61 R	1.68 R	1.48	-0.20	81.1 R	84.8 R	75.0	-9.80
Germany	2.46 R	2.14	2.07	-0.07	101.2 R	88.2	85.3	-2.90
Italy	1.95 R	1.92	1.88	-0.04	83.8 R	82.7	81.1	-1.60
UK	1.58 R	1.58 R	1.63	0.05	84.3 R	84.3 R	86.6	2.30
Eur-16	12.61 R	12.19 R	11.92	-0.27	89.3 R	86.3 R	84.4	-1.90
Japan	4.18	3.96 R	3.54	-0.42	89.4	84.7 R	75.7	-9.00

R *Revised since last issue.*

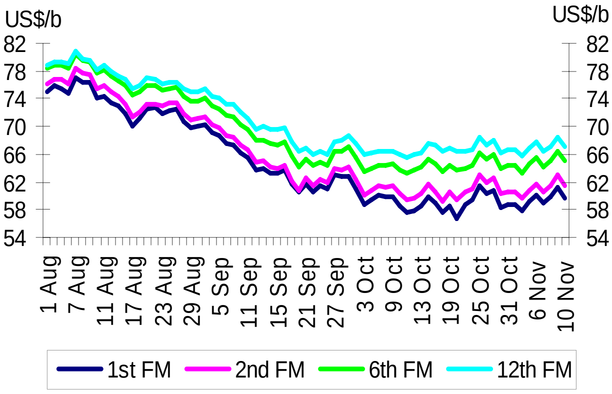
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Oil Futures Market

Despite OPEC's production cut, ample supply triggered fund liquidation for profit-taking in October

The crude oil futures market continued the downward trend since its peak in July with the front-month average falling for the fourth consecutive month. The futures market began the month on the prospect of ample supply which weighed on the speculation of a possibly earlier OPEC production cut. The CFTC reported that non-commercials have reduced long positions by a hefty 7,200 while increasing the shorts by a healthy 6,300 lots. Hence, the net long positions decreased by 13,500 contracts to stand nearly flat at 130 lots, the lowest level since March. However, open interest volume saw a build of some 25,000 lots to close at 1,174,000 lots. When options were included, open interest increased by a significant 86,000 lots to a record-high of 2,055,000 with the non-commercials dropping by a hefty 21,000 lots, yet remaining net long by 34,100 contracts.

Graph 11: Nymex WTI futures prices, 2006

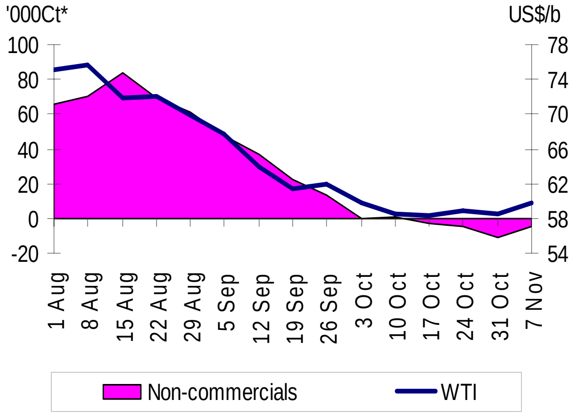


FM = future month

The Nymex WTI front-month closed the first weekly period down by $2.33 or nearly 4% to settle at $58.68/b. In the second week, concern over a possible supply disruption from a West African nation ignited fear of a possible supply shortfall of oil amid talks over a possible 1 mb/d output cut by OPEC Member Countries. Yet, market skepticism about the effectiveness of the cut revived the downward price move. Although there was a shift on the CFTC futures volume with the non-commercial net longs inching down a marginal 170 lots to 300 contracts, open interest rose a further 19,800 to 1,193,400 lots. When options were included, open interest increased by a considerable 53,500 lots to a new record-high of 2,108,000 contracts. However, Nymex WTI prompt-month contracts closed the second weekly period lower a marginal 16¢ at $58.52/b.

The volatility continued into the third week with forecasts for cold weather in the USA pushing up natural gas futures by almost 14% prompting bullishness in home heating fuels. With the OPEC production cut on the horizon, ample supply amid a healthy stock-build in the USA triggered fund sell-offs for profit-taking offsetting any further price rally on the week. The third weekly report from the CFTC revealed that non-commercials have reduced long positions at twice the rate than shorts. Thus, the nets dropped almost 3,000 lots to net short of 2,700 contracts. Open interest saw a marginal drop of 7,200 to 1,186,300 contracts. With options included, open interest saw a hefty draw of 104,700 to 2,003,400 lots, yet non-commercials remained net long by 39,800 lots. The Nymex front-month contract was 41¢ up to close the weekly period at $58.93/b. Despite OPEC's surprise production cut of 1.2 mb/d, a cold snap in the USA and recent outages in the North Sea, the surprise healthy build in US crude oil stocks triggered fund sell-offs for profit-taking in the fourth weekly period on contract expiry. Nonetheless, the CFTC report revealed that non-commercials increased their longs at a slower rate than the shorts; hence, the net shorts widened by 2,300 to 5,000 lots. In contrast, including options, non-commercial net long positions were inflated by 1,400 to 41,300 contracts. The Nymex WTI front-month closed the weekly period up by 42¢ at $59.35/b.

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



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

In the final weekly period, bullish US petroleum data and supply concerns revived market strength while volatility remained in the market. Weaker than expected Chinese demand growth inspired fund sell-offs for profit-taking amid fading geopolitical concern. The CFTC reported that non-commercials continued to increase long positions at a slower rate than longs with the net shorts increasing by 6,300 to 11,300 lots, the highest since March. In contrast, open interest increased by 24,800 to 1,158,600 lots. Moreover, including options, open interest volume increased by 53,000 to 2,043,000 contracts. Yet, the non-commercial net long positions fell by 6,700 to 34,600 lots. Nymex WTI fron-month was down 62¢ to $58.73/b.

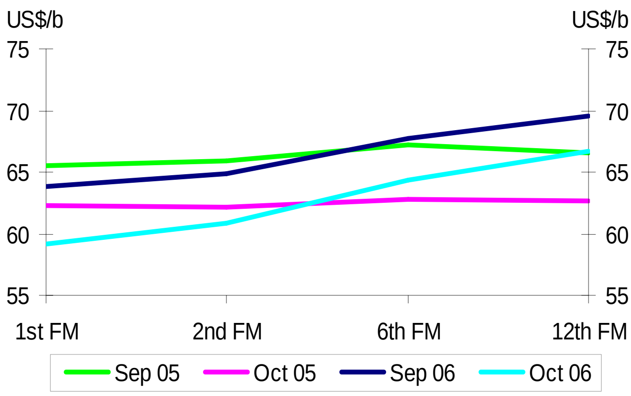
On a monthly basis, the Nymex front-month averaged $59.14/b in October, a drop of $4.76 or 7.5% from the previous month and $3.13/b lower than last year. Average non-commercial long positions were 158,800 lots, down 12,200 from the month before, yet 41,300 higher than last year. The short positions were up by 21,600 to 162,500 lots which made them 12,000 higher than the same period last year. The net position dropped by 33,900 to average at net short of 3,700 contracts. Open interest averaged 1,169,100 down 8,500 lots yet 320,000 contracts above last year. When including options, non-commercial long positions averaged 170,000, some 6,700 lots lower than the month before yet 53,300 higher than last year. The short volume was 132,000 lots, 11,000 higher than September and an increase of 44,300 over a year before. Net positions averaged nearly 38,000 or some 17,700 contracts lower, yet 8,900 higher than last year. Open interest was 95,500 lots higher in October and 518,500 lots over the same period last year.

The Forward Structure

Ample supply kept the contango month average at its widest spread ever

The contango steepened in October to a record level on healthy crude oil supply amid steady OPEC output. The 1st/2nd month average spread in October widened by 74¢ to $1.69/b, with the 1st/6th, 12th, and 18th spreads at $5.25, $7.55 and $8.40/b for an increase of $1.38, $1.90 and $2.48/b respectively. Comparing this level to last year, the market was in slight backwardation for the 1st/2nd as well as the 1st/18th month with spreads at 19¢ and 56¢ respectively. However, the 1st/6th and 12th month spread for October last year was in contango of 50¢ and 33¢/b. US crude oil stocks averaged 333.1 mb last month an increase of nearly 6 mb over the previous month and nearly 20 mb over last year. The phenomenon also applies to gasoline and distillates to stand well above last year's level by 14 mb and nearly 23 mb respectively to average 113.7 mb and 145 mb. The steep contango continues to help stocks to rise, however, lower OPEC output could change the structure or at least narrow the spread.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures rebounded with an increase of 0.6 mb/d in October

In October, OPEC spot fixtures showed an estimated increase of nearly 0.6 mb/d or 4.8% to average 12.7 mb/d. Although the first increase since June compared to a year earlier, OPEC spot fixtures were around 1.83 mb/d lower. The drop in spot fixtures from a year ago came as a result of the combination of a decline in OPEC production and a slowdown in demand. Despite the increase, OPEC's share in total fixtures declined by 3 percentage points to 63%, similar to the lowest level in 2006 — which was in March — indicating that non-OPEC spot fixtures experienced a stronger increase relative to OPEC. Middle East eastbound fixtures (including non-OPEC members) fell 0.8 mb/d or 14% to 4.7 mb/d, while westbound fixtures rose 0.2 mb/d or 17% to stand at 1.6 mb/d. The increase in westbound fixtures was due to particularly strong bookings from the USA. Non-OPEC spot fixtures rose 1.20 mb/d or 20% to average 7.3 mb/d, which was 1.2 mb/d below a year earlier.

As a result, total global spot fixtures increased 1.8 mb/d to average 20.0 mb/d. OPEC sailings rose nearly 1.0 mb/d to 24.1 mb/d, an increase of 0.4 mb/d above the same month last year. Sailings from the Middle East increased 0.3 mb/d to stand at 18.1 mb/d. Preliminary data shows that arrivals at the US Gulf and East Coast and the Caribbean rose to 11.9 mb/d in October. Similarly, arrivals in North-West Europe increased by less than 0.1 mb/d to reach 7.6 mb/d. In contrast, arrivals at the Euro-Mediterranean basin averaged 4.9 mb/d, the second highest level after February this year.

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

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Spot Chartering				
All areas	19.88	18.17	19.97	1.80
OPEC	12.77	12.08	12.67	0.59
Middle East/east	4.81	5.42	4.67	-0.75
Middle East/west	2.28	1.40	1.64	0.23
Sailings				
OPEC	23.17	23.15	24.11	0.95
Middle East	17.50	17.78	18.08	0.30
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.16	11.89	11.93	0.04
North West Europe	7.32	7.58	7.61	0.04
Euromed	4.19	4.78	4.92	0.14
Japan	3.93	4.08	3.65	-0.42

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

VLCC market came under pressure while Suezmax and Aframax remained strong in October

The crude oil tanker market showed a mixed pattern in October with the Suezmax and Aframax sectors leading the upward movement while the VLCC sector lost some of its ground and declined on most routes. VLCCs trading on the Middle East/eastbound long-haul route fell a crucial 39 points to average WS85, the lowest rate since June 2006. The October decline of 31% for the Middle East/eastbound long-haul route was the second largest drop in 2006 after the 36% fall in March. The weak VLCC sector for the Middle East/eastbound route is attributed to the reduction of crude output by Middle East producers, the prospect of OPEC's cut and the moderate number of fixtures compared to vessel availability, not to mention the narrowing of the Brent/Dubai differential which exerted pressure on Dubai-priced crude bound for Asia. Similarly, VLCC trading Middle East/westbound rates fell 20 points to average WS77. The high US stock levels and refiners' interest in rival crude can be seen as the reason behind the 20% decline in freight rates compared to the previous month and the y-o-y loss of around 22%.

In contrast to the VLCC sector, the Suezmax sector experienced marginal to moderate increases in spot freight rates on its different routes. The West Africa/US Gulf Coast route saw rates increase by 16 points to average WS156, due to increasing output coupled with the US refiners' interest. On the other hand, freight rates on the transatlantic route increased a marginal 4 points to average WS147 representing a y-o-y decline of 24%.

The Aframax tanker market showed mixed movements with rates on the Caribbean/US East Coast route gaining 68 points to reach an average of WS240, the largest increase so far this year and only 2 points below the highest rate in 2006 for that route. Similarly, rates for shipping within the Mediterranean rebounded from their lowest level in September to reach WS199, the highest rate so far this year. Limited tonnage at the beginning of October, which eased at the end of the month, was one of the reasons for this market support. On the Mediterranean/North-West Europe route tight availability at the end of October contributed to the rate increase of 52 points to average WS194. Additionally, the delays caused by the shortened daylight hours at the Bosporus Strait, which assisted in reducing vessel availability, and the normal pattern of preparing for the winter peak in refinery runs contributed to market trends.

Table 5: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude					
Middle East/east	230-280	132	124	85	-39
Middle East/west	270-285	96	97	77	-20
West Africa/US Gulf Coast	130-135	176	140	156	15
NW Europe/USEC - USGC	130-135	169	143	147	4
Indonesia/US West Coast	80-85	223	234	180	-54
Caribbean/US East Coast	50-55	205	172	240	68
Mediterranean/Mediterranean	80-85	182	144	199	55
Mediterranean/North-West Europe	80-85	182	142	194	52
Products					
Middle East/east	30-35	273	259	191	-68
Singapore/east	30-35	337	327	221	-106
Caribbean/US Gulf Coast	38-40	350	266	260	-6
NW Europe/USEC - USGC	33-37	304	225	223	-2
Mediterranean/Mediterranean	30-35	263	231	215	-16
Mediterranean/North-West Europe	30-35	273	241	224	-17

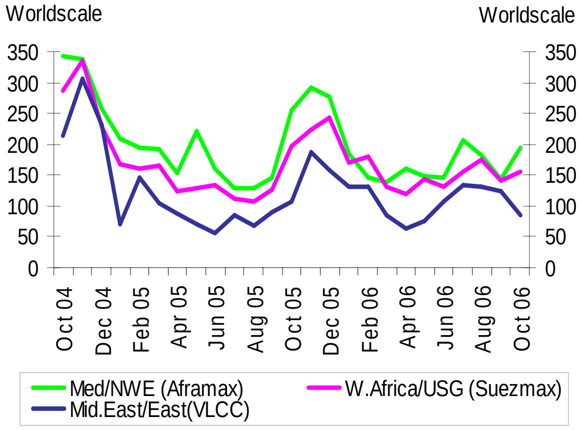
Source: Galbraith's Tanker Market Report and others.

Clean markets softened further on most of the routes in October

In the product tanker market, freight rates continued their downward movement on almost all routes. Freight rates for 30,000-35,000 dwt tankers moving from the Middle East and Singapore to the East lost 68 and 106 points reaching an average of WS191 and WS221 respectively partially due to high tonnage availability. The decline represents a y-o-y loss of around 61%, yet the extremely high freight rate levels following Hurricanes Katrina and Rita in 2005 were a major reason for the y-o-y decline.

In the west, freight rates were steady with a marginal decrease of 6 and 2 points on the Caribbean/US Gulf Coast and North-West Europe/US East and Gulf Coast routes respectively reaching WS260 and WS223. The refinery maintenance season in the west following the summer gasoline demand season, coupled with the normal stock building ahead of winter and the mild weather, were the main reasons for the steady level of trade.

Graph 14: Monthly averages of crude oil spot freight rates



In the Mediterranean, rates followed the same trend with a decline of 16 and 17 points to average WS215 and WS224 on the Mediterranean/Mediterranean and Mediterranean/North West Europe routes respectively. It is worth mentioning that rates were higher than the historical average.

World Oil Demand

World oil demand in 2005

Latest data from the OECD has resulted in a minor upward revision of 70,000 b/d to the total world oil demand. North America and Western Europe were revised up by 40,000 b/d and 30,000b/d mb/d.

World oil demand in 2006

World oil demand for 2006 expected to grow by 1.0 mb/d to average 84.3 mb/d

World oil demand in 2006 is estimated to average 84.26 mb/d, representing a growth of 1.0 mb/d or 1.2%, no major change from the last *MOMR*.

US oil demand is finally picking up following a normal fourth-quarter upward cycle. Other OECD countries are following suit with a feasible oil demand growth in October. Given the expected normal winter temperatures, this upward trend is expected to continue until year-end.

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

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.50	25.12	25.08	25.53	25.95	25.42	-0.08	-0.31
Western Europe	15.51	15.72	15.06	15.46	15.78	15.51	0.00	-0.02
OECD Pacific	8.59	9.30	7.87	7.97	8.81	8.49	-0.10	-1.21
Total OECD	**49.60**	**50.14**	**48.01**	**48.97**	**50.54**	**49.41**	**-0.19**	**-0.37**
Other Asia	8.67	8.73	8.95	8.60	8.80	8.77	0.10	1.14
Latin America	5.06	4.99	5.15	5.27	5.22	5.16	0.09	1.82
Middle East	5.82	6.04	6.12	6.32	6.14	6.16	0.34	5.85
Africa	2.89	2.96	2.95	2.91	2.98	2.95	0.06	2.19
Total DCs	**22.44**	**22.72**	**23.16**	**23.11**	**23.14**	**23.03**	**0.59**	**2.65**
FSU	3.82	3.69	3.56	3.86	4.03	3.79	-0.03	-0.84
Other Europe	0.88	0.97	0.90	0.90	0.88	0.91	0.03	2.88
China	6.54	7.09	7.34	7.01	7.01	7.11	0.57	8.77
Total "Other Regions"	**11.24**	**11.75**	**11.80**	**11.77**	**11.92**	**11.81**	**0.57**	**5.04**
Total world	**83.28**	**84.61**	**82.97**	**83.84**	**85.60**	**84.26**	**0.98**	**1.17**
Previous estimate	83.21	84.60	82.96	83.86	85.47	84.23	1.01	1.22
Revision	0.07	0.01	0.01	-0.02	0.13	0.03	-0.04	-0.05

Totals may not add due to independent rounding.

Following the increasing trend in Europe to support biofuels via intensive subsidies, Finland is proposing a new law to increase biofuel consumption by almost 6% by 2010. A similar programme exists in the USA to increase the biofuel demand via tax cuts until 2012.

Other Asia economic activities are expected to be stronger for the rest of 2006, which is anticipated to pull oil demand growth upward. As a result of the strong economy and a booming transportation sector, India’s oil demand is expected to show moderate growth in 2006. The Middle East region continues to experience the strong momentum in oil consumption, marking the second-largest growth in world oil demand this year.

China’s new strategic oil storage is officially ready and the filling process has begun, official media reported. The filling process is based on the oil price level as the Chinese want to take advantage of the recent drop in crude oil prices. China’s new car sales are estimated to exceed five million cars this year. The large growth in vehicle numbers in China is driving transport fuel demand. Hence, China's oil demand is exceeding expectations in the second half of 2006. China is gearing up its energy strategy, which emphasizes energy saving and efficiency. Furthermore, China is pushing its biofuel programme with ambitious plans to increase the production by an average of 40% annually.

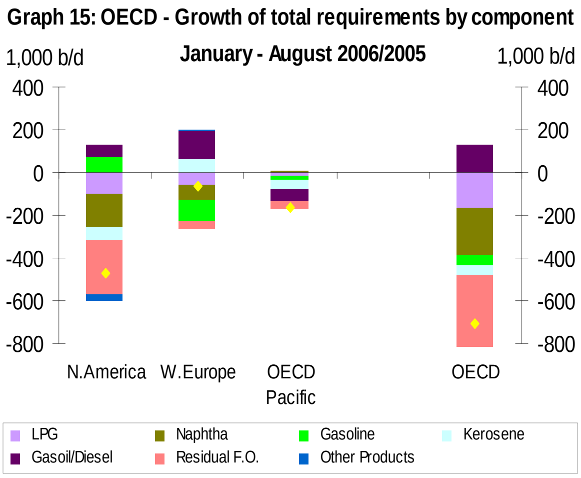
Estimate for third quarter 2006

North America's third-quarter y-o-y oil demand was revised down by 0.13 mb/d to achieve a minor decline of 60,000 b/d

North America's oil demand is picking up momentum tracking a typical winter upward cycle. According to the EIA weekly, US oil demand grew by 1.1 mb/d or 5.5% in October y-o-y, twice the growth of the previous month. However, in a cumulative term, US oil demand changes so far this year are still negative 0.4% y-o-y. The biggest increase has been in motor gasoline which increased of 0.36 mb/d. However, the largest decline was in fuel oil due to fuel switching in power plants which started early in the year. Unlike September, US net oil imports in October were lower, but still on the high side with 7.3% y-o-y growth.

OECD oil demand growth in the third quarter revised down to 0.25 mb/d

The summer driving season, low gasoline prices and holidays in Canada drove gasoline demand up 2.7% in August over the previous month; however, total y-o-y petroleum product demand was slightly down for the month. Canada's agricultural season also pushed diesel demand further up in August, after stagnant demand in July. Meanwhile, growth in US oil demand in September was not enough to offset the large decline which occurred in July. Hence, North America's third-quarter y-o-y oil demand was revised down by 0.13 mb/d, representing a minor decline of 0.06 mb/d.



In total, OECD y-o-y third quarter oil demand growth was revised down to 0.25 mb/d.

OECD Europe

Third-quarter oil demand in OECD Europe is estimated to decline by 0.1 mb/d to 15.47 mb/d

Warm October weather affected gasoil demand in Germany; however, the gasoil imports in November should pick up in the second half of the month prior to a 16% VAT increase scheduled to take effect in January 2007. As a result of intensive subsidies, biofuel usage is getting stronger across the OECD. A new production plant in Germany commenced last month with a capacity of 100,000 tonnes of biodiesel annually. This new plant puts Germany's biodiesel capacity at 212,000 tonnes annually. Due to the massive fuel switching among power plants, moderate economic activity and soft transport fuel demand, OECD Europe's third-quarter oil demand is estimated to decline by 0.1 mb/d y-o-y to average 15.46 mb/d.

OECD Pacific

OECD Pacific oil demand growth estimated to show a decline of 0.1 mb/d in the third quarter

As a result of lower demand, Japan's y-o-y oil imports fell by 2% for the month of September. Hence, petroleum product sales declined by 6.5% in the same period y-o-y. Fuel oil and kerosene were the products that declined the most with each losing 13%. Along with slow industrial production, transport fuel consumption has been on the decline affecting third-quarter total oil demand in the region. As a result, the y-o-y OECD Pacific third-quarter oil demand growth was revised down by 0.08 mb/d to show a total decline of 0.1 mb/d.

Developing Countries

Third-quarter oil demand growth for Middle East estimated at 0.3 mb/d to average 6.3 mb/d

The strong oil demand growth in the Middle Eastern countries continued as expected. Third-quarter y-o-y oil demand growth is estimated at 0.3 mb/d to average 6.3 mb/d for the Middle East.

As a result of high oil prices and low economic activities, Taiwan's September y-o-y consumption of petroleum products fell by almost 8%. Fuel oil demand had the largest y-o-y decline of 5.8% in September. Low consumption of fuel oil and diesel in power stations and fishing industries were the main factors behind the large drop in September. Although diesel prices in Taiwan have risen three times so far in the year, August y-o-y diesel consumption still rose by 1.5%, but then sharply dropped in September.

Total DC demand grew by 0. 55 mb/d in third quarter

India's oil demand showed a strong y-o-y growth of 5.9% to average 2.5 mb/d in September. Transport and agricultural consumption were the main factors behind September's robust oil demand growth. Jan-Sept y-o-y gasoline consumption grew by more than 5.5%, followed by diesel with growth of 4.8%.

For the total Developing Countries, the y-o-y third quarter came as expected, growing by 0.55 mb/d to average 23.11 mb/d.

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

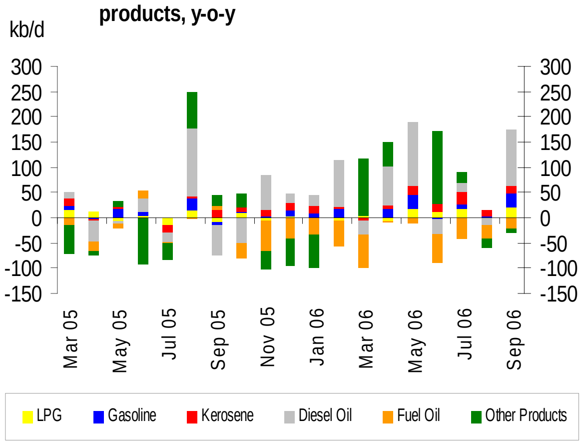


Table 7: Indian growth of total requirements by component, kb/d

	Sep 06	Aug 06	Jan-Sep 06	Difference to Jan - Sep 05	%
LPG	339	324	326	7	2.1
Motor Gasoline	212	199	210	11	5.6
Jet Kero	299	276	280	12	4.7
Gas Diesel Oil	859	765	902	41	4.8
Residual Fuel Oil	348	332	324	-35	-9.7
Other Products	515	515	582	26	4.6
Total Oil Demand	**2,572**	**2,411**	**2,623**	**63**	**2.4**

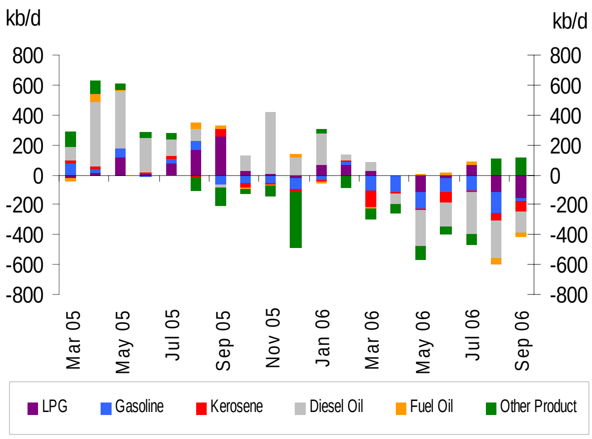
Sources: Direct Communication, Indian Ministry of Petroleum, Indianpetro, JODI plus OPEC Secretariat's estimates.

Other Regions

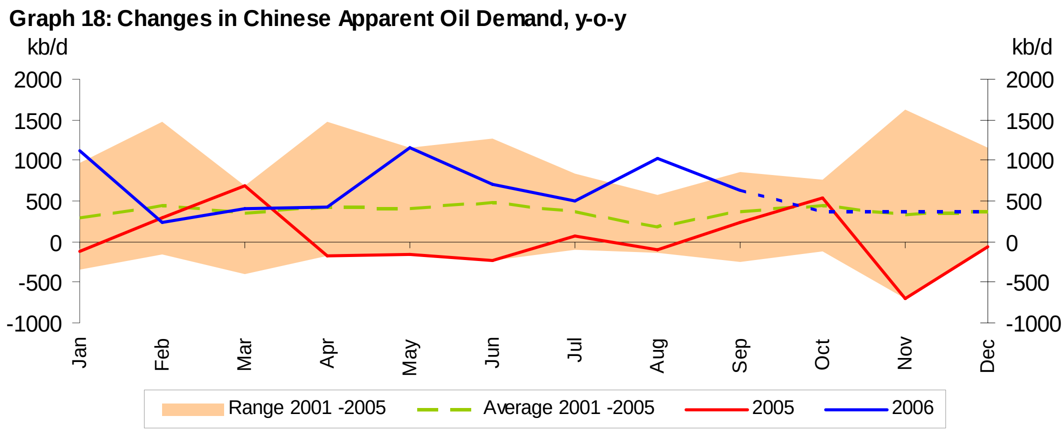
China's third quarter oil demand revised up by 0.15 mb/d to show y-o-y growth of 0.58 mb/d

Strong economic activities along with the price shield that protects Chinese transport consumers have kept oil imports and demand on the rise so far this year. The latest data indicate that China started filling its long-awaited strategic storage of 32.7 mb, which has boosted oil imports. Hence, y-o-y third-quarter oil demand was revised up to reflect the stronger apparent oil demand by 0.15 mb/d to show a growth of 0.58 mb/d y-o-y. China's y-o-y January-September crude imports and refinery runs surged by 18.3% and 5.2% respectively. In total, net oil imports including products grew by 24% for the same period. China's apparent September oil demand averaged 7.4 mb/d, representing a y-o-y growth of 0.6 mb/d or around 10% It should be noted that China's apparent demand in 2005 was exceptionally low, and furthermore the filling of new strategic oil reserves accounts for some of the apparent demand, especially in the third and fourth quarters. Crude imports jumped up by 29% in September y-o-y. The agricultural season pushed up demand for diesel which encouraged refiners to minimize kerosene production. Increasing fuel oil demand caused imports to increase by 19% in September y-o-y. The booming airline business pushed kerosene imports to a record-high as apparent kerosene demand grew by 25% y-o-y in September. Due to growing demand, China's petroleum product additive imports also grew strongly.

Graph 17: Changes in Chinese oil products net trade, y-o-y



As a result of the slow world oil demand, FSU oil exports declined in the third quarter which was not matched by the oil production, causing apparent demand to show moderate growth. FSU third-quarter growth is estimated at 0.08 mb/d y-o-y.



Forecast for 2006 demand

OECD

Oil demand in North America forecast to decline by 0.08 mb/d y-o-y to average 25.42 mb/d

Lower oil prices are expected to moderately increase oil demand in North America; however, slowing economic activity in the USA is likely to curb oil usage in the fourth quarter. Nevertheless, oil demand is expected to follow the cyclical winter pattern and to be somewhat stronger than the first three quarters. The y-o-y fourth quarter was revised up by 0.1 mb/d to reflect strong winter oil demand, although expected oil demand growth will not be sufficient to offset the total year demand decline. For the year, North America's oil demand changes are forecast to decline by 0.08 mb/d to average 25.42 mb/d for 2006.

OECD 4Q06 oil demand growth in 4Q06 estimated at 0.6 mb/d to average 50.5 mb/d

A similar fourth-quarter oil demand growth pattern is expected to occur in all the OECD regions. The OECD countries fourth-quarter oil demand growth is estimated at 0.6 mb/d y-o-y to average 50.5 mb/d.

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

			Change 2006/05				Change 2006/05	
	1Q05	1Q06	Volume	%	2Q05	2Q06	Volume	%
North America	25.62	25.12	-0.49	-1.93	25.33	25.08	-0.24	-0.96
Western Europe	15.62	15.72	0.10	0.67	15.17	15.06	-0.11	-0.72
OECD Pacific	9.45	9.30	-0.15	-1.55	8.06	7.87	-0.19	-2.41
Total OECD	**50.68**	**50.14**	**-0.54**	**-1.06**	**48.56**	**48.01**	**-0.55**	**-1.13**
Other Asia	8.71	8.73	0.02	0.28	8.83	8.95	0.12	1.32
Latin America	4.89	4.99	0.10	2.04	5.07	5.15	0.08	1.52
Middle East	5.66	6.04	0.38	6.71	5.78	6.12	0.33	5.74
Africa	2.89	2.96	0.06	2.25	2.88	2.95	0.07	2.34
Total DCs	**22.15**	**22.72**	**0.57**	**2.57**	**22.57**	**23.16**	**0.59**	**2.63**
FSU	3.87	3.69	-0.18	-4.68	3.70	3.56	-0.14	-3.70
Other Europe	0.94	0.97	0.03	2.91	0.88	0.90	0.02	2.12
China	6.51	7.09	0.58	8.91	6.58	7.34	0.77	11.64
Total "Other Regions"	**11.32**	**11.75**	**0.43**	**3.77**	**11.15**	**11.80**	**0.65**	**5.81**
Total world	**84.15**	**84.61**	**0.46**	**0.55**	**82.28**	**82.97**	**0.69**	**0.84**

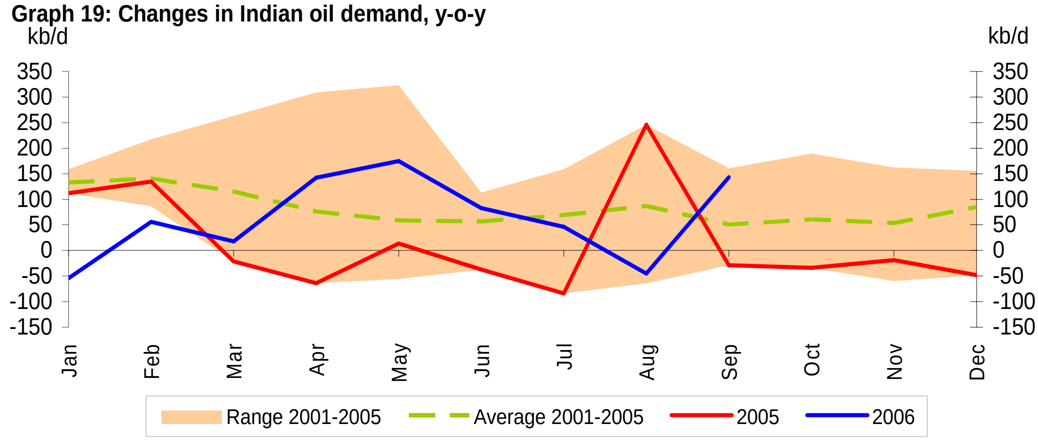
Totals may not add due to independent rounding.

Oil demand growth in DCs is expected to reach 0.6 mb/d in 2006 to average 23.0 mb/d

Developing Countries

The Indian economy experienced a robust growth of 8.1%, and transport and agricultural fuels are expected to grow strongly. However, total oil demand growth for 2006 is not expected to exceed 2.5%.

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

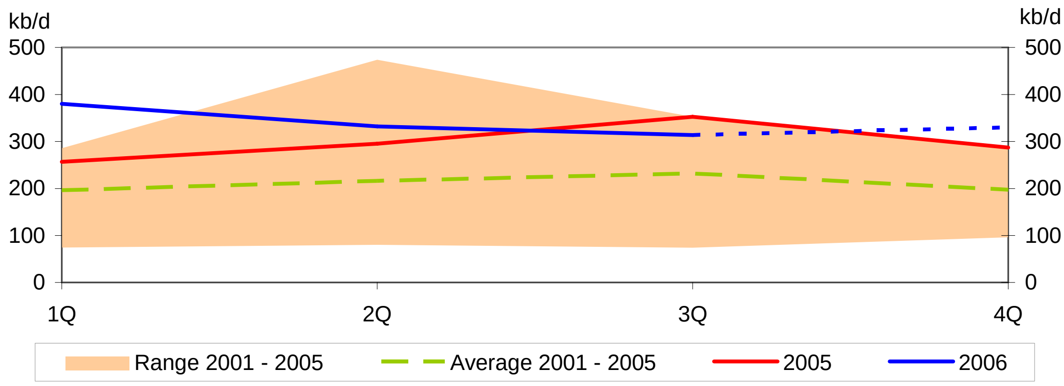


Fourth-quarter oil demand growth in Other Asia group estimated to increase by 0.18 mb/d to average 8.8 mb/d

Other Asia region is expected to show stronger oil demand growth in the fourth quarter compared to the previous quarter. Other Asia oil demand growth is estimated to increase by 0.18 mb/d y-o-y to average 8.8 mb/d in the fourth quarter.

Led by the Middle East, oil demand growth in DCs in 2006 is expected to reach 0.6 mb/d to average 23.0 mb/d.

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



China oil demand growth for 2006 was revised up by 0.04 mb/d to 0.57 mb/d y-o-y

Other Regions

In an effort to curb crude oil exports, China increased export tariff by 5%. With the end of the summer season, China's fourth-quarter demand should be more stable. However, the filling of the newly constructed strategic oil reserves may play a major role in China's fourth-quarter oil demand. There will be no seasonality that may drastically affect petroleum product demand in the fourth quarter. With this in mind, if there is no change in gasoline export rates, then China will have an excess of gasoline supply until year-end. Due to the unexpected growth in China's oil demand in the third quarter, y-o-y oil demand growth was revised up by 0.04 mb/d to show an increase of 0.57 mb/d for 2006. As was mentioned earlier, the filling of new Chinese oil storage may push fourth-quarter oil demand stronger than the current estimate.

World oil demand growth for next year expected at a moderate rate of 1.33 mb/d or 1.57%

Forecast for 2007 demand

World oil demand forecast for 2007 has been slightly increased to reflect the upward revision on China's oil demand growth. As a result world oil demand growth for next year is forecast at a moderate rate of 1.33 mb/d or 1.57%. Minor upward revision to China's GDP growth forecast affected oil demand prospects for 2007. China and the Middle East will lead world oil demand growth with 0.45 mb/d and 0.30 mb/d respectively.

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

			Change 2006/05				Change 2006/05	
	3Q05	3Q06	Volume	%	4Q05	4Q06	Volume	%
North America	25.58	25.53	-0.06	-0.22	25.48	25.95	0.47	1.84
Western Europe	15.56	15.46	-0.10	-0.63	15.69	15.78	0.09	0.58
OECD Pacific	8.08	7.97	-0.10	-1.24	8.79	8.81	0.02	0.27
Total OECD	**49.22**	**48.97**	**-0.25**	**-0.52**	**49.96**	**50.54**	**0.58**	**1.17**
Other Asia	8.53	8.60	0.07	0.86	8.62	8.80	0.18	2.09
Latin America	5.19	5.27	0.08	1.57	5.11	5.22	0.11	2.15
Middle East	6.00	6.32	0.32	5.31	5.81	6.14	0.33	5.68
Africa	2.84	2.91	0.07	2.52	2.93	2.98	0.05	1.66
Total DCs	**22.56**	**23.11**	**0.55**	**2.42**	**22.47**	**23.14**	**0.67**	**2.98**
FSU	3.78	3.86	0.08	2.25	3.93	4.03	0.10	2.54
Other Europe	0.87	0.90	0.03	3.45	0.85	0.88	0.03	3.02
China	6.43	7.01	0.58	9.07	6.64	7.01	0.37	5.54
Total "Other Regions"	**11.07**	**11.77**	**0.70**	**6.30**	**11.43**	**11.92**	**0.49**	**4.32**
Total world	**82.85**	**83.84**	**0.99**	**1.19**	**83.86**	**85.60**	**1.75**	**2.08**

Totals may not add due to independent rounding.

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

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.42	25.52	25.20	25.64	26.17	25.63	0.21	0.83
Western Europe	15.51	15.57	15.16	15.53	15.84	15.53	0.02	0.13
OECD Pacific	8.49	9.40	7.77	7.99	8.82	8.49	0.01	0.09
Total OECD	**49.41**	**50.49**	**48.14**	**49.16**	**50.83**	**49.65**	**0.24**	**0.49**
Other Asia	8.77	8.81	9.07	8.81	9.00	8.92	0.15	1.76
Latin America	5.16	5.12	5.23	5.35	5.28	5.25	0.09	1.75
Middle East	6.16	6.33	6.35	6.67	6.47	6.46	0.30	4.88
Africa	2.95	3.01	3.00	2.96	3.04	3.00	0.05	1.75
Total DCs	**23.03**	**23.26**	**23.65**	**23.80**	**23.79**	**23.63**	**0.60**	**2.59**
FSU	3.79	3.78	3.50	3.79	4.13	3.80	0.01	0.31
Other Europe	0.91	1.01	0.88	0.92	0.95	0.94	0.03	3.17
China	7.11	7.44	7.85	7.52	7.43	7.56	0.45	6.30
Total "Other Regions"	**11.81**	**12.23**	**12.22**	**12.24**	**12.50**	**12.30**	**0.49**	**4.14**
Total world	**84.26**	**85.99**	**84.01**	**85.20**	**87.13**	**85.58**	**1.33**	**1.57**
Previous estimate	84.23	85.96	83.97	85.19	86.96	85.52	1.30	1.54
Revision	0.03	0.04	0.04	0.01	0.16	0.06	0.03	0.03

Table 11: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.12	25.52	0.40	1.57	25.08	25.20	0.12	0.46
Western Europe	15.72	15.57	-0.15	-0.94	15.06	15.16	0.10	0.68
OECD Pacific	9.30	9.40	0.10	1.12	7.87	7.77	-0.09	-1.16
Total OECD	**50.14**	**50.49**	**0.35**	**0.70**	**48.01**	**48.14**	**0.13**	**0.26**
Other Asia	8.73	8.81	0.08	0.86	8.95	9.07	0.12	1.35
Latin America	4.99	5.12	0.13	2.58	5.15	5.23	0.09	1.72
Middle East	6.04	6.33	0.29	4.81	6.12	6.35	0.24	3.86
Africa	2.96	3.01	0.05	1.80	2.95	3.00	0.05	1.62
Total DCs	**22.72**	**23.26**	**0.55**	**2.41**	**23.16**	**23.65**	**0.49**	**2.13**
FSU	3.69	3.78	0.09	2.36	3.56	3.50	-0.06	-1.76
Other Europe	0.97	1.01	0.04	4.55	0.90	0.88	-0.02	-2.36
China	7.09	7.44	0.35	4.94	7.34	7.85	0.51	6.91
Total "Other Regions"	**11.75**	**12.23**	**0.48**	**4.10**	**11.80**	**12.22**	**0.42**	**3.59**
Total world	**84.61**	**85.99**	**1.38**	**1.63**	**82.97**	**84.01**	**1.04**	**1.26**

Totals may not add due to independent rounding.

Table 12: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.53	25.64	0.12	0.45	25.95	26.17	0.22	0.86
Western Europe	15.46	15.53	0.07	0.44	15.78	15.84	0.06	0.37
OECD Pacific	7.97	7.99	0.01	0.17	8.81	8.82	0.00	0.05
Total OECD	**48.97**	**49.16**	**0.20**	**0.40**	**50.54**	**50.83**	**0.28**	**0.56**
Other Asia	8.60	8.81	0.21	2.48	8.80	9.00	0.21	2.35
Latin America	5.27	5.35	0.08	1.58	5.22	5.28	0.06	1.17
Middle East	6.32	6.67	0.35	5.54	6.14	6.47	0.33	5.29
Africa	2.91	2.96	0.04	1.50	2.98	3.04	0.06	2.06
Total DCs	**23.11**	**23.80**	**0.69**	**2.99**	**23.14**	**23.79**	**0.65**	**2.83**
FSU	3.86	3.79	-0.07	-1.79	4.03	4.13	0.09	2.30
Other Europe	0.90	0.92	0.02	2.72	0.88	0.95	0.07	7.75
China	7.01	7.52	0.51	7.31	7.01	7.43	0.42	6.01
Total "Other Regions"	**11.77**	**12.24**	**0.47**	**3.97**	**11.92**	**12.50**	**0.58**	**4.88**
Total world	**83.84**	**85.20**	**1.36**	**1.62**	**85.60**	**87.13**	**1.52**	**1.78**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Forecast for 2006

Expected supply growth in 2006 of 0.9 mb/d

Non-OPEC oil supply is expected to average 51.2 mb/d in 2006, representing an increase of 0.9 mb/d over 2005 and a slight downward revision versus the last assessment. An upward revision to the 2005 base, sharper than expected downward revisions to the September 2006 and 3Q06 data for the USA, Denmark, and Kazakhstan, and downward revision to the 4Q06 outlook for Russia account for the bulk of the revision. Actual data for the month of August shows that total non-OPEC supply averaged 51 mb/d, in line with the preliminary estimate. However, September output is now assessed at 51.3 mb/d, representing y-o-y growth of 2.3 mb/d, down 0.4 mb/d from preliminary figures. Sharper than expected downward revisions to the September 2006 monthly data for the USA, Denmark, and Kazakhstan account for the bulk of the revision. **Preliminary data for the month of October puts total non-OPEC supply at around 51.7 mb/d, representing a y-o-y change of 2.1 mb/d.** October is the fourth consecutive month this year with a y-o-y change of more than 1 mb/d.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.14	14.16	14.17	14.34	14.73	14.35	0.21
Western Europe	5.77	5.68	5.29	5.27	5.57	5.45	-0.32
OECD Pacific	0.58	0.48	0.49	0.65	0.65	0.57	-0.01
Total OECD	**20.48**	**20.32**	**19.95**	**20.26**	**20.95**	**20.37**	**-0.11**
Other Asia	2.63	2.67	2.65	2.64	2.66	2.66	0.03
Latin America	4.26	4.36	4.43	4.45	4.63	4.47	0.20
Middle East	1.87	1.83	1.82	1.81	1.81	1.82	-0.05
Africa	3.78	4.02	3.93	4.13	4.34	4.11	0.33
Total DCs	**12.54**	**12.88**	**12.83**	**13.04**	**13.44**	**13.05**	**0.50**
FSU	11.55	11.67	11.97	12.15	12.19	11.99	0.45
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.68	3.72	3.70	0.08
Total "Other regions"	**15.32**	**15.50**	**15.82**	**15.97**	**16.05**	**15.84**	**0.52**
Total Non-OPEC production	**48.35**	**48.70**	**48.60**	**49.27**	**50.44**	**49.26**	**0.91**
Processing gains	1.86	1.92	1.89	1.88	1.92	1.90	0.04
Total Non-OPEC supply	**50.21**	**50.62**	**50.49**	**51.14**	**52.36**	**51.16**	**0.94**
Previous estimate	50.14	50.62	50.45	51.37	52.46	51.23	1.09
Revision	0.07	0.01	0.04	-0.23	-0.10	-0.07	-0.15

OECD

Total OECD oil supply is expected to average 20.4 mb/d, slightly lower versus the last assessment. On a quarterly basis, total oil supply is expected to average 20.3 mb/d and 21 mb/d in the third and fourth quarters, respectively which represents a downward revision of 80,000 b/d in the third and 14,000 b/d in the fourth quarter. Preliminary data for the month of October puts total oil supply in OECD countries at 20.7 mb/d.

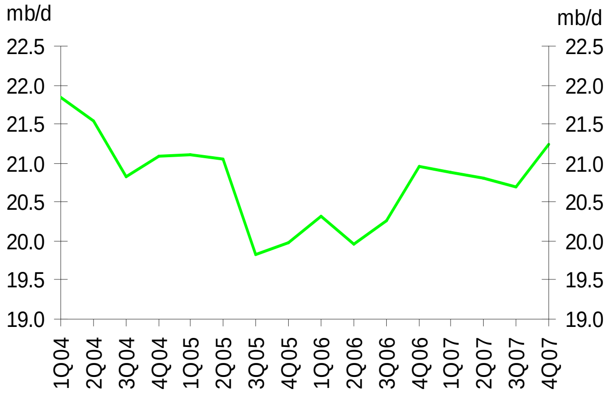
USA

Ongoing revisions to the historical data for NGLs and other categories have resulted in downward revisions

Oil supply in the USA is expected to average 7.4 mb/d in 2006 representing an increase of 0.06 mb/d versus last year slightly lower versus last month’s assessment. On a quarterly basis, US oil supply is expected to average 7.4 mb/d and 7.6 mb/d in the third and fourth quarters representing a downward revision of 21,000 b/d and 27,000 b/d respectively. The revisions are due to three reasons. First, the latest data of the USA provided by the Department of Energy shows a significant revision to NGL production versus preliminary estimates and weekly indicators. Second, revisions in other categories such as oxygenates have been taken into account. Finally, Alaskan production was affected again in October by bad weather shortly after the Prudhoe Bay field recovered. Output from Prudhoe Bay seems to have normalized from 27 October.

As previously indicated, the US Gulf of Mexico has not been impacted by hurricanes and as result production has remained steady. The season is officially over in 2 weeks, and climatic and weather conditions are still not conducive for the development of intense hurricanes. Actual data for the month of September shows that total US oil supply averaged 7.42 mb/d – down 0.2 mb/d versus preliminary figures. Preliminary data for the month of October indicates that US oil supply averaged 7.5 mb/d.

Graph 21: OECD's quarterly production



Mexico and Canada

The outlook for Mexico remains unchanged. Total oil supply is expected to average 3.7 mb/d in 2006. Current production is running at 3.69 mb/d a level that could rise slightly in November and December provided there is sufficient demand in the USA. Recent reports suggest that the giant Ku-Maloop-Zaap complex is producing over 400,000 b/d. A new large FPSO with 200,000 b/d capacity is expected to arrive before year-end and to start production at the end of the 1Q07. This will be a key project that is expected to help maintain if not increase total Mexican heavy crude output.

Canadian oil supply reached a new record of 3.35 mb/d in October

Canadian oil supply is expected to average 3.2 mb/d in 2006, representing an increase of 0.16 mb/d versus 2005 and slightly less than last month's assessment. The most recent official data indicates that historical production was lower than previously estimated in 1Q06 and 2Q06, resulting in a revision to the base. In October, the country produced a new record of 3.35 mb/d a level that will rise further now that most of the production that was shut-in or in maintenance has returned.

Western Europe

Oil supply in OECD Europe is expected to average 5.5 mb/d in 2006, representing a decline of 0.3 mb/d versus 2005. On a quarterly basis, total oil supply is expected to average 5.3 mb/d and 5.6 mb/d in the third and fourth quarters, respectively which represents a downward revision of 63,000 b/d in the third a quarter. Total oil supply in September is assessed at 5.33 mb/d (down 0.1 mb/d versus preliminary estimates) and in October at 5.44 mb/d.

Official figures indicate Danish oil production fall of 100,000 b/d in September due to maintenance

The outlook for Norway and the UK remains unchanged. Norwegian oil supply is expected to average 2.8 mb/d in 2006, or 0.14 mb/d less than last year. Preliminary data for October shows that production was around 2.7-2.8 mb/d but should rebound in November and December as the impact of temporary field shutdowns recedes and maintenance is completed for the year. UK oil supply is expected to average 1.7 mb/d, a drop of 0.16 mb/d versus last year. Preliminary data for October indicates that UK oil supply averaged 1.7 mb/d, but total supply is also expected to rebound in November and December. The only recent surprise in the North Sea is that Danish oil production was down 100,000 b/d to average 260,000 b/d in September according to official statistics due to maintenance. The previous forecast did not include such a deep level for maintenance. As a result, both the estimate for 3Q06 has been revised down as well as the full year forecast. Danish oil supply is expected to average 0.35 mb/d, around 30,000 b/d less than in 2005 and 10,000 b/d less than previously thought.

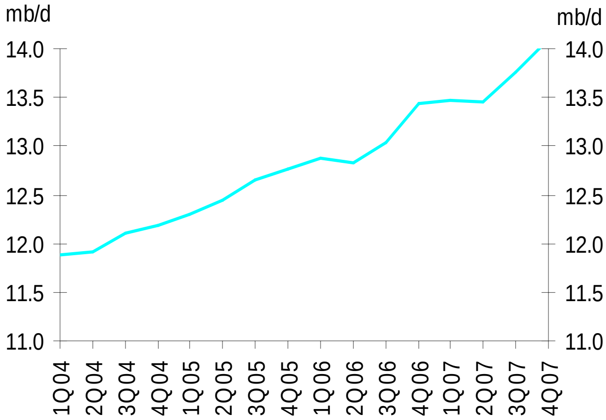
Asia Pacific

Oil supply in the OECD Asia Pacific region is expected to average 0.57 mb/d in 2006, flat from last year and broadly unchanged versus last month's assessment. On a quarterly basis, total oil supply is expected to average 0.65 mb/d in the third and fourth quarters. Australian oil supply is expected to average 0.51 mb/d in 2006, or 10,000 b/d lower versus last year. The forecast remains unchanged despite the fact that the 3Q06 estimate has been revised up 28,000 b/d to reflect recent official statistics. The main reason for leaving the forecast unchanged is that the new Enfield field, which hit 70,000 b/d is facing water problems which will prevent it from reaching the expected mark of 100,000 b/d in the short term. Preliminary data for the month of October puts total oil supply in Australia at 0.6 mb/d.

Developing Countries

Oil supply in the Developing Countries (DCs) is expected to average 13.1 mb/d in 2006, an increase of 0.5 mb/d over 2005, and slightly higher versus last month's report. On a quarterly basis, total oil supply in DCs is expected to average 13 mb/d and 13.4 mb/d in the third and fourth quarters, respectively, which represents a downward revision of 53,000 b/d in the third and an upward revision of 33,000 b/d in the fourth quarter. Downward revisions have been made to the data (historical and outlook) of India, Brazil, and Trinidad, which have been offset by upward revisions to the data for Angola, Ecuador, Egypt, Equatorial Guinea and Sudan. Total oil supply in the Developing Countries in October is estimated at 13.15 mb/d.

Graph 22: Developing Countries' quarterly production



India' oil supply is expected to average 0.78 mb/d in 2006, which represents an increase of 20,000 b/d versus last year. The most recent official data indicates that production in 2Q06 and 3Q06 averaged slightly less than previously thought largely due to weather problems. The estimate for 2Q06 and 3Q06 has been revised down 11,000 b/d and 38,000 b/d, respectively. Given this, and the lack of new projects this year, it is unlikely that oil production will recover entirely in 4Q06 to match earlier expectations; as a result the outlook has been revised down slightly.

Brazil: Espadarte Module II FPSO (100,000 b/d) to start ahead of schedule

Brazil's oil supply is expected to average 2.18 mb/d in 2006, representing an increase of 0.14 mb/d versus 2005 but 10,000 b/d lower versus last month's estimate. Actual data for 3Q06 came in slightly lower than estimated and this has impacted the full year forecast. Recent reports suggest that the Espadarte Module II FPSO (100,000 b/d) will start before year-end, much earlier than expected. Preliminary data for October puts total oil supply slightly above 2.15 mb/d, and this is expected to rebound in November and December. As reported in the previous *MOMR*, the new P 50 field (180,000 b/d) and Goldfinho 1 (100,000 b/d) experienced delays in the ramp up, which affected Brazilian oil production growth, but current indications suggest that both are on track to reach capacity by year-end, and thus lift total Brazilian oil supply to average 2.25-2.29 mb/d in 4Q06.

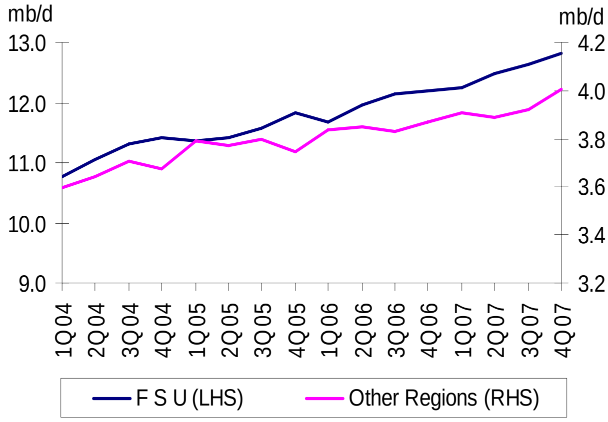
Angola: Dalia FPSO (240,000 b/d) to start mid-December

The historical data for Trinidad & Tobago has been adjusted to reflect updated official statistics. Total oil supply is now assessed at 0.16 mb/d in 2004, 0.18 mb/d in 2005 and 0.19 mb/d in 2006. For 2006, the revision represents a reduction of 34,000 b/d. Trinidad produces crude, condensates and other liquids from its LNG plants and petrochemical complexes. Other revisions have been made to the historical data of Ecuador and Angola (back to 2005), and more recently to the historical data of Egypt and Equatorial Guinea. The outlook for Angola and Sudan has also been revised up slightly, as production is now estimated to run slightly ahead of expectations for the 4Q06.

FSU, Other Regions

Oil supply in the FSU is expected to average 12 mb/d, an increase of 0.5 mb/d versus 2005, but slightly lower versus last month. The forecast for Other Regions (i.e. China and Other Europe) remains unchanged with total oil supply expected at 3.8 mb/d in 2005 representing an increase of 70,000 b/d versus 2005. On a quarterly basis, total oil supply in the FSU is expected to average 12.2 mb/d in the third and fourth quarters, which represent a downward revision of 74,000 b/d in the third and 101,000 b/d in the fourth quarter. Oil supply in October in the FSU is assessed at 12.1 mb/d.

Graph 23: FSU and other region's quarterly production



Russia

Russian oil supply reached the maximum for the year in August

Russian oil supply is expected to average 9.6 mb/d in 2006, an increase of 0.2 mb/d versus 2005 but 34,000 b/d lower than last month's estimate. On a quarterly basis, total oil supply is expected to average 9.73 mb/d and 9.7 mb/d in the third and fourth quarters, respectively which represents a downward revision of 0.03 mb/d in the third a quarter and 0.1 mb/d in the fourth quarter. The latest data shows that production averaged 9.72 mb/d in September but this dropped to 9.68 mb/d in October. It was always anticipated that oil production growth would moderate later in 4Q06 and into the winter, but the recent drop combined with the poor performance of non-state linked companies as of late and ongoing problems in Sakhalin 1 suggests that Russian growth may have reach its maximum for this year. The previous estimate for 4Q06 was 9.77 mb/d, but this is more likely to average 9.7 mb/d. Crude export tariffs are expected to drop; however, this will coincided with winter when exports typically drop due to closure of river transport systems and higher domestic demand for products.

Caspian

Azeri oil supply continues to grow faster than expected; East Azeri field (260,000 b/d) starts ahead of schedule

Azeri oil production is expected to average 0.64 mb/d in 2006, representing an increase of 0.2 mb/d versus last year. On a quarterly basis, total oil supply is expected to average 0.68 mb/d in the third and 0.73 mb/d in the fourth quarters, which represent an upward revision of 7,000 b/d in the third and fourth quarter. The outlook for Azeri continues to be revised up in parts as output from the ACG field exceeds targets. Preliminary data for October puts total Azeri oil production at around 0.66 mb/d, slightly down versus September due to a 10-day maintenance at one of the platforms (Chirag) and the Supsa export terminal. The new East Azeri field (260,000 b/d) started on 23 October. The impact of an early start is positive for Azerbaijan; but this report continues to assume that the main contribution will come from early 2007 onwards. Whilst flows from the Chirag platform are back to normal, recent reports suggest that the Mediterranean port of Supsa is expected to be shut for three months. This port has a capacity of around 150,000 b/d, with the rest of the exports going through the BTC pipeline (currently 400,000 b/d), rail to Batumi terminal (150,000 b/d), and pipeline to Novorossiysk (50,000 b/d).

The consortium operating the Tengiz field has begun the first phase of testing the gas injection programme which is set to double field output next year

Kazak oil production is expected to average 1.29 mb/d in 2006, an increase of 60,000 b/d over last year representing a downward revision of 16,000 b/d versus last month's estimate. Data for the month of September puts oil production at 1.23 mb/d, much lower than preliminary figures of 1.36 mb/d. Ongoing maintenance at Karachaganak condensate field impacted Kazak output. However, total Kazak output appears to have recovered in October to 1.33 mb/d based on loadings at the CPC pipeline. The first phase of the sour gas injection project that is expected to double Tengiz output from second half next year has started.

China

The outlook for China remains unchanged. Total oil supply is expected to average 3.7 mb/d, representing an increase of 70,000 b/d over last year; October data shows average oil production of 3.66 mb/d. Year-to-date, it has risen 60,000 b/d compared to the same period last year. It is worth mentioning that the historical and current production data shown in the *MOMR* does not include biofuels, which is estimated at around 50,000 b/d, mainly due to lack of reliable statistics. Additionally, coal to liquids is excluded from current oil production estimates. In both cases, this data will need to be included at some stage once reliable statistics become available and as projects start.

Forecast for 2007

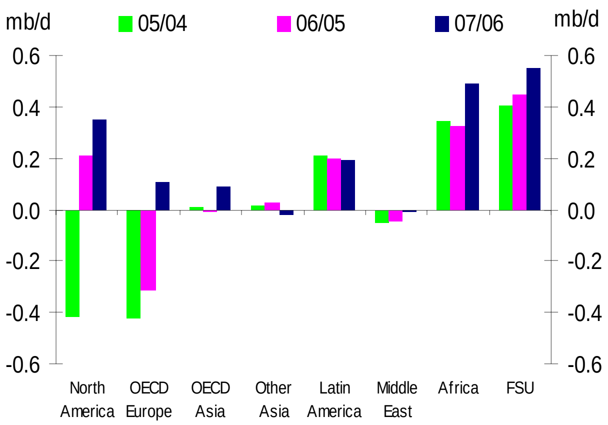
Non-OPEC supply growth in 2007 forecast at 1.8 mb/d

Non-OPEC oil supply is expected to average 53 mb/d in 2007, representing an increase of 1.8 mb/d versus 2006 and broadly unchanged from last month. On a quarterly basis, non-OPEC supply is expected to average 52.4 mb/d, 52.6 mb/d, 52.9 mb/d, and 54.1 mb/d in the first, second, third and fourth quarters, respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.35	14.66	14.70	14.62	14.80	14.70	0.35
Western Europe	5.45	5.58	5.50	5.39	5.76	5.56	0.11
OECD Pacific	0.57	0.64	0.62	0.69	0.68	0.66	0.09
Total OECD	**20.37**	**20.89**	**20.81**	**20.70**	**21.24**	**20.91**	**0.54**
Other Asia	2.66	2.62	2.53	2.65	2.74	2.63	-0.02
Latin America	4.47	4.65	4.64	4.63	4.70	4.66	0.19
Middle East	1.82	1.82	1.82	1.80	1.81	1.81	-0.01
Africa	4.11	4.38	4.47	4.67	4.85	4.60	0.49
Total DCs	**13.05**	**13.47**	**13.46**	**13.75**	**14.10**	**13.70**	**0.65**
FSU	11.99	12.24	12.48	12.63	12.82	12.54	0.55
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.70	3.76	3.74	3.78	3.86	3.79	0.09
Total "Other regions"	**15.84**	**16.15**	**16.37**	**16.55**	**16.82**	**16.47**	**0.64**
Total Non-OPEC production	**49.26**	**50.51**	**50.64**	**51.01**	**52.16**	**51.08**	**1.83**
Processing gains	1.90	1.92	1.92	1.92	1.92	1.92	0.02
Total Non-OPEC supply	**51.16**	**52.43**	**52.56**	**52.92**	**54.07**	**53.00**	**1.84**
Previous estimate	51.23	52.46	52.58	52.92	54.04	53.00	1.77
Revision	-0.07	-0.03	-0.02	0.00	0.03	0.00	0.07

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



The FSU region is expected to grow 0.6 mb/d to 12.5 mb/d. Together, Caspian countries are expected to deliver more growth than Russia. However, recent trends in Russia are not supportive for current growth expectations there. Oil supply in the African region is forecast to grow 0.5 mb/d to 4.6 mb/d; most of the increase is expected to come from deepwater Angola, Equatorial Guinea and onshore Sudan. Oil supply in the North American region is expected to grow 0.4 mb/d to 14.7 mb/d. The increase is driven by unwinding of losses in the US Gulf of Mexico (GoM), Alaska, US GoM deepwater, US ethanol and expansion of Canadian oil sands. Oil supply in the Latin American region is expected to grow by 0.2 mb/d to 4.7 mb/d; regional growth is driven by Brazil (crude and ethanol). Elsewhere, OECD Europe is expected to show a modest increase of 0.1 mb/d to 5.6 mb/d driven by the unwinding of production shut-ins in Norway but also new projects and the start of the Buzzard field in the UK; a normal maintenance schedule is assumed. OECD Asia in expected to increase 0.1 mb/d to 0.7 mb/d. The forecast now reflects the return of some of the production that was lost in the Carnavon basin due to cyclone activity in Australia. Oil supply in Other Asia and Middle East is expected to remain broadly flat at 2.8 mb/d and 1.8 mb/d, respectively. China's oil production is forecast to increase by 0.06 mb/d to 3.8 mb/d.

Revisions

The forecast for 2007 remains broadly unchanged, but the base and outlook of some countries have been subject to revisions. On a quarterly basis, total non-OPEC supply has been revised down 30,000 b/d in 1Q07 and 20,000 b/d in 2Q07 and up 30,000 b/d in 4Q07.

The outlook for the USA has been revised down slightly. The Atlantis field is still expected to start in 2Q07 and no changes have been made to the ramp up period. However, recent reports suggest that its start up is likely to be end of 2Q07; therefore some adjustments have been made. In Australia, we have assumed that problems at the Enfield field will be fixed from 3Q07 onwards. The outlook for Brazil has been revised slightly up now that the Espadarte Module II FPSO will start earlier than expected thus having more impact on Brazil's oil production next year. The forecast assumes a conservative ramp up at the new fields including Golfinho Module 2, Espadarte Module II and Roncador P 52. Sudan's outlook has also been revised slightly up following better than expected performance in 2006. The outlook for Azerbaijan has been revised slightly up now that the East Azeri field started ramping up from late 2006 onwards versus a previous estimate of early 2007.

Risks

Russian production growth at risk next year

This reports highlights that the growth estimate for Russia next year may turn out to be optimistic. The current forecast sees total production averaging 9.8 mb/d (maximum of 9.9 mb in 4Q07), representing a growth of 190,000 b/d versus to 2005. The previous forecast estimated growth to be 210,000 b/d. Essentially, the Russian oil industry is not showing signs of vigorous growth anywhere and there are no positive catalysts that might give sufficient support to next year's forecast. The portfolios of non-state controlled companies are showing a poor to deteriorating performance, and state-linked companies are not growing fast enough. The reasons for these trends are well known, but what is driving these factors — i.e. underlying production trends across fields, well completions, company decisions, effectiveness of capex, etc., — are all too complex to see. This report has taken the conservative outlook for Russian medium-term growth since April 2005, but short-term fluctuations, including flat to a slight y-o-y decrease, are within possibilities.

As usual, the overall forecast for non OPEC for 2007 does not take into account a number of risks, such as the impact of extreme hurricane activity in the USA and Asia, unplanned shutdowns, material delays, and political instability. Tightness in the oil service sector poses some risks, particularly when specialized services are suddenly required. Rising underlying costs also pose a risk in the near term for small marginal projects, EOR, and stripper wells. However, it should be noted that current oil prices are several times higher than average production and development costs of most producing regions. Finally, but of equal importance, sharp downward fluctuations in energy prices could affect some investment plans and as a direct consequence mature oil production, thereby reducing the growth. Combined, these risks could affect as much as 0.5 mb/d of the growth.

OPEC natural gas liquids and non-conventional oils

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

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

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

OPEC crude output averaged 29.4 mb/d in October

OPEC crude oil production

Total crude oil production averaged 29.4 mb/d in October, representing a drop of 0.16 mb/d from last month, according to secondary sources. Iraq's oil production was 2 mb/d.

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

	2004	**2005**	**4Q05**	**1Q06**	**2Q06**	**Aug 06**	**Sep 06**	**Oct 06**	***Oct/ Sep***
Algeria	1,228	1,349	1,374	1,376	1,368	1,356	1,373	1,381	*7.7*
Indonesia	968	942	935	922	914	877	878	876	*-2.3*
IR Iran	3,920	3,924	3,911	3,849	3,800	3,919	3,884	3,810	*-74.2*
Iraq	2,015	1,830	1,675	1,711	2,001	2,065	2,048	1,958	*-90.7*
Kuwait	2,344	2,504	2,548	2,532	2,513	2,507	2,508	2,496	*-12.8*
SP Libyan AJ	1,537	1,642	1,665	1,680	1,699	1,718	1,727	1,720	*-6.7*
Nigeria	2,322	2,412	2,469	2,257	2,212	2,221	2,186	2,259	*73.7*
Qatar	771	796	808	817	820	840	834	836	*2.3*
Saudi Arabia	8,957	9,390	9,426	9,416	9,133	9,183	9,056	9,031	*-25.3*
UAE	2,360	2,447	2,518	2,528	2,535	2,571	2,580	2,562	*-18.0*
Venezuela	2,582	2,633	2,584	2,595	2,574	2,517	2,538	2,519	*-18.5*
OPEC-10	**26,988**	**28,038**	**28,237**	**27,973**	**27,570**	**27,708**	**27,563**	**27,489**	***-74.0***
Total OPEC	**29,004**	**29,868**	**29,912**	**29,684**	**29,571**	**29,773**	**29,612**	**29,447**	***-164.7***

Totals may not add due to independent rounding.

FSU net exports of crude and products

Total FSU net oil exports are now expected to average 8.2 mb/d in 2006, an increase of 0.5 mb/d over the previous year. Next year, total FSU net oil exports are expected to average 8.7 mb/d, or 0.5 mb/d higher versus 2006 driven by new sources of crude from the Caspian and Russian product exports. The estimate has been revised down 0.1 mb/d for both 2006 and 2007.

Current trends

Preliminary figures for the month of October indicate that total crude exports remained steady at 6 mb/d, unchanged from the previous month. Including products, total net oil exports were 8.1 mb/d in October, slightly higher than the previous month. Crude exports increased via the Black Sea, Baltic, and Druzha pipeline. Russian rail exports to Far East (China) also increased slightly.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006 (forecast)	**7.98**	**8.41**	**8.29**	**8.15**	**8.21**	**0.52**
2007 (forecast)	**8.46**	**8.98**	**8.84**	**8.69**	**8.74**	**0.54**

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

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

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

* *Preliminary.*

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

Oil Trade

OECD crude oil imports declined in October for the first time since April to average 32.0 mb/d. At 27.8 mb/d, total OECD net oil imports displayed a y-o-y growth of 750,000 b/d.

OECD

Preliminary data shows that the upward trend of OECD total oil imports displayed since April came to an end in October with imports falling 130,000 b/d, offsetting the growth of the same level from the previous month. Crude oil imports averaged 32.0 mb/d, which represents a decline of around 110, 000 b/d, while products dropped slightly to 11.1 mb/d, 22,000 b/d below the previous month. Together, crude oil and product imports averaged 43.1 mb/d, implying y-o-y growth of nearly 200,000 b/d. Among OECD countries, USA saw its crude oil and product imports fall significantly in October.

OECD crude oil imports in the first ten months averaged 31.8 mb/d, up 160,000 b/d from a year earlier but products showed an increase of more than 400,000 b/d with a monthly average of 11.0 mb/d over the period. On the other hand, OECD oil exports remained almost stable at 15.4 mb/d with 7.3 mb/d crude oil and 8.1 mb/d products. As a result, OECD net oil imports declined for the first time in 2006 to average 27.8 mb/d, down 150,000 b/d from the previous month but 750,000 b/d or 3% higher than a year earlier with crude oil imports at 24.7 mb/d and products at 3.0 mb/d.

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

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	24,763	24,855	24,734	-121
Total products	3,029	3,048	3,019	-30
Total	**27,791**	**27,903**	**27,753**	**-150**

Saudi Arabia remained the largest supplier of OECD crude oil imports with 17% followed by the FSU with 16%. Compared with a year earlier, Saudi Arabia’s share gained almost 4 percentage points and FSU less than 2%. On the product side, imports are much diversified with the largest exporters to the OECD — the Netherlands and FSU— holding a share in total OECD product imports of around 5% each.

In October, total US net oil imports plunged to 11.8 mb/d, a drop of 950,000 b/d from the previous month

USA

Preliminary data shows that US crude oil and product imports declined significantly in October due to abundant stocks and a decline in natural gas prices. Crude oil imports dropped from a record of nearly 10.7 mb/d in September to 10.0 mb/d, the lowest level since May, while product imports slipped by around 240,000 b/d to 3.0 mb/d, the lowest level so far this year. The decline in US oil imports was reflected in the draw on product stocks and a drop in the refining utilization rate which decreased to around 88% compared with 92% in the previous month due to weaker demand and refining maintenance. Regarding products, fuel oil dropped by almost 200,000 b/d or 27% as a result of its lower utilization for power generation after the decline in the natural gas price.

Despite this strong decline, OECD crude oil imports showed a y-o-y growth of 580,000 b/d or more than 6% while product imports were nearly 1.8 mb/d below the October 2005 level. However, it should be mentioned that in September and October of the previous year US crude oil imports were below the yearly average after declining significantly while products reached record-highs due to disruptions in refining facilities following hurricanes Katrina and Rita.

For the period January-October, USA imported on average 13.7 mb/d of crude oil and 3.5 mb/d of products. Both crude oil and products were comparable to their levels of the corresponding period of the previous year. The zero growth in US oil imports reflects to some extent the slowdown in demand this year.

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

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	10,387	10,653	10,007	-646
Total products	2,646	2,095	1,791	-304
Total	**13,033**	**12,748**	**11,798**	**-950**

With product exports, which represent 99% of US oil exports, increasing 66,000 b/d to almost 1.3 mb/d and crude oil unchanged at 21,000 b/d, US total net oil imports fell 950,000 b/d to stand below 11.8 mb/d for the first time since last April. Compared with a year earlier, US total oil imports were down 1.5 mb/d in 2006.

In term of deliveries, Mexico and Canada remained the main suppliers of US imported crude with 17% and 16% respectively, followed by Saudi Arabia and Venezuela with 12% each and Nigeria with 11%. For products, Canada, the Virgin Islands and Algeria continued to be the largest sources of imports for the USA with 17%, 12% and 10% respectively.

Japan

Japan crude oil imports fell by 83,000 b/d in October, while product imports remained stable

After having increased during three consecutive months, Japan's crude oil imports fell 83,000 b/d in October to average 4.1 mb/d. This level was even 70,000 b/d lower than a year earlier due to the slowdown in demand and the poor refining utilization rate, which fell to around 76%. In contrast, product imports remained stable at 0.6 mb/d, but displayed a strong decline of more than 300,000 b/d or 35% compared to the October 2005 level. It is worth noting that Japan's product imports declined from 0.9-1.0 mb/d in January-May 2006 to average around 0.6 mb/d for the period June-October. High stock levels, especially distillates, and weaker demand contributed largely to the decline in product imports during recent months.

For the period January-October, Japan's crude oil imports stood at an average of 4.1 mb/d, 60,000 b/d below the level of a year ago, while product imports showed a y-o-y decline of 170,000 b/d to stand at 0.8 mb/d.

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

	Aug 06	Sep 06	Oct 06	Change Oct/Sep
Crude oil	4,059	4,181	4,098	-83
Total products	133	133	133	0
Total	**4,192**	**4,314**	**4,230**	**-84**

With product exports unchanged at 0.4 mb/d, Japan's total net oil imports dropped 84,000 b/d to 4.2 mb/d with crude oil representing almost 97%. When compared with a year earlier, Japan's total net oil imports were 370,000 b/d lower in 2006. The difference came essentially from the strong drop in product imports.

The share of imports from the main supplier, Saudi Arabia, rose 3 percentage points to more than 33%. Similarly, United Arab Emirates increased its share by 4 percentage points to 27% to remain the second largest crude supplier to Japan followed by Qatar with 12% and Iran with 9%. For products, imports from Saudi Arabia and UAE, the country's main suppliers, accounted for around one quarter of Japan's imports.

China

In September, China's crude oil imports reached an all-time high of 3.3 mb/d after surging 500,000 b/d, while product imports dropped by 52,000 b/d

China's crude oil imports hit an all-time high of 3.28 mb/d in September, which corresponded to a jump of nearly 500,000 b/d or 17% over the previous month and 640,000 b/d or 24% compared with the corresponding month of last year. This substantial jump in crude oil imports, which followed a growth of 280,000 b/d from August, came as result of the move to begin filling strategic reserves at Zhenhai on the eastern coast of the Zhenjiang province, which has been confirmed by Chinese authorities. In addition, the start-up of a new refinery of 8 mt/y in the province of Hainan also contributed to the increase in crude oil imports. Product imports were around 1.0 mb/d after dropping 52,000 b/d or 5% and were even lower than a year earlier by 3.5%. The decline of product imports came essentially from fuel oil which has declined by 20% since August.

For January-September, China imported on average 490,000 b/d of crude more in 2006 than in 2005 and 130,000 b/d more of products.

Regarding exports, China exported 0.3 mb/d of crude oil in September, 30,000 b/d lower than the previous month and significantly reduced exports of products from 173,000 b/d to 31,000 b/d after Sinopec suspended gasoil exports in September to ensure domestic supply. It is worth mentioning that China's product exports have declined considerably in 2006 compared with the previous years. However, for the first three quarters of 2006, China's product exports were 22% lower than the corresponding period of the previous year.

Total net oil imports surged around 610,000 b/d to hit 4.0 mb/d in September with crude oil representing 75% and products the remaining 25%. When compared with a year earlier figures, the increase was much higher at 730,000 b/d.

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

	Jul 06	Aug 06	Sep 06	Change Sep/Aug
Crude oil	2,220	2,460	2,981	521
Total products	987	925	1,015	90
Total	**3,207**	**3,386**	**3,996**	**611**

Saudi Arabia remained the main supplier of China's crude oil imports with 17.5%, despite a loss of 2 percentage points from the previous month. Iran, Angola and Russia followed with around 12% each. Compared to September 2005, the structure of crude oil imports does not show any major differences in terms of ranking apart from the emergence of Venezuela in the top ten exporters of China.

India

India's net oil imports remained stable at around 2.0 mb/d since May 2006

India's total oil imports continue to hover around 2.4 mb/d, with crude oil at around 2.2 mb/d and products at 0.25 mb/d, representing essentially heavy fuel oil and LPG. The modest growth of 20,000 b/d in total oil imports reflected the small growth in India's demand so far. Similarly, product exports inched up 11,000 b/d to remain at around 0.44 mb/d., corresponding essentially to naphtha and gas/diesel oil. As a result, India's net oil imports stayed at 2.0 mb/d, which represented y-o-y growth of 56,000 b/d or 3%.

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

	Jul 06	Aug 06	Sep 06	Change Sep/Aug
Crude oil	2,181	2,150	2,166	16
Total products	-206	-191	-198	-7
Total	**1,975**	**1,959**	**1,967**	**9**

On average, India imported 2.17 mb/d during the first 9 months of 2006, up 150,000 b/d from the corresponding period of the previous year while product imports were down 33,000 b/d at 0.22 mb/d. With product exports increasing 89,000 b/d for the same period, India's total net imports dropped almost 20,000 b/d from a year earlier, in line with the weak demand of this year.

Stock Movements

Total commercial oil stocks in the USA reversed the trend exhibited in September, falling by 25 mb in October

USA

After building in September, US total oil commercial inventories saw a draw in October, falling 25 mb from the previous month to 1,063.7 mb. This represented still a cushion of 5.8% and 3.4% against the year-ago level and the five-year average. The draw was the result of a decline in product inventories which largely outpaced the surplus in crude oil.

Contrary to the downward trend in September, crude oil inventories rose by 5.8 mb in October, which left a level of 334.6 mb at 4% and 11% above the year-ago and the five-year average. This trend reflected a slight increase in production together with a cut in refinery runs which declined from 15.7 mb/d to 15.1 mb/d in October compared to the previous month as many refineries went into turnaround. The refinery utilization rate declined from 92% in September to 87.6% in October. In terms of forward cover, crude oil stocks were 3% and 11% above the same month last year and the five-year average.

Gasoline inventories witnessed a drop of 11 mb in October from the previous month, which left the level at 204 mb or 8% and 2.4% higher than the same month last year and the five-year average, respectively. The fall in gasoline stocks was related to a 1.5% expansion in domestic demand compared to September which may due to the lower retail and pump prices seen during the last three months. Lower production and imports in October also contributed to this performance. In terms of forward cover, at 21.7 days gasoline inventories were 8.9% over the year-ago level and 2% higher than the five-year average. Moving to middle distillates, stocks declined by 11.7 mb to 139.3 in October compared to the previous month which left the forward cover at 31.2 days or 1% below the five-year average. Diesel inventories ended the month 10.1 mb lower than in September following a hefty 52% decline in imports in October from the previous month and a 6.7% reduction in production (EIA, four-week average). Despite that, diesel inventories remained comfortable 15% and 13% higher than the year-ago level and the five-year average. It must be noted that the major drop in diesel inventories came from regular sulphur diesel stocks which experienced a draw of around 9 mb in October on a monthly basis. With the first cold spells of winter, heating oil inventories edged down by 2.8 mb to 60.2 mb in October compared to September, or 15% and 10% above the year-ago level and the five-year average. Greater demand and declining production outpaced the expansion in imports. In terms of forward cover, there was a decline from 72.5 days to 59 days on a monthly basis, but this was still above the five-year average.

Table 23: US onland commercial petroleum stocks*, mb

	Aug 06	Sep 06	Oct 06	Change Oct 06/Sep 06	Oct 05	3 Nov 06**
Crude oil	330.6	328.8	334.6	5.8	321.7	334.7
Gasoline	206.9	215.1	204.0	-11.1	199.0	204.0
Distillate fuel	139.9	151.0	139.3	-11.7	124.8	138.5
Residual fuel oil	42.0	42.8	42.1	-0.7	35.7	41.9
Jet fuel	41.0	42.6	42.2	-0.4	38.8	42.2
Total	**1,066.7**	**1,088.7**	**1,063.7**	**-25.0**	**1,029.3**	**1,061.8**
SPR	687.8	687.9	688.5	0.6	685.2	688.5

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

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

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

In the week ending 3 November, crude oil inventories edged up by 0.44 mb to 334.7 mb following lower refinery runs as imports declined and production recovered slightly. The forward coverage was at comfortable levels compared to the year-ago level and the five-year average. US refinery utilization rate fell to 88.1% during the referred week which seems to support reports of unplanned outages of nearly 190,000/ b/d. In the case of gasoline, stocks declined by 0.6 mb to 205.1 week-on-week, which represented a cushion of 1.4% and 3% against the year-ago level and the five-year average. Coming to middle distillate stocks, the draw of 2.7 mb week-on-week was more than forecast. Diesel inventories declined by 2.9 mb owing to lower production and a slight drop in imports, but these were well above the year-ago level and the five-year average. Although there was a build of 0.25 mb in heating oil stocks which left them at a comfortable level of 60.2 mb compared to one year ago and the five-year average, forward cover indicated a fall of 2 days compared to the previous week. The situation of the oil market and inventories will depend heavily on the weather conditions.

Western Europe

Western Europe total commercial oil stocks declined a further 7.2 mb in October

Total commercial oil stocks in Eur-16 (EU-15 plus Norway) ended the month at 1,138.9 mb, a drop of 7.2 mb compared to September or 1.4% lower than the same month last year but 6.8% above the five-year average. The stock-draw took place mainly on the back of middle distillates followed by crude oil and gasoline.

Crude oil stocks dropped by 1.4 mb to 486.9 mb in October despite lower refinery runs, which still left inventories at comfortable levels, slightly above a year earlier and 5.4% above the five-year average.

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

	Aug 06	Sep 06	Oct 06	Change Oct 06/Sep 06	Oct 05
Crude oil	490.6	488.3	486.9	-1.4	484.6
Mogas	130.0	131.0	129.7	-1.3	139.1
Naphtha	27.3	28.2	28.6	0.4	26.0
Middle distillates	393.1	387.0	379.9	-7.1	394.6
Fuel oils	113.8	111.6	113.8	2.1	118.5
Total products	636.9	629.6	623.3	-6.3	652.2
Total	**1,154.8**	**1,146.1**	**1,138.9**	**-7.2**	**1,162.8**

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

Total product stocks were down by 6.3 mb to 623.3 mb in October relative to September. This was 4.4% below the year-ago level but 3.7% higher than the five-year average. Gasoline, inventories showed a fall of 1.3 mb to 129.7 mb in October, being 0.5% lower than a year ago but 5% above the five-year average. The draw on gasoline stocks was due to exports to the USA, where demand started to show signals of growth due to lower prices. Middle distillate stocks experienced a 7.1 mb draw to stand at 379.9 mb, or 3.7% below the year-ago level but 8% higher than the five-year average. The downward trend was related to the boost in heating oil demand prompted by cold weather and refinery turnarounds. Refinery crude runs declined cutting utilization capacity rate to 91% due to the autumn maintenance season, mainly in France and Germany. Residual fuel oil stocks edged up 2.1 mb to 113.8 mb in October on a monthly basis as a result of refinery maintenance which widened the fuel oil yields and led to a closure of the arbitrage to Asia-Pacific for most of the month. Inventories are 4% below the year-ago level but 1% above the five-year average.

Japan

Total commercial stocks in Japan increased a further 7.5 mb in September

Japanese total commercial inventories rose by 7.4 mb to stand at 194.3 mb in September compared to the previous month as a result of an expansion in total products and to a lesser extent in crude oil. This left total commercial inventories at almost 1% above the year-ago level and 2% higher than the five-year average.

The falling trend witnessed by crude oil stocks in August turned into a surplus during September, expanding by 1.7 mb compared to the previous month, reaching a level of 110.2 mb. Nevertheless, this was around 4% below the year-ago level and the five-year average. The build was associated with an 8.3% decline in refinery runs in September relative to the previous month, despite a 2.3% decline in imports.

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

	Jul 06	Aug 06	Sep 06	Change Sep 06/Aug 06	Sep 05
Crude oil	116.4	108.6	110.2	1.7	114.5
Gasoline	12.1	12.7	13.6	0.9	12.6
Middle distillates	35.6	44.4	48.9	4.5	45.3
Residual fuel oil	19.9	21.2	21.6	0.4	20.5
Total products	67.5	78.3	84.1	5.8	78.3
Total**	**183.9**	**186.9**	**194.3**	**7.4**	**192.8**

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

The 5.8 mb build in total product inventories in September was moderate compared to August. This left an inventory level of 84.1 mb or 7.4% and 9.9% above the year-ago level and the five-year average respectively. The rise in stocks was the result of lower domestic demand as production and imports declined. The 5.8% increase in total product inventories was driven by kerosene, Fuel Oil A, and gasoline. In the case of gasoline, inventories went up by 0.9 mb to reach 13.6 mb in September on a monthly basis, which meant a cushion of 8% against the year-ago level and 4% over the five-year average. Gasoline demand dropped by 14% in September relative to August and was 6% lower than in the same month last year.

Middle distillate stocks ended at 48.9 mb in September, a rise of 4.5 mb compared to the previous month and an increase of 8.1% and 10.8% relative to a year earlier and the five-year average.

It should be noted that according to recent data from the Petroleum Association of Japan (PAJ), kerosene stocks dropped by 0.9% to 33.96 mb in the week to 4 November compared to the previous week due to temporary stronger demand following a three-day weekend.

Balance of Supply and Demand

Estimated demand for OPEC crude revised up 0.1 mb/d to 28.8 mb/d

Estimate for 2006

The estimated demand for OPEC crude in 2006 is expected to average 28.8 mb/d. On a quarterly basis, the new estimate shows that demand for OPEC crude is expected at 29.8 mb/d in the first, 28.3 mb/d in the second, 28.4 mb/d in the third and 28.9 mb/d in the fourth quarter.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.28**	**84.61**	**82.97**	**83.84**	**85.60**	**84.26**
Non-OPEC Supply	50.21	50.62	50.49	51.14	52.36	51.16
OPEC NGLs and non-conventionals	4.08	4.18	4.22	4.33	4.33	4.27
(b) Total Supply excluding OPEC Crude	**54.29**	**54.80**	**54.71**	**55.47**	**56.69**	**55.42**
Difference (a-b)	**28.99**	**29.81**	**28.26**	**28.37**	**28.91**	**28.84**
OPEC crude oil production (1)	29.87	29.68	29.57	29.70		
Balance	0.87	-0.13	1.31	1.32		

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

Forecast demand for OPEC crude in 2007 unchanged at 28.1 mb/d

Forecast for 2007

The forecast demand for OPEC crude in 2007 is expected to average 28.1 mb/d, representing a decline of 0.7 mb/d versus 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 29.3 mb/d in the first, 27.1 mb/d in the second, 27.8 mb/d in the third and 28.4 mb/d in the fourth quarter.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.26**	**85.99**	**84.01**	**85.20**	**87.13**	**85.58**
Non-OPEC Supply	51.16	52.43	52.56	52.92	54.07	53.00
OPEC NGLs and non-conventionals	4.27	4.31	4.36	4.46	4.61	4.44
(b) Total Supply excluding OPEC Crude	**55.42**	**56.74**	**56.92**	**57.38**	**58.69**	**57.44**
Difference (a-b)	**28.84**	**29.25**	**27.09**	**27.81**	**28.44**	**28.15**
OPEC crude oil production (1)						

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

Graph 25: Balance of supply and demand

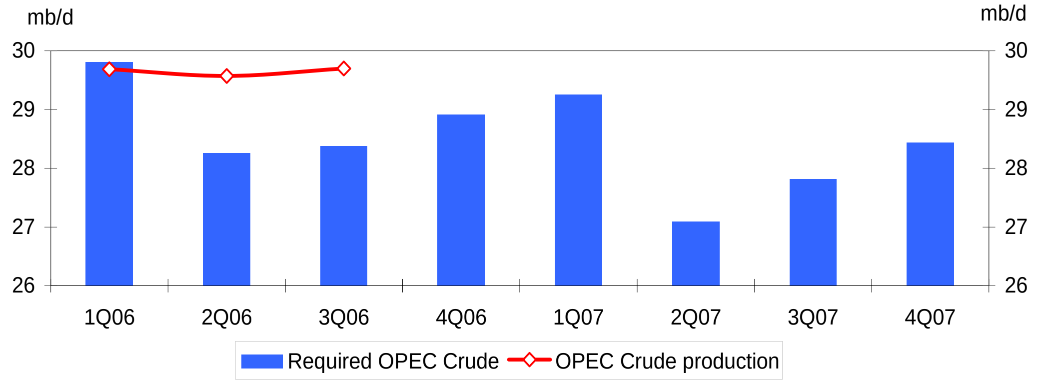


Table 28: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.6	50.1	48.0	49.0	50.5	49.4	50.5	48.1	49.2	50.8	49.7
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.5	25.9	25.4	25.5	25.2	25.6	26.2	25.6
Western Europe	15.3	15.4	15.5	15.5	15.7	15.1	15.5	15.8	15.5	15.6	15.2	15.5	15.8	15.5
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	8.0	8.8	8.5	9.4	7.8	8.0	8.8	8.5
DCs	20.3	20.6	21.7	22.4	22.7	23.2	23.1	23.1	23.0	23.3	23.7	23.8	23.8	23.6
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.9	4.0	3.8	3.8	3.5	3.8	4.1	3.8
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	7.0	7.0	7.1	7.4	7.9	7.5	7.4	7.6
(a) Total world demand	77.8	79.4	82.3	83.3	84.6	83.0	83.8	85.6	84.3	86.0	84.0	85.2	87.1	85.6
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.5	20.3	20.0	20.3	20.9	20.4	20.9	20.8	20.7	21.2	20.9
North America	14.5	14.6	14.6	14.1	14.2	14.2	14.3	14.7	14.3	14.7	14.7	14.6	14.8	14.7
Western Europe	6.7	6.4	6.2	5.8	5.7	5.3	5.3	5.6	5.5	5.6	5.5	5.4	5.8	5.6
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7
DCs	11.5	11.6	12.0	12.5	12.9	12.8	13.0	13.4	13.0	13.5	13.5	13.8	14.1	13.7
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.1	12.2	12.0	12.2	12.5	12.6	12.8	12.5
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.8	3.9	3.8
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	48.1	48.9	50.0	50.2	50.6	50.5	51.1	52.4	51.2	52.4	52.6	52.9	54.1	53.0
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.5	4.6	4.4
(b) Total non-OPEC supply and OPEC NGLs	51.7	52.7	54.0	54.3	54.8	54.7	55.5	56.7	55.4	56.7	56.9	57.4	58.7	57.4
OPEC crude oil production (secondary sources)	25.4	26.9	29.0	29.9	29.7	29.6	29.7							
Total supply	77.0	79.6	83.0	84.2	84.5	84.3	85.2							
Balance (stock change and miscellaneous)	-0.8	0.2	0.7	0.9	-0.1	1.3	1.3							
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2548	2596	2596	2654	2759							
SPR	1347	1411	1450	1487	1487	1493	1495							
Total	3825	3928	3999	4083	4083	4147	4254							
Oil-on-water	816	883	906	961	962	974	na							
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	53	54	54	55							
SPR	28	29	29	30	31	30	30							
Total	79	80	81	83	85	85	84							
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.3	8.2	8.2	8.5	9.0	8.8	8.7	8.7
(a) - (b)	26.1	26.7	28.3	29.0	29.8	28.3	28.4	28.9	28.8	29.3	27.1	27.8	28.4	28.1

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

na Not available.

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

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

† This compares Table 28 in this issue of the MOMR with Table 30 in the October 2006 issue.

This table shows only where changes have occurred.

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

	2001	2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
Closing stock levels *mb*																
OECD onland commercial	2,630	2,478	2,517	2,548	2,596	2,465	2,545	2,581	2,548	2,543	2,624	2,641	2,596	2,596	2,654	2,759
North America	1,262	1,175	1,161	1,193	1257	1,145	1,193	1,206	1,193	1,201	1,275	1,256	1,257	1,239	1,274	1,346
Western Europe	925	895	922	925	945	919	933	945	925	952	926	953	945	949	944	951
OECD Pacific	443	408	435	430	394	400	420	430	430	389	422	432	394	408	436	462
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495
North America	552	601	640	678	687	654	664	672	678	690	698	696	687	688	690	690
Western Europe	356	357	374	377	407	371	366	367	377	376	401	405	407	407	411	413
OECD Pacific	380	389	396	396	393	398	398	396	396	396	395	393	393	392	393	393
OECD total	3,918	3,825	3,928	3,999	4,083	3,888	3,974	4,016	3,999	4,006	4,118	4,135	4,083	4,083	4,147	4,254
Oil-on-water	830	816	883	906	961	906	892	894	906	931	935	926	961	962	974	na
Days of forward consumption in OECD																
OECD onland commercial	55	51	51	51	53	51	52	51	50	52	53	53	52	54	54	55
North America	52	48	46	47	49	46	47	47	47	47	50	49	50	49	50	52
Western Europe	60	58	60	60	61	61	60	59	59	63	60	61	60	63	61	60
OECD Pacific	52	47	51	50	46	51	52	49	46	48	52	49	42	52	55	52
OECD SPR	27	28	29	29	30	30	29	29	29	30	30	30	30	31	30	30
North America	23	25	25	27	27	26	26	26	26	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	25	24	23	24	25	26	26	26	27	27	26
OECD Pacific	45	45	47	46	46	50	49	45	42	49	49	45	42	50	49	45
OECD total	82	79	80	81	83	81	81	80	79	82	84	83	81	85	85	84

na Not available.

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

	2002	2003	2004	2005	05/04	1Q06	2Q06	3Q06	4Q06	2006	06/05	1Q07	2Q07	3Q07	4Q07	2007	07/06
USA	8.04	7.82	7.65	7.34	-0.31	7.20	7.37	7.44	7.61	7.41	0.06	7.66	7.61	7.54	7.63	7.61	0.20
Canada	2.84	2.98	3.07	3.03	-0.04	3.16	3.02	3.20	3.35	3.18	0.16	3.26	3.35	3.30	3.41	3.33	0.14
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.77	3.76	-0.01	3.75	3.74	3.79	3.76	3.76	0.00
North America	14.48	14.60	14.56	14.14	-0.42	14.16	14.17	14.34	14.73	14.35	0.21	14.66	14.70	14.62	14.80	14.70	0.35
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.82	2.86	2.83	-0.14	2.84	2.81	2.90	3.07	2.91	0.08
UK	2.52	2.33	2.10	1.88	-0.22	1.86	1.68	1.58	1.77	1.72	-0.16	1.82	1.77	1.61	1.79	1.75	0.03
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.36	0.35	-0.03	0.34	0.34	0.30	0.32	0.33	-0.02
Other Western Europe	0.44	0.47	0.51	0.54	0.03	0.53	0.56	0.55	0.58	0.56	0.02	0.58	0.58	0.58	0.58	0.58	0.02
Western Europe	6.67	6.43	6.19	5.77	-0.42	5.68	5.29	5.27	5.57	5.45	-0.32	5.58	5.50	5.39	5.76	5.56	0.11
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.60	0.58	0.51	-0.01	0.57	0.53	0.58	0.57	0.56	0.05
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.07	0.06	0.00	0.07	0.09	0.11	0.11	0.10	0.04
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.48	0.49	0.65	0.65	0.57	-0.01	0.64	0.62	0.69	0.68	0.66	0.09
Total OECD	21.92	21.68	21.32	20.48	-0.84	20.32	19.95	20.26	20.95	20.37	-0.11	20.89	20.81	20.70	21.24	20.91	0.54
Brunei	0.20	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.01	0.22	0.22	0.22	0.22	0.22	0.00
India	0.78	0.79	0.79	0.76	-0.04	0.78	0.79	0.76	0.78	0.78	0.02	0.78	0.75	0.77	0.77	0.77	-0.01
Malaysia	0.76	0.78	0.79	0.77	-0.03	0.77	0.74	0.75	0.74	0.75	-0.02	0.73	0.70	0.75	0.82	0.75	0.00
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.38	0.38	0.39	0.38	0.00	0.36	0.33	0.38	0.39	0.37	-0.01
Asia others	0.37	0.40	0.42	0.51	0.09	0.52	0.53	0.53	0.53	0.53	0.02	0.53	0.53	0.53	0.54	0.53	0.01
Other Asia	2.45	2.52	2.61	2.63	0.02	2.67	2.65	2.64	2.66	2.66	0.03	2.62	2.53	2.65	2.74	2.63	-0.02
Argentina	0.84	0.84	0.79	0.76	-0.03	0.76	0.78	0.78	0.77	0.77	0.01	0.76	0.75	0.74	0.73	0.75	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.07	2.08	2.10	2.29	2.14	0.14	2.36	2.36	2.37	2.45	2.39	0.25
Colombia	0.58	0.55	0.53	0.53	0.00	0.53	0.53	0.53	0.53	0.53	0.00	0.53	0.53	0.53	0.53	0.53	0.00
Ecuador	0.38	0.41	0.51	0.51	0.00	0.52	0.55	0.55	0.54	0.54	0.03	0.53	0.52	0.52	0.51	0.52	-0.02
Trinidad & Tobago	0.15	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.19	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01
L. America others	0.25	0.26	0.27	0.29	0.02	0.29	0.30	0.30	0.30	0.30	0.01	0.29	0.29	0.29	0.29	0.29	-0.01
Latin America	3.93	4.02	4.05	4.26	0.21	4.36	4.43	4.45	4.63	4.47	0.20	4.65	4.64	4.63	4.70	4.66	0.19
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.90	0.82	0.79	0.78	0.00	0.77	0.75	0.75	0.75	0.76	-0.03	0.75	0.75	0.75	0.77	0.76	0.00
Syria	0.55	0.53	0.50	0.47	-0.03	0.44	0.44	0.44	0.43	0.44	-0.04	0.43	0.42	0.41	0.41	0.42	-0.02
Yemen	0.46	0.44	0.42	0.40	-0.02	0.41	0.41	0.41	0.42	0.41	0.01	0.43	0.43	0.42	0.41	0.43	0.01
Middle East	2.12	2.01	1.92	1.87	-0.05	1.83	1.82	1.81	1.81	1.82	-0.05	1.82	1.82	1.80	1.81	1.81	-0.01
Angola	0.89	0.88	1.00	1.26	0.26	1.45	1.33	1.47	1.54	1.45	0.18	1.59	1.62	1.79	1.93	1.73	0.28
Chad	0.00	0.02	0.16	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01
Congo	0.25	0.24	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01	0.69	0.68	0.69	0.69	0.68	-0.01	0.67	0.67	0.67	0.67	0.67	-0.02
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.37	0.37	0.01	0.38	0.40	0.42	0.42	0.41	0.04
Gabon	0.29	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04	0.35	0.36	0.44	0.55	0.43	0.09	0.57	0.60	0.59	0.59	0.59	0.16
Africa other	0.20	0.20	0.21	0.25	0.04	0.29	0.31	0.30	0.32	0.30	0.06	0.32	0.32	0.32	0.36	0.33	0.03
Africa	3.01	3.06	3.44	3.78	0.35	4.02	3.93	4.13	4.34	4.11	0.33	4.38	4.47	4.67	4.85	4.60	0.49
Total DCs	11.51	11.61	12.02	12.54	0.52	12.88	12.83	13.04	13.44	13.05	0.50	13.47	13.46	13.75	14.10	13.70	0.65
FSU	9.33	10.27	11.14	11.55	0.41	11.67	11.97	12.15	12.19	11.99	0.45	12.24	12.48	12.63	12.82	12.54	0.55
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.73	9.70	9.63	0.20	9.65	9.81	9.91	9.94	9.82	0.19
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.33	1.29	0.06	1.33	1.36	1.37	1.53	1.40	0.11
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.73	0.64	0.20	0.86	0.90	0.95	0.94	0.91	0.27
FSU others	0.45	0.47	0.46	0.44	-0.03	0.41	0.42	0.43	0.43	0.42	-0.01	0.41	0.41	0.41	0.41	0.41	-0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.68	3.72	3.70	0.08	3.76	3.74	3.78	3.86	3.79	0.09
Non-OPEC production	46.33	47.15	48.13	48.35	0.22	48.70	48.60	49.27	50.44	49.26	0.91	50.51	50.64	51.01	52.16	51.08	1.83
Processing gains	1.73	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.92	1.92	0.02
Non-OPEC supply	48.06	48.94	49.96	50.21	0.25	50.62	50.49	51.14	52.36	51.16	0.94	52.43	52.56	52.92	54.07	53.00	1.84
OPEC NGL	3.42	3.57	3.85	3.92	0.07	4.05	4.10	4.17	4.18	4.13	0.20	4.23	4.28	4.38	4.53	4.36	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.08	0.08	0.08	-0.05
OPEC (NGL+NCF)	3.60	3.71	4.02	4.08	0.06	4.18	4.22	4.33	4.33	4.27	0.19	4.31	4.36	4.46	4.61	4.44	0.17
Non-OPEC & OPEC (NGL+NCF)	51.65	52.65	53.98	54.29	0.30	54.80	54.71	55.47	56.69	55.42	1.13	56.74	56.92	57.38	58.69	57.44	2.02

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

Table 32: World Rig Count

	2002	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	2Q 06	Sep 06	3Q 06	Oct 06	Change Oct 06 - Sep 06
USA	831	1,032	201	1,119	1,164	1,229	1,249	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,632	1,739	1,719	1,734	-5
Canada	266	372	106	528	202	326	420	369	-3	620	241	527	572	490	121	282	446	494	431	-15
Mexico	65	92	27	107	113	111	108	110	18	114	116	104	93	107	-3	85	82	77	82	0
North America	1,162	1,496	334	1,754	1,479	1,665	1,777	1,669	173	2,013	1,693	2,050	2,143	1,975	306	1,999	2,267	2,290	2,247	-20
Norway	19	19	0	19	18	14	16	17	-2	15	18	19	17	17	0	20	12	16	2	-10
UK	26	20	-6	15	19	14	15	16	-4	16	22	23	24	21	5	27	26	26	1	-25
Western Europe	85	78	-7	69	70	57	62	65	-13	56	67	68	68	65	0	78	73	73	72	-1
OECD Pacific	17	18	1	19	22	26	20	22	4	24	25	27	24	25	3	28	23	25	29	6
Total OECD	1,264	1,592	328	1,842	1,570	1,749	1,859	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,105	2,363	2,389	2,348	-15
Other Asia	111	117	6	119	128	127	130	126	9	133	140	146	148	142	16	150	154	156	152	-2
Latin America	106	116	10	114	127	129	134	126	10	133	138	141	151	141	15	162	169	164	169	0
Middle East	62	70	8	69	68	69	73	70	0	69	71	73	75	72	2	79	82	82	84	2
Africa	43	48	5	48	53	56	57	54	6	58	58	54	60	58	4	66	70	72	82	12
Total DCs	322	350	28	350	376	381	394	376	26	393	407	414	433	412	36	457	475	474	487	12
Non-OPEC Rig Count	1,588	1,944	356	2,194	1,949	2,132	2,255	2,132	188	2,489	2,194	2,562	2,670	2,479	347	2,564	2,840	2,865	2,839	-1
Algeria	20	20	0	18	20	20	20	19	-1	20	21	22	21	21	2	21	29	28	29	0
Indonesia	46	45	-1	46	48	54	49	49	4	53	53	55	59	54	5	43	48	46	50	2
Iran	34	35	1	38	42	42	41	41	6	42	41	39	38	40	-1	45	46	47	45	-1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	6	5	-1	8	8	11	14	10	5	12	13	11	14	12	2	13	14	14	14	0
Libya	10	10	0	10	10	9	10	10	0	10	9	8	8	9	-1	9	10	10	10	0
Nigeria	12	10	-2	7	7	9	9	8	-2	9	9	9	8	9	1	9	12	10	10	-2
Qatar	13	8	-5	8	7	10	10	9	1	10	13	12	12	12	3	10	11	11	8	-3
Saudi Arabia	32	32	0	33	31	31	31	32	0	33	34	37	43	36	4	60	74	70	76	2
UAE	16	16	0	17	17	16	14	16	0	16	16	16	16	16	0	16	16	16	16	0
Venezuela	42	37	-5	52	50	52	65	55	18	66	72	66	70	67	12	83	81	85	79	-2
OPEC Rig Count	231	218	-13	236	240	254	263	249	31	271	281	275	289	276	27	309	341	337	337	-4
Worldwide Rig Count*	1,819	2,162	343	2,430	2,189	2,386	2,518	2,381	219	2,760	2,475	2,837	2,959	2,755	374	2,873	3,181	3,202	3,176	-5
of which:																				
Oil	758	816	58	872	821	886	925	877	61	961	870	990	1,015	959	82	1,060	1,158	1,169	1158	0
Gas	1,044	1,328	284	1,538	1,351	1,478	1,573	1,485	157	1,777	1,583	1,823	1,928	1,778	293	1,802	2,005	2,016	1998	-7
Others	17	18	1	20	17	22	20	20	2	22	22	25	17	22	2	13	18	18	20	2

**/Excludes China and FSU.*

na Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Main Contributors to Monthly Oil Market Report

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

Data is provided by Data Services Department.

Data Summary November 2006

OPEC Basket average price

US$ per barrel

⬇ *down 4.37 in October*

October 2006	***54.97***
September 2006	*59.34*
Year-to-date	*61.95*

October OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.38*	*Kuwait*	*2.50*	*Saudi Arabia*	*9.03*
Indonesia	*0.88*	*SP Libyan AJ*	*1.72*	*UAE*	*2.56*
IR Iran	*3.81*	*Nigeria*	*2.26*	*Venezuela*	*2.52*
Iraq	*1.96*	*Qatar*	*0.84*	***TOTAL***	***29.45***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.3*	*World demand*	*85.6*
Non-OPEC supply	*55.4*	*Non-OPEC supply*	*57.4*
Difference	***28.8***	***Difference***	***28.1***

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

Stocks

US commercial oil stocks fell 25.0 mb in October, but remain 6% above a year ago.

World economy

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

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Data covers period up to end of October 2006 unless otherwise stated.