OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
GDP growth and incremental oil demand

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

Oil Market Highlights

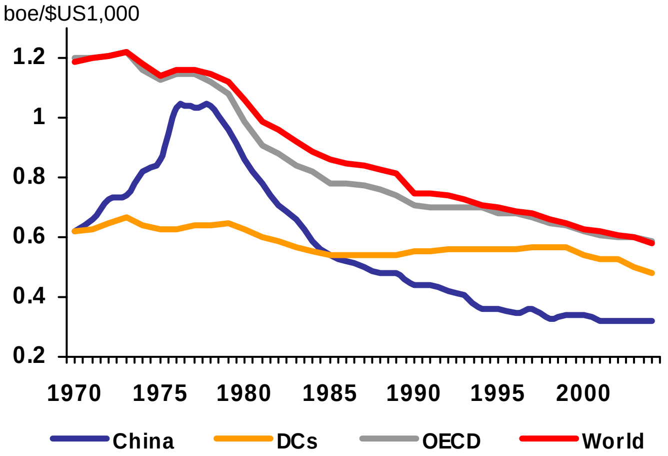
- Estimates of GDP growth for 2006 have been revised up following the strong performance of the first half of the year. Lower energy prices and steady growth in consumer incomes should moderate the expected slowdown. The GDP of the Euro-zone is forecast to grow by 2.2% in 2006, up from 2%, and the estimate for the USA has also been raised slightly to 3.4%. Business investment is expected to maintain the momentum of the Japanese economy as a reduction in excess capacity and solid profits should maintain corporate cash flows. GDP growth should be 2.8% despite some weakening in consumer spending. The Chinese economy continues to perform well, defying expectations of deceleration. In 2006 China is expected to grow by 10.2%. These upward revisions to forecasts for both OECD and developing economies have raised the 2006 forecast for world growth to 5% from 4.8%.
- The strong economic momentum of this year has not had much impact on growth forecasts for 2007. In fact the dangers of higher inflation and further increases in interest rates have been intensified by the high level of activity. US economic growth is forecast to fall to 2.6% in 2007 and despite the recent improvement of the performance of the Euro-zone and Japan, it is unlikely that these regions will be able to grow strongly next year if US import growth softens; moreover a weaker dollar will reduce export competitiveness. The Euro-zone is expected to grow by only 1.5% in 2007 as fiscal policy tightens and Japan may only achieve 1.9%. Growth in developing countries is also expected to be lower in 2007, falling to 5.4% and China may also see modest deceleration to 9%. The world economy is forecast to grow by 4.3% next year.
- These growth rates suggest that the expansion which began in 2003 is set to continue at a healthy pace. Nevertheless a number of significant risks cloud the outlook. The impact of the housing slowdown in the USA is unpredictable and the recent jump in unit labour costs may foreshadow higher inflation ahead as margins of spare capacity are eroded. Monetary authorities have little scope to adjust policy in case of setbacks and the need to reduce budget deficits implies less fiscal stimulus, especially in OECD countries. Global imbalances remain a threat to the stability of exchange rates and the continued liberalisation of trade. Developing Countries may also face declines in commodity prices next year in a climate of slower growth in world manufacturing.
- The OPEC Reference Basket was volatile in August amid mixed developments. Pipeline outages in Russia and Alaska pushed prices to record-highs with the Basket peaking at $72.67/b on 8 August. However, easing geopolitical developments calmed market sentiment, allowing the Basket to drop below the $63 level by the end of the month. In August, the Basket averaged $68.81/b. Other factors behind the down trend were lower refinery run rates in Asia due to weaker margins, the end of the US driving season and ample winter distillate supplies ahead of winter. The Basket fell further in the first weeks of September, dropping to $59.22/b on 14 September, a loss of almost $14/b since the previous month’s peak, demonstrating yet again the degree of volatility in the market.
- Product markets continued to lose their earlier strength on slowing demand, higher production and the end of the summer driving season. As a result, product market sentiment changed significantly across the globe, putting downward pressure on refinery margins. In September, the continuation of the bearish momentum in the gasoline and fuel oil markets may exert further downward pressure on refinery margins. Despite healthy stock levels, the market for middle distillates has remained relatively strong, which should result in healthy margins over the next few months. Moreover, deeper-than-usual refinery maintenance in Europe in autumn and the transition to ultra-low sulphur diesel (ULSD) at retail level in the USA (effective from 15 October onwards) could also provide support to product and crude prices in the future.
- OPEC spot fixtures fell 0.6 mb/d to average 13.0 mb/d in August, mainly as a result of the drop in Middle East/Asia fixtures. Compared to a year earlier, however, OPEC spot fixtures remained 0.5 mb/d higher. Limited tonnage availability continued to support the crude oil tanker market with freight rates higher than historical averages, particularly in the VLCC and Suezmax sectors. Rates for VLCCs moving from the Middle East eastbound and westbound were 90% and 50% higher than a year earlier. Similarly, Suezmaxes trading between West Africa and the US Gulf Coast and those doing trans-Atlantic business saw rates displaying 66% growth y-o-y. Clean tankers saw mixed patterns with East and West markets generally moving in opposite directions. Rates for East of Suez jumped by around 38% while most of the West of Suez routes softened.
- World oil demand growth in 2006 has been revised down by 0.1 mb/d since the last *MOMR* to stand at 1.2 mb/d, as recent data shows weaker-than-expected demand in the first half of the year. The latest US data revealed that US summer gasoline demand grew by only 0.7%, well below the annual average of 1.6% despite the stabilization of gasoline prices. This has led to downward revisions of 0.2 mb/d and 0.1 mb/d to second- and third-quarter oil demand figures for North America. Developing Countries, which account for 92% of world oil demand growth, are expected to see incremental demand of 0.6 mb/d for the year. China’s accelerating economy continues to exceed expectations and oil demand growth could reach 8.3% by year-end. World oil demand growth forecast for the year 2007 remains unchanged at 1.3 mb/d or 1.5%. As in the current year, the lion’s share of oil demand growth in 2007 will come from Developing Countries.

- Non-OPEC oil supply in 2006 is expected to average 51.1 mb/d, representing an increase of 1.1 mb/d over the previous year and broadly unchanged from the last assessment. The estimate for the USA may be subject to a slight upward revision now that Prudhoe Bay may restart earlier than previously assumed. Preliminary data for the month of July and August puts total non-OPEC supply at around 50.9 mb/d and 50.8 mb/d, representing y-o-y growth of 1.1 mb/d and 0.9 mb/d respectively. Next year, non-OPEC oil supply is expected to average 53 mb/d, representing an increase of 1.8 mb/d versus 2006. The 2007 growth forecast remains unchanged. In August, OPEC production stood at 29.8 mb/d, an increase of 0.1 mb/d from the revised previous month.
- OECD crude oil imports continued to increase for the fifth consecutive month to hit a 10-month high of 32.0 mb in August, a rise of 100,000 b/d from the previous month and a year earlier. US and Japan's crude oil imports saw respective gains of 90,000 b/d and 200,000 b/d to average 10.4 mb/d and 4.2 mb/d. China's crude oil imports fell 363,000 b/d, the steepest decline so far this year, to average 2.5 mb/d in July. Despite the drop, for the period January-July 2006 China's crude oil imports averaged 2.9 mb/d, which represents a 13% increase y-o-y. In contrast, India's crude oil imports rose 64,000 b/d to nearly 2.2 mb/d, a gain of 3% above the previous month.
- US total commercial oil inventories saw a build of 10.3 mb or 0.3 mb/d to stand at 1,066.7 mb in August versus the previous month. Inventories now stand 4.3% and 7.2% above the year-ago level and the five-year average. Despite a 2.5 mb draw, crude oil stocks remained at comfortable levels both in terms of volume and forward cover. Gasoline stocks saw a further decline this month but were still well above the year-ago level and the five-year average. Total commercial oil stocks in Eur-16 (Eu-15 plus Norway) experienced a draw of 8.4 mb in August from the previous month but remained on par with the y-o-y level and 6% higher than the five-year average. The draw concentrated on middle distillate and crude oil inventories. In contrast, total commercial inventories in Japan rose a slight 1 mb to stand at 183.9 mb in July, but remained at a deficit to last year's level and the five-year average. A build in middle distillate stocks and a recovery in crude oil inventories offset the loss in gasoline and residual fuel oil stocks.
- The demand for OPEC crude in 2006 is expected to average 28.9 mb/d, representing a downward revision of 0.2 mb/d versus last month. In 2007, the demand for OPEC crude is expected to average 28.1 mb/d, representing a decline of 0.8 mb/d versus 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 29.2 mb/d in the first, 27 mb/d in the second, 28 mb/d in the third and 28.4 mb/d in the fourth quarter.

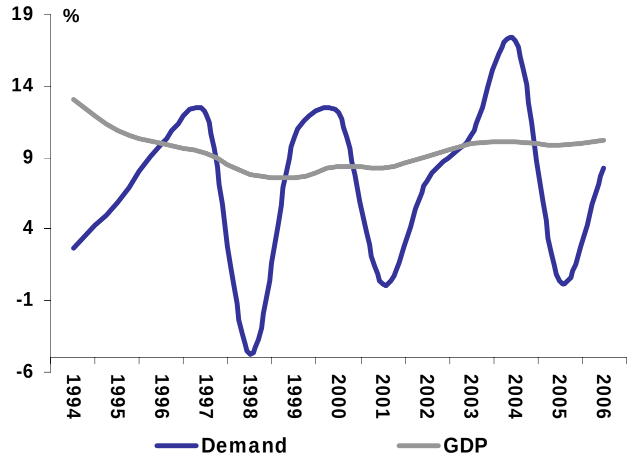
GDP growth and incremental oil demand

- Changes in the rate of growth of real GDP are usually perceived to be the main driver of fluctuations in oil demand growth. However, the recent strong growth in global GDP has not been matched with commensurate growth in oil demand. While global GDP grew at a robust 4% in the period 2000-2005, annual oil demand growth increased at a more moderate pace of 1.6%.
- Over the past three decades, oil intensity — which is the amount of oil used to produce a unit of output* — has declined substantially in many countries, particularly in OECD countries (*see* ***Graph 1***). Oil intensities in OECD Europe have fallen almost by more than half since the 1970s to now stand at around 0.46 barrel of oil equivalent/US$1,000 in 2004. This represents an average yearly pace of minus 2.3%. In some smaller European countries, oil intensities in recent years have flattened out at a low level, suggesting a possible limit to the oil efficiency that a country can achieve.
- Oil intensities vary due to geographic and demographic factors as well as available resources, the possibility of substitution and fiscal policies. In North America, oil intensity has also fallen although at a slower pace of 2.0% per annum. The USA requires a quarter less oil to produce a unit of output compared to the early 1970s, or 0.69 boe/US$1,000 in 2004 compared to 1.4 boe/$1,000 in 1970. Despite the downward trend, US oil intensity levels are still about 55% higher than in major European economies. Japan's oil intensity is slightly lower than the USA at close to 0.6 boe/US$1,000 but higher compared to other OECD countries.

Graph 1: Selected Regional Trends in Oil Intensity 1970-2004



Graph 2: China Growth in Oil Demand and GDP 1994-2006



- Oil intensities in Developing Countries, excluding OPEC nations, have also trended downwards but at a much slower pace than OECD countries. Amongst the major Developing Countries, China has seen a remarkable reduction in its oil intensity since the late seventies. The slower decline in oil intensities is due to the processes of economic development with some countries tending toward more energy-intensive industry while others have experienced considerable expansion in transport demand amid favourable oil product prices. As oil producing regions, both the FSU and OPEC exhibit intensities higher than the world average.
- In the long run, strong price rises may intensify the downward trend in intensities — which may be occurring due to structural changes in the economy and saturation effects — by accelerating oil saving and substitution effects. At the same time, the large fluctuations in oil intensities seen in the recent past imply that the observed long-term trends in intensity may not be a reliable indicator for short-term oil demand forecasting, especially in Developing Countries, where the relationship between GDP and oil demand is less stable and therefore less predictable. A look at the relationship between oil demand growth and GDP growth in China (*see* ***Graph 2***) makes this clear, as apparent oil demand growth has experienced strong swings over the last decade while economic growth has remained relatively steady.
- In recent years, oil demand growth has come mainly from the Developing Countries which have accounted for 73% of incremental demand in the years 2000-2005, with China alone responsible for 27%. In 2005, Developing Countries already accounted for around 35% of total global oil demand. This was due in part to their strong economic growth, which exceeded that of OECD countries. Their growing importance highlights the need to derive accurate forecasts for oil demand of Developing Countries. The short-term volatility in oil demand suggests closer consideration of additional factors besides total GDP growth, such as sectoral analysis and product demand, as well as estimates of short-term effects of energy policies in the current high price environment. While these indicators apply equally to all countries, they assume even greater importance in estimating oil demand in the rapidly-changing Developing Countries.
- In the face of increased short-term fluctuations in demand and the associated demand uncertainties, OPEC has nevertheless continued to meet market needs, providing an ample supply of crude which has helped build oil inventories to comfortable levels. With the approach of 2007, despite the uncertainty in both GDP growth prospects and the oil demand outlook, as well as the expected rebound in non-OPEC supply, OPEC at its recent Meeting of the Conference agreed that Member Countries would take the necessary steps to ensure that supply and demand remained in balance, with prices at reasonable levels to both producers and consumers, and conducive to continued healthy world economic growth.

* at purchasing power parity exchange rates

Vienna, Austria **11 September 2006**

142nd Meeting of the OPEC Conference

The 142nd Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 11 September 2006, under the Chairmanship of its President, HE Dr. Edmund Maduabebe Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation, and its Alternate President, HE Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation.

The Conference congratulated HE Sheikh Ali Al-Jarrah Al-Sabah on his appointment as Minister of Energy of the State of Kuwait, and paid tribute to the outstanding contribution made to the Organization by his predecessor in office, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah.

The Conference warmly welcomed the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Petroleum and Mineral Resources of Syria, the Vice Minister of Industry and Energy of the Russian Federation, and the Under-Secretary for Hydrocarbons of Mexico, and reiterated the value it places on continued dialogue and consultations with fellow oil-producing nations in achieving stability in the oil market.

The Conference considered: the Secretary General's report; the report of the Economic Commission Board; the report of the Ministerial Monitoring Sub-Committee (MMSC), chaired by HE Sayed Kazem Vaziri Hamaneh, Minister of Petroleum of the Islamic Republic of Iran and Head of the Delegation, whose Members the Conference again thanked for their continued efforts on the Organization’s behalf; and various administrative matters.

Having reviewed the current oil market, the Conference noted that action taken by OPEC Member Countries to increase production over the preceding several years has led to a continued build-up in inventory levels, especially of crude, which now stand comfortably above their five-year average, more than adequate to ease concerns in the market about potential supply disruptions or worries arising from geopolitical tensions.

The Conference noted that growth in crude oil supply in recent years has continued to exceed growth in demand – the rebound in non-OPEC supply in 2007 is predicted to be at its highest level since 1984 – and that market fundamentals indicate a clear imbalance between supply and demand. Prices having moderated substantially in recent weeks, the Conference reiterated that the Organization will continue its proactive policy of supporting market stability by restoring a balance between supply and demand, at prices reasonable to both producers and consumers and conducive to continued world economic growth, especially in the developing countries, to which end Member Countries are continuing their high-cost production capacity expansion programmes.

Recognizing the importance of maintaining oil market stability for the benefit of the world economy, the Conference agreed that Member Countries would take the necessary steps to ensure that supply and demand remained in balance, with prices at reasonable levels, supplying to the market the needed volumes. Moreover, the Conference stressed its determination to ensure that crude oil prices remain at acceptable levels and Member Countries recorded their preparedness to respond rapidly to any developments which might jeopardize their interests. For this purpose, in addition to continuing to vigilantly monitor supply/demand fundamentals, the Conference decided to review market developments at its 143rd (Extraordinary) Meeting, to be held in Nigeria on 14 December 2006, and to take decisions as considered necesssary. Moreover, in light of the many downside risks identified, the Conference also agreed that its President would make the necessary consultations prior to the December Meeting, should market conditions so warrant.

Given the important role played by all oil-producing nations, the Conference reiterated its call on non-OPEC oil producers to continue co-operating actively with OPEC in its ongoing efforts to achieve price and market stability, with reasonable prices consistent with robust economic growth, as well as steady revenue streams, for producing countries and the industry, conducive to the expansion of upstream and downstream capacity to meet international demand for oil and products in the future.

The Conference elected His Excellency Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates and Head of its Delegation, as President of the Conference for one year, with effect from 1 January 2007, and HE Dr. Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, as Alternate President, for the same period.

The Conference appointed Mr. Hossein Kazempour Ardebili, Governor for the Islamic Republic of Iran, as Chairman of the Board of Governors for the year 2007, and Dr. Jalah Alamri, Governor for Iraq, as Alternate Chairman for the same period, with effect from 1 January 2007.

The Conference decided that its next Ordinary Meeting will convene in Vienna, Austria, on 15 March 2007.

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

Finally, the Conference passed Resolutions that will be published on 11 October 2006, after ratification by Member Countries.

Highlights of the World Economy

Economic growth rates 2006-2007, %	World	OECD	USA	Japan	Euro-zone
2006	5.0	3.0	3.4	2.8	2.2
2007	4.3	2.3	2.6	1.9	1.5

Industrialised countries

United States of America

Revisions to labour cost data imply rising inflation

Dramatic revisions to labour cost data for the first quarter of this year call into question the expected slowdown in the rate of inflation in the USA. **The original estimate of the rate of increase of unit labour costs in the manufacturing sector in the first quarter was 1.4%. This was revised up to 9.3%. For the business sector as a whole the revision was from 2.3% to 8.7%.** The source of the revisions was sharply higher estimates of hourly compensation in most sectors of the economy. The annualized rate of increase of hourly compensation was 13.6% in the business sector, nearly double the original estimate of 6.9%. In the second quarter these rates of increase moderated somewhat as the momentum of wage increases slowed. Unit labour costs rose by 4.8% in the business sector. The eventual impact of strong growth in labour incomes on the economy depends on the reaction of the monetary authorities. **In the near term activity will be higher, reflecting strong consumer spending.** US consumer spending in July rose the most since January and further strength was recorded in August. Thus far rising employment incomes are clearly having a greater effect on consumer spending than the possibility of a weaker housing market. The recent fall in gasoline prices should improve consumer sentiment following the setback in August and support household spending in the third quarter.

This recent growth in real incomes may offset the decline in spending brought about by the continued weakness of the housing market although the impact of lower demand on house prices is not yet clear. The National Association of Realtors recently reduced its forecast of house sales for 2006, noting that a record number of houses on the market may cause prices to fall for the first time since 1993. The slowdown in housing will limit the ability of consumers to refinance their mortgage debt to cover current expenses and will have a direct effect on the level of residential investment in 2007.

Looking towards the end of 2006 the US Federal Reserve may be forced to raise interest rates above the current level of 5¼% if higher labour costs feed into the price level **but US financial markets do not anticipate any further rate increases this year**. Increased competition and the prospect of waning demand are currently deterring companies from raising prices to recoup higher energy and labour costs: easing concerns that higher input costs might affect core inflation rates. Another reason is widespread confidence that economic growth will slow in the second half of the year. On balance the Federal Reserve will probably be cautious and wait to assess preliminary data for the third quarter.

Overall GDP growth is expected to be less than 3% in the second half of this year. The auto industry, in particular, is planning sharp cuts in output in order to reduce inventory levels indeed the recent 'Beige Book' from the Federal Reserve noted slower growth in auto and housing-related spending in most Districts**. In 2007 GDP growth is expected to fall further to 2.6% as lower growth of business investment, exports and government spending takes effect.** Revised second quarter data showed surprise stagnation in corporate profits and a fall in companies' investment in new equipment and software. Next year may see an end to the strong growth in investment recorded since 2004. Consumer spending growth may also be lower than this year. With the stock market leveling off and home price inflation falling rapidly, asset markets may no longer provide savings for households and next year those households will have to begin to save more of their current income. A gradual increase in the savings rate means that consumer spending will have to fall below the growth of income.

Japan

Japanese corporate sector continues to prosper

Revisions to second quarter GDP data have made little difference to the expected performance of the Japanese economy in the remainder of the year. **Most of the weakness in the second quarter was probably due to temporary factors — notably bad weather — and domestic demand is expected to recover, keeping GDP growth above 2.5% in the second half.** Labour conditions have continued to improve, stronger asset prices indicate solid confidence in the economic recovery and the gradual rise in consumer prices should help the health of the financial system. Companies remain committed to robust capital investment in the current financial year and are aggressively building up inventories in response to steady domestic demand. Corporate profits are expected to grow by more than 10% this year. Although nominal labour incomes are growing at only 1-2% annually despite the tight labour market, consumption should be maintained as consumers have greater confidence in the job market. The contribution to GDP from net exports in the second quarter was slightly negative and it appears that the slowing in the US economy has begun to affect Japan. The second quarter GDP results for the US confirmed a reduction in spending on IT equipment and this deterioration will reduce the growth of exports from many Asian economies.

Lower exports to the USA may put pressure on Japanese companies and in July industrial production fell by 0.9%. If the demand weakness does materialize, inventories will continue to build in the high tech sector and a further production adjustment may be necessary before the end of the year. Despite this concern capital spending surveys confirm that companies remain optimistic. The Ministry of Finance corporate survey showed that business investment expanded at a 14% year-to-year rate in the second quarter, following a 16% rise in the first. Manufacturing investment continued to grow at a high rate but, more notably, capital outlays by the non-manufacturing sector have also accelerated — including the spending of small companies.

The underlying trend in inflation has not changed as dramatically as it initially appeared when the rebased data appeared last month. The larger-than-expected revision in core inflation to 0.2% in July was due to a new treatment of mobile phone charges. It is most likely that core CPI inflation will rebound to 0.4-0.5% by the end of the year. This rate of inflation will probably be maintained through 2007. Unless there is any further rise in energy costs, it seems likely that the low rate of increase in labour costs should keep core inflation at 0.5% or less in 2007.

The revision to the price data will probably not alter the basic inflation assessment of the Bank of Japan. As a result of the new data the Bank will likely have to revise down its fiscal 2006 core CPI forecast from a 0.6% rise to 0.3% but the assessment for fiscal 2007 may not be changed. Most market participants consider that the timing of the next interest rate increase may be delayed slightly. In any case lower energy costs and the depressed trend of unit labour costs mean that the Bank will be under little pressure to raise rates in the remainder of this year. The expected moderation in world economic activity will also have its effect on Japan in the second half of this year — moreover the appreciating yen will also serve to tighten financial conditions in the economy. One consequence of the higher input costs faced by companies seems to be a greater determination to control labour costs and this should dampen inflationary expectations in the household sector. **On balance it is unlikely that Japanese interest rates will rise further until 2007 unless unexpected strength in US demand leads to a much higher rate of growth of economic activity in the remainder of the year.**

Euro-zone

Euro-zone achieved strong growth in second quarter but storm clouds gather

Against the background of upward revisions to past GDP growth, higher-than-expected growth in the second quarter and indications for continued robust activity in Germany in the third quarter, the growth forecast for the whole of 2006 has been raised to 2.2%. There is no doubt that the first half of 2006 was a strong period of growth for the Euro-zone but the second quarter might have marked the peak of this expansion. This momentum is likely to spur capital investment spending in the second half of the year but external demand may be slowing and business confidence indicators, including the composite index of the Purchasing Managers' Institute, have started to ease in the third quarter. French industrial production fell in July in contrast to the buoyant data from Germany. Production fell across all areas of France with the biggest falls in the electrical goods, motor and manufactured goods sectors. Perhaps this weakness signals declines in export business since the data for retail spending in the Euro-zone showed continued growth. **In July total retail sales rose by 2.5% above the level of 2005** with French consumers particularly active as retail sales rose by 5.5%. German consumers remained cautious and sales rose by only 0.8%.

Beyond 2006 the outlook is much more uncertain. With monetary policy likely to tighten further in October, an expected easing in global growth and a significant tightening in fiscal policy, **Euro-zone growth is expected to fall to 1.5% in 2007**. The forecasts of the European Central Bank are more optimistic and the Bank expects 2007 GDP growth to be in the range 1.6%-2.6%. **Euro-zone inflation fell to 2.4% in July, remaining well above the target rate.** Unless the recent decline in oil prices gathers speed, it is likely that the rate will remain clearly above 2% for the foreseeable future; indeed the Bank's own inflation forecast for 2007 was raised to 2.4%. A hike in euro interest rates in October is most likely and rates are likely to continue rising, perhaps reaching 3.5% by year-end. The financial futures markets anticipate that the 3 month rate of interest will be 3.69% by December 2006 and 3.8% by March 2007 which should mark the end of the upward rate adjustment process. By mid-2007 a slower pace of growth should allow the Bank to abstain from much further tightening and the peak of official interest rates should be no higher than 3¾ - 4%.

In 2006 the Euro-zone will benefit again from substantial growth in exports but in 2007 the stronger value of the euro should restrain growth. Tighter monetary conditions and slower world growth will impact the Euro-zone and the overall rate of growth in 2007 may struggle to exceed 1.5%. **Fiscal policy will add a further uncertainty next year.** This year the Euro-zone fiscal deficit has improved as a result of the improvement in economic growth although the stance of policy has been broadly neutral. In 2007 tighter fiscal policies (notably in Germany and Italy) may reduce Euro-zone growth by as much as 0.5% as VAT rates are increased.

Former Soviet Union

Performance of the extractive sector improves; GDP growth estimate raised

The summer recovery in economic activity accelerated in July thanks mainly to buoyant exports. According to the Ministry of Economic Development and Trade, GDP grew by 7.4% year-on-year in July. For the first half of 2006 GDP rose by 6.3% driven by construction activity and retail and wholesale trade. As a result of these trends, the forecast for GDP growth in 2006 has been raised to 6.4%. Industrial production growth was maintained at 2.9% in July and the growth rate for the first seven months of 2006 was 4.2% in comparison to the 3.5% recorded in 2005. Construction output increased by 15% in July **and growth in the output of the extractive sector showed some improvement, rising by 2.3% in the first seven months of the year**. In July inflation remained under control at 9.3%, despite higher food prices and this improvement may ease pressure on the non-oil sector of the Russian economy. In the first seven months of 2006 the rouble has appreciated by 7.9% in real terms as very high earnings from oil and minerals exports boosted the currency. In response to the fall in inflation in June the Central Bank of Russia cut its main policy rate to 11.5%. The strong performance of energy export revenues has worsened the inflationary situation in Russia as these revenues have enabled further fiscal loosening. **The Ministry of Finance has proposed that expenditures of fiscal revenues from the oil and gas sector be reduced as a proportion of GDP to 3.7% by 2009 and that the scope of the Stabilization Fund be extended to limit the inflationary impact of hydrocarbon revenues.**

Eastern Europe

Investment boom boosts Polish growth

The Polish economy continued to perform well in the second quarter and the rate of growth of GDP was 5.5%, above the 5.2% achieved in the first quarter. Strong wage and employment growth were behind a surge in private consumption which was also accompanied by robust 14.4% growth in fixed investment spending. Net trade also contributed to GDP. Further political uncertainty weakened the zloty which fell to nearly €/PLN 4 by the end of August. **The weakness in the Hungarian currency was the result both of political factors and the ongoing problem of the very high budget deficit.** The deficit is projected to reach 8% of GDP this year with little improvement likely in 2007. In response the National Bank of Hungary raised interest rates by ½% in July – a move which surprised financial markets. The forint strengthened to €/HUF 270 by the end of July. Despite the turmoil in Hungarian financial markets, the real economy continues to grow at about 4%. **Nevertheless tighter monetary conditions, fiscal adjustments and lower exports to the Euro-zone are expected to lead to much slower growth in 2007.** The Czech economy grew by 7.4% in the first quarter of the year but the economy could not maintain this pace. The second quarter was volatile. Industrial production growth faltered in April, rising by only 3.6%, but this pause was followed by sharp acceleration in May as production rose by over 12%. In June the growth of industrial production fell slightly to 10.5%. **The fastest growing sector continues to be transport equipment which expanded production by 18% in the second quarter.** The rate of inflation fell to 1.9% in 2005 but has risen to 2.9% in the first half of this year as a result of higher energy and utility prices. The Czech trade balance deteriorated slightly in the second quarter as higher exports of road vehicles and parts could not match the extra expenditure on imported fuels. The public finance deficit was lower than expected at only 2.6% of GDP in 2005. The planned deficit for 2006 is 2.3% of projected GDP – well below the Maastricht limit for accession to the Euro-zone – but the outlook for 2007 is much worse and austerity measures may be needed to prevent the date for accession to the Euro-zone from slipping beyond 2011.

Developing Countries

China's economy slows in August

Recent data show that the Chinese economy began to respond to government efforts to cool down growth. The National Bureau of Statistics (NBS) mentioned that the government was successful in controlling excessive lending and investment to sectors at risk of overheating such as real estate. The government is trying to stimulate consumer spending by focusing on expanding the middle class as a key driver of future growth. According to the NBS, inflation edged higher in August. CPI rose by 1.3% y-o-y compared with just 1% in July. Food prices accounted for about one third of CPI increase. In other developments, China registered a new record surplus in August which might increase the fear of rising calls for the yuan devaluation. Exports of goods grew by 32.8% y-o-y to about $90.8bn, the fastest monthly growth so far in 2006.

Inflation is up in India, but falling in Brazil

The Reserve Bank of India (RBI) raised interest rates by 25 basis points to 6% on 25 July. The RBI is trying to control inflationary pressures which have been caused by credit demand growth and susceptibility of high oil prices. Higher interest rates are likely to affect small and medium enterprises which might damage business confidence.

Inflation in Brazil has edged down in August largely due to a 0.3% fall in transport costs. On an annual basis the national statistics agency IBGE has predicted that inflation is edging down to 3.8% which is below the central bank's official target of 4.5%. The central bank may make further interest rate cuts during the remainder of 2006 which could help in the recovering of GDP growth. In Argentina the manufacturing output rose by 8.6% y-o-y compared with a 8.9% gain in June.

The monthly report of the Finance Ministry in Egypt states that the external debt was reduced by 4.5% to US$29.7bn in December 2005, which was equivalent to less than 40% of GNI. The World Bank uses the 50% mark as an indication of highly indebted status. The report said that the GDP during the second quarter of 2006 grew by 6.4% according to production factors compared to a 4.7% growth rate in the same quarter last year. Interest rates were sustained by the Central Bank at 8% in May, as inflation was lowered to 3.8% in the first quarter from 7.4% in the same period last year.

OPEC Member Countries

Private sector growth healthy in Saudi Arabia; Inflation down in UAE

In its mid-annual report, the Saudi financial group SAMBA has predicted that inflation in Saudi Arabia has been less than 1% for the last 9 years, but was up 0.79% in the first 4 months of 2006. Its forecast for the whole year is 1.4%, still low given the strength of the economy. GDP growth for 2006 is forecast at a rate of 19.9% in nominal terms and 5.84% in real terms. The private sector is growing in healthy patterns together with the economic growth of the country. Liberalization and reforms are pushing the sector to grow as well as attracting direct foreign investment to flow into the country. More oil money has been invested domestically in contrast to the first oil boom when much of the oil wealth was invested abroad.

The UAE central bank predicted that inflation would retreat to 4% this year versus the 8% registered last year. The decline in inflation comes as a result of the cooling of the property markets.

Oil prices, the US dollar and inflation

Quiet summer for the dollar

The US dollar began to weaken slightly from the middle of April and the move accelerated in May. In June, however, the markets detected a change in the policy stance of the US authorities and expectations of further increases in US interest rates supported the dollar. The euro strengthened slightly in August as it became clear that the ECB is very likely to raise interest rates further in October. In August the dollar fell by 0.6% against the euro and fell by 1.2% against the British pound, 0.4% against the Swiss franc and by 0.9% versus the yen.

In August the OPEC Reference Basket fell to $68.81/b from $68.89/b in July. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 1.0% to $46.64/b from $47.13/b. The value of the dollar fell by 0.7% as measured by the import-weighted modified Geneva I +US dollar basket*.

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

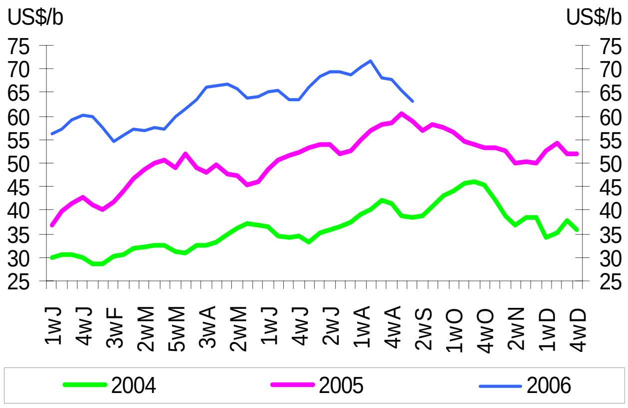
Crude Oil Price Movements

Pipeline leakages supported market bullishness, while easement in Mideast geopolitics prevented any further rally

OPEC Reference Basket

The market emerged in August on a bullish note due to a supply disruption from Russian's Druzhba pipeline amid escalating tensions in the Middle East geopolitics. During the first week of August, the Basket average surged by $1.75 or 2.5% to settle at $70.35/b. The rise of Tropical Storm "Chris" in the Gulf of Mexico added to the bullish market momentum. In the second week, a pipeline shut-down at BP's 0.4 mb/d Prudhoe Bay oilfield in Alaska North Slope crude supply strengthened the upward price trend. Moreover, a bullish US crude oil inventory report heightened market concerns. Hence, the OPEC Reference Basket leapt $1.56 over a two-day period to a record-high of $72.67/b. Nevertheless, a thwarted airline attack in the UK, which was seen to potentially reduce demand for transportation fuels, and news that BP would be able to maintain half of its Alaska output amid recovery of some Nigerian and North Sea production added calmness to the market. The Basket dropped $2.20/b over a two-day period to average yet $1.37 or almost 2% higher for the second week at $71.71/b.

Graph 1: OPEC Reference Basket - weekly spot crude

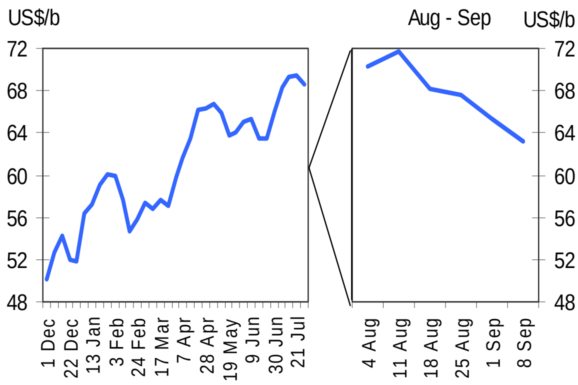


Prices fell further in the third week amid easing fear of a supply shortfall and a lack of new developments in the marketplace. A downward revision to OPEC's demand forecast supported market perception that supplies were ample. As a result, the Basket drifted away from a record peak, falling $3.59 or over 5% to average $68.13/b in the third week.

Revived tensions in the Mideast momentarily pushed the Basket 90¢ higher on the first day of the fourth week, although the impact was short-lived. Market volatility revived on the approaching Tropical Storm "Debby" at a time when Mideast geopolitics were gaining ground, offsetting any further downward pressure. Hence, the Basket averaged 46¢ lower in the fourth week to stand at $67.67/b in the final week. Waning concern over Tropical Storm "Ernesto" in the Caribbean Sea as it by-passed the oil infrastructure in the Gulf of Mexico calmed market sentiment on fear of a supply shortfall in the up- and downstreams. The Basket plunged $2.07 or well over 3% in one day. Ample winter fuel stocks in Japan calmed the Asian market while weaker refining margins amid a lack of arbitrage opportunity in Europe kept the bears intact, at a time when rising West African exports were on the horizon.

On a monthly basis, the Basket closed the month at $68.81/b, a decrease of $0.09/b compared to July. The downward trend for the month was due to easing Mideast geopolitical concerns, lower refinery run rates in Asia due to weaker margins and ample supply of winter fuels in the final days of the driving season in the USA. As a result, the Basket dropped below $61/b for the first time in nearly six months when it closed on 11 September at $60.89/b to decrease further to $59.22/b on 14 September.

Graph 2: Weekly average Basket price, 2005-2006

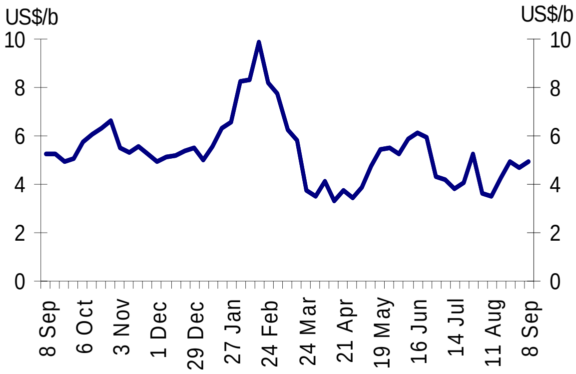


Supply disruptions from BP's Alaska Prudhoe oilfield supported the sweet/sour spread to remain at the narrow end

US market

The US market was underpinned by healthy procurements amid robust refining margins and tight supplies from the North Sea and West Africa. Depleting gasoline stocks amid concern over light product supply with storms in the Atlantic supported light crude differentials. The sweet/sour spread narrowed $1.71 compared to late July with the weekly average for the WTI/WTS spread at $3.82/b. The sweet/sour spread continued to find support into the second week on supply disruptions from BP's Alaska oilfield. Nevertheless, a thwarted attack in the UK implying lower demand for air transport fuels kept a cap on the narrowing spread.

Graph 3: WTI spread to WTS



The WTI/WTS differential narrowed in the second week to $3.38/b. Nevertheless, in the third week, prompt supplies were adequate to meet demand as full storage capacity of Mars crude as a major operator forced producers to sell prompt barrels at lower prices. A hefty draw on gasoline stocks kept some balance in the US market amid approaching autumn refinery maintenance and moves to begin the stockpiling for winter fuels as well as concerns over the implementation of higher specifications for light products. The WTI/WTS spread widened by 93¢ to $4.31/b. The bearish sentiment furthered into the fourth week on ample supply of Mars crude. The WTI/WTS spread inched up 37¢ to $4.68/b.

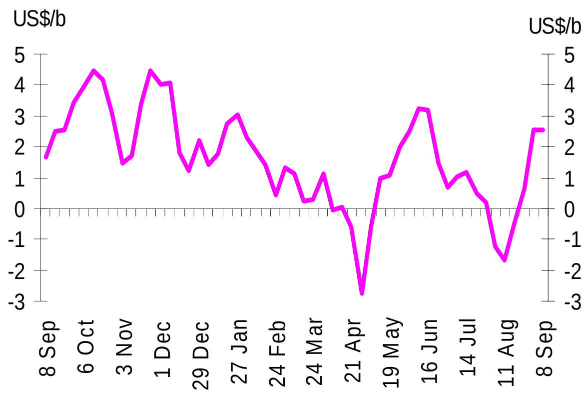
In the final week, the resumption of BP's Alaska Prudhoe oil production calmed market fear of a supply shortfall. The weak level for Mars crude supported buying interest; however, there was an expectation that softening European refining margins would draw North Sea cargoes across the Atlantic. The WTI/WTS spread inched up 5¢ to $4.73/b. The WTI monthly average in August was $73.08/b, a $1.28 or 1.7% drop from July, with the premium over WTS falling to $4.19 or 14¢ lower.

Although North Sea supply was tight into August, weak refining margins amid closed arbitrage opportunities pressured price differentials

North Sea market

The North Sea market emerged on a strong note in the first week amid tight supply, pushing the backwardation curve steeper and widening the sweet/sour spread. However, the sentiment eased on the scheduled return from maintenance of BP's Forties pipeline. In the second week of the month, the market softened on unsold prompt cargoes as refiners had already fulfilled their requirements. The larger volume in the September-loading programme added to differential weakness. The bearishness continued in the third week on poor refining margins amid a lack of activities. Continued lingering August barrels amid unsold first-decade September cargoes extended the downward pressure in the fourth week. In the final week, a lack of arbitrage opportunities for North Sea westbound crude added to the bearish momentum. Dated Brent's monthly average was $73.21/b, or 36¢ lower from July.

Graph 4: WTI premium to Dated Brent



Ample supply amid weak refining margins pressured Urals crude, while outages at Prudhoe Bay lent support to the sour grade

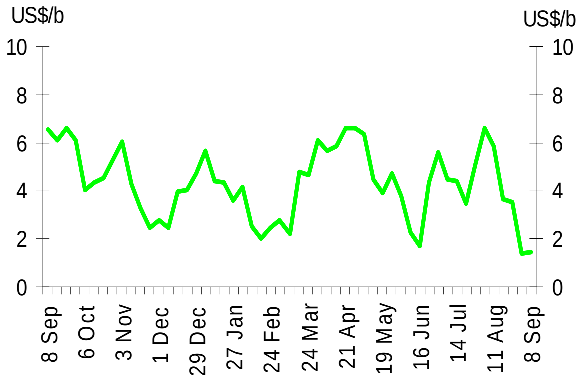
Mediterranean market

The market in the Mediterranean emerged on a weak note as demand for sour grade was buoyant to sweet crude with Urals spread under Brent 92¢ wider at $5.67/b. Nevertheless, a disruption to BP's Alaska oilfield drew some support to Mediterranean crude as an alternative supply. The spread under Brent improved slightly to $5.58/b in the second week. Weak refining margins continued to pressure Urals crude amid ample supply. However, improved margins in the Mediterranean lent support to the grade amid barrels moving from the south to the north. Urals was at a firmer note to Brent with the spread at $4.90/b under the benchmark in the third week. Continued improved refining margins supported Urals to firm amid refiners turning to meet winter heating oil needs. Urals spread under Brent narrowed to $4.02 in the fourth week and to $3.21/b in the final week. August Urals average was $68.53/b, yet the discount under Brent was 31¢ wider at $4.68/b.

The weak fuel oil crack spread amid narrowing Brent/Dubai spread pressured Mideast crude

Middle Eastern market

Graph 5: Dated Brent spread to Dubai



A poor crack spread for fuel oil on hefty arbitrage inflow amid softening Chinese demand weakened the Middle Eastern market in early August. Ample supply and record-high OSP exerted further pressure on price differentials for the Mideast grade. October Oman was on offer at a 3¢ premium while bid at a 3¢ discount to MOG amid some unsold September stems in the first week. However, in the second week, US BP's shutting its oilfield in Alaska supported the grade to firm on the prospect of moving some Mideast crude westward. October Oman was sold at a 22¢ premium to MOG while Abu Dhabi Murban was on offer at a 45¢/b premium to ADNOC's OSP. Nevertheless, the partial resumption at BP's Prudhoe Bay oilfield helped placed October Oman to trade at a 5¢/b and Murban at a 20-30¢/b premium to their respective OSPs. In the third week, the narrowing Brent/Dubai spread added to the bearish market sentiment. The weakness furthered into the fourth week on ample supplies due to the delayed start-up of the Sohar refinery. October Oman was assessed between a 5¢ discount and at parity to MOG, while Abu Dhabi Murban was valued at a 10-20¢/b premium to OSP. In the final week, lingering October barrels continued to pressure the Mideast crude amid the weak fuel oil crack spread. October Oman was seen trading at a 20¢ discount to MOG, while Abu Dhabi Murban saw a 5¢/b premium to ADNOC's OSP.

Lower power plant demand amid weak naphtha market pressured the Asian regional crude

Asian market

Slow demand from Japan power plants due to healthy export of alternative feedstocks softened the Asia/Pacific market at the start of the month. Indonesia's Duri plunged to a discount of around $2.00-2.50 from minus 35¢ to ICP. The market weakened further on India's naphtha exports and lower Chinese demand for fuel oil. Although the market was supported by outages from the Alaska oil field in the USA, softer naphtha values prevented any further firmness in the regional sweet crude in the second week**.** In the third week, demand from the US West Coast eased as BP contemplated returning half of the crude shut in at the at Prudhoe Bay field. The market was made further bearish due to procurements of Western crude by India and China. A new rival crude Sokol from Sakhalin began trading further pressuring the market.

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

	Jul 06	Aug 06	Change Aug/Jul	Year-to-date average 2005	2006
OPEC Reference Basket	**68.89**	**68.81**	-0.09	**49.03**	**63.16**
Arab Light	69.06	68.76	-0.30	48.35	63.07
Basrah Light	66.49	65.42	-1.07	47.15	60.03
BCF-17	58.72	60.29	1.57	37.56	53.83
Bonny Light	75.49	75.29	-0.20	53.47	69.37
Es Sider	71.42	70.72	-0.69	50.23	65.56
Iran Heavy	66.59	66.42	-0.18	46.23	61.38
Kuwait Export	66.35	66.02	-0.33	45.70	60.94
Marine	70.21	70.05	-0.16	48.29	64.63
Minas	74.13	75.42	1.29	52.75	68.16
Murban	73.70	73.66	-0.04	51.94	67.83
Saharan Blend	74.37	74.50	0.14	52.52	68.45
Other Crudes					
Dubai	69.17	68.92	-0.25	47.23	63.37
Isthmus	68.30	67.47	-0.83	48.31	62.34
T.J. Light	60.93	60.99	0.07	44.43	56.77
Brent	73.66	73.11	-0.55	52.56	67.65
W Texas Intermediate	74.33	73.01	-1.32	54.16	68.59
Differentials					
WTI/Brent	0.67	-0.10	-0.77	1.60	0.94
Brent/Dubai	4.49	4.19	-0.30	5.33	6.25

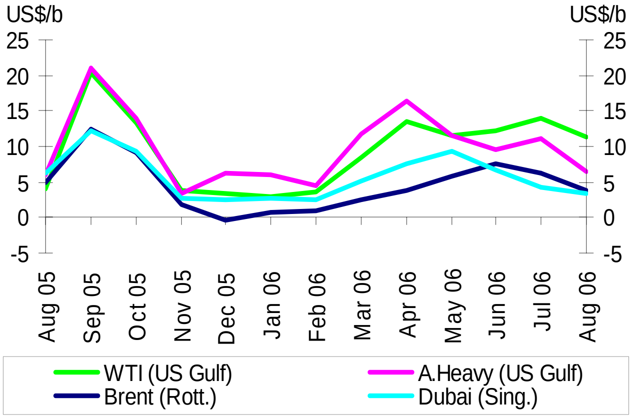
Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

Refinery margins slipped around the globe in August

Product markts have continued to lose their earlier strength on slowing demand along with higher production and the end of the driving season, which changed product market sentiment significantly across the globe and put downward pressure on refinery margins. As **Graph 6** shows, margins for WTI crude in the US Gulf Coast dropped by $2.55/b to $11.39/b from $13.94/b in July. Europe saw a similar trend as Brent's margin plummeted to $3.80/b from $6.27/b in the previous month. The refinery margin for benchmark Dubai crude in Singapore also saw a softer decline than the Atlantic Basin benchmark in August, but it continued its previous downward trend to reach $3.35/b from $4.26/b in July.

Graph 6: Refiners' margins

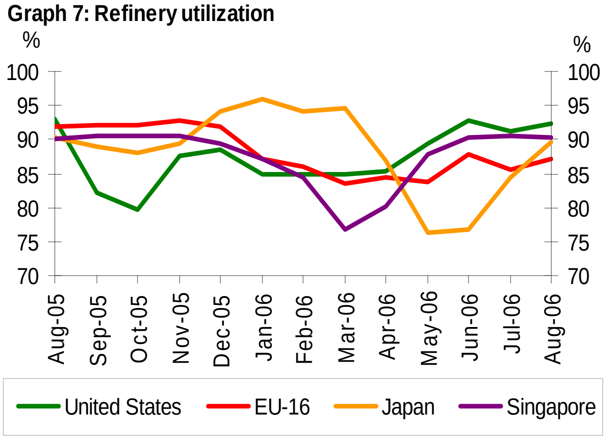


The continuation of the bearish momentum in the gasoline and fuel oil markets may exert more downward pressure on refinery margins in September. However, the market for middle distillates still remained relatively strong, and it may retain margins at a healthy level over the next few months. Furthermore, deeper-than-usual refinery maintenance in Europe during autumn and the transition to ultra-low sulphur diesel (ULSD) at the retail level in the USA effective from October onwards could also give some support to product and crude prices in the future.

Refinery throughputs rose in most parts of the world

Impressive refining margins have encouraged refiners to increase their throughput levels over the last few months and, upon completion of the maintenance schedule, they were boosted further last month. As **Graph 7** shows, the refinery utilization rate in the USA rose to 92.3% from 91.3% in July, which was the highest level since Hurricanes Katrina and Rita. In Europe, the utilization rate also rose to 87% from 85.6% in the previous month. Due to the deeper-than-usual maintenance schedule and falling refinery margins, European refineries may reduce throughputs in the near future. As far as Asian refineries are concerned, their utilization rate surged significantly in August, but the bearish developments in the gasoline and fuel oil markets may force them to cut their current throughput levels. In this respect, Japanese refiners have reduced their throughput levels very slightly over the last two weeks, while their utilization rates soared to 89.6% from 84.3% in July (*see **Graph 7***).

Graph 7: Refinery utilization



US market

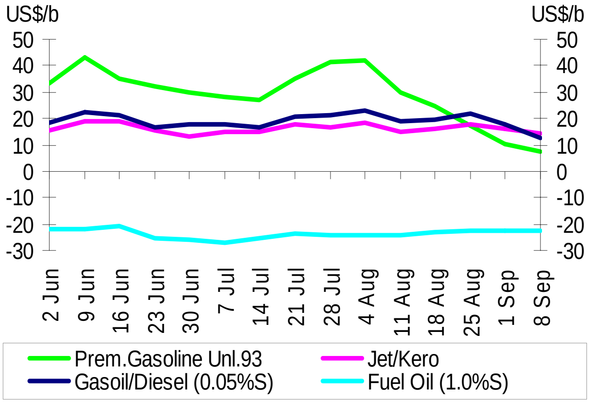
The US product market momentum has changed significantly

Gasoline stock-builds over the last few weeks, along with comfortable middle distillate stock levels and the easing of hurricane threats, have led to the plummeting of the crack spreads for light products, especially the gasoline spread against the benchmark WTI crude in different regions of the USA.

As **Graph 8** indicates, the weekly spread of premium gasoline at the US Gulf Coast slipped sharply from $41.85/b on 4 August to $7.35/b on 8 September. Part of these losses can be attributed to the liquidation of conventional reformulated gasoline contracts by financial market players without rolling their positions on the Nymex into alternative gasoline contracts.

Distillate prices have also weakened in the USA, but did not drop as much as gasoline prices. As shown in Graph 8, the distillate premium over gasoline continued to soar, and it may surge more in the future amid increasing support from seasonal factors. Additionally, the continued shift to ULSD in the USA may raise supply constraints and logistical problems in some regions and lift diesel prices.

Graph 8: US Gulf crack spread vs. WTI



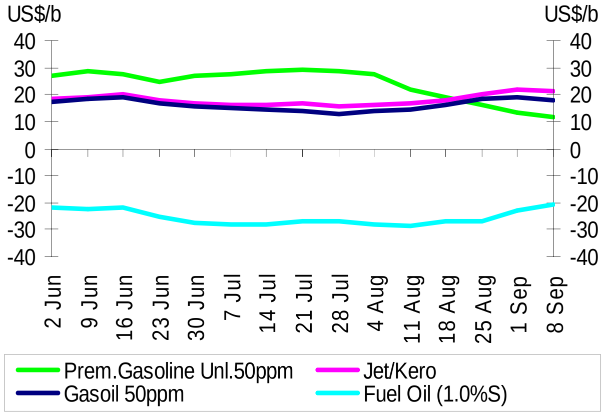
As far as the fuel market is concerned, declining demand from utility plants retained the highly discounted prices for low- and high-sulphur fuel oil, and the low price of natural gas may remain bearish compared to the fuel oil market in the next months.

European market

The bearish developments in the US gasoline market adversely affected the European product market

Bearish developments in the US gasoline market, combined with higher cost of Brent crude oil, put downward pressure on refinery margins in North-West Europe and the Mediterranean. The end of the driving season and the closing of arbitrage opportunities to the USA may negatively affect product markets and refinery margins in Europe in the next months. As **Graph 9** shows, the crack spread of gasoline has declined significantly over the last few weeks to reach \$11.88/b on 8 September from \$27.33/b early in the previous month.

Graph 9: Rotterdam crack spreads vs. Brent



Among the remainder of the barrel components, middle distillates, especially the jet/kero market, is still firm due to stronger demand across Europe and tight supplies after a sharp drop in exports from the Baltic since the beginning of August. In line with these developments, the jet/kero crack spread against Brent crude oil in Rotterdam rose to \$21.06/b recently from \$16.07/b on 4 August. Similarly, the gasoil spread surged from \$14/b to about \$18/b in early September.

The performance of the bottom of the barrel complex for both low-sulphur and high-sulphur grades was still disappointing and, due to closed opportunities to Asia, it may suffer further in the next months.

Asian market

Asian product markets lost further ground in August

The bearish sentiment of the Asian market, which was triggered by the extended rainy season in North-East Asian countries, was consolidated by the return of refineries to normal operation and increasing supplies of different products. The closed arbitrage to the US West Coast and soft local demand have overshadowed the positive impact of lower gasoline exports by China, and its weekly creak spread against benchmark Dubai crude slid to \$3.75/b on 8 September from \$16.34/b in early August (*see* ***Graph 10***). The naphtha market has also followed suit, as ample exports by India and sluggish demand from Japan and South Korea due to the cracker maintenance schedule put pressure on naphtha prices.

Despite the downward momentum of the gasoline market, the middle distillate market could keep its strength as China maintained its buying of jet fuel amid the expectation of increasing air travel during the "Golden Weeks" in October. Similarly, gasoil might find some support from increasing demand by the agricultural sector. The weekly spread of gasoil versus Dubai crude oil has recently widened to \$21.15/b from \$18.31/b early last

month. Looking ahead, it is expected that the middle distillate market might remain relatively strong in the next few months, due to higher demand for winter heating and from the agricultural sector.

With regard to fuel oil, although regional demand for bunker and industrial purposes improved recently, it failed to offset the negative impacts of huge regional production and imported cargoes from the rest of the world. The crack spread of high-sulphur fuel oil versus Dubai crude recorded minus $19.37/b from minus $17.61/b in early August.

Graph 10: Singapore crack spreads vs. Dubai

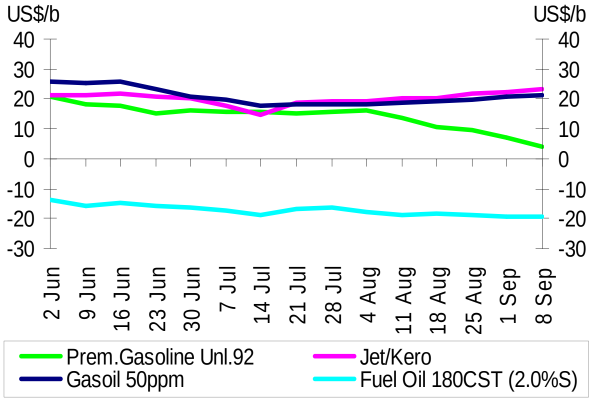


Table 2: Refined product prices, US$/b

		Jun 06	Jul 06	Aug 06	Change Aug/Jul
US Gulf (Cargoes):					
Naphtha		80.56	84.06	72.99	-11.07
Premium gasoline	*(unleaded 93)*	106.21	108.10	97.94	-10.16
Regular gasoline	*(unleaded 87)*	90.60	96.83	85.62	-11.21
Jet/Kerosene		87.59	90.60	89.57	-1.03
Gasoil	*(0.05% S)*	90.41	93.87	93.34	-0.53
Fuel oil	*(1.0% S)*	48.46	50.29	52.58	2.29
Fuel oil	*(3.0% S)*	46.41	49.55	49.59	0.04
Rotterdam (Barges FoB):					
Naphtha		80.63	84.43	81.35	-3.08
Premium gasoline	*(unleaded 50 ppm)*	95.72	102.17	93.21	-8.96
Premium gasoline	*(unleaded 95)*	85.38	91.26	83.09	-8.17
Jet/Kerosene		87.06	89.69	91.68	1.99
Gasoil/Diesel	*(50 ppm)*	86.13	87.80	89.75	1.95
Fuel oil	*(1.0% S)*	44.65	46.10	46.38	0.28
Fuel oil	*(3.5% S)*	44.60	46.79	46.41	-0.38
Mediterranean (Cargoes):					
Naphtha		67.45	70.21	67.81	-2.40
Premium gasoline	*(50 ppm)*	95.00	102.69	93.24	-9.45
Jet/Kerosene		85.36	87.30	89.91	2.61
Gasoil/Diesel	*(50 ppm)*	85.85	88.92	89.83	0.91
Fuel oil	*(1.0% S)*	46.95	49.59	49.86	0.27
Fuel oil	*(3.5% S)*	44.47	46.80	44.99	-1.81
Singapore (Cargoes):					
Naphtha		68.06	70.55	66.59	-3.96
Premium gasoline	*(unleaded 95)*	82.76	85.50	81.22	-4.28
Regular gasoline	*(unleaded 92)*	82.21	84.47	80.36	-4.11
Jet/Kerosene		86.18	87.57	89.47	1.90
Gasoil/Diesel	*(50 ppm)*	89.13	88.17	88.19	0.02
Fuel oil	*(180 cst 2.0% S)*	49.68	52.28	50.16	-2.12
Fuel oil	*(380 cst 3.5% S)*	48.46	50.72	47.61	-3.11

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Jun 06	Jul 06	Aug 06	Aug/Jul	Jun 06	Jul 06	Aug 06	Aug/Jul
USA	15.90	15.63	15.80	0.17	92.8	91.3	92.3	1.00
France	1.63 R	1.74	1.72	-0.02	82.7 R	88.1	86.8	-1.30
Germany	2.34 R	2.30 R	2.36	0.06	96.4 R	95.1 R	97.0	1.90
Italy	1.90 R	1.84 R	1.84	0.00	80.4 R	79.0 R	79.0	0.00
UK	1.60 R	1.51	1.53	0.02	85.5 R	80.3	81.6	1.30
Eur-16	12.40 R	12.10 R	12.30	0.20	87.8 R	85.6 R	87.0	1.40
Japan	3.59	3.94	4.18	0.24	76.8	84.3	89.6	5.30

R *Revised since last issue.*

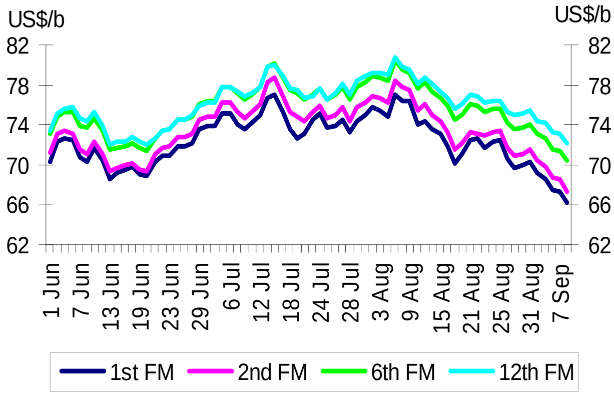
Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Oil Futures Market

Supply disruptions from BP's Alaska oilfield and Mideast geopolitical developments boosted futures contract volumes to record-highs

The rally continued further in the futures market on concern over output recovery from West Africa amid a rise in gasoline demand ahead of the final peak of the driving season. Geopolitical tensions in the Middle East added to the bullish market sentiment. The first weekly data for the CFTC revealed that non-commercials raised long positions and reduced shorts to leave net longs 5,800 lots higher at 66,100 contracts. Open interest saw a healthy build of 58,500 contracts to peak over the 1.1 million level for the first time at 1,110,000 lots. The Nymex front month closed at $74.91/b.

Graph 11: Nymex WTI futures prices, 2006

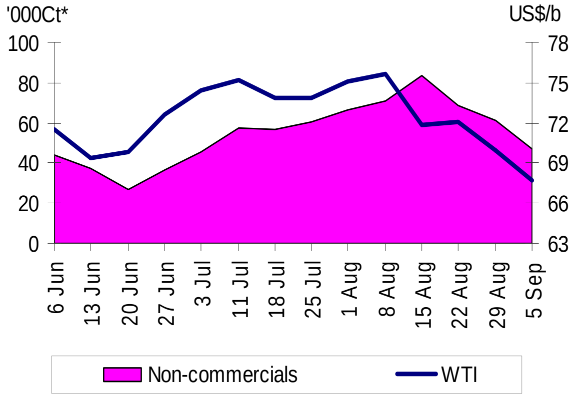


Moreover, Tropical Storm "Chris" approached the Caribbean Sea threatening oil infrastructure in the Gulf of Mexico, but then waned later in the week. The Nymex WTI prompt month peaked at $76.98/b on the unexpected shutdown of BP's Prudhoe Bay oil field in Alaska due to pipeline problems. The CFTC reported in the second week that non-commercials increased long positions at twice the rate as shorts. Net longs were 4,400 wider at 70,500 contracts, with open interest accumulating another 55,100 lots to close near the 1.2 million level at 1,165,000 contracts.

In the third weekly period, gasoline stocks experienced a heft drop and crude oil stocks saw draws amid disrupted Alaskan supplies. Non-commercial short positions fell a significant 14,600 lots while longs dropped a moderate 1,300 lots. Net long positions were up a considerable 13,300 lots to nearly 84,000 contracts, the highest level since May. Nonetheless, the thwarted attack on airlines in the UK — which led to the anticipation of lower demand for transportation fuels — triggered some fund sell-offs for profit-taking with the Nymex WTI front month closing at $73.05/b. Open interest swell by additional 45,000 lots to registered a record-high of 1,210,000 contracts.

The market continued to be bearish in the fourth weekly period on concern over Alaska pipeline outages eased as BP recovered some 50% of production amid the partial return of supply from Nigeria at a time when OPEC was revising down demand growth. Non-commercials liquidated a hefty 13,000 lots of long positions while shorts saw a moderate build of nearly 2,000 lots. As a result, net longs fell a significant 15,000 lots to some 69,000 contracts. Open interest also decreased by a hefty 87,000 contracts to stand at 1,123,000 lots. Although the Nymex front month closed marginally higher at $73.24/b on concern over winter fuel amid revived tensions in Mideast geopolitics.

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



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

In the final week of the month, unexpected builds in US gasoline and distillate stocks weighed on the market. The new monthly futures contracts plunged below the $70/b level for the first time in over two months. The CFTC report revealed the liquidation of non-commercial longs while shorts piled up. Thus, net long positions were some 13,500 lots narrower at 60,900 contracts, while open interest rose a marginal 27,000 lots to 1,150,000 contracts.

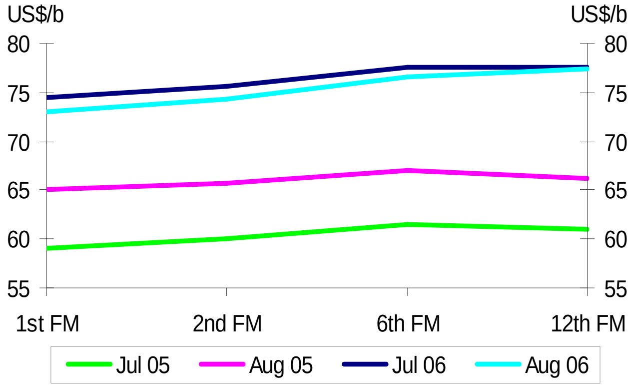
The monthly average for the Nymex WTI front month was $73.08/b which was $1.41/b or nearly 2% lower than July. Non-commercial net positions averaged around 70,000 lots or nearly 15,000 higher than the previous month and nearly 43,000 over last year. Open interest was at 1,150,000 contracts, 98,000 over last month and more than 252,000 contracts over last year.

The Forward Structure

Despite Alaska's supply outages, the contango widened in the further forward months

The near-month contango in the forward structure remained broadly unchanged. The 1st/2nd month average spread was 6¢ narrower at $1.19/b. However, the further forward month spreads widened, with the 1st/6th, 12th, and 18th month average spread at $3.55/b, $4.33/b, and $3.79/b representing increases of 40¢, $1.04/b and $1.31b/d. Nevertheless, average weekly crude oil stocks in the USA were at 332 mb, some 3 mb lower than July in part due to BP's Alaska pipeline outages. However, stocks remained some 10 mb over the same period last year.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures fell further, in August but showed a 4% y-o-y growth

OPEC spot fixtures in August declined for the second consecutive month to average 13.0 mb/d, down 0.6 mb/d from the previous month but still 0.5 mb/d above a year earlier. In two months OPEC spot fixtures dropped 1.5 mb/d, resulting in a 3 percentage point drop in OPEC's share in total spot fixtures, which stood at 64%, the lowest level in the last five months. When compared to a year earlier, however, the share of OPEC fixtures remained unchanged. The decline in spot fixtures was driven by the drop in Middle East/Asia fixtures, particularly from China, which had set a programme of refining maintenance in August/September. However, fixtures from the Middle East (including non-OPEC countries) to Asia lost 0.9 mb/d to average 5.0 mb/d, while spot fixtures from the Middle East to westbound rose 0.5 mb/d to 2.3 mb/d, the highest level since January 2006, due particularly to strong imports from the USA supported by the partial outage of BP Prudhoe Bay oil field in Alaska. Despite the decline of August, total Middle East spot fixtures remained 1.1 mb/d higher compared to a year earlier. In contrast, non-OPEC spot fixtures recovered from the decline of the previous month and increased 0.7 mb/d to average 7.3 mb/d, which corresponded to a y-o-y growth of 0.2 mb/d. As a result, global spot fixtures (OPEC and non-OPEC) remained almost stable at 20.3 mb/d but displayed an increase of 0.7 mb/d from a year earlier.

Following the same trend, OPEC sailings dropped 1.0 mb/d to average less than 23.2 mb/d, the lowest level in 20 months. The strong drop in sailings was essentially the consequence of the 0.9 mb/d decline in chartering in the previous month.

Preliminary data shows that arrivals at the US Gulf Coast, East Coast and the Caribbean reached a record-high of 11.9 mb/d after a 0.63 mb/d increase in August while arrivals at the Euro Mediterranean basin rose 0.18 mb/d to average 4.5 mb/d, remaining 0.3 mb/d lower than a year earlier. In contrast, North-West Europe saw arrivals drop by almost 0.5 mb/d to average 7.6 mb/d, down 0.2 mb/d from a year ago.

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

	Jun 06	Jul 06	Aug 06	Change Aug/Jul
Spot Chartering				
All areas	22.13	20.26	20.31	0.05
OPEC	14.51	13.64	13.02	-0.62
Middle East/east	5.77	5.87	4.98	-0.90
Middle East/west	1.60	1.75	2.28	0.52
Sailings				
OPEC	24.69	24.17	23.16	-1.01
Middle East	17.59	18.35	17.25	-1.10
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.83	11.29	11.92	0.63
North West Europe	7.56	8.03	7.57	-0.47
Euromed	4.34	4.34	4.52	0.18

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

The crude oil tanker market remained strong due to limited available tonnage

Strong activity from charterers in summer continued to support the crude oil tanker market and made average freight rates in August higher than historical levels. Usually, August is considered one of the months when spot freight rates hit their lows during the year, but it was not the case this year due to strong activity from charterers. In the VLCC sector, long-haul Middle East/eastbound and westbound spot freight rates remained stable at WS132 and WS96 respectively, but when compared to the corresponding month last year, rates were almost double on the Eastern route and more than 50% higher on the Western route. It should be noted that rates surged significantly following BP's decision to partially shut its crude oil production from Prudhoe Bay oil field in Alaska. The loss of output from that oil field forced BP to look for additional vessels to compensate for the lost production by importing from other regions to the refineries on the West Coast. As a consequence of lower tonnage availability, freight rates for tankers moving from the Middle East and Asia surged by more than 40 WS points or 20% between the first and the second week of August. By month's end, VLCC freight rates started to soften by month's end after it appeared that the loss from BP's oil field would be lower than expected which, combined with a slowdown in activity from Chinese buyers due to refining maintenance, increased the availability of tankers. In addition to sustained activity from the USA and China, Iran's reported use 10 VLCCs as floating storage helped keep the tanker supply tight in summer, supporting rates to remain strong in August. The Suezmax sector performed better than in the previous month due to healthy activity from the USA. However, freight rates on the West Africa/US Gulf Coast and the trans-Atlantic routes rose by around 12% to average WS176 and WS169 respectively, their highest levels since l February. When compared to a year earlier, both routes displayed a 66% y-o-y increase. Similarly, freight rates of Suezmaxes moving from West Africa to the US Gulf Coast increased suddenly between the first and second week of August following BP's output disruption at the Prudhoe Bay oil field. Rates gained on average 40 WS points or 25% in just one week. Contrary to VLCCs and Suezmaxes, the Aframax sector showed a mixed pattern with freight rates on the Indonesia/US West Coast route continuing their upward trend and increasing for the second consecutive month to average WS223, a gain of 21 WS points or 10% over the previous month. Freight rates within the Mediterranean basin as well as from the Caribbean and the US East Coast remained stable at around WS182 and WS205, respectively. However, freight rates on the Mediterranean/North West Europe route lost 25 WS points or 12% to stand at a monthly average of WS182. The decline observed on this latter route was due to excess tonnage as a result of lower activity from charterers in anticipation of strong planned refining maintenance in the coming months in North-West Europe. Compared to a year earlier, all routes enjoyed much better rates except for the Mediterranean basin where rates were similar.

For the period January-August 2006, average freight rates in the VLCC and Suezmax sectors were 10-25% higher, depending on the route.

Table 5: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	Jun 06	Jul 06	Aug 06	Change Aug/Jul
Crude					
Middle East/east	230-280	108	133	132	-1
Middle East/west	270-285	95	94	96	2
West Africa/US Gulf Coast	130-135	132	156	176	20
NW Europe/USEC - USGC	130-135	128	152	169	16
Indonesia/US West Coast	80-85	149	202	223	21
Caribbean/US East Coast	50-55	223	211	205	-6
Mediterranean/Mediterranean	80-85	150	182	182	0
Mediterranean/North-West Europe	80-85	147	207	182	-25
Products					
Middle East/east	30-35	276	202	273	71
Singapore/east	30-35	274	244	337	93
Caribbean/US Gulf Coast	38-40	235	335	350	15
NW Europe/USEC - USGC	33-37	253	313	304	-8
Mediterranean/Mediterranean	30-35	232	296	263	-33
Mediterranean/North-West Europe	30-35	237	306	273	-33

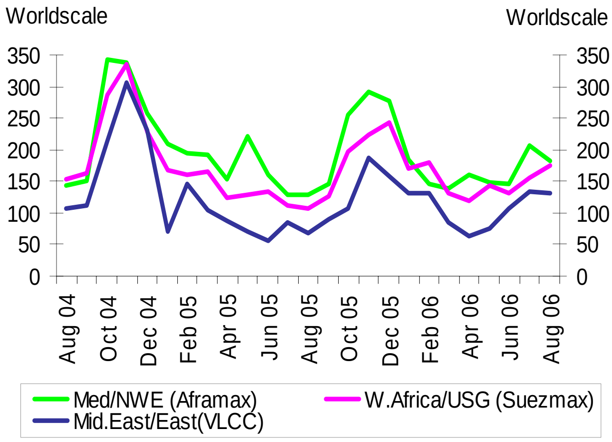
Source: Galbraith's Tanker Market Report and others.

Rates for clean tankers in the East and West behaved differently

Clean tankers saw mixed patterns in August with East and West markets moving overall in opposite directions. Contrary to the previous month, spot freight rates for tankers doing business in the East jumped by around 38%. In contrast to the previous month, all routes weakened in the West apart from the Caribbean/US Gulf Coast route. Due to tight tonnage availability in the region, freight rates on the Middle East/Asia and the Far East routes rose 71 and 93 WS points respectively to average WS273 and WS337. It is worth noting that freight rates in the East of Suez followed a steady upward trend since the beginning of the month. In the West of Suez, freight rates on the Caribbean/US Gulf Coast route rose 15 WS points to average WS350, the highest level since January 2006. The exception of growth on this route compared to the rest of the routes in the West was essentially due to sustained activity as a result of BP's partial oilfield shut-in, which kept rates hovering around WS350 over the month.

In contrast to the Caribbean/US Gulf Coast route, rates within the Mediterranean and from there to North-West Europe fell 33 WS points or 11% each to average WS263 and WS273 respectively. Freight rates on the trans-Atlantic route edged down a slight 8 WS points or 3% to WS304. Nevertheless, despite the decline in the East of Suez, freight rates on all routes performed better than a year ago, particularly in the West where rates were 40-70% higher.

Graph 14: Monthly averages of crude oil spot freight rates



World Oil Demand

World oil demand growth estimate for 2006 was revised down 0.1 mb/d to stand at 1.2 mb/d

World oil demand in 2006

World oil demand in 2006 is estimated to average 84.4 mb/d, representing a growth of 1.2 mb/d or 1.4%. As a result of slower-than-expected economic growth in the first half of the year, the world oil demand growth estimate for the year has been revised down by 0.1 mb/d since the last *MOMR.*

The USA is pushing its strategy to diversify sources of energy and the latest efforts were to encourage great use of biofuels in the energy system.

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

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 2006/05 Volume	Change 2006/05 %
North America	25.46	25.11	25.11	25.75	25.85	25.46	0.00	-0.01
Western Europe	15.48	15.72	15.04	15.57	15.73	15.51	0.03	0.22
OECD Pacific	8.59	9.31	7.87	8.12	8.91	8.55	-0.04	-0.46
Total OECD	**49.53**	**50.14**	**48.01**	**49.43**	**50.49**	**49.52**	**-0.01**	**-0.02**
Other Asia	8.68	8.77	8.96	8.67	8.81	8.80	0.12	1.43
Latin America	5.07	4.99	5.15	5.30	5.22	5.17	0.10	1.94
Middle East	5.82	6.05	6.12	6.33	6.14	6.16	0.34	5.82
Africa	2.89	2.96	2.96	2.92	2.99	2.96	0.07	2.29
Total DCs	**22.46**	**22.77**	**23.18**	**23.21**	**23.16**	**23.08**	**0.63**	**2.80**
FSU	3.82	3.69	3.59	3.84	4.03	3.79	-0.03	-0.79
Other Europe	0.88	0.97	0.90	0.89	0.87	0.91	0.02	2.48
China	6.54	7.09	7.34	6.83	7.07	7.08	0.54	8.28
Total "Other Regions"	**11.24**	**11.75**	**11.82**	**11.56**	**11.98**	**11.78**	**0.53**	**4.74**
Total world	**83.23**	**84.66**	**83.02**	**84.21**	**85.63**	**84.38**	**1.15**	**1.38**
Previous estimate	83.23	84.67	83.18	84.30	85.95	84.53	1.30	1.56
Revision	0.00	-0.01	-0.16	-0.10	-0.31	-0.15	-0.15	-0.18

Totals may not add due to independent rounding.

Above average heat in the summer in China along with an unusual boom in car sales helped drive up oil demand. While it has to be noted that new efforts by the government to cool the economy could impact future oil demand, China has found achieving its planned energy conserving goal of reducing consumption by 4% this year to be more difficult than expected. The cabinet issued a guideline recently to remind officials to meet this goal. China’s National Development Reform Commission (NDRC) suggested that increasing the share of both the service and high tech sectors by 1% in the economy would reduce energy consumption by 1%. The government also plans to look at the energy price structure. However, despite these efforts, China’s oil demand increased by more than 11% in the second quarter.

Estimate for third quarter 2006

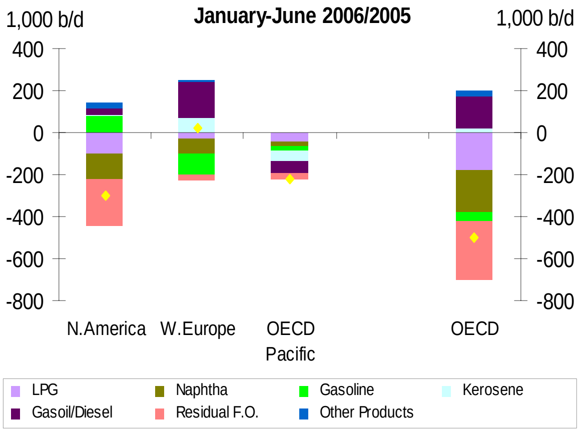
North America’s second- and third-quarter oil demand revised down by 0.2 mb/d and 0.1 mb/d respectively

World oil demand in the second quarter was weaker-than-expected early in the year. Recent data for OECD oil demand showed a decline in the second quarter. Despite the stabilization of gasoline prices, the latest data from the USA revealed that the US summer gasoline demand grew by only 0.68%, which was below the 1.6% annual average. Therefore, North America’s second- and third-quarter oil demand has been revised down by 0.2 mb/d and 0.1 mb/d. Furthermore, higher oil prices encouraged power plants to switch to less expensive natural gas, which is considered to be one of the main factors behind sluggish US oil demand so far this year. According to the weekly EIA report, August y-o-y oil demand was down by 90,000 b/d. Residual fuel oil experienced the highest decline of 35% since the same period last year. In total, the OECD countries y-o-y third-quarter oil demand growth is estimated at 0.3 mb/d.

China oil demand growth for the third quarter is estimated at 0.4 mb/d y-o-y

Chinese data showed strong consumption, which along with the Middle Eastern oil demand growth helped to offset the expected decline in OECD countries in the third quarter.

Graph 15: OECD - Growth of total requirements by component



OECD Europe

OECD Europe oil demand growth in the second quarter revised up by 0.1 mb/d, while third-quarter oil demand estimated to grow by only 20,000 b/d

Despite the improved outlook for European economies for the rest of this year, oil demand did not keep pace with economic growth. The past cold winter affected oil demand positively, not only in the first but also in the second quarter. Therefore, OECD Europe's y-o-y second quarter oil demand growth was revised up by 0.1 mb/d. Low summer gasoline consumption and fuel switching by European power plants were the main reasons behind the sluggish oil demand in the third quarter. Although German oil product sales showed a year-to-date growth of almost 1.5%, July sales were 0.7% lower than the same month last year. OECD Europe's third-quarter oil demand is estimated to grow by only 20,000 b/d.

OECD Pacific

OECD Pacific oil demand in the third quarter to show meagre growth of 40,000 b/d

South Korean oil imports rose by 8% y-o-y in July, up from only 3% in June, while total oil demand rose by only 0.6%. However, a recent tax hike caused diesel consumption to decline by almost 19% in July. It is important to note that the recent move by the power plants to substitute gas for liquid has affected fuel oil demand causing it to decline by 38% in July y-o-y. Although the Japanese oil product sales for July were ahead of June, the July y-o-y sales were down by 0.7%. High gasoline prices along with the bad weather during the summer driving season curbed the y-o-y gasoline demand growth in July to only 1.4%. As has been seen elsewhere, high oil prices encouraged Japanese power plants to switch to natural gas; causing fuel oil consumption to decline 6% y-o-y in July. Oil demand in the OECD Pacific region as a whole is expected to show a meagre growth of 40,000 b/d in the third quarter.

Developing Countries

Middle East demand expected to grow by 0.3 mb/d in third quarter

Strong economic growth in the Middle Eastern countries continues to drive up oil demand. Third-quarter y-o-y oil demand growth is estimated at 0.3 mb/d to average to 6.3 mb/d for the Middle East.

Oil demand in the "Other Asia" region is picking up more than expected despite the fact that some Asian countries such as Thailand are pushing for alternative fuels. So far this year, the usage of alternative fuels in Thailand has increased three-fold. Apparently continuing efforts by Thailand's government to reduce oil demand via improving alternative fuels will affect oil demand, but only to a certain degree.

The Taiwanese economy pushed for more oil; oil demand for the first six months of this year grew by almost 4%. Naphtha demand increased in the first six months by 23% y-o-y; however, high oil prices seem to have negatively affected the gasoline demand so far this year.

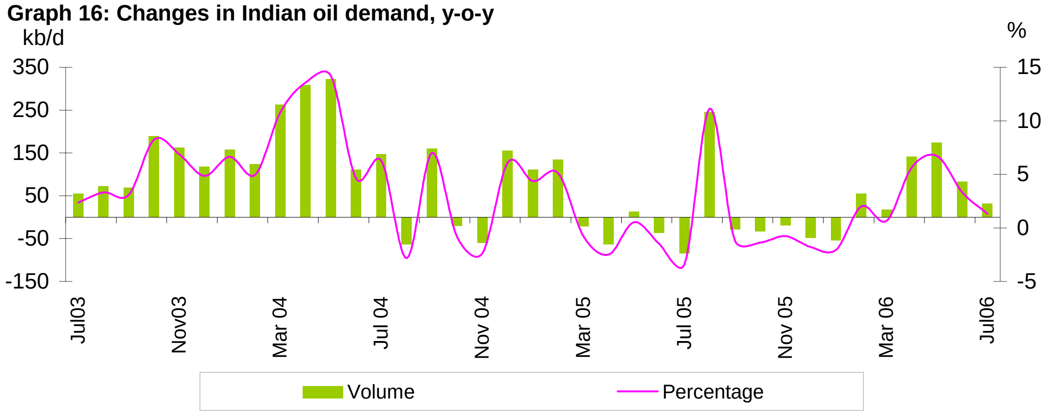
Other Regions

China demand growth in second quarter revised up by 70,000 b/d

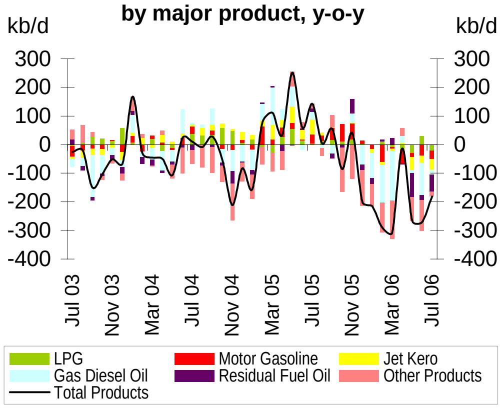
China's economy grew by more than 11% in July, resulting in a trade surplus that reached $14.6 billion, causing oil consumption to rise by 8% in comparison to the same month last year. The strong increase in demand was fueled by the unusually high temperatures and the stunning increase in car sales. In the first seven months of this year, oil demand grew by 650,000 b/d or 10% y-o-y. Car sales over the same period were up by more than a third. The transportation sector is considered one of the main oil demand drivers in China. Fuel oil imports jumped by half in July, attributed to the above average heat this summer. In the first seven months of this year, crude runs grew by 6% y-o-y leading to oil import growth of 16% over the same period. Furthermore, recent data shows stronger second-quarter demand than previously forecast, resulting in an upward revision of 70,000 b/d in oil demand growth for that quarter.

Despite newly imposed export taxes, FSU oil exports increased, which occurred as a result of high oil prices. This affected apparent demand more than anticipated earlier leading to a downward revision of 60,000 b/d in oil demand growth in the second quarter.

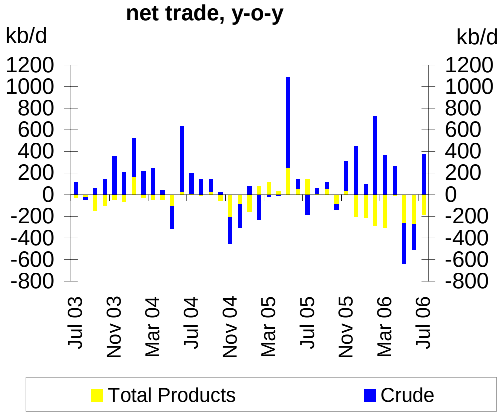
Graph 16: Changes in Indian oil demand, y-o-y



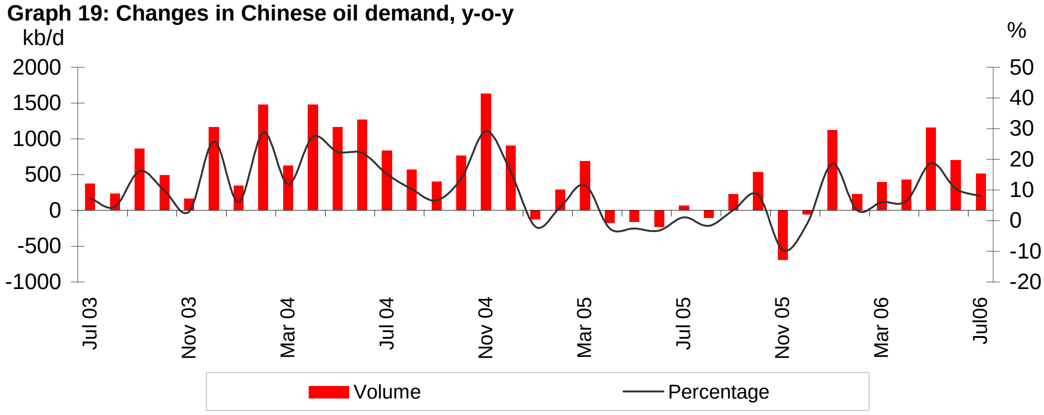
Graph 17: Changes in Indian oil net imports by major product, y-o-y

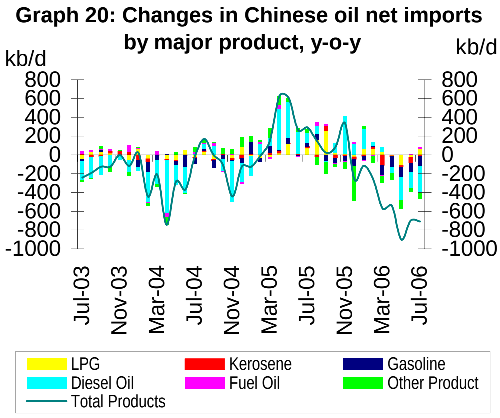


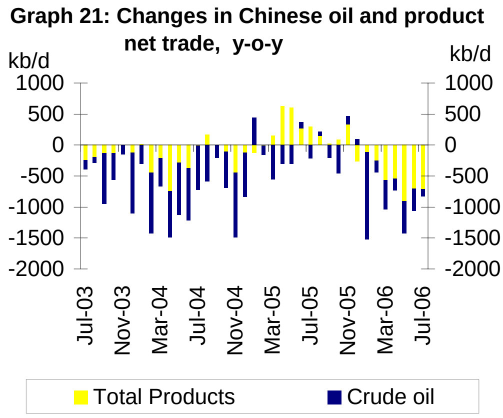
Graph 18: Changes in Indian oil and product net trade, y-o-y



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







Forecast for 2006 demand

OECD

North American demand growth for 2006 revised down by 0.1 mb/d

In North America, oil demand growth in the fourth quarter of this year is expected to be somewhat stronger than in the first three quarters given the stabilization of gasoline prices and the expectation of normal weather in the fourth quarter. However, the slowing economy along with high oil prices has impacted oil demand growth leading to a downward revision of 0.1 mb/d for the region. The very hot summer in the USA, which put more pressure on electricity demand, failed to boost oil demand as there was major fuel switching by power plants from liquid to gas. Moreover, the summer peak for gasoline was not as strong as expected.

OECD Pacific demand growth for 2006 revised down by 0.1 mb/d

Oil demand in OECD Western Europe is projected to increase by a meagre 30,000 b/d to average 15.5 mb/d in 2006. OECD Pacific oil demand is expected to increase in the fourth quarter, but not as much as previously forecast. Slow industrial production is causing oil demand to weaken further resulting in a downward revision of 0.1 mb/d in fourth-quarter oil demand growth. OECD Pacific demand is now expected to grow 130,000 b/d in the fourth quarter.

Table 7: First and second quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	1Q05	1Q06	Volume	%	2Q05	2Q06	Volume	%
North America	25.57	25.11	-0.46	-1.78	25.34	25.11	-0.23	-0.92
Western Europe	15.58	15.72	0.14	0.92	15.15	15.04	-0.11	-0.74
OECD Pacific	9.45	9.31	-0.14	-1.48	8.06	7.87	-0.19	-2.38
Total OECD	**50.59**	**50.14**	**-0.45**	**-0.89**	**48.55**	**48.01**	**-0.54**	**-1.10**
Other Asia	8.71	8.77	0.06	0.66	8.84	8.96	0.13	1.42
Latin America	4.89	4.99	0.10	1.99	5.07	5.15	0.08	1.51
Middle East	5.66	6.05	0.38	6.75	5.79	6.12	0.33	5.72
Africa	2.90	2.96	0.07	2.31	2.89	2.96	0.07	2.30
Total DCs	**22.17**	**22.77**	**0.60**	**2.73**	**22.58**	**23.18**	**0.60**	**2.65**
FSU	3.87	3.69	-0.18	-4.68	3.70	3.59	-0.11	-2.99
Other Europe	0.94	0.97	0.03	2.91	0.88	0.90	0.02	2.12
China	6.51	7.09	0.58	8.91	6.58	7.34	0.76	11.56
Total "Other Regions"	**11.32**	**11.75**	**0.43**	**3.77**	**11.15**	**11.82**	**0.67**	**5.99**
Total world	**84.09**	**84.66**	**0.58**	**0.69**	**82.28**	**83.02**	**0.73**	**0.89**

Totals may not add due to independent rounding.

Developing Countries

Oil demand for the Middle East expected to increase by 0.3 mb/d this year

Developing Countries account for 92% of world oil demand growth in 2006. In Other Asia, the negative effect of the removal of price subsidies eased in the third quarter. Pakistan's diesel demand is forecast to jump 7% this year.

Due to fuel substitution and conservation mainly in India, Other Asia's oil demand growth for the year is estimated to reach only 120,000 b/d. Developing Countries oil demand is expected to grow 0.6 mb/d for the year to average 23.1 mb/d. The strong economic activities in the Middle East are expected to continue until year-end. Oil demand for the Middle East is expected to increase by 0.3 mb/d in 2006 to average 6.2 mb/d.

Other Regions

China oil demand growth is expected to remain strong increasing by 0.54 mb/d in 2006

China's accelerating economy exceeded expectations with GDP growth estimated at 10.2% for 2006. The August trade surplus reached a record-high of $18.8 bn. This overwhelming economic achievement has had an effect on oil demand this year. Barring a major push by the government to curb demand, oil demand growth will reach 8.3% by year-end. China's oil demand growth should remain strong and increase by 0.5 mb/d to average 7.1 mb/d in 2006. China's plan to develop rural areas will be one of the factors driving higher energy consumption over the remainder of this year.

Table 8: Third and fourth quarter world oil demand comparison for 2006, mb/d

			Change 2006/05				Change 2006/05	
	3Q05	3Q06	Volume	%	4Q05	4Q06	Volume	%
North America	25.51	25.75	0.24	0.94	25.43	25.85	0.42	1.65
Western Europe	15.55	15.57	0.02	0.11	15.64	15.73	0.09	0.57
OECD Pacific	8.08	8.12	0.04	0.53	8.79	8.91	0.13	1.44
Total OECD	**49.13**	**49.43**	**0.30**	**0.61**	**49.86**	**50.49**	**0.64**	**1.28**
Other Asia	8.53	8.67	0.13	1.56	8.63	8.81	0.18	2.09
Latin America	5.19	5.30	0.11	2.09	5.11	5.22	0.11	2.15
Middle East	6.01	6.33	0.31	5.20	5.81	6.14	0.33	5.68
Africa	2.84	2.92	0.08	2.70	2.94	2.99	0.05	1.87
Total DCs	**22.58**	**23.21**	**0.63**	**2.80**	**22.49**	**23.16**	**0.67**	**3.00**
FSU	3.78	3.84	0.07	1.75	3.93	4.03	0.10	2.54
Other Europe	0.87	0.89	0.02	2.30	0.85	0.87	0.02	2.56
China	6.43	6.83	0.40	6.22	6.64	7.07	0.43	6.48
Total "Other Regions"	**11.07**	**11.56**	**0.49**	**4.39**	**11.43**	**11.98**	**0.55**	**4.83**
Total world	**82.79**	**84.21**	**1.42**	**1.71**	**83.77**	**85.63**	**1.86**	**2.22**

Totals may not add due to independent rounding.

Forecast for 2007 demand

The expected oil demand growth in OECD countries will account for only 18% of total world oil demand growth

The world oil demand growth forecast for the year 2007 remains unchanged. Due to adjustments in 2006, the absolute level was revised down by 0.1 mb/d. World oil demand growth for next year is forecast at 1.3 mb/d or 1.5%. As expected, Developing Countries will contribute the lion's share of the oil demand growth for 2007. The expected oil demand growth in the OECD countries will account for only 18% of total world oil demand growth. China will lead the world oil demand growth with 0.4 mb/d, while the Middle East will see oil demand growth of 0.3 mb/d.

Table 9: World oil demand forecast for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 2007/06 Volume	%
North America	25.46	25.51	25.22	25.86	26.08	25.67	0.21	0.83
Western Europe	15.51	15.57	15.14	15.64	15.78	15.53	0.02	0.13
OECD Pacific	8.55	9.41	7.78	8.13	8.92	8.56	0.01	0.09
Total OECD	**49.52**	**50.49**	**48.14**	**49.63**	**50.78**	**49.76**	**0.24**	**0.48**
Other Asia	8.80	8.85	9.08	8.88	9.01	8.96	0.15	1.76
Latin America	5.17	5.12	5.24	5.38	5.28	5.26	0.09	1.74
Middle East	6.16	6.34	6.35	6.68	6.47	6.46	0.30	4.88
Africa	2.96	3.02	3.00	2.97	3.05	3.01	0.05	1.74
Total DCs	**23.08**	**23.32**	**23.68**	**23.90**	**23.82**	**23.68**	**0.60**	**2.59**
FSU	3.79	3.78	3.52	3.77	4.13	3.80	0.01	0.27
Other Europe	0.91	1.01	0.88	0.91	0.94	0.94	0.03	3.17
China	7.08	7.42	7.82	7.31	7.46	7.50	0.42	5.92
Total "Other Regions"	**11.78**	**12.20**	**12.21**	**12.00**	**12.53**	**12.24**	**0.46**	**3.89**
Total world	**84.38**	**86.01**	**84.03**	**85.53**	**87.12**	**85.68**	**1.29**	**1.53**
Previous estimate	84.53	86.12	84.19	85.63	87.34	85.82	1.29	1.53
Revision	-0.15	-0.11	-0.16	-0.10	-0.21	-0.14	0.00	0.00

Totals may not add due to independent rounding.

Table 10: First and second quarter world oil demand comparison for 2007, mb/d

	1Q06	1Q07	Change 2007/06 Volume	%	2Q06	2Q07	Change 2007/06 Volume	%
North America	25.11	25.51	0.40	1.58	25.11	25.22	0.12	0.46
Western Europe	15.72	15.57	-0.15	-0.94	15.04	15.14	0.10	0.67
OECD Pacific	9.31	9.41	0.10	1.12	7.87	7.78	-0.09	-1.17
Total OECD	**50.14**	**50.49**	**0.35**	**0.70**	**48.01**	**48.14**	**0.13**	**0.26**
Other Asia	8.77	8.85	0.08	0.86	8.96	9.08	0.12	1.35
Latin America	4.99	5.12	0.13	2.58	5.15	5.24	0.09	1.72
Middle East	6.05	6.34	0.29	4.81	6.12	6.35	0.24	3.86
Africa	2.96	3.02	0.05	1.79	2.96	3.00	0.05	1.62
Total DCs	**22.77**	**23.32**	**0.55**	**2.40**	**23.18**	**23.68**	**0.49**	**2.13**
FSU	3.69	3.78	0.09	2.32	3.59	3.52	-0.06	-1.79
Other Europe	0.97	1.01	0.04	4.53	0.90	0.88	-0.02	-2.37
China	7.09	7.42	0.32	4.53	7.34	7.82	0.48	6.51
Total "Other Regions"	**11.75**	**12.20**	**0.45**	**3.83**	**11.82**	**12.21**	**0.39**	**3.32**
Total world	**84.66**	**86.01**	**1.35**	**1.59**	**83.02**	**84.03**	**1.01**	**1.22**

Totals may not add due to independent rounding.

Table 11: 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	25.75	25.86	0.12	0.45	25.85	26.08	0.22	0.86
Western Europe	15.57	15.64	0.07	0.43	15.73	15.78	0.06	0.36
OECD Pacific	8.12	8.13	0.01	0.17	8.91	8.92	0.00	0.05
Total OECD	**49.43**	**49.63**	**0.20**	**0.40**	**50.49**	**50.78**	**0.28**	**0.56**
Other Asia	8.67	8.88	0.21	2.46	8.81	9.01	0.21	2.35
Latin America	5.30	5.38	0.08	1.57	5.22	5.28	0.06	1.17
Middle East	6.33	6.68	0.35	5.53	6.14	6.47	0.33	5.29
Africa	2.92	2.97	0.04	1.50	2.99	3.05	0.06	2.05
Total DCs	**23.21**	**23.90**	**0.69**	**2.97**	**23.16**	**23.82**	**0.65**	**2.83**
FSU	3.84	3.77	-0.07	-1.84	4.03	4.13	0.09	2.26
Other Europe	0.89	0.91	0.02	2.74	0.87	0.94	0.07	7.77
China	6.83	7.31	0.48	7.08	7.07	7.46	0.39	5.54
Total "Other Regions"	**11.56**	**12.00**	**0.44**	**3.78**	**11.98**	**12.53**	**0.55**	**4.60**
Total world	**84.21**	**85.53**	**1.32**	**1.57**	**85.63**	**87.12**	**1.49**	**1.74**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth unchanged at 1.1 mb/d

Non-OPEC

Forecast for 2006

Non-OPEC oil supply is expected to average 51.2 mb/d in 2006, representing an increase of 1.09 mb/d over 2005, broadly unchanged versus the last assessment. On a quarterly basis, non-OPEC supply is expected to average 51.2 mb/d and 52.4 mb/d in the third and fourth quarters, respectively. **Preliminary data for the month of July and August puts total non-OPEC supply at around 50.9 mb/d and 50.8 mb/d, representing a y-o-y growth of 1.1 mb/d and 0.9 mb/d.**

Table 12: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.07	14.21	14.22	14.28	14.53	14.31	0.24
Western Europe	5.70	5.60	5.23	5.15	5.51	5.37	-0.34
OECD Pacific	0.58	0.48	0.50	0.55	0.62	0.54	-0.04
Total OECD	**20.35**	**20.28**	**19.94**	**19.98**	**20.66**	**20.22**	**-0.13**
Other Asia	2.63	2.67	2.66	2.72	2.72	2.69	0.06
Latin America	4.29	4.39	4.45	4.57	4.69	4.52	0.23
Middle East	1.87	1.83	1.82	1.81	1.81	1.82	-0.05
Africa	3.74	3.97	3.84	4.14	4.42	4.09	0.35
Total DCs	**12.53**	**12.86**	**12.77**	**13.24**	**13.62**	**13.13**	**0.60**
FSU	11.55	11.67	11.99	12.20	12.34	12.05	0.50
Other Europe	0.16	0.15	0.15	0.15	0.15	0.15	-0.01
China	3.62	3.68	3.70	3.73	3.72	3.71	0.09
Total "Other regions"	**15.32**	**15.50**	**15.85**	**16.08**	**16.20**	**15.91**	**0.59**
Total Non-OPEC production	**48.20**	**48.65**	**48.56**	**49.30**	**50.49**	**49.25**	**1.05**
Processing gains	1.86	1.92	1.89	1.89	1.93	1.91	0.04
Total Non-OPEC supply	**50.07**	**50.57**	**50.45**	**51.19**	**52.42**	**51.16**	**1.09**
Previous estimate	50.07	50.54	50.42	51.16	52.41	51.14	1.07
Revision	**-0.01**	**0.03**	**0.03**	**0.02**	**0.01**	**0.02**	**0.03**

OECD

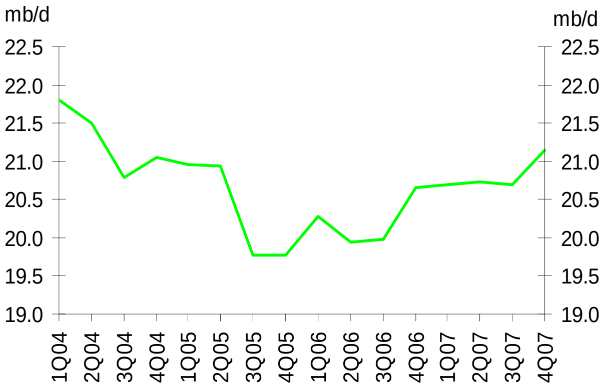
OECD oil supply is expected to average 20.2 mb/d, representing a drop of 130,000 b/d versus the previous year. The outlook remains unchanged, but historical revisions have been made to the data of USA, Canada, Denmark, and Australia, which have impacted the absolute level of these countries. The outlook for the USA remains subject to positive revisions now that the giant Prudhoe Bay field may come back earlier than assumed by this report. Total oil production for the OECD countries in July and August is estimated at 20 mb/d and 19.7 mb/d.

USA

Losses at Prudhoe Bay partially offset by better than expected performance in US lower 48

Total US oil supply is expected to average 7.3 mb/d in 2006. On a quarterly basis it is expected to average 7.4 mb/d and 7.4 mb/d in the third and fourth quarters, respectively, broadly in line with total oil supply of 7.4 mb/d in both July and August. The negative impact of production losses at Prudhoe Bay during the month of August was partially offset by the better-than-expected performance of fields in the lower 48 and new field start-ups in the Gulf of Mexico (GoM). As indicated in the last

Graph 22: OECD's quarterly production



MOMR, Prudhoe Bay is now likely to return to full production (0.4 mb/d) by end of October, but this report still maintains the assumption that 0.2 mb/d will remain shut until year-end. Elsewhere, some 0.15-0.18 mb/d of hurricane-related losses in the GoM and onshore Louisiana are still out, of which only 0.1 mb/d is expected to come back over the next few months.

Mexico and Canada

Mexican oil supply is expected to average 3.7-3.8 mb/d in 2006, broadly unchanged from last month. Total Mexican oil supply remains just above 3.7 mb/d and as previously indicated is not expected to oscillate much below this range in the next two years despite a growing consensus that Pemex will be unable to compensate production losses at Cantarell. Government data indicates that the giant Cantarell field produced 1.7 mb/d in July, which is below our expectation for the year.

Canadian oil supply is expected to average 3.2 mb/d in 2006, representing an increase of 0.2 mb/d versus 2005. The Terra Nova field (120,000 b/d) is expected to return to full production in November, and the new Syncrude upgrader (125,000 b/d), which was shut three months ago for environmental restriction, is now back on stream. These two units will help take Canadian supply close to 3.4 mb/d in the fourth quarter of 2006, from 3.1 mb/d in August.

Western Europe

Deep maintenance expected in Norway in September

Oil supply in the OECD European region is expected to average 5.4 mb/d in 2006, broadly unchanged from last month. Norwegian oil supply is expected to average around 2.8 mb/d in 2006. Preliminary data for July and August shows that production was 2.8 mb/d, however, deep maintenance in September is expected to reduce supplies by 300,000 b/d. UK oil supply is expected to average 1.7 mb/d. Preliminary data for July and August indicates that UK oil supply averaged 1.7 mb/d and 1.4 mb/d, respectively; looking ahead, maintenance is expected to affect September output. Danish oil production should average 0.35 mb/d, broadly unchanged from last month and around 20,000 b/d lower than in 2005. July data shows that Danish output averaged 0.35 mb/d in line with the forecast.

Asia Pacific

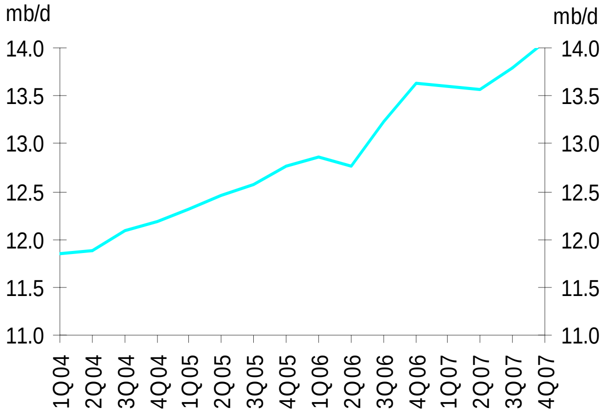
Oil supply in the Asia Pacific region is expected to average 0.54 mb/d in 2006, unchanged from last month. Australian oil supply is expected to average 470,000 b/d this year, a drop of 60,000 b/d versus 2005 and slightly lower than last month. Australian oil production is still underperforming but is expected to recover before year-end.

Developing Countries

Developing Countries supply growth unchanged at 0.6 mb/d

Oil supply in the Developing Countries (DCs) is expected to average 13.1 mb/d, an increase of 0.6 mb/d over 2005, unchanged from last month's report. On a quarterly basis, total oil supply is expected to average 13.2 mb/d and 13.6 mb/d in the third and fourth quarters, respectively. Total oil production for the Developing Countries in July and August is estimated at 13 mb/d and 13.1 mb/d.

Graph 23: Developing Countries' quarterly production



India's oil production is forecast to average 0.8 mb/d in 2006, which is just above last year's level. July and August production estimates put total production at around 0.8 mb/d. Recent reports indicate that the Bombay High North Field still remains 20% below capacity due to operational constraints and there have been problems connecting new equipment to the platform. The field is producing around 90,000 b/d.

Papua New Guinea oil production was affected in August due to the closure of the loading terminal in the Gulf and lack of storage capacity. Total country production is estimated at 49,000 b/d and is expected to be fully restored shortly.

Brazil's oil supply appears to have remained above 2.1 mb/d in July and August. As detailed in the last *MOMR*, Brazil's oil production is expected to average 2.2 mb/d in 2006, representing an increase of 190,000 b/d versus 2005. Strong output growth is expected in the months ahead.

Peru's oil production averaged a new record in August. Total crude and condensate production was 122,000 b/d according to government data. Our current forecast for 2006 is 120,000 b/d. Peru's recent performance has been affected by pipeline damage and other technical problems, but these now appear to have been solved.

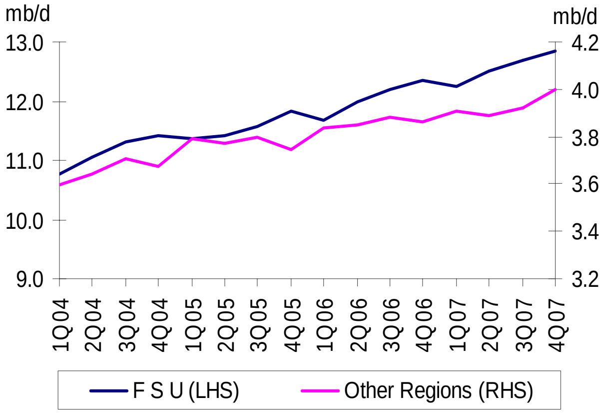
The forecast for Yemen is currently 0.41 mb/d, representing an increase of 10,000 b/d versus 2005. However, recent developments indicate that oil production may be averaging slightly higher than currently estimated. A large project in the East Shabwa Area (Block 10) has performed better than expected and is now producing close to 45,000 b/d (>10% of Yemen's oil production), versus 12,000 b/d in 2005. Further increases from this project are expected in 2007 and may well contribute to a larger increase in both 2006 and 2007 than what is currently estimated.

FSU, Other Regions

FSU to see 0.5 mb/d increase this year

FSU oil supply is expected to average 12 mb/d, an increase of 0.5 mb/d versus 2005, unchanged from last month. The forecast for Other Regions (China and Other Europe) remains unchanged with total oil supply expected at 3.8 mb/d in 2005 representing an increase of 70,000 b/d versus 2005. For the rest of the year, total FSU oil supply is expected to average 12.2 mb/d and 12.3 mb/d in the third and fourth quarters, respectively.

Graph 24: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.7 mb/d in 2006, an increase of 220,000 b/d versus 2005. The latest data shows that Russian production averaged 9.68 mb/d and 9.71 mb/d in July and August. Total oil supply is expected to continue to rise until the start of the winter driven by new production from Sakhalin 1. However, export tariffs are also expected to rise to a new record of $32.2/b which, combined with recent price developments, is likely to negatively affect some of the marginal production in the next few months, possibly slightly slowing down expected near-term growth.

Caspian, China

The outlook for Azeri oil production remains unchanged. It is expected to average 0.66 mb/d in 2006, an increase of 210,000 b/d versus 2005. Preliminary data for August puts total Azeri oil production at around 0.63 mb/d. Kazak oil production is expected to average 1.3 mb/d in 2006, an increase of 80,000 b/d over last year. Data for the months of July and August puts oil production at 1.36 mb/d and 1.34 mb/d. Kazak production remains volatile to maintenance at some of the large fields, but overall it continues to edge upwards. In Uzbekistan, recent data puts total oil supply during the month of July at 109,000 b/d, in line with our expectations but representing a drop of 10% y-o-y. The estimate for China remains unchanged. Total oil supply is expected to average 3.7 mb/d, representing an increase of 70,000 b/d over last year; July and August data shows average production of 3.7 mb/d.

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

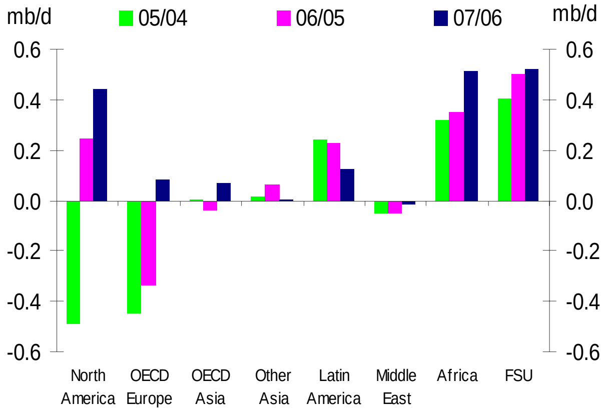
Forecast for 2007

Non-OPEC oil supply is expected to average 53 mb/d, representing an increase of 1.8 mb/d versus 2006, unchanged from last month. On a quarterly basis, total non-OPEC oil supply is expected to average 52.4 mb/d, 52.6 mb/d, 53 mb/d and 53.9 mb/d in the first, second, third and fourth quarters, respectively.

Table 13: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.31	14.60	14.68	14.76	14.97	14.75	0.44
Western Europe	5.37	5.49	5.46	5.31	5.55	5.45	0.08
OECD Pacific	0.54	0.61	0.59	0.62	0.61	0.61	0.07
Total OECD	**20.22**	**20.70**	**20.72**	**20.70**	**21.14**	**20.81**	**0.60**
Other Asia	2.69	2.67	2.59	2.71	2.82	2.70	0.01
Latin America	4.52	4.63	4.62	4.65	4.69	4.65	0.12
Middle East	1.82	1.82	1.81	1.79	1.80	1.80	-0.01
Africa	4.09	4.48	4.54	4.64	4.76	4.61	0.51
Total DCs	**13.13**	**13.60**	**13.56**	**13.80**	**14.06**	**13.76**	**0.63**
FSU	12.05	12.26	12.50	12.68	12.85	12.58	0.52
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.71	3.76	3.74	3.77	3.85	3.78	0.07
Total "Other regions"	**15.91**	**16.16**	**16.39**	**16.60**	**16.85**	**16.50**	**0.59**
Total Non-OPEC production	**49.25**	**50.46**	**50.67**	**51.09**	**52.05**	**51.07**	**1.82**
Processing gains	1.91	1.93	1.93	1.93	1.93	1.93	0.02
Total Non-OPEC supply	**51.16**	**52.39**	**52.60**	**53.02**	**53.98**	**53.00**	**1.84**
Previous estimate	51.14	52.37	52.58	53.00	53.95	52.98	1.84
Revision	**0.02**	**0.02**	**0.02**	**0.02**	**0.03**	**0.03**	**0.00**

Graph 25: Regional Non-OPEC supply growth, y-on-y



The FSU region is expected to grow 0.5 mb/d to 12.6 mb/d; Caspian countries are expected to deliver more growth than Russia. Oil supply in the African region is forecast to increase by 0.5 mb/d to 4.6 mb/d and most of the increase is expected to come from deepwater Angola, Equatorial Guinea and onshore Sudan. Oil supply in the North American region is expected to grow 0.4 mb/d to 14.8 mb/d. The increase is driven by the unwinding of losses in Alaska and additions in the US GoM deepwater and expansion of Canadian oil sands. Oil production in the Latin American region is expected to grow by 0.1 mb/d to 4.6 mb/d; regional growth is driven by a modest increase in Brazil.

Elsewhere, OECD Europe is expected to show a modest increase to 5.5 mb/d; a normal maintenance schedule is assumed. OECD Asia in expected to increase to 0.6 mb/d. This assumes that the partial return of some of the production that has been affected in Australia this year by cyclone activity, and increased drilling in new fields that have been underperforming. Oil supply in Other Asia and Middle East is expected to remain broadly flat at 2.8 mb/d and 1.8 mb/d, respectively. China oil production is forecast to increase to 3.8 mb/d or around 60,000 b/d versus 2006.

OPEC natural gas liquids and non-conventional oils

In 2006, total OPEC NGLs and non-conventional oils is expected to average 4.3 mb/d, representing an increase of 0.2 mb/d over the previous year. Similar growth is expected in 2007 at around 0.25 mb/d. Both estimates remain unchanged.

Table 14: OPEC NGL + non-conventional oils - 2003-2007

				Change						Change	
	2003	**2004**	**2005**	05/04	1Q06	2Q06	3Q06	4Q06	**2006**	06/05	**2007**
Total OPEC	**3.71**	**4.02**	**4.09**	**0.07**	4.20	4.24	4.33	4.36	**4.28**	0.19	**4.54**

OPEC crude oil production

OPEC crude output averaged 29.8 mb/d in August

Total crude oil production averaged 29.79 mb/d in August, representing an increase of 0.09 mb/d from last month, according to secondary sources. Iraq's oil production stood at 2.05 mb/d.

Table 15: OPEC crude oil production based on secondary sources, 1,000 b/d

	2004	2005	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06	*Aug/ Jul*
Algeria	1,228	1,349	1,374	1,376	1,368	1,357	1,352	1,359	*7.3*
Indonesia	968	942	935	922	914	906	894	880	*-13.3*
IR Iran	3,920	3,924	3,911	3,849	3,800	3,835	3,918	3,904	*-13.5*
Iraq	2,015	1,830	1,675	1,711	2,001	2,120	2,065	2,054	*-10.8*
Kuwait	2,344	2,504	2,548	2,532	2,513	2,517	2,507	2,513	*6.3*
SP Libyan AJ	1,537	1,642	1,665	1,680	1,699	1,702	1,708	1,712	*3.7*
Nigeria	2,322	2,412	2,469	2,257	2,212	2,277	2,213	2,219	*6.1*
Qatar	771	796	808	817	820	823	826	840	*14.5*
Saudi Arabia	8,957	9,390	9,426	9,416	9,133	9,129	9,183	9,226	*42.7*
UAE	2,360	2,447	2,518	2,528	2,535	2,540	2,571	2,558	*-12.8*
Venezuela	2,582	2,633	2,584	2,595	2,574	2,555	2,461	2,521	*60.2*
OPEC-10	**26,988**	**28,038**	**28,237**	**27,973**	**27,570**	**27,640**	**27,631**	**27,732**	***101.2***
Total OPEC	**29,004**	**29,868**	**29,912**	**29,684**	**29,570**	**29,759**	**29,696**	**29,786**	***90.4***

Totals may not add due to independent rounding.

FSU net oil exports in 2006 revised up by 0.1 mb/d

FSU net exports

In 2006, FSU net oil exports are expected to average 8.3 mb/d, an increase of 0.6 mb/d over last year and slightly higher than previously estimated. August crude exports were 5.8 mb/d, unchanged from the previous month. Including products, total net oil exports were 8 mb/d in August. In 2007, FSU net oil exports are expected to rise to 8.8 mb/d or 0.5 mb/d versus 2006, driven by new sources of crude from the Caspian and Russian product exports.

Table 16: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2003	5.87	6.75	6.72	6.61	**6.49**	**0.91**
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006 (forecast)	**7.98**	**8.41**	**8.35**	**8.30**	**8.26**	**0.57**
2007 (forecast)	**8.48**	**8.98**	**8.91**	**8.73**	**8.78**	**0.51**

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

	2004	2005	4Q05	1Q06	2Q06	Jul 06	Aug 06
Crude							
Russian pipeline							
Black Sea	1,283	1,335	1,284	1,326	1,282	1,307	1,377
Baltic	1,396	1,462	1,486	1,470	1,671	1,555	1,538
Druzhba	1,256	1,315	1,397	1,365	1,355	1,351	1,307
Total	**3,935**	**4,112**	**4,167**	**4,161**	**4,308**	**4,213**	**4,222**
Other routes							
Russian rail	706	416	268	310	319	300	348
Russian - Far East	32	65	71	29	43	84	63
Kazak rail	24	17	19	46	30	34	32
CPC pipeline	490	648	669	595	672	692	653
Caspian	252	295	363	353	446	482	467
of which							
Supsa (AIOC) - Georgia	130	137	143	137	151	151	148
Batumi - Georgia	99	140	203	198	186	156	150
Total	**1,504**	**1,441**	**1,390**	**1,334**	**1,510**	**1,592**	**1,563**
Total crude exports	**5,439**	**5,553**	**5,557**	**5,495**	**5,818**	**5,805**	**5,785**
Products							
All routes							
Fuel oil	753	836	931	896	938	848	840
Gasoil	702	759	765	893	809	838	715
Others	413	575	633	693	835	760	671
Total	**1,868**	**2,170**	**2,330**	**2,483**	**2,582**	**2,446**	**2,226**
Total oil exports	**7,307**	**7,723**	**7,887**	**7,978**	**8,399**	**8,251**	**8,011**

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

Rig Count

Non-OPEC rig count stood at 2,878 rigs

Non-OPEC

Non-OPEC rig count stood at 2,878 rigs in August, which represents an increase of 2 rigs compared to the previous month. Of the total, 2,584 were operating onshore and the rest offshore. In terms of the oil and gas split, 899 rigs were drilling for oil, while the remainder were drilling for gas.

Table 17: Non-OPEC rig count in 2004-2005

	2004	2005	05/04	Jul 06	Aug 06	Change Aug/Jul
North America	1,669	1,975	306	2,306	2,298	-8
Western Europe	65	65	0	68	78	10
OECD Pacific	22	25	3	25	28	3
OECD	**1,755**	**2,065**	**310**	**2,399**	**2,404**	**5**
Other Asia	126	142	16	157	156	-1
Latin America	126	141	15	163	161	-2
Middle East	70	72	2	82	83	1
Africa	54	58	4	73	72	-1
DCs	**376**	**412**	**36**	**475**	**472**	**-3**
FSU	na	na	na	na	na	na
Other Europe	2	3	1	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**2,132**	**2,479**	**347**	**2,876**	**2,878**	**2**

Totals may not add due to independent rounding.
na: not available.
Source: Baker Hughes International.

OPEC rig count stood at 345 rigs

OPEC

OPEC rig count stood at 345 rigs in August, representing an increase of 18 rigs over the previous month. Gains took place in all countries except Algeria, UAE, and Venezuela. Of the total, 274 rigs were operating onshore and the rest offshore. In terms of the oil and gas split, there were 281 oil rigs operating and the rest was gas rigs.

Table 18: OPEC rig count in 2004-2005

	2004	2005	05/04	Jul 06	Aug 06	Change Aug/Jul
Algeria	19	21	2	27	27	0
Indonesia	49	54	5	45	46	1
IR Iran	41	40	-1	46	48	2
Iraq	na	na	na	na	na	na
Kuwait	10	12	2	13	16	3
SP Libyan AJ	10	9	-1	10	11	1
Nigeria	8	9	1	9	10	1
Qatar	9	12	3	10	12	2
Saudi Arabia	32	36	4	63	73	10
UAE	16	16	0	16	15	-1
Venezuela	55	67	12	88	87	-1
Total OPEC	**249**	**276**	**27**	**327**	**345**	**18**

Totals may not add due to independent rounding.
na: not available.
Source: Baker Hughes International.

Oil Trade

OECD total net oil imports increased a further 142,000 b/d to average 27.8 mb/d in August, the highest level in the last ten months

OECD

Preliminary data shows that OECD crude oil imports increased for the fifth consecutive month to hit a 10-month high of 32.0 mb/d in August. This increase — corresponding to around 100,000 b/d above both the previous month and a year earlier —was driven essentially by Japan and USA. Similarly, product imports continued their upward trend but at a slower pace of 25,000 b/d to hit 11.1 mb/d, their highest level since last October. The USA was the main contributor to the increase in product imports.

On the export side, both crude oil and products slid marginally to average, 7.3 mb/d and 8.1 mb/d respectively, which corresponded to 15,000 b/d and 8,000 b/d below the previous month. When compared to a year ago, crude oil exports were down 625,000 b/d, whereas product exports were about 200,000 b/d higher.

As a result, OECD net crude oil imports averaged 24.8 mb/d, up 109,000 b/d from the previous month and 684,000 b/d more than a year earlier. With net product imports showing an increase of 33,000 b/d, total OECD net oil imports hit 27.8 mb/d, resulting in 772,000 b/d or 3% y-o-y growth.

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

	Jun 06	Jul 06	Aug 06	Change Aug/Jul
Crude oil	24,534	24,654	24,763	109
Total products	2,962	2,995	3,029	33
Total crude and products	27,495	27,649	27,791	142

No significant change took place in the sources of imports. Saudi Arabia and the FSU remained the largest suppliers of OECD crude oil imports with around 16% each, followed by Norway and Mexico with less than 8% each. Nevertheless when compared to a year earlier, Saudi Arabia’s share gained more than 3 percentage points to overtake Russia as the main supplier.

However, OECD product imports continued to come from several countries with the Netherlands, FSU and Venezuela as the main suppliers with around 5% each.

In August, US total oil net imports averaged 13.0 mb/d, up 1.6% from the previous month and 5% from a year earlier

USA

US crude oil imports continued to increase, averaging 10.4 mb/d in August, an increase of 90,000 b/d over the previous month. Product imports rose a further 35,000 b/d to nearly 3.8 mb/d. On a weekly basis, US crude oil imports surged significantly during the week ending 25 August, gaining around 950,000 b/d to hit over 11.15 mb/d, the second highest level ever. The West Coast was the main contributor to this substantial jump due to the shortage caused by the partial outage of BP Prudhoe Bay output in Alaska. West Coast imports rose 456,000 b/d to hit a record of nearly 1.7 mb/d, with most of the increase assumed to have been used to build up stocks.

While crude oil imports were 100,000 b/d or 1% above a year earlier, product imports showed a y-o-y growth of more than 400,000 b/d or 12%, resulting in a growth of 0.50 mb/d in total oil imports.

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

	Jun 06	Jul 06	Aug 06	Change Aug/Jul
Crude oil	10,608	10,297	10,387	90
Total products	2,339	2,529	2,646	117
Total crude and products	12,947	12,826	13,033	207

For the first eight months of the year, crude oil imports averaged 10.1 mb/d in 2006 against 10.2 mb/d in the same period of the previous year corresponding to a drop of around 100,000 b/d.

With crude oil exports stable at 21,000 b/d and product exports falling 82,000 b/d to 11.2 mb/d, US total oil net imports averaged 13.0 mb/d, an increase of 1.6% over the previous month and 5% from a year ago.

Canada remained the main supplier of US crude oil imports with 19% followed by Mexico and Saudi Arabia with 17% each. Compared to a year earlier, Canada's and Saudi Arabia's shares remained stable while Mexico's share dropped 3 percentage points.

Regarding products, Canada, the Virgin Islands and Algeria continued to be the USA's largest suppliers with 17%, 12% and 10% respectively.

Japan

Japan's crude oil imports rose a further 200,000 b/d to 4.2 m/d whereas net product imports fell by more than 150,000 b/d in August

Japan's crude oil imports rose a further 200,000 b/d to average 4.2 mb/d in August after refineries returned from their maintenance programmes, boosting refinery throughput. Within just two months following the heavy maintenance, Japan's crude oil imports jumped by more than 750,000 b/d. In addition, the need to build stocks which had declined sharply during the previous two months also contributed to the increase in imports. In contrast, product imports continued to drop, losing almost 100,000 b/d to average 0.55 mb/d, the lowest level so far this year. Compared to a year earlier, crude oil imports were 2% higher whereas product imports fell 36%.

With product exports increasing 58,000 b/d, Japan's total net oil imports averaged nearly 4.4 mb/d, a gain of 40,000 b/d or 1% over the previous month but about 10% lower than a year ago.

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

	Jun 06	Jul 06	Aug 06	Change Aug/Jul
Crude oil	3,479	4,034	4,230	196
Total products	255	289	133	-156
Total crude and products	3,734	4,323	4,363	40

For deliveries, Saudi Arabia and UAE remained the main suppliers of Japan's crude oil imports with 32% and 24% respectively, as well as the largest suppliers of products with 14% and 10%, respectively.

China

China's net oil imports dropped significantly in July due to anticipated refining maintenance

In January-July, China's crude oil imports averaged 2.9 mb/d, an increase of 13% a year ago

China's crude oil and product imports fell significantly in July, dropping 600,000 b/d to average 3.6 mb/d, the lowest level since last November. Crude oil imports dropped 363,000 b/d or 13%, the highest decline so far this year, to average 2.5 mb/d, which corresponds to a loss of 100,000 b/d or 4% from a year earlier. However, product imports lost 237,000 b/d or 18%, offsetting the increase of the previous month to stand at nearly 1.1 mb/d. But when compared to a year earlier, product imports in July were 270,000 b/d or one third higher.

The strong decline in China's crude oil imports is due to the anticipated closure of refineries for maintenance which is expected to take place in August and September. The decline in refined products offset the substantial rise of the previous month and could reflect a slowdown in demand, especially for heavy fuel oil from farmers.

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

	May 06	Jun 06	Jul 06	Change Jul/Jun
Crude oil	2,599	2,578	2,220	-357
Total products	1,056	1,206	988	-218
Total crude and products	3,655	3,784	3,209	-575

With the 25,000 b/d drop in total crude oil and product exports, China's net oil imports showed a decline of 575,000 b/d or 15% in July over the previous month, but when compared to the same month last year, they displayed a y-o-y growth of 380,000 b/d or 14%.

For the January-July period, China's crude oil imports averaged 2.9 mb/d, almost 13% higher than a year earlier, while exports averaged 0.33 mb/d, a drop of 23% from a year ago.

On the product side, China's crude oil and product imports averaged 1.0 mb/d and 0.12 mb/d, respectively, for the same period.

Despite a 2 percentage point loss in its share, Angola remained the largest supplier of China's crude oil imports with 16% followed by Saudi Arabia with 14% and Russia with 13%. Compared to a year earlier, imports from Angola increased 7.4%, rising from around 380,000 b/d to more than 400,000 b/d while imports from Saudi Arabia lost 35%, decreasing from 540,000 b/d to 350,000 b/d.

Imports from Venezuela continued to increase to reach 155,000 b/d in July, compared to less than 30,000 b/d a year earlier. The substantial jump in Venezuela's share in China's crude oil imports came as a result of agreements signed between the two countries in late 2005 which aimed to boost exports from Venezuela to 300,000 b/d within one or two months. Furthermore, exports from Venezuela to China are expected to increase further and could reach up to 500,000 b/d by 2009 as mentioned by the Venezuelan President during his recent visit to China.

For the first seven months of the year, Angolan and Russian shares increased by 46% and 38% respectively, while Saudi Arabia's share edged up just 2.5%. It is worth mentioning that the biggest winner is Venezuela, which saw its share jump 190%.

India

In July, India's total net oil imports averaged 2.0 mb/d, an increase of 131,000 b/d over a year ago

Preliminary data shows that India's oil imports saw some recovery in July. Crude oil imports stood at nearly 2.2 mb/d in July, an increase of 64,000 b/d or 3% over the previous month, while product imports reached 0.25 mb/d, a rise of 14,000 b/d or 6% over the previous month. Total growth of 77,000 b/d corresponds to 50% of the 155,000 b/d drop displayed in the previous month.

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

	May 06	Jun 06	Jul 06	Change Jul/Jun
Crude oil	2,245	2,117	2,181	64
Total products	-236	-176	-206	-30
Total crude and products	2,009	1,942	1,975	34

With product exports rising 44,000 b/d to 0.46 mb/d, India's total net oil imports averaged almost 2.0 mb/d, an increase of 131,000 b/d or 7% from a year earlier. Crude oil net imports stood at 2.2 mb/d, a gain of 282,000 b/d over a year ago, while product exports averaged 0.2 mb/d.

Stock Movements

US total commercial oil inventories experienced a build of 10.3 mb in August

USA

Total commercial oil stocks in the USA ended the month of August at 1,066.7 mb resulting in a build of 10.3 mb or 0.3 mb/d. This represented a cushion of 4.3% and 7.2% against the year-ago level and the five-year average. As in the previous month, the build is entirely due to product stock increases in all but gasoline as crude oil inventories declined further in August although at a more moderate pace than in July.

Crude oil stocks lost 2.5 mb to stand at 330.6 mb in August, representing a considerable recovery compared to the 7.3 mb draw recorded in the previous month. Thus, crude oil inventories remained at comfortable levels of 6% and 12% above a year ago and the five-year average. The trends in crude oil stocks are partly attributed to an increase in refinery inputs which rose by 83,000 b/d to 15.8 mb/d. Refinery runs inched up by 0.9 percentage points to 92.6%, lower than the 94.7% seen in the same month last year. Also contributing to falling crude inventories was the 46,000 mb/d drop in production to 5.1 mb/d which made the level 1% below the same month last year. Following the shut-down of part of the Prudhoe Bay field, greater imports partly counterbalanced the downward impact of these previous factors, increasing by 90,000 b/d to 10.41 mb/d. In terms of forward cover, crude oil inventories remained at 21.2 days, a healthy 5% and 11% cushion against the year-ago level and the five-year average.

Table 24: US onland commercial petroleum stocks*, mb

	Jun 06	Jul 06	Aug 06	Change Aug 06/Jul 06	Aug 05	8 Sep 06**
Crude oil	340.4	333.1	330.6	-2.5	311.4	327.7
Gasoline	213.0	209.9	206.9	-3.0	194.0	207.0
Distillate fuel	127.7	132.5	139.9	7.4	139.4	144.6
Residual fuel oil	42.3	42.4	42.0	-0.4	33.7	42.8
Jet fuel	39.4	40.7	41.0	0.3	39.3	40.9
Total	**1,044.8**	**1,056.4**	**1,066.7**	**10.3**	**1,022.9**	**1,071.1**
SPR	688.5	687.8	687.8	0.0	700.7	687.8

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

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

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

US gasoline stocks saw a seasonal decline of 3 mb to 206.9 mb in August, similar to the draw seen in the previous month. Nonetheless, gasoline inventories remained at healthy levels gaining 6.6% and 4.2% over a year ago and the five-year average which, with the end of the driving season and the shift towards distillates as well as the dwindling of fears about this year's hurricane season, suggest that there is little reason for concern about gasoline supplies in the USA. Thus, the rate of gasoline stock depletion was lower compared to a year ago and 2004. Forward cover stood at 21.6 days, a gain of 6% above the year-ago level but only 1% higher than the five-year average and less than the level reported in 2004. The recovery in gasoline inventories was due to greater gasoline imports which rose by 9.8% to 1.2 mb/d (EIA four-week average) in August as a result of a 156,000b/d increase in blending components, which offset a 47,000 b/d fall in conventional gasoline. The import of blending components led to a modest 1% expansion in production (EIA four-week average) on a monthly basis in August compared to a contraction in July. This was due to the recovery in refinery runs supported by the attractive crack spread which lasted until the end of August. However, crack spreads collapsed to $10/b on both sides of the Atlantic following the recovery in US supply after several outages and the end of the driving season. Finally, a drop in gasoline domestic demand by 18,000 b/d to 9.6 mb/d took place, but it is worth noting that demand was still 140,000 b/d higher than the year-ago level in August and 250,000 b/d more than in the same week in 2004 (EIA four-week average). This indicates that the somewhat bearish trend in the gasoline market is not associated to stagnating demand but to other factors such as the mild hurricane season and the end of the US driving season. The relatively high domestic gasoline demand also explains the low levels of gasoline inventories in terms of forward cover. Stock-builds ahead of the high demand for the winter heating season resulted in middle distillate inventories rising further by 7.4 mb to 139.9 mb on a monthly basis and 7.7% above the five-year average and slightly above the year-ago level. The forward cover for distillate stocks stood at 34.1 days, 2% and 3% higher than a year ago and the five-year average. Improved distillate margins led refiners to maximize distillate production. Contrary to the trend in July, the stock-build relied mainly on diesel which inched up by 4.5 mb to 80.67 mb in August. This left diesel inventories with a cushion of 2% and 8% against the year-ago figure and the five-year average. An 11.8 mb build in ultra-low-sulfur diesel (ULSD) more than offset a 7.3 mb decline in stocks of regular diesel fuel (15 ppm to 500 ppm sulphur). Despite growing demand, diesel inventories managed to increase owing to higher imports which grew by 14% to 265,000 b/d in August over the previous month (EIA's four-week average). ULSD imports rose 7% to stand at 175,000 b/d over the previous month, while regular diesel fuel expanded by 29% to 90,000 b/d (EIA's four-week average). Concerning production, diesel also increased by 0.1 mb/d to 3.3 mb/d compared to the previous month, but ULSD grew by 9% and regular diesel fuel dropped by 6%. High-sulphur distillate fuel or heating oil inventories rose 2.9 mb to 59.3 mb in August from the previous month, which looked healthy compared to the year-ago level and the five-year average. These stocks are expected to rise in the next weeks in preparation for the winter season.

In the week ending 8 September, total commercial oil inventories in the USA increased by 4.4 mb to reach 1,071.1 mb or 7% and 8% above the year ago and the five-year average. Crude oil stocks recorded a drop of 2.9 mb which left the level at 327.72 mb, due to a reduction refinery runs of 0.5 percentage points to 93% from the previous week. Nevertheless, crude oil stocks look comfortable at 6% and 12% above the year-ago figure and the five-year average. Gasoline stocks inched up for the fourth week by 110,000 barrels to stand at 207 mb in line with the market forecast and following slight weakening of domestic demand due to end of the driving season. In volume terms, gasoline stocks gained 7.8% % from a year ago and 5% against the five-year average. In terms of forward demand cover gasoline inventories stood at 21.7 days, 3% higher than a year ago and on par with the five-year average. The gasoline stock-build is related to a slow-down in demand which fell by 250,000 b/d in the week ending 8 September amid high imports which stood 30% above the five-year average. Middle distillate inventories grew a further 4.6 mb to 144.6 mb, standing at very healthy levels compared to the year-ago level and the five-year average. Diesel accounted for nearly 70% of the middle distillate stock-build, edging up 3.2 mb to 83.9 mb week-on-week. This represents 11% and 13% cushions on the year-ago level and the five-year average. Greater diesel output which grew to 3.4 mb/d explains the stock-build despite a week-on-week decline in imports.

Western Europe

Total commercial oil stocks in Eur-16 declined by 8.4 mb to 1,146.8 mb in August

Total commercial oil stocks in Eur-16 (Eu-15 plus Norway) were 8.4 mb lower at the end of August versus the previous month. This left inventories at par with the year-ago level but represented a 6% cushion against the five-year average. The draw came on the back of middle distillate inventories and crude oil.

Table 25: Western Europe's oil stocks*, mb

	Jun 06	Jul 06	Aug 06	Change Aug 06/Jul 06	Aug 05
Crude oil	489.7	498.0	494.7	-3.4	483.5
Mogas	134.3	133.1	132.1	-1.0	137.1
Naphtha	26.8	25.1	27.4	2.3	26.1
Middle distillates	383.6	386.6	382.4	-4.3	388.0
Fuel oils	115.2	112.3	110.2	-2.1	112.0
Total products	633.2	632.1	624.7	-7.4	637.1
Overall total	**1,149.7**	**1,155.2**	**1,146.8**	**-8.4**	**1,146.8**

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

The crude oil stock surplus in July reversed into a 3.5 mb draw in August prompted by higher refinery runs which inched up by 200,000 b/d compared to July and boosted the operable utilization rate to 94%, although refinery throughputs were lower than in August 2003 owing to unplanned maintenance shut-downs in the Mediterranean refineries. Total product stocks experienced the sharpest draw falling by 7.4 mb to 624.7 mb in August versus the previous month which left them about 2% lower than a year ago but 2% above the five-year average. In line with seasonal patterns, gasoline inventories declined slightly by 0.1 mb to 132.1 mb as a result of considerable exports to the USA at the beginning of August with inventories losing 4.2 mb compared to the year-ago level and 4 mb against the five-year average. Contrary to the seasonal pattern, and after being at a surplus for two months, middle distillate inventories declined by 4.3 mb to 382.4 mb in August from the previous month. The draw, which was due to growing diesel demand and lower gasoil imports from Russia amid brisk domestic demand and low refinery runs at Lithuania's Mazeikiai refinery, left stocks 5.6 mb below a year earlier, but 18.8 mb above the five-year average. Residual fuel oil stocks fell further by 2.1 mb to 110.2 mb in August versus the previous month, as a result of high temperatures in Southern Europe in the first half of the month which boosted the demand for low-sulphur fuel oil utilized by air conditioning units. By contrast, an oversupply of high-sulphur grades was reported in August with the closing of the arbitrage window to Asia-Pacific due to record-high stock levels in Singapore.

Japan

Japanese total commercial oil inventories ended with a slight build of 0.1 mb in July reversing the previous month's deficit

Total commercial oil inventories in Japan went up 1.0 mb to stand at 183.9 mb in July, but remained below the year-ago level and the five-year average. This build was the result of the continuing upward trend in middle distillate stocks and a recovery in crude oil inventories.

A deficit in crude oil inventories of only 0.8 mb took place in July compared to 6.7 mb in the previous month. Nevertheless, the level of 116.4 mb remained 3% and 1.4% below the year-ago level and the five-year average. A robust expansion in crude imports which grew by 19.8% to stand at 4.2 mb/d explains the outcome despite an increase in refinery runs. Imports were boosted by an astounding 164% increase in crude coming from Iran in July, but remained still 2% below the level in the same period last year.

Table 26: Japan's commercial oil stocks*, mb

	May 06	Jun 06	Jul 06	Change Jul 06/Jun 06	Jul 05
Crude oil	123.6	117.3	116.4	-0.9	120.2
Gasoline	14.4	13.7	12.1	-1.6	13.1
Middle distillates	29.4	31.6	35.6	4.0	32.8
Residual fuel oil	20.6	20.3	19.9	-0.5	20.6
Total products	64.4	65.6	67.5	1.9	66.5
Overall total**	**188.0**	**182.9**	**183.9**	**1.0**	**186.7**

* *At end of month.*

** *Includes crude oil and main products only.*

Source: METI, Japan.

On the product side, stocks continued to build moderately edging up 1.9 mb to 67.5 mb in July compared to the previous month, but the cushions of 1.6% and 0.7% against the year-ago level and the five-year average were less comfortable than in June. The lower imports — which fell by 3.5% on a monthly basis — together with a continuing expansion in domestic sales did not lead to a draw on inventories as production increased around 11% from last month while export growth remained the same. Notwithstanding, domestic sales were 0.7% lower than in the same month last year as a result of unusually low demand for gasoline for this year's summer driving season owing to high oil prices. Gasoline demand usually peaks in the June to August period and although gasoline demand went up by 10.1% from June, this was only 1.4% higher than in July 2005. A sharp drop in demand for jet fuel oil of around 6% took place in June when a 19.2% increase occurred, while gasoil, Fuel Oil A, paraffin wax and asphalt domestic sales also slowed down. Export growth of products remained almost the same contributing to improve the build in product stocks. Compared to the previous month, gasoline stocks declined a steeper 1.6% to 12.1 mb in June, which left them at 8% and 8.5% below the year-ago level and the five-year average, respectively. As in the previous month, a hefty decline of 31.8% in gasoline imports explains this draw. Likewise, a 10% increase in domestic sales and exports also from the previous month also contributed to this outcome, regardless of the 10.6% increase in production. Concerning middle distillates, the stock surplus that was registered in June doubled, mounting by 4 mb to stand at 35.6 mb in July or 8.5% higher than the same time last year and 3.6% above the five-year average. Kerosene stocks rose 23.8% in July from the previous months to stand 17.4% above the year-ago level, contributing the most to the build in middle distillate stocks. This development was due to a 33% increase in production and a more moderate drop in imports compared to the previous month and in order to avoid last year's experience when an insufficient stock-level in the high season prompted a price boost.

Balance of Supply and Demand

Estimated demand for OPEC crude revised down 0.2 mb/d to 28.9 mb/d

Estimate for 2006

The estimated demand for OPEC crude in 2006 is expected to average 28.9 mb/d. On a quarterly basis, the new forecast shows that demand for OPEC crude is expected at 29.9 mb/d in the first quarter, 28.3 mb/d in the second, 28.7 mb/d in the third and 29 mb/d in the fourth. The estimated demand for OPEC has been reduced due to lower expectations for demand growth.

Table 27: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	**83.23**	**84.66**	**83.02**	**84.21**	**85.63**	**84.38**
Non-OPEC Supply	50.07	50.57	50.45	51.19	52.42	51.16
OPEC NGLs and non-conventionals	4.09	4.20	4.24	4.33	4.36	4.28
(b) Total Supply excluding OPEC Crude	**54.16**	**54.77**	**54.69**	**55.51**	**56.78**	**55.44**
Difference (a-b)	**29.07**	**29.90**	**28.32**	**28.69**	**28.86**	**28.94**
OPEC crude oil production (1)	29.87	29.68	29.57			
Balance	0.80	-0.21	1.25			

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

Estimated demand for OPEC crude is expected to be 28.1 mb/d

Forecast for 2007

The estimated demand for OPEC crude in 2007 is expected to average 28.1 mb/d, representing a decline of 0.8 mb/d versus 2006. On a quarterly basis, the forecast shows that demand for OPEC crude is expected at 29.2 mb/d in the first quarter, 27 mb/d in the second, 28 mb/d in the third and 28.4 mb/d in the fourth. The expected decline remains unchanged, but the absolute level for the required crude is expected to be slightly lower.

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

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.38**	**86.01**	**84.03**	**85.53**	**87.12**	**85.68**
Non-OPEC Supply	51.16	52.39	52.60	53.02	53.98	53.00
OPEC NGLs and non-conventionals	4.28	4.41	4.46	4.56	4.71	4.54
(b) Total Supply excluding OPEC Crude	**55.44**	**56.80**	**57.06**	**57.58**	**58.69**	**57.54**
Difference (a-b)	**28.94**	**29.21**	**26.97**	**27.95**	**28.43**	**28.14**
OPEC crude oil production (1)						

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

Graph 26: Balance of supply and demand

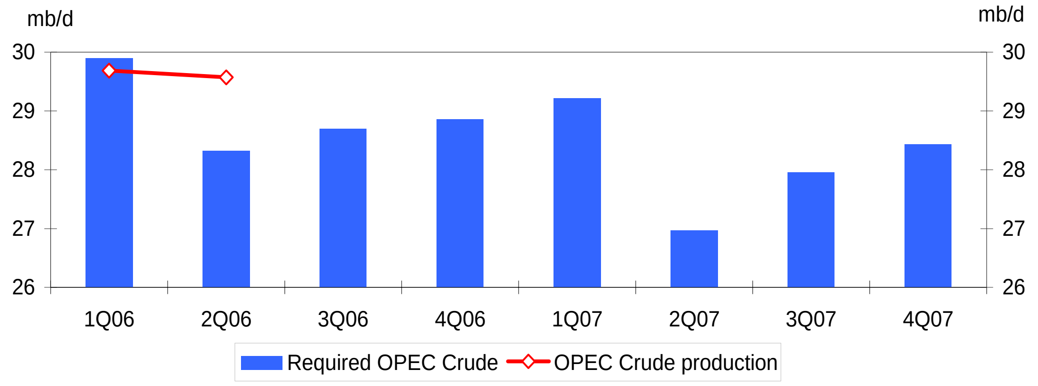


Table 29: World oil demand/supply balance, mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	47.9	48.6	49.3	49.5	50.1	48.0	49.4	50.5	49.5	50.5	48.1	49.6	50.8	49.8
North America	24.1	24.5	25.4	25.5	25.1	25.1	25.7	25.9	25.5	25.5	25.2	25.9	26.1	25.7
Western Europe	15.3	15.4	15.5	15.5	15.7	15.0	15.6	15.7	15.5	15.6	15.1	15.6	15.8	15.5
Pacific	8.5	8.6	8.5	8.6	9.3	7.9	8.1	8.9	8.5	9.4	7.8	8.1	8.9	8.6
DCs	20.3	20.6	21.7	22.5	22.8	23.2	23.2	23.2	23.1	23.3	23.7	23.9	23.8	23.7
FSU	3.7	3.8	3.8	3.8	3.7	3.6	3.8	4.0	3.8	3.8	3.5	3.8	4.1	3.8
Other Europe	0.8	0.8	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9
China	5.0	5.6	6.5	6.5	7.1	7.3	6.8	7.1	7.1	7.4	7.8	7.3	7.5	7.5
(a) Total world demand	77.8	79.4	82.3	83.2	84.7	83.0	84.2	85.6	84.4	86.0	84.0	85.5	87.1	85.7
Non-OPEC supply														
OECD	21.9	21.7	21.3	20.3	20.3	19.9	20.0	20.7	20.2	20.7	20.7	20.7	21.1	20.8
North America	14.5	14.6	14.6	14.1	14.2	14.2	14.3	14.5	14.3	14.6	14.7	14.8	15.0	14.8
Western Europe	6.6	6.4	6.2	5.7	5.6	5.2	5.1	5.5	5.4	5.5	5.5	5.3	5.6	5.5
Pacific	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
DCs	11.5	11.6	12.0	12.5	12.9	12.8	13.2	13.6	13.1	13.6	13.6	13.8	14.1	13.8
FSU	9.3	10.3	11.1	11.5	11.7	12.0	12.2	12.3	12.1	12.3	12.5	12.7	12.9	12.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.8	3.8	3.8
Processing gains	1.7	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	48.0	48.9	49.9	50.1	50.6	50.5	51.2	52.4	51.2	52.4	52.6	53.0	54.0	53.0
OPEC NGLs + non-conventional oils	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.4	4.3	4.4	4.5	4.6	4.7	4.5
(b) Total non-OPEC supply and OPEC NGLs	51.6	52.6	53.9	54.2	54.8	54.7	55.5	56.8	55.4	56.8	57.1	57.6	58.7	57.5
OPEC crude oil production (secondary sources)	25.4	26.9	29.0	29.9	29.7	29.6								
Total supply	77.0	79.6	82.9	84.0	84.5	84.3								
Balance (stock change and miscellaneous)	-0.8	0.2	0.7	0.8	-0.2	1.2								
OECD closing stock levels (*mb*)														
Commercial	2478	2517	2550	2594	2597	2646								
SPR	1347	1411	1450	1487	1487	1493								
Total	3825	3928	4000	4081	4084	4139								
Oil-on-water	816	883	906	960	963	967								
Days of forward consumption in OECD														
Commercial onland stocks	51	51	51	52	54	54								
SPR	28	29	29	30	31	30								
Total	79	80	81	82	85	84								
Memo items														
FSU net exports	5.6	6.5	7.3	7.7	8.0	8.4	8.4	8.3	8.3	8.5	9.0	8.9	8.7	8.8
(a) - (b)	26.1	26.7	28.4	29.1	29.9	28.3	28.7	28.9	28.9	29.2	27.0	28.0	28.4	28.1

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

Table 30: World oil demand/supply balance: changes from last month's table † , mb/d

	2002	2003	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
World demand														
OECD	-	-	-	-	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
North America	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-	-0.1
Western Europe	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
(a) Total world demand	-	-	-	-	-	-0.2	-0.1	-0.3	-0.1	-0.1	-0.2	-0.1	-0.2	-0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-								
Total supply	-	-	-	-	-	-								
Balance (stock change and miscellaneous)	-	-	-	-	-	0.2								
OECD closing stock levels (*mb*)														
Commercial	-	-	-	1	-	-18								
SPR	-	-	-	-	-	5								
Total	-	-	-	1	-	-13								
Oil-on-water	-	-	-	1	-	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
(a) - (b)	-	-	-	-	-	-0.2	-0.1	-0.3	-0.2	-0.1	-0.2	-0.1	-0.2	-0.2

† This compares Table 29 in this issue of the MOMR with Table 29 in the August 2006 issue.

This table shows only where changes have occurred.

Table 31: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
Closing stock levels *mb*															
OECD onland commercial	2,630	2,478	2,517	2,550	2,594	2,465	2,545	2,581	2,550	2,543	2,625	2,645	2,594	2,597	2,646
North America	1,262	1,175	1,161	1,193	1255	1,145	1,193	1,206	1,193	1,198	1,275	1,257	1,255	1,239	1,272
Western Europe	925	895	922	927	945	919	933	945	927	956	929	956	945	949	941
OECD Pacific	443	408	435	430	394	400	420	430	430	389	422	432	394	408	434
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493
North America	552	601	640	678	687	654	664	672	678	690	698	696	687	688	690
Western Europe	356	357	374	377	407	371	366	367	377	376	401	405	407	407	411
OECD Pacific	380	389	396	396	393	398	398	396	396	396	395	393	393	392	393
OECD total	3,918	3,825	3,928	4,000	4,081	3,888	3,974	4,016	4,000	4,005	4,119	4,139	4,081	4,084	4,139
Oil-on-water	830	816	883	906	960	906	892	894	906	933	931	927	960	963	967
Days of forward consumption in OECD															
OECD onland commercial	55	51	51	51	52	51	52	51	50	52	53	53	52	54	54
North America	52	48	46	47	49	46	47	47	47	47	50	49	50	49	49
Western Europe	60	58	60	60	61	61	60	59	60	63	60	61	60	63	60
OECD Pacific	52	47	51	50	46	51	52	49	46	48	52	49	42	52	53
OECD SPR	27	28	29	29	30	30	29	29	29	30	30	30	30	31	30
North America	23	25	25	27	27	26	26	26	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	25	24	23	24	25	26	26	26	27	26
OECD Pacific	45	45	47	46	46	50	49	45	42	49	49	45	42	50	48
OECD total	82	79	80	81	82	81	81	80	79	83	84	83	81	85	84

Table 32: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2002	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
USA	8.04	7.82	7.65	7.27	-0.38	7.19	7.35	7.35	7.39	7.32	0.05	7.53	7.58	7.65	7.78	7.64	0.31
Canada	2.84	2.98	3.07	3.02	-0.04	3.22	3.10	3.22	3.33	3.22	0.19	3.27	3.35	3.30	3.41	3.33	0.11
Mexico	3.59	3.80	3.83	3.77	-0.07	3.79	3.78	3.71	3.81	3.77	0.00	3.80	3.75	3.80	3.78	3.78	0.01
North America	14.48	14.60	14.56	14.07	-0.49	14.21	14.22	14.28	14.53	14.31	0.24	14.60	14.68	14.76	14.97	14.75	0.44
Norway	3.33	3.26	3.19	2.97	-0.22	2.93	2.70	2.75	2.86	2.81	-0.16	2.84	2.84	2.86	2.99	2.88	0.07
UK	2.52	2.33	2.10	1.88	-0.22	1.84	1.68	1.55	1.79	1.72	-0.17	1.81	1.79	1.63	1.75	1.74	0.03
Denmark	0.37	0.37	0.39	0.38	-0.01	0.36	0.35	0.35	0.36	0.35	-0.02	0.34	0.34	0.33	0.32	0.33	-0.02
Other Western Europe	0.42	0.44	0.47	0.47	0.00	0.46	0.49	0.50	0.50	0.49	0.02	0.50	0.49	0.49	0.49	0.49	0.00
Western Europe	6.65	6.40	6.15	5.70	-0.45	5.60	5.23	5.15	5.51	5.37	-0.34	5.49	5.46	5.31	5.55	5.45	0.08
Australia	0.70	0.60	0.52	0.53	0.01	0.43	0.44	0.47	0.54	0.47	-0.06	0.53	0.49	0.51	0.50	0.51	0.04
Other Pacific	0.06	0.06	0.05	0.05	0.00	0.05	0.05	0.08	0.08	0.07	0.01	0.08	0.10	0.12	0.11	0.10	0.03
OECD Pacific	0.77	0.66	0.57	0.58	0.01	0.48	0.50	0.55	0.62	0.54	-0.04	0.61	0.59	0.62	0.61	0.61	0.07
Total OECD	21.89	21.65	21.28	20.35	-0.93	20.28	19.94	19.98	20.66	20.22	-0.13	20.70	20.72	20.70	21.14	20.81	0.60
Brunei	0.20	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.01	0.22	0.22	0.22	0.22	0.22	0.00
India	0.78	0.79	0.79	0.76	-0.04	0.78	0.80	0.80	0.80	0.79	0.03	0.80	0.77	0.79	0.78	0.79	-0.01
Malaysia	0.76	0.78	0.79	0.77	-0.03	0.77	0.74	0.75	0.74	0.75	-0.02	0.73	0.70	0.75	0.82	0.75	0.00
Vietnam	0.34	0.35	0.40	0.38	-0.02	0.38	0.38	0.41	0.42	0.40	0.02	0.40	0.37	0.42	0.43	0.40	0.00
Asia others	0.37	0.40	0.42	0.51	0.09	0.52	0.53	0.53	0.53	0.53	0.02	0.53	0.53	0.53	0.56	0.54	0.01
Other Asia	2.45	2.52	2.61	2.63	0.02	2.67	2.66	2.72	2.72	2.69	0.06	2.67	2.59	2.71	2.82	2.70	0.01
Argentina	0.84	0.84	0.79	0.76	-0.03	0.76	0.78	0.78	0.77	0.77	0.01	0.76	0.75	0.74	0.73	0.75	-0.02
Brazil	1.72	1.80	1.79	1.99	0.20	2.06	2.08	2.21	2.34	2.18	0.19	2.33	2.33	2.38	2.43	2.37	0.19
Colombia	0.58	0.55	0.53	0.53	0.00	0.53	0.53	0.53	0.53	0.53	0.00	0.53	0.53	0.53	0.53	0.53	0.00
Ecuador	0.38	0.41	0.51	0.51	0.00	0.52	0.54	0.54	0.53	0.53	0.02	0.52	0.51	0.51	0.50	0.51	-0.02
Trinidad & Tobago	0.15	0.16	0.16	0.21	0.05	0.22	0.22	0.22	0.22	0.22	0.01	0.21	0.21	0.21	0.21	0.21	-0.01
L. America others	0.25	0.26	0.27	0.29	0.02	0.29	0.30	0.29	0.29	0.29	0.00	0.28	0.28	0.28	0.28	0.28	-0.01
Latin America	3.93	4.02	4.06	4.29	0.24	4.39	4.45	4.57	4.69	4.52	0.23	4.63	4.62	4.65	4.69	4.65	0.12
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.90	0.82	0.79	0.78	0.00	0.77	0.75	0.75	0.75	0.76	-0.02	0.75	0.75	0.75	0.77	0.76	0.00
Syria	0.55	0.53	0.50	0.47	-0.03	0.44	0.44	0.43	0.43	0.43	-0.04	0.42	0.41	0.41	0.40	0.41	-0.02
Yemen	0.46	0.44	0.42	0.40	-0.02	0.41	0.41	0.41	0.41	0.41	0.01	0.43	0.43	0.42	0.41	0.42	0.01
Middle East	2.12	2.01	1.92	1.87	-0.05	1.83	1.82	1.81	1.81	1.82	-0.05	1.82	1.81	1.79	1.80	1.80	-0.01
Angola	0.89	0.87	0.99	1.23	0.24	1.38	1.22	1.48	1.62	1.42	0.20	1.66	1.70	1.78	1.89	1.76	0.33
Chad	0.00	0.02	0.16	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.25	0.24	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.25	0.27	0.27	0.26	0.01
Egypt	0.75	0.75	0.71	0.70	-0.01	0.69	0.68	0.67	0.69	0.68	-0.01	0.68	0.67	0.66	0.65	0.66	-0.02
Equatorial Guinea	0.20	0.24	0.34	0.36	0.02	0.36	0.36	0.36	0.36	0.36	0.00	0.37	0.39	0.41	0.41	0.40	0.04
Gabon	0.29	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.24	0.24	-0.01
South Africa	0.19	0.20	0.22	0.20	-0.02	0.20	0.20	0.20	0.20	0.20	-0.01	0.19	0.19	0.19	0.19	0.19	-0.01
Sudan	0.24	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.51	0.41	0.07	0.55	0.56	0.55	0.55	0.56	0.15
Africa other	0.20	0.20	0.21	0.24	0.04	0.32	0.35	0.35	0.36	0.35	0.10	0.36	0.36	0.36	0.39	0.37	0.03
Africa	3.01	3.05	3.42	3.74	0.32	3.97	3.84	4.14	4.42	4.09	0.35	4.48	4.54	4.64	4.76	4.61	0.51
Total DCs	11.51	11.60	12.00	12.53	0.53	12.86	12.77	13.24	13.62	13.13	0.60	13.60	13.56	13.80	14.06	13.76	0.63
FSU	9.33	10.27	11.14	11.55	0.41	11.67	11.99	12.20	12.34	12.05	0.50	12.26	12.50	12.68	12.85	12.58	0.52
Russia	7.62	8.46	9.19	9.44	0.25	9.48	9.63	9.71	9.79	9.65	0.22	9.69	9.87	9.97	10.00	9.88	0.23
Kazakhstan	0.94	1.03	1.18	1.23	0.05	1.22	1.31	1.36	1.35	1.31	0.08	1.35	1.38	1.42	1.53	1.42	0.11
Azerbaijan	0.31	0.31	0.31	0.44	0.13	0.56	0.62	0.69	0.76	0.66	0.21	0.80	0.83	0.87	0.90	0.85	0.20
FSU others	0.45	0.47	0.46	0.44	-0.03	0.41	0.44	0.44	0.44	0.43	0.00	0.42	0.42	0.42	0.42	0.42	-0.01
Other Europe	0.18	0.17	0.17	0.16	-0.01	0.15	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00
China	3.39	3.41	3.49	3.62	0.13	3.68	3.70	3.73	3.72	3.71	0.09	3.76	3.74	3.77	3.85	3.78	0.07
Non-OPEC production	46.30	47.10	48.08	48.20	0.12	48.65	48.56	49.30	50.49	49.25	1.05	50.46	50.67	51.09	52.05	51.07	1.82
Processing gains	1.73	1.80	1.83	1.86	0.03	1.92	1.89	1.89	1.93	1.91	0.04	1.93	1.93	1.93	1.93	1.93	0.02
Non-OPEC supply	48.03	48.90	49.91	50.07	0.16	50.57	50.45	51.19	52.42	51.16	1.09	52.39	52.60	53.02	53.98	53.00	1.84
OPEC NGL	3.42	3.57	3.85	3.92	0.07	4.05	4.10	4.17	4.18	4.13	0.20	4.23	4.28	4.38	4.53	4.36	0.23
OPEC Non-conventional	0.18	0.14	0.17	0.17	0.00	0.15	0.14	0.15	0.18	0.16	-0.01	0.18	0.18	0.18	0.18	0.18	0.02
OPEC (NGL+NCF)	3.60	3.71	4.02	4.09	0.07	4.20	4.24	4.33	4.36	4.28	0.19	4.41	4.46	4.56	4.71	4.54	0.25
Non-OPEC & OPEC (NGL+NCF)	51.63	52.61	53.93	54.16	0.23	54.77	54.69	55.51	56.78	55.44	1.28	56.80	57.06	57.58	58.69	57.54	2.09

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

Table 33: Non-OPEC Rig Count

	2001	2002	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	1Q 05	2Q 05	3Q 05	4Q 05	2005	Change 05/04	1Q 06	2Q 06	Jul 06	Aug 06	Change Aug 06 - Jul 06
USA	1,156	831	1,032	201	1,119	1,164	1,229	1,249	1,190	158	1,279	1,336	1,419	1,478	1,378	188	1,519	1,632	1,681	1,738	57
Canada	342	266	372	106	528	202	326	420	369	-3	620	241	527	572	490	121	665	282	553	482	-71
Mexico	54	65	92	27	107	113	111	108	110	18	114	116	104	93	107	-3	85	85	72	78	6
North America	1,552	1,162	1,496	334	1,754	1,479	1,665	1,777	1,669	173	2,013	1,693	2,050	2,143	1,975	306	2,269	1,999	2,306	2,298	-8
Norway	23	19	19	0	19	18	14	16	17	-2	15	18	19	17	17	0	19	20	15	20	5
UK	24	26	20	-6	15	19	14	15	16	-4	16	22	23	24	21	5	29	27	25	26	1
Denmark	4	4	4	0	4	4	3	4	4	0	2	3	2	2	2	-2	3	4	2	2	0
Other Western Europe	44	36	36	0	31	30	27	27	29	-7	23	24	25	24	24	-5	26	26	26	30	4
Western Europe	95	85	78	-7	69	70	57	62	65	-13	56	67	68	68	65	0	77	78	68	78	10
Australia	10	9	11	2	12	13	18	14	14	3	17	15	17	15	16	2	16	21	20	22	2
Other Pacific	9	8	7	-1	7	8	9	6	8	1	7	10	10	9	9	1	9	7	5	6	1
OECD Pacific	20	17	18	1	19	22	26	20	22	4	24	25	27	24	25	3	25	28	25	28	3
Total OECD	1,667	1,264	1,592	328	1,842	1,570	1,749	1,859	1,755	163	2,093	1,785	2,146	2,234	2,065	310	2,371	2,105	2,399	2,404	5
Brunei	3	3	3	0	2	3	3	2	3	0	1	2	3	2	2	-1	3	4	2	2	0
India	50	55	60	5	64	68	71	76	70	10	76	76	81	84	79	9	82	80	83	82	-1
Malaysia	11	14	14	0	15	15	13	13	14	0	12	14	14	13	13	-1	15	13	15	15	0
Papua New Guinea	1	1	2	1	3	2	0	1	2	0	1	2	2	2	2	0	3	3	4	3	-1
Vietnam	8	9	9	0	8	9	8	7	8	-1	8	10	10	10	9	1	10	10	10	9	-1
Asia others	22	30	29	-1	27	31	31	31	30	1	35	36	36	37	36	6	40	41	43	45	2
Other Asia	95	111	117	6	119	128	127	130	126	9	133	140	146	148	142	16	153	150	157	156	-1
Argentina	71	49	60	11	64	73	73	74	71	11	74	76	78	79	77	6	75	81	84	82	-2
Brazil	28	27	26	-1	24	26	26	26	26	0	26	27	28	27	27	1	31	31	28	31	3
Colombia	15	11	11	0	8	9	9	11	9	-2	13	12	16	19	15	6	20	23	21	24	3
Ecuador	10	9	9	0	7	9	12	12	10	1	10	12	11	13	12	2	12	11	11	10	-1
Peru	4	2	3	1	2	2	3	3	2	-1	3	4	3	3	4	2	3	6	5	4	-1
Trinidad & Tobago	5	4	3	-1	3	4	4	4	4	1	3	2	2	4	3	-1	3	6	9	5	-4
L. America others	7	5	4	-1	6	6	3	4	5	1	3	4	3	5	4	-1	5	5	5	5	0
Latin America	141	106	116	10	114	127	129	134	126	10	133	138	141	151	141	15	149	162	163	161	-2
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	35	6	36	35	34	36	35	0	34	35	34	35	34	-1	34	38	40	41	1
Syria	19	22	24	2	24	24	23	23	24	0	21	20	22	23	22	-2	22	22	22	23	1
Yemen	6	9	9	0	7	8	9	11	9	0	10	11	13	14	12	3	13	16	17	16	-1
Middle East	50	62	70	8	69	68	69	73	70	0	69	71	73	75	72	2	72	79	82	83	1
Angola	5	5	4	-1	4	3	3	3	3	-1	3	3	3	2	3	0	4	4	4	3	-1
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	1	0	2	2	3	2	2	1	3	2	2	2	2	0	1	2	2	3	1
Egypt	22	23	26	3	27	28	29	28	28	2	28	30	28	30	29	1	32	34	40	37	-3
Gabon	2	2	3	1	2	2	2	2	2	-1	2	3	2	2	2	0	2	2	3	3	0
South Africa	1	1	0	-1	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0
Africa other	4	12	13	1	15	18	20	22	19	6	23	21	19	23	21	2	23	23	24	26	2
Africa	36	43	48	5	48	53	56	57	54	6	58	58	54	60	58	4	62	66	73	72	-1
Total DCs	322	322	350	28	350	376	381	394	376	26	393	407	414	433	412	36	436	457	475	472	-3
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	2	0	2	2	2	2	2	0	3	2	3	2	3	1	2	2	2	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1,992	1,588	1,944	356	2,194	1,949	2,132	2,255	2,132	188	2,489	2,194	2,562	2,670	2,479	347	2,809	2,564	2,876	2,878	2

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

Main Contributors to Monthly Oil Market Report

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

Data is provided by Data Services Department.

Data Summary September 2006

OPEC Basket average price

US$ per barrel

⬇ *down 0.08 in August*

August 2006	***68.81***
July 2006	*68.89*
Year-to-date	*63.16*

August OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.36*	*Kuwait*	*2.51*	*Saudi Arabia*	*9.23*
Indonesia	*0.88*	*SP Libyan AJ*	*1.71*	*UAE*	*2.56*
IR Iran	*3.90*	*Nigeria*	*2.22*	*Venezuela*	*2.52*
Iraq	*2.05*	*Qatar*	*0.84*	***TOTAL***	***29.79***

Supply and demand

in million barrels per day

2006		***2007***	
World demand	*84.4*	*World demand*	*85.7*
Non-OPEC supply	*55.4*	*Non-OPEC supply*	*57.5*
Difference	***28.9***	***Difference***	***28.1***

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

Stocks

US commercial oil stocks experienced a build of 10.3 mb in August.

World economy

World GDP growth revised to 5.0% for 2006 and forecast at 4.3% for 2007.

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Next report to be issued on 16 October 2006.

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