OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

November 2007

Feature Article:
Revisiting OECD commercial oil stocks

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

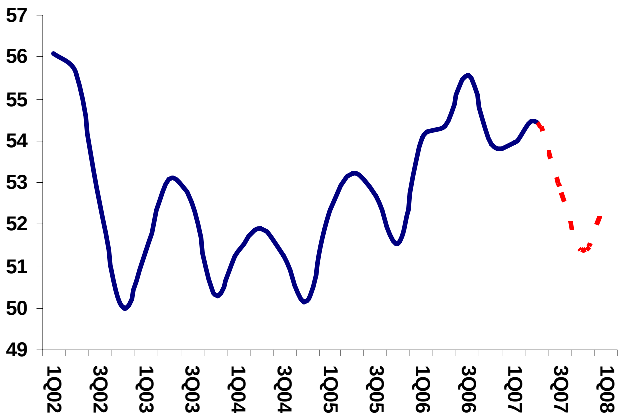
Oil Market Highlights

- The OPEC Reference Basket price remained volatile in October, as US dollar weakness inspired fund buying in the futures market with the Mideast geopolitics adding to market bullishness. Profit-taking and concern over slower economy growth provided some cap on prices. The OPEC Reference Basket set a monthly high of $79.36/b, representing a gain of $5.18 or almost 7% over the previous month. The upward trend continued into November as further dollar declines encouraged speculative buying and prices reached a record high of $90.71/b on 7 November. However, economic concerns and lower demand growth expectations helped to ease supply fears and the Basket fell to $86.57 on 14 November.
- World economic growth in 2007 was revised up by 0.1 percentage points (pp) to 5.2%, mainly on upward revisions to growth in USA (+0.2 pp) and China (+0.2 pp). In the US, the 3.9% growth in third quarter GDP — the fastest pace since the first quarter of last year — is not expected to be matched in the next two quarters. The deepening housing slump and continued banking concerns induced the Fed to further lower interest rates and there is widespread speculation that another cut could be seen in December. Both Euro-zone and Japanese growth in 3Q were surprisingly strong despite the soaring euro and a troubled construction sector in Japan, but slowdowns in Q4 are underway. China continues its investment-led growth but rising inflation is an increasing challenge. For 2008, the global growth forecast is unchanged at 4.9%. While the forecast for all OECD regions has been revised down somewhat, this is counterbalanced by upward revisions for Africa and Latin America.
- The world oil demand growth for 2007 is forecast at 1.2 mb/d or 1.4%, representing a downward revision of 0.1 mb/d from the previous month. US oil consumption growth in the first ten months is estimated at just 40,000 b/d or 0.2% y-o-y, representing a downward revision of 0.16 mb/d from the previous estimate. Late winter in North America along with the high price of transport fuel appears to be reducing regional oil consumption in the fourth quarter, leading to a downward revision of 0.1 mb/d for that quarter. Although China increased product prices by around 10%, this new price hike is not expected to have a major impact on total Chinese oil demand. In 2008, world oil demand is forecast to grow by 1.3 mb/d to average 87.0 mb/d, representing a downward revision of 30,000 b/d from last month.
- Non-OPEC supply growth in 2007 has been revised down slightly to stand at 800,000 b/d over the previous year. The adjustments were mainly due to downward revisions to the US, Norway, UK and Brazil in the third and fourth quarters. For 2008, the forecast for non-OPEC supply growth was revised down slightly to now stand at 1.0 mb/d as some of the 2007 revisions have been extended into 2008 and as more data on project startups and ramp-ups has become available. Growth in OPEC NGLs and non-conventional oils for 2007 and 2008 was left broadly unchanged at 0.33 mb/d and 0.52 mb/d respectively. In October, OPEC crude oil production averaged 30.99 mb/d, a rise of around 270,000 b/d from the previous month, as production from Saudi Arabia showed a significant increase of 110,000 b/d, with minor declines in production from Nigeria and Iran.
- In the past two months, crude prices outstripped product prices and undermined refinery margins across the globe, especially for light sweet benchmark crudes. The current relatively weak product market sentiment may change as we approach the peak demand season for heating oil, which could lift product prices and refinery margins. However, due to relatively comfortable middle distillate stocks, the market is expected to be driven by factors other than product price movements, unless we face a severe winter in the Western Hemisphere or another round of unplanned refinery outages in the USA.
- OPEC spot fixtures increased by 7% in October from the previous month to average 12.74 mb/d, while OPEC sailings experienced a slight decline to average 23.14 mb/d. Arrivals remained steady around the world with US arrivals falling a minor 70,000 b/d in October. The VLCC market improved slightly as winter cargoes began to appear in the market. On the Middle East/eastbound and westbound routes, rates increased 3% although higher bunker fuel prices capped the rise. Clean tanker freight rates were in a better position as tonnage demand increased and availability declined.
- Preliminary data show that OECD total net oil imports decreased 0.8 mb/d in September on the back of lower net crude oil imports, while product imports experienced a gain of 194,000 b/d from the previous month. US crude imports fell 350,000 b/d in October to average around 9.6 mb/d and US product imports increased by 340,000 b/d on the back of lower refinery runs. In October, Japan’s net oil imports rose 300,000 b/d, driven by higher crude imports in anticipation of the emergence of refineries from scheduled turnarounds. China’s crude oil imports remained steady in September to average 3.3 mb/d while product imports rose 11%. India’s net oil imports dropped 15% in September due to a fall in crude oil imports, indicating a y-o-y decline of 5%.
- US commercial oil stocks dropped for the third consecutive month to hit 1,014 mb, representing a decline of 7.4 mb from the previous month but remain 7 mb or 1% above the five-year average. Crude oil stocks continued their downward trend, falling 9 mb to stand at 312 mb, the lowest level since September 2005 but still 2% above the five-year average. Product stocks rose 1.7 mb, driven by gasoline which, despite a build of 3.8 mb, remained below the five-year average. In EU-15 and Norway, total oil stocks plunged 16 mb to 1,122 mb, the lowest since April 2005, but remained 11 mb above the five-year average with crude oil accounting for 6 mb and products for 5 mb. Japan’s commercial oil stocks fell more than 16 mb in September to hit an 18-month low, with crude oil stock-draws representing more than 80% but preliminary data for October show that total oil stocks have recovered moderately.
- The demand for OPEC crude in 2007 is expected to average 31.1 mb/d, an increase of 0.1 mb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 30.8 mb/d, a decline of 0.2 mb/d.

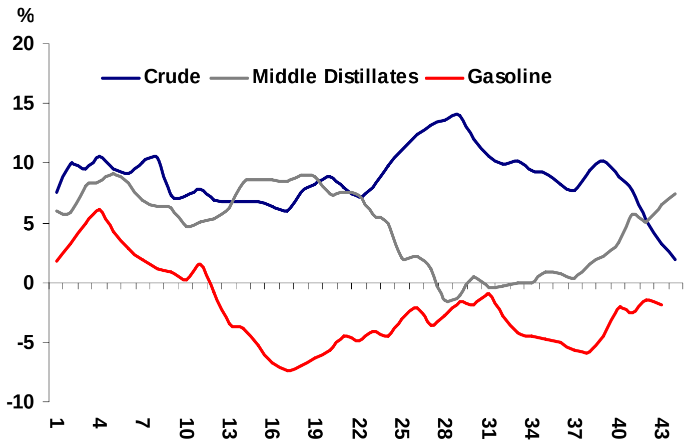
Revisiting OECD commercial oil stocks

- Since mid-August, oil prices have continued to set record highs, rising 36% or more than $24/b by early November. One of the key factors cited as driving this strong jump in oil prices has been a perceived tightness in the market due to a downward trend in monthly OECD commercials stocks and weekly US inventories. Do recent stock draws justify current price levels? Finding an answer to this question requires a close look at OECD and US commercial stocks, both in absolute terms and days of forward cover.
- According to the latest information, total OECD commercial oil stocks stood at 2,648 mb in September, or 15 mb above the five-year average. Preliminary data for October indicate a further draw of 21 mb, but even then stocks would remain around the five-year average. Looking at the breakdown, OECD crude oil stocks have hovered around the upper end of the five-year range for most of the year and even reached a record-high at the end of June. Since then, crude inventories have fallen 51 mb, during a period when stocks typically see a build in preparation for the high demand winter season, but still remain above the five-year average. While total products have stayed close to the five-year average, gasoline inventories have remained below the five-year range for most of the year.

Graph 1: OECD stocks: days of forward consumption



Graph 2: US weekly stocks, deviation from five-year average, 2007



- In terms of days of forward consumption, OECD commercial inventories are estimated at 52.8 days in the third quarter of 2007 (*see **Graph 1***). Over the next two quarters, seasonal trends and projected OECD demand indicate further reductions in the days of forward cover to average 51.3 days in 4Q07 and 52.5 days in 1Q08. While lower, it is difficult to see how these figures represent a sign of an alarming tightness in the market, as they are only slightly below — less than half a day — their respective five-year averages. Moreover, as the graph shows, the market has operated at similar or lower levels in recent years. In addition, potential adjustments to demand due to weather conditions and the economic outlook would not bring days of forward cover much below the anticipated levels.
- US weekly inventory data also do not appear to support the view that the market is especially tight. The latest information shows US commercial stocks are still around 16 mb above the five-year average, with crude at 312 mb and products at 702 mb. In terms of days of forward cover, US crude stocks are currently at 20.7 days, a level which is broadly in line with the five-year average. It is worth noting that the US crude stock cover has fallen below this level in recent years, even reaching 17.6 days in December 2003, without triggering excessive concern about market tightness. On the product side, the picture is mixed with seasonally-important distillate stocks currently above their five-year average in terms of days of forward cover, while gasoline inventories remain below the five-year average (*see **Graph 2***).
- Despite data showing crude inventories at normal seasonal levels, the perceived tightness has made the market increasingly sensitive to inventory developments, so that even minor draws in weekly US stocks exert strong upward pressure on prices. The situation has been aggravated by the backwardation structure in the forward oil market, which provides an economic incentive to reduce inventories, as future supplies can be secured more cheaply through futures contracts. With backwardation for the $1^{st}/2^{nd}$ month contracts steepening from 30¢/b at end-July to around $1/b currently, the incentive to reduce stocks will only increase, resulting in lower levels which in turn will place further upward pressure on prices. It is unclear how long such a self-perpetuating cycle can continue.
- Moreover, the widespread perception of current market tightness and fear of future shortages appear to be fueling increasing speculation in the futures market, especially as the backwardated market structure makes roll yields profitable. Speculative activity has grown dramatically since the middle of August with net long positions for non-commercials more than doubling by the beginning of November. The weaker dollar and lower interest rates have also contributed to increased speculation as investors look to hedge against the falling dollar.
- The higher agreed OPEC production levels effective since November and expected output from Angola and Iraq should help to ease the perception of market tightness. These efforts have been further reinforced by recent downward revisions to demand for the remainder of this year and beginning of 2008. In the meantime, OPEC has repeatedly expressed its concern about the sharply higher trend in prices and will carefully assess the market at the next Meeting of the Conference in Abu Dhabi.

Vienna, Austria **16 October 2007**

Press Statement
by
Abdalla Salem El-Badri, Secretary General

OPEC is carefully watching developments in the oil market and has observed with concern the recent escalation in oil prices.

While the Organization does not favour oil prices at this level, it strongly believes that fundamentals are not supporting current high prices and that the market is very well supplied. There has been no interruption in crude supplies and OECD commercial inventory levels remain above five-year levels. Forward cover, which stands at 53.5 days, is at a comfortable level.

The rising oil prices which we are currently witnessing are, however, largely being driven by market speculators. Persistent refinery bottlenecks and seasonal maintenance work, ongoing geopolitical problems in the Middle East and fluctuations in the US dollar, also continue to play a role in pushing oil prices higher. Additional political tensions, seen during recent days, are also pressurizing oil prices upwards.

OPEC continues to strive for a balanced market and a fair price that is favourable for both consumers and producers. As part of its mission to keep the market well supplied, and as agreed in September, he Organization will raise output by 500,000 b/d from 1 November 2007. Member Countries are in the process of implementing their share of this increase.

OPEC will continue to monitor the global oil market and will respond to any supply disruption, so as to ensure the market remains well supplied during the winter months.

Beijing, China **24 October 2007**

Second High-Level OPEC-China Roundtable

The Second High-Level OPEC-China Roundtable on Energy was held in Beijing on 24 October 2007. This important event was jointly organised by the National Development and Reform Commission (NDRC) of the People's Republic of China and the OPEC Secretariat.

In attendance from OPEC were Member Country representatives and delegates from the OPEC Secretariat. The Chinese delegation included high level representatives from the NDRC's Energy Bureau, the Departments of National Economy, Transportation and International Cooperation as well as the Ministry of Foreign Affairs. Others included executives from CNPC, Sinopec and CNOOC. The meeting was co-chaired by the Director General of China's Energy Bureau of the NDRC, Mr. Zhao Xiaoping, and the OPEC Secretary General, H.E. Abdalla Salem El-Badri.

The Roundtable builds on the success of the First High-level OPEC-China Roundtable, which was held in April last year at the OPEC Secretariat in Vienna, Austria. The objective of the OPEC-China Dialogue is to establish a continued exchange of views at all levels on energy issues of common interests, in particular, security of supply and demand, within a balanced and pragmatic framework that will ensure a fruitful and long-lasting cooperation between the two parties.

The roundtable, conducted in five sessions, covered the following themes: General Policy covering China's 11th Five Year Energy Development Plan and the role of OPEC in oil market stability; Global economic development with special focus on China; Global oil market outlook with special focus on China; Upstream and downstream developments including cooperation between OPEC Member Countries and China; and Data issues and the outlook for China's transportation over the near term.

The meeting agreed that the Third High-Level OPEC-China Roundtable on Energy will be held next year at the OPEC Secretariat in Vienna.

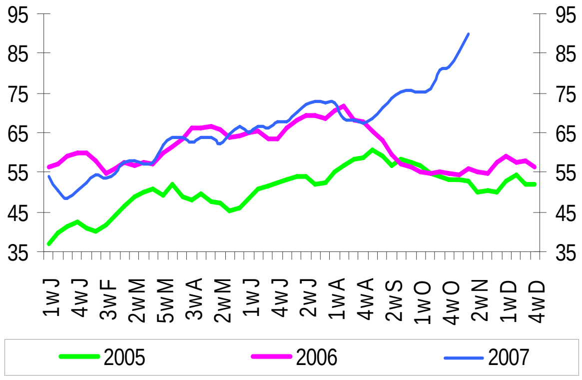
Crude Oil Price Movements

Tensions in the Middle East and weakening dollar inspired a speculative price rally

OPEC Reference Basket

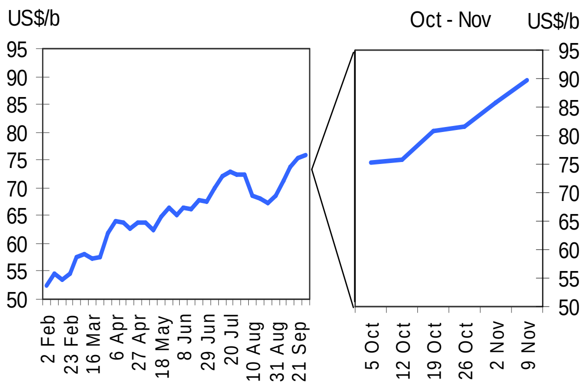
The market began October in a volatile bearish mood. Despite a storm in the Gulf of Mexico threatening oil supply, profit-taking in the paper market exerted downward pressure on the petroleum complex. High outright prices encouraged buyers to stay on the sidelines. The OPEC Reference Basket averaged the first week down 32¢ at $75.33/b. The sentiment shifted in the second week with the US dollar weakening against major currencies inspiring investment in the energy market. A draw on European refined products in September ahead of seasonal stock-build added to market bullishness. Nevertheless, stagnating economic growth kept a cap on the price rise. The Basket averaged the second week up a marginal 64¢ to $75.97/b. Revived tensions in Mideast geopolitics and continued US dollar weakness inspired jitteriness in the marketplace. The Basket averaged the third week up a hefty $4.74 or well over 6% higher to stand at a record of $80.71/b. The strengthening US dollar prompted profit-taking in the futures market in the fourth week, which prevented the petroleum market from a further escalation. Easing tensions in the northern Middle East eased the fear premium. Nevertheless, an unexpectedly bullish US petroleum report revived upward pressure strengthening market volatility. The Basket's weekly average was $1.04 or 1.3% higher to settle at $81.75/b. In the final days of the month, US dollar weakness, tensions in the Middle East and unrest in West Africa kept the bulls intact, while worries over fallout from the US sub-prime crisis kept balance. Thus, the Basket averaged the final days of the month a marginal 10¢/b lower.

Graph 1: OPEC Reference Basket - weekly spot crude



On a monthly basis, market volatilities dominated by the weak US dollar inspired fund buying in the futures market with Mideast geopolitics adding to the bullish momentum. However, profit-taking and concern over slowing economic growth kept stability in the marketplace. The OPEC Reference Basket moved further into record territory in October to average $79.36/b, for a gain of $5.18 or almost 7% over the previous month. The stride continued into November amid a volatile market. The dollar's weakening exchange rate inspired speculative fund buying, while economic woes suggested slower energy demand growth. Revived tensions in Middle East geopolitics kept further uncertainty over the price rally. The Basket closed the first week in November at a new record-high of $89.68/b before falling to $86.57/b on 14 November mainly on lower demand growth expectations.

Graph 2: Weekly average Basket price, 2007



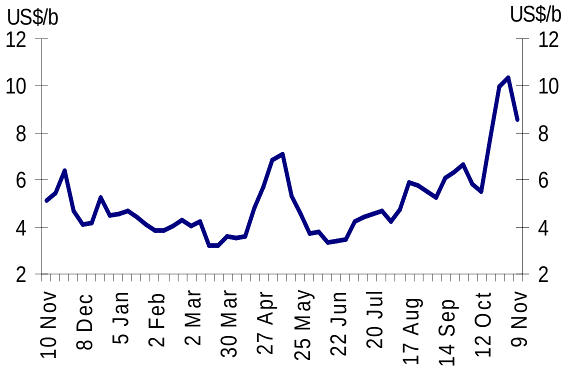
Narrowing WTI/Brent spread and stock drops in Cushing dampened light sour and lent support to sweet grade

US market

The light sour cash crude weakened in the US on stockpiling while draws on light-end products supported the market. A narrowed WTI/Brent spread added support on limiting the arbitrage opportunities for North Sea crude transatlantic movement at a time the front end month spread narrowed contributing to buying interest. The WTI/WTS spread narrowed in the first week by 56¢ to $5.81/b. In the second week, depleted seasonal fuel added to the bullish momentum for light crude while sweet grades were under pressure from refinery turnarounds. The outlook for a cooler winter season kept the forecast for heating oil firm.

The WTI/WTS spread narrowed a further 31¢ to $5.50/b. A healthy build in light-end products and widened backwardation spread pressured the light-sour grade in the third weekly period. Unplanned Exxon Mobil's Beaumont refinery maintenance kept sour grade differentials from further slippage. In the third weekly period the WTI/WTS spread widened $2.28 to $7.78/b after peaking to a 20-month high. Light crude continued to be under pressure amid the prospect of a build in light-end products the week before, and was balanced by the unexpected drop in gasoline and distillates. However, crude oil stocks at Cushing, Oklahoma, dropped 200,000 barrels lending support to sweet grades. In the fourth week, the WTI/WTS spread was $2.17 wider at $9.95/b. In the final days of the month, the WTI/WTS spread widened to a new record high of $11/b to average $10.25/b. In monthly terms, WTI averaged $6.19 or nearly 8% higher to settle at $85.87/b with the premium to WTS at $7.65/b, a gain of $1.55.

Graph 3: WTI spread to WTS, 2006-2007

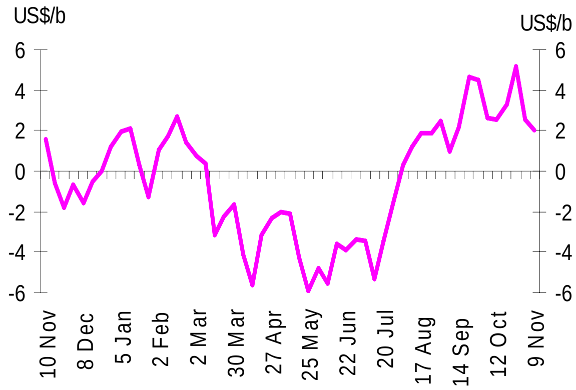


North Sea market

Despite tight November supply, weak refining margins kept the North Sea crude under pressure amid high outright prices

The North Sea market emerged on a firmer note amid a regional major bidding up the market on improved refining margins. However, the stronger front-end swap and softening margins kept the North Sea crude under pressure in the first weekly period. The November loading programme showing lower North Sea supply supported regional crude. However, the short-end swap moving slightly higher kept balance on grades in the second week. In the third weekly period, higher demand and improved refinery margins lent support to North Sea crude. Weakened backwardation spread added to strengthening momentum. However, high outright prices kept some pressure in the regional marketplace. The weakness furthered into the fourth weekly period amid continued high prices which softened margins as a standoff formed between buyers and seller. Dated Brent averaged the month at $82.50/b, for a gain of $5.63 or 7.3%, to close the month at a high of over $90/b.

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



Mediterranean market

Healthy refining margins balanced higher output from northern Iraq

Russia's Urals crude began October under pressure in the Mediterranean amid ample supply from Iraq Kirkuk crude. In the first week, the average Urals discount to Brent widened 25¢ to $3.17/b. The sentiment was firmer in the second week with a higher bid from a regional major amid widened refining margins with the Brent premium to Urals 18¢ narrower at $2.99/b. In the third week, a sell-tender from Iraq's northern outlet dampened refining margins pressuring the sour grade. Urals discount to Brent was 49¢ wider at $3.48/b. Nevertheless, volatility continued in the Mediterranean amid improved refining margins as high outright prices declined. The Brent/Urals spread was $1.01 narrower at $2.47/b. In the final day of the month, the Brent/Urals average was wider on improved refining margins which were balanced by persistent supply from Iraq's northern outlet. Urals averaged $79.50/b in October following a rally of $5.70 or 7.7% with the discount to Brent narrowing 11¢ to $2.99/b.

Ample OPEC supply pressured the eastern market

Middle Eastern market

The market emerged on lower offshore supply from the UAE while high OSP kept some balance with Shell continuing the buying spree and lending support to regional crude. A wider Brent/Dubai spread kept the bullish sentiment intact. The first weekly average for the Brent/Dubai spread was $1.86 wider at $4.39/b. The market was quiet in the second week amid a holiday in Japan while Asian refiners awaited allocation from a Mideast major. Emerging demand for December barrels lent support to the eastern market while the arbitrage spread looked uneconomical for western crude to flow eastward. In the third week, the Brent/Dubai spread strengthened a further $1.52 to $6.40/b, the widest in nearly three months. Hence, the fourth week emerged on a weaker note as the arbitrage opportunity closed with buyers adopting the sidelines in an attempt to lower differentials. December Murban was heard traded at a 30-40¢/b discount to ADNOC's OSP amid unsold Mideast stems with ample supply from November. The narrowing Brent/Dubai spread by $1.59 to $4.81/b added to the bearishness on opening arbitrage economics. In the final days, remaining December barrels and a fire at Taiwan's CPC 100,000 b/d refinery sent the Dubai discount to Brent to a peak of $9.73/b to average at $7.09/b over the last days of the month. The monthly average for Dubai was $77.12/b, up by $3.76/b or over 5% higher with the average discount to Brent increasing $1.87 to $5.38/b, the widest since July.

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

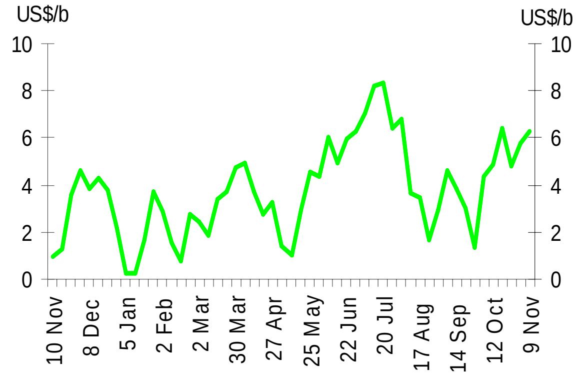


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Sep 07	Oct 07	Change Oct/Sep	Year-to-Date 2006	Year-to-Date 2007
OPEC Reference Basket*	**74.18**	**79.36**	**5.18**	**61.95**	**65.40**
Arab Light	74.28	79.31	5.03	61.98	65.06
Basrah Light	72.14	77.47	5.33	58.80	62.87
BCF-17	66.35	72.20	5.85	52.85	58.09
Bonny Light	79.87	85.60	5.73	67.74	71.38
Es Sider	76.07	81.80	5.73	64.21	67.53
Girassol	75.48	80.23	4.75	63.75	66.91
Iran Heavy	72.63	77.30	4.67	60.14	63.23
Kuwait Export	71.94	76.33	4.39	59.72	62.65
Marine	73.78	78.68	4.90	63.50	65.72
Minas	76.98	84.96	7.98	66.33	69.57
Murban	77.16	81.98	4.82	66.86	69.37
Saharan Blend	78.60	84.45	5.85	66.93	70.92
Other Crudes					
Dubai	73.36	77.12	3.76	62.30	64.88
Isthmus	72.65	78.79	6.14	60.82	63.59
T.J. Light	70.69	76.90	6.21	55.44	61.75
Brent	76.87	82.50	5.63	66.06	68.77
W Texas Intermediate	79.69	85.87	6.18	67.14	68.19
Differentials					
WTI/Brent	2.82	3.37	0.55	1.08	-0.59
Brent/Dubai	3.51	5.38	1.87	3.76	3.90

* Effective 1 January 2007, Angola's Girassol crude has been incorporated in the OPEC Reference Basket.

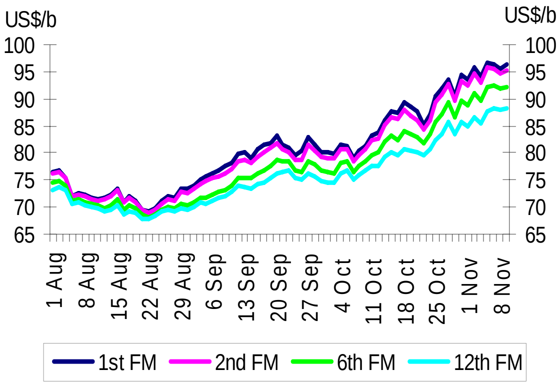
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Weak US dollar and developments in the northern Mideast inspired new fund flows into the energy futures market

The futures oil market emerged on a weaker note amid fund sell-offs for profit-taking. The Nymex WTI front-month contract closed the first weekly period 25¢ lower at $80.05/b to average the week at $81.03 for a loss of 44¢/b. Although the CFTC reported that non-commercial net long volume increased by a healthy 13,000 lots to nearly 56,500 contracts, short positions dropped a significant 17,100 while longs fell at a slower pace of 4,200 lots. Nonetheless, open interest volume was up 16,400 to 1,426,000 lots amid increased commercial volume. With options included, open interest inflated by a significant 69,800 lots to 2,472,000 contracts.

Graph 6: Nymex WTI futures prices, 2007

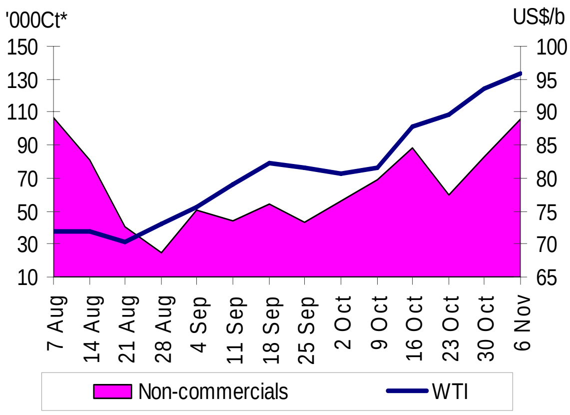


FM = future month

In the second weekly period, non-commercial net long volume inflated another 12,700 lots to 69,200 amid a rise in the long positions while shorts depleted. Moreover, open interest volume was nearly 15,000 lots wider at 1,440,900. Including options, open interest increased 34,200 to 2,506,100 lots. Although profit-taking dominated the market, forecasts for higher heating fuel demand kept the bullish note intact. The Nymex WTI front-month contract remained firm closing the weekly period 21¢ higher at $80.26/b, yet the weekly average dropped 65¢ to $80.38/b.

Nevertheless, in the third weekly period market sentiment resumed the bullish move on several factors inspiring covering of short positions and the flow of funds into the energy market. Tensions in the northern Middle East, a disruption in Alaska, concern over winter fuel supply and the weakening US dollar inspired the flow of hedge funds into the futures market sending oil prices higher. The Nymex WTI front-month contract closed the weekly period $7.35 or over 9% higher to settle at $87.61/b to average the period at $84.36 for a gain of $3.98/b. The CFTC reported that non-commercial net volume continued to increase, widening 18,800 contracts to nearly 88,000 amid a drop in shorts while longs inflated. Furthermore, open interest was 48,400 lots wider at 1,489,300 amid a rise in the commercial sector. With options included, open interest inflated by 160,200 lots to 2,666,300 contracts, mainly due to gains on the commercial side.

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



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

In the fourth weekly period, the CFTC reported that non-commercial net long positions were nearly 28,000 lots narrower to 60,000 amid a drop in long positions while shorts piled up. Nevertheless, open interest retreated 81,200 to 1,480,100 lots as commercial volumes fell. With options included, open interest volume plunged a hefty 143,100 lots to 2,523,100. The weekly period was volatile amid heavy flow of investment balanced by fund profit-taking. An escalation in the northern Mideast was balanced by the weaker outlook for US economy. Nevertheless, the Nymex WTI prompt month averaged the weekly period $3.30 firmer at $87.66 while the new front-month closed at $85.27/b. In the final week of the month, futures oil prices resumed the upward volatility, reaching record highs. Unexpectedly bullish US petroleum data revealed crude oil, gasoline and distillate inventories fell the week before at a time when the US dollar weakened attracting new investment into the energy market. Geopolitics and a supply disruption from heavy winds in the Gulf of Mexico added to the bullish momentum. The Nymex WTI front-month closed the weekly period up $5.11 or 6% to settle at $90.38/b with the weekly average $3.01 higher at $90.67/b. The CFTC reported that in the last week of the month non-commercial net long positions inflated by 23,100 to 83,100 lots amid a hefty depletion in shorts while longs inflated moderately. Open interest volume was 40,000 lots higher at 1,448,100. With options included, open interest inflated by a hefty 145,600 lots to all time high of over 2,668,700 contracts.

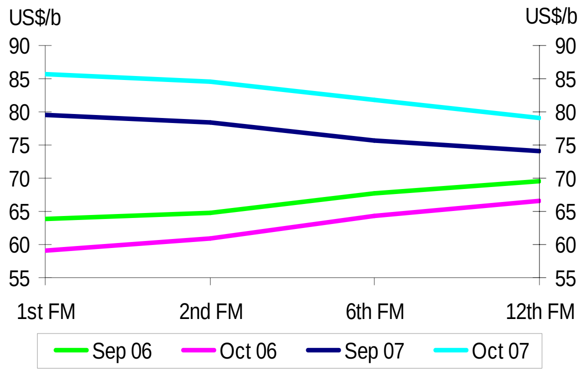
On a monthly basis, non-commercial net long volume in October was 23,100 lots wider over the previous month to stand at 71,400 lots, representing a gain of 75,100 contracts over the previous year. Nonetheless, for the month, open interest averaged 40,500 lots lower to stand at 1,442,500 contracts, representing a gain of 273,400 lots over the same period last year. With options included, non-commercial net long volume averaged 2,500 lots wider than in September to stand at 136,100 lots or 98,100 lots higher than last year. Open interest averaged 2,567,200 lots for a gain of 97,500 over the previous month and more than 527,400 lots over last year. By the end of the month, the Nymex WTI front-month contract had peaked at $94.53/b to average $84.20/b in October for a gain of $4.57 or 5.7%, which represents an increase of $25.06 over last year.

The Forward Structure

Depleted stocks balanced by refinery maintenance narrowed backwardation in the near months

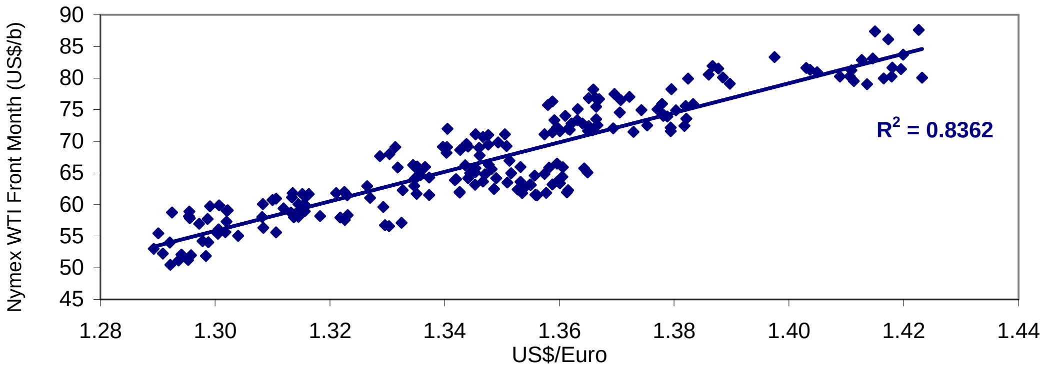
While backwardation in the near months narrowed, the spread farther forward widened. On average, the 1st/2nd and 1st/6th month backwardation spreads were 15¢ and 18¢/b narrower at $1 and $3.80/b respectively. The 1st/12th and 1st/18th month spreads were 56¢ and $1.06 wider at $6.19 and $7.81/b respectively. The US crude oil inventory weekly average in October stood at 317.8 mb, some 3.1 mb lower than the previous month, yet 15.4 mb lower than last year. Lessening concern over falling inventories softened backwardation amid refineries moving into seasonal maintenance. However, the outlook for a further depletion in the months ahead helped widen the spread farther out.

Graph 8: Nymex WTI forward curve

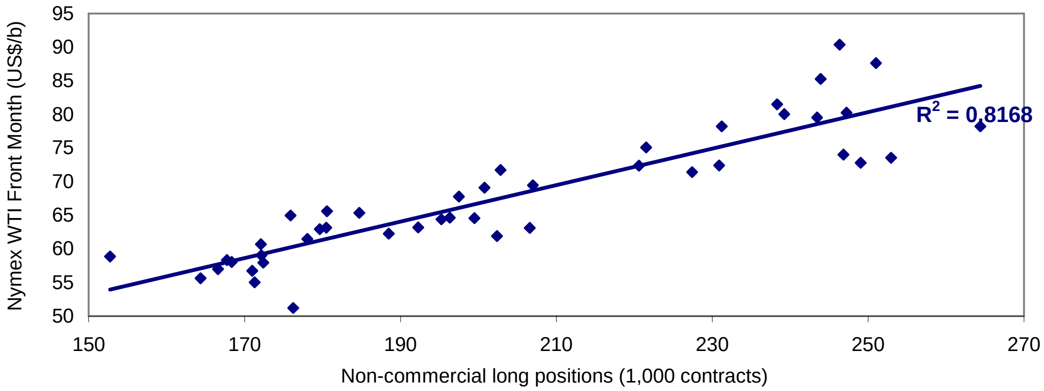


FM = future month

US dollar exchange rate against euro vs. Nymex WTI 1st FM prices



Non-commercial long positions vs. Nymex WTI 1st FM prices



Highlights of the World Economy

Economic growth rates 2007-2008, %							
	World	OECD	USA	Japan	Euro-zone	China	India
2007	5.2	2.6	2.1	2.0	2.6	11.2	8.5
2008	4.9	2.5	2.2	2.0	2.0	9.9	8.0

Industrialised countries

United States of America

Third-quarter US GDP surprisingly strong but prospects in next quarters less promising amid continued slump in housing sector, slowing consumer spending and financial sector losses

An initial estimate showed US GDP growing at a higher than expected 3.9% annualised rate during the third quarter, the fastest pace since the first quarter of 2006, due to a rise in personal consumption expenditure and an improved trade performance. Net exports growth almost compensated for the contraction caused by the continued slump in residential fixed investment. Personal consumption expenditure contributed 1.32 percentage points (pp) to growth, net exports of goods and services added 0.93 pp while residential private investment subtracted 1.05 pp, exceeding the 0.62 pp reduction in 2Q, an indication of the deepening crisis in the housing sector. US exports have been supported by the ever weakening dollar as well as strong global growth. Exports rose 1.1% in September reaching record highs of $140 bn while imports also rose 0.6% registering $197 bn causing the US trade deficit to fall to its lowest level in 28 months. However, the US trade deficit with China rose 5.5% to $23.8bn. The value of US oil imports fell to $27 bn in September from around $29 bn in the previous month. The October figure is expected to be higher.

The strong economic performance in the third quarter is not expected to be repeated in the last quarter of the year with the ongoing slump in the housing sector and the continued fallout from the subprime defaults on the financial sector, where heavy losses were reported by several banks. The Fed estimated that subprime losses may amount to $150bn. It is expected that the housing sector will take longer to recover given the overhang stock of unsold homes. More importantly, the US consumer is facing headwinds from falling house prices, restrictions on borrowing and higher energy costs. Credit conditions are tightening as shown by the survey of US Senior Loan Officers. It is estimated that a $1 fall in house prices reduces consumer spending by 4-9 cents. During the third quarter, consumers had maintained a reasonable level of consumption. However, the Conference Board index of consumer confidence declined again in October to a two-year low. Moreover, retail sales in October rose at a slower pace of 0.2% following the strong 0.7% growth in September, indicating a possible slowdown in consumer expenditure as one enters the fourth quarter holiday shopping season. Retail sales account for around 50% of consumer expenditure which in turn is responsible for around two thirds of total GDP. Purchases at service stations rose by 0.8%. Excluding gasoline sales, retail sales rose by only 0.1%, the smallest increase in four months. In addition, wage rises slowed down to 0.2% in October- or 3.8% over previous year, and may not provide a sufficient compensation for declining home values.

Other recent economic indicators were mixed. On the positive side, one notes the strong rise in labour productivity to an annual rate of 4.9% in Q3, more than twice the 2.2% increase recorded in Q2 and the fastest rate since 2003. In addition, the labour market continued to show resilience. The October employment report revealed that payrolls had increased by a larger-than- expected 166,000 following a 96,000 job rise in September, leaving the unemployment rate unchanged at 4.7% in the process dispersing some of the fears of recession. Employment fell in the manufacturing sector and building industry but rose briskly in the services sector. The manufacturing sector expanded for a ninth consecutive month, but the rate of growth continued its downward trend in October. The ISM index for manufacturing fell to 50.9 from 52 in September. In contrast, the ISM services index, which represents by far the largest part of the economy, registered a surprising rise to 55.8 from 54.8 in September, indicating an uninterrupted increase in activity for the 55th consecutive month.

As expected, the Federal Reserve Board lowered US interest rate again by 25 basis points bringing the federal funds rate to 4.5% and there is speculation that the next monetary easing will follow in December. The Fed sees monetary policy after the cumulative 0.75% rate cut as balancing the upside risks to inflation and the downside risks to economic growth. The inflationary pressures are seen to arise from the high oil and other commodity prices including food prices and the depreciating dollar which increases imported inflation. Import prices are reported to have risen by 1.8% in October, the most in 17 months. Excluding oil, import prices rose 0.5%. Although the Fed sees higher inflation and slower growth in the short-term, it is not expected that the economy will slide into stagflation. The latest available headline inflation figure is for September. Headline inflation was at 2.8% while core inflation was at 2.1%. However, the preferred Fed measure for inflation, the core consumer expenditure index, which excludes food and energy, registered an increase of 1.8% during the same month, still within the preferred range of 0-2%. However, it is difficult to continue excluding food and energy under the present upward trend in both. Meanwhile, producer prices rose a less than anticipated 0.1% in October, and excluding energy and food, core producer prices remained unchanged.

Our forecast for 2007 for US growth has been revised up by 0.2 percentage points to 2.1% and down by 0.1 pp to 2.2% for 2008.

Japan

The Japanese economy expanded at faster than expected rate in third quarter but outlook for rest of year has softened

The Japanese economy expanded at a faster than expected annualised rate of 2.6% during the third quarter following a downwardly revised contraction of 1.6% in the second quarter from an initial estimate of a drop of 1.2%, as unexpectedly strong consumer spending compensated for the drop in housing construction. Net exports contributed 0.4 percentage points to growth while domestic demand added 0.2 pp. Consumer spending rose by 0.3% in the third quarter, a slight improvement on the 0.2% growth in Q2. However, with stagnating wages, consumer spending which accounts for around 50% of GDP is still fragile.

Nevertheless, a recent spate of negative economic indicators points to a possible slowdown in growth in the fourth quarter, as exports growth slowed down and unemployment rose. The Bank of Japan cut its economic growth forecast to 1.8% from 2.1% for the fiscal year ending March 2008 due to a decline in housing starts, caused by a change in building regulations. Housing starts fell sharply by 44% in September to the lowest level in four decades due to stricter rules for obtaining building permits. However, the government signaled that regulations would be relaxed again, indicating that this drop may be temporary in nature. Industrial production also slid in September from a record. The index of leading indicators, the broadest indicator for the economic outlook, fell to zero in September, the lowest level in a decade. However, the coincident index, a reading of current business conditions, was more optimistic at 66.7% in September, remaining above 50 for the sixth month in a row, signaling the economy is improving.

The jobless rate increased to 4% in September from 3.8% in August and 3.6% in July and the ratio of job offers to job applications fell. The lull in construction activity may cause further drop in employment should it persist. Separately, the BoJ reported that producer-price index climbed 2.4% in October from a year earlier, the 44th monthly increase, after a 1.7% gain in September. So far, consumer prices have failed to rise this year as competition among retailers has made it difficult to pass on higher costs to households. Japan's consumer prices excluding fresh food fell 0.1% in September, an eighth monthly drop.

The external sector, the main driver of growth, also appears to be softening. Exports grew at the slowest pace in two years in September. The slowdown is attributed to the effects of the subprime mortgage crisis on demand for Japanese goods from the USA, Japan’s main trading partner. Shipments to the U.S fell the most in almost four years. Nevertheless, the current account surplus widened 40% in September to around $26bn, the second highest on record, as earnings from overseas investments rose.

As expected, the BoJ kept interest rates on hold in November meeting at 0.5%, indicating concern about economic developments. The forecast for the Japanese economic growth was revised down by 0.3 percentage points for 2007 and by 0.1 pp for 2008. Growth is estimated to reach 2.0% this year and next.

Euro-zone

Temporary recovery in third-quarter Euro-zone GDP

In the third quarter, the Euro-zone economy expanded at rate of 0.7% from the second quarter, following the low growth rate of 0.3% in the second quarter. Economic growth in both Germany and France, the euro area's largest economies, was also 0.7% in the third quarter following 0.3% rate in the previous three months, while Italy expanded at a rate of 0.4% in the latest quarter after a 0.1% growth. The improved growth in Q3 was bolstered by investment and industrial production. However, there is widespread consensus that the recovery may be short-lived as Europe's economy struggles to cope with higher credit costs, the euro's strong appreciation and high energy costs. However, the euro’s strength has shielded the region from the full brunt of the oil price increase. The euro has risen by around 10% against the dollar since January, reaching a record of $1.4722 on November 7, implying a loss of competitiveness for euro-zone exports. The European Commission revised Euro-zone growth in 2008 down to 2.2% from an earlier forecast of 2.5%, putting this year’s growth at 2.6%.

As expected, the European Central Bank kept its benchmark rate unchanged at 4% in November, pointing that the risks to growth were on the downside and conveying its concern about the euro appreciation and rising inflation. It also signaled that a rate rise was not on the horizon. Meanwhile, the consumer rice index rose by 2.6% in October from 2.1% in September, above the ECB upper limit of 2%, driven by higher energy and food prices.

Signs of weakening growth started emerging towards the end of the third quarter. Industrial production in the euro area fell 0.7% in September, while manufacturing grew at the slowest pace in more than two years in October. The Royal Bank of Scotland Group Plc reported that its manufacturing index fell to 51.5 from 53.2 in September, the lowest level since August 2005. Manufacturing was negatively affected by the slowing foreign demand partly caused by the strong euro and higher interest rates. Moreover, retail sales declined for the first time in three months in October as measured by the Bloomberg purchasing managers index based on a survey of more than 1,000 executives. The gauge fell to a seasonally adjusted 47.9 from 50.5 in September.

Overall, our forecast 2008 for the Euro-zone growth has been revised downwards by 0.2 percentage points from last month. The Euro-zone is seen to expand at a pace of 2.6% this year, moderating to 2.0% in 2008.

Former Soviet Union

Inflation in Russia misses the Central Bank target

Russia might miss its 2007 annual inflation target by a wide margin. Excessive public spending and global food price rises are the main contributors to rising inflation... In October, inflation stood at 1.6% as reported by the Russian Federal State Statistics Services (Rosstat). This implies that inflation amounted to 9.3% in January-October 2007 compared to 7.5% in the same period a year earlier, while Russia's core inflation amounted to 2.1% in October and 8.9% for the year-to-date. In fear of speculation activities, officials from the Central Bank of Russia said the central bank considered rouble appreciation "not effective" in terms of fighting inflation and was unlikely to use the measure for the rest of 2007. Russia had seen $60 billion in net private capital inflows so far this year. An appreciating rouble is a bonus for foreign investors, who closely watch inflation data, trying to guess the central bank's next move. The rouble is up 1.8% so far this year against the euro/dollar peg, made up of 0.55 dollars and 0.45 euros. The central bank has allowed the rouble to appreciate in small moves against a dollar/euro basket in order to make imported goods cheaper, but a stronger rouble sucks in foreign capital as investors bet on its future appreciation. The central bank last intervened on the forex market to push the rouble higher in August. The Statistical Committee of the CIS published data on the growth of prices in the region indicating that Russian inflation has contributed to higher prices in neighbouring states due to its close trade ties and the higher prices it demanded for energy

Inflation re-emerged as a prime concern for the Ukrainian economy

Inflation re-emerged as a prime concern for the Ukrainian economy in recent weeks as a result of the exacerbated world commodity price rises and stiff price hikes on natural gas imports. October inflation at 2.9% is the biggest monthly showing over the last seven years. Domestically, rising incomes, a retail lending boom, monetary policy and political instability have also contributed to rising inflationary pressures that exceeded the National Bank of Ukraine's expectations. Ukraine's central bank indicated on Thursday it would extend minimum reserve requirements to funds obtained from foreign institutions in Ukraine, and take other measures against inflation. It said in a statement it was worried by the quick growth of borrowing and credit from external banks in foreign currencies, which may destabilise the domestic financial market. Soaring inflation, boosted by higher staple food prices, has led to debates as to whether the central bank should free up or revalue the hryvnia, which is kept in a narrow 5.0-5.06 band to the dollar. The central bank has said that revaluation could help fight inflation, but the government has called for an end to all public discussion of the issue.

Developing Countries

China's foreign exchange reserve is up 45.1% y-o-y, the highest in the world

The People's Bank of China (PBOC) announced in its third-quarter monetary policy report that it might use a variety of measures, including bank and treasury bond issues and reserve requirement ratios, to control the country's "severe" liquidity problem. Excessive growth in investment, the trade surplus and credit remained the prominent problems of the Chinese economy. The report said the central bank would strictly monitor short-term capital inflows, tighten exchange settlement management and make efforts to satisfy the demand of domestic institutions for foreign currencies by expanding overseas investment channels and encouraging companies and individuals to carry out industrial and financial investment abroad. Investment, a more powerful engine than consumption in China's economy, was expected to register a double-digit growth for the fifth year, will continue to grow rapidly boosted by strong investment sentiment and sufficient capital supply. China had registered $1.43 trillion in foreign exchange reserve by September, up 45.1% y-o-y, the highest in the world, boosted by its accelerating trade surplus, which hit $185.7 bn by the end of September, exceeding the total trade surplus of $177.47 bn for 2006. The PBOC expects the consumer price index to increase 4.5% y-o-y. The country's consumer price index, a key measure for inflation, hit an 11-year high of 6.5% in August.

China's government has raised fuel prices by around 10% in the face of rising oil prices

The central bank's report said strong price pressures remain and inflation needs to be watched closely, with further potential increases in grain prices, which could propel the CPI higher. Price pressures are also evident in the property sector, energy prices and labour costs. Despite the concerns about inflation, China's government has raised state-controlled fuel prices by around 10% effective 1 November. The move shows limited governmental ability to maintain price controls in the face of rising oil prices.

Industrial production in India slowed down in September 2007

The highest interest rate in a decade forced the industrial production in India to slow down in September 2007. The central bank has raised its benchmark interest rate nine times since October 2004 to fight inflation, prompting commercial banks to increase their lending rates to the highest in almost a decade. The strong rupee decreased the competitiveness of India's exports and high interest rates crimped consumer demand. The Reserve Bank of India, forced to keep rates high to curb inflation in Asia's third-biggest economy, expects a "marginal moderation" in industrial activity this year. Cash from record foreign investments has caused the rupee to gain the most in at least 33 years, and now threatens to spur inflation. The Indian government announced that it will cut down subsidies on fuel consumption. India has not raised fuel prices this year as crude oil costs surged to a record, on concern it will stoke inflation and upset voters before state and national elections. Food, fertilizer and oil subsidies will touch 1 trillion rupees ($25 bn) this year.

IMF Latin America to continue growing at healthy rates

The IMF predicts that Latin America will continue growing at healthy rates this year and next. Economies in the region will benefit from strong Asian demand for non-oil commodities. The slowdown in the US will depress growth, particularly with countries with strong trade ties to North America. Brazil's inflation accelerated more than expected in October 2007, fueled by food and gasoline price increases. This might put pressure on the Brazilian Central Bank (BCB) not to resume rate cuts soon. The BCB decided on 17 October to keep its benchmark Selic rate unchanged at 11.25% on concern that rising consumer demand could stoke inflation. Year-on-year inflation is expected to remain mostly within the central bank's target of 4.5% for 2007-08.

OPEC Member Countries

Libya's international reserves remained strong in Q2

In a recent report, the Central Bank of Libya (CBL) said that the international reserves for the country rose to 88351.3 million Libyan dinars at the end of the second quarter of 2007. According to preliminary data, the oil and gas sector's share in Libya's GDP (at current factor prices) has risen from 42.05% in 2000 to 71.29% in 2005. The CPI has risen by 1% in the first quarter of 2007 and 6% in the second quarter. In 2006 the annual average inflation was 3.5%.

Oil prices, the US dollar and inflation

The US dollar fell to new record lows versus the euro

The US dollar fell against most major currencies in October with the exception of the yen. It depreciated most versus the euro falling by 2.4% and ending the month at $1.447/€, bringing the cumulative loss to around 9.5% since January 2007. The dollar depreciated 1.3% versus the pound sterling and 0.7% against the Swiss franc while gaining 0.63% versus the Japanese yen.

The dollar continued to lose ground versus the euro reaching new record lows of $1.4722 on November 7, pressured by the cut in US interest rates and the continued negative reports about subprime related company losses and amid signs of diminishing interest in long term US assets The dollar has fallen 36% on a trade-weighted basis against major currencies since its high point in 2002 and by 42% against the euro.

In October, the OPEC Reference Basket rose by $5.2/b or almost 7% to $79.36/b from $74.18 in September. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by around $3/b or 6.9% to $51.15/b from $54.21/b. The dollar depreciated by 0.88% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by 0.1%.*

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

World Oil Demand

World oil demand growth is revised down by 0.1 mb/d to 1.2 mb/d

World oil demand in 2007

Booming non-OECD economies have neutralized the negative effect of high oil prices on world oil demand in October. China, Middle East, and India showed the strongest y-o-y oil demand growth in October. OECD oil consumption came as expected on the negative side. Although China recently announced an increase in retail petroleum product prices, but this is not expected to considerably impact the country's oil demand growth.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 2007/06 Volume	Change 2007/06 %
North America	25.29	25.67	25.43	25.46	25.69	25.56	0.27	1.08
Western Europe	15.59	15.28	14.96	15.46	15.78	15.37	-0.22	-1.41
OECD Pacific	8.40	8.83	7.80	7.85	8.83	8.32	-0.08	-0.95
Total OECD	**49.28**	**49.77**	**48.20**	**48.76**	**50.30**	**49.26**	**-0.02**	**-0.05**
Other Asia	8.83	8.91	9.11	8.88	9.12	9.00	0.18	1.98
Latin America	5.26	5.22	5.38	5.51	5.39	5.38	0.12	2.26
Middle East	6.19	6.45	6.44	6.60	6.43	6.48	0.29	4.62
Africa	3.00	3.14	3.07	3.02	3.13	3.09	0.09	2.92
Total DCs	**23.28**	**23.71**	**23.99**	**24.01**	**24.07**	**23.95**	**0.67**	**2.87**
FSU	3.89	3.86	3.70	4.00	4.32	3.97	0.09	2.20
Other Europe	0.91	1.01	0.92	0.91	0.92	0.94	0.03	3.51
China	7.14	7.46	7.77	7.70	7.40	7.58	0.44	6.14
Total "Other Regions"	**11.93**	**12.33**	**12.39**	**12.61**	**12.63**	**12.49**	**0.56**	**4.66**
Total world	**84.50**	**85.81**	**84.59**	**85.38**	**87.00**	**85.70**	**1.20**	**1.42**
Previous estimate	84.45	85.77	84.57	85.57	87.07	85.75	1.30	1.54
Revision	0.05	0.04	0.02	-0.19	-0.07	-0.05	-0.10	-0.12

Totals may not add due to independent rounding.

Table 3: First and second quarter world oil demand comparison for 2007, mb/d

	1Q06	1Q07	Change 2007/06 Volume	Change 2007/06 %	2Q06	2Q07	Change 2007/06 Volume	Change 2007/06 %
North America	25.22	25.67	0.44	1.76	25.06	25.43	0.37	1.48
Western Europe	15.92	15.28	-0.64	-4.01	15.17	14.96	-0.21	-1.39
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.38**	**49.77**	**-0.61**	**-1.21**	**48.05**	**48.20**	**0.14**	**0.30**
Other Asia	8.77	8.91	0.13	1.53	8.97	9.11	0.14	1.58
Latin America	5.07	5.22	0.16	3.07	5.24	5.38	0.13	2.57
Middle East	6.09	6.45	0.35	5.78	6.14	6.44	0.30	4.80
Africa	3.00	3.14	0.13	4.47	2.98	3.07	0.09	3.10
Total DCs	**22.94**	**23.71**	**0.78**	**3.38**	**23.33**	**23.99**	**0.66**	**2.84**
FSU	3.76	3.86	0.10	2.63	3.63	3.70	0.07	2.02
Other Europe	0.97	1.01	0.04	4.30	0.90	0.92	0.02	2.12
China	7.09	7.46	0.36	5.12	7.34	7.77	0.43	5.85
Total "Other Regions"	11.82	12.33	**0.50**	**4.26**	11.87	12.39	**0.52**	**4.40**
Total world	**85.14**	**85.81**	**0.67**	**0.79**	**83.26**	**84.59**	**1.33**	**1.60**

Totals may not add due to independent rounding.

A mild start to the winter in North America along with the high price of transport fuel is expected to reduce regional oil consumption in the fourth quarter. Transport fuel rationing in Iran is expected to reduce oil demand growth in the region by 50,000 b/d. Hence, world oil demand growth in the fourth quarter was revised down by 0.1 mb/d to show growth of 1.7 mb/d to average 87.0 mb/d y-o-y. **World oil demand growth for 2007 is forecast at 1.2 mb/d or 1.4% to average 85.70 mb/d.**

Due to increased travel in the summer, jet fuel demand was healthy especially in developed countries. The new flying procedures that were introduced by IATA made the industry more energy-efficient and caused jet fuel consumption to slow over the past two years. Mexican and Indian jet fuel demand grew sharply this summer by around 14%.

Table 4: Third and fourth quarter world oil demand comparison for 2007, mb/d

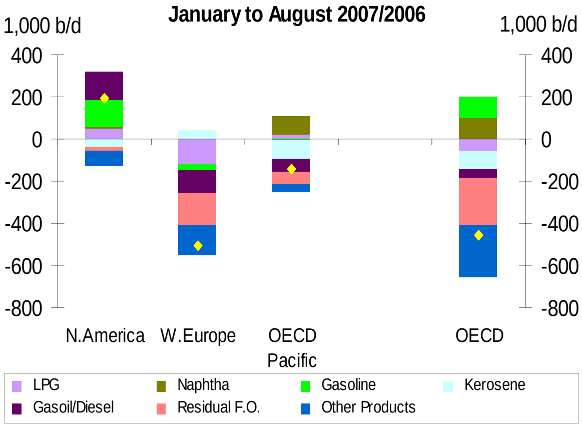
			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.49	25.46	-0.04	-0.15	25.37	25.69	0.33	1.28
Western Europe	15.60	15.46	-0.13	-0.86	15.68	15.78	0.10	0.62
OECD Pacific	7.85	7.85	-0.01	-0.09	8.71	8.83	0.11	1.32
Total OECD	**48.94**	**48.76**	**-0.18**	**-0.37**	**49.76**	**50.30**	**0.54**	**1.08**
Other Asia	8.64	8.88	0.24	2.82	8.94	9.12	0.18	2.02
Latin America	5.38	5.51	0.13	2.32	5.33	5.39	0.06	1.16
Middle East	6.35	6.60	0.25	3.89	6.18	6.43	0.25	4.05
Africa	2.95	3.02	0.06	2.14	3.07	3.13	0.06	2.00
Total DCs	**23.33**	**24.01**	**0.68**	**2.91**	**23.52**	**24.07**	**0.55**	**2.35**
FSU	3.91	4.00	0.09	2.42	4.24	4.32	0.08	1.78
Other Europe	0.88	0.91	0.03	3.19	0.88	0.92	0.04	4.37
China	7.21	7.70	0.49	6.73	6.92	7.40	0.47	6.86
Total "Other Regions"	12.00	12.61	**0.61**	**5.07**	12.04	12.63	**0.59**	**4.89**
Total world	**84.28**	**85.38**	**1.11**	**1.31**	**85.32**	**87.00**	**1.68**	**1.97**

Totals may not add due to independent rounding.

OECD North America

US oil demand growth in the first 10 months was 1% less than previously estimated

Although the US economy is demanding more energy, the latest increase in retail petroleum prices has slightly slowed down transport fuel consumption. Transport fuel demand growth is not as strong as expected. Gasoline demand growth in the US in the first ten months lost its momentum, increasing only by around 0.1 mb/d. Jet fuel kerosene demand has been on the decline so far this year in the US; however, this was due to the application of new flying procedures.



Graph 9: OECD - Growth of total requirements by component January to August 2007/2006

Furthermore, the late winter has slowed the demand for both fuel and heating oil. Given the fact that the US oil demand growth represents a major part of the projected world oil demand growth this year, US winter oil demand plays a wild card in total world oil demand growth in 2007. Should the winter become warmer than expected, then total world oil demand growth will not hold as forecast.

US oil consumption growth in the first ten months is estimated at 0.04 mb/d or 0.19% y-o-y, which is 1% below the previous estimate.

Unlike the USA, Mexican gasoline demand in September grew by a strong 1.6% or 12,000 b/d y-o-y. However, the strong decline in fuel oil demand pushed total Mexican oil demand to the red showing a decline of 2.2% y-o-y. On the Canadian side, strong industrial diesel demand neutralized the decline in fuel oil causing total Canadian oil demand to be flat y-o-y in September. Due to the downward revision in North America by 0.07 mb/d, **OECD fourth-quarter oil demand growth is forecast at 0.54 mb/d y-o-y.**

Table 5: Canadian sales of refined petroleum products, kb/d

	Sep 07	Sep 06	Change from Sep 06	Change from Sep 06 (%)
Motor Gasoline	689	686	3	0.5
Aviation Fuels	120	115	5	4.6
Diesel Fuel Oil	500	460	40	8.7
Residual Fuel Oil	144	157	-12	-7.7
Other Products	292	318	-26	-8.2
Total Products	**1745**	**1735**	**10**	**0.6**

OECD Europe

4Q07 demand growth in OECD Europe forecast at 0.1 mb/d

High energy taxes have slowed the transportation fuel consumption in Western Europe so far this year. Gasoline consumption in Italy declined by 10.7% y-o-y in September. Due to the movement to diesel power engines in Europe, diesel demand in Italy declined only by 3% y-o-y in September. Italian total oil consumption declined by 6.8% y-o-y in September. Preliminary data showed that Germany's oil demand declined by almost 8% in October. The mild start to winter in Europe has reduced oil demand. As a result, **OECD Europe fourth-quarter oil demand growth is forecast at 0.1 mb/d to average 15.78 mb/d.**

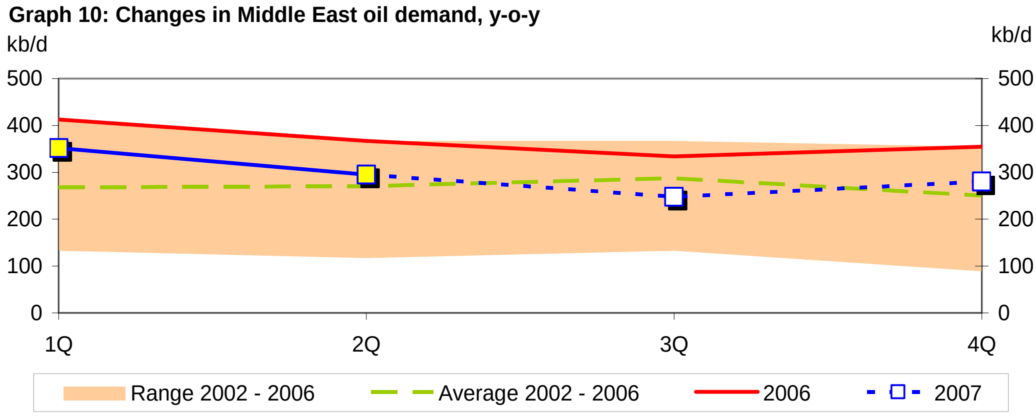
OECD Pacific

Although September oil imports are mainly due to preparations for winter demand, South Korean crude oil imports declined by 7% to reflect slowing demand in the Pacific. For the first time this year, economic activities caused Japanese oil demand to grow by 9.7% y-o-y. Transportation fuel and fuel oil demand were the products with the highest growth in September in Japan. Gasoline alone grew by 7.7% adding 78,000 b/d y-o-y. Given the expected winter forecast for the fourth quarter, **OECD Pacific oil demand is forecast to grow by 0.1 mb/d to average 8.83 mb/d**.

Alternative Fuels

High corn prices are negatively affecting ethanol margins between 2-3¢/gallon. Even though biofuel production is heavily subsidized, recent ethanol raw material price increases are putting biofuel at economic risk according to some analysts. Consequently, weakened margins should slow future expansion of ethanol production capacity. Strong retail transportation fuel prices are expected to support firm biofuel demand growth in the near future. However, this will be at the expense of world food prices.

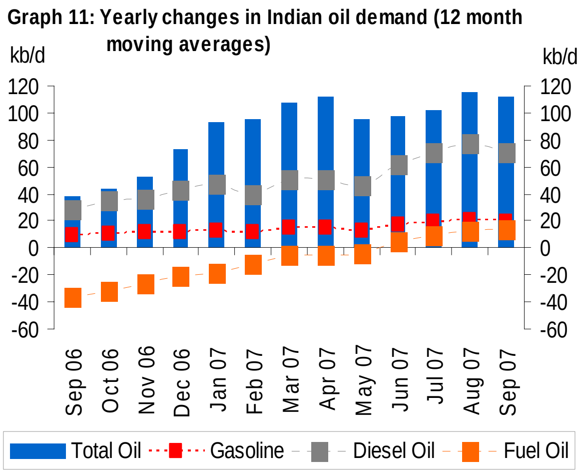
India has joined the world in producing biofuel with the production at a new biodiesel plant in Kakinada; however, due to the regulated Indian retail transportation fuel prices, the biodiesel produced by the plant is expected to be exported to Europe.



Developing Countries

Developing Country demand growth projected at 0.55 mb/d in 4Q07

Iran gasoline rationing procedures, which started in March, have yielded the expected result so far. Gasoline demand in Iran has declined by 50,000 b/d and is expected to show the same decrease until year-end. Middle East oil demand was revised down by an average of 40,000 b/d in both the third and fourth quarters of 2007. **Middle East oil demand growth is forecast to grow by 0.29 mb/d y-o-y in 2007 to average 6.5 mb/d.**



Indian oil demand grew by a strong 3.7% or 97,000 b/d y-o-y in September. Industrial and transport fuel demand grew the most in India. Agriculture demand pushed diesel consumption up by 24,000 b/d y-o-y.

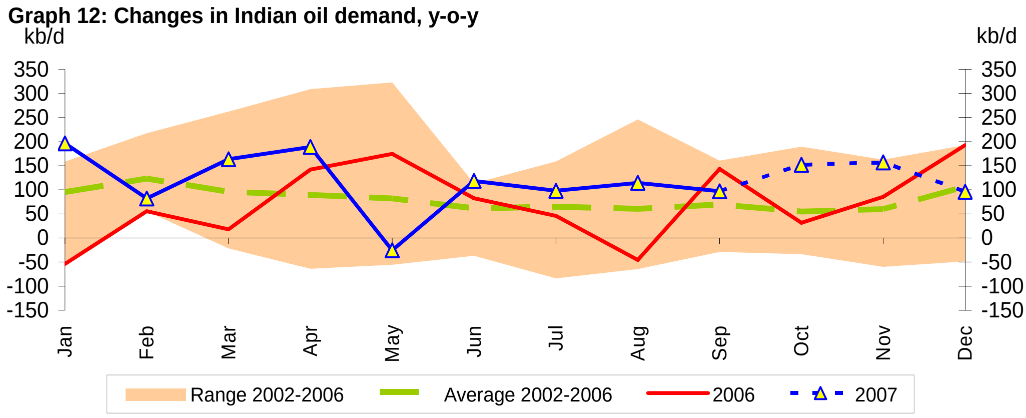
Table 6: Indian oil demand by main products, kb/d

	Sep 07	Aug 07	Jan 07 - Sep 07	Difference to Jan 06 - Sep 06	%
LPG	373	356	355	30	9.2
Motor Gasoline	229	218	232	22	10.6
Jet Kero	307	281	289	9	3.2
Gas Diesel Oil	882	825	965	71	7.9
Residual Fuel Oil	337	339	335	11	3.4
Other Products	540	508	561	-28	-4.8
Total Oil Demand	**2,669**	**2,526**	**2,738**	**115**	**4.4**

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

Other Asia oil demand for the year is forecast to reach 175,000 b/d y-o-y. This conservative growth estimate reflects energy conservation efforts in the region.

Developing Countries oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching growth of 0.67 mb/d to average 23.95 mb/d.

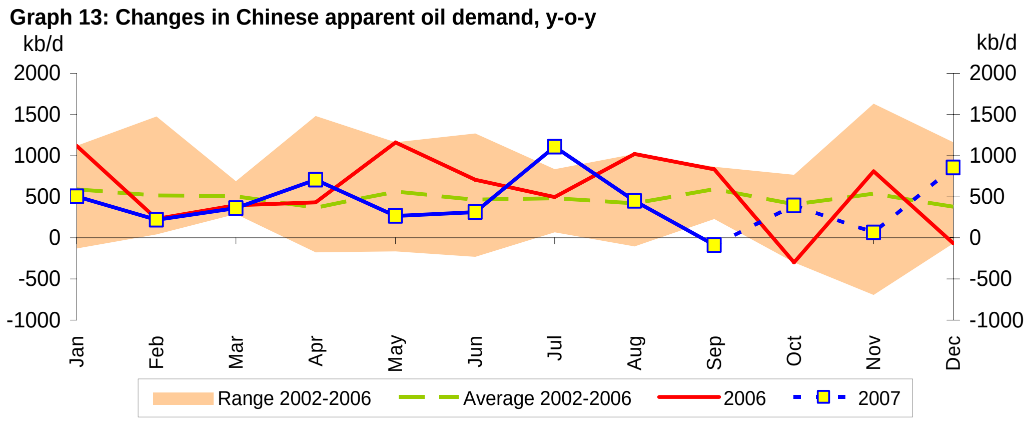


Other Regions

Apparent demand growth in China is expected at 0.4 mb/d in 2007

China's National Day holiday in early October is considered one of the country's peak driving seasons. Transport fuel consumption was high, but due to strong apparent oil demand in the same month last year, September showed a decline of 1.1% y-o-y.

China's National Development and Reform Commission (NDRC) increased prices for gasoline, diesel and kerosene by around 10%, in response to high oil prices. This was the first increase since May 2006. This new increase is not expected to show a major effect on China's total oil demand. In fact, petroleum product retail prices are still below international prices. China's oil imports in the first three quarters of the year grew by 8.7% or 0.3 mb/d y-o-y. These strong oil imports occurred in response to China's thirst for energy as the country's economic boom is currently reaching double digits. **China's apparent oil demand growth for 2007 is forecast at 0.44 mb/d to average 7.6 mb/d y-o-y.**



Russian economic activities are keeping oil demand healthy. Although the third quarter usually represents a seasonal low for the region, the FSU showed a stronger-than-expected demand number. Total FSU apparent oil demand was revised up by 0.02 mb/d y-o-y.

World oil demand in 2008

World oil demand growth revised down by 30,000 b/d to 1.3 mb/d

World oil demand is forecast to grow by 1.3 mb/d in 2008 to average 87.01 mb/d, reflecting a downward revision of 0.03 mb/d. Due to the expected slower transport fuel demand next year, North America's first- and third-quarter oil demand growth was revised down slightly. Transport and industrial fuel are the sectors growing most in the world oil demand in 2008. Non-OECD countries are expected to account for 1.05 mb/d or 80% of total world oil demand growth in 2008. OECD countries oil demand growth next year will be mostly attributed to North America. **North America's oil demand is forecast to grow by 0.3 mb/d y-o-y in 2008 to average 25.82 mb/d.**

Middle East and Other Asia are expected to contribute 0.42 mb/d or 32% to next year's world oil demand growth.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 2008/07 Volume	%
North America	25.56	26.00	25.62	25.60	26.07	25.82	0.26	1.02
Western Europe	15.37	15.45	14.91	15.39	15.92	15.42	0.05	0.30
OECD Pacific	8.32	8.89	7.68	7.69	8.86	8.28	-0.05	-0.56
Total OECD	**49.26**	**50.35**	**48.21**	**48.67**	**50.85**	**49.52**	**0.26**	**0.53**
Other Asia	9.00	9.03	9.24	9.05	9.27	9.15	0.15	1.62
Latin America	5.38	5.33	5.46	5.59	5.49	5.47	0.09	1.71
Middle East	6.48	6.71	6.72	6.88	6.70	6.75	0.27	4.24
Africa	3.09	3.19	3.12	3.09	3.19	3.15	0.06	1.83
Total DCs	**23.95**	**24.25**	**24.54**	**24.61**	**24.66**	**24.52**	**0.57**	**2.38**
FSU	3.97	3.91	3.76	4.06	4.37	4.03	0.05	1.38
Other Europe	0.94	1.04	0.96	0.93	0.94	0.96	0.03	2.89
China	7.58	7.80	8.13	8.18	7.82	7.98	0.40	5.28
Total "Other Regions"	**12.49**	**12.75**	**12.85**	**13.16**	**13.12**	**12.97**	**0.48**	**3.86**
Total world	**85.70**	**87.34**	**85.61**	**86.44**	**88.63**	**87.01**	**1.31**	**1.53**
Previous estimate	**85.75**	**87.33**	**85.60**	**86.68**	**88.73**	**87.09**	**1.34**	**1.56**
Revision	**-0.05**	**0.01**	**0.01**	**-0.24**	**-0.10**	**-0.08**	**-0.03**	**-0.03**

Totals may not add due to independent rounding.

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

	1Q07	1Q08	Change 2008/07 Volume	%	2Q07	2Q08	Change 2008/07 Volume	%
North America	25.67	26.00	0.33	1.29	25.43	25.62	0.19	0.75
Western Europe	15.28	15.45	0.18	1.15	14.96	14.91	-0.05	-0.34
OECD Pacific	8.83	8.89	0.07	0.77	7.80	7.68	-0.12	-1.56
Total OECD	**49.77**	**50.35**	**0.57**	**1.15**	**48.20**	**48.21**	**0.02**	**0.04**
Other Asia	8.91	9.03	0.13	1.40	9.11	9.24	0.14	1.48
Latin America	5.22	5.33	0.11	2.01	5.38	5.46	0.08	1.53
Middle East	6.45	6.71	0.26	4.03	6.44	6.72	0.28	4.35
Africa	3.14	3.19	0.05	1.59	3.07	3.12	0.05	1.63
Total DCs	**23.71**	**24.25**	**0.54**	**2.28**	**23.99**	**24.54**	**0.55**	**2.28**
FSU	3.86	3.91	0.05	1.31	3.70	3.76	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.46	7.80	0.34	4.56	7.77	8.13	0.36	4.63
Total "Other Regions"	**12.33**	**12.75**	**0.42**	**3.41**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.81**	**87.34**	**1.53**	**1.79**	**84.59**	**85.61**	**1.02**	**1.21**

Totals may not add due to independent rounding.

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

	3Q07	3Q08	Change 2008/07 Volume	%	4Q07	4Q08	Change 2008/07 Volume	%
North America	25.46	25.60	0.14	0.55	25.69	26.07	0.38	1.48
Western Europe	15.46	15.39	-0.08	-0.50	15.78	15.92	0.14	0.89
OECD Pacific	7.85	7.69	-0.16	-2.04	8.83	8.86	0.03	0.34
Total OECD	**48.76**	**48.67**	**-0.10**	**-0.20**	**50.30**	**50.85**	**0.55**	**1.09**
Other Asia	8.88	9.05	0.17	1.91	9.12	9.27	0.15	1.68
Latin America	5.51	5.59	0.08	1.45	5.39	5.49	0.10	1.85
Middle East	6.60	6.88	0.28	4.24	6.43	6.70	0.28	4.34
Africa	3.02	3.09	0.07	2.32	3.13	3.19	0.06	1.79
Total DCs	**24.01**	**24.61**	**0.60**	**2.50**	**24.07**	**24.66**	**0.59**	**2.44**
FSU	4.00	4.06	0.06	1.46	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.06	0.92	0.94	0.02	2.18
China	7.70	8.18	0.48	6.24	7.40	7.82	0.42	5.68
Total "Other Regions"	**12.61**	**13.16**	**0.56**	**4.42**	**12.63**	**13.12**	**0.49**	**3.88**
Total world	**85.38**	**86.44**	**1.06**	**1.24**	**87.00**	**88.63**	**1.63**	**1.87**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth revised down slightly to 0.78 mb/d

Non-OPEC

Forecast for 2007

Non-OPEC supply is expected to increase by around 0.78 mb/d over the downwardly revised figure for 2006 to reach a level of around 50.23 mb/d. This represents a minor drop of 52,000 b/d compared with last month's assessment. The estimate for 2007 was reduced for the USA, Mexico, Norway, UK, Brazil and Oman, partially offset by some upward revisions made to Canada, Denmark, Colombia, Malaysia and Kazakhstan. The first, third and fourth quarters witnessed downward revisions of 4,000 b/d, 49,000 b/d and 264,000 b/d respectively, while the second quarter witnessed an upward revision of around 111,000 b/d. On a quarterly basis, non-OPEC supply now stands at 50.32 mb/d, 50.04 mb/d, 49.80 mb/d and 50.77 mb/d respectively. The 2006 figures have also been revised down slightly by around 30,000 b/d.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.39	14.45	14.32	14.49	14.41	0.17
Western Europe	5.38	5.50	5.15	4.97	5.17	5.20	-0.19
OECD Pacific	0.56	0.57	0.61	0.66	0.72	0.64	0.08
Total OECD	**20.19**	**20.46**	**20.21**	**19.96**	**20.38**	**20.25**	**0.07**
Other Asia	2.71	2.73	2.71	2.76	2.76	2.74	0.03
Latin America	4.41	4.41	4.42	4.45	4.53	4.45	0.04
Middle East	1.76	1.70	1.69	1.66	1.65	1.67	-0.09
Africa	2.60	2.68	2.67	2.65	2.73	2.68	0.08
Total DCs	**11.49**	**11.52**	**11.50**	**11.51**	**11.66**	**11.55**	**0.05**
FSU	12.02	12.50	12.44	12.48	12.80	12.56	0.54
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.69	3.78	3.82	3.78	3.85	3.80	0.11
Total "Other regions"	**15.87**	**16.43**	**16.41**	**16.41**	**16.80**	**16.51**	**0.65**
Total Non-OPEC production	**47.55**	**48.40**	**48.12**	**47.88**	**48.84**	**48.31**	**0.76**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**49.45**	**50.32**	**50.04**	**49.80**	**50.77**	**50.23**	**0.78**
Previous estimate	49.48	50.33	49.93	49.85	51.04	50.29	0.81
Revision	-0.03	0.00	0.11	-0.05	-0.26	-0.05	-0.02

OECD

Total OECD growth now estimated at 66,000 b/d

Total OECD oil supply is expected to reach 20.25 mb/d, an increase of around 66,000 b/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.46 mb/d, 20.21 mb/d, 19.96 mb/d and 20.38 mb/d respectively. North America is estimated to grow by 172,000 b/d over the 2006 figure to reach a level of around 14.41 mb/d. The OECD Pacific is also estimated to increase slightly by around 80,000 b/d over 2006 to reach a level of 0.64 mb/d in 2007. However, Western Europe is estimated to decline significantly by around 185,000 b/d below the 2006 figure, reaching a level of 5.20 mb/d in 2007. Most of the supply loss in this group is attributed to Norway which is estimated to decline significantly by around 221,000 b/d from the 2006 figure.

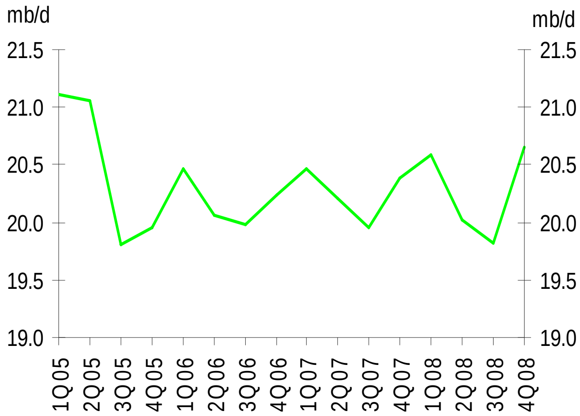
USA

Oil supply in the USA is expected to reach a level of around 7.50 mb/d, representing growth of 149,000 b/d over 2006 and a downward revision of 23,000 b/d from the last assessment. A significant fourth-quarter downward revision of 91,000 b/d has been made due to the startup delay of the Atlantis South, Neptune and Genghis Khan fields in the US Gulf of Mexico. On a quarterly basis, supply figures stand at 7.46 mb/d, 7.58 mb/d, 7.50 mb/d and 7.47 mb/d respectively. The preliminary figure for October of 7.48 mb/d shows a figure very close to our current fourth-quarter forecast.

Mexico and Canada

Canadian oil supply for 2007 is expected to average 3.38 mb/d, an increase of around 197,000 b/d over the 2006 figure and an upward revision of 64,000 b/d. The 2006 figure has been revised downward slightly by around 31,000 b/d. The upward revision was due to the better-than-expected performance earlier as the Suncor's project expansion was completed, in addition to the return of Husky's White Rose field from July maintenance which helped August production to hit a record of 3.5 mb/d. The third quarter has been revised upward significantly by 87,000 b/d and extended up to the end of the year 2008. On a quarterly basis, oil supply stands at 3.35 mb/d, 3.28 mb/d, 3.37 mb/d and 3.52 mb/d respectively. The preliminary October figure of 3.51 mb/d seems to be close to the current forecast of around 3.52 mb/d.

Graph 14: OECD's quarterly production



Mexico's production hit by bad weather

Mexico's oil supply witnessed minor third- and fourth-quarter downward revisions of around 14,000 b/d and 44,000 b/d respectively as the impact of bad weather in the Gulf of Mexico caused the shut-down of 600,000 b/d of production for a few days in early November. On a quarterly basis, Mexican oil supply stands at 3.58 mb/d, 3.59 mb/d, 3.45 mb/d and 3.50 mb/d respectively. The annual figure stands at 3.53 mb/d, representing a decline of around 162,000 b/d from 2006 and a downward revision of around 15,000 b/d from last month's assessment.

Western Europe

Oil supply in this group is expected to reach a level of around 5.20 mb/d, representing a decline of around 185,000 b/d from the 2006 figure and around 59,000 b/d less than last month's assessment. The upward revision, which came solely from Denmark, was offset by downward revisions to Norway and the UK. On a quarterly basis, oil supply is expected at 5.50 mb/d, 5.15 mb/d, 4.97 mb/d and 5.17 mb/d respectively.

Norway

Ekofisk shut-in due to storm

The preliminary figure for Norway's October production is 2.60 mb/d as released by the NPD which is very close to our current fourth-quarter estimate of around 2.58 mb/d. In early November, Norway's Ekofisk system was affected by the bad weather witnessed in the North Sea. Some revisions have already been implemented to the fourth quarter ahead of the release of final data. The quarterly distribution now stands at 2.72 mb/d, 2.46 mb/d, 2.48 mb/d and 2.58 mb/d respectively with an annual figure of around 2.56 mb/d which represents a decline of around 221,000 b/d from last year's figure and a downward revision of 49,000 b/d from last month.

Buzzard shut- in due to turbine damage

UK's production level for 2007 now expected at 1.65 mb/d, a decline of around 53,000 b/d from the previous year and 27,000 b/d from last month's assessment. Both third and fourth quarters have been revised down by 70,000 b/d, while the second quarter was revised up slightly by around 34,000 b/d. Bad weather in the North Sea, damage of one power generation turbine in Buzzard and the release of data were behind these revisions. Quarterly figures now stand at 1.80 mb/d, 1.71 mb/d, 1.50 mb/d and 1.61 mb/d respectively. The preliminary figure for October is 1.68 mb/d, around 70,000 b/d over the preliminary September figure, while our current forecast for the fourth quarter stands at around 1.61 mb/d.

Asia Pacific

Oil supply in this group is expected to average around 0.64 mb/d, which represents an increase of around 80,000 b/d over the 2006 figure, unchanged compared with last month's assessment. On a quarterly basis, supply is expected to average 0.57 mb/d, 0.61 mb/d, 0.66 mb/d and 0.72 mb/d respectively.

Australia's oil supply is expected to average around 0.56 mb/d in 2007 which represents growth of around 55,000 b/d over last year's figure, almost unchanged from last month's assessment.

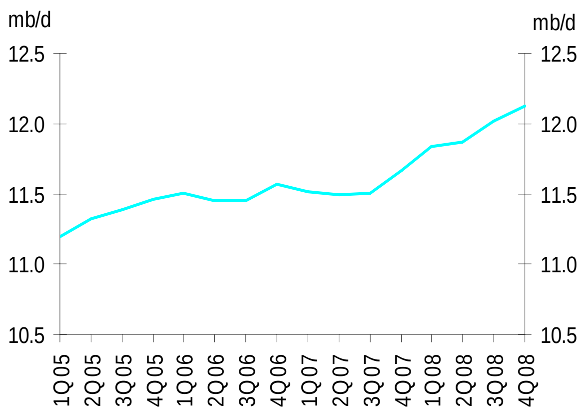
New Zealand's performance is expected to add 25,000 b/d over the 2006 figure to reach a level of around 80,000 b/d.

Developing Countries

Total DC supply revised slightly down from previous month

Oil supply in this group is expected to reach a production level of around 11.55 mb/d which represents growth of around 51,000 b/d over last year's figure and a downward revision of around 21,000 b/d compared with last month's assessment. On a quarterly basis, oil supply is expected to average 11.52 mb/d, 11.50 mb/d, 11.51 mb/d and 11.66 mb/d respectively.

Graph 15: Developing Countries' quarterly production



Other Asia group is expected to grow a slight 28,000 b/d over 2006 and reach a level of around 2.74 mb/d in 2007. On a quarterly basis, oil supply is expected to average 2.73 mb/d, 2.71 mb/d, 2.76 mb/d and 2.76 mb/d respectively. In Malaysia, the Abu field came on stream in the third quarter with production of around 10,000 b/d; the annual figure was revised up by around 2,000 b/d. India witnessed a minor downward revision of around 4,000 b/d.

Latin American oil supply is expected to average 4.45 mb/d in 2007, a growth of around 38,000 b/d over 2006 and a downward revision of around 8,000 b/d compared with last month's assessment with the quarterly distribution at 4.41 mb/d, 4.42 mb/d, 4.45 mb/d and 4.53 mb/d respectively. Brazil is the only growth contributor with around 88,000 b/d while the other countries in the group partially offset this growth. The factors behind the downward revision in Brazil were the two-week shut-in of Albacora P-25, and the slowing ramp up of Polvo, Roncador P-52 and Roncador P-54.

Africa's oil supply is expected to average around 2.68 mb/d in 2007, a growth of around 77,000 b/d over the 2006 figure and a downward revision of around 5,000 b/d from last month's assessment. Most of the growth was contributed by Sudan (+93,000 b/d), Equatorial Guinea (+10,000 b/d) and other African countries (+27,000 b/d). On a quarterly basis, oil supply from this group is expected to average 2.68 mb/d, 2.67 mb/d, 2.66 mb/d and 2.74 mb/d respectively.

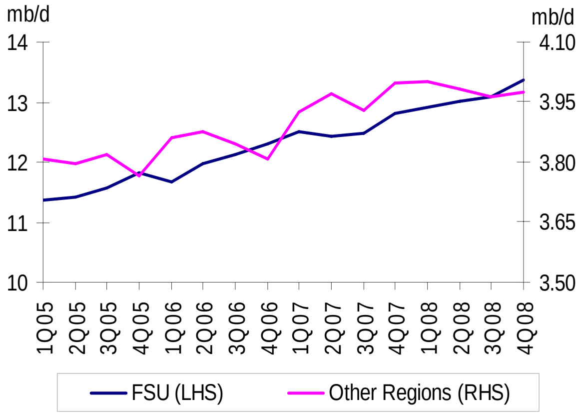
The **Middle East** is the only group which is expected to see a decline this year of around 92,000 b/d contributed by Oman, Syria and Yemen. Supply is expected to average 1.67 mb/d with a quarterly distribution of 1.70 mb/d, 1.69 mb/d, 1.66 mb/d and 1.65 mb/d respectively.

FSU, Other Regions

FSU supply expected to grow by 0.54 mb/d

Oil supply in the FSU is expected to average 12.56 mb/d which represents growth of around 0.54 mb/d over the 2006 figure and a downward revision of around 4,000 b/d compared with last month's assessment. On a quarterly basis, oil supply is expected to average 12.50 mb/d, 12.48 mb/d, 12.48 mb/d and 12.80 mb/d respectively. Other Europe is expected to stay flat over 2006 at around 0.15 mb/d while China is expected to perform well with growth of around 110,000 b/d over 2006 to reach a level of around 3.80 mb/d in 2007, unchanged from last month's assessment.

Graph 16: FSU and other region's quarterly production



Russia

Russian oil supply is expected to reach a level of around 9.89 mb/d which represents growth of 239,000 b/d with a quarterly distribution of 9.87 mb/d, 9.83 mb/d, 9.89 mb/d and 9.96 mb/d respectively. Minor changes have been made to Salym field ramping up.

Caspian

Oil supply in **Kazakhstan** is expected to grow by around 56,000 b/d over 2006 to reach a level of 1.36 mb/d, an upward revision of 9,000 b/d compared with last month's assessment, with a quarterly distribution of 1.35 mb/d, 1.34 mb/d, 1.35 mb/d and 1.40 mb/d respectively.

Oil supply in **Azerbaijan** based on latest data released showed a downward revision for the second quarter of 25,000 b/d, which resulted in an annual downward revision of 6,000 b/d. Growth is now expected to average 238,000 b/d over 2006 to reach a level of 0.89 mb/d.

China

Oil supply in China is expected to average 3.80 mb/d representing growth of 110,000 b/d over the 2006 figure, broadly unchanged from last month's assessment. On a quarterly basis, oil supply is expected to average 3.78 mb/d, 3.82 mb/d, 3.78 mb/d and 3.85 mb/d respectively.

Forecast for 2008

Non-OPEC supply growth revised down slightly to 1.02 mb/d

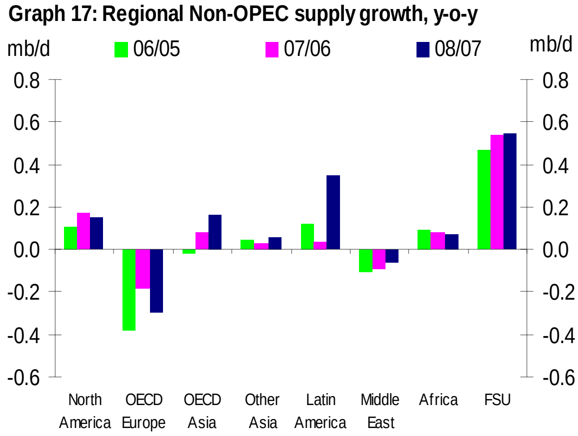
Non-OPEC supply is expected to average around 51.26 mb/d in 2008, an increase of around 1.02 mb/d over the 2007 figure and a downward revision of 71,000 b/d from last month's assessment. On a quarterly basis, non-OPEC oil supply is expected to average 51.29 mb/d, 50.83 mb/d, 50.83 mb/d and 52.08 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.41	14.66	14.32	14.39	14.87	14.56	0.15
Western Europe	5.20	5.20	4.93	4.60	4.88	4.90	-0.30
OECD Pacific	0.64	0.72	0.77	0.83	0.91	0.81	0.17
Total OECD	**20.25**	**20.58**	**20.02**	**19.82**	**20.65**	**20.27**	**0.01**
Other Asia	2.74	2.75	2.73	2.82	2.89	2.80	0.05
Latin America	4.45	4.71	4.76	4.84	4.89	4.80	0.35
Middle East	1.67	1.64	1.62	1.60	1.59	1.61	-0.06
Africa	2.68	2.75	2.76	2.75	2.76	2.76	0.07
Total DCs	**11.55**	**11.84**	**11.87**	**12.02**	**12.12**	**11.96**	**0.42**
FSU	12.56	12.91	13.02	13.09	13.37	13.10	0.54
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.80	3.85	3.83	3.81	3.82	3.83	0.03
Total "Other regions"	**16.51**	**16.92**	**17.00**	**17.06**	**17.35**	**17.08**	**0.57**
Total Non-OPEC production	**48.31**	**49.34**	**48.89**	**48.89**	**50.13**	**49.31**	**1.00**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**50.23**	**51.29**	**50.83**	**50.83**	**52.08**	**51.26**	**1.02**
Previous estimate	50.29	51.45	50.94	50.94	52.12	51.36	1.08
Revision	-0.05	-0.17	-0.11	-0.11	-0.04	-0.11	-0.05

Revisions to the 2008 forecast

In the **US,** Atlantis South and Neptune ramping up rates have been revised down further as they seem to be ramping up slower than expected and now even the Genghis Khan field has been included in the slower ramping up, while Tahiti startup has been pushed back towards 2009. The 2008 annual figure is now forecast at around 7.70 mb/d representing growth of around 191,000 b/d over the 2007 forecast and a downward revision of around 53,000 b/d from last month's assessment.



Canada's oil supply level has been revised upward significantly by around 87,000 b/d compared with last month's assessment as a result of extended upward revisions to the 2007 figure. The annual average is now forecast at 3.41 mb/d, representing growth of around 28,000 b/d over the 2007 forecast.

Western Europe was revised downward by 131,000 b/d to reach a level of 4.90 mb/d which represents a decline of 299,000 below the 2007 forecast as the revisions made to the 2007 figures have been extended through 2008.

Brazil has been revised downward by around 15,000 b/d due to Roncador P-52 and P-54 start-up date now expected in late December 2007 and their ramping up at a slower-than-expected rate in 2008. The absolute figure for 2008 is now expected to reach 2.57 mb/d which represents significant growth of around 381,000 b/d over the 2007 figure.

In **China,** the annual figure is unchanged compared with last month's assessment and is expected to reach a level of 3.83 mb/d, which is 25,000 b/d over the 2007 figure.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils to reach 4.4 mb/d in 2007 and 4.9 mb/d in 2008

OPEC NGLs and non-conventional oils are expected to average 4.39 mb/d in 2007, an increase of 0.33 mb/d over the 2006 level. In 2008, the annual figure may reach 4.91 mb/d, an increase of around 0.52 mb/d over the forecast for the previous year. Minor upward revisions have been made to non-conventional oils in 2007 and extended through 2008.

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

			Change						**Change**		**Change**
	2005	**2006**	06/05	1Q07	2Q07	3Q07	4Q07	**2007**	07/06	**2008**	08/07
Total OPEC	**4.08**	**4.06**	-0.02	4.21	4.35	4.39	4.60	**4.39**	0.33	**4.91**	0.52

OPEC crude oil production grew 0.27 mb/d in October to reach 31.00 mb/d

OPEC crude oil production

Total OPEC crude oil production averaged 31.00 mb/d in October, an increase of around 267,900 b/d from the September figure, according to secondary sources. OPEC production (excluding Angola and Iraq) averaged 27.01 mb/d, up by 156.800 b/d over the previous month. Saudi Arabia contributed a significant increase of around 109,300 b/d, while minor declines were seen in Nigeria and Iran.

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

	2006	4Q06	1Q07	2Q07	3Q07	Aug07	Sep07	Oct07	Oct/ Sep
Algeria	1,365	1,359	1,335	1,352	1,364	1,362	1,371	1,386	*15.2*
Angola	1,386	1,409	1,556	1,628	1,677	1,665	1,710	1,756	*46.7*
Indonesia	895	862	855	844	837	838	837	840	*3.0*
Iran, I.R.	3,842	3,821	3,789	3,836	3,855	3,849	3,861	3,850	*-11.2*
Iraq	1,932	1,952	1,891	2,021	2,107	2,019	2,163	2,228	*64.4*
Kuwait	2,520	2,504	2,447	2,432	2,472	2,468	2,491	2,513	*21.4*
Libya, S.P.A.J.	1,702	1,709	1,686	1,695	1,717	1,720	1,725	1,724	*-0.5*
Nigeria	2,233	2,244	2,155	2,052	2,150	2,141	2,159	2,128	*-30.9*
Qatar	821	816	793	794	816	819	820	834	*14.0*
Saudi Arabia	9,112	8,792	8,571	8,537	8,579	8,553	8,620	8,730	*109.3*
UAE	2,540	2,524	2,487	2,524	2,575	2,578	2,600	2,630	*30.0*
Venezuela	2,539	2,485	2,407	2,388	2,377	2,375	2,375	2,381	*6.5*
OPEC excl. Iraq	**28,957**	**28,525**	**28,082**	**28,083**	**28,420**	**28,368**	**28,567**	**28,771**	***203.5***
OPEC excl. Angola & Iraq	**27,571**	**27,116**	**26,526**	**26,455**	**26,743**	**26,703**	**26,858**	**27,015**	***156.8***
Total OPEC	**30,890**	**30,477**	**29,973**	**30,104**	**30,527**	**30,386**	**30,731**	**30,998**	***267.9***

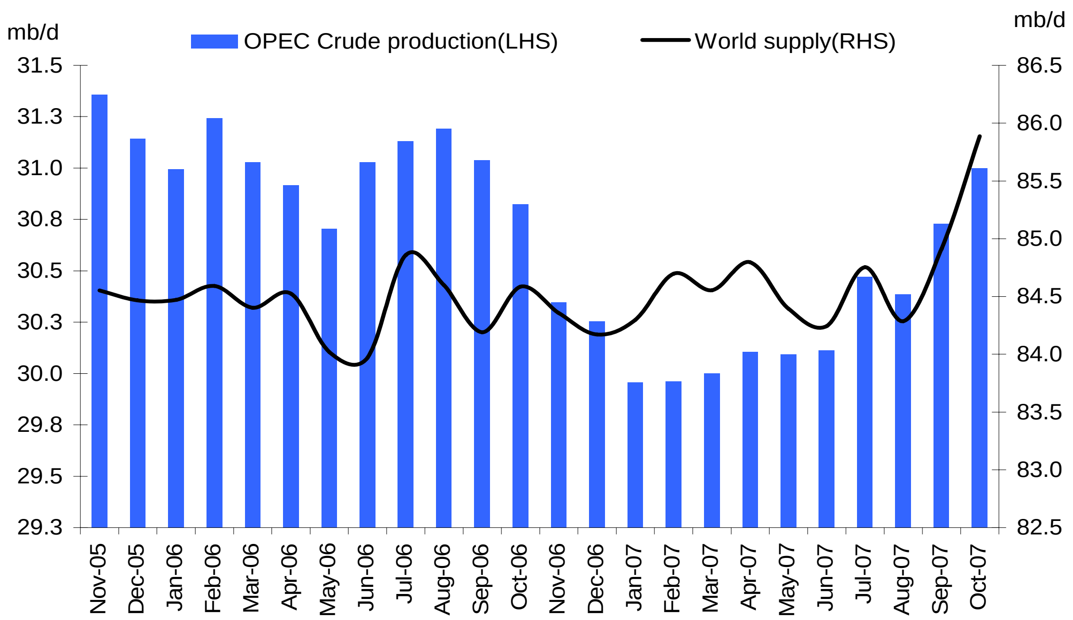
Totals may not add due to independent rounding.

World oil supply in October increased by a significant 0.97 mb/d

World Oil Supply

Preliminary figures for the month of October indicate that world oil supply averaged 85.89 mb/d, a significant increase of 0.97 mb/d over the previous month, with OPEC's share at around 36.1%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 18: OPEC and World oil supply



FSU net exports expected to increase 0.5 mb/d in 2007

FSU net exports of crude and products

Total FSU net oil exports are expected to average 8.60 mb/d in 2007, an increase of 0.47 mb/d over the 2006 level. In 2008, total FSU net oil exports are forecast to reach 9.09 mb/d, an increase of 0.49 mb/d over the forecast for the previous year.

Current trends

Actual figures for August indicate that total crude exports from the FSU averaged 6.22 mb/d. The preliminary figures for September averaged 6.15 mb/d, a decline of 293,000 b/d from the previous month. Russian pipeline exports in September increased by 42,000 b/d, although the CPC pipeline and Russian rail witnessed a decline in exports of 63,000 b/d and 50,000 b/d respectively.

Table 14: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.64**	**8.74**	**8.48**	**8.48**	**8.58**	**0.46**
2008 (forecast)	**9.00**	**9.26**	**9.03**	**9.01**	**9.07**	**0.49**

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

	2005	2006	1Q07	2Q07	3Q07	Aug 07	Sep 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,420	1,398	1,333	1,259	1,396
Baltic	1,462	1,553	1,601	1,647	1,647	1,601	1,689
Druzhba	1,315	1,288	1,138	1,134	1,091	1,099	1,168
Total	**4,112**	**4,129**	**4,158**	**4,180**	**4,071**	**3,959**	**4,252**
Other routes							
Russian rail	416	313	336	255	234	251	201
Russian - Far East	65	84	245	231	240	239	238
Kazak rail	17	31	18	13	12	11	18
CPC pipeline	648	661	709	712	673	703	640
Caspian	**295**	**396**	**332**	**250**	**196**	**192**	**189**
of which							
Supsa (AIOC) - Georgia	137	114	2	0	0	0	0
Batumi - Georgia	140	177	187	140	105	104	106
Total**	**1,441**	**1,702**	**2,233**	**2,298**	**2,143**	**2,263**	**1,898**
Total crude exports	**5,553**	**5,831**	**6,392**	**6,478**	**6,213**	**6,223**	**6,150**
Products							
All routes							
Fuel oil	836	861	877	786	789	791	798
Gasoil	759	841	696	601	597	617	577
Others	575	662	602	671	676	707	661
Total	**2,170**	**2,386**	**2,175**	**2,058**	**2,062**	**2,114**	**2,036**
Total oil exports	**7,723**	**8,217**	**8,567**	**8,536**	**8,275**	**8,337**	**8,187**

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

* *Preliminary.*

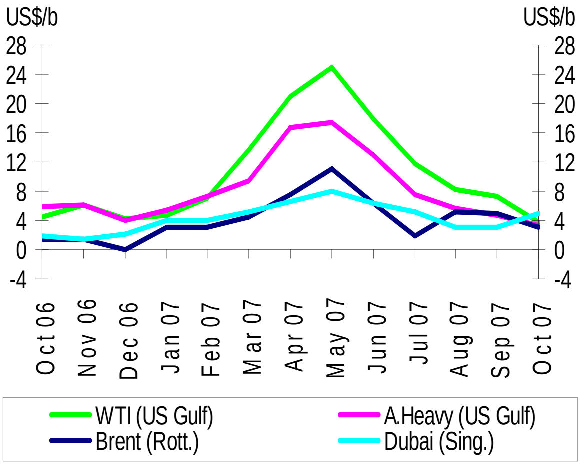
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Refinery margins in Atlantic Basin eroded further in October

In the past two months, crude prices outstripped product prices and undermined refinery margins across the globe, especially for light sweet benchmark crudes. The current relatively weak product market sentiment may change as we approach the peak demand season for heating oil, which could lift product prices and refinery margins. However, due to relatively comfortable middle distillate stocks, it is expected that over the near term the market will be driven by factors other than product price movements, unless we face a severe winter in the Western Hemisphere or another round of unplanned refinery outages in the US.

Graph 19: Refiners' margins



As **Graph 19** shows, refinery margins for the benchmark WTI crude at the US Gulf Coast plummeted by \$3.61/b to \$3.80/b from \$7.41/b in September. In Europe, refinery margins for Brent crude oil in Rotterdam dropped by \$1.91/b reaching \$3.10/b from \$5.01/b last month. As mentioned earlier, skyrocketing crude prices have largely contributed to lower refinery margins in the Atlantic Basin.

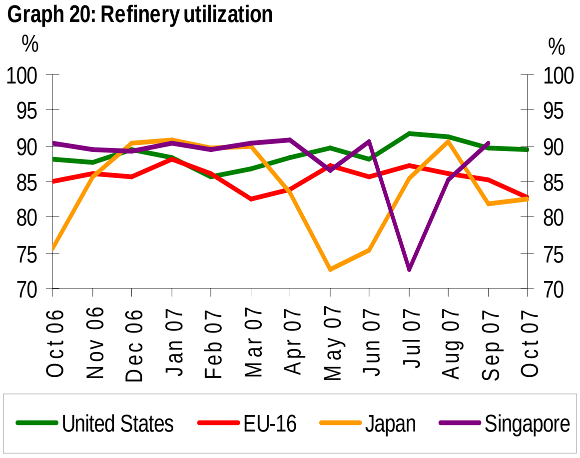
In Asia, the market did not follow suit, as medium sour crude as a main throughput slate for Asian refiners has not gained as much as sweet crude. This situation, combined with the good performance of middle and bottom of the barrel components, provided support for refinery margins in Asia. As **Graph 19** displays, refinery margins for benchmark Dubai crude in the Singapore market surged by \$2/b to \$4.98/b in October from \$2.98/b in the previous month.

Refinery Operations

Scheduled maintenance negatively affected refinery operation levels in the west

The earlier refinery snags in the Atlantic Basin were slowed in October, but refinery operation levels were somehow negatively affected by annual refinery turnarounds in the same month. The scheduled maintenance in this area would continue up to the end of November; thereafter refinery throughputs are expected to increase significantly especially in the US. Such developments in the refining sector may underpin the present tight market perception and provide further support for crude prices in the future.

Graph 20: Refinery utilization



Following these developments, the refinery utilization rate in the US declined by 0.3% to 89.4% from 89.7% in September. In Europe, the refinery utilization rate also dropped by 2.5% to 82.7% in October from 85.2% in the previous month. In Asia, the situation was different, with refinery operation levels improving in most countries. In Japan, the refinery utilization rate increased to 82.5% from 81.8% in September (see *Graph 20*).

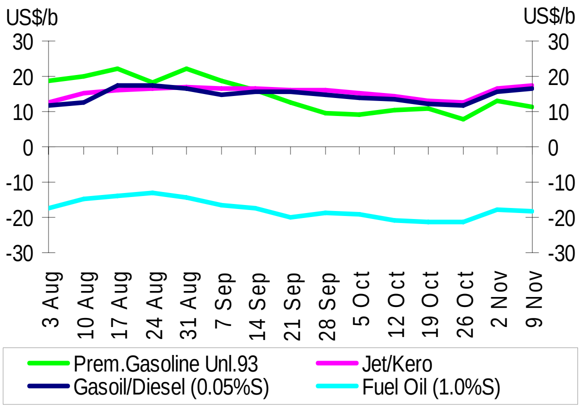
With the completion of autumn maintenance in November, refinery utilization rates are expected to increase significantly in the coming months.

US market

Product market sentiment in the US is generally strong but has been overshadowed by crude price developments

The continuation of low gasoline stocks due to lower imports and some refinery snags, particularly in the US Midwest, provided support for the gasoline market over the last weeks. However, as mentioned in the previous *MOMR*, because of lower seasonal demand, such bullish developments have not led to substantial gains in the physical and futures markets for gasoline.

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



Needless to say, costly benchmark WTI crude has also weighed on the crack spread of the US product market, capping its sharp upward movement. In line with mixed signals from the crude and product markets, the crack spread of premium gasoline against benchmark WTI crude gained $4/b, surging to around $13/b on 2 November from about $9/b in late September **(see *Graph 21*).**

The middle distillate market fundamentals in the US apparently look healthy and balanced, but recently higher demand for low-sulphur diesel in the US Gulf Coast has triggered a new trend of the bullish movement in the middle distillate market, lifting prices, particularly in the futures market. Following this development, the gasoil and the kerosene crack spread versus benchmark WTI crude at the US Gulf Coast reached around $16/b **(see *Graph 21*).** More typical weather conditions this winter could provide further support for distillate components and crude prices in the near future.

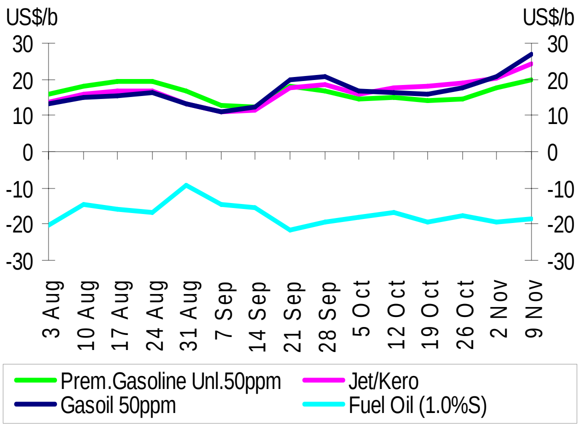
The US fuel oil market also followed the rise in crude prices, but remained highly discounted versus benchmark WTI crude. Among the different grades of fuel oil, the high-sulphur grade appears stronger, particularly in the US Gulf Coast market. The severe winter in the US Northeast market may provide further support for the low-sulphur grade in the coming months.

European market

Diesel and jet markets outstripped other product markets

The heavy European refinery maintenance schedule and lower exports from the Baltic have tightened further middle distillate supply in Europe, boosting the middle component prices of the barrel complex over the last couple of weeks. The low-sulphur gasoil prices recently exceeded $110/b and, despite the high prices of the corresponding benchmark Brent crude oil, the middle distillate crack spread at the Rotterdam market remained above $20/b (see *Graph 22*).

Graph 22: Rotterdam crack spreads vs. Brent, 2007



These circumstances have encouraged traders to exports low-sulphur gasoil from across the world to Europe. Upon the completion of the maintenance schedule in November and increasing regional production, the current strong sentiment of middle distillates in Europe may ease a bit in the future.

Light distillate products in Europe were also positively affected by the heavy maintenance schedule in the region. In the latter part of October, the fire at UK's 180,000 b/d Petroplus refinery lent further support to the gasoline market and widened the gasoline crack spread against benchmark Brent crude to nearly $18/b in the week ending 2 November. Apart from the gasoline market, the European naphtha market was also strong in October due to tight regional supply and higher demand from petrochemical units.

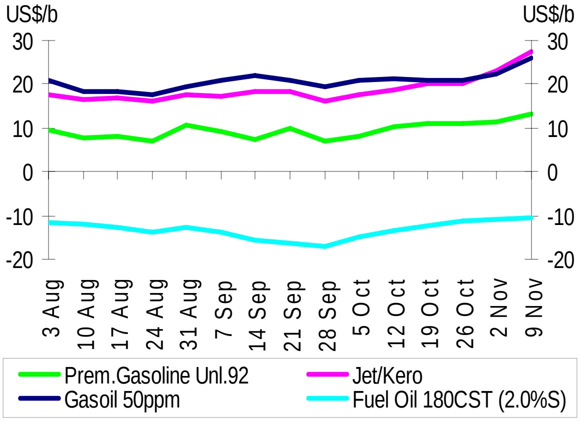
The European high-sulphur fuel oil market was underpinned by lower exports from the Baltic area and strong arbitrage opportunities to Asia. But the low-sulphur grade market still appears lacklustre, especially in North-West Europe. However it recently gained some momentum in the Mediterranean area. The low-sulphur fuel oil crack spread against Brent crude in Rotterdam remained steady in the last weeks at around minus $19/b.

Asian market

Most barrel components gained in October

Although the gasoline market has lost part of its seasonal momentum, tight regional supply due to continued refinery maintenance in China combined with relatively higher regional demand lifted the gasoline crack spread in Asia. As *Graph 23* indicates, the premium gasoline crack spread against benchmark Dubai crude in Singapore improved to $11.49/b in the last week of October from $6.95/b in the same period of the previous month.

Graph 23: Singapore crack spreads vs. Dubai, 2007



Naphtha prices in Asia tested a new record of about $846/tonne recently following the skyrocketing prices for crude oil, but generally the naphtha market sentiment remained weak due to ample exports from India and lower regional demand. These circumstances have deepened the contango level of the naphtha market for the future months and may also negatively affect physical barrel prices in the spot market over the near term.

Asian market performance of middle distillates appears strong and may improve further especially for jet/kerosene, as higher demand from China and lower stocks in Japan could boost jet/kerosene prices. The jet/kero crack spread versus benchmark Dubai crude surged to over $23/b recently from about $16/b in late September.

Similarly, the Asian market for gasoil, particularly for the low-sulphur grade, has been doing very well over the last months and is expected to remain strong over the coming months because of higher regional demand and arbitrage opportunities to other areas especially Europe. In line with such movements, the low-sulphur gasoil crack spread against the corresponding benchmark Dubai crude reached nearly $23/b recently from around $19.36/b in the last week of September (**see *Graph 23***).

The fuel oil market in Asia for both low-sulphur and high-sulphur grades remained tight due to higher demand from utility plants and lower arbitrage cargoes from other markets. The current strong sentiment of the fuel oil market may continue in the next weeks amid tight supply of natural gas which serves as substitution fuel for power plants. These conditions have narrowed the fuel oil discount versus benchmark Dubai crude from minus $17.18/b in the last week of September to minus $10.80/b in the week ending 2 November.

Table 16: Refined product prices, US$/b

		Aug 07	Sep 07	Oct 07	Change Oct/Sep
US Gulf (Cargoes):					
Naphtha		76.63	85.76	87.60	1.84
Premium gasoline	*(unleaded 93)*	92.83	93.68	95.62	1.94
Regular gasoline	*(unleaded 87)*	84.28	88.95	89.41	0.46
Jet/Kerosene		88.00	95.68	99.72	4.04
Gasoil	*(0.05% S)*	87.40	94.56	98.72	4.16
Fuel oil	*(1.0% S)*	57.85	61.29	65.35	4.06
Fuel oil	*(3.0% S)*	53.99	57.01	63.68	6.67
Rotterdam (Barges FoB):					
Naphtha		84.70	91.24	97.94	6.70
Premium gasoline	*(unleaded 50 ppm)*	90.16	94.47	97.25	2.78
Premium gasoline	*(unleaded 95)*	80.22	84.23	86.50	2.27
Jet/Kerosene		87.03	93.42	100.40	6.98
Gasoil/Diesel	*(50 ppm)*	86.40	94.83	99.44	4.61
Fuel oil	*(1.0% S)*	54.39	54.49	64.34	9.85
Fuel oil	*(3.5% S)*	52.23	55.65	62.26	6.61
Mediterranean (Cargoes):					
Naphtha		71.54	77.52	82.97	5.45
Premium gasoline	*(50 ppm)*	89.06	93.63	96.73	3.10
Jet/Kerosene		85.44	92.08	99.00	6.92
Gasoil/Diesel	*(50 ppm)*	87.56	95.31	99.29	3.98
Fuel oil	*(1.0% S)*	55.92	58.55	64.04	5.49
Fuel oil	*(3.5% S)*	52.70	56.10	62.37	6.27
Singapore (Cargoes):					
Naphtha		71.34	75.28	81.18	5.90
Premium gasoline	*(unleaded 95)*	77.15	82.51	88.71	6.20
Regular gasoline	*(unleaded 92)*	76.05	81.35	87.46	6.11
Jet/Kerosene		84.28	90.44	96.62	6.18
Gasoil/Diesel	*(50 ppm)*	86.33	93.78	98.11	4.33
Fuel oil	*(180 cst 2.0% S)*	56.34	58.90	65.70	6.80
Fuel oil	*(380 cst 3.5% S)*	55.71	58.15	65.67	7.52

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Aug 07	Sep 07	Oct 07	Oct/Sep	Aug 07	Sep 07	Oct 07	Oct/Sep
USA	15.78	15.49	14.45	-1.04	91.3	89.7	89.4	-0.30
France	1.67	1.58	1.45	-0.13	85.4	80.8	73.9	-6.90
Germany	2.08	2.14 R	2.14	0.00	86.2	82.6 R	88.6	6.00
Italy	1.88	1.90 R	1.77	-0.13	80.6	81.2 R	75.6	-5.60
UK	1.58 R	1.51	1.53	0.02	83.6 R	80.0	81.1	1.10
Eur-16	12.10 R	11.97 R	11.61	-0.36	86.2 R	85.2 R	82.7	-2.50
Japan	4.23	3.82	3.86	0.04	90.5	81.8	82.5	0.70

R — *Revised since last issue.*

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

The Tanker Market

OPEC and global spot fixtures increased in October on the back of winter demand

In October, estimated OPEC spot fixtures showed an increase of around 7% to reach the highest level since March 2007, while global fixtures increased around 6%. OPEC spot fixtures increased mainly on the back of the emergence of November and December cargoes which indicated an increase in exports due to expected winter demand, while market circumstances affected the level, with the volatility of bunker prices influencing the sentiment of owners and charterers. Additionally, increased tonnage demand due to the post-maintenance period added to global fixtures support. In annual terms, OPEC spot fixtures showed an increase of around 2%. Middle East spot fixtures increased by 8% in October, with eastbound destinations driving the increase while westbound fixtures declined. The decline in Middle East westbound fixtures can be attributed to the participants remaining out of the market due to the higher bunker prices.

OPEC and Middle East sailings are estimated to have remained steady in October from the previous month, while OPEC sailing registered a 1% decline from the same period last year. It is expected that sailings would increase in the coming months on the back of increased production. Arrivals in North-West Europe indicated a rise as well as in the Euromed region, while arrivals at the US Gulf, US East Coasts and the Caribbean declined slightly on the back of production cutbacks due to weather-related factors.

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

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Spot Chartering				
All areas	18.56	18.72	19.76	1.03
OPEC	12.50	11.95	12.74	0.79
Middle East/east	5.28	4.81	5.97	1.17
Middle East/west	1.68	1.56	0.93	-0.63
Sailings				
OPEC	23.11	23.19	23.14	-0.05
Middle East	17.56	17.54	17.48	-0.06
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.99	8.87	8.80	0.35
North West Europe	8.21	8.19	8.44	0.37
Euromed	5.10	5.09	5.24	0.54

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

Crude oil spot freight rates rebounded in second half of October, with VLCC rates between steady and increasing from previous month

After the bearish sentiments in the crude oil spot tanker market in both the second and third quarters of this year, the market started the fourth quarter 2007 in the same spirit of waiting for business trends to change. The crude oil spot tanker market remained in this phase in the first half of October before market momentum began to change in the second half. Owners had their minds set for a demand-driven change in market's stance, however, despite being delayed to the second half of October, the market shift came on the back of various factors supported by winter demand.

In October, the VLCC sector of the crude oil spot tanker market remained steady to weak in the first half of the month mainly due to weak tonnage demand that was deepened by Chinese charterers remaining off the market for the Golden Week holiday. Tonnage availability that appeared to be surpassing demand added to owners' pain in a market where the stream of new tonnage deliveries seems to be undermining supply/demand fundamentals which steered spot freight rates to multi-year lows. However, as November cargoes emerged in the second half of October and market participants felt the first signs of winter demand on the back of increased inquiries, sentiments shifted. Additionally, due to record-high bunker fuel prices, as crude oil prices also reached record-high levels, ship owners had no choice but to capitalize on available factors to lift the market up despite a healthy list of available tonnage. Accordingly, the crude oil spot freight market shifted to a bullish status and rates rebounded in the second half of October remaining steady toward the end of the month to close October with only minor increases across the reported regions.

VLCC spot freight rates for the Middle East/eastbound long-haul route averaged 3% higher in October from the previous month. Increased demand from North Asia as well as improving refinery margins in South Korea supported higher runs in November but was outweighed by the Chinese holiday and a long list of available tonnage in the East. As a result, October closed with an annual decline of around 28% in spot freight rates. Toward Western destinations, VLCC long-haul spot freight rates from the Middle East increased 3% in October compared to the previous month. The same factors influenced westbound rates in addition to the interruption in Mexico’s production along with the perception of usual peak demand in the Northern hemisphere. However, the Chinese Holiday had a marginal effect on this side of the trade and the relatively high oil prices disoriented tonnage booking as westbound cargoes require more time to arrive compared to the eastbound. Spot freight rates for VLCCs moving volumes from West Africa to the East were in a better position with an increase of 15% in October from the previous month. Increased demand for West African crude oil partially due to relatively high prices of Asia Pacific crude prompted Asian buyers to acquire more volumes from the region that further supported VLCC spot freight rates. Yet West African VLCC spot freight rates in October remained 28% lower than last year.

Suezmax spot freight rates for tankers moving from West Africa to the US Gulf Coast increased by 21% in October from the previous month. Suezmax crude spot freight rates went through the same cycle as VLCC rates, although, with lower tonnage availability, spot freight rates managed to close the month with higher gains. Additionally, the delay in the Turkish Strait has added to the pressure on availability, further supporting spot freight rates. Suezmax trading on the North-West Europe to the US East and Gulf Coasts route experienced spot freight rate rises of around 24% in October from the previous month. With Turkish Strait delays having more effect in this region in addition to the increase in activities in the Mediterranean and Black Sea, charterers were in a difficult position to secure tonnage for their positions, which further supported spot freight rates. Despite the increase in freight rates, Suezmax spot rates remained 36% lower in October compared to the previous year.

Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude					
Middle East/east	230-280	59	60	61	1
Middle East/west	270-285	48	46	47	1
West Africa/east	260	56	53	61	8
West Africa/US Gulf Coast	130-135	80	78	95	17
NW Europe/USEC - USGC	130-135	85	79	98	19
Indonesia/US West Coast	80-85	122	124	117	-7
Caribbean/US East Coast	50-55	108	119	141	22
Mediterranean/Mediterranean	80-85	91	100	149	49
Mediterranean/North-West Europe	80-85	89	98	145	47
Products					
Middle East/east	30-35	191	173	158	-15
Singapore/east	30-35	225	219	195	-24
Caribbean/US Gulf Coast	38-40	210	181	186	5
NW Europe/USEC - USGC	33-37	179	171	194	23
Mediterranean/Mediterranean	30-35	166	142	166	24
Mediterranean/North-West Europe	30-35	173	151	177	26

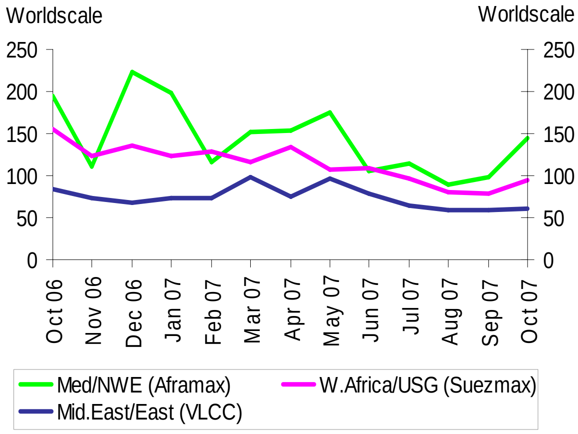
Source: Galbraith’s Tanker Market Report and Platt's.

The Aframax sector was mixed in October with East of Suez spot rates declining while West of Suez increased. The relatively high oil prices from Asia Pacific — which encouraged buyers’ attempts to relocate their sources — in addition to the low fuel oil import level by Chinese buyers from Singapore put spot freight rates under pressure. Hence, the East of Suez route from Indonesia to the US decreased 6% in October from the previous month, marking the only decline in the dirty spot freight rates from the previous month. In contrast, Aframax West of Suez spot freight rates increased 18% from the Caribbean to the US and 48% from the Mediterranean in October compared to the previous month. The effect of winter demand and the perception of increased US refinery runs following the maintenance period supported rates from the Caribbean, while the rise in Mediterranean activities and the Turkish Strait's delays lent further support to spot freight rates from the Mediterranean. Once again, West of Suez Aframax spot freight rates remained lower on average in October compared to a year ago, declining 31%.

Clean tanker rates were mixed in October with East of Suez declining and West increasing

In October, the clean tanker market was mixed with East of Suez spot freight rates continuing to decline, while West of Suez rates increased with levels varying among regions. From the Middle East to eastern destinations, clean spot freight rates declined for the second consecutive month, falling 9% in October compared to the previous month. Spot freight rates followed the same trend at the end of September toward the beginning of October, with tonnage availability putting pressure on rates. During the middle of October, rates in the Middle East received a boost from increased activities on the back of improved naphtha trade from the Middle East and India due to the petrochemical turnaround as well as diesel arbitrage to the West. However, the relatively high price of bunker fuel affected activities toward the end of the month and rates closed October with an annual decline of 17%. Inter-Asia trade softened in October, pushing down spot freight rates on this route by 11% from the previous month. Tonnage availability started building up at the end of September due to the holidays in Japan and South Korea, while the Chinese Holiday during the first week of October added further to the tonnage list, which kept rates under pressure to decrease for the third consecutive month. Despite the healthy level of inter-Pacific arbitrage from South Korea to the US, the decline of inter-Asia trade on the back of refinery turnarounds affected trade levels. Additionally, higher bunker fuel prices and volatile prices kept owners and charterers puzzled in terms of finalizing their positions during October.

Graph 24: Monthly averages of crude oil spot freight rates



On the other hand, West of Suez clean spot freight rates increased in October throughout the reported regions on the back of increased activities while the tonnage list moderated toward a balanced market. In the Mediterranean, bad weather and delays in the Turkish Strait as well as increased volumes moving toward West Africa and the US all shaved down availability and supported rates. Clean spot freight rates in the Mediterranean increased 17% in October from the previous month, but declined 22% on an annual basis. From North-West Europe to the US, open arbitrage for gasoline supported clean spot freight rates mainly on the back of higher prices as well as refinery turnarounds in the US. Spot freight rates for clean cargoes increased 13% in October from North-West Europe to the US from a month earlier after six months of consecutive declines. Caribbean clean spot freight rates moving upcoast remained relatively steady with tonnage availability keeping a lid on the development of rates, which increased 3% in October from the previous month.

Oil Trade

OECD crude oil imports declined in September while product imports increased

OECD

Preliminary data show that OECD crude oil imports declined in September by around 3% to reach 30.0 mb/d from the previous month. The decline came from a drop in crude oil imports in Japan and the US due to refinery shut-downs and weather-related factors. Moreover, the decrease in the refinery utilization rate in Europe, on the back of maintenance, also added to the decline in crude oil imports. On an annual basis, OECD crude oil imports indicated a drop of less than 3%. In contrast, OECD product imports increased slightly in September for the second consecutive month by more than 2%, driven mainly by the rise in European and Japanese imports. Product imports declined in the same period in the US, due to the drop in gasoline arbitrage cargoes.

Both crude oil and product exports increased in September to average 6.8 mb/d and 9.0 mb/d respectively, which corresponds to a rise of more than 1% for crude oil and less than 1% for product exports. The increase in crude oil exports came as a result of some production returning to normal levels in the North Sea. However, total OECD exports indicated a decline of 2% when compared to the same period last year.

As a result, OECD net oil imports declined 3% in September compared to the previous month mainly due to the decline of crude oil imports. OECD net product imports rose in September on the back of increased exports, however, the level was not sufficient to offset the decline in net crude oil imports.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude oil	23,897	24,302	23,247	-1056
Total products	1,567	1,569	1,764	194
Total crude and products	**25,463**	**25,871**	**25,010**	**-861**

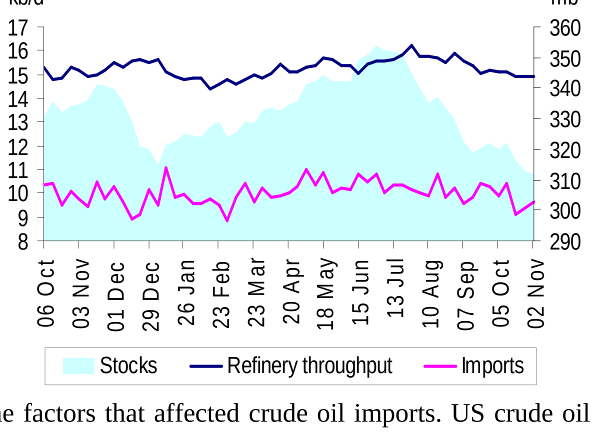
Saudi Arabia and Russia remained the main suppliers of OECD crude oil with 13% each followed by Canada and Venezuela with 6% each. For products, Russia remained the main OECD supplier at 12%.

US net oil imports remained steady in October as crude oil imports decreased and product imports increased

USA

In October, US crude oil imports declined by 3.5% from the previous month, marking the lowest level since February 2007. The decline came partially on the back of weather-related factors that affected production and exports from Mexico, the US third-largest crude oil source, in August. The drop in refinery runs in October also decreased US crude oil imports. Additionally, the relatively high oil prices and the continued volatility discouraged some traders to import volumes from far away distances into the US. The backwardation situation also added to the factors that affected crude oil imports. US crude oil imports registered an annual decline of around 5% in October.

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



On the other hand, US product imports increased 10% in October from the previous month after declining for two consecutive months. The increase in product imports came to offset the drop in refinery throughput in October. US gasoline imports increased in October by around 3% on the back of partially open arbitrage from Europe and the Asia-Pacific region, with demand increasing by around 1%. Distillate and kerosene imports increased in the US by 1% and 5% respectively in October from the previous month, while imports of fuel oil remained at consistent levels.

With US oil exports remaining fairly steady in October compared to the previous month — except for a minor increase in product exports of around 3% — US net oil imports remained steady compared to a month earlier as the decline of crude oil imports was offset by the increase in product imports. However, on an annual basis, net oil imports registered an increase of just under 2%.

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

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude oil	10,130	9,991	9,642	-349
Total products	2,149	2,109	2,407	298
Total crude and products	**12,279**	**12,100**	**12,049**	**-51**

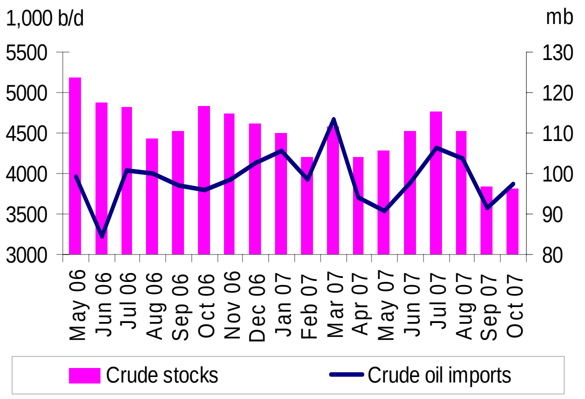
For the US suppliers, Canada with 19% and Saudi Arabia with 14% were the main suppliers of US crude oil in August followed by Mexico with 13%. Nigeria and Venezuela came next with 12% and 11%, respectively. OPEC Member Countries supplied around 54% of US crude oil in August. On the product side, Canada with 17% came as the top product supplier to the US followed by Russia and the Virgin Islands with 10% each, then Algeria with 8%.

Japan

Japan's crude oil imports increased 9% in October on the back of expected winter demand

According to preliminary data, Japan's crude oil imports increased significantly by around 9% in October compared to the previous month. The estimated increase in Japan's crude oil imports can be attributed to the preparation for winter demand with the usual increase in refinery throughput expected in the coming months, despite being relatively steady in October. Additionally, the extra requirements for direct crude burning by power generation plants added support, especially with the shut-down of part of the Fukushima-Daini nuclear power plant for regular maintenance at the beginning of November, not to mention the previously shut down facility due to the recent earthquake.

Graph 26: Japanese crude oil imports and crude stocks



For Japan's product imports, total product imports are expected to have remained steady with a minor decline of around 3.5% in October from the previous month. However, on an annual basis, product imports indicated a drop of around 22% in October. Imports of naphtha are estimated to have increased in Japan on the back of preparation for the post-maintenance period of petrochemical plants. Similarly, gasoline imports are estimated to be higher in October than in the previous month. On the export side, Japan's product exports are estimated to have remained relatively steady with a minor decline of 3% in October compared to a month earlier. Exports of gasoil and jet fuel are estimated to be lower in October.

Hence, Japan's total net oil imports surged by around 8.5% in October from the previous month supported by the increase in crude oil imports. Japan's net product imports declined by 5% in October, compared to a month earlier. However, despite the monthly increase, net oil imports indicated a decline of 5.5% in October compared to the same period last year.

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

	Aug 07	Sep 07	Oct 07	Change Oct/Sep
Crude oil	4,184	3,566	3,875	309
Total products	-76	50	48	-2
Total crude and products	**4,108**	**3,616**	**3,923**	**307**

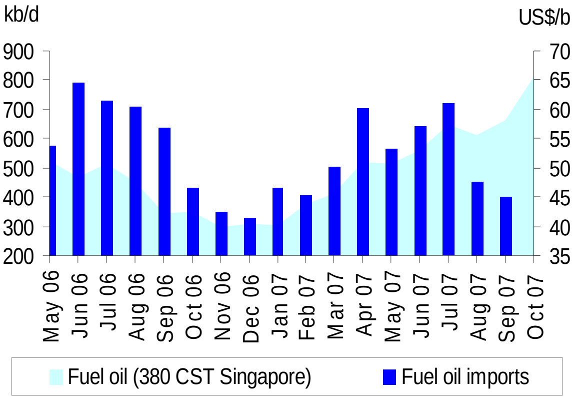
Saudi Arabia and the UAE shared the top spot on Japan's crude oil supply list with around 28% each, supplying around 57% of Japan's crude oil in September. Qatar, Iran, and Kuwait followed with 6-13% each. OPEC Member Countries supplied more than 84% of Japan's crude oil in September. On the product side, both the UAE and Saudi Arabia remained the top product suppliers to Japan with 18% and 13% respectively. Kuwait followed at the third place with 10%.

China

China's net oil imports increased in September supported by crude and product import gains

In September, China's crude oil imports remained steady with an increase of less than 1% compared to the previous month. China's crude oil imports indicated an annual increase of around 2%. On the product side, China's total product imports rose 11% in September from a month earlier. The increase in product imports can be attributed mainly to the estimated decline in China's refinery throughput in September. China's imports of gasoline increased sharply in September mainly due to the rise in local demand as well as the decline in output. Additionally, China's imports of naphtha and jet fuel increased to cover the local demand for these products. Gasoil imports also increased in September in order to relieve the encountered tightness.

Graph 27: Chinese fuel oil imports and fuel oil prices



China's fuel oil imports declined in September from the previous month. Low refinery margins were the main factor behind the decline in fuel oil imports as well as the high fuel oil prices. South Korea remained the top supplier of China's fuel oil in September followed by Venezuela, Russia, and Malaysia.

On the export side, China's crude oil exports declined in September from the previous month while total product exports increased by around 18%. Exports of gasoline declined in September mainly due to the decline in output as well as local demand. Similarly, jet fuel and diesel exports decreased slightly in September from a month earlier. However, China's exports of fuel oil and naphtha increased, offsetting the decline in the other product exports.

Accordingly, China's net crude oil imports increased 1.4% in September from the previous month driven by both rising imports and falling exports. In contrast, China's net product imports increased 5.2% on the back of product import gains. China's net oil imports totaled around 2% higher in September from the previous month, but indicated an annual decline of 7%, which was mainly due to increased product exports.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude oil	3,485	3,245	3,289	44
Total products	710	424	446	22
Total crude and products	**4,195**	**3,668**	**3,734**	**66**

Saudi Arabia remained China's top crude oil supplier in September with around 18%, followed by Angola and Iran with 15% and 10% respectively. OPEC Member Countries supplied more than 54% of China's crude oil imports in September. China's crude oil imports from Africa increased by around 18% in September over the previous month.

India

India's crude oil imports fell in September, dropping 13% on the back of refinery shut-downs

India's crude oil imports declined considerably in September to reach the lowest level since February 2007. The drop of around 13% in September from a month earlier came despite the fall in crude oil output from India which was 3% lower than in the previous month. The main factor behind the drop in crude oil imports in September was the decline in refinery throughput estimated to be lower by around 3% compared to a month earlier. The decrease in refinery runs came on the back of refinery shut-downs.

On the product side, India's total product imports remained steady in September compared to the previous month. Imports of diesel increased in September while domestic sales remained relatively steady. The rise in diesel imports in September came to offset the lower output on the back of lower refinery production. Similarly, kerosene imports increased in September while fuel oil imports declined offsetting other product import increases to leave total product imports steady. It is worth highlighting that India's total oil imports indicated an annual decline of around 11% in September.

On the export side, India's total product exports were steady in September compared to a month earlier. Exports of naphtha increased in September due to higher local consumption of natural gas for power generation. The rise in naphtha exports came despite the usual decline in naphtha exports in the post-monsoon season, as hydropower generation decreased and thermal power generation saw gains. However, the main reason behind this trend was the fact that many thermal power generation plants have switched to using natural gas instead of naphtha. Additionally, exports of fuel oil increased in September from a month earlier due to lower local demand. In contrast, exports of diesel and gasoline declined in September to cover local demand, which remained steady. Additionally, the drop in refinery runs influenced exports of both diesel and gasoline. In September, India's total product exports registered a rise of 17% over the same period last year, driven mainly by the increase in refinery capacity.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude oil	2,555	2,415	2,103	-312
Total products	-437	-387	-377	10
Total crude and products	**2,118**	**2,028**	**1,726**	**-302**

As a result, India's net oil imports fell around 15% in September from the previous month reaching the lowest level since November 2006. The decline in net crude oil imports was the main driver of the decrease in net oil imports in September where they indicated a 5% annual drop.

Stock Movements

US crude oil stocks declined further, leading to a cumulative drop of 43 mb in four months

USA

US total commercial oil stocks continued their downward trend, dropping 7.4 mb in October, the third consecutive decline, to stand at 1,014 mb. However, an upward revision of US commercial stocks by DOE has resulted in a drop of 6.2 mb in September against 0.7 mb released in the previous month. More than 31 mb or around 0.35 mb/d have been drawn from stocks during the last three months. Consequently, the gap with the last five-year average has been narrowing significantly to go from a surplus of 31 mb in July to just 7 mb in October.

The drop in inventories was attributed to crude oil which fell 9 mb to stand at 312 mb, the lowest since September 2005. Since reaching an all-time high of 354 mb at the end of June, crude oil commercial stocks have lost around 43 mb and the gap with the five-year average has fallen from a surplus of 41 mb or 13% to 5 mb or 2% for the corresponding period. The draw on crude oil stocks was due to the sharp decline in imports, which fell 0.35 mb/d to move below 10 mb/d, the lowest level since last February, as a result of ongoing refining maintenance and bad weather. Additionally, the backwardation in the market, which gives more incentives to sell than to hold existing inventories, contributed also to the continued drawdown on inventories.

In contrast to crude oil, product inventories driven by gasoline reversed the trend of the previous two months and built 1.7 mb to stand at nearly 702 mb on the back of a modest increase in imports and slower demand. Gasoline stocks rose 3.8 mb — the first build in four months — to stand at 195 mb but remained below last year and the five-year average although the deficit has narrowed. On the other hand, distillate stocks remained almost stable at around 135 mb, which corresponds to 7.5 mb below last year but 7.5 mb above the five-year average, while residual fuel oil and jet fuel stocks rose 1.2 mb and 0.5 mb respectively but remained both below the five-year average.

Despite high crude oil prices, the USA continued to replenish the Strategic Petroleum Reserve (SPR) using royalty-in-kind to compensate for crude withdrawals following hurricanes Katrina and Rita in 2005. A further 1.2 mb was added in October to hit 694 mb, the highest level since August 2005, pre-hurricanes Katrina and Rita. However, 2.4 mb had already been added to stocks in September. In addition, the Department of Energy (DOE) has plans to fill around 3.8 mb in November-December and 70,000 b/d in the first half of 2008 in line with the policy to increase SPR capacity to 1 billion barrels.

Table 25: US onland commercial petroleum stocks, mb

	Aug 07	Sep 07	Oct 07	Change Oct 07 /Sep 07	Oct 06	02 Nov 07 *
Crude oil	324.7	321.0	312.0	-9.0	339.3	311.9
Gasoline	193.5	191.3	195.1	3.8	204.6	194.3
Distillate fuel	133.5	135.6	135.4	-0.2	142.8	135.4
Residual fuel oil	36.4	37.0	38.3	1.3	42.0	38.5
Jet fuel	41.0	41.1	41.5	0.4	41.9	41.5
Total	**1,027.6**	**1,021.3**	**1,013.9**	**-7.4**	**1,080.4**	**1,013.7**
SPR	690.4	692.8	694.0	1.2	688.6	694.0

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

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

Most recent data show that US commercial oil stocks fell 0.9 mb in the week-ending 2 November to stand at 1,014 mb, which corresponds to 50 mb or 5% below last year but 16 mb or 2% above the five-year average. Crude oil was the main driver of the decline after having dropped 0.8 mb to nearly 312 mb, the lowest in more than 2 years. However, the deficit with the previous year remained around 23 mb or 7% but the surplus with the five-year average narrowed to less than 6 mb or 2%. Nevertheless, when compared in terms of forward cover, crude oil stocks represented less than 21 days of cover corresponding to 1% below the five-year average.

Similarly, gasoline stocks dropped 0.8 mb, offsetting the gain of the previous week to stand at nearly 194 mb, on the back of lower imports and production from refineries, which corresponds to 4 mb or 2% below the five-year average. In contrast to gasoline and crude oil, distillate inventories rose 0.1 mb to 135.4 mb to stand at the upper end of the five-year average, implying a surplus of nearly 10 mb or 8% with the five-year average. By product, heating oil rose 0.6 mb, narrowing the gap with the five-year average to around 10% compared with more than 30% in summer, whereas diesel oil fell a slight 0.5 mb but remained comfortable at more than 20% above the five-year average.

Western Europe

EU-15 plus Norway oil stocks declined to 1,112 mb with crude oil falling for the fifth month

European (EU-15 plus Norway) total oil stocks fell a further 16.2 mb or more than 0.5 mb/d in October to stand at 1,122 mb, the lowest since April 2005. Products, particularly distillates, accounted for the bulk of the drop due to longer-than-expected maintenance and unplanned outages, which slashed around 0.36 mb/d in October compared with the previous month. The overhang from the five-year average has narrowed now to 11 mb or 1% compared with 75 mb or 7% last May, where stocks reached exceptionally high level.

Table 26: Western Europe's oil stocks, mb

	Aug 07	Sep 07	Oct 07	Change Oct 07/Sep 07	Oct 06
Crude oil	481.5	480.7	476.0	-4.7	487.4
Mogas	123.9	123.5	123.9	0.3	132.8
Naphtha	27.3	26.4	26.4	0.0	28.3
Middle distillates	397.8	392.6	382.9	-9.8	387.9
Fuel oils	114.7	115.1	113.0	-2.1	120.5
Total products	663.7	657.7	646.2	-11.5	669.5
Total	**1,145.1**	**1,138.4**	**1,122.2**	**-16.2**	**1,156.9**

Source: Argus, Euroilstock.

Crude oil stocks continued their downward trend, dropping for the fifth consecutive time to hit 476 mb, a decline of 4.7 mb from the previous month. Despite a draw of 25 mb since June, total crude oil stocks remained 6 mb above the five-year average but the gap is narrowing. The drop in crude oil stocks is attributed mainly to the cut from North Sea production due to ongoing maintenance.

Product stocks, which fell 11 mb due to tightness in the refining system, remained within the range with 5 mb above the five-year average, but the picture is mixed when it comes to the category of products with gasoline remaining well below the lower end of the five-year average and distillates at the upper end of the range. However, distillate stocks continued their downward trend and declined 10 mb — the largest draw in almost 20 months — to stand at nearly 383 mb, the lowest level so far this year. In contrast, gasoline stocks inched up a slight 0.3 mb to around 124 mb but have remained 11 mb or 8% below the five-year average since the end of the second quarter of 2007. In addition to supply cuts from refining maintenance, exports to US amid arbitrage opportunities put further pressure on gasoline stocks. Residual fuel stocks fell 2 mb to 113 mb, down more than 7 mb or 6% from a year earlier. The drop came as a result of refining maintenance, lower imports from Russia and strong demand from Asia-Pacific, where the market remains very bullish with prices hitting record-highs. Naphtha stocks remained unchanged at 26.4 mb, representing a decline of 1.9 mb from a year ago.

Japan

Japan's commercial oil stocks plunged more than 16 mb in September to hit an 18-month low

Japanese commercial oil stocks fell a significant 16.4 mb in September to stand below 183 mb, the lowest in 18 months. This substantial decline sent Japanese commercial oil stocks from the upper end of the five-year range to the lower end, resulting in a deficit of 11 mb or 6% with the five-year average. It is worth noting that this year Japan's commercial stocks have been above the five-year average with the exception of May, when they showed a deficit of 2 mb, and September when the gap reached 11 mb or 6%. Last January, the surplus stood at 26 mb or 15%.

Crude oil was the main driver behind this significant draw after falling around 14 mb to go below 100 mb for the first time since February 2006. Refining maintenance did not prevent crude oil stocks from falling due to the impact of imports which plunged around 15% to average 3.56 mb/d compared with 4.18 mb/d in August. At 97 mb, commercial crude oil inventories were 14 mb or 12% below the level of the corresponding month of the previous year and well below the lower end of the recent five-year range.

Following the same trend albeit not at a lower rate, product stocks dropped around 3 mb in September to 86 mb, reversing the upward trend of the previous four months, as a result of a decline of around 9 percentage points in the refining utilization rate due to maintenance. Gasoline stocks could not stay within the range and moved back below the lower end of the five-year range after having dropped 1.5 mb to 11.2 mb, due essentially to lower production from refineries which dropped by 10%. Distillate inventories fell 1 mb to 42.6 mb and remained within the range but slightly below the five-year average. Naphtha stocks inched up 0.3 mb to almost 12 mb, representing a decline of 2 mb from a year earlier, while residual fuel fell 0.4 mb to 20.3 mb, a drop of 1.3 mb below a year ago.

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

	Jul 07	Aug 07	Sep 07	Change Sep 07/Aug 07	Sep 06
Crude oil	115.3	110.3	96.6	-13.7	110.3
Gasoline	11.4	12.8	11.2	-1.5	13.6
Naphtha	12.3	11.6	11.9	0.3	14.1
Middle distillates	36.0	43.7	42.6	-1.1	48.9
Residual fuel oil	20.2	20.8	20.3	-0.4	21.6
Total products	79.9	88.9	86.1	-2.7	98.1
Total**	**195.2**	**199.1**	**182.7**	**-16.4**	**208.4**

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

According to preliminary data from PAJ, Japan's commercial oil stocks have recovered moderately in October and have increased by 8 mb during the week-ending 3 November with crude oil contributing 6.8 mb or 85%. The build in products was attributed to fuel oil while gasoline and distillate stocks remained almost unchanged from the previous week.

Balance of Supply and Demand

Demand for OPEC crude in 2007 estimated to increase by 80,000 b/d

Estimate for 2007

The demand for OPEC crude in 2007 is expected to average 31.07 mb/d, an increase of 80,000 b/d over the previous year. On a quarterly basis, demand for OPEC crude is expected to average 31.27 mb/d, 30.20 mb/d, 31.20 mb/d and 31.62 mb/d respectively.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.50**	**85.81**	**84.59**	**85.38**	**87.00**	**85.70**
Non-OPEC Supply	49.45	50.32	50.04	49.80	50.77	50.23
OPEC NGLs and non-conventionals	4.06	4.21	4.35	4.39	4.60	4.39
(b) Total Supply excluding OPEC Crude	**53.51**	**54.54**	**54.39**	**54.19**	**55.38**	**54.62**
Difference (a-b)	**30.99**	**31.27**	**30.20**	**31.20**	**31.62**	**31.07**
OPEC crude oil production (1)	30.89	29.97	30.10	30.53		
Balance	-0.10	-1.30	-0.09	-0.67		

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

Demand for OPEC crude in 2008 estimated to decline by 229,000 b/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 30.84 mb/d, a decline of around 229,000 b/d compared with the 2007 figure. On a quarterly basis, demand for OPEC crude is expected to average 31.35 mb/d, 29.95 mb/d, 30.66 mb/d and 31.41 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.70**	**87.34**	**85.61**	**86.44**	**88.63**	**87.01**
Non-OPEC Supply	50.23	51.29	50.83	50.83	52.08	51.26
OPEC NGLs and non-conventionals	4.39	4.71	4.83	4.95	5.15	4.91
(b) Total Supply excluding OPEC Crude	**54.62**	**55.99**	**55.66**	**55.78**	**57.22**	**56.16**
Difference (a-b)	**31.07**	**31.35**	**29.95**	**30.66**	**31.41**	**30.84**

Graph 28: Balance of supply and demand

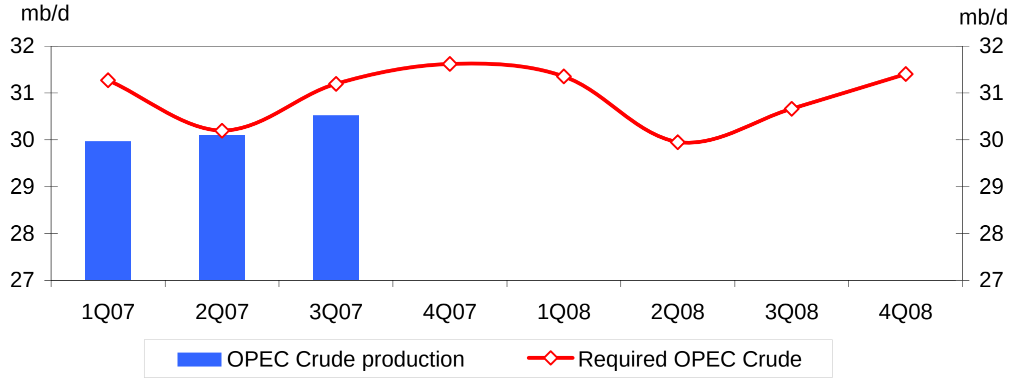


Table 30: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.8	48.2	48.8	50.3	49.3	50.3	48.2	48.7	50.8	49.5
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.7	25.6	26.0	25.6	25.6	26.1	25.8
Western Europe	15.4	15.5	15.6	15.6	15.3	15.0	15.5	15.8	15.4	15.5	14.9	15.4	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.8	8.3	8.9	7.7	7.7	8.9	8.3
DCs	20.6	21.8	22.5	23.3	23.7	24.0	24.0	24.1	23.9	24.3	24.5	24.6	24.7	24.5
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.5	7.1	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.5	84.5	85.8	84.6	85.4	87.0	85.7	87.3	85.6	86.4	88.6	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	20.0	20.4	20.3	20.6	20.0	19.8	20.7	20.3
North America	14.6	14.6	14.1	14.2	14.4	14.5	14.3	14.5	14.4	14.7	14.3	14.4	14.9	14.6
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.2	5.2	5.2	4.9	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.8	0.9	0.8
DCs	10.7	11.0	11.3	11.5	11.5	11.5	11.5	11.7	11.5	11.8	11.9	12.0	12.1	12.0
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.8	12.6	12.9	13.0	13.1	13.4	13.1
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.4	3.5	3.6	3.7	3.8	3.8	3.8	3.8	3.8	3.9	3.8	3.8	3.8	3.8
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	48.1	49.0	49.0	49.4	50.3	50.0	49.8	50.8	50.2	51.3	50.8	50.8	52.1	51.3
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	4.9	5.1	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.8	53.0	53.1	53.5	54.5	54.4	54.2	55.4	54.6	56.0	55.7	55.8	57.2	56.2
OPEC crude oil production (secondary sources)	27.8	30.0	31.1	30.9	30.0	30.1	30.5							
Total supply	79.6	83.0	84.2	84.4	84.5	84.5	84.7							
Balance (stock change and miscellaneous)	0.3	0.7	0.7	-0.1	-1.3	-0.1	-0.7							
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2679	2600	2669	2648							
SPR	1411	1450	1487	1499	1503	1504	1517							
Total	3928	3998	4083	4177	4103	4173	4165							
Oil-on-water	882	905	958	910	911	905	n.a.							
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	55	53							
SPR	29	29	30	30	31	31	30							
Total	80	80	83	85	85	86	83							
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.5	8.6	9.0	9.3	9.0	9.0	9.1
(a) - (b)	27.5	29.3	30.4	31.0	31.3	30.2	31.2	31.6	31.1	31.4	30.0	30.7	31.4	30.8

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

n.a. Not available.

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

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-0.3	-	-0.1	-	-	-0.3	-	-0.1
North America	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Pacific	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-0.2	-0.1	-	-	-	-0.2	-0.1	-0.1
Non-OPEC supply														
OECD	-	-	-	-	-	0.1	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-0.1
North America	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	0.1	-	-0.3	-	-0.2	-0.1	-0.1	-	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	0.1	-	-0.3	-	-0.2	-0.1	-0.1	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	0.1	-							
Balance (stock change and miscellaneous)	-	-	-	-0.1	-	0.1	0.2							
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-3	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-3	-	-	-							
Oil-on-water	-	-	-	1	-	-	-							
Days of forward consumption in OECD							-							
Commercial onland stocks	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-							
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
(a) - (b)	-	-	-	0.1	-	-0.1	-0.1	0.2	-	0.2	0.1	-0.1	-0.1	-

† This compares Table 30 in this issue of the MOMR with Table 30 in the October 2007 issue.

This table shows only where changes have occurred.

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

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07
Closing stock levels *mb*																					
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,679	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,657	2,762	2,679	2,600	2,669	2,648
North America	1,262	1,175	1,161	1,193	1,257	1,275	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,345	1,275	1,233	1,291	1,291
Western Europe	925	895	922	924	945	975	919	933	945	924	952	925	952	945	949	945	958	975	951	952	934
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	426	423
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,503	1,504	1,517
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415	426
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	397	397	397
OECD total	3,918	3,825	3,928	3,998	4,083	4,177	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,084	4,150	4,256	4,177	4,103	4,173	4,165
Oil-on-water	830	815	882	905	958	910	906	891	894	905	934	931	926	958	962	968	966	910	911	905	n.a.
Days of forward consumption in OECD																					
OECD onland commercial	55	51	51	51	53	54	51	52	51	50	52	53	53	52	54	54	55	54	54	55	53
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51	50
Western Europe	60	58	60	59	61	63	61	60	59	59	62	59	60	59	62	61	61	64	64	62	59
OECD Pacific	52	47	51	50	47	51	51	52	49	45	48	53	49	43	52	55	53	49	53	54	48
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	29	31	31	30	30	31	31	30
North America	23	25	25	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	25	24	23	24	25	26	26	26	27	26	26	27	28	27	27
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	51	45
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	85	84	85	86	83

n.a. Not available.

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

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.50	7.47	7.50	0.15	7.67	7.62	7.63	7.85	7.70	0.19
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.33	3.20	0.17	3.35	3.28	3.37	3.52	3.38	0.19	3.50	3.33	3.34	3.47	3.41	0.03
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.50	3.53	-0.16	3.49	3.37	3.41	3.55	3.46	-0.07
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.24	14.24	0.11	14.39	14.45	14.32	14.49	14.41	0.17	14.66	14.32	14.39	14.87	14.56	0.15
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.58	2.56	-0.22	2.61	2.46	2.33	2.53	2.48	-0.08
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.80	1.71	1.50	1.61	1.65	-0.05	1.59	1.47	1.31	1.37	1.44	-0.22
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.31	0.31	0.27	0.29	0.29	-0.02
Other Western Europe	0.48	0.52	0.53	0.01	0.55	0.56	0.54	0.57	0.56	0.03	0.66	0.68	0.68	0.68	0.67	0.12	0.69	0.69	0.69	0.69	0.69	0.01
Western Europe	6.44	6.20	5.76	-0.44	5.73	5.34	5.09	5.39	5.38	-0.38	5.50	5.15	4.97	5.17	5.20	-0.19	5.20	4.93	4.60	4.88	4.90	-0.30
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.58	0.61	0.56	0.06	0.61	0.62	0.69	0.76	0.67	0.11
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.08	0.11	0.08	0.02	0.11	0.14	0.14	0.15	0.14	0.06
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.66	0.72	0.64	0.08	0.72	0.77	0.83	0.91	0.81	0.17
Total OECD	21.70	21.33	20.48	-0.86	20.46	20.07	19.98	20.24	20.19	-0.29	20.46	20.21	19.96	20.38	20.25	0.07	20.58	20.02	19.82	20.65	20.27	0.01
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.20	0.20	0.20	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	0.00
India	0.79	0.79	0.76	-0.03	0.79	0.79	0.76	0.81	0.79	0.03	0.81	0.80	0.80	0.80	0.80	0.02	0.80	0.81	0.82	0.81	0.81	0.01
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.73	0.75	0.77	0.75	-0.01	0.77	0.75	0.78	0.80	0.78	0.03
Vietnam	0.35	0.40	0.38	-0.02	0.38	0.37	0.36	0.36	0.37	-0.01	0.37	0.37	0.41	0.40	0.39	0.02	0.37	0.35	0.41	0.46	0.40	0.01
Asia others	0.41	0.44	0.55	0.12	0.59	0.59	0.59	0.57	0.58	0.03	0.61	0.61	0.59	0.59	0.60	0.02	0.60	0.62	0.62	0.62	0.61	0.01
Other Asia	2.53	2.63	2.67	0.04	2.76	2.67	2.69	2.74	2.71	0.04	2.73	2.71	2.76	2.76	2.74	0.03	2.75	2.73	2.82	2.89	2.80	0.05
Argentina	0.84	0.80	0.77	-0.02	0.76	0.78	0.79	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.77	-0.01	0.75	0.74	0.73	0.71	0.73	-0.03
Brazil	1.80	1.79	1.99	0.20	2.06	2.08	2.10	2.15	2.10	0.11	2.16	2.16	2.17	2.26	2.19	0.09	2.45	2.52	2.62	2.68	2.57	0.38
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.52	0.54	0.54	0.53	0.00	0.55	0.55	0.55	0.55	0.55	0.01
Ecuador	0.41	0.51	0.54	0.02	0.55	0.55	0.55	0.52	0.54	0.00	0.51	0.51	0.52	0.51	0.51	-0.03	0.51	0.50	0.50	0.49	0.50	-0.01
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.18	0.19	0.01	0.18	0.18	0.18	0.18	0.18	-0.01	0.18	0.18	0.18	0.18	0.18	0.00
L. America others	0.24	0.27	0.28	0.01	0.27	0.28	0.28	0.27	0.27	0.00	0.27	0.28	0.28	0.28	0.28	0.00	0.28	0.28	0.28	0.28	0.28	0.00
Latin America	4.00	4.06	4.29	0.23	4.37	4.42	4.43	4.43	4.41	0.12	4.41	4.42	4.45	4.53	4.45	0.04	4.71	4.76	4.84	4.89	4.80	0.35
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.72	0.72	0.70	0.70	0.71	-0.04	0.71	0.71	0.70	0.70	0.70	-0.01
Syria	0.53	0.50	0.46	-0.04	0.44	0.42	0.41	0.40	0.42	-0.04	0.39	0.39	0.38	0.37	0.38	-0.03	0.37	0.36	0.35	0.34	0.35	-0.03
Yemen	0.44	0.42	0.42	0.00	0.40	0.39	0.38	0.38	0.39	-0.03	0.38	0.38	0.37	0.37	0.37	-0.02	0.36	0.35	0.35	0.34	0.35	-0.02
Middle East	2.01	1.92	1.87	-0.05	1.82	1.77	1.74	1.73	1.76	-0.11	1.70	1.69	1.66	1.65	1.67	-0.09	1.64	1.62	1.60	1.59	1.61	-0.06
Chad	0.02	0.16	0.18	0.02	0.16	0.16	0.16	0.16	0.16	-0.03	0.15	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.24	0.24	-0.01	0.25	0.26	0.26	0.28	0.26	0.02
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.65	0.64	0.63	0.64	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.35	0.36	0.01	0.37	0.38	0.37	0.38	0.38	0.01	0.39	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.26	0.25	0.00
South Africa	0.17	0.20	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.50	0.50	0.48	0.51	0.50	0.09	0.50	0.49	0.48	0.48	0.48	-0.01
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.33	0.38	0.35	0.03	0.39	0.39	0.40	0.40	0.40	0.05
Africa	2.16	2.40	2.51	0.11	2.56	2.59	2.59	2.67	2.60	0.09	2.68	2.67	2.65	2.73	2.68	0.08	2.75	2.76	2.75	2.76	2.76	0.07
Total DCs	10.71	11.01	11.34	0.33	11.51	11.45	11.45	11.57	11.49	0.15	11.52	11.50	11.51	11.66	11.55	0.05	11.84	11.87	12.02	12.12	11.96	0.42
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.44	12.48	12.80	12.56	0.54	12.91	13.02	13.09	13.37	13.10	0.54
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.96	9.89	0.24	10.03	10.08	10.17	10.28	10.14	0.25
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.40	1.36	0.06	1.42	1.44	1.41	1.53	1.45	0.09
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.82	1.02	0.89	0.24	1.04	1.08	1.10	1.15	1.09	0.20
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.43	0.42	0.42	0.42	0.42	0.00	0.42	0.42	0.42	0.42	0.42	0.00
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.78	3.85	3.80	0.11	3.85	3.83	3.81	3.82	3.83	0.03
Non-OPEC production	46.28	47.16	47.17	0.01	47.51	47.36	47.40	47.92	47.55	0.38	48.40	48.12	47.88	48.84	48.31	0.76	49.34	48.89	48.89	50.13	49.31	1.00
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	48.07	48.99	49.03	0.04	49.43	49.25	49.28	49.84	49.45	0.42	50.32	50.04	49.80	50.77	50.23	0.78	51.29	50.83	50.83	52.08	51.26	1.02
OPEC NGL	3.57	3.85	3.92	0.07	3.85	3.92	4.00	3.90	3.92	-0.01	4.13	4.26	4.30	4.52	4.30	0.39	4.62	4.74	4.86	5.06	4.82	0.51
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.09	0.09	-0.05	0.09	0.09	0.09	0.09	0.09	0.00
OPEC (NGL+NCF)	3.71	4.02	4.08	0.06	3.97	4.04	4.15	4.05	4.06	-0.02	4.21	4.35	4.39	4.60	4.39	0.33	4.71	4.83	4.95	5.15	4.91	0.52
Non-OPEC & OPEC (NGL+NCF)	51.78	53.01	53.11	0.10	53.40	53.29	53.43	53.89	53.51	0.40	54.54	54.39	54.19	55.38	54.62	1.12	55.99	55.66	55.78	57.22	56.16	1.54

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

Table 34: World Rig Count

	2003	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	Sep 07	3Q 07	Oct 07	Change Oct/Sep
USA	1,032	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,783	1,788	1,762	-21
Canada	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	139	351	348	338	-13
Mexico	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	88	104	96	99	-5
North America	1,496	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,238	2,232	2,199	-39
Norway	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	19	15	18	17	2
UK	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	29	25	27	27	2
Western Europe	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	78	2	3	2	0
OECD Pacific	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	30	31	28	32	1
Total OECD	1,592	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	73	76	78	5
Other Asia	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	157	150	151	155	5
Latin America	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	195	188	186	184	184	-2
Middle East	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	85	86	87	85	-1
Africa	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	80	93	88	87	-6
Total DCs	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	510	510	515	509	511	-4
Non-OPEC Rig Count	1,938	2,131	193	2,483	2,192	2,560	2,667	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,963	2,603	2,861	2,852	2,821	-40
Algeria	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	26	30	28	27	-3
Angola	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	4	3	3	4	1
Indonesia	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	56	62	60	63	1
Iran	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	51	51	51	50	-1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	5	12	13	11	14	12	2	12	13	14	15	14	2	14	13	11	13	9	-2
Libya	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	12	14	14	14	0
Nigeria	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	11	8	10	-1
Qatar	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	12	13	13	14	1
Saudi Arabia	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	76	78	78	79	1
UAE	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	15	15	15	14	-1
Venezuela	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	80	73	77	72	-1
OPEC Rig Count	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	342	352	361	360	356	-5
Worldwid Rig Count*	2,160	2,383	223	2,757	2,476	2,838	2,958	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,305	2,955	3,222	3,212	3,177	-45
of which:																					
Oil	816	877	61	961	870	990	1,015	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,272	1,257	1,279	7
Gas	1,326	1,486	157	1,774	1,583	1,823	1,928	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,928	1,934	1,875	-53
Others	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	19	22	20	23	1

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

Contributors to the *OPEC Monthly Oil Market Report*

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

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

Analysts

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

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

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

Data Summary November 2007

OPEC Basket average price

US$ per barrel

⬆ *up 5.18 in October*

October 2007	***79.36***
September 2007	*74.18*
Year-to-date	*65.40*

October OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.39*	*Iraq*	*2.23*	*Qatar*	*0.83*
Angola	*1.76*	*Kuwait*	*2.51*	*Saudi Arabia*	*8.73*
Indonesia	*0.84*	*SP Libyan AJ*	*1.72*	*UAE*	*2.63*
IR Iran	*3.85*	*Nigeria*	*2.13*	*Venezuela*	*2.38*
				TOTAL	***31.00***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.7*	*World demand*	*87.0*
Non-OPEC supply	*54.6*	*Non-OPEC supply*	*56.2*
Difference	***31.1***	***Difference***	***30.8***

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

Stocks

OECD commercial oil stocks fell a further 29 mb in September but remained still above the five-year average. US commercial oil stocks dropped 7.4 mb, lowering the overhang with the five-year average to 7 mb.

World economy

World GDP for 2007 revised up to 5.2% but unchanged at 4.9% for 2008.

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