OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Oil price developments challenge market expectations

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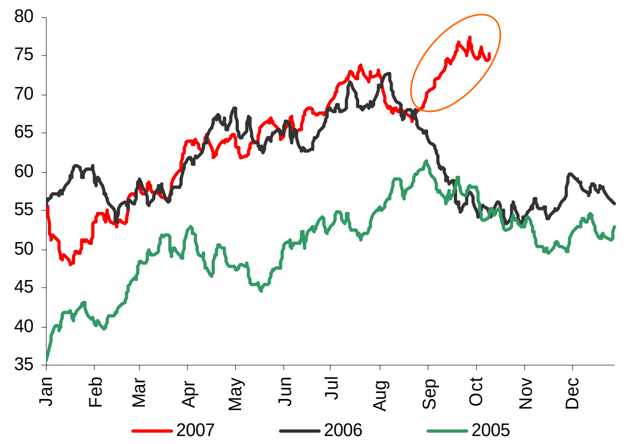
Oil Market Highlights

- In September, the OPEC Reference Basket resumed the upward trend on storms in the Gulf of Mexico and refinery outages, while the lowering of interest rates by the Federal Reserve supported market sentiment. An attack on Mexico's pipeline added to the bullish momentum. Despite OPEC's move to increase production, concern over seasonal fuels remained at a time when geopolitical developments revived fear of a potential supply shortfall ahead of seasonal stockpiling. The OPEC Reference Basket averaged the month at $74.18/b for a gain of $5.47 or nearly 8% over the previous month. The Basket remained volatile in October reaching a new record-high of $77.46/b on 12 October 2007.
- World economic growth in 2007 has been revised up by 0.1 percentage points (pp) to 5.1% mainly on upward revisions to growth in China (+0.4 pp) and India (+0.3 pp). For 2008, growth was revised down by a similar 0.1 pp to 4.9% due to downward revisions to growth in the US (-0.3 pp), the Euro-zone (-0.1 pp) and Japan (-0.1 pp). While the US interest rate cut served to calm financial markets, the risk of an economic slowdown remains. Stock markets recovered all the losses and moved to new record highs but credit markets' normalisation is still far from complete. Signs of a slowdown in the US and Euro-zone in both the manufacturing and services sectors contrast with continued strength in Asia, especially in China. Japanese growth seems set to recover in the third quarter of 2007.
- World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, with offsetting revisions to different quarters in OECD. The third quarter is normally a low season for world oil demand, especially in the OECD. High gasoline retail prices and the rainy weather reduced gasoline and diesel consumption in September. September oil demand grew the most in the Developing Countries, especially in China, India and the Middle East. World oil demand in the fourth quarter is estimated to follow typically high seasonal consumption due to the expected normal winter in the Northern hemisphere. Fuel and heating oil demand is forecast to be strong. Total world oil demand growth in the fourth quarter is forecast at 1.8 mb/d to average 87.1 mb/d. In 2008, world oil demand is forecast to grow by 1.3 mb/d to average 87.1 mb/d, broadly unchanged from the last estimate. Due to the expected slower summer driving season next year, North America's third-quarter oil demand growth was revised down slightly to reflect weaker transport fuel consumption.
- Non-OPEC supply growth in 2007 has been revised down slightly to stand at 0.8 mb/d over the previous year. The adjustments were due to a large part to downward revisions to Mexico and Brazil supply in the third and fourth quarters. For 2008, non-OPEC supply growth experienced a minor upward revision to stand at 1.1 mb/d as some of the current year revisions have been extended into 2008 and more data have become available for projects startups and ramp-ups. Growth in OPEC NGLs and non-conventional oils has been revised up slightly to 0.3 mb/d in 2007 while the 2008 figure was left at 0.5 mb/d. In September, OPEC crude oil production averaged 30.6 mb/d, a rise of around 245,300 b/d from the previous month, as production from Iraq saw a significant rebound of 166,300 b/d to average 2.2 mb/d.
- Over the last few years, product markets experienced a sharp downward correction in September, adversely affecting the entire petroleum complex. However, this trend has been significantly diminished this year due to heavier seasonal maintenance in the Atlantic Basin and storm-related concerns which picked up in the second half of September, raising the risk of damage to refineries and provided support for product markets and slowed the decline in refining margins. With the approaching winter season, the momentum of the product markets may improve further, providing support for refinery economics and crude prices. However, the major wild cards continue to be weather conditions, particularly in Atlantic Basin, and the refinery operation level in the US.
- OPEC spot fixtures decreased by 2% in September to average 12.2 mb/d on limited activities due especially to Asian refinery maintenance, while non-OPEC spot fixtures increased by 13% to average 6.9 mb/d. OPEC sailings were nearly steady in September, with a minor increase of around 80,000 b/d from the previous month, to stand at 23.2 mb/d. Spot freight rates for shipping crude oil were between steady to moving downward in September due to plentiful supply and sluggish tanker demand in the first half of September. The level of activities increased in the second half of September, on the back of the OPEC decision as well as post-maintenance refinery demand, yet not to the level to mark an increase in spot freight rates. The VLCC sector was mostly steady with rates of WS60 and WS46 from the Middle East to the east and west, respectively.
- US total oil imports declined by more than 0.25 mb/d in September, driven by crude oil and product imports. Japan's crude oil imports in September fell by around 127,000 b/d to average 4.1 mb/d on the back of refinery maintenance. Preliminary data shows China's crude oil imports in August declined 5% to 3.3 mb/d due to refinery turnarounds, while product imports fell mainly on the decline of fuel oil imports owing to high international prices. India's total net crude oil and product imports in August averaged 2.0 mb/d, a decrease of 0.1 mb/d or 4% compared to a month earlier, with the decrease coming on the back of lower domestic product sales.
- US commercial stocks fell slightly in September but remained around 15 mb above the five year average with crude inventories standing at the upper end of the five-year range. Distillate stocks continued their seasonal trend, rising 5.3 mb to 4 mb above the five-year average, while gasoline remained below the lower end of the five-year range. In EU-16 (Eur-15 plus Norway), total oil stocks fell 12 mb to 1,133 mb but remained comfortable above the five-year average, particularly crude oil and middle distillates. Japan's commercial oil stocks rose 4 mb in August but preliminary data for September show stocks falling by around 13 mb with crude oil accounting for three-quarters of the draw.
- 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.

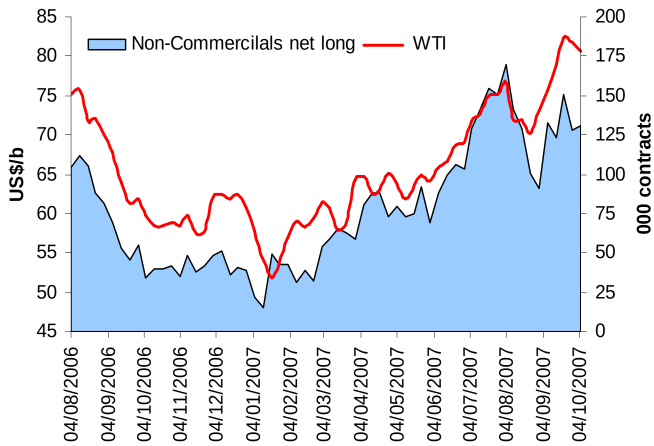
Oil price developments challenge market expectations

- In recent years, oil prices have tended to ease with the end of the driving season and the start of the autumn refinery maintenance (*see **Graph 1***). This year, however, prices have exhibited unusual strength and high volatility even beyond the end of the driving season. Prices have continued to rise to records levels, peaking at $77.43/b on 28 September, easing only slightly in the first week of October. Of course, given a coinciding decline in the value of the US dollar, the hike was felt differently in different currencies. These price developments occurred despite the OPEC decision in early September to increase production by around 500,000 b/d effective 1 November, one month prior to the end of the refinery maintenance season.
- The continued price strength can be explained in large part by fears of potential damage to oil installations in the Gulf of Mexico, as storm activity picked up during the peak hurricane month of September; a string of refinery outages particularly in the US market; and increasing geopolitical concerns in various regions. In addition, speculators, encouraged by a weakening dollar, rushed back into the crude oil futures markets, boosting the price premium and the potential for greater volatility. Indeed, speculators as measured by non-commercial positions sharply increased activities in the third week of September. However, the dollar weakness reversed in the first week of October, leading to a partial liquidation of these positions (*see **Graph 2***).

Graph 1: OPEC Reference Basket ($/b)



Graph 2: WTI versus non-commercial net long positions



- In the wake of the recent financial turmoil, economic data have also been having an overly strong impact on short-term crude oil prices and volatility. However, the downward pressure has receded in recent weeks, following the US Federal Reserve Board's decision to cut US interest rates by half a percent. Moreover, there is a perception that the Fed stands ready to cut rates further to deter any strong economic slowdown. A side-effect of the economic uncertainties has been the strong volatility in the US dollar, which has had an impact on investments in the futures markets and consequently oil prices.
- Compared to recent months, fundamentals are improving. Downward revisions to demand forecasts, especially for the US, and the possibility of further revisions in the coming months, combined with rising OPEC production, have eased the perception of market tightness. With the most active part of the hurricane season behind us, these factors point to a relaxation of the upward pressures on prices which may be furthered by reduced speculative activity in the futures market. At the same time, the start of autumn maintenance is expected to remove as much as 2 mb/d of refining capacity from the market, which should lead to lower demand for crude.
- However, uncertainties remain large. Apart from geopolitics, the big wild cards remain winter weather and the extent of the slowdown in the US and global economy in the coming months. Equally important is the performance of non-OPEC supply, which experienced continuous downward revisions this year.
- Overall, the current supply and demand forecasts predict that the market will be fundamentally balanced over coming quarters. The Conference will meet in Abu Dhabi in early December to reassess ongoing developments and ensure that the market remains well supplied over the winter season.
- Moreover, the upcoming Third Summit of Heads of State and Government of OPEC Member Countries, which will take place in November in Saudi Arabia, will provide long-term guidance to enhance OPEC's stabilizing role in the market and ensure adequate future supplies to meet the growing energy needs for sustainable development.

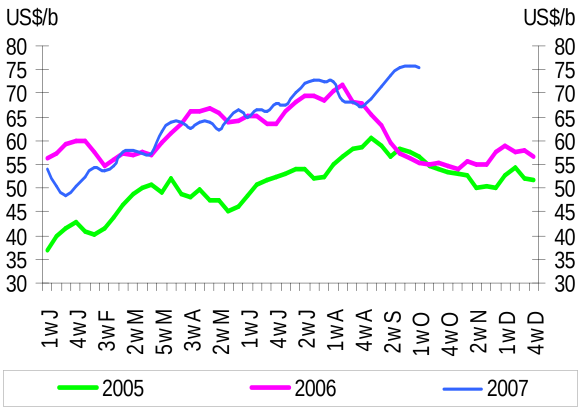
Crude Oil Price Movements

Storms, refinery outages and a cut in interest rates firmed the petroleum market to an all-time high

OPEC Reference Basket

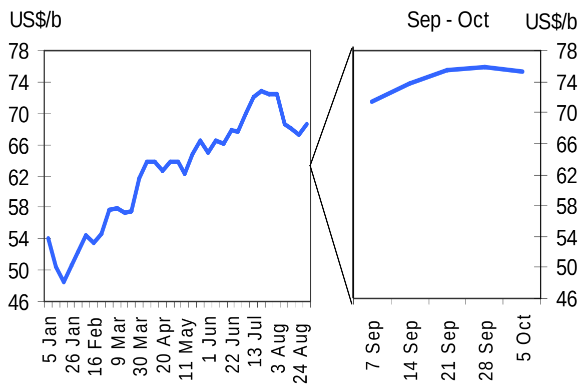
The market emerged in September on a bullish note amid a storm in the Caribbean Sea, refinery outages and uncertainty about OPEC's decisions on output ahead of its September meeting in Vienna. Autumn maintenance in the US also added to market bullishness on fear of a depletion of seasonal fuel stocks. The OPEC Reference Basket closed the first week nearly 4% or $2.71 higher to settle at $71.37/b. The sentiment continued to strengthen into the second week amid attacks on Mexico's oil and gas pipeline and the prospect of field maintenance in the Middle East, which maintained the bullish momentum, overshadowing OPEC's decision to raise output. The Basket closed the second week at an average of $73.76/b for a gain of $2.39 or 2.4%. The upward trend continued into the third week at a slow pace. Geopolitical concerns, looming storms, refinery outages and the weakening US dollar helped prices to sustain strength. Although concern over interest rate stabilized, the economy, which is foreseen to weaken demand for petroleum products, kept the rally limited. The weekly average of the Basket was $1.66 or 2.3% higher to settle at $75.42/b. Nevertheless, phasing out storms in the Gulf of Mexico softened fear over tight supply and prompted a shift in the energy market with profiteers collecting earning in the paper markets. The Basket averaged the fourth week at a record high of $76.17/b for a marginal rise of 75¢ or almost 1% after peaking to close the month at $77.43/b.

Graph 1: OPEC Reference Basket - weekly spot crude



On a monthly basis, the OPEC Reference Basket resumed the upward trend on storms in the Gulf of Mexico and refinery outages, while the lowering of the interest rate by the Federal Reserve supported market sentiment. An attack on Mexico's pipeline added to the bullish momentum. Despite OPEC's move to introduce additional barrels to the market, concern over seasonal fuels remained at a time when geopolitical developments revived fear of a potential supply shortfall ahead of seasonal stockpiling. The OPEC Reference Basket averaged the month at a record-high of $74.18/b for a gain of $5.47 or nearly 8%. In the first two weeks of October, the Basket averaged $75.63/b.

Graph 2: Weekly average Basket price, 2007



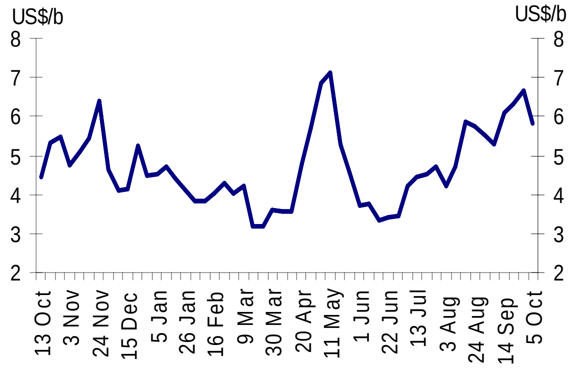
US market

A draw on US crude oil stocks while several pipelines reduced rates strengthened the sweet/sour spread

A tropical storm gathering in the US Gulf of Mexico and tight supply of rival crude imports kept light sweet grades firm. Yet, the structure deepening into backwardation and some refineries undergoing seasonal maintenance softened the spread. The WTI/WTS spread averaged the first week at $5.27/b or 25¢ narrower. An outage of the, 160,000 b/d Platte pipeline to the Midwest supported the sweet crude to strengthen. The prospect of more supply across the Atlantic pressured the light grades. A hefty drop in US crude oil stocks prompted demand for light-end products and prevented the sweet/sour spread from widening further. Moreover, a production drop in BP's Prudhoe Bay field in Alaska to nearly half supported the market. The WTI/WTS spread was 83¢ wider at $6.10/b on average in the second week. Crude differentials widened on fears of hurricane-related disruptions inspiring demand for light-end products ahead of seasonal turnarounds and refinery glitches.

Moreover, the widened WTI/Brent spread prompted less arbitrage opportunities. Hence, in the third week the WTI/WTS spread was on average 20¢ wider at $6.30/b. While the storm spared Mars oilfield, refineries underwent seasonal maintenance and the Sunray refinery in McKee, Texas, with a 170,000 b/d catalytic cracking unit will be shut in October for two weeks thereby slowing demand for sweet crude. Thus, light and sweet crude differentials slumped. In the fourth week, the average WTI/WTS spread was 7¢ firmer at $6.37/b. WTI averaged $79.69/b in September for a gain of 10% or $7.32 over the previous month, while the premium to WTS rose by 70¢ to $6.01/b.

Graph 3: WTI spread to WTS, 2006-2007

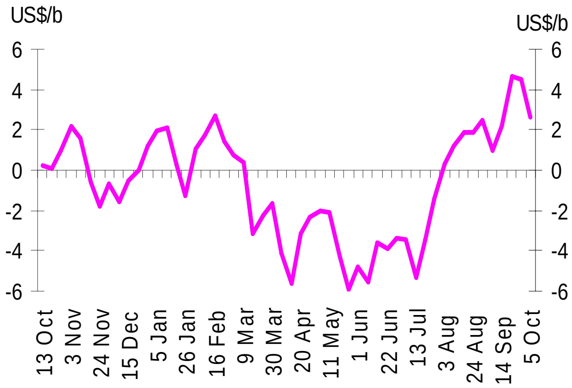


North Sea market

Ample supply and refinery maintenance pressured North Sea crude while healthy refining margins supported regional grades

The North Sea crude market firmed on healthy refining margins while seasonal stock builds emerged. Easing short-term swaps also added to procurement which kept differentials firm in the first week. The Brent discount to WTI was $1.56 narrower at $94¢/b. Nonetheless, loading plans for the four benchmark North Sea crude oil streams scheduled to increase to 1.52 mb/d in October, for a gain of 50,000 b/d from the previous month, kept calmness in the regional market. A firmer front-month swap added to the weakness of differentials in the second week. Brent lost ground to WTI with the discount widened by $1.23 to $2.17/b. Softening demand and continued widening of backwardation in the forward structure kept the North Sea under pressure. Hence, differentials continued to lose ground in the third week as sellers lining up to get rid of prompt barrels exceeded buying interest. WTI premium averaged $4.65/b, an increase of $2.48. Moreover, ample supply, while refineries underwent seasonal maintenance, prolonged the pressure into the fourth week. Nevertheless, improved refining margins supported North Sea crude with the Brent discount to WTI narrowing by $1.11 to $3.54/b. Dated Brent averaged the month $6.13 or 8.7% higher at $76.87/b. Brent's average monthly discount to WTI averaged $2.65 or 17¢ lower.

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



Mediterranean market

A Kirkuk sell-tender pressured the Mediterranean market

The Urals market emerged on healthy refining margins; however, the momentum was short-lived. Weakened profit margins sustained in the market place while Iraq's sell-tender kept the regional prices under pressure. Urals discount to Brent was $1.82 wider at $2.98/b in the first week. Rival Kirkuk's sell-tender with the second tender on the horizon kept the Urals Mediterranean market under pressure. The Brent premium to Urals averaged the second week at $3.43/b or 45¢ wider. Nevertheless, a regional major bidding up the market supported the grade to firm amid improved refining margins. Iraq's sell-tender continued to prevent the Mediterranean market from firming further. Urals discount to Brent in the third week averaged 41¢ narrower at $3.02/b. Although the Kirkuk sell-tender pressured the regional market, healthy refining margins supported the grade. Brent premium to Urals averaged the final week 10¢ narrower at $2.92/b. Urals averaged $73.78/b in September, for a gain of $4.53 or 6.5%, with the discount to Brent $1.60 wider at $3.09.

Prompt buying by an equity holder with field maintenance on the horizon supported the Mideast market

Middle Eastern market

The month started slowly on the expectation of higher retroactive OSPs. Field maintenance in the UAE scheduled for November pressured the marketplace. In the second week, the Brent/Dubai spread widened by $1.65 to $4.63/b, strengthening regional grades amid limited arbitrage opportunities. November Oman was valued at an 8-10¢/b premium to OSP in the second week. Nonetheless, the kerosene-rich crude continued to firm amid limited supply due to oilfield maintenance. Dubai's discount to Brent was 80¢ narrower at $3.83/b. The market sentiment firmed further into the third week amid aggressive buying of Mideast crude ahead of field maintenance. The Brent/Dubai spread was 79¢ narrower at $3.04/b. In the fourth week, a major European IOC bid up the regional market. The equity holder was seen procuring barrels in an attempt to clear prompt availability to dominate the market thereby tightening regional supply. Hence, the Mideast market was well supported. The Brent premium to Dubai was 51¢ narrower at $2.53/b. The Brent/Dubai spread averaged 13¢ wider at $$3.51/b.

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

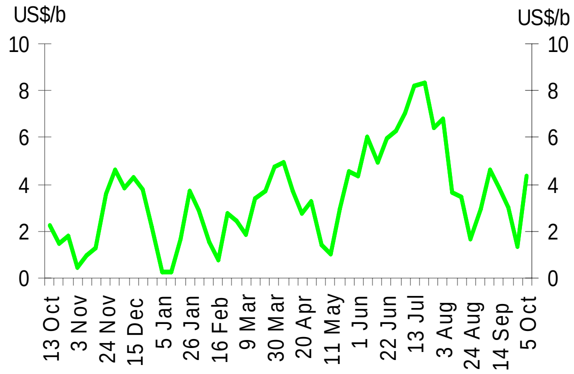


Table 1: OPEC Reference Basket and selected crudes, US$/b

			Change	Year-to-Date	
	Aug 07	Sep 07	Sep/Aug	2006	2007
OPEC Reference Basket*	**68.71**	**74.18**	**5.47**	**62.75**	**63.74**
Arab Light	68.76	74.28	5.52	62.71	63.36
Basrah Light	66.83	72.14	5.31	59.63	61.12
BCF-17	62.78	66.35	3.57	53.52	56.41
Bonny Light	73.34	79.87	6.53	68.77	69.69
Es Sider	69.84	76.07	6.23	65.13	65.83
Girassol	69.81	75.48	5.67	64.59	65.32
Iran Heavy	66.60	72.63	6.03	60.92	61.55
Kuwait Export	65.91	71.94	6.03	60.48	61.02
Marine	69.43	73.78	4.35	64.23	64.17
Minas	73.67	76.98	3.31	67.63	67.74
Murban	71.80	77.16	5.36	67.53	67.87
Saharan Blend	73.44	78.60	5.16	67.89	69.31
Other Crudes					
Dubai	67.36	73.36	6.00	62.98	63.42
Isthmus	66.60	72.65	6.05	61.78	61.78
T.J. Light	64.62	70.69	6.07	56.29	59.91
Brent	70.74	76.87	6.13	67.01	67.14
W Texas Intermediate	72.37	79.69	7.32	68.09	66.08
Differentials					
WTI/Brent	1.63	2.82	1.19	1.08	-1.06
Brent/Dubai	3.38	3.51	0.13	4.02	3.72

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

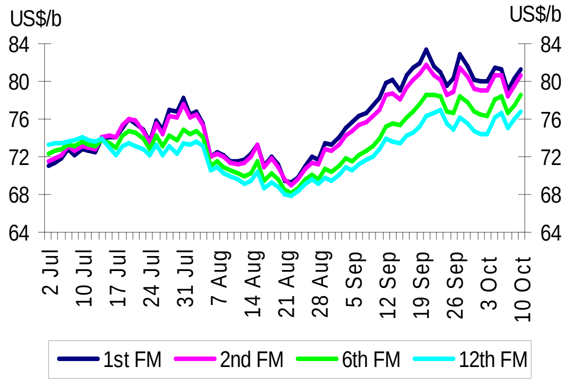
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

The Federal Reserve lowering interest rate while the US Dollar weakened pushed futures market higher

The petroleum market sustained the upward movement for most of September in spite of OPEC increasing output in November. Looming tropical storm and hurricanes in the Gulf of Mexico with some oil workers being evacuated sent alertness in the marketplace over a potential supply shortfall. A hefty draw on US crude oil and gasoline inventories triggered covering of short positions. Thus, the CFTC report for the first weekly period showed that non-commercial net longs nearly doubled rising by a hefty 25,800 lots to 50,900 contracts. Open interest was sharply higher increasing 56,500 lots to 1,489,200 contracts. With options included, open interest saw a larger build of 78,400 lots to 2,471,300 contracts. Nymex WTI rallied in the first week to close at $75.08/b, an increase of $3.35 or nearly 5%, to average $74/b for a gain of $3.22 or 4.5% more than in the previous week.

Graph 6: Nymex WTI futures prices, 2007

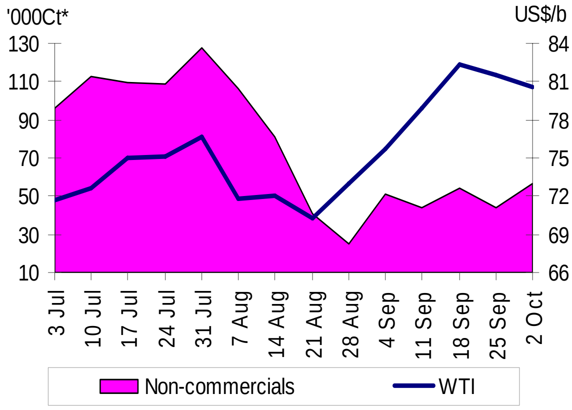


FM = future month

Continued draws on the key petroleum inventories in the US enhanced by revived geopolitical tensions made the futures on Nymex rally another $2.89 or almost 4% on average to close the second weekly period at $78.23/b for a rise of $3.15 or 4.2%. The CFTC reported that non-commercials reduced net long positions amid a larger increase in the shorts than the longs. Thus, the net position was nearly 7,700 lots narrower at 44,200 lots net long. Nonetheless, open interest continued to inflate, rising by 55,500 to 1,544,700 lots, the highest in nine weeks. Including options, open interest was inflated by a hefty 106,050 lots to a record of 2,577,300 contracts.

In the third weekly period, market sentiment continued firming on the back of draws on US crude oil and gasoline stocks as the hurricane season remained a threat to oil operations in the US Gulf of Mexico. The US Federal Reserve lowering the interest rate by 0.5% in an attempt to boost the economy supported further bullishness in the marketplace while geopolitics remained on the horizon. Thus, heavier investment funds flowed into the energy market with non-commercial net long positions inflating by 9,900 lots to nearly 54,200 lots amid an increase in longs while the short positions were depleted. Yet, open interest was deflated by a hefty 56,000 contracts to 1,488,400. With options included, open interest volume plummeted by a significant 149,000 lots to 2,428,400 lots. Nymex WTI ended the third weekly period firmer, closing at $81.51/b for a gain of $1.6 or 2% to average the weekly period at $80.24/b, an increase of $3.35 or 4.4%.

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 market was calmer as fading storm threats outweighed lower interest rates, a weaker US dollar which inspired fund buying and refinery outages that kept the bulls intact. Nymex WTI closed $1.98/b or 2.4% lower to settle at $79.53/b, yet the average of the weekly period was $1.23 or 1.5% higher at $81.47/b. The CFTC reported that non-commercials reduced net positions by a significant 10,600 lots to 43,600 contracts net long amid a build in short positions at a much faster rate than longs. Moreover, open interest depleted by a hefty 78,700 lots to 1,409,600 contracts, the lowest in 18 weeks. Including options, open interest fell a marginal 22,300 lots to 2,402,000. Nevertheless, in the final days of the month, the weakening US dollar inspired fund buying in energy futures.

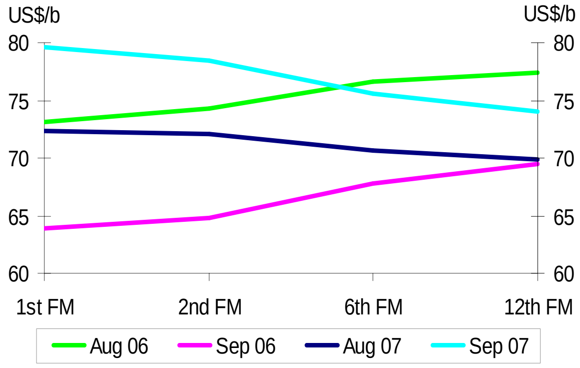
September's weekly average for non-commercial longs was 48,200 lots, a drop of 15,100 from the previous month, yet 18,100 lots higher than last year with the year-to-date weekly average nearly 16,000 lots higher. Open interest averaged almost 1,483,000 lots which made it some 14,000 lots higher than in August and over 305,000 lots higher than last year. Year-to-date, open interest averaged 1,387,400 lots which was 362,000 higher than last year. Including options, open interest's weekly average was 2,479,000 lots, a drop of 7,400 contracts from the previous month, but 525,400 lots higher than last year.

The Forward Structure

Depleting crude oil stocks in the US kept the backwardation spread firm

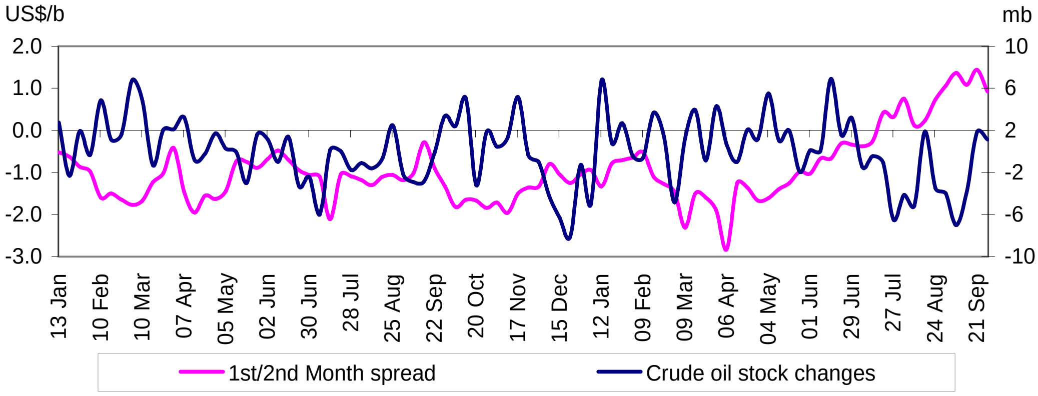
The spread in the forward structure strengthened in backwardation amid depleting crude oil stocks in the USA. The daily average for the 1st/2nd month spread was 84¢ firmer in backwardation at $1.15/b. The farther month spread widened further with the 1st/6th, 1st/12th and 1st/18th month spread averaging $3.98, $5.64 and $6.75/b, an increase of $2.29, $3.21 and $3.98/b respectively. US crude oil stocks have experienced an accumulated draw of 32.3 mb since 6 June. Yet, inventories increased in the last two weeks of the month amid lower refinery demand balancing imports and weather–related delays. Weekly average crude oil stocks were at 321 mb in September, some 14.3 mb lower than last month and 6.3 mb lower than last year.

Graph 8: Nymex WTI forward curve



FM = future month

US Crude oil changes vs 1st/2nd month spread, 2006-2007



Highlights of the World Economy

Economic growth rates 2007-2008, %							
	World	**OECD**	**USA**	**Japan**	**Euro-zone**	**China**	**India**
2007	**5.1**	**2.6**	**1.9**	**2.3**	**2.5**	**11.0**	**8.5**
2008	**4.9**	**2.6**	**2.3**	**2.1**	**2.2**	**9.9**	**8.0**

Industrialised countries

United States of America

Recent indicators point to a continued slowdown in US economic activity amid an easing in financial market tensions

While serving to calm financial markets, the US interest rate cut in September has not eliminated the risks of an economic slowdown. The latest spate of economic indicators are signaling a slowdown in economic growth but labour markets and consumer expenditure are still healthy and it now appears more likely than that the US economy could weather the financial crisis without a sharp downturn in economic activity. Nevertheless, tighter credit conditions and the deepening slump in the housing sector with house prices continuing to fall house prices may begin to affect consumer behaviour. Already confidence among consumers fell to its lowest level in almost two years in September.

The Dow Jones industrial index recouped all losses and rose to new record highs mainly due to the rise in stock value of multinational US companies with strong links to rest of world, which are benefiting from a weaker dollar and strong foreign demand growth leading to the perception that the recovery in US equity markets is due more to strength in rest of the world than in the US.

The positive surprise in September was the employment report which revealed an 110,000 payroll rise and a reversal of the initial August reading of a loss of 4000 to a gain of 89,000. Although substantial, the rise in the number of jobs was still insufficient to absorb the increase in the labour force, leading to a small hike in the rate of unemployment to 4.6% from 4.5% in August. Also on the positive side, consumer spending registered a larger-than-expected 0.6% increase as incomes continued to rise. Similarly, retail sales for September surprised on the upside rising by 0.6%, led by increases in sales of cars and electronics, while sales of furniture, which are directly related to the housing market, fell 0.6%. The Fed’s preferred inflation measure (the core personal consumption expenditure deflator) dropped to 1.8%, the lowest rate since 2004, allowing policymakers a relatively free hand to focus their attention on the economy without worrying about a near-term surge in inflation, and suggesting there is now scope for the Fed to cut rates further if required in the next policy meeting a the end of October. However, a further monetary easing in October is far from certain, given the improved outlook. Export performance continued strong in August assisted by the weak dollar. The trade deficit narrowed to $57.6 bn, 2.4% below the previous month and the lowest level since January. The cumulative eight-month deficit this year reached $708 bn around 6.7% lower than the corresponding period last year. Moreover, the politically-sensitive deficit with China narrowed by 5.3% to $22.5 bn.

Other economic indicators were less positive. The indicators of economic activity, in particular the ISM manufacturing and services indices for September showed that the downward trend of the last months was uninterrupted. The PMI for manufacturing eased to 52.0 from 52.9. The PMI index for services, which constitute around 90% of the economy, fell to 54.8 from 55.8, showing the expansion slowing to its slowest pace in six months. However, with both indices still well above the 50 threshold mark, the economy appears to still expanding at a pace consistent with moderate overall growth.

Housing sector data continued to deteriorate. The stock of unsold homes rose to a record 5.1 million in August, forcing builders to further scale back projects. Total home sales in August were down 4.3% on the month, 12.8% on the year. The housing sector slump is expected to continue subtracting from overall economic growth in the coming quarters. Mounting foreclosures are aggravating the problem. The number of Americans who may lose their homes to foreclosure more than doubled in August from a year earlier. Moreover, home prices as measured by the S&P/Case-Shiller index, which tracks prices in 20 US metropolitan areas, dropped 3.9% in the 12 months through July. The decline was the biggest since record-keeping began in 2001. The fall in home prices threatens to hurt consumer spending by limiting the ability of owners from using home equity to obtain consumer credit. The worry about consumer spending growth in the coming months is also colored by the fact that about $125 bn of subprime adjustable-rate mortgages will re-set in the next three months to higher rates.

Overall for 2008, the US GDP growth forecast was revised down by 0.3% to 2.3%, while 2007 remains unchanged at 1.9% from last month.

Japan

The Japanese economy recovered in third quarter from temporary dip in Q2

The Japanese economy appears to be recovering form the downturn in the second quarter when the economy contracted by 1.2% and weathering the slowdown in the US economy and the uncertainties related to global financial turmoil. Exports are booming, business sentiment among large manufacturers remains high, while industrial output picked up strongly. However deflation is still a problem and consumer sentiment remains low. The Bank of Japan left its benchmark overnight lending rate unchanged at 0.5% in its latest policy setting meeting in October, an indication that the Bank may need more time to assess the fallout from the US subprime-mortgage crisis.

Labour markets remained tight, although the unemployment rate crept up to 3.8% in August from the nine-year low of 3.6% in the previous month. The slight deterioration is attributed to the increased inflow of female workers into the labor market. Confidence among households stagnated at 44.1 in September only marginally up from the 44 level in August, but putting a halt to a four month slide. A number below 50 indicates that pessimists outweigh optimists. Confidence has been low as a result of sliding wages, tax increases and the loss of pension records. The low confidence signals that consumer spending which accounts for around 50% of GDP may be unable to replace exports as a motor of growth should the latter falter. However, wages which had been falling for nine months, rose slightly by 0.1% in August after a drop of 1.9% in July. With tight labour markets, it is expected that wages will finally begin to rise further and thus start supporting higher private consumption going forward. Meanwhile, retail sales in August rose by 0.5% from a year earlier, the first rise in three months, with domestic sales of passenger vehicles rising for the first time in 26 months. Total household spending rose 1.6%.

Industrial production surged at the fastest pace in almost four years in August rising at 3.4% following an earthquake-caused contraction of 0.4% in July. The growth was led by automakers. However, core machinery orders, a key indicator of investment, dropped 7.7% in August from the previous month, following the strong rebound of 17% in July. The drop is not expected to affect sentiment. In fact, the Bank of Japan’s quarterly Tankan index of sentiment among large manufacturers (which surveyed around 10,750 companies between August 28 and September 28), was encouragingly unchanged at near a two-year high of 23 points in September from the previous survey in June. Companies plan to expand investment outlays by 8.7% in the year ending march 2008, which is even higher than in the previous survey indicating that the financial turmoil has not dampened expectations. In contrast, confidence among small manufacturers and service providers, which account for almost 50% of corporate earnings, fell as rising energy and materials cost dampened sentiment for profits given their low pricing power.

Meanwhile exports surged in August by 14.5% from July’s 11.8%, in particular shipments to Europe (+15.6%) and China (+23.8%), while exports to the US rose 4.6%. The trade surplus widened to $6.5 bn. Exports remain the main motor of economic growth.

The forecast for the Japanese economic growth was revised down by 0.1 percentage points for 2007 and 2008. Growth is estimated to reach 2.3% this year moderating to 2.1% next year.

Euro-zone

Growth in the Euro-zone continues to moderate but labour markets and exports remain robust

There are increasing signs that the growth in the euro-zone may have peaked. Indicators of manufacturing and services show a softening growth path. Several factors including the ever strengthening euro, which reached record new highs versus the dollar, the credit squeeze and the weakening US economy are having an effect both on present sentiment and future expectations. However, labour markets remain robust and exports continue to grow briskly. The European Central Bank, considering the uncertain growth outlook, decided on a wait-and-see policy and refrained once more from raising Euro-zone interest rates in October.

The Euro-zone unemployment rate remained at a record low of 6.9% in August with the number of unemployed falling further by 33,500 to stand at an all-time-low of 10.31mn. However, there are signs that the rate of job creation may be slowing down.

The Euro-zone manufacturing index based on a survey of purchasing managers compiled by the Royal Bank of Scotland Group Plc, declined to 53.2 in September, the lowest level since November 2005, from a level of 54.3 in August. Similarly, the European services industries index fell to 54.2 from 58.0 in August, indicating the slowest pace of growth in two years, albeit the drop is occurring from a high level. The decline in the services index was led by a marked slowdown in banking and financial services in the wake of the credit crisis. A gauge of new orders also slid to the lowest since August 2005. Meanwhile, confidence in the economy dropped to a 16-month low in September. In addition, retail sales growth softened in September, led by a sharp drop in Italy, according to a survey by Bloomberg, indicating consumers remain cautious about future prospects.

In Germany, both business and consumer confidence dropped. The Ifo business confidence index, based on a survey of 7,000 businesses, fell on the month. Consumer confidence also dropped to its lowest level in five months. However, despite the strong euro, German exports rose 3% in August following a 0.3% in July, registering the biggest gain since September 2006. On the other hand, manufacturing orders rose a lower-than-expected 1.2% in August, following a sharp drop of 6.1% in July.

Overall, the forecast for 2007 and 2008 for the Euro-zone growth has been revised downwards by 0.1 percentage points from last month. The Euro-zone is seen to expand at a pace of 2.5% this year moderating to 2.2% in 2008 Euro-zone for 2007 and 2008.

Former Soviet Union

Russian GDP grows still robustly

Russia’s GDP grew 7.7% from January to August 2007, up 1.5% from the same period last year, the Russian Economy Ministry reported in its economic survey for January-August. The Russian economy grew quickly in the summer, but growth slowed down in August compared with the previous three months. In August 2007, the economy grew 6.4% compared with August 2006. The impressive economic performance was fueled by growing investment demand, construction and consumer demand and imports, while manufacturing and exports declined. Growth in the manufacturing sector has tapered off considerably more steeply; it had also benefited from unusually favourable weather conditions in the first quarter of the year to expand by 11.8% y-o-y. Manufacturing output was nevertheless still up by 6.2% in the second quarter and continues to be supported by the strength of domestic demand. Buoyant business activity and household demand— the latter reflects strongly increasing incomes, more available consumer credit and ongoing real currency appreciation — are ensuring a strong expansion in services, which by now account for roughly 60% of total GDP.

As a result, prices for essential products have risen significantly over the past few months. Russia’s trade surplus from January to August was reported at 82.1 bn, a decrease of 17.9% compared to the same period last year. Exports stood at $216.9 bn, and imports reached $134.8 bn.

The Economy Ministry attributes the shrinking trade surplus to an increase of imports over exports. Russia’s trade turnover was estimated at $351.7 billion from January to August, 18.8% more than last year. Trade with CIS countries increased by 26.3%, and trade with other countries was up 17.5%.

Average growth of Kazakhstan’s GDP has been more than 9% since 2001 and being in an increasing economic trend, its GDP per capita exceeded the level of $5,000 in 2006.

Developing Countries

Consumption in China is lending more strength to growth

According to a recently published report by the Asian Development Bank (ADB), China’s economy grew at a faster-than-expected 11.5% in the first half of 2007. It expanded at 11.1% late in the year. The report forecasts growth of 10.8% for 2008, also an upward revision from the 9.8% projection in March. Further steps to cool the rapid investment expansion are likely and the Government will put more emphasis on improving energy efficiency and on cutting pollution. But “top priorities remain the creation of jobs for nearly eight million rural surplus workers migrating to cities each year and on lifting income growth in lagging regions and areas,” according to the ADB report. While investment slowed in the first half of this year, consumption is lending more strength to economic growth, according to the National Bureau of Statistics. Retail sales in the first half of the year rose to 15.4%, 2.1 percentage points higher than the figure of the same period last year. Fast growth in consumption is attributed to rapid growth in incomes. The good performance of Chinese businesses in recent years and government subsidies for low-income families and farmers as well as higher minimum wages for rural workers helped increase the incomes of urban and rural people.

The government in India may move to assist exports against Rupee appreciation

The Asian Development Bank lifted its growth forecasts for the Indian economy, but warned that inflation risks persist and any shock to food prices could stoke price pressures. It said the Indian economy will expand by 8.5% in 2007, up from an earlier forecast of 8.2% on robust investment, buoyant industrial expansion and moderate agricultural growth. The inflation rate, measured by the wholesale price index, is forecast to remain steady at 5% in both fiscal years 2007 and 2008. Higher interest rates have not dampened business investment as a very buoyant long-term economic outlook has outstripped a cyclical rise in borrowing costs. The rupee advanced to 39.70 against the dollar, the strongest since April 1998. The rupee's appreciation is likely to continue in the near term owing to robust capital inflows. Following the interest rate cut by the US Federal Reserve, international investors have found it profitable to invest in Indian capital markets, where they can get higher returns because of the rate differential. The Reserve Bank of India's benchmark rate is 7.75%, higher by 3% than the Federal funds rate. The government in India may give tax relief to exporters to cope with the rupee's biggest gain in at least 33 years. India may offer more subsidized loans and cut taxes for exporting companies, which contribute a third of India's gross domestic product.

GDP growth for Brazil in 2007 likely to be revised up

Brazil's GDP should grow 4.8% this year compared with 3.7% last year, according to the forecast by the Brazilian Institute of Applied Economic Research Ipea. The forecast growth in household consumption in 2007 was revised from 5.7% to 6.2%, and the Gross Fixed Capital Formation rose from 9% to 10%. The GDP growth for 2008, however, has been maintained at the same level as forecast last month at, 4.5%. The Ipea is also forecasting a higher inflation for 2007. The inflation measured by the Wide Consumer Price Index (IPCA) should end the year at 4%. The previous forecast, in June, was for 3.4% inflation. The Ipea also expects inflation to be 4.3% in 2008.

OPEC Member Countries

High budget surplus for 2006 announced by Saudi Arabia

Saudi Arabia announced a record budget surplus of more than $ 77 bn for 2006 thanks to surging crude prices. The surplus of SAR 290 bn ($77.5 billion), unveiled in SAMA's annual report, compares with initial forecasts of a $14.7 bn surplus and a final figure of $58 bn recorded in 2005.

The Central Bank of Nigeria has increased its benchmark interest rate by 100 basis points from 8% to 9%. The move is aimed at curbing inflationary pressures, enhancing the value of the naira and also increasing marginal propensity to save.

Oil prices, the US dollar and inflation

The US currency reached record lows versus the euro

The US currency fell across the board against all major currencies in September. It depreciated most versus the euro falling by 2% and ending the month at $1.42/€, bringing the cumulative loss to around 7% since January 2007. The dollar depreciated 1.5% versus the yen, 1.7% against the Swiss franc and 0.4% versus the pound sterling in September.

The dollar reached record lows versus the euro of $1.42 on October 1 but has since recouped some of the losses, climbing to $1.40 by October 9. The dollar's weakness against the euro in September can be attributed to the an expectation of lower interest rates in the US, while its recent recovery is due to the better prospects emerging for the US economy, after the optimistic labour report and other positive indicators somewhat reduced the likelihood of further monetary easing.

In September, the OPEC Reference Basket rose by $5.5/b or 8.0% to $74.18 from $68.71/b in August. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by almost $3.2/b or 6.6% to $ 50.98/b from $47.82/b. The dollar depreciated by 1.1% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by 0.2%*.

* *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 remains at 1.3 mb/d with offsetting revisions in OECD

World oil demand in 2007

The third quarter is normally a low season for world oil demand, especially in the OECD. Transport fuel is consumed the most in the OECD in that quarter. However, high gasoline retail taxes and rainy weather reduced the consumption of gasoline and diesel in the OECD in September.

September oil demand grew the most in the developing countries, especially in China, India and the Middle East. Other oil demand drivers in non-OECD were strong enough to offset the weak demand in OECD countries in the third quarter.

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

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.28	25.67	25.46	25.57	25.77	25.61	0.33	1.31
Western Europe	15.56	15.25	14.93	15.54	15.74	15.37	-0.20	-1.25
OECD Pacific	8.40	8.83	7.80	7.93	8.83	8.34	-0.06	-0.71
Total OECD	**49.25**	**49.75**	**48.19**	**49.04**	**50.34**	**49.33**	**0.08**	**0.15**
Other Asia	8.83	8.90	9.10	8.83	9.12	8.99	0.16	1.78
Latin America	5.26	5.22	5.37	5.47	5.39	5.36	0.11	2.02
Middle East	6.19	6.44	6.44	6.65	6.46	6.50	0.31	4.94
Africa	3.00	3.14	3.08	3.02	3.13	3.09	0.09	2.93
Total DCs	**23.28**	**23.70**	**23.98**	**23.97**	**24.10**	**23.94**	**0.66**	**2.83**
FSU	3.89	3.86	3.70	3.95	4.30	3.95	0.07	1.72
Other Europe	0.91	1.01	0.92	0.91	0.92	0.94	0.03	3.41
China	7.14	7.46	7.77	7.71	7.42	7.59	0.45	6.28
Total "Other Regions"	**11.93**	**12.33**	**12.39**	**12.56**	**12.64**	**12.48**	**0.55**	**4.58**
Total world	**84.47**	**85.77**	**84.57**	**85.57**	**87.07**	**85.75**	**1.28**	**1.52**
Previous estimate	84.45	85.66	84.49	85.66	87.08	85.72	1.28	1.51
Revision	0.02	0.11	0.08	-0.09	-0.01	0.02	0.00	0.00

Totals may not add due to independent rounding.

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

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.22	25.67	0.44	1.76	25.06	25.46	0.40	1.58
Western Europe	15.89	15.25	-0.64	-4.03	15.15	14.93	-0.22	-1.45
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.36**	**49.75**	**-0.61**	**-1.22**	**48.03**	**48.19**	**0.16**	**0.33**
Other Asia	8.77	8.90	0.13	1.45	8.97	9.10	0.13	1.48
Latin America	5.07	5.22	0.15	2.95	5.24	5.37	0.13	2.50
Middle East	6.09	6.44	0.35	5.72	6.14	6.44	0.30	4.80
Africa	3.00	3.14	0.13	4.47	2.98	3.08	0.09	3.13
Total DCs	**22.94**	**23.70**	**0.76**	**3.31**	**23.33**	**23.98**	**0.65**	**2.79**
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	**85.12**	**85.77**	**0.65**	**0.76**	**83.23**	**84.57**	**1.33**	**1.60**

Totals may not add due to independent rounding.

World oil demand in the fourth quarter is estimated to follow normal high seasonal consumption due to the expected normal winter in the Northern hemisphere. Demand for fuel and heating oil is forecast to be strong. Total world oil demand growth in the fourth quarter is forecast at 1.8 mb/d to average 87.07 mb/d. **World oil demand growth for 2007 is forecast at 1.3 mb/d or 1.5%, with offsetting revisions to different quarters in the OECD.**

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	25.48	25.57	0.09	0.34	25.37	25.77	0.40	1.58
Western Europe	15.57	15.54	-0.03	-0.18	15.64	15.74	0.10	0.62
OECD Pacific	7.85	7.93	0.07	0.93	8.71	8.83	0.11	1.32
Total OECD	**48.91**	**49.04**	**0.13**	**0.27**	**49.72**	**50.34**	**0.61**	**1.23**
Other Asia	8.64	8.83	0.19	2.19	8.94	9.12	0.18	2.02
Latin America	5.38	5.47	0.08	1.55	5.33	5.39	0.06	1.16
Middle East	6.35	6.65	0.30	4.73	6.18	6.46	0.28	4.54
Africa	2.95	3.02	0.06	2.16	3.07	3.13	0.06	2.00
Total DCs	**23.33**	**23.97**	**0.64**	**2.73**	**23.52**	**24.10**	**0.58**	**2.48**
FSU	3.91	3.95	0.04	1.01	4.24	4.30	0.06	1.31
Other Europe	0.88	0.91	0.02	2.81	0.88	0.92	0.04	4.37
China	7.21	7.71	0.50	6.94	6.92	7.42	0.50	7.22
Total "Other Regions"	12.00	12.56	**0.56**	**4.70**	12.04	12.64	**0.59**	**4.93**
Total world	**84.24**	**85.57**	**1.33**	**1.58**	**85.28**	**87.07**	**1.79**	**2.10**

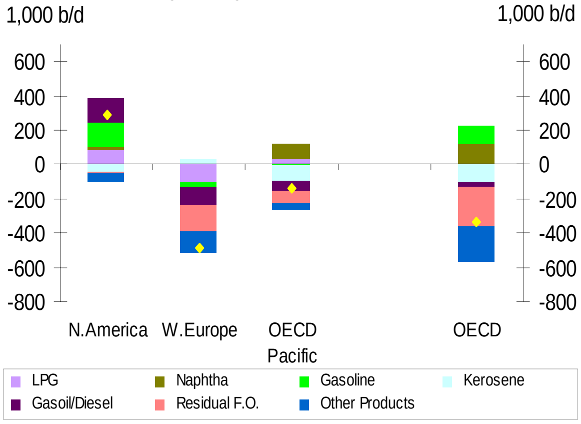
Totals may not add due to independent rounding.

OECD 3Q07 demand forecast revised to less than half than the previous figure

OECD North America

Rainy weather along with high gasoline taxes dented transport fuel consumption in the OECD in September. US gasoline demand growth was only 60,000 b/d, which is 100,000 b/d below the forecast. Third-quarter jet kerosene consumption went into the negative territory by 2.5% in its peak summer season. US year-to-date oil demand grew by only 66,000 b/d, down from growth of 288,000 b/d y-o-y in the first six months of the year. Fuel switching among power plants affected fuel oil demand in the OECD countries.

Graph 9: OECD - Growth of total requirements January to July 2007/2006



US oil demand declined by 0.1 mb/d in the third quarter, however, modest transport fuel demand in both Mexico and Canada maintained North America's oil demand growth at 0.1 mb/d.

Similar to the US, Mexican oil demand in August declined by 26,000 b/d to average 1.76 mb/d y-o-y. Although gasoline demand grew by a strong 5.1% or 37,000 b/d, fuel oil consumption fell by 20%. In contrast, Canadian oil demand showed a moderate growth of 22,000 b/d or 1.1% y-o-y in August to average 1.9 mb/d. Residual fuel oil along with gasoline grew the most in August by 28,000 b/d and 13,000 b/d y-o-y respectively.

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

	Aug 07	Aug 06	Change from Aug 06	Change from Aug 06 (%)
Motor Gasoline	781	768	13	1.7
Aviation Fuels	143	139	4	2.7
Diesel Fuel Oil	511	513	-2	-0.3
Residual Fuel Oil	161	132	28	21.4
Other Products	304	326	-22	-6.8
Total Products	**1900**	**1878**	**22**	**1.1**

OECD third-quarter y-o-y oil demand was revised down by 0.14 mb/d to show growth of only 0.13 mb/d. With the expectation that the coming winter might be slightly warmer than on average, North America's oil demand growth for the fourth quarter was revised down a slight 25,000 b/d y-o-y.

OECD Europe

European summer demand for transport fuel was on the decline in the third quarter. Italian gasoline demand declined by 5.8% y-o-y in August to average 283,000 b/d. Gasoline demand in the UK and Germany declined by 38,000 b/d and 12,000 b/d y-o-y in July. Due to low industrial and agricultural demand, diesel consumption declined by a substantial 11.5% leading to a total decline of 147,000 b/d in the UK. Given the weak transport and industrial fuel demand in Europe in the summer, OECD Europe's third-quarter oil demand changes are forecast to show a decline of 0.03 mb/d to average 15.54 mb/d.

OECD Pacific

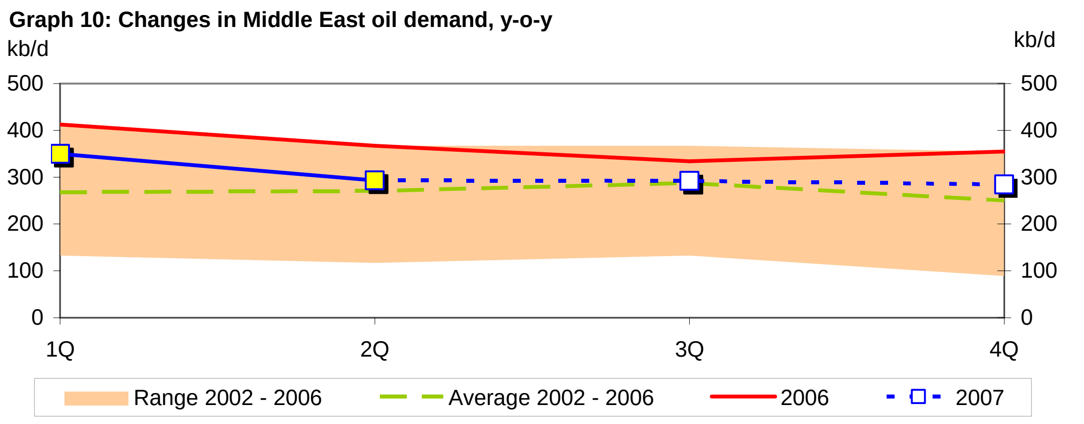
Low oil demand seasonality in the OECD also included South Korea. Crude oil imports fell by around 12% y-o-y in August. However, Japan's oil imports reflected the additional oil requirements to compensate for the shutdown of nuclear power plants. Hence, Japan's oil imports rose by 4% y-o-y in August. Other than the pre-mentioned addition, Japan's oil product sales declined 1.8% y-o-y in August. Kerosene and gasoline declined the most by 37,000 b/d and 36,000 b/d y-o-y respectively. Transport fuel in the Pacific was affected not only by the rainy weather but also by high retail prices and the marginal use of biofuel. Japan's oil demand has been showing a constant decline since last year and is expected to be the same at least until 2008. The main factors affecting Japan's oil demand are conservation in energy use, the aging population, and the large shift to smaller, more economical cars. **OECD Pacific third- and fourth-quarter oil demand growth is forecast at 0.1 mb/d y-o-y each.**

Alternative Fuels

China's diesel consumption consists of 37% of total products used; therefore the country is trying to meet its increasing demand for diesel via boosting its biodiesel production to catch up with its ethanol production. This product is surviving only on governmental funding; it is affecting not only food prices but the environment as well. China has a long-term plan to boost biofuel production to meet a minimum of 15% of its transport fuel by 2020; however, this goal will not only be costly but also will be at the expense of the environment. Furthermore, China is pushing its coal-to-liquid (CTL) projects via excessive funding in the next few years. CTL Phase One has a capacity of 22,000 b/d and is expected to be commissioned in early 2008.

Palm oil prices have increased 80% since 2005, putting high pressure on biodiesel plants in Asia. New Malaysian biodiesel plants, which are estimated to be commissioned late this year, are expected to be delayed due to high raw material prices. According to some specialists, these kinds of ventures can operate only if oil prices exceed $80/b; otherwise they would not be economically feasible.

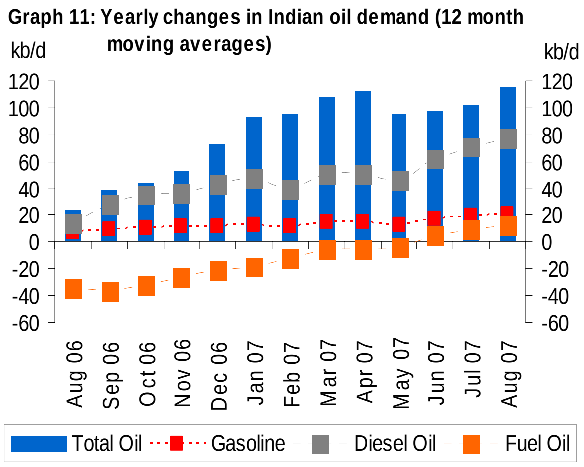
Despite the recent OECD study which concluded that promoting biofuel via heavy subsidies is not beneficial to its countries after all, the US is pursuing a five-year plan to develop cellulosic fuels via an extensive subsidy. However, this subsidy will be at the expense of existing biofuel subsidies.



Developing Countries

Developing Country demand growth unchanged at 0.66 mb/d in 3Q07

Recent political unrest in gas exporting Myanmar has encouraged some Asian countries to prepare for the worst by importing liquid energy for their power plants. Some of the Asian power plants are dual-operated turbines which can burn gas and liquids.



India's oil demand grew by a strong 4.75% or 115,000 b/d y-o-y in August. This strong growth was boosted by transport fuel. Diesel grew the most by 59,000 b/d and gasoline growth reached 18,000 b/d y-o-y in August. Apparently the flood in the summer did hurt oil consumption but not as badly as first thought. Industrial demand was high, increasing LPG demand growth by 32,000 b/d y-o-y in August. **India's oil demand growth for the third quarter is expected at 113,000 b/d y-o-y.** In addition to strong Indian demand, robust economic growth in other Asian countries requires extra fuel. Hence, **Other Asia's oil demand for the year is forecast to reach 165,000 b/d y-o-y.** This conservative growth estimate reflects energy conservation movements along the continent and the widespread use of biofuel among Asian countries.

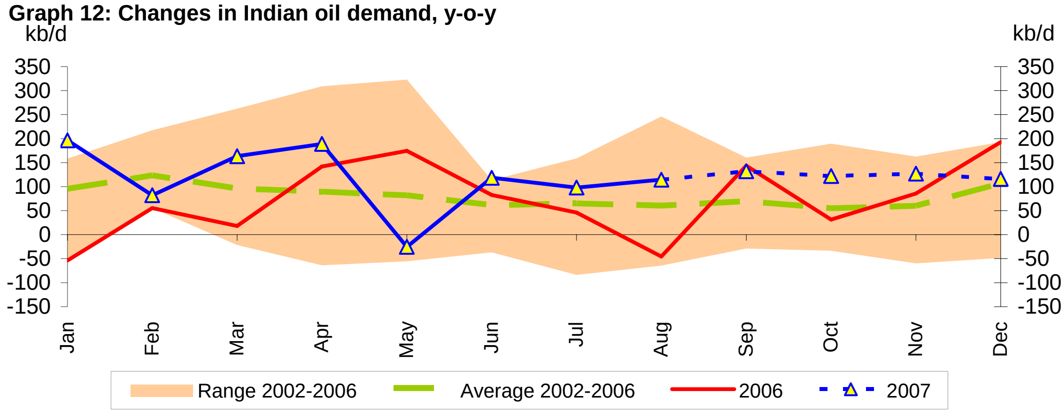
Gasoline rationing in Iran is still showing some downward effects on total consumption; however, this was partially offset by an increase in summer demand in other countries in the region. The fourth quarter is generally a low season as far as oil consumption in the Middle East is concerned. Hence, **fourth-quarter oil demand growth is forecast at 0.3 mb/d to average 6.46 mb/d y-o-y. Developing Countries oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching growth of 0.66 mb/d to average 23.94 mb/d.**

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

				Difference to	
	Aug 07	**Jul 07**	**Jan 07 - Aug 07**	**Jan 06 - Aug 06**	**%**
LPG	356	348	353	29	9.1
Motor Gasoline	218	235	233	23	10.9
Jet Kero	281	277	287	9	3.2
Gas Diesel Oil	825	974	975	77	8.6
Residual Fuel Oil	339	339	335	14	4.3
Other Products	508	397	564	-35	-5.8
Total Oil Demand	**2,526**	**2,570**	**2,747**	**117**	**4.5**

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

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

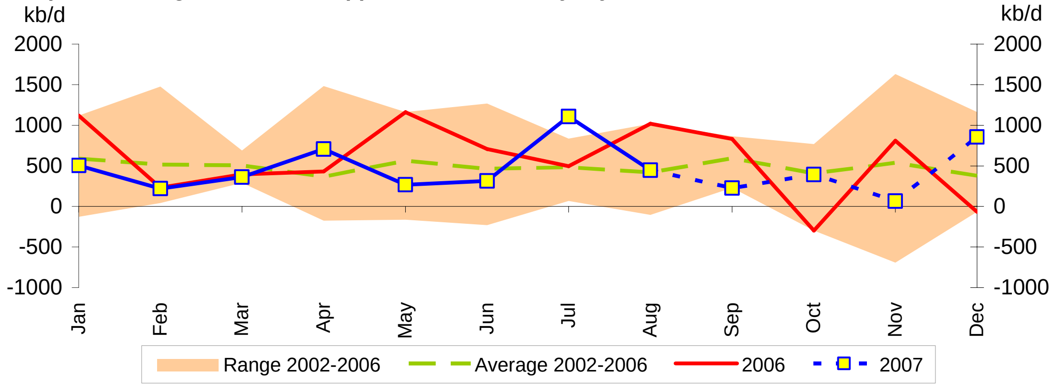


Apparent oil demand growth in China for 2007 revised down by 50,000 b/d

Other Regions

China's Golden Week holiday in early October is considered one of the country's high driving seasons; therefore, gasoline imports increased in September to meet the expected high demand for transport fuel. Transport fuel in China consists of 30% of its total oil demand. Gasoline alone makes up 16% of total oil consumption. China's oil imports in August were less than in July and grew by only 8.3% y-o-y. Strong demand for transport fuel (gasoline and diesel) have pushed China's apparent oil demand in August up by 6.3% or 447,000 b/d y-o-y to average 7.5 mb/d. This is a normal summer peak in oil consumption in China. With strong apparent oil demand in both July and August along with healthy oil consumption estimated for September, third-quarter apparent oil demand is expected to show growth of around 8% y-o-y. Summer heat, transport, agricultural, and industrial sectors are the main energy drivers in the third quarter. **China's apparent oil demand growth for 2007 is forecast at 6.3% or 0.45 mb/d y-o-y to average 7.6 mb/d.**

Graph 13: Changes in Chinese apparent oil demand, y-o-y



Russia's export tax has affected apparent oil demand in the FSU. Russian economic activities are keeping oil demand healthy. Although the third quarter is a low oil demand season for the region, annual oil demand is expected to grow by 0.07 mb/d y-o-y to average 3.95 mb/d.

World oil demand in 2008

World oil demand growth in 2008 unchanged at 1.3 mb/d

World oil demand in 2008 is forecast to grow by 1.3 mb/d to average 87.09 mb/d, relatively unchanged from our last *MOMR*. Due to the expected slower summer driving season next year, North America's third-quarter oil demand growth was revised down slightly to reflect weaker transport fuel consumption. Transport and industrial fuel are the sectors growing most in world oil demand in 2008. Non-OECD countries will account for 1.1 mb/d or 79% of total world oil demand growth for the year. 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-yin 2008 to average 25.87 mb/d.

Middle East and Other Asia are expected to contribute 0.43 mb/d or 32% to next year's world oil demand growth.

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

							Change 2008/07	
	2007	1Q08	2Q08	3Q08	4Q08	2008	Volume	%
North America	25.61	26.02	25.65	25.74	26.15	25.89	0.27	1.06
Western Europe	15.37	15.44	14.88	15.47	15.89	15.42	0.05	0.33
OECD Pacific	8.34	8.89	7.68	7.77	8.86	8.30	-0.05	-0.56
Total OECD	**49.33**	**50.35**	**48.21**	**48.97**	**50.90**	**49.61**	**0.28**	**0.56**
Other Asia	8.99	9.02	9.23	9.00	9.27	9.13	0.15	1.62
Latin America	5.36	5.32	5.45	5.55	5.49	5.45	0.09	1.71
Middle East	6.50	6.70	6.73	6.95	6.75	6.78	0.29	4.40
Africa	3.09	3.19	3.13	3.09	3.19	3.15	0.06	1.83
Total DCs	**23.94**	**24.24**	**24.54**	**24.59**	**24.70**	**24.52**	**0.58**	**2.42**
FSU	3.95	3.91	3.76	4.01	4.35	4.01	0.05	1.39
Other Europe	0.94	1.04	0.96	0.92	0.94	0.96	0.03	2.90
China	7.59	7.80	8.13	8.19	7.84	7.99	0.40	5.27
Total "Other Regions"	**12.48**	**12.75**	**12.85**	**13.12**	**13.13**	**12.96**	**0.48**	**3.87**
Total world	**85.75**	**87.33**	**85.60**	**86.68**	**88.73**	**87.09**	**1.34**	**1.56**
Previous estimate	**85.72**	**87.22**	**85.52**	**86.80**	**88.74**	**87.07**	**1.35**	**1.57**
Revision	**0.02**	**0.11**	**0.08**	**-0.12**	**-0.01**	**0.02**	**-0.01**	**-0.01**

Totals may not add due to independent rounding.

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

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.67	26.02	0.35	1.36	25.46	25.65	0.19	0.75
Western Europe	15.25	15.44	0.19	1.21	14.93	14.88	-0.05	-0.34
OECD Pacific	8.83	8.89	0.07	0.77	7.80	7.68	-0.12	-1.56
Total OECD	**49.75**	**50.35**	**0.60**	**1.21**	**48.19**	**48.21**	**0.02**	**0.04**
Other Asia	8.90	9.02	0.13	1.40	9.10	9.23	0.14	1.48
Latin America	5.22	5.32	0.11	2.01	5.37	5.45	0.08	1.53
Middle East	6.44	6.70	0.26	4.04	6.44	6.73	0.29	4.51
Africa	3.14	3.19	0.05	1.59	3.08	3.13	0.05	1.63
Total DCs	**23.70**	**24.24**	**0.54**	**2.28**	**23.98**	**24.54**	**0.56**	**2.32**
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	**85.77**	**87.33**	**1.56**	**1.82**	**84.57**	**85.60**	**1.03**	**1.22**

Totals may not add due to independent rounding.

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

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.57	25.74	0.17	0.66	25.77	26.15	0.38	1.47
Western Europe	15.54	15.47	-0.08	-0.50	15.74	15.89	0.15	0.95
OECD Pacific	7.93	7.77	-0.16	-2.02	8.83	8.86	0.03	0.34
Total OECD	**49.04**	**48.97**	**-0.07**	**-0.14**	**50.34**	**50.90**	**0.56**	**1.11**
Other Asia	8.83	9.00	0.17	1.93	9.12	9.27	0.15	1.68
Latin America	5.47	5.55	0.08	1.46	5.39	5.49	0.10	1.85
Middle East	6.65	6.95	0.30	4.51	6.46	6.75	0.29	4.55
Africa	3.02	3.09	0.07	2.32	3.13	3.19	0.06	1.79
Total DCs	**23.97**	**24.59**	**0.62**	**2.59**	**24.10**	**24.70**	**0.60**	**2.50**
FSU	3.95	4.01	0.06	1.48	4.30	4.35	0.05	1.16
Other Europe	0.91	0.92	0.02	2.07	0.92	0.94	0.02	2.18
China	7.71	8.19	0.48	6.22	7.42	7.84	0.42	5.66
Total "Other Regions"	**12.56**	**13.12**	**0.56**	**4.44**	**12.64**	**13.13**	**0.49**	**3.88**
Total world	**85.57**	**86.68**	**1.11**	**1.30**	**87.07**	**88.73**	**1.65**	**1.90**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth revised down a slight 0.81 mb/d to average 50.29 mb/d

Non-OPEC

Forecast for 2007

Non-OPEC supply in 2007 is expected to increase by around 0.81 mb/d over the previous year to reach 50.29 mb/d which represents a minor downward revision of 28,000 b/d compared with last month's assessment. Downward revisions made to Mexico, UK, Brazil and Sudan were partially offset by some upward revisions to USA, Canada, Malaysia and China. The third and fourth quarters witnessed significant downward revisions of around 134,000 b/d and 110,000 b/d respectively, while the first and second quarters have been revised up by 56,000 b/d and 81,000 b/d respectively. On a quarterly basis, non-OPEC supply now stands at 50.33 mb/d, 49.93 mb/d, 49.85 mb/d and 51.04 mb/d respectively. The 2006 figures were also revised upward slightly by around 10,000 b/d.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.27	14.39	14.36	14.25	14.54	14.39	0.11
Western Europe	5.38	5.50	5.12	5.08	5.33	5.26	-0.13
OECD Pacific	0.56	0.57	0.61	0.67	0.72	0.64	0.08
Total OECD	**20.22**	**20.46**	**20.09**	**20.00**	**20.59**	**20.29**	**0.07**
Other Asia	2.71	2.73	2.71	2.77	2.76	2.74	0.03
Latin America	4.41	4.41	4.41	4.45	4.57	4.46	0.04
Middle East	1.76	1.70	1.69	1.67	1.66	1.68	-0.09
Africa	2.60	2.68	2.67	2.66	2.74	2.69	0.08
Total DCs	**11.50**	**11.52**	**11.48**	**11.54**	**11.72**	**11.57**	**0.07**
FSU	12.02	12.50	12.47	12.46	12.80	12.56	0.54
Other Europe	0.15	0.14	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"	**15.86**	**16.42**	**16.44**	**16.39**	**16.79**	**16.51**	**0.65**
Total Non-OPEC production	**47.58**	**48.41**	**48.01**	**47.93**	**49.11**	**48.36**	**0.79**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**49.48**	**50.33**	**49.93**	**49.85**	**51.04**	**50.29**	**0.81**
Previous estimate	49.47	50.27	49.85	49.98	51.15	50.31	0.84
Revision	0.01	0.06	0.08	-0.13	-0.11	-0.03	-0.04

OECD

Total OECD growth now expected at 68,000 b/d above the 2006 figure

Total OECD oil supply is expected to reach 20.29 mb/d in 2007, an increase of around 68,000 b/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.46 mb/d, 20.09 mb/d, 20.00 mb/d and 20.59 mb/d respectively. North America is estimated to grow by 114,000 b/d over the 2006 figure to reach a level of around 14.39 mb/d, while OECD Pacific is estimated to grow slightly by around 80,000 b/d to reach a level of 0.64 mb/d in 2007. However, the Western Europe group is seen declining by a significant 127,000 b/d reaching a level of 5.26 mb/d in 2007. Most of the supply loss in this group came from Norway which is estimated to be around 172,000 b/d below last year.

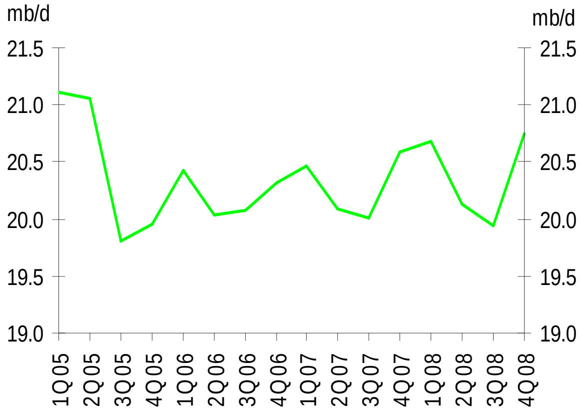
USA

Oil supply in the USA is expected to reach 7.53 mb/d representing growth of around 140,000 b/d over 2006 and an upward revision of around 15,000 b/d from the last assessment. The second quarter was revised down by 7,000 b/d while the third quarter witnessed an upward revision of around 65,000 b/d mainly due to bio-fuels. On a quarterly basis, supply figures stand at 7.46 mb/d, 7.58 mb/d, 7.50 mb/d and 7.56 mb/d respectively. Preliminary average figures for July, August and September show a figure very close to the current third-quarter forecast.

Mexico and Canada

Canadian oil supply for 2007 is expected to average 3.32 mb/d, an increase of around 121,000 b/d over the 2006 figure and an upward revision of 23,000 b/d. The 2006 annual figures have also been revised upward slightly by around 10,000 b/d. On a quarterly basis, oil supply stands at 3.35 mb/d, 3.20 mb/d, 3.29 mb/d and 3.43 mb/d respectively. Preliminary average July, August and September figures put the third-quarter estimate at 3.26 mb/d which is 29,000 b/d lower than the current third-quarter forecast.

Graph 14: OECD's quarterly production



Significant downward revisions to Mexican supply for second half of year

Mexico's oil supply witnessed significant downward revisions for the third and fourth quarters of around 105,000 b/d and 80,000 b/d respectively as the impact of cautionary measures for hurricanes, sabotage to pipelines and the sharp decline in the Cantarell field completely offset additions from the KMZ complex which saw record-high production of around 608,000 b/d in mid-September. On a quarterly basis, Mexico's oil supply stands at 3.58 mb/d, 3.59 mb/d, 3.46 mb/d and 3.55 mb/d respectively. The annual figure stands at 3.54 mb/d representing a decline of around 147,000 b/d from 2006 and a downward revision of around 46,000 b/d from last month.

Western Europe

Oil supply in this group is expected to reach a level of around 5.26 mb/d representing a decline of around 127,000 b/d from the 2006 figure and an increase of around 18,000 b/d compared with last month's assessment. The upward revision is attributable to bio-fuel production in France and Spain which was partially offset by downward revisions to the UK. On a quarterly basis, oil supply in Western Europe is expected at 5.50 mb/d, 5.12 mb/d, 5.08 mb/d and 5.33 mb/d respectively.

Norway's August production figures show a decline compared with July according to data released by NPD. Preliminary figures for September production put the average third-quarter level at 2.51 mb/d which is 47,000 b/d less than the current third-quarter forecast. The quarterly distribution now stands at 2.72 mb/d, 2.46 mb/d, 2.56 mb/d and 2.69 mb/d respectively with an annual figure of around 2.61 mb/d, representing a decline of around 172,000 b/d from last year.

UK's production level is now expected to decline by around 26,000 b/d from last year. An accident to the Central Area Transport System (CATS) and the repair directly affected 50,000 b/d of oil supply in addition to 50,000 b/d from the Forties area. Quarterly figures now stand at 1.80 mb/d, 1.68 mb/d, 1.57 mb/d and 1.68 mb/d respectively with an annual figure of around 1.68 mb/d, a downward revision of 7,000 b/d compared with last month's assessment. Preliminary figures for July, August and September show a third-quarter average of around 1.51 mb/d, 60,000 b/d less than the current third-quarter forecast.

Asia Pacific

Oil supply in this group is expected to average 0.64 mb/d which represents a gain of around 80,000 b/d over the 2006 figure and an upward revision of around 4,000 b/d compared with last month's assessment. On a quarterly basis, oil supply in Asia Pacific is expected to average 0.57 mb/d, 0.61 mb/d, 0.67 mb/d and 0.72 mb/d respectively.

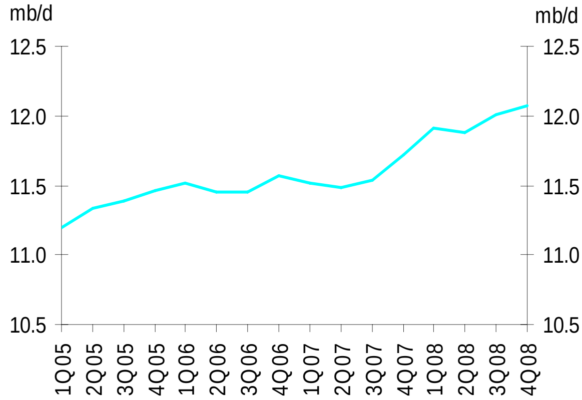
Australia's oil supply is expected to average 0.56 mb/d in 2007 which represents growth of around 56,000 b/d over last year's figure and an upward revision of 4,000 b/d compared with last month's assessment. Meanwhile, **New Zealand**'s performance is expected to add 25,000 b/d over the 2006 figure to reach a level of around 78,000 b/d.

Total DC supply revised down slightly from previous month

Developing Countries

Oil supply in this group is expected to reach a production level of around 11.57 mb/d which represents growth of around 69,000 b/d over last year's figure and a downward revision of around 39,000 b/d compared with last month's assessment. On a quarterly basis, DC oil supply is expected to average 11.52 mb/d, 11.48 mb/d, 11.54 mb/d and 11.72 mb/d respectively.

Graph 15: Developing Countries' quarterly production



Other Asia group supply in 2007 is expected to grow a slight 30,000 b/d over 2006 and reach a level of around 2.74 mb/d in 2007. On a quarterly basis, it is expected to average 2.73 mb/d, 2.71 mb/d, 2.77 mb/d and 2.76 mb/d respectively. In Malaysia, the Kikeh field performed better than expected earlier; the annual figure was revised up by around 15,000 b/d. India also witnessed a minor upward revision of around 4,000 b/d coming from bio-fuels.

The **Latin America**n oil supply is expected to average around 4.46 mb/d in 2007, representing growth of around 44,000 b/d over 2006 and a downward revision of 42,000 b/d compared with last month's assessment. The quarterly distribution stands at 4.41 mb/d, 4.41 mb/d, 4.45 mb/d and 4.57 mb/d respectively. Brazil is the only growth contributor with around 105,000 b/d while other countries in the group partially offset this growth.

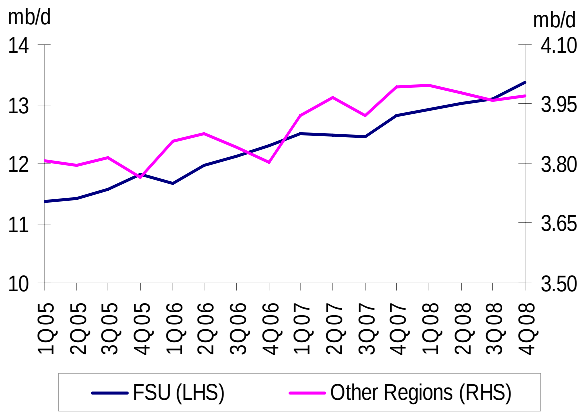
Africa group is expected to average around 2.69 mb/d in 2007 with growth of around 83,000 b/d over the 2006 figure and a downward revision of around 19,000 b/d from last month's assessment. Most of the growth is contributed by Sudan with 95,000 b/d, Equatorial Guinea with 14,000 b/d and other African countries with 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** group is the only group which is expected to see a decline this year of around 87,000 b/d attributed to Oman, Syria and Yemen. Oil supply in the Middle East is expected to average around 1.68 mb/d, with a quarterly distribution of 1.70 mb/d, 1.69 mb/d, 1.67 mb/d and 1.66 mb/d respectively.

FSU, Other Regions

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 5,000 b/d compared with last month's assessment. On a quarterly basis, oil supply in the FSU is expected to average 12.50 mb/d, 12.47 mb/d, 12.46 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.

Graph 16: FSU and other region's quarterly production



Russia

Russian oil supply is expected to reach 9.89 mb/d which represents growth of some 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.

Caspian

Oil supply in **Kazakhstan** is expected to grow by around 47,000 b/d over 2006 to reach 1.35 mb/d with a quarterly distribution of 1.35 mb/d, 1.34 mb/d, 1.32 mb/d and 1.39 mb/d respectively.

Concerning oil supply in **Azerbaijan,** the revisions implemented last month covered the installation of new equipment and maintenance in the ACG complex in addition to the maintenance on the Turkish side of the BTC pipeline. Growth is expected to average around 244,000 b/d over 2006 to reach 0.89 mb/d.

China

Oil supply in China is expected to average 3.80 mb/d representing growth of around 110,000 b/d over the 2006 figure and an upward revision of around 6,000 b/d compared with last month's assessment. On a quarterly basis, oil supply in China 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 up slightly to 1.08 mb/d to average 51.36 mb/d

Non-OPEC supply is expected to average around 51.36 mb/d in 2008, an increase of around 1.08 mb/d over the 2007 figure and an upward revision of around 6,000 b/d from last month's assessment. On a quarterly basis, Non-OPEC supply is expected to average 51.45 mb/d, 50.94 mb/d, 50.94 mb/d and 52.12 mb/d respectively.

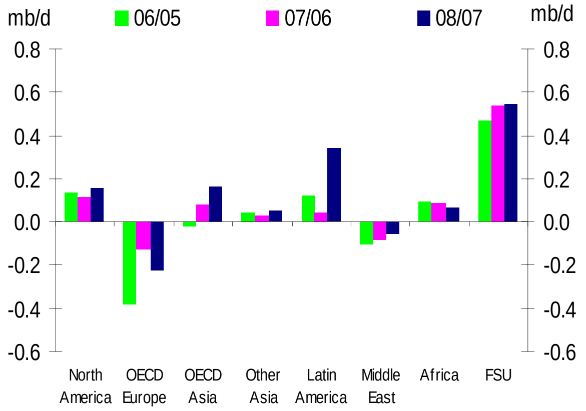
Table 11: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.39	14.65	14.31	14.38	14.83	14.54	0.15
Western Europe	5.26	5.33	5.06	4.73	5.01	5.03	-0.23
OECD Pacific	0.64	0.71	0.76	0.83	0.91	0.80	0.16
Total OECD	**20.29**	**20.68**	**20.13**	**19.94**	**20.75**	**20.37**	**0.09**
Other Asia	2.74	2.75	2.72	2.82	2.89	2.79	0.05
Latin America	4.46	4.75	4.76	4.83	4.84	4.80	0.34
Middle East	1.68	1.65	1.63	1.61	1.60	1.62	-0.06
Africa	2.69	2.75	2.76	2.75	2.75	2.75	0.07
Total DCs	**11.57**	**11.91**	**11.88**	**12.01**	**12.08**	**11.97**	**0.40**
FSU	12.56	12.92	13.02	13.10	13.38	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**	**16.91**	**17.00**	**17.06**	**17.35**	**17.08**	**0.57**
Total Non-OPEC production	**48.36**	**49.50**	**49.00**	**49.00**	**50.17**	**49.42**	**1.06**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**50.29**	**51.45**	**50.94**	**50.94**	**52.12**	**51.36**	**1.08**
Previous estimate	50.31	51.46	50.91	50.91	52.14	51.36	1.04
Revision	-0.03	-0.01	0.03	0.03	-0.02	0.01	0.03

Revisions to the 2008 forecast

In the **USA,** Atlantis South and Neptune ramping up rates have been revised down as it seems they are ramping up slower than previously expected. However, the growth in bio-fuels totally offset the downside effect resulting in an upward revision of around 9,000 b/d from last month's assessment. The 2008 annual figure is now forecast at around 7.75 mb/d representing growth of around 222,000 b/d over the 2007 forecast.

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



Canada's oil supply level has been revised upward by around 14,000 b/d compared with last month's assessment, mainly from bio-fuels growth. The annual average is now forecast at 3.32 mb/d representing growth of around 5,000 b/d over the 2007 forecast.

Other Western Europe figures were revised up by 39,000 b/d due to bio-fuel production in Spain and France to reach a level of 69,000 b/d which represents minor growth of around 15,000 b/d over 2007.

In **Malaysia,** the extension of the 2007 revisions in addition to growth in bio-fuels resulted in an upward revision of around 19,000 b/d. The 2008 figure is now expected to reach a level of around 0.76 mb/d which represents growth of around 16,000 b/d over 2007.

Brazil's 2008 figure has been revised upward by around 57,000 b/d due to Roncador P-52's start up which was moved up by one quarter to come onstream in the fourth quarter of 2007, continuing in 2008 with a different ramp up rate. The absolute figure for 2008 is now expected to reach 2.58 mb/d which represents a significant growth of around 380,000 b/d over the 2007 figure.

In **China,** the annual figure has been revised upward by around 23,000 b/d compared with last month's assessment as more data become available for bio-fuel production. China's oil supply in 2008 is now expected to reach around 3.83 mb/d or 25,000 b/d over the 2007 figure.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.39 mb/d in 2007, an increase of 33,000 b/d over last year. The annual figure may reach 4.90 mb/d in 2008, an increase of around 52,000 b/d over the current year. The 2006 figure has been revised down by around 30,000 b/d and now stands at 4.06 mb/d, while the 2008 figure was revised slightly up by 4,000 b/d.

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	**4.90**	0.52

OPEC crude oil production

OPEC crude oil production averaged 30.61 mb/d in September, an increase of 0.25 mb/d

Total OPEC crude oil production averaged 30.61 mb/d in September, an increase of around 245,300 b/d from August according to secondary sources. OPEC production (excluding Angola and Iraq) averaged 26.73 mb/d in September, an increase of 49,500 b/d over the previous month. Iraq's production figure for September witnessed a significant rebound of around 166,300 b/d from August to average 2.18 mb/d.

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

	2006	4Q06	1Q07	2Q07	3Q07	Jul07	Aug07	Sep07	*Sep/Aug*
Algeria	1,365	1,359	1,335	1,352	1,365	1,360	1,362	1,373	*11.7*
Angola	1,387	1,409	1,556	1,628	1,672	1,657	1,665	1,694	*29.5*
Indonesia	895	862	855	844	837	836	838	838	*0.0*
Iran, I.R.	3,842	3,821	3,789	3,836	3,848	3,854	3,849	3,840	*-9.2*
Iraq	1,932	1,952	1,891	2,021	2,114	2,142	2,019	2,185	*166.3*
Kuwait	2,520	2,504	2,447	2,432	2,476	2,459	2,468	2,503	*34.6*
Libya, S.P.A.J.	1,702	1,709	1,686	1,695	1,716	1,706	1,720	1,722	*1.7*
Nigeria	2,233	2,244	2,155	2,052	2,134	2,153	2,127	2,122	*-5.2*
Qatar	821	816	793	797	826	816	824	840	*15.8*
Saudi Arabia	9,112	8,792	8,571	8,537	8,556	8,565	8,553	8,549	*-4.1*
UAE	2,540	2,524	2,487	2,524	2,569	2,548	2,564	2,595	*30.8*
Venezuela	2,539	2,485	2,407	2,388	2,369	2,382	2,375	2,348	*-26.7*
OPEC excl. Iraq	**28,958**	**28,525**	**28,082**	**28,086**	**28,368**	**28,336**	**28,345**	**28,424**	***79.0***
OPEC excl. Angola & Iraq	**27,571**	**27,116**	**26,526**	**26,458**	**26,696**	**26,678**	**26,681**	**26,730**	***49.5***
Total OPEC	**30,890**	**30,477**	**29,973**	**30,107**	**30,482**	**30,477**	**30,364**	**30,609**	***245.3***

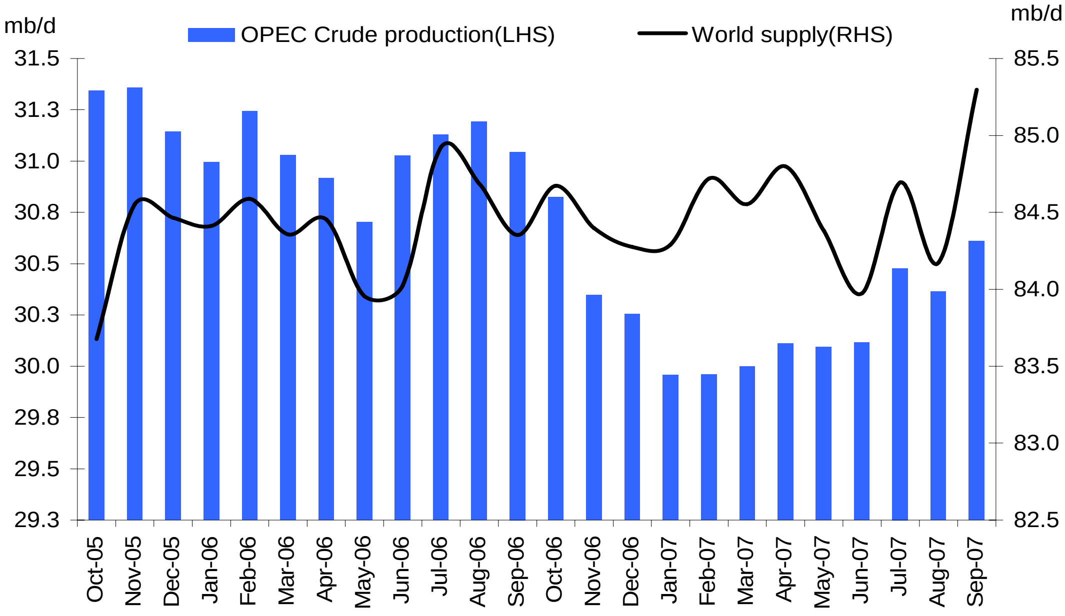
Totals may not add due to independent rounding.

World oil supply in September increased by a significant 1.13 mb/d over the previous month

World Oil Supply

Preliminary figures indicate that world oil supply averaged 85.30 mb/d in September, a significant increase of around 1.13 mb/d from the previous month, with OPEC's share at around 35.9%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and secondary source estimates for OPEC crude production.

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 8.61 mb/d in 2007, an increase of 0.48 mb/d over the 2006 level. In 2008, net oil exports are forecast to reach a level of around 9.09 mb/d, an increase of 0.49 mb/d over the figure forecast for 2007.

Current trends

Actual figures for July indicate that total crude exports from the FSU averaged around 6.27 mb/d. The preliminary figures for August averaged 6.22 mb/d, a decline of 44,000 b/d from the previous month. Russian pipeline exports in August declined by 42,000 b/d. However, Druzhba and CPC pipelines in addition to Kazak rail saw a rise in exported volumes of around 93,000 b/d, 27,000 b/d and 4,000 b/d respectively, while the decline in exports from Black Sea and Baltic Sea pipelines resulted in a decrease in net exports in September.

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**	**8.77**	**8.52**	**8.50**	**8.61**	**0.48**
2008 (forecast)	**9.00**	**9.26**	**9.09**	**9.03**	**9.09**	**0.49**

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

	2005	2006	4Q06	1Q07	2Q07	Jul 07	Aug 07*
Crude							
Russian pipeline							
Black Sea	1,335	1,288	1,224	1,420	1,398	1343	1259
Baltic	1,462	1,553	1,495	1,601	1,647	1652	1601
Druzhba	1,315	1,288	1,186	1,138	1,134	1006	1099
Total	**4,112**	**4,129**	**3,905**	**4,158**	**4,180**	**4001**	**3,959**
Other routes							
Russian rail	416	313	316	336	255	250	251
Russian - Far East	65	84	128	245	231	243	239
Kazak rail	17	31	17	18	13	7	11
CPC pipeline	648	661	677	709	712	676	703
Caspian	**295**	**396**	**332**	**332**	**250**	**206**	**189**
of which							
Supsa (AIOC) - Georgia	137	114	30	2	0	0	0
Batumi - Georgia	140	177	177	187	140	105	104
Total**	**1,441**	**1,702**	**1,967**	**2,233**	**2,298**	**2,267**	**2,263**
Total crude exports	**5,553**	**5,831**	**5,872**	**6,392**	**6,478**	**6,267**	**6,223**
Products							
All routes							
Fuel oil	836	861	854	877	786	778	791
Gasoil	759	841	812	696	601	597	617
Others	575	662	593	602	671	660	707
Total	**2,170**	**2,386**	**2,258**	**2,175**	**2,058**	**2035**	**2,114**
Total oil exports	**7,723**	**8,217**	**8,130**	**8,567**	**8,536**	**8,302**	**8,337**

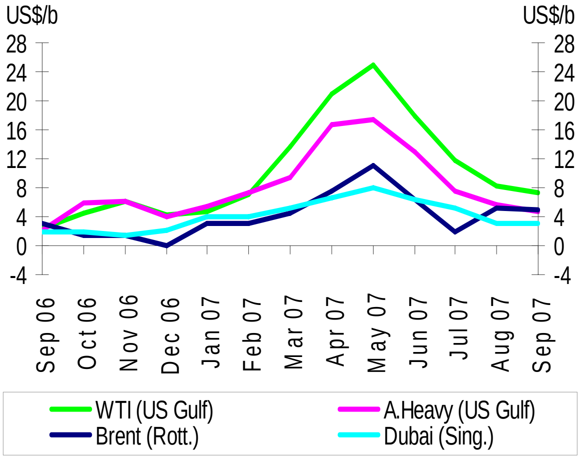
Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Product markets lost part of their earlier strength in September but typically remained strong

Over the last few years, product markets experienced a sharp downward correction in September which exerted adverse pressure on the entire petroleum complex. However, this year this trend has been muted significantly due to heavier seasonal maintenance in the Atlantic Basin and storm-related concerns which picked up in the second half of September, raising the risk of damage to refineries and provided support for product markets and slowed the decline in refining margins.

Graph 19: Refiners' margins



As **Graph 19** shows, refinery margins for the benchmark WTI crude at the US Gulf Coast declined slightly by 79¢/b to $7.41/b from $8.20/b in August. In Europe, refinery margins for Brent crude oil at Rotterdam dropped a marginal $0.11/b to reach $5.01/b from $5.12/b last month. The heavier refinery maintenance schedules in October may provide further support for Atlantic Basin refinery margins in the coming weeks.

In Asia, the market followed the same trend and refinery margins for benchmark Dubai crude oil fell by $0.11/b to $2.98/b from $3.09/b in the previous month. In Asia, refinery margins have come down a lot in recent months, but are likely to improve over the next months on the back of stronger distillates.

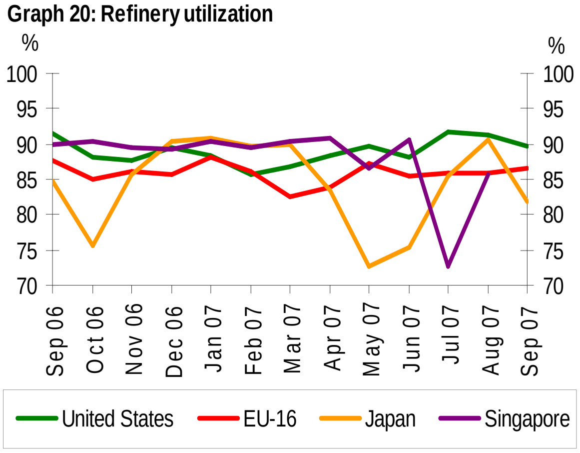
With the approaching winter season, the current neutral momentum of the product markets may improve further providing support for refinery economics and crude prices. However, the major wild cards would be weather conditions, particularly in the Atlantic Basin, and the refinery operation level in the US.

Refinery Operations

Refinery operation levels fell in the US and Japan

At the end of the driving season and prior to the peak heating oil season typically comes a shoulder season when refiners, particularly in the Atlantic Basin, carry out their autumn maintenance schedule and switch the refinery operation mode in favour of middle distillates. This year maintenance schedules look relatively heavy in the US and Europe. If the oil industry faces another round of outages in the next months as experienced earlier this year, market sentiment may shift to product market developments rather than crude fundamentals.

Graph 20: Refinery utilization



These developments have so far slightly reduced the US refinery utilization rate by 1.6% to 89.7% in September from 91.3% in August. In Europe, the refinery utilization rate increased a marginal 0.7% to 86.6% in September from 85.9% in the previous month. In Asia, the situation was relatively different, as the refinery operation level improved in most countries, but it slid significantly in Japan. The Japanese refinery utilization rate slipped to 81.8% from 90.5% in August (see *Graph 20*).

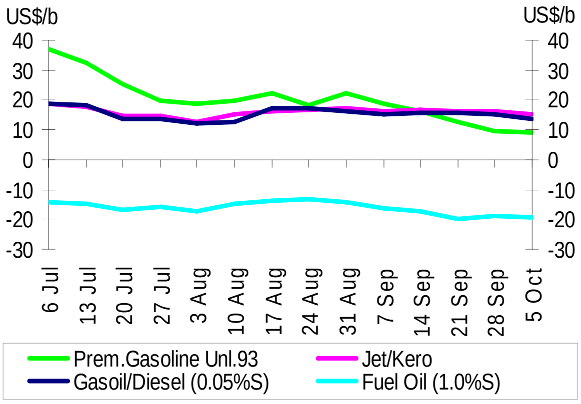
Due to the peaking of the autumn refinery maintenance schedules in October, refinery utilization rates are expected to decline across the globe next month, particularly in the Atlantic Basin.

Market players switched their attention to heating oil market developments

US market

Storm-related concerns and lower gasoline stocks could not overwhelm the impact of seasonal factors on the gasoline market and encourage market players to keep their long positions in the gasoline market. This situation has resulted in the fact that the gasoline prices both in the physical and the paper markets plummeted and the crack spread of premium gasoline against benchmark WTI crude oil plunged to about $9/b on 5 October from about $19.62/b in early September (see *Graph 21*). Seasonally weaker demand and potentially higher imports from the other side of the Atlantic and Asia Pacific are likely to limit the bullish momentum of the gasoline market in the coming months.

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



Despite the bearish movements in the gasoline market, middle distillates gained ground and both gas oil and kerosene crack spreads versus benchmark WTI crude at the US Gulf Coast stayed above $13/b **(see *Graph 21*).** More typical weather conditions this winter would provide further support to distillate components and crude prices in the near future. Such perception has also encouraged market players to increase their net long positions in the heating oil futures market.

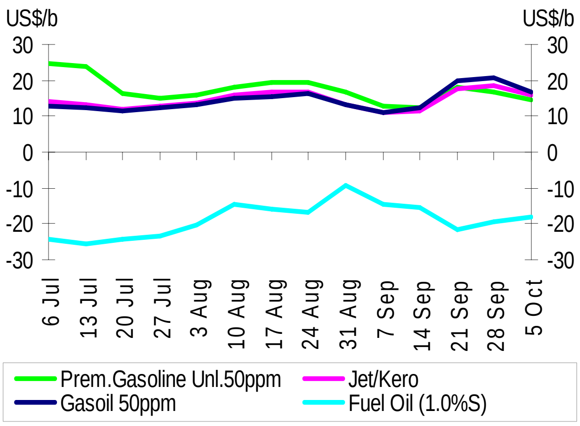
A combination of pre-winter buying from utility plants and the shipping industry, along with more arbitrage cargoes to Asia, boosted fuel oil demand in September versus the same period last year and provided support for different grades of fuel oil in absolute terms. However, due to high stocks and the relatively low price of natural gas as a major substitution for fuel oil, it is most unlikely that the current situation of fuel oil market will be sustained in the next weeks.

European product market focuses on middle distillates

European market

As projected in the last *MOMR*, the bullish developments of the European gasoline market in the latter part of August did not persist into September, as falling US gasoline demand along with relatively high freight rates has undermined transatlantic arbitrage economics and hit the European market. Following these developments, premium gasoline prices plummeted and its crack spread against benchmark Brent crude in Rotterdam on average narrowed to nearly $14.90/b from $17.94/b in August. Current conditions may weaken further in the next weeks due to sluggish regional demand and as gasoline stock levels might reach the range of the five-year average.

Graph 22: Rotterdam crack spreads vs. Brent, 2007



Despite the bearish momentum for gasoline, the European market sentiment for the middle of barrel components especially for low-sulphur grades appears strong. These circumstances have recently been enhanced due to refinery outages in France, Sweden and reduced exports from Russia through the Baltic. The projected autumn refinery maintenance schedule in October may carry the present tightness over into next month, supporting middle distillate margins. The low-sulphur gasoil crack spread versus benchmark Brent crude in Rotterdam — which acts as barometer of market sentiment — reached about $20/b in the last week of September (see *Graph 22*).

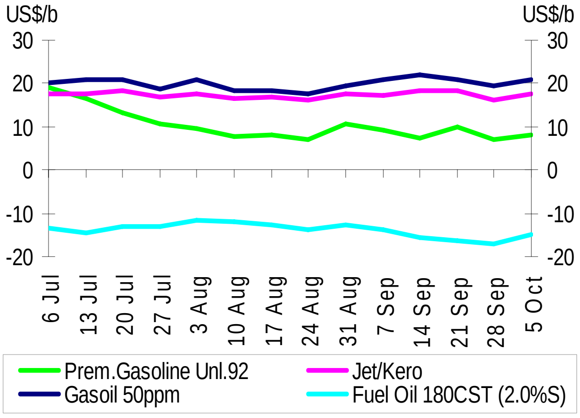
The European fuel oil market for low-sulphur grade appears poor due to lower regional utility demand and lack of an arbitrage outlet to the US. The low-sulphur fuel oil crack spread against Brent at Rotterdam plunged to minus $19.57/b in the last week of September from minus $9.41/b in the same period of the previous month **(see *Graph 22*).** But high-sulphur grades fared better as solid regional demand for bunker fuel and limited Russian supplies from the Baltic supported prices. Similarly, straight-run grades still remained strong especially in the Mediterranean area.

Asian market

The middle of the barrel components appears strong in Asia

Higher demand from Indonesia and Vietnam along with lower exports from China could not cap the downward trend of the Asian gasoline market which was affected by the lack of arbitrage opportunity to the US and other seasonal factors. The gasoline crack spread versus benchmark Dubai crude in Singapore fell to $6.95/b in the last week of September from $10.58/b in the same week of the previous month.

Graph 23: Singapore crack spreads vs. Dubai, 2007



Asian market sentiment for naphtha remained also weak due to higher exports from India and lower regional demand, as a result of the continuation of the maintenance schedule in petrochemical plants. With the approaching end of the maintenance season, the current situation in the naphtha market may improve, lifting naphtha prices in the latter part of this year.

As for middle distillates, market players focused their attention on the gas oil market, particularly for low-sulphur grades. Higher demand from India, Indonesia and Vietnam along with arbitrage opportunities to the Middle East and Europe provided sufficient support for the gasoil market so that even the increase of the corresponding benchmark Dubai crude by $6/b to $73.36/b in September from $67.36/b last month could not undermine the gasoil crack spread versus Dubai crude in the Singapore market. The gasoil crack spread in Singapore remained strong at around $20/b in September (**see *Graph 23***).

The lack of arbitrage opportunities to the US West Coast weighed on the Asian jet/kero market and its momentum was unchanged compared to the previous month. However, a fall in Japan's kerosene stocks may support the jet/kero market in the next few weeks.

The Asian fuel oil market for low-sulphur grades lost a part of its strong momentum in the previous month due to high availability and natural gas stocks in Japan. However, it still looks fundamentally strong largely due to lower exports from the Middle East and less arbitrage cargoes from Europe. These developments have recently narrowed the high sulfur crack spread to minus $14.75/b from minus $16.20 in the middle of September.

Table 16: Refined product prices, US$/b

		Jul 07	Aug 07	Sep 07	Change Sep/Aug
US Gulf (Cargoes):					
Naphtha		79.55	76.63	85.76	9.13
Premium gasoline	*(unleaded 93)*	101.40	92.83	93.68	0.85
Regular gasoline	*(unleaded 87)*	90.77	84.28	88.95	4.67
Jet/Kerosene		89.94	88.00	95.68	7.68
Gasoil	*(0.05% S)*	89.53	87.40	94.56	7.16
Fuel oil	*(1.0% S)*	58.16	57.85	61.29	3.44
Fuel oil	*(3.0% S)*	55.66	53.99	57.01	3.02
Rotterdam (Barges FoB):					
Naphtha		89.84	84.70	91.24	6.54
Premium gasoline	*(unleaded 50 ppm)*	96.78	90.16	94.47	4.31
Premium gasoline	*(unleaded 95)*	86.08	80.22	84.23	4.01
Jet/Kerosene		90.01	87.03	93.42	6.39
Gasoil/Diesel	*(50 ppm)*	89.12	86.40	94.83	8.43
Fuel oil	*(1.0% S)*	52.66	54.39	54.49	0.10
Fuel oil	*(3.5% S)*	54.01	52.23	55.65	3.42
Mediterranean (Cargoes):					
Naphtha		75.51	71.54	77.52	5.98
Premium gasoline	*(50 ppm)*	96.51	89.06	93.63	4.57
Jet/Kerosene		88.02	85.44	92.08	6.64
Gasoil/Diesel	*(50 ppm)*	89.63	87.56	95.31	7.75
Fuel oil	*(1.0% S)*	58.29	55.92	58.55	2.63
Fuel oil	*(3.5% S)*	53.68	52.70	56.10	3.40
Singapore (Cargoes):					
Naphtha		75.10	71.34	75.28	3.94
Premium gasoline	*(unleaded 95)*	85.35	77.15	82.51	5.36
Regular gasoline	*(unleaded 92)*	84.36	76.05	81.35	5.30
Jet/Kerosene		87.16	84.28	90.44	6.16
Gasoil/Diesel	*(50 ppm)*	89.57	86.33	93.78	7.45
Fuel oil	*(180 cst 2.0% S)*	57.53	56.34	58.90	2.56
Fuel oil	*(380 cst 3.5% S)*	57.39	55.71	58.15	2.44

Table 17: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Jul 07	Aug 07	Sep 07	Sep/Aug	Jul 07	Aug 07	Sep 07	Sep/Aug
USA	15.84	15.78	15.49	-0.29	91.7	91.3	89.7	-1.60
France	1.77	1.67	1.58	-0.09	90.2	85.4	80.8	-4.60
Germany	2.23	2.08 R	2.23	0.15	92.0	86.2 R	92.1	5.90
Italy	1.81	1.88 R	1.92	0.04	77.6	80.6 R	82.2	1.60
UK	1.46	1.51 R	1.51	0.00	77.4	79.9 R	80.0	0.10
Eur-16	12.06 R	12.06 R	12.16	0.10	85.9 R	85.9 R	86.6	0.70
Japan	4.00	4.23	3.82	-0.41	85.5	90.5	81.8	-8.70

R *Revised since last issue.*

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

The Tanker Market

OPEC spot fixtures declined by around 0.3 mb/d in September

After having increased by around 7% in August, preliminary data show that OPEC spot fixtures fell in September by around 2% from the previous month. The decline in spot fixtures came on the back of lower Asian activities due to maintenance as well as various holidays during the month. However, despite the decrease in OPEC spot fixtures, global spot fixtures increased in September by around 3% compared to the previous month. The increase in global spot fixtures can be attributed to healthier demand in the post-maintenance season. Both global and OPEC spot fixtures indicated an annual growth of 5% and 1% respectively. Middle East spot fixtures on the other hand declined in September on both East and West destinations with an 8% and 9% drop from the previous month respectively. It is worth highlighting that Middle East spot fixtures declined around 10% on an annual basis.

According to the preliminary data, OPEC sailings remained relatively steady in September with a minor increase of less than 1%. The majority of the increase in sailing is estimated to be from non-Middle East members as Middle East sailings fell slightly in September from the previous month. On an annual basis, OPEC sailings experienced a decline of 2% in September, while Middle East sailings experienced a similar decrease. Arrivals at the main importing regions showed a minor declining trend in September. US Gulf Coast, US East Coast and Caribbean saw steady arrivals with a decline of just over 1%, in line with US crude oil imports in September. Arrivals at the North West Europe and Euromed regions declined marginally by less than 1%.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Spot Chartering				
All areas	17.24	18.56	19.05	0.49
OPEC	11.69	12.50	12.20	-0.30
Middle East/east	4.81	5.28	4.87	-0.41
Middle East/west	1.44	1.68	1.53	-0.15
Sailings				
OPEC	23.16	23.11	23.19	0.08
Middle East	17.50	17.56	17.54	-0.02
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.84	8.99	8.87	0.35
North West Europe	7.84	8.21	8.19	0.37
Euromed	4.56	5.10	5.09	0.54

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

Crude oil spot freight rates improved in the second half of September on increasing activities

In September, crude oil spot tanker rates explored the bottom with the lowest rates for the VLCCs in 2007 and on some routes the weakest rates in years. At the same time, the market encountered the long awaited rebound in September. On average, dirty spot tanker rates remained steady in September with the gains offsetting the initial slump. Availability and market perceptions were the main factors pulling rates toward different ends, with almost an equilibrium-state created at the end compared to the month before. The bottom defining move for the VLCC sector occurred in the second half of the month with a spillover to the Suezmax sector where its own dynamic mechanism kept it in the red on an average basis. The Aframax sector went through a similar sequence of events on most reported routes.

The VLCC sector began September following the trail of the previous month with tonnage availability, on average more than 86 VLCCs for the next 30 days, outstripping demand. Accordingly, spot freight rates had no direction to head but south reaching low levels unseen since 2002 on some routes. VLCC rates from the Middle East went through a gradual decline in the first half of September reaching WS44 on the route to the West. Global refinery maintenance as well as vessel availability were the key factors for the decline. However, with the market sensing the impending benefit of OPEC's decision to increase output, coupled with an influx of tonnage availability by the second half of September, spot freight rates reacted with an increase in rates that continued toward the end of the month.

East of Suez VLCC long-haul freight rates from the Middle East to eastern destinations closed the month with a steady note with rates increasing 1%, while to western destinations rates indicated a decline of 3%. On an annual basis, spot freight rates for VLCCs trading on the Middle East/west route showed a decline of more than 50%. West of Suez VLCCs from West Africa went through a similar drift with rates closing the month with a decline of around 7% from the previous month. Despite the steady-to-slightly declining average for September, VLCC owners were glad to see some activities and optimism set in that the market could witness some more upward moves. However, the coming period will show whether spot freight rates will stabilize or the recent upward step is the first in a long walk to higher rates in the winter.

A similar move was encountered by the Suezmax sector, with spot freight rates declining at the beginning of September on the back of limited activities and a long tonnage availability list that kept on growing. In the second half of the month, activity started to pick up, clearing some of the tonnage build, however, VLCC availability halted the increase and rates stabilized toward the end of the month. Suezmax moving volumes from West Africa to the US declined around 3% in September from the previous month, while North West Europe rates declined 7%. On an annual basis, Suezmax spot freight rates indicated a y-o-y decline of 44% on average.

The Aframax sector closed the month with positive notes on all of its reported routes, despite being small. Going through the same momentum experienced in other sectors, the Aframax indicated on average an 8% increase on its reported routes. West of Suez Aframax spot freight rates remained steady in the first half of September with owners holding the upper hand in the second half on more activities and thinning tonnage availability. Spot freight rates for Aframax in the Mediterranean averaged 10% higher in September compared to the previous month. East of Suez spot freight rates for Aframax experienced declining fuel oil activities from China at one point, and increasing lightering operations on the other side pulled rates in opposite directions. However, given market sentiment and owners holding their positions on a higher bunker price basis, the route averaged the month with a minor increase of 2% in September compared to the previous month.

It should be highlighted that on an annual basis, all reported spot freight rates for all tanker sectors indicated a drop ranging from 30% to 52%, which can be attributed to the new deliveries boosting tonnage supply to a level which forced market fundamentals to produce the resulting lower rates. However, such a high annual decline can be viewed positively that there is more room for rates to improve from their current level, as well as negatively, that the tanker spot market has entered a period of fundamentally low earnings.

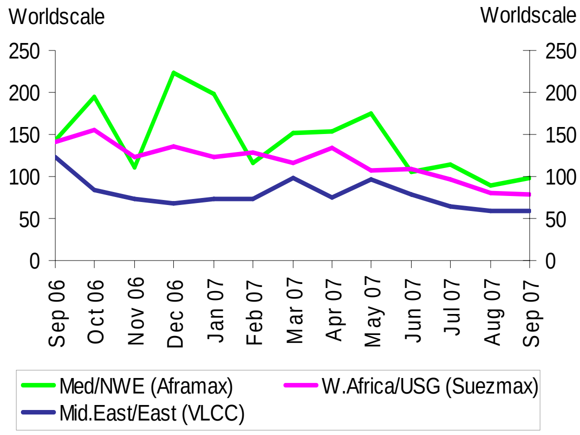
Table 19: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude					
Middle East/east	230-280	64	59	60	1
Middle East/west	270-285	49	48	46	-1
West Africa/east	260	65	56	52	-4
West Africa/US Gulf Coast	130-135	97	80	78	-2
NW Europe/USEC - USGC	130-135	98	85	79	-6
Indonesia/US West Coast	80-85	142	122	124	2
Caribbean/US East Coast	50-55	163	108	119	10
Mediterranean/Mediterranean	80-85	118	91	100	9
Mediterranean/North-West Europe	80-85	115	89	98	9
Products					
Middle East/east	30-35	186	191	173	-18
Singapore/east	30-35	226	225	219	-6
Caribbean/US Gulf Coast	38-40	268	210	181	-29
NW Europe/USEC - USGC	33-37	226	179	171	-8
Mediterranean/Mediterranean	30-35	201	166	142	-24
Mediterranean/North-West Europe	30-35	211	173	151	-22

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

Bearish sentiments continued to dominate the clean tanker market with spot freight rates declining on all reported routes. Global refinery maintenance and vessel availability coupled with arbitrage movement were the key issues in the clean tanker market. On average, clean tanker spot freight rates dropped around 10% in September compared to the previous month and indicated an annual decline of 33%. East of Suez clean spot freight rates were influenced mainly by the slowdown in trans-Pacific arbitrage to the US West Coast as the focus shifted toward winter grades.

Graph 24: Monthly averages of crude oil spot freight rates



Additionally, high naphtha stocks in Japan added to the bearish sentiments which came at a time of petrochemical cracker shutdowns. The holiday period reduced activities affecting rates. However, the gasoil and jet arbitrage to Europe halted the decline and supported rates in addition to fuel oil demand in Indonesia and jet demand in China. The clean tanker spot freight rates to the East closed the month with a decline of 10% and 3% from the Middle East and Singapore respectively.

The West of Suez clean tanker market continued sailing south with spot freight rates declining for the fourth consecutive month. All reported West of Suez clean spot freight rates defined a new low for 2007 so far with some of the rates reaching a point that has not been seen in seven years. Spot freight rates for clean tankers moving volumes from North West Europe to the US dropped 5% in September from the previous month. While gasoline arbitrage to the US remained healthy, the solid tonnage list halted any increase with the market moving attention to other grades. Hence, spot freight rates continued their gradual decline throughout September. However, at the end of the month, rates picked up on increased activities, but it was not enough to offset the initial decline.

From the Caribbean, clean spot freight rates decreased 14% in September compared to the previous month, on the back of easing concerns over the hurricane as well as the healthy position list. In the Mediterranean, availability overwhelmed the increase in activities and rates went down a further 14% from the previous month. While increased activities to the US created a spur in demand in the Mediterranean, charterers managed to close the short-lived green period during the month. Spot freight rates for clean tankers trading in the Mediterranean experienced a y-o-y decline of around 38%.

Oil Trade

OECD net oil imports remained steady in August supported by lower crude oil exports

OECD

According to preliminary estimated data, OECD crude oil imports remained steady in August compared to the previous month. Despite the decline in crude oil imports in the US, Japan, and South Korea due to the backwardation circumstances as well as refinery glitches, Europe's crude oil imports increased due to a rise in refinery throughput to take advantage of the high prices. Europe's increase in crude oil imports offset the decline in other regions and OECD crude oil imports closed the month of August steady with the previous month. On an annual basis, OECD crude oil imports indicated a y-o-y decline of more than 5%. OECD product imports experienced a minor increase in August of less than 1% from a month earlier. The increase in fuel oil imports in Japan to cover thermal power generation requirements after the earthquake, supported OECD product imports in addition to increased Europe's product imports such as jet and gasoil. However, the decline of US product imports, on the back of closed gasoline arbitrage, undermining any gains in OECD product imports. Despite the minor increase in August, OECD product imports indicated an annual drop of more than 7%.

Total OECD oil exports edged up by 10,000 b/d driven mainly due to the rise in product exports which showed an increase of less than 2% in August compared to the previous month. On the other hand, crude oil imports declined in August by 2% from a month earlier. Compared to same month last year, crude oil and product exports indicated a decline of 7% and 6%, respectively. Hence, OECD net oil imports remained steady with a minor increase registered compared to the previous month. The slight increase came only from net crude oil imports which increased as a result of the decline in exports. OECD net oil imports experienced an annual decline of around 6% in August.

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

	Jun 07	Jul 07	Aug 07	Change Aug/Jul
Crude oil	23,634	23,897	24,026	130
Total products	1,572	1,567	1,470	-96
Total crude and products	**25,206**	**25,463**	**25,496**	**33**

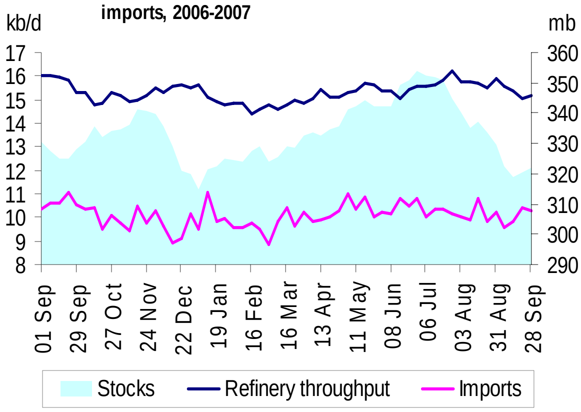
In terms of crude oil suppliers**,** Saudi Arabia and Russia came on top in August with more than 26% for both. Canada, Mexico and Norway came next with around 6% each. On the product side, Russia and the Netherlands were first with a combined 19%.

US crude oil imports fell 0.14 mb/d in September and product imports declined by 3%

USA

US crude oil imports decreased in September by 1.4% compared to the previous month to mark the lowest level since March, according to preliminary data. The decline in US crude oil imports was noticeable in the first half of the month on the back of weather-related issues. In the first half of the month, crude oil stocks fell in line with the decline in imports before increasing in the second half as imports rose and refinery throughput decreased.

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



Similarly, product imports declined in the US, according to preliminary data, by around 3% to reach the second-lowest level after February so far this year. The drop in US product imports consisted mainly of gasoline, distillates, and kerosene. US gasoline imports in September are estimated to be around 7% lower than in August. However, the drop in demand offset the decrease in imports which resulted in a steady level of stocks at the end of September compared to a month earlier. Similarly, kerosene imports showed a decline of around 18% in September compared to the previous month, with stocks declining accordingly. Demand for distillates also declined in September which was in line with the drop in imports, although stocks showed an increase attributable to the rise in production in preparation for the winter season. Fuel oil imports increased in September compared to August while demand decreased; as a result, stocks increased at the end of September according to preliminary data. However, the increase in fuel oil imports was not enough to offset the decline in imports of other products. On an annual basis, US product imports indicated a y-o-y decrease of around 2%.

On the export side, total US exports remained relatively steady in September compared to the previous month with a 25% annual decline. Accordingly, US net oil imports declined in September by around 2% driven by a 1.4% decline in net crude oil imports and a 4% loss in net product imports. On an annual basis, US net oil imports showed a decrease of around 3% in September.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude oil	10,188	10,130	9,991	-139
Total products	2,497	2,149	2,065	-84
Total crude and products	**12,685**	**12,279**	**12,056**	**-223**

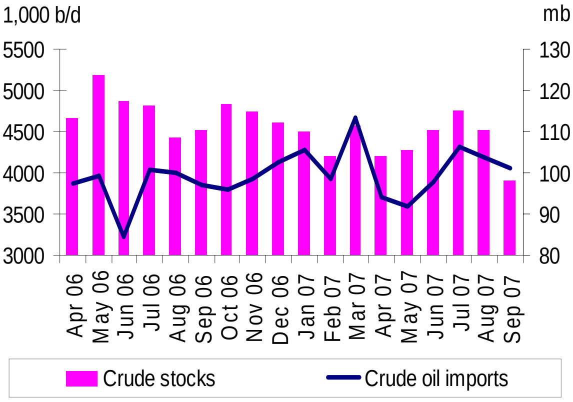
Canada with 18% and Mexico 15% were the main suppliers of US crude oil in July. Saudi Arabia came next with 14% followed by Venezuela with 12%. Nigeria and Algeria followed with 9% and 5%, respectively. OPEC Member Countries supplied around 53% of the US crude oil. On the product side, Canada was the top supplier to the US with 15% followed by Russia with 11%. It is worth to highlight that Russia's share of US product imports increased in July by around 5%. The Virgin Islands came third with around 10%.

Japan

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

According to preliminary estimates, Japan's crude oil imports decreased in September from the previous month. The drop of around 3% occurred despite the extra volume required for power generation after the shut-down of a nuclear facility following the earthquake. However, refinery maintenance planned over the coming period influenced Japan's crude oil imports. Compared to the same period last year, Japan's crude oil imports indicated growth of around 5%.

Graph 26: Japanese crude oil imports and crude stocks



On the product side, Japan's product imports remained steady in September compared to a month earlier. A minor increase experienced in product imports amounted to around 5%. During the first nine months of this year, Japan imported around 15% less products compared to the same period last year. However, September product imports indicated an annual increase of around 4%. On the export side, Japan exported slightly more products in September compared to the previous month. Japan exported more gasoline, jet and fuel oil in September, while exports of gasoil declined slightly.

Accordingly, Japan's total net oil imports declined more than 3% in September from the previous month. Net imports of both crude oil and products drove the decline with net product imports indicating a monthly fall of around 70%. However, Japan's net oil imports showed an annual increase of more than 5% in September.

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

	Jul 07	Aug 07	Sep 07	Change Sep/Aug
Crude oil	4,321	4,184	4,057	-138
Total products	-109	21	5	130
Total crude and products	**4,213**	**4,205**	**4,062**	**-8**

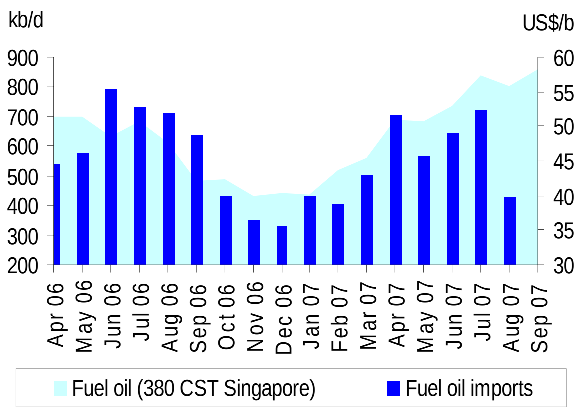
For the sources of imports, Saudi Arabia and the UAE shared the top spot with around 24% each, supplying around 50% of Japan's crude oil in August. Iran, Qatar and Kuwait followed with 8-12% each. OPEC Member Countries supplied around 84% of Japan's crude oil in August. Both the UAE and Saudi Arabia remained Japan's top product suppliers with 17% and 13% respectively. Qatar followed at the third place with 11%, and Kuwait came next with 10%.

China

China's crude oil imports declined by 5% while product imports fell by 32% in August

In August, China's crude oil imports and declined breaking the increase of the previous two months. The reduced demand from domestic state-owned refineries during the peak of the turnaround season contributed strongly to the drop in crude oil imports. Additionally, high international prices contributed to the decline in China's crude oil imports, which fell more than 5% in August compared to the previous month. However, on an annual basis, China's crude oil imports experienced an increase of around 19%.

Graph 27: Chinese fuel oil imports and fuel oil



Similarly, China's product imports dropped in August compared to the previous month. Despite the small increase in gasoline, gasoil, and naphtha imports, the sharp decline in fuel oil imports created negative product imports for August with a decrease of around 32% compared to the previous month. Jet fuel imports remained steady in August with continuing high demand in the peak traveling season. China's naphtha imports increased in August on the back of strong domestic demand. Similarly, gasoil demand driven by the agricultural sector supported the increase in imports in August, with Japan as the top source for China's gasoil imports. Fuel oil imports, which in July had an 83% share of China's total product imports, declined significantly in August, by more than 40%, mainly on the back of high international prices. However, the drop in China's fuel oil imports in August — with South Korea as the top supplier — led to stock-draws in various areas. On an annual basis, China's product imports indicated a y-o-y decline of more than 30% which is an indicator of growth in China's refining sector.

On the export side, China's crude oil exports surged more than 300% in August from the previous month; the high percentage is attributed to the small volume exported in July. China's total crude oil exports reached 70,000 b/d in August where improved weather conditions allowed crude oil production to increase supporting export volume. On the product side, China exported 20% more in August than in the previous month. Exports of jet fuel increased in August on the back of higher production as well as exports of naphtha with the majority done through third-party processing agreements. Gasoil exports remained steady in August on the back of strong local demand, while exports of fuel oil slightly increased on the back of higher international prices as well as increased production supported by heavy crude oil runs as well as a weak bitumen market. China's gasoline exports declined in August compared to the previous month and production fell mainly due to higher output of gasoil and fuel oil.

As a result, China's net crude oil imports decreased by around 7% in August compared to the previous month. Net product imports also declined yet at a much higher level of more than 53% due to the increase in exports and the decrease in imports as described above. Net imports of both crude oil and products led to a drop of China's total net oil imports of around 15% in August compared to the previous moth. On an annual basis, China's net oil imports indicated an increase of 6% in August driven by crude oil imports.

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

	Jun 07	Jul 07	Aug 07	Change Aug/Jul
Crude oil	3,390	3,485	3,249	-236
Total products	548	737	344	-393
Total crude and products	**3,938**	**4,222**	**3,593**	**-629**

Saudi Arabia maintained its position as China's main crude oil supplier in August with 18%, up from 11% in the previous month. Angola came next with 13% followed by Iran and Russia with 11% and 8% respectively. Oman's share in China's crude oil imports declined in August to 7% from 10% in the previous month. OPEC Member Countries supplied around 60% of China's crude oil in August.

India

India's net oil imports fell 4% in August due to declines in both crude oil and product imports

India's total oil imports were 2.8 mb/d in August, according to preliminary data, around 5% less than total imports in July. Crude oil imports declined in India by around 5.5% in August compared to the previous month, mainly on the back of refinery shutdowns and slightly lower domestic sales. August product imports remained steady in India compared to the previous month. Imports of naphtha and fuel oil increased offsetting the decrease in diesel and kerosene imports in August. The decline in diesel imports in August came in line with the drop of domestic sales on the back of floods and heavy rains which curbed consumption.

Imports of naphtha increased as well in August due to higher domestic sales as a result of some petrochemical and fertilizer plants shifting back to naphtha from natural gas due to economical reasons. On an annual basis, India's crude oil imports indicated a y-o-y growth of 10% while product imports experienced a y-o-y decline of 6%.

In August, India exported around 6% less products compared to the previous month. While diesel exports increased in August due to the decline in domestic sales and gasoline outflows were also higher compared to the previous month, naphtha and fuel oil exports fell on the back of local demand. On an annual basis, India's August product exports indicated a y-o-y growth of around 8% despite the monthly decline. One of the main reasons for the annual increase in export is that many private refiners prefer to export their products to international markets to take advantage of high prices as well as the lack of a compensation mechanism by means of which the government would reimburse private refiners for local prices.

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

	Jun 07	Jul 07	Aug 07	Change Aug/Jul
Crude oil	2,350	2,555	2,415	-139
Total products	-442	-437	-387	50
Total crude and products	**1,908**	**2,118**	**2,028**	**-89**

Accordingly, India's net oil imports declined in August by around 4% compared to the previous month. Net imports of both crude oil and products drove the decline in net oil imports with the net product imports decreasing 11% while net crude oil imports fell 5.5%. However, on an annual basis, India's net oil imports in August showed growth of around 7% supported by net imports of both products and crude oil.

Stock Movements

US crude oil stocks experienced a counter-seasonal draw of 33 mb in the third quarter but remained above the five-year average

USA

Preliminary data showed that US total commercial oil stocks remained relatively stable in September after having dropped a substantial 23 mb in the previous month. At 1,021 mb, US commercial oil stocks were around 76 mb below last year's level but at a surplus of 15 mb above the five-year average. The comparison with last year' level is misleading to some extent because in September 2006 US commercial stocks hit an extremely high level which led to a significant drop in prices in January before declining in line with OPEC's production cut. The marginal decline of 0.6 mb between September 2006 and January 2007 came as a result of the combination of the 6.9 mb draw on crude oil stocks and a 6.2 mb build in product stocks.

US crude oil stocks declined for the third consecutive month, implying a total draw of 33 mb for the third quarter. However, it is worth mentioning that crude oil inventories showed two consecutive builds during the weeks ending 21 and 28 September, the first time in the last three months. The decline in stocks was driven by increasing refining activity and backwardation in the futures curve, which removed the incentives to hold crude stocks. In addition, lost production in the Gulf of Mexico due to hurricane activity contributed to the draw on crude oil stocks. Despite this drop, US crude oil stocks remained at the upper end of the recent five-year range and well above the five-year average with 28 mb. Autumn refining maintenance, which started in September, will probably add more crude oil to stocks as was the case during the second half of the month. Demand forward cover remained above the corresponding levels of last year and the five-year average with 1% and 7% respectively.

Product stocks stood close to the five-year average at almost 700 mb. Distillate stocks followed their seasonal trend, continuing to build for the third consecutive month on the back of healthy imports to stand at 136 mb, up 3.5 mb from the previous month and 4 mb above the five-year average. Gasoline stocks inched up 0.2 mb to 191.3 mb but remained below the lower end of the five-year range with a deficit of around 12 mb to the five-year average. For gasoline stocks, days of forward cover rose to around 21 days compared with a historically low level of 19 days from the previous month but remained 2 days below the five-year average, whereas distillates remained around 1.5 days below the five-year average. Residual fuel oil rose 1 mb to 37.4 mb and jet fuel remained almost stable at nearly 41 mb.

It is worth mentioning that in September crude oil in the Strategic Petroleum Reserve (SPR) increased 2.5 mb after having been stable since July 2006, with the exception of April and May where they rose by 0.8 mb each. The build from royalty-in-kind production was to replenish withdrawals which took place after hurricanes Katrina and Rita in 2005. It is expected that another 1.3 mb will be added in October and 3 mb in December according to the US Department of Energy.

Table 25: US onland commercial petroleum stocks, mb

	Jul 07	Aug 07	Sep 07	Change Sep 07/Aug 07	Sep 06	05 Oct 07 *
Crude oil	338.5	328.7	321.8	-6.9	332.7	320.1
Gasoline	204.8	191.1	191.3	0.2	214.1	193.0
Distillate fuel	130.6	132.4	135.9	3.5	149.3	135.3
Residual fuel oil	39.7	36.4	37.4	1.0	43.4	36.6
Jet fuel	42.0	41.2	40.8	-0.4	41.9	41.4
Total	**1,045.0**	**1,022.0**	**1,021.4**	**-0.6**	**1,097.2**	**1,021.0**
SPR	690.3	690.3	692.8	2.5	687.8	692.8

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

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

In the week-ending 5 October, US commercial oil stocks fell a slight 0.40 mb to 1,021.0 mb, lifting the y-o-y deficit to 68 mb or 6% but remained 22 mb or 2% above the five-year average. Crude oil stocks fell 1.7 mb to 320.1 mb in contrast to analysts' expectation that stocks would grow around 0.9 mb. This draw came as crude oil imports fell 384,000 b/d to 9.9 mb/d, combined with the 0.3% increase to 87.8% in the refinery utilization rate. It should be noted that, although this is the refinery turnaround season, refinery utilization increased last week. Even with the draw, crude oil stocks remained at 25.0 mb or 8% above the five-year average. Gasoline stocks posted a contra-seasonal build of 1.7 mb to 193 mb boosted by higher production and imports. In fact, gasoline output rose 230,000 b/d to 8.9 mb/d while gasoline imports increased 170,000 b/d to 1.32 mb/d. Currently, gasoline stocks are about 9 mb or 4% below the last five-year average. Total distillate stocks declined 0.6 mb to 135.3 mb, slightly more than the market's expectation of a draw of 0.4 mb, driven mainly by higher demand which increased by 190,000 b/d to average 4.5 mb/d. Heating oil inventories were up 1.0 mb partially offsetting the drop in diesel stocks. This build in heating oil stocks should alleviate some of the concern heading into the winter season. Total distillate stocks are now around 5 mb or 4% above the five-year average.

Western Europe

EU-16 total oil stocks fell to a 27-month low in September, but remained above the five-year average

EU-16 (EU-15 plus Norway) total oil stocks dropped 12.3 mb with crude oil falling by 5.5 mb and products by 6.8 mb. With this decline, EU-16 stocks experienced a counter-seasonal draw of around 14 mb during the third quarter to hit 1,133 mb, the lowest level since June 2005, but still comfortably above the five-year average.

Table 26: Western Europe's oil stocks, mb

	Jul 07	Aug 07	Sep 07	Change Sep 07/Aug 07	Sep 06
Crude oil	485.0	483.3	477.8	-5.5	481.4
Mogas	121.5	123.4	123.1	-0.3	129.9
Naphtha	26.4	27.3	26.4	-0.9	28.2
Middle distillates	396.3	396.4	391.1	-5.3	396.2
Fuel oils	111.8	115.1	114.8	-0.3	116.0
Total products	656.0	662.2	655.4	-6.8	670.2
Total	**1,141.1**	**1,145.5**	**1,133.2**	**-12.3**	**1,151.6**

Source: Argus, Euroilstock.

Crude oil stocks have been declining for the fourth consecutive month but remained at the upper end of the five-year range. They displayed a cumulative drop of 23 mb over the last four months and stood at 478 mb at the end of September, which corresponds to 3.6 mb below last year's level, but a surplus of 13 mb or 3% over the five-year average. The drop was driven essentially by arbitrage opportunities in the transatlantic basin and the backwardated structure in the forward market with increasing refinery throughput.

On the product side, the higher refining utilization rate was not enough to help build product stocks. Middle distillates dropped 5.3 mb to 396, but remained comfortably at the upper end of the five-year range and at a surplus of 19 mb or 5% over the five year average. The backwardation in the gasoil market also contributed to the draw in combination with strong exports to Latin America and lower supply from Russia. The recovery in gasoline in August was short-lived as stocks fell again in September albeit by a marginal 0.3 mb to 123 mb and stayed below the lower end of the five-year range since the beginning of the year and the gap with the five-year average remained at around 9%. Naphtha stocks fell around 1 mb, offsetting the build of the previous month to stand at 26.4 mb, almost 2 mb below last year, while residual fuel oil inventories remained almost unchanged at around 115 mb, which corresponds to 1.2 mb lower than a year earlier.

Japan

Japan's total commercial oil stocks rose 4 mb in August to around 199 mb, almost the same level as a year earlier and well above the five-year average

Japan's commercial oil stocks continued their upward trend, increasing 4 mb in August to stand at 199 mb at the end of the month, the highest level since last January. The build in stocks was driven by products while crude oil inventories declined. The build in product stocks and the drop in crude oil stocks were due to the surge in the refinery utilization rate, which moved above 90% for the first time since last January. Since end-April, more than 23 mb were added to stocks with around three quarters coming from products. At 199 mb, Japanese commercial stocks were almost at the same level as a year ago and close to the upper end of the last five-year range.

Crude oil inventories fell 5 mb, offsetting the build of the previous month to stand at 110 mb, which corresponds to 2% above the level of a year earlier but still below the five-year average. It is worth mentioning that, apart from the first three months of the year, crude oil stocks have remained below the five-year average. However, the gap with the five year average is narrowing, declining from 10 mb in June to just 3 mb in August.

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

	Jun 07	Jul 07	Aug 07	Change Aug 07/Jul 07	Aug 06
Crude oil	110.2	115.3	110.3	-5.0	108.6
Gasoline	12.3	11.4	12.8	1.4	12.7
Naphtha	12.8	12.3	11.6	-0.7	13.1
Middle distillates	31.4	36.0	43.7	7.7	44.4
Residual fuel oil	19.0	20.2	20.8	0.6	21.2
Total products	75.5	79.9	88.8	9.0	91.4
Total**	**185.7**	**195.2**	**199.1**	**4.0**	**200.0**

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

In contrast to crude oil, product stocks continued to move upward to close to last year's levels and the upper end of the five-year range. Product inventories rose 9 mb or 11% to around 89 mb, the highest level since last January. The build was driven by distillates, which surged by 7.7 mb or 21% as is typically the case in August. The jump is attributable to higher refinery yields and weak demand for distillates in summer, as well as the desire to stockpile ahead of the winter season. Gasoline stocks increased 1.4 mb to 13 mb, reversing the downward trend displayed since last February. With 13 mb, the same level as a year earlier, gasoline stocks moved back within the range of the last five years. Residual fuel stocks ended the month at nearly 21 mb, an increase of 0.6 mb over the previous month and at almost the same level as a year ago. In contrast, naphtha inventories dropped a further 0.7 mb to 11.6 mb, which corresponds to 1.5 mb below last year's level.

However, preliminary data from PAJ showed that Japan's commercial stocks dropped by more than 12 mb in September, with crude oil accounting for almost three quarters of the losses and distillates for around one fifth.

Balance of Supply and Demand

Estimate for 2007

Demand for OPEC crude in 2007 revised up slightly by 50,000 b/d

The demand for OPEC crude in 2007 is expected to average 31.07 mb/d, an increase of 139,000 b/d over the previous year. On a quarterly basis, demand for OPEC crude is expected to average 31.23 mb/d, 30.29 mb/d, 31.34 mb/d and 31.43 mb/d respectively. The balance item for the third quarter which is introduced this month stands at -0.85 mb/d.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.47**	**85.77**	**84.57**	**85.57**	**87.07**	**85.75**
Non-OPEC Supply	49.48	50.33	49.93	49.85	51.04	50.29
OPEC NGLs and non-conventionals	4.06	4.21	4.35	4.39	4.60	4.39
(b) Total Supply excluding OPEC Crude	**53.53**	**54.54**	**54.28**	**54.23**	**55.64**	**54.68**
Difference (a-b)	**30.93**	**31.23**	**30.29**	**31.34**	**31.43**	**31.07**
OPEC crude oil production (1)	30.89	29.97	30.11	30.48		
Balance	-0.04	-1.25	-0.18	-0.85		

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

Forecast for 2008

In 2008, demand for OPEC crude broadly unchanged at 30.82 mb/d

The demand for OPEC crude in 2008 is expected to average 30.82 mb/d, a decline of around 253,000 b/d compared with the current year. On a quarterly basis, demand for OPEC crude is expected to average 31.17 mb/d, 29.84 mb/d, 30.80 mb/d and 31.47 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.75**	**87.33**	**85.60**	**86.68**	**88.73**	**87.09**
Non-OPEC Supply	50.29	51.45	50.94	50.94	52.12	51.36
OPEC NGLs and non-conventionals	4.39	4.70	4.82	4.94	5.14	4.90
(b) Total Supply excluding OPEC Crude	**54.68**	**56.16**	**55.76**	**55.88**	**57.26**	**56.27**
Difference (a-b)	**31.07**	**31.17**	**29.84**	**30.80**	**31.47**	**30.82**

Graph 28: Balance of supply and demand

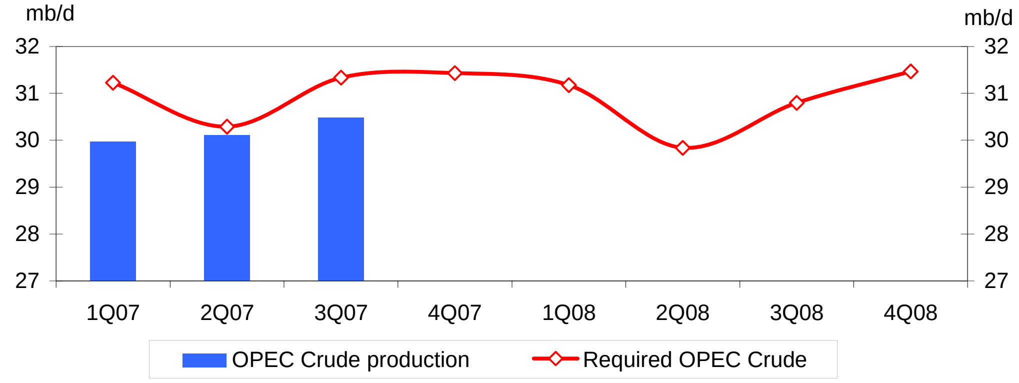


Table 30: World oil demand/supply balance, mb/d

	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	49.7	48.2	49.0	50.3	49.3	50.3	48.2	49.0	50.9	49.6
North America	24.5	25.4	25.5	25.3	25.7	25.5	25.6	25.8	25.6	26.0	25.6	25.7	26.1	25.9
Western Europe	15.4	15.5	15.6	15.6	15.3	14.9	15.5	15.7	15.4	15.4	14.9	15.5	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.9	8.8	8.3	8.9	7.7	7.8	8.9	8.3
DCs	20.6	21.8	22.5	23.3	23.7	24.0	24.0	24.1	23.9	24.2	24.5	24.6	24.7	24.5
FSU	3.7	3.8	3.9	3.9	3.9	3.7	3.9	4.3	4.0	3.9	3.8	4.0	4.3	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	85.6	87.1	85.7	87.3	85.6	86.7	88.7	87.1
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.1	20.0	20.6	20.3	20.7	20.1	19.9	20.7	20.4
North America	14.6	14.6	14.1	14.3	14.4	14.4	14.3	14.5	14.4	14.6	14.3	14.4	14.8	14.5
Western Europe	6.4	6.2	5.8	5.4	5.5	5.1	5.1	5.3	5.3	5.3	5.1	4.7	5.0	5.0
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	11.6	11.9	11.9	12.0	12.1	12.0
FSU	10.3	11.1	11.5	12.0	12.5	12.5	12.5	12.8	12.6	12.9	13.0	13.1	13.4	13.1
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.8	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	49.5	50.3	49.9	49.8	51.0	50.3	51.5	50.9	50.9	52.1	51.4
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	4.9	5.1	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.8	53.0	53.1	53.5	54.5	54.3	54.2	55.6	54.7	56.2	55.8	55.9	57.3	56.3
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	84.4	84.7							
Balance (stock change and miscellaneous)	0.3	0.7	0.7	0.0	-1.3	-0.2	-0.9							
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2681	2600	2669								
SPR	1411	1450	1487	1499	1503	1504								
Total	3928	3998	4083	4180	4103	4173								
Oil-on-water	882	905	958	908	911	906								
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	54								
SPR	29	29	30	30	31	31								
Total	80	80	83	85	85	85								
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.8	8.5	8.5	8.6	9.0	9.3	9.1	9.0	9.1
(a) - (b)	27.5	29.3	30.4	30.9	31.2	30.3	31.3	31.4	31.1	31.2	29.8	30.8	31.5	30.8

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

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

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

† This compares Table 30 in this issue of the MOMR with Table 30 in the September 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
Closing stock levels *mb*																				
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,681	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,598	2,658	2,763	2,681	2,600	2,669
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	1,292
Western Europe	925	895	922	924	945	978	919	933	945	924	952	925	952	945	949	946	959	978	951	952
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	425
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
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	397	397
OECD total	3,918	3,825	3,928	3,998	4,083	4,180	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,085	4,151	4,258	4,180	4,103	4,173
Oil-on-water	830	815	882	905	958	908	906	891	894	905	934	931	926	958	960	967	964	908	911	906
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	56	54	54	54
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51
Western Europe	60	58	60	59	61	64	61	60	59	59	62	59	60	59	63	61	61	64	64	61
OECD Pacific	52	47	51	50	47	51	51	52	49	45	48	53	49	43	52	55	53	49	53	54
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	30	31	31	30	30	31	31
North America	23	25	25	27	27	27	26	26	26	26	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
OECD Pacific	45	45	47	46	47	47	51	49	45	42	49	49	45	43	50	50	45	45	51	50
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	86	84	85	85

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	7.21	7.38	7.47	7.48	7.39	0.05	7.46	7.58	7.50	7.56	7.53	0.14	7.72	7.68	7.70	7.88	7.75	0.22
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.33	3.20	0.17	3.35	3.20	3.29	3.43	3.32	0.12	3.41	3.24	3.25	3.38	3.32	0.01
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	3.46	3.55	3.54	-0.15	3.51	3.39	3.43	3.56	3.47	-0.07
North America	14.60	14.56	14.14	-0.43	14.21	14.21	14.35	14.32	14.27	0.14	14.39	14.36	14.25	14.54	14.39	0.11	14.65	14.31	14.38	14.83	14.54	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	2.56	2.69	2.61	-0.17	2.69	2.54	2.41	2.60	2.56	-0.05
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.80	1.68	1.57	1.68	1.68	-0.03	1.66	1.54	1.38	1.44	1.51	-0.17
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	0.27	0.29	0.30	-0.05	0.29	0.29	0.25	0.27	0.28	-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	5.12	5.08	5.33	5.26	-0.13	5.33	5.06	4.73	5.01	5.03	-0.23
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	0.59	0.61	0.56	0.06	0.60	0.61	0.68	0.77	0.67	0.10
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.08	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	0.67	0.72	0.64	0.08	0.71	0.76	0.83	0.91	0.80	0.16
Total OECD	21.70	21.33	20.48	-0.86	20.43	20.04	20.08	20.32	20.22	-0.26	20.46	20.09	20.00	20.59	20.29	0.07	20.68	20.13	19.94	20.75	20.37	0.09
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	0.81	0.81	0.81	0.02	0.81	0.82	0.83	0.82	0.82	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	0.76	0.75	-0.01	0.76	0.74	0.77	0.79	0.76	0.02
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	0.61	0.62	0.62	0.62	0.62	0.02
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	2.77	2.76	2.74	0.03	2.75	2.72	2.82	2.89	2.79	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	2.15	2.19	2.32	2.20	0.10	2.51	2.54	2.62	2.65	2.58	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	0.52	0.52	0.52	-0.01	0.52	0.52	0.52	0.52	0.52	0.00
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	0.28	0.28	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	4.01	4.06	4.29	0.23	4.37	4.42	4.43	4.43	4.41	0.12	4.41	4.41	4.45	4.57	4.46	0.04	4.75	4.76	4.83	4.84	4.80	0.34
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	0.71	0.71	0.72	-0.03	0.72	0.72	0.71	0.71	0.72	0.00
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	1.67	1.66	1.68	-0.09	1.65	1.63	1.61	1.60	1.62	-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	0.38	0.39	0.38	0.01	0.40	0.40	0.39	0.39	0.39	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	0.49	-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	0.38	0.38	0.38	0.38	0.04
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	2.66	2.74	2.69	0.08	2.75	2.76	2.75	2.75	2.75	0.07
Total DCs	10.71	11.01	11.35	0.33	11.51	11.45	11.45	11.57	11.50	0.15	11.52	11.48	11.54	11.72	11.57	0.07	11.91	11.88	12.01	12.08	11.97	0.40
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.50	12.47	12.46	12.80	12.56	0.54	12.92	13.02	13.10	13.38	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	1.32	1.39	1.35	0.05	1.41	1.43	1.40	1.52	1.44	0.09
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.88	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	0.43	0.43	0.43	0.01	0.43	0.43	0.43	0.43	0.43	0.00
Other Europe	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.14	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	47.47	47.33	47.50	48.00	47.58	0.41	48.41	48.01	47.93	49.11	48.36	0.79	49.50	49.00	49.00	50.17	49.42	1.06
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	49.39	49.22	49.38	49.92	49.48	0.45	50.33	49.93	49.85	51.04	50.29	0.81	51.45	50.94	50.94	52.12	51.36	1.08
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	0.08	0.08	0.08	-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	4.70	4.82	4.94	5.14	4.90	0.52
Non-OPEC & OPEC (NGL+NCF)	51.78	53.01	53.11	0.10	53.36	53.26	53.53	53.97	53.53	0.43	54.54	54.28	54.23	55.64	54.68	1.14	56.16	55.76	55.88	57.26	56.27	1.59

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	Aug07	Sep07	3Q 07	Change Sep/Aug07
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	1,804	1,783	1,788	-21
Canada	372	369	-3	620	241	527	572	490	121	665	282	494	440	470	-20	532	139	343	351	348	8
Mexico	92	110	18	114	116	104	93	107	-3	85	85	77	84	83	-24	90	88	87	104	96	17
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	2,234	2,238	2,232	4
Norway	19	17	-2	15	18	19	17	17	0	19	20	16	9	16	-1	16	19	20	15	18	-5
UK	20	16	-4	16	22	23	24	21	5	29	27	26	15	24	3	25	29	29	25	27	-4
Western Europe	78	65	-13	56	67	68	68	65	0	77	78	73	65	73	8	72	78	3	2	3	-1
OECD Pacific	18	22	4	24	25	27	24	25	3	25	28	25	28	27	2	24	30	27	31	28	4
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	79	73	76	-6
Other Asia	117	126	9	133	140	146	148	142	16	153	150	156	152	153	11	158	157	148	150	151	2
Latin America	116	126	10	133	138	141	151	141	15	149	162	164	165	160	19	195	188	183	186	184	3
Middle East	70	70	0	69	71	73	75	72	2	72	79	82	85	80	8	82	85	86	86	87	0
Africa	43	51	8	56	56	51	57	54	3	59	62	68	77	67	13	75	80	86	93	88	7
Total DCs	346	376	30	390	405	411	431	409	33	433	453	470	479	459	50	510	510	503	515	509	12
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	2,852	2,861	2,852	9
Algeria	20	19	-1	20	21	22	21	21	2	21	21	28	27	24	3	25	26	29	30	28	1
Angola	4	3	-1	3	3	3	2	3	0	4	4	4	4	4	1	5	4	4	3	3	-1
Indonesia	45	49	4	53	53	55	59	54	5	55	43	46	52	49	-5	49	56	60	62	60	2
Iran	35	41	6	42	41	39	38	40	-1	40	45	47	45	44	4	51	51	51	51	51	0
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	13	11	13	-2
Libya	10	10	0	10	9	8	8	9	-1	9	9	10	12	10	1	13	12	13	14	14	1
Nigeria	10	8	-2	9	9	9	8	9	1	10	9	10	10	10	1	8	7	9	11	8	2
Qatar	8	9	1	10	13	12	12	12	3	13	10	11	9	11	-1	11	12	12	13	13	1
Saudi Arabia	32	32	0	33	34	37	43	36	4	54	60	70	76	65	29	76	76	78	78	78	0
UAE	16	16	0	16	16	16	16	16	0	17	16	16	16	16	0	14	15	15	15	15	0
Venezuela	37	55	18	66	72	66	70	67	12	78	83	85	77	81	14	76	80	78	73	77	-5
OPEC Rig Count	222	252	30	274	284	278	291	279	27	313	313	341	341	327	48	342	352	362	361	360	-1
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	3,214	3,222	3,212	8
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	1,256	1,272	1,257	16
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	1,938	1,928	1,934	-10
Others	18	20	2	22	22	25	17	22	2	14	13	18	21	16	-6	20	19	20	22	20	2

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary October 2007

OPEC Basket average price

US$ per barrel

up 5.47 in September	***September 2007***	***74.18***
	August 2007	*68.71*
	Year-to-date	*63.74*

September OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.37*	*Iraq*	*2.18*	*Qatar*	*0.84*
Angola	*1.69*	*Kuwait*	*2.50*	*Saudi Arabia*	*8.55*
Indonesia	*0.84*	*SP Libyan AJ*	*1.72*	*UAE*	*2.59*
IR Iran	*3.84*	*Nigeria*	*2.12*	*Venezuela*	*2.35*
				TOTAL	***30.61***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.7*	*World demand*	*87.1*
Non-OPEC supply	*54.7*	*Non-OPEC supply*	*56.3*
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 dropped by 21 mb in August but remained 20 mb above the five-year average. US commercial oil stocks were relatively stable in September standing 15 mb above the five-year average.

World economy

World GDP for 2007 revised up to 5.1% and 2008 lowered to 4.9%.

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