OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Review of oil market in 2005, outlook for 2006

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OPEC Monthly Oil Market Report

Publishing Schedule for 2006

Friday,	20	January
Wednesday,	15	February
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Oil Market Highlights

- The world economy enters 2006 in very good health. The US economy has proved resilient as consumers and businesses have coped with the impact of the hurricanes. Next year should benefit from rising income growth, more stable energy prices and the stimulus of US Gulf Coast rebuilding. At last there are signs that the Euro-zone economies are seeing an improvement in business sentiment although consumer confidence remains subdued. The surprising revival of the Japanese economy has consolidated this year. Growth may be lower in 2006 as the world trade cycle eases but the fundamental break with deflation should augur well for long-term performance. Growth in developing countries may be affected by eventual weakness in commodity markets and some deceleration in China. The Chinese economy is expected to see more balanced growth next year with less emphasis on exports and investment and more resources directed to consumer spending.

- In 2005 the economic recovery broadened to some extent but the driving forces of growth have remained the USA and China. The problem of global imbalances has only worsened during 2005 and a substantial adjustment in trade balances is needed to forestall disruptive volatility in currency markets. Both the USA and China may face fluctuations in asset prices as higher interest rates absorb the liquidity of households and businesses. Many Asian economies remain dependent on a rather narrow range of exports to these two economies and any retrenchment by the American consumer could have a significant impact on Asian growth. Since 2004 the US central bank has raised interest rates by 3¼%; in December the European Central Bank began to tighten and next year the accommodative stance of the Bank of Japan may end. Restrictive monetary conditions may impact housing, equity and investment confidence. In today's integrated economy any financial volatility might affect activity on a global scale, especially in the current climate of optimistic expectations.

- The OPEC Reference Basket in November continued moving downward to the lowest level in six months, losing $3.34 or over 6% to settle at $51.29/b. A cold snap in the US northeast and Japan as well as Europe was balanced by the healthy rise in petroleum stocks. A downward revision to the global demand forecasts amid the slow recovery of the oil operations in the Gulf of Mexico helped to ease upward pressures, while high freight rates dampened regional markets, adding to the downward price trend. Hence, the price decline continued throughout the last week as the Basket occasionally slipped below the $50/b level. In December, the prospect of a cold winter pushed demand for heating fuels higher and caused natural gas prices to jump significantly, all of which helped lift the Basket to $54.44/b on 15 December.

- A relatively mild weather, along with higher imports and refinery runs, caused a contra-seasonal middle distillate stock-build in the USA and resulted in a further drop in the prices of various products in November relative to crude. The same trend also persisted in Europe and Asia, with refinery margins returning to historical levels. Due to the sharp decline in margins, some Japanese and South Korean refiners cut throughput, which might be reflected in physical demand and crude prices later on. Despite the bearish developments in the product markets and the easing of supply fears over middle distillates, prices could rise again if markets face a prolonged cold snap over the next few months.

- OPEC spot chartering dropped by 0.8 mb/d to 13.7 mb/d ahead of expected slower year-end activity due to the holidays with almost 90% of the decline attributed to Middle Eastern countries. Sailings from OPEC area fell by 1.6 mb/d to hit 23.4 mb/d, which was still 0.5 mb/d higher than a year earlier. Arrivals rose for all the main consuming regions except the Mediterranean. However, arrivals to the USA and Caribbean surged by 0.9 mb/d to hit a record of 11.5 mb/d. The tanker market remained robust with freight rates continuing to increase, driven by the recovery of US refineries and the growing time-delay in the Turkish Straits. The only exception was for tankers trading in the Caribbean, which saw rates decline by 20% after reaching an extremely high level in the previous month. In contrast, freight rates for products showed some weakness due to limited activity from the USA and a lack of arbitrage opportunities since US refineries increased throughput.

- With preliminary data at hand for the first three quarters of 2005 and a healthier outlook for the world as well as regional economies for the remainder of 2005, world oil demand is projected to rise by 1.2 mb/d or 1.5% to a yearly average of 83.3 mb/d. This represents an upward revision of 40,000 b/d from last month's figures. The lion's share or 0.7 mb/d of the increment comes from Developing Countries, which have experienced a high rate of economic growth, and oil producing countries, which have benefited from international oil prices. For 2006, average world oil demand is now projected to grow by 1.6 mb/d or 1.9% to average 84.9 mb/d, slightly higher than last month's estimate given the more optimistic view of the world economy for the coming year. Oil consumption is expected to rise in all major regions with the OECD growing by 0.4 mb/d or slightly higher than last year and China showing a rebound in demand to encompass more than one-fifth of the world total. As has been the case in the last ten years, oil demand growth from developing economies is projected to contribute a significant portion or 0.7 mb/d of the total growth.

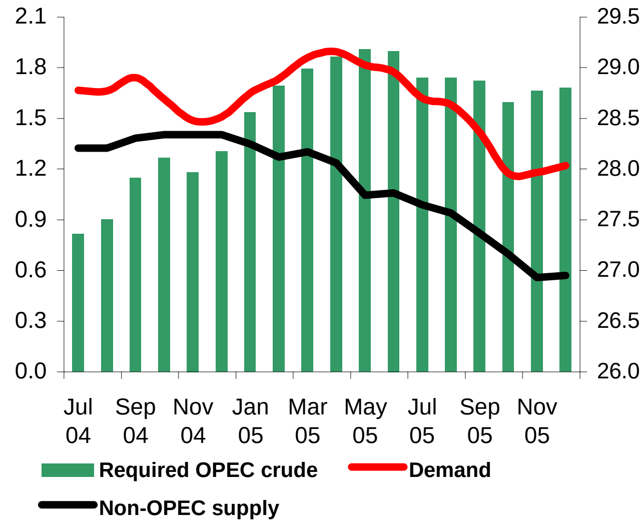
- Non-OPEC supply in 2005 is expected to average 50.2 mb/d, representing an increase of 0.4 mb/d over the previous year and a downward revision of around 0.8 mb/d from the initial forecast in July 2004. Including OPEC NGLs and non-conventional oils, non-OPEC supply is expected to average 54.5 mb/d, an increase of 0.5 mb/d. No material revisions have been implemented in this month's report. In 2006, non-OPEC supply is expected to average 51.6 mb/d, an increase of 1.4 mb/d over 2005 and broadly unchanged from last month. Including OPEC NGLs and non-conventional oils, non-OPEC is expected to average 56.2 mb/d, an increase of 1.7 mb/d. November OPEC output averaged 30 mb/d, similar to the October level.

- US commercial oil inventories (excluding Strategic Petroleum Reserve SPR) during the period 28 October-2 December 2005 stood at 1,025.7 mb which was 20.1 mb or 0.57 mb/d above the level observed at the end of the previous period. This is the highest level for this period since 2001 where commercial oil stocks ended at 1,024.8 mb in the week ending 7 December 2001. Despite the significant stock-build, the y-o-y surplus remained at 4%, while the five-year average improved to 5% from 3% registered last month. After four consecutive months of build, total oil inventories in Eur-16 (EU plus Norway) showed a considerable draw of 13.8 mb or 0.46 mb/d to stand at 1,130.9 mb in November. The draw depressed the y-o-y surplus, pushing it down to 22.5 mb or 2% from 5% observed in the last report. In October, total oil stocks in Japan continued to display a further build for the fourth consecutive month, increasing by 6.1 mb or 0.20 mb/d to stand at 198.9 mb, the highest level since November 2004. The significant rise failed to improve the y-o-y surplus, which narrowed to 2% from the 4% registered in the previous month.
- The demand for OPEC crude in 2005 (a-b) is forecast at 28.8 mb/d, an increase of 0.6 mb/d from 2004, unchanged from earlier projections. For 2006, the demand for OPEC crude is expected to average 28.7 mb/d, representing an upward revision of 134,000 b/d from last month's report. The quarterly distribution shows that demand for OPEC crude is now expected at 29.9 mb/d in the first quarter, 27.7 mb/d in the second, 28.1 mb/d in the third and 29.2 mb/d in the fourth.

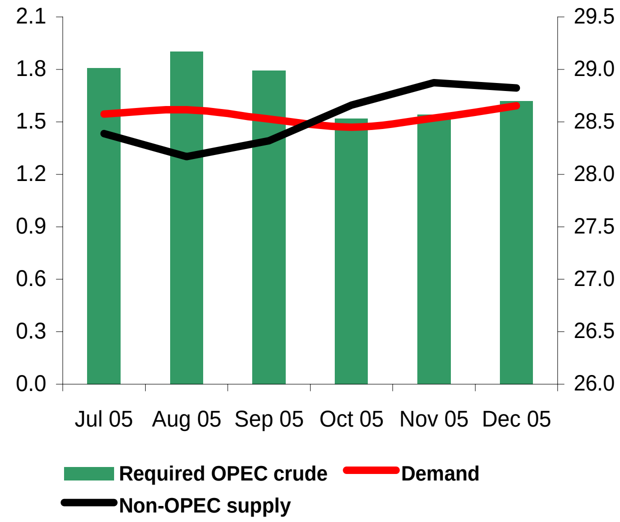
Review of oil market in 2005, outlook for 2006

- With 2005 coming to a close, the estimate for world GDP growth now stands at 4.4%, lower than the spectacular growth rate seen in 2004, as rising interest rates and higher energy prices have moderated the growth of demand. This estimate shows a slight increase over our initial forecast for the year of 4.3% due to higher than expected growth in China and developing countries. In regional terms, the USA has grown strongly throughout the year and Japan has also shown an encouraging recovery. The economic performance in Europe has been disappointing although recent data suggests an improvement in the second half. Global inflation has remained under control and this price stability should allow the expansion to continue into 2006.
- In the initial outlook for 2006 released last July, global growth was forecast at 4.0% for the year. This was due in part to the expectation that the 48% increase in the oil price since mid-2004 would continue to moderate economic growth. However, the world economy has continued to prove remarkably resilient, core inflation has been subdued and growth has broadened to include some European economies. Nevertheless, consumer spending in the USA is still expected to decelerate next year as interest rates rise, and this may impact Asian exporters. Moreover, some developing countries have yet to feel the impact of higher oil prices and reduced fuel subsidies. Given the positive trends in major economies, according to the revised outlook world GDP growth in 2006 is expected to be 4.2%.

Graph 1: Revisions to 2005 forecast for growth in demand, non-OPEC supply and required OPEC crude, mb/d



Graph 2: Revisions to 2006 forecast for growth in demand, non-OPEC supply and required OPEC crude, mb/d



- Looking back on our initial oil demand forecast for 2005 and comparing it with the latest projection, it is clear that the original estimate was somewhat optimistic (*see **Graph 1***). Initial projections for 2005 global oil demand growth stood at 1.7 mb/d or 2%. With data mostly complete for the first three quarters of 2005 and the estimate for the last quarter based on GDP rates, the latest forecast indicates that global oil demand will rise by 1.2 mb/d or 1.5%. The reason for this downward revision is primarily lower-than-expected growth in Chinese apparent demand. In our initial forecast, apparent demand growth for 2005 was assessed at 0.6 mb/d based on GDP growth estimates at the time and the previous year's astonishing rise of close to 1 mb/d in Chinese demand. However, the hard data for the first nine months combined with estimates for the last quarter indicate that apparent demand in 2005 will have grown by less than 0.2 mb/d. One of the reasons for this lower growth in apparent demand was that the expansion in the power generation capacity in 2005 was far greater than expected. This reduced the need for diesel generators to make up the shortfall and resulted in lower oil demand growth compared to 2004. Additionally, constraints in the product supply in certain parts of the country are thought to have limited growth (*see **Graph 2***).
- Demand growth in the USA also appears to be lower than initially expected. This is partly due to the disruption in the supply chain caused by the hurricanes, as well as the loss of infrastructure. However, prior to the hurricanes, there was evidence of a weakening in the relationship between GDP and demand growth, which raises an interesting point. In 2004 the growth in oil demand in both the USA and China was above what would have been expected considering the GDP growth in both countries. In contrast, for this year the ratios of oil demand growth to GDP growth have been below average levels. However, it bears noting that these ratios can fluctuate, especially in China where the relationship can be very sporadic. For 2006, world oil demand is projected to grow by 1.6 mb/d or 1.9%, a slight upward revision over the initial forecast, due to the more optimistic view of the world economy for the coming year.

- Non-OPEC supply growth in 2005 is expected to average 0.4 mb/d over the previous year. Growth has been revised down by 0.8 mb/d compared to the first estimate due to a number of factors. These include the lower-than-expected performance in Russia and Kazakhstan, the impact of protracted maintenance and production restrictions in North Sea fields, and hurricane-related shutdowns in the US Gulf of Mexico. Accidents in other countries also contributed to the downward revisions. Some 600,000 b/d of the total revision were due to accidents and unplanned shutdowns, while the rest have been due to revisions in Russia, project delays elsewhere (i.e. Sudan, Brazil), and base line re-assessment in some countries. Post-Katrina, non-OPEC supply was revised down by 240,000 b/d. However, positive revisions have been made for Angola, Australia, Azerbaijan, Brazil and China, primarily due to initial under-estimation, project start up uncertainty, and strong underlying performance of the production base.
- Our latest assessment shows that the growth in non-OPEC supply in 2006 is expected to average 1.4 mb/d over 2005. The forecast for 2006 has been revised upward by 300,000 b/d since it was first made, primarily due to the impact of unwinding of US Gulf of Mexico production losses from 2005 to 2006. However, given that a significant portion of US Gulf production still remains shut-in (0.4 mb/d), and based on assumptions that a full recovery is not expected until the third quarter of 2006, there is significant uncertainty in the forecast. Outside the USA, downward revisions have been made in the outlook for Brazil, Norway, Kazakhstan, and the UK, which have been offset by upward revisions in Australia, Azerbaijan, Russia and Sudan. However, it is worth noting that excluding the unwinding of the US Gulf, which has turned out to be an important feature of the forecast next year, non-OPEC growth would still be around 1.1 mb/d, or broadly unchanged from our first assessment in July 2005.
- Given the compounded impact of downward revisions in the forecast for world oil demand and in particular projections for non-OPEC supply in 2005, the crude required from OPEC has also been revised to 28.8 mb/d from an original estimate of 27.4 mb/d, representing an upward revision of 1.4 mb/d. On a quarterly basis, upward revisions have occurred in each quarter, with the fourth quarter representing the highest increase. Looking at actual production for the entire year, OPEC output is expected to average 29.9 mb/d, which represents an increase of 1.1 mb/d over 2004. This far exceeds the current estimated requirement and has resulted in build-ups in commercial OECD inventories in each quarter.
- Looking ahead to 2006, the initial forecast puts the crude required from OPEC at 29 mb/d, while the latest estimation puts this figure at 28.7 mb/d, a reduction of 0.3 mb/d. Nevertheless, this downward revision suggests another potential significant stock-build in 2006 if OPEC continues producing at current levels.
- At its recent Ministerial Conference in Kuwait, OPEC decided to continue production at currently high levels to ensure sufficient supply for the high demand winter months and to help prices moderate. During the typically low consumption second quarter, the required demand for OPEC oil is expected to fall to 27.7 mb/d, thus requiring reduced supply from OPEC to balance the market. However, the situation requires careful monitoring as the markets have behaved uncharacteristically during the same period over the past two years. For this reasons, OPEC will meet next January to review and assess the market to determine the appropriate production levels required.

Kuwait City, Kuwait **12 December 2005**

138th (Extraordinary) Meeting of the OPEC Conference

Kuwait, 12 December 2005

The 138th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Kuwait City, State of Kuwait, on 12 December 2005, under the Chairmanship of its President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, and HE Dr Edmund Daukoru, Minister of State for Petroleum Resources of Nigeria and Head of its Delegation.

The Conference extended a warm welcome to HE Seyed Kazem Vaziri Hamaneh, Minister of Petroleum of the Islamic Republic of Iran, and congratulated him on his recent appointment.

The Conference extended its sincere condolences to the Governments and people of the Islamic Republic of Iran and the Federal Republic of Nigeria at the tragic loss of life caused by recent aeroplane accidents.

The Conference welcomed the presence of the Minister of Energy and Mining of Sudan, the Minister of Petroleum and Mineral Resources of Syria, the Undersecretary of Petroleum of Egypt, and the Undersecretary of Oil and Gas of Oman, whose presence in the Meeting again highlights the importance these countries attach to constructive dialogue and co-operation with OPEC and its Member Countries.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, whose Members the Conference again thanked for their untiring efforts on behalf of the Organization, as well as other presentations.

Having reviewed the oil market situation, the Conference observed that the market has been well supplied and commercial stocks, especially of crude oil, have been building, in terms of absolute levels and forward days' cover. This is due to OPEC's prompt responses and willingness to provide the market, if and when needed, with the required supplies.

The Conference further considered the outlook for 2006 and noted that the ceiling adopted by OPEC in its 136th (Extraordinary) Meeting in June 2005 of 28.0 mb/d (excluding Iraq) will be adequate, if fully observed, to balance the market for the first quarter of the year. However, in view of the supply/demand outlook for the second and third quarters 2006, when demand is seasonally lower, thus requiring reduced supplies from OPEC to balance the market, the Conference decided to convene an Extraordinary Meeting in Vienna, Austria, on 31 January 2006, in order to review the situation and take the appropriate decisions on production levels for the second and third quarters of the year. The Conference also reconfirmed that its next Ordinary Meeting will convene in Vienna, Austria, on 8 March 2006.

In taking the foregoing decision, the Conference reaffirmed the Organization's determination to take all measures deemed necessary to keep market stability and maintain prices at reasonable levels through the provision of adequate supplies, as it has demonstrated repeatedly in the past, including the recent offer to make its additional capacity of 2.0 mb/d available for three months, an offer that expires on 31 December 2005 and which, the Conference noted, had not been taken up by the market because it is so well-supplied.

The Conference reiterated its call on consumers and the industry to join efforts to alleviate the refinery bottlenecks which are the main engine driving prices in a market which is well-supplied with crude oil and, in this regard, welcomed the recommendation made by the recent 2nd Ministerial Meeting of the EU/OPEC Energy Dialogue to undertake joint studies on refining and futures markets.

In this regard, the Conference also agreed that, with a view to reassuring the market about future availability of production capacity, the Organization will, henceforth, publish information relating to Member Countries' capacity expansion plans, investment in downstream projects, as well as other relevant information.

The issue of the appointment of the Secretary General having been deferred until the next Ordinary Meeting of the Conference, the incoming President of the Conference, HE Dr Edmund Daukoru, Minister of State for Petroleum of Nigeria, will assume the responsibilities of the Secretary General from 1 January 2006, in accordance with the provisions of Resolution No. 128.406.

The Conference paid tribute to the services of its outgoing President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, expressing particular appreciation of his also shouldering the responsibilities of Secretary General of the Organization during the year 2005, and thanked Dr Adnan Shihab-Eldin, the OPEC Secretariat’s Director, Research Division, for his excellent conduct of the day-to-day affairs of the Secretariat, as Acting for the Secretary General, during the same period.

The Conference approved the Budget of the Organization for the year 2006.

The Conference expressed its sincere gratitude to His Highness Sheikh Jaber Al-Ahmed Al-Jaber Al-Sabah, Emir of the State of Kuwait, and His Highness Sheikh Saad Al-Abdallah Al-Sabah, Crown Prince of Kuwait, as well as the Government and people of the State of Kuwait, for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. The Conference also recorded its appreciation to His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, Prime Minister of Kuwait, for his generous patronage of the Meeting. Finally, the Conference voiced its special thanks to HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait, and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on 12 January 2006, after ratification by Member Countries.

Highlights of the World Economy

Economic growth rates 2005-2006, %	World	G-7	USA	Japan	Euro-zone
2005	4.4	2.6	3.6	2.4	1.2
2006	4.2	2.4	3.2	1.8	1.5

Industrialised countries

United States of America

Economy set for strong start to 2006. Short-term inflation outlook has improved

Fourth-quarter consumer spending growth has been affected by the carry-over from higher energy prices in September. Retail sales were slightly disappointing in November and the results for September and October were revised down. Recent news on inflation has been encouraging which should support spending in December and in the New Year. Labour costs have remained subdued and inflation expectations have eased along with energy prices. Revisions to second and third quarter unit labour cost data suggest that costs actually fell in this period. The better unit cost picture reflects the upward revision to GDP which is now estimated to have grown by 4.3% in the third quarter. Gasoline prices have settled back to levels from before the late summer hike and although natural gas prices remain high, consumers seem less alarmed by the possibility of pass-through to core inflation. **The University of Michigan consumer confidence index for early December rose 7.1 points on top of a 7.4 point jump in November to 88.7. This two-month gain erased most of the decline seen in the aftermath of Hurricane Katrina.** Consumers’ inflation expectations also improved as their one year inflation forecast fell to 3.1% in December from 4.6% in October. The gains in consumer sentiment were matched by positive news concerning factory orders which jumped by 2.2% in October. Orders for durable goods were particularly strong which suggests that businesses anticipate a good fourth quarter. **Overall GDP growth is likely to be lower in the fourth quarter — in the region of 3% —but much depends on the extent to which the improvement in consumer sentiment translates into higher spending in December.**

Looking forward to 2006, the major challenge for the new Chairman of the Federal Reserve will be to judge the extent of spare capacity in the US economy in the fourth year of a strong recovery. The statement accompanying the Federal Reserve Committee meeting on December 13 confirmed that the economy is operating close to trend. Consequently, “The Committee judges that some further measured policy firming is likely to be needed…”. Full employment will mean that core inflation will rise gradually next year. **The strength of the dollar will ease inflation concerns in the near term but short term interest rates seem likely to reach or exceed 5% by the middle of 2006.**

Such higher interest rates might have a disproportionate effect on personal consumption and economic activity if they cause a sharp adjustment in house prices next year. **In 2005 it appears that gains in housing values have contributed between one third and one half of the rise in GDP as consumers have taken advantage of the rise in house prices to justify higher levels of debt.** It seems likely that consumer spending growth will be lower next year and **GDP is expected to rise by only 3.2% in 2006**. The slowdown will be gradual, however, as business spending should be supported by healthy levels of profitability and capital investment may grow at rates similar to this year’s 9%. A clear rise in Federal and State expenditure is expected in 2006 as a result of Gulf Coast and other infrastructure projects. Net trade is unlikely to have much of a positive impact on US growth until a lower momentum of consumer spending causes import growth to moderate.

2006 may see a slight adjustment in US external imbalances depending on the tempo of global growth. The current strength of Asia and signs of recovery in Europe provide hope that next year will see genuine progress in the direction of global rebalancing provided that domestic demand in these regions is sustained if the US stimulus falters later in the year. The risks are greatest in Asia as any substantial rise in these currencies versus the dollar and the euro will threaten the momentum of Asian export and thus investment growth. **2006 may be a transition year in which the engine of global demand (and global liquidity) is no longer the USA.** The success with which other regions are able to assume this role will determine the growth rate of the world economy in 2006 and beyond.

Japan

2005 has been a remarkable year for the Japanese economy

Revisions to Japanese GDP data confirmed that the first half of the year saw very strong growth at an annualized rate of 5.3%. Domestic demand benefited from contributions from personal, business and government spending whilst the contribution from the external sector was much lower than in 2004. This momentum could not be maintained in the third quarter and only investment spending grew rapidly. Nevertheless, GDP grew by 1% in this period and a further moderate expansion is expected in the final quarter. Overall 2005 has been a very successful year for the Japanese economy. **The overall growth rate is likely to reach 2.4% and domestic sector growth will be at least 2.5%.**

Looking forward, growth is expected to continue at a moderate pace in 2006. Steady growth in household real incomes of about 1.5% should keep personal consumption growing by a similar rate whilst the excellent growth performance of 2004/2005 should generate the need for faster investment spending to ease capacity constraints. The quarterly *Tankan* survey of business conditions for December indicated a steady uptrend in the economy. Businesses continue to revise their sales and profit plans upward – sentiment was particularly positive in smaller companies. Manufacturing investment may be concentrated in the first half of the year but non-manufacturing industries including utilities, information and communications should generate a faster rate of growth of investment spending than achieved in 2005. **Domestic demand in 2006 is forecast to grow by over 2% but slowing growth in exports and rising imports imply that GDP may expand by only 1.8% next year.**

The rate of core inflation in Japan is expected to be slightly positive in 2006 but there is the possibility that the price level may fall as a result of lower gasoline prices and reductions in social services fees. The price of domestic output is more likely to rise as wages and profits have already increased in 2005 and the GDP deflator may turn sustainably positive for the first time in 12 years.

Economic policy will be affected by this good performance – indeed the primary balance of the central government has already improved in response to the growth in nominal activity. Income tax payments have been rising and more companies have begun to make corporate tax payments following the expiry of carried-over losses from previous years. **The expected deficit for fiscal year 2006 has been cut dramatically since 2004 and a rise in the consumption tax before 2007/2008 is now very unlikely.** Changes to monetary policy will reflect a political compromise between the Bank of Japan and the ruling coalition. Although the Bank will probably reverse the policy of quantitative easing in early 2006, the trade-off will be to extend the period of a zero interest rate policy. Later in 2006 the continued expansion of the economy will allow the Bank to tighten. **Financial markets anticipate that short term interest rates will remain below 0.5% for the whole of 2006.**

Despite the revival of domestic demand the economy would suffer from any downward adjustment in the US or Chinese economies in 2006 and this remains a major risk factor for the Japanese economy. A further risk is a turnaround in the fortunes of the US dollar which has risen by over 14% against the yen this year. Despite recent yen weakness, the consensus still expects the Japanese yen to strengthen towards ¥100 during 2006. **In the near term, however, the combination of negative real interest rates and a competitive currency should keep the economy growing at better than trend growth rates provided that the international environment remains healthy.**

Euro-zone

Trend growth of 2% unlikely to be achieved in 2006; domestic demand needs to show sustained improvement.

Euro-zone growth has been volatile over this economic recovery. An improvement at the beginning of this year did not persist into the second quarter and higher energy prices in the summer boded ill for growth in the remainder of this year**.** In the event the growth performance in the third quarter was much better than expected. Growth of 2.4% at an annual rate followed improvements in industrial production trends and survey evidence. More recent data suggests that the growth in activity has flattened out. The improvements in business survey data in November were slight and the Economic Sentiment Indicator of the European Commission showed a decline. **Fourth quarter growth may settle at a trend pace of about 1.6% at an annualized rate** although falls in gasoline prices might provide a further boost to consumption towards the end of the year. A positive sign for consumption trends is the stabilization in the employment indicators in the EC survey – also some gains outside the export-driven industrial sector, notably in construction, suggest that Euro-zone domestic demand might have turned the corner.

Inflation rates are likely to remain low. Partly on account of the fall in energy prices, both service and manufacturing companies saw their input prices ease in November and the first estimate of Euro-zone inflation showed a fall to 2.4%. **The core rate of inflation is much lower, however, at about 1.5%** and it seems unlikely that this rate will increase much next year. The weakness of the euro this year will impact import costs but this effect will take time to be processed through the supply chain and the inflation impact will depend upon the ability of producers to pass on cost increases.

Of itself, the increase in Euro-zone interest rates to 2¼% is not expected to worsen growth prospects next year and the ECB has noted that this increase is not necessarily the start of a series of rate hikes. **Nevertheless most financial commentators do anticipate further moves – taking short term interest rates to about 3% by the end of 2006.** Fiscal policy may also turn restrictive – but rather in 2007. The expected increase of 3% in the German rate of VAT in January 2007 may actually increase consumer spending next year with a payback in 2007. Both France and Italy may also need to tighten fiscal conditions towards the end of 2006. **The outlook for the Euro-zone in 2006 remains dependent on the domestic sector.** Exporters may no longer have the advantage of a weakening currency and growth in world trade is expected to be lower. In 2005 there have been sporadic signs of domestic recovery – notably in France and Spain – but these improvements need to spread to Germany and Italy if the Euro-zone economy is to achieve sustained trend growth sufficient to reduce levels of unemployment and regenerate consumer confidence. Some economies within the Euro-zone will record growth of over 2% in 2006; the region as a whole may also grow above trend in the early part of the year. **For 2006, as a whole, however, it seems unlikely that the Euro-zone will achieve growth of above 1.5%.**

Former Soviet Union

Russian manufacturing industry faces further real appreciation of the rouble in 2006

Industrial production grew at a steady 4% rate in the first half of this year and this pace was maintained in the third quarter. Growth eased slightly to 3.5% in October although manufacturing performed well – growing by 5.8% in October after the strong 7.1% growth rate achieved in the third quarter. **The natural resource industries continued to underperform – producing at levels hardly above those of 2004.** Since 2003 there has been a clear shift in the composition of growth towards consumption and away from net exports and oil production. Investment spending remains depressed as foreign companies remain cautious whilst domestic companies have been deterred by the high value of the rouble. According to the World Bank, high rates of growth of real wages and consumer spending, also rising property prices are typical symptoms of "Dutch Disease". The Bank expects these problems to worsen given the ongoing real appreciation – the worst affected industries being car production, food manufacturing and light industry in general.

The outlook for inflation has been temporarily improved by limits on gasoline prices – also the warm weather in October and November. For 2005 as a whole inflation may be below the 11.7% recorded last year. For next year the main concern is fiscal policy. The budget surplus and the oil stabilisation fund allow the central bank to sterilize oil-related balance of payments inflows but the surplus may be threatened by supplementary budgets which increase government spending. In addition to higher government spending, household consumption is also expected to rise. **High growth rates of demand will lead to higher inflation and rising imports unless the supply-side of the Russian economy responds by investing to increase productive capacity.** The paradox is that the central bank may only worsen the competitive conditions of Russian companies by allowing the exchange rate to rise in order to contain inflationary pressures.

Eastern Europe

Healthy growth continues but fiscal balances cause concern

The Polish economy performed better than expected in the third quarter as GDP rose by 3.7%. Political uncertainty reduced international confidence in the Polish economy following the recent elections – in particular market commentators were concerned that fiscal policy will be loosened. The budget deficit ceiling for 2006 has been set at PLN 30.55 billion but achievement of this deficit relies on meeting optimistic revenue targets. **Despite these concerns, the solid fundamentals of the Polish economy have had a greater impact on the currency – following some weakness immediately after the elections the zloty has risen to about €/PLN 3.85.** The Hungarian economy is achieving much higher growth than Poland but at the cost of higher inflation and a poor fiscal situation. GDP rose by 4.5% in the third quarter as a result of strong growth in exports and fixed capital expenditure. The main problem facing the government is the very high budget deficit which is expected to reach 7-8% of GDP this year. The outlook for 2006 is even worse as planned tax cuts and increased spending may push the deficit to over 8% of GDP. **The performance of the Czech economy continues to impress.** GDP grew by 4.9% in the third quarter – driven mainly by exports which rose by 10.9% above 2004 levels. Industrial production rose by 6.3% in October – the fastest growing sector continues to be the motor industry which expanded production to 26% above 2004 levels. The rate of inflation fell slightly to 2.4% in November as a result of lower fuel prices. No change in Czech interest rates is expected until well into next year.

Developing Countries

Africa growing rapidly but poverty gap expands

In a recent report, the World Bank said that the African economy is growing at a 25-year record rate, with short-term prospects seen to be promising. The report calculates that regional income per head is set to expand by 1.6% a year between 2000 and 2006. While compared to the contraction in income per head during the 1980s and 1990s (when annual rates averaged –1.1% and –0.5% respectively), the mentioned rate still represents an improvement. While Africa is set to perform better than in the 1990s, it will continue to lag behind the rest of the developing world - so much so that Africa is the only region where the absolute number of people living in poverty (that is, on less than US$1 a day) is continuing to rise. The International Monetary Fund (IMF) and the World Bank's International Development Association (IDA) have agreed that Ethiopia has made sufficient progress and taken the necessary steps to reach its completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Ethiopia becomes the thirteenth country to reach this point. Sudan is now one of Africa's fastest-growing economies as a result of rising oil activities. GDP grew by 6% in 2003 and a further 7.3% last year. Inflation is being kept in check at around 8% annually. Oil production is assumed to reach 500,000 b/d next year, but after 2007 the oil sector's share in GDP will start to decline. Over the medium term, the government is predicting GDP growth of 8-9% a year, with single-digit inflation and rising international reserves.

China is predicted to grow by 9.2% this year and 8% in 2006. The level of China's foreign exchange holdings, which had reached $769 bn by the end of September, is one of the most closely watched barometers of structural change in the local economy and the exchange rate system. The Central Bank of China said that the rapid build-up in China's foreign exchange reserves should slow as a result of the revaluation of the yuan this year.

Economic instability in Latin America expected to be supported by governmental measures

Acceleration of inflation in Argentina forced the government authorities to take restricted measure (e.g. price freezes) to stem the tide. In 12 months, inflation rose to 12%, the highest level since 2002, which was the year of the peso devaluation. Argentina's return to double-digit inflation is now the chief threat to its economic recovery and stability. In Brazil, economic activity contracted by 1.2% in the third quarter of 2005 compared with the previous three months, according to the official statistics institute (IBGE). Growth was just 1% y-o-y in the quarter, and 3.1% over a 12-month period. Annual GDP growth for 2005 might even fall to below 3%, well under the heady 4.9% expansion posted in 2004. However, Brazil is expected to be the most attractive destination for FDI in Latin America in 2005-06. Most FDI experts believe that Brazil is among the region's five most attractive investment sites in the short term.

OPEC Member Countries

More reforms in Nigeria; Indonesia expected to overcome the fuel price increase

According to the Federal Office of Statistics, the 12-month moving average inflation rate in Nigeria rose to 15.5% in August, up from 14.2% in July and 12.7% in June. This might indicate that the government will not be able to reduce the inflation figure to a single digit by the end of the year. In addition to the high price of oil, excess liquidity is pushing for a higher inflation rate. On the economic reform front, the Nigerian privatisation agency, the Bureau of Public Enterprises (BPE), has completed the sale of a number of state enterprises so far this year, marking a sharp pick-up pace in the divestiture programme.

Saudi Arabia announced the highest budget ever

Saudi Arabia's general budget for the new fiscal year was estimated at $89 bn, the country's highest budget ever. The new budget advanced items of infrastructure in both education and health.

In Indonesia consumer price inflation has soared since the government decided to slash fuel subsidies in October. The rise in inflation is slightly less alarming than the headline figure would suggest as in month-on-month terms inflation in November fell to 1.3% from 8.7% in October. GDP growth is expected to slow down in the short term; but the negative impact of high fuel prices after removing subsidies is likely to be relatively short-lived.

Oil prices, the US dollar and inflation

No pause in dollar uptrend

Following strength in October the dollar continued to make progress at a similar rate in November. The US currency is supported by continuing interest rate differentials which seem unlikely to narrow despite the change in policy of the European Central Bank. The dollar rose by 1.9% against the euro, 3.1% against the yen and 1.7% against the Swiss franc. The dollar also rose by 1.6% against the British pound.

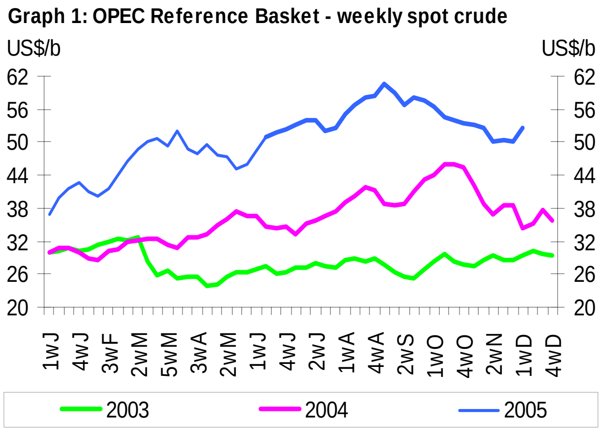
In November the OPEC Reference Basket fell to $51.29/b from $54.63/b in October. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 4.9% to $37.36/b from $39.30/b. The dollar rose by 1.6% as measured by the import-weighted modified Geneva 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

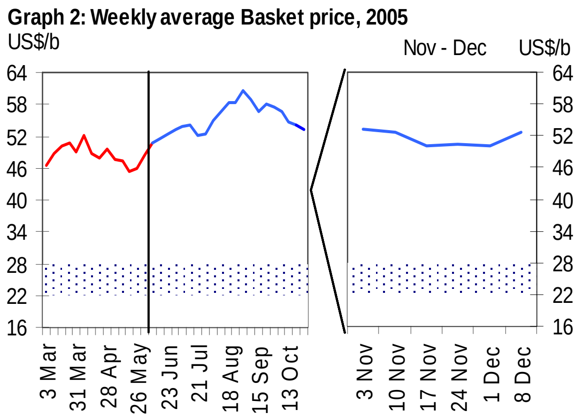
A wave of warmer weather in early November pushed the oil price lower amid recovery of oil operations in the Gulf of Mexico

OPEC Reference Basket



In November the Basket continued the downward movement of the past two months. The weekly movement of the Basket was stimulated by the expectation for warmer winter in the Northern Hemisphere and healthy crude oil stock builds. However a short-lived strike at Shell's Netherlands refinery revived demand for crude oil. Hence, the Basket closed the first week at $53.19/b for a marginal drop of 13¢/b. In the second week, the Basket's weekly average price sustained the downward trend for the sixth week, dropping a moderate 61¢ or over 1% to settle at $52.58/b. Concern over winter fuels continued to ease following warmer weather in the Northeastern Hemisphere amid some progress in the recovery of the oil operations in the Gulf of Mexico, strengthening the bullish trend in the market. The weaker sentiment was furthered by the downward revision of IEA's global demand forecast amid rising spare OPEC capacity. In the third week, the prospect of an opening in the arbitrage opportunity for western crude to flow eastward exerted pressure on the Asian market. The bearish trend gathered momentum over the week due to poor refining margins amid indisposed cargoes in Europe. Profit-taking in the futures market also pressured the market. Nonetheless, an unexpected drop in US crude oil stocks, along with higher demand for gasoline, helped curb some of the losses later in the week. While high freight rates kept regional markets under pressure, forecasts of low temperatures in the Northern Hemisphere halted any further decline. The Basket's weekly average price saw a downtrend entering the eighth week, plunging by a hefty $2.47 or nearly 5% to settle at $50.11/b.

In the fourth week, the average Basket price moved upward for the first time in nine weeks, edging up by 35¢ to settle at $50.46/b. The week started on a bearish note on healthy seasonal supply in the Western Hemisphere amid high freight rates, which dampened regional markets. Nevertheless, concern over a winter snap in the Northern Hemisphere revived the bulls on demand for heating fuels. The bulls survived most of the week until the US weekly petroleum data revealed a healthy build in distillate stocks, including heating oil, which revived the bears. However, the prospect of persistently lower temperatures kept traders alert.



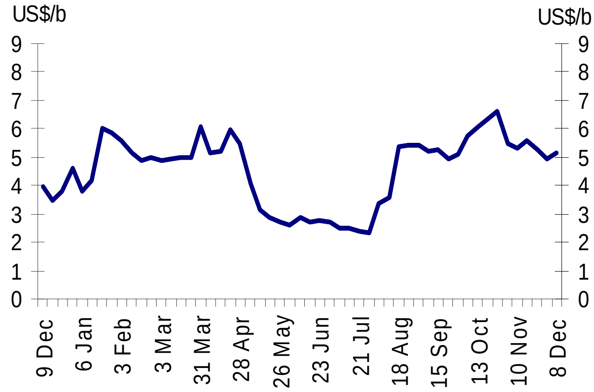
The OPEC Basket continued the downward movement on a monthly basis in November, closing $3.34 or over 6% lower at $51.29/b. A recovery in US Gulf Coast oil operations amid the start of a warmer winter kept the energy market calm amid an outlook for lower global demand by the IEA at a time of rising OPEC supply. Hence, the downward trend continued throughout the last week as the Basket occasionally slipped below the $50/b level. However, a late global cold snap in the Northern Hemisphere kept prices from declining further. The Basket rose for the first time in nine weeks, gaining less than one per cent. In December, the prospect of a cold winter pushed demand for winter fuels higher and caused natural gas prices to soar, all of which helped lift the Basket to $54.44/b on 15 December.

Lack of arbitrage barrels across the Atlantic amid weaker refining margins kept the WTI/WTS spread narrow

US market

The cash crude market eased on the recovery of oil operations in the US Gulf of Mexico. The sweet/sour spread widened in the first days in the week; however, this was short lived amid weakening refining margins and the lack of West African crude flow to the US Gulf market. The WTI/WTS spread narrowed $1.14 to $5.47/b in the first week of November. Furthermore, as the arbitrage opportunity to move West African crude across the Atlantic remained uneconomical, differentials were pressured to narrow further amid rising crude oil stocks. The WTI/WTS spread narrowed a marginal 16¢ to $5.31/b in the second week. The cold snap in the US northeast amid a healthy build in crude oil stocks and persistently weak refining margins pressured the differential to widen in the third week, gaining 28¢ to $5.59/b. The weak sentiment continued in the fourth week amid lingering lack of arbitrage barrels, narrowing the WTI/WTS spread a significant 34¢ to $5.25/b. Trade against the new futures contract in the final week of November caused the spread to narrowea further 20¢/b as refiners sought to deplete inventories before the end of the year for tax reasons. On a monthly basis, the WTI/WTS spread dropped to $5.33/b in November from $6.18/b the previous month, which represented a narrowing of 45¢/b over the same period last year. WTI averaged $58.47/b in November, down $4.20 or nearly 7% lower than in October.

Graph 3: WTI spread to WTS

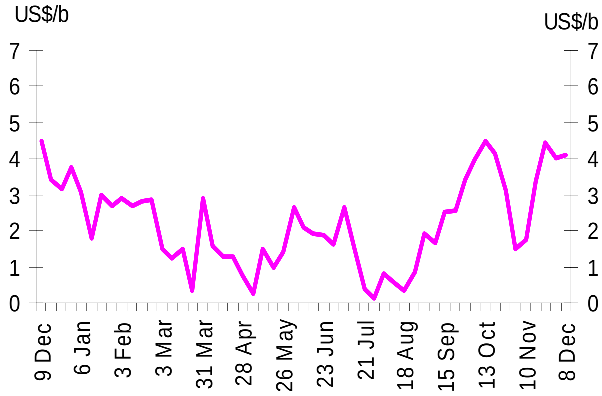


Weak refining margins in a well supplied market amid high freight rates kept the bears alive

European market

The month emerged on a weaker note amid unsold third-decade November cargoes. A decline in refinery margins also added to the market bearishness, however, an end to the strike at Europe's largest refinery opted demand. The sentiment furthered downward on lingering November stems. The weaker buying interest in an attempt to pressure the market amid the prospect of keeping year-end inventories lower kept the pressure on price differentials intact. High freight rates added to the regional market's weaknesses. Price differentials improved in the third week as November cargoes cleared and December buying interest emerged. Improved refining margins helped the grade to remain firm as December barrels cleared. Dated Brent's monthly average in November was $3.34 or nearly 6% lower at $55.41/b.

Graph 4: WTI premium to Dated Brent



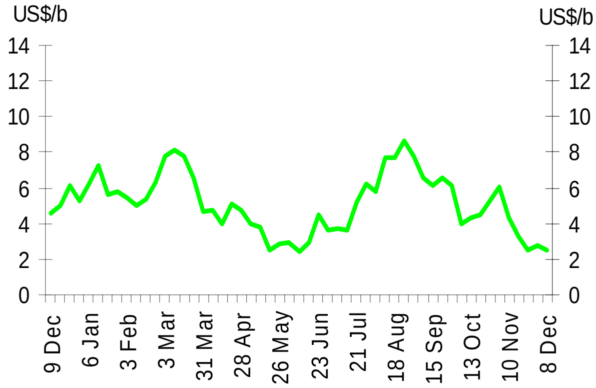
Weak refining margins forced Urals barrels out of the region, yet were poised by delays at the Turkish Strait

The market in the Mediterranean was under pressure as refiners looked for cheaper alternative grades than Urals. In the first week, Dated Brent's spread over Urals averaged $3.95/b. The sentiment was furthered by the weak refining margins amid ample supply in the last decade of November. Hence, the Brent/Urals spread widened to $4.40/b in the second week. However, as the arbitrage opportunity to the east was perceived as opening, it kept Urals crude differentials from dipping further. Hence in the third week, refining margins improved sending Urals below Dated Brent to firm at $3.28/b amid limited supply. The price differential improved further as delays at the Turkish Strait lengthened. Thus, the grade was only $2.48/b below Brent in the fourth week. The spread improved further by the set of buy-tender results amid strong bids. Brent Urals closed the final week at above the $2/b level. The monthly spread below Dated Brent was a marginal 8¢ above October, at $3.03/b.

Middle Eastern crude was under pressure by the sweet/sour crude spread, yet high regional crude prices supported the differentials to firm

Far East market

Graph 5: Dated Brent spread to Dubai



Healthy supply of distillates in Japan kept the price differentials for Middle Eastern crudes under pressure. December Oman was traded at a 7¢/b discount to the MOG with January Murban valued at a 20-30¢/b discount to ADNOC's OSP. As the January loading programmes emerged, the overhang of December Murban pressured Mideast grades. January Oman fetched a 4-9¢/b premium as refiners shifted to cheaper grades on the wide Brent/Dubai EFS. As EFS narrowed increasing the possibility of western crude to move eastward, Murban crude continued to weaken, falling further into discount when January loading barrels were assessed at 50-70¢/b to the OSP amid indisposed cargoes. The pressure continued into the third week with January Oman at a 7-14¢/b discount to MOG as the opportunity to move Urals eastward became economical. The bearish sentiment was furthered by the rising supply of West African crude and weak refining margins which cut into demand. In the fourth week, higher fuel demand supported differentials for Mideast crudes. Murban firmed trading at a 40¢ discount with Oman at a 5-7¢/b discount to the respective January OSP. Covering for winter demand spurred buying interest amid recovering refining margins. The bullish sentiment sustained on emerging demand from Thailand and Japan. January Oman traded at a 3-10¢/b premium while Abu Dhabi's Murban attracted a lower discount of around 20-25¢/b to ADNOC's OSP as refiners stockpiled for winter fuel demand.

Tight supply of regional crude amid high freight rates for the inflow of West African crude supported the Asian market

Asian market

The Asia/ Pacific Rim market emerged on a tightly supplied market amid emerged demand from Japan and Vietnam. The sentiment furthered into the second week on higher refinery demand from China to produce diesel. Japanese demand for power units supported Indonesia's Duri when a December cargo was traded at $1.80/b to the ICP. The market calmed in the third week on heavy kerosene stocks in Japan amid the inflow of West African crude. Malaysia's January Tapis was assessed at 75-85¢/b to the APPI, off from $1.00-1.10/b for December liftings. Nonetheless, higher demand from Indonesia on improved consumption of light sweet crude supported price differentials. Duri rebounded to firm at around $1.50-1.70/b to the ICP. Robust demand for naphtha and the forecast of chillier weather underpinned grades rich in heating fuels. Hence, Malaysia's Tapis was traded at a $1.90/b premium to the APPI on tight supply. The final week saw support by high freight rates hindering the flow of West African crude.

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

			Year-to-date average	
	Oct 05	Nov 05	2004	2005
OPEC Reference Basket	**54.63**	**51.29**	**36.07**	**50.47**
Arab Light[1]	54.65	51.55	34.52	49.99
Basrah Light	51.39	48.07	34.27	48.26
BCF-17	47.51	41.33	na	40.35
Bonny Light[1]	60.74	57.18	38.20	55.49
Es Sider	58.25	54.92	36.45	52.24
Iran Heavy	51.73	49.28	33.18	47.75
Kuwait Export	51.76	49.19	34.01	48.48
Marine	55.80	53.17	33.98	50.13
Minas[1]	58.64	53.87	37.02	53.97
Murban	59.30	56.13	36.46	53.81
Saharan Blend[1]	59.48	56.15	38.24	54.39
Other Crudes				
Dubai[1]	54.20	51.63	33.61	49.04
Isthmus[1]	55.64	51.57	37.15	50.14
T.J. Light[1]	51.48	48.77	33.77	46.14
Brent	58.75	55.41	38.13	54.22
W Texas Intermediate	62.67	58.42	41.30	56.27
Differentials				
WTI/Brent	3.93	3.01	3.16	2.05
Brent/Dubai	4.55	3.78	4.52	5.18

Note: As of the 3W of June 2005, the price is calculated according the current Basket methodology that came into effect on June 16, 2005. BCF-17 data available only as of March 1, 2005.

[1] Previous Basket Components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T.J. Light.

na not available.

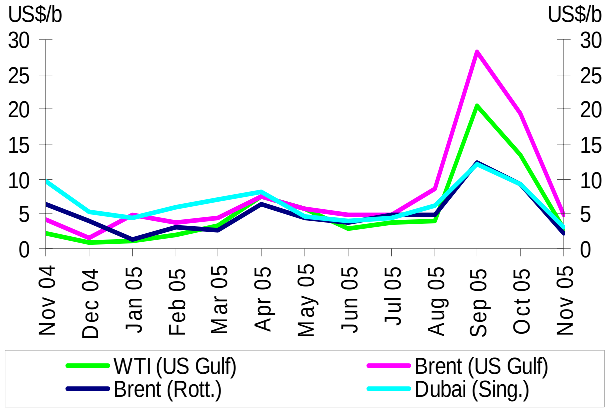
Source: Platt's, Direct Communication and Secretariat's assessments.

Product Markets and Refinery Operations

Refinery margins eroded across the board in November

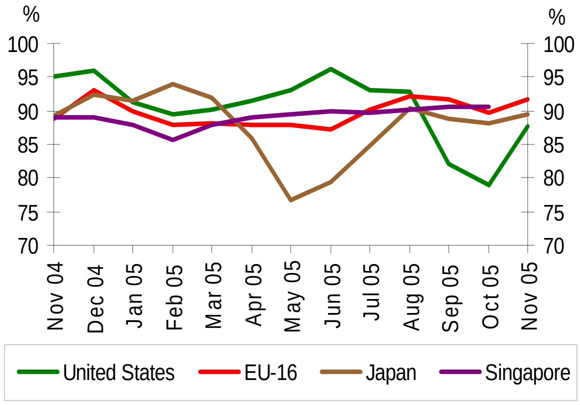
A relatively mild weather, along with higher imports and refinery runs, caused contra-seasonal middle distillate stock-builds in the USA and resulted in a further drop in the prices of various products in November relative to crude prices. The same trend also persisted in Europe and Asia, with refinery margins returning to their historical levels. As Graph 6 shows, WTI benchmark crude refinery margins in the US Gulf Coast plummeted by more than $10/b or 79% in November compared with October to reach $2.86/b. In North-West Europe, Brent benchmark crude margins fell by 75% to register $2.26/b. In Asia, the Dubai benchmark crude margins in Singapore plunged by $6.16/b or 67% compared to the previous month.

Graph 6: Refiners' margins



Due to the sharp declines in refinery margins, some Japanese and South Korean refiners cut throughput, which might be reflected in physical demand and crude prices later on. Despite these bearish developments in the product markets and the easing of supply fears concerning middle distillates, these trends would reverse if markets face a prolonged cold snap over the next few months, which would support crude and product prices.

Graph 7: Refinery utilization



Refinery utilization rate increased all over the globe in November

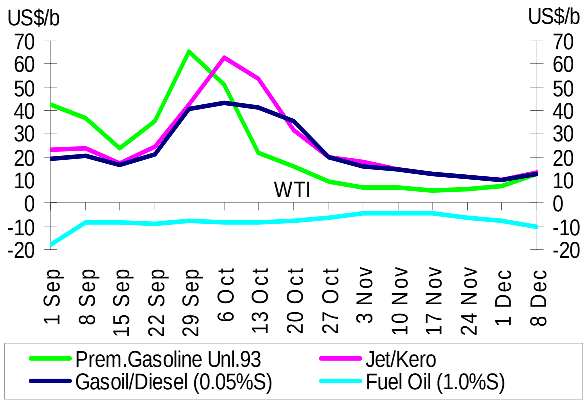
As Graph 7 indicates, the refinery utilization rate in the USA rose by 9.7% to reach 87.6% in November from 78.9% in October. However, part of the US refinery capacity in the US Gulf Coast is still offline. In Japan and Europe, the refinery utilization rate has also risen by 1.2% and 1.9% respectively in November compared to the previous month.

US market

Clean products lost further ground in November

The middle distillate market failed to gain in the USA during last month as higher imports and boosted refinery operations in the US Gulf Coast caused distillate stocks to rise, and the middle of the barrel complex fell further compared to the beginning of last month. As Graph 8 represents, the gasoil crack spread in the US Gulf Coast against the WTI benchmark crude slid to $10.16/b in early December from $19.64/b in late October.

Graph 8: US Gulf crack spread vs. WTI



In November, the gasoline market was also very bearish. However, recently, due to the prolonged outage of fluid catalytic crackers (FCCs) in two Atlantic Coast refineries, declining imports, lower domestic

production at the expense of higher middle distillate production and recovering demand, gasoline prices surged and its crack spread versus WTI rose to $12.82/b on 8 December from $5.82/b in late November.

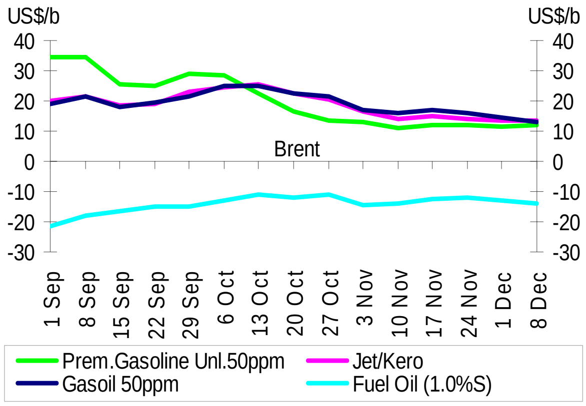
With regard to the other part of the barrel complex, particularly concerning the bottom of it, the US market faced more pressure, as ample supplies from Brazil and Venezuela and sluggish utility plant demand undermined low-sulphur fuel oil prices and its crack spread against WTI widened from minus $4.56/b in early November to minus $10.03/b on 8 December.

European market

Asian shipments and poor arbitrage weakened the market in Europe

A steady flow of import shipments from Asia and lack of arbitrage opportunity to the USA weighed on the European market. **These bearish factors have made the European product markets lose further ground against their corresponding Brent benchmark crude oil, and all product crack spreads fell significantly in November. Among the middle distillate pool, jet fuel price decreased the most on lacklustre regional demand, coupled with arbitrage cargoes from the Middle East and Baltic area.**

Graph 9: Rotterdam crack spreads vs. Brent



As Graph 9 shows, the jet/kerosene crack spread against Brent crude slid to $13.74/b on 8 December from $20.39/b in late October. The diesel oil market continued also to be dragged down by over-supply and prices plummeted further. Likewise, the gasoline and the naphtha markets were affected by slackening spot demand and lack of arbitrage opportunity to the USA. The gasoline crack spread against the Brent benchmark crude plunged to about $12/b in late November from $16.30/b in the previous month. The recent improvement in the US gasoline market may lend some support to the European gasoline market in the next few weeks.

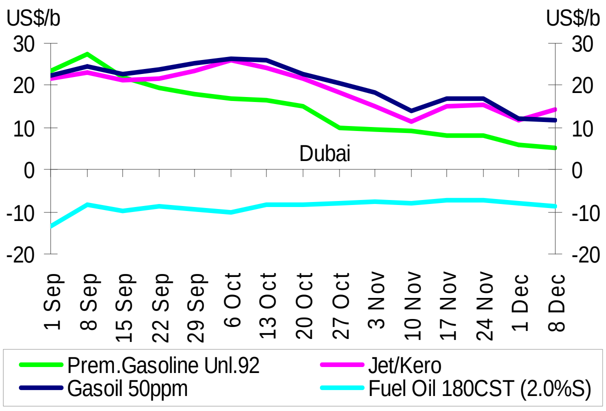
The European low-sulphur fuel oil market remained weak as local utility demand decreased after heavy rain falls and increased supply of hydroelectricity. High-sulphur fuel oil is still chronically oversupplied, and the lack of storage capacity in both Rotterdam and the Baltic ports put more pressure on it.

Asian market

Asian crude and product spreads narrowed further in November

Regional sluggish demand amid a lack of favourable arbitrage opportunity to the west dampened Asian product markets. As Graph 10 shows, the gasoline crack spread against the Dubai benchmark crude has slumped significantly over the last weeks and reached about $5/b on 8 December from nearly $23/b in early September. This situation may deteriorate further in the next months as a result of lower seasonal demand and higher supply by India, particularly from the Reliance refinery following the completion of their FCC unit maintenance schedule.

Graph 10: Singapore crack spreads vs. Dubai



Apart from gasoline, the spread of naphtha against the Dubai benchmark crude also narrowed, resulting from ample Indian supplies and the increasingly bearish outlook for the next months. This situation was compounded by the relatively heavy maintenance of Asian ethylene crackers. Similarly, the performance of the Asian middle distillate market in November was poor, causing some Japanese and Korean refiners to cut throughputs, which is quite unusual during winter time. However, a recent cold snap in North Asia gave some support to the middle of the barrel complex, and the jet/kerosene crack spread recovered part of its earlier losses (*see* ***Graph 10***). Looking ahead, demand for middle distillates is expected to surge in the months to come as seasonal heating oil demand will rise further.

With regard to the bottom of the barrel complex, the Asian market was relatively strong in November, and the crack spread of high-sulphur fuel oil against the Dubai crude remained around minus $7/b. But sluggish Japanese demand and steep freight costs from Indonesia led to a plunge in low-sulphur waxy residue prices.

Table 2: Refined product prices, US$/b

		Sep 05	Oct 05	Nov 05	Change Nov/Oct
US Gulf (Cargoes):					
Naphtha		85.48	67.53	59.84	-7.69
Premium gasoline	*(unleaded 93)*	107.88	83.30	64.38	-18.92
Regular gasoline	*(unleaded 87)*	98.68	76.01	61.02	-14.99
Jet/Kerosene		94.17	100.45	71.23	-29.22
Gasoil	*(0.05% S)*	91.41	95.20	71.14	-24.06
Fuel oil	*(1.0% S)*	57.04	55.02	52.99	-2.03
Fuel oil	*(3.0% S)*	43.86	42.64	38.42	-4.22
Rotterdam (Barges FoB):					
Naphtha		74.77	71.56	62.65	-8.91
Premium gasoline	*(unleaded 50 ppm)*	92.35	77.64	67.03	-10.61
Premium gasoline	*(unleaded 95)*	82.82	69.44	60.02	-9.42
Jet/Kerosene		83.78	81.27	69.50	-11.77
Gasoil/Diesel	*(50 ppm)*	83.28	81.54	71.05	-10.49
Fuel oil	*(1.0% S)*	46.70	46.94	42.01	-4.93
Fuel oil	*(3.5% S)*	41.86	39.98	37.50	-2.48
Mediterranean (Cargoes):					
Naphtha		62.01	58.43	51.20	-7.23
Premium gasoline	*(50 ppm)*	88.35	75.86	64.69	-11.17
Jet/Kerosene		81.90	78.81	67.90	-10.91
Gasoil/Diesel	*(50 ppm)*	84.73	81.66	69.80	-11.86
Fuel oil	*(1.0% S)*	48.43	45.39	41.91	-3.48
Fuel oil	*(3.5% S)*	41.43	39.15	35.57	-3.58
Singapore (Cargoes):					
Naphtha		61.73	57.80	53.19	-4.61
Premium gasoline	*(unleaded 95)*	79.40	69.10	60.87	-8.23
Regular gasoline	*(unleaded 92)*	78.39	67.91	59.48	-8.43
Jet/Kerosene		79.16	75.71	64.78	-10.93
Gasoil/Diesel	*(50 ppm)*	80.77	77.28	66.50	-10.78
Fuel oil	*(180 cst 2.0% S)*	47.35	45.42	43.80	-1.62
Fuel oil	*(380 cst 3.5% S)*	46.68	45.78	42.91	-2.87

Table 3: Refinery operations in selected OECD countries

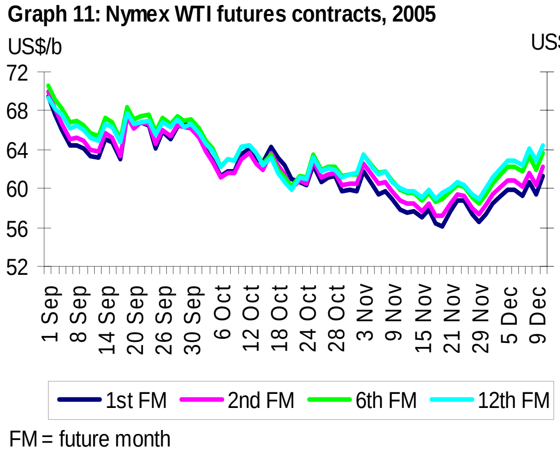
	Refinery throughput *mb/d*				Refinery utilization *%*			
	Sep 05	Oct 05	Nov 05	Nov/Oct	Sep 05	Oct 05	Nov 05	Nov/Oct
USA	13.78	13.23	14.70	1.47	82.1	78.9	87.6	8.70
France	1.75 R	1.67	1.83	0.16	89.9 R	85.7	93.5	7.80
Germany	2.44 R	2.31	2.39	0.08	105.2 R	99.3	102.7	3.40
Italy	2.02 R	1.94 R	1.95	0.01	87.1 R	83.7 R	83.9	0.20
UK	1.71 R	1.65	1.61	-0.04	93.8 R	90.3	88.0	-2.30
Eur-16	12.72 R	12.46 R	12.72	0.26	91.6 R	89.8 R	91.7	1.90
Japan	4.18 R	4.15 R	4.21	0.06	88.8 R	88.2 R	89.4	1.20

R *Revised since last issue.*

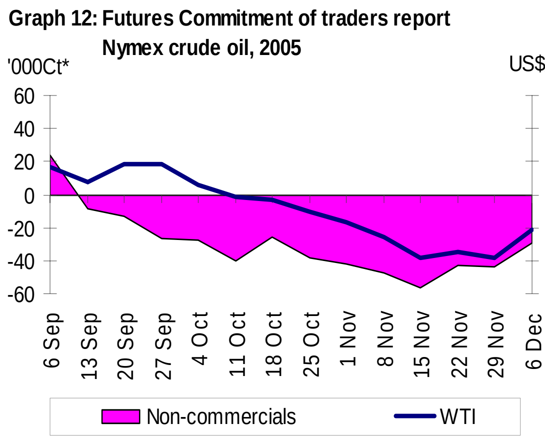
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Non-commercials increased net short positions on plentiful supply amid OPEC signals that output would remain unchanged



The downward price trend continued in November from October for the futures market. The prospect of adequate supply and comfortable stock levels amid the forecast for mild temperature weakened demand for heating fuels and pushed WTI prices on the Nymex to $59.85/b for a loss of $2.59 or over 4% in the final week of October. As a result, non-commercials continued to increase short positions, widening the spread of net shorts by another 4,000 to 42,000 contracts. Nevertheless, open interest saw a build of 4,400 lots to close at 822,000 contracts. In the second week, the Nymex WTI prompt-month futures contract edged 14¢ lower to $59.71/b on continued bearish US inventory data amid the recovery of oil operations in the Gulf of Mexico. The market bearishness was also supported by the hefty build in the natural gas underground storages. A downward revision to IEA global demand forecast added to the weaker sentiment. Non-commercials continued to increase net short positions by another 6,000 contracts to 48,000, while open interest rose by a moderate 9,000 to 831,000 lots. In the third week, the Nymex WTI prompt-month slipped $2.73 or nearly 5% to $56.98/b, the lowest level in four months. A further build in natural gas stocks amid a comfortable crude oil stock level tempted fund sell-offs for profit-taking. Non-commercial short contracts were the highest within the last three years, contributing to a further 8,300 gain in net shorts to 56,000 lots, the widest level since 1 April 2003. Yet, open interest saw a healthy build of 14,000 lots to 845,000 contracts.



The arrival of cold weather in the US northeast, which was perceived to increase demand, pushed the new front-month contract higher in the first few days of trade. The Nymex contact closed the fourth week at $58.84/b with net short positions narrowing a considerable 13,000 lots to 43,000. Moreover, open interest was reduced by 39,500 contracts to 805,500. In the final week, the forecast for warmer weather in the US northeast region amid a comfortable level of winter fuels stocks with OPEC signaling that it would not cut output at its Kuwait Meeting of the Conference pushed the WTI contract $2.34 or 4% lower to close at $56.50/b. Nevertheless, net short positions increased a slight 700 lots to 43,700, while open interest reversed the previous week's movement to gain 31,400 lots to nearly 837,000. When comparing the same period on a monthly basis, open interest's monthly average stood at 828,000 or 21,000 lower than in October but a gain of 124,000 contracts over the same period last year. The front-month average for Nymex WTI in November was $58.34/b, down $3.93 or more than 6% from October.

The forward structure flipped into contango for the $1^{st}/2^{nd}$ month on healthy stock levels amid recovering US production and higher imports

In November, the contango in the forward structure returned for the $1^{st}/2^{nd}$ month spread to average 80¢/b, compared to the 19¢ backwardation seen in October. The contango also steepened for the $1^{st}/6^{th}$, $1^{st}/12^{th}$, and $1^{st}/18^{th}$ month spreads to \$1.92, \$2.12, and \$1.64/b respectively. Crude oil stocks averaged 321 mb in November, representing a 7.5 mb rise over October amid a recovery in US Gulf oil production as a nearly 0.6 mb/d gain in imports. This can be compared with the same period last year when the contango emerged for the $1^{st}/2^{nd}$ month spread to average 11¢/b with the $1^{st}/6^{th}$, $1^{st}/12^{th}$, and $1^{st}/18^{th}$ month spreads still in steep backwardation at \$1.09, \$3.54 and 5.23/b respectively. It worth noting that the weekly average of US crude oil stocks in November last year was 292.4 mb.

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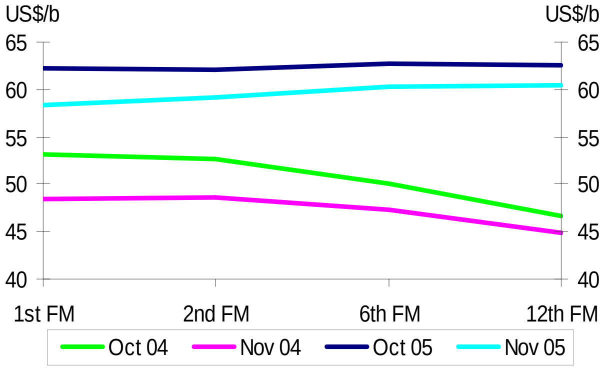
Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures declined ahead of expected slower year-end activity

OPEC spot fixtures moved down 0.82 mb/d to average 13.68 mb/d in November. The drop in spot fixtures resulted from the slow-down in activity usually observed at the end of the year due to the holidays. Compared to last year, spot fixtures were 2.75 mb/d lower than the all-time high level of November 2004. Consequently, OPEC's share of total spot fixtures fell further to hit 61%, the lowest level in the last seven months. Almost 90% of the drop in OPEC spot fixtures is attributed to Middle Eastern countries, which saw their fixtures moving down from 8.0 mb/d to almost 7.3 mb/d with eastbound long-haul fixtures falling by 0.55 mb/d and westbound by 0.18 mb/d. With this significant decline, the Middle East/east and westbound share in OPEC fixtures lost 2 percentage points compared to the previous month and the corresponding month of last year to stand at 53%. In contrast, non-OPEC spot fixtures continued their upward trend, rising 0.4 mb/d to reach 8.9 mb/d, the highest level since late 2003, which corresponds to a share of more than 39% in total spot chartering, the highest level so far this year. Due to the weight of OPEC's share, **global spot fixtures declined by 0.43 mb/d to stand at a monthly average of almost 22.6 mb/d, but remained higher than the September 2005 level.**

Preliminary data shows that sailings from OPEC countries fell by more than 1.6 mb/d to 23.4 mb/d, which was still nearly 0.5 mb/d higher than a year earlier. Sailings from Middle Eastern countries dropped by 0.35 mb/d, whereas countries outside the Middle East saw their sailings fall by almost 1.3 mb/d. However, arrivals at the main consuming regions increased, except for the Euro Mediterranean region. **Arrivals at the US Gulf and East Coasts and the Caribbean showed a significant growth for the second consecutive month to hit a record of 11.5 mb/d,** an increase of 0.9 mb/d from the previous month, driven by the return of refineries hit by hurricanes in the US Gulf Coast. Arrivals in North-West Europe reversed the drop of the previous month to move up 0.23 mb/d to average 8.4 mb/d, while **arrivals in Japan displayed a substantial growth of nearly 0.5 mb/d, the highest level since mid-2004, to hit 4.5 mb/d.** In contrast, arrivals at Euromed dropped by more than 0.3 mb/d to less than 4.8 mb/d. Compared to the same month last year, arrivals were higher in all regions, particularly in the USA and Caribbean which saw gains of 1.4 mb/d and in North West Europe which rose 1 mb/d.

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

	Sep 05	Oct 05	Nov 05	Change Nov/Oct
Spot Chartering				
All areas	22.06	23.00	22.57	-0.43
OPEC	14.47	14.50	13.68	-0.82
Middle East/east	5.77	5.88	5.32	-0.55
Middle East/west	2.16	2.14	1.96	-0.18
Sailings				
OPEC	24.19	25.02	23.38	-1.64
Middle East	18.29	18.41	18.05	-0.35
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.74	10.56	11.48	0.91
North West Europe	8.45	8.16	8.39	0.23
Euromed	4.49	5.09	4.76	-0.33
Japan	4.26	4.03	4.52	0.48

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

In all regions except the Caribbean, freight rates for crude oil reached their highest level so far in 2005

In November, crude oil spot freight rates continued to increase for all vessel categories on all routes to reach their highest level so far this year, with the exception of the Caribbean. The sharp increase in rates was driven by healthy activity, which was spurred by tightness in tanker supply as US Gulf Coast refineries returned steadily from shut-downs following hurricanes Katrina and Rita as well as by revived trade to Asia ahead of the winter peak demand. **Ship-owners of VLCCs enjoyed significant earnings during the month, with freight rates for shipping crude oil from the Middle East eastbound surging by 80 points or 75%** to average WS187 on the back of increasing activity from Chinese buyers ahead of the winter peak, resulting in a lack of sufficient double-hull vessels. At the same time, growing activity between the Middle East and the US Gulf Coast by refiners to meet winter demand pushed freight rates on the

Middle East/westbound route to a monthly average of WS142 for a gain of 43 points over the previous month. In the Suezmax sector, freight rates continued to improve, although at a lower pace compared to the VLCC sector. However, rates for tankers moving from West Africa to US Gulf Coast as well as for those trading on the transatlantic route displayed moderate growth of 26 points and 14 points respectively to settle at monthly averages of WS224 and WS207, due to **continuously rising demand from US refiners for light sweet crudes from West Africa to compensate for the remaining shut-in production in the US Gulf Coast.** According to secondary sources the number of West Africa spot fixtures moved up from 61 in October to 69 in November. Consequently, owners of Suezmax tankers trading between West Africa and the US Gulf Coast secured, on average, a daily time charter of more than $87,000 in November compared to $61,000 in the previous month.

Following the same trend, the Aframax sector displayed robust increases, except in the Caribbean. Freight rates for ships trading between Indonesia and the US West Coast continued to increase for the fifth consecutive month, jumping by 105 points or 47% to stand at WS326. However, in addition to higher activity and because of increasing transit time delays in the Turkish Straits, which went from 5 days in October to 14 days throughout November, freight rates in the Mediterranean basin increased by 64 points or 28% to average WS297, while from the Mediterranean to North-West Europe they rose 38 points to settle at WS292. **In terms of time charter equivalent, tankers making business across the Mediterranean enjoyed more than $110,000/day compared to $20,000/day in the beginning of September.** In contrast, the Caribbean saw freight rates decline by 77 points or 20% to WS314. This drop is to some extent considered a correction for the extremely high increase of 173 points experienced in the previous month. **Compared to last year, spot freight rates for all routes were lower than the record-high levels seen in November 2004, but remained higher than historical averages.**

Table 5: Spot tanker freight rates, Worldscale

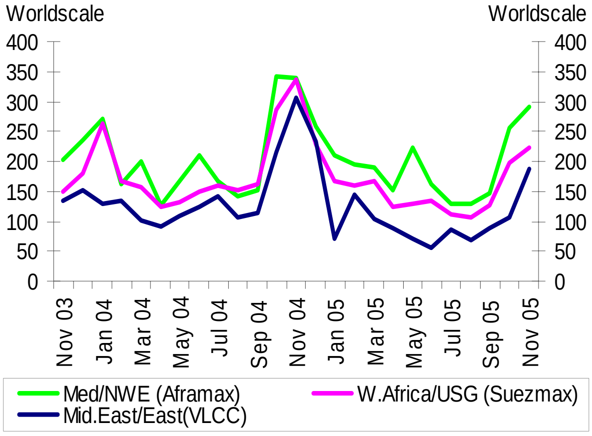
	Size *1,000 DWT*	Sep 05	Oct 05	Nov 05	Change Nov/Oct
Crude					
Middle East/east	200–300	89	107	187	80
Middle East/west	200–300	83	99	142	43
West Africa/US Gulf Coast	100–160	126	198	224	26
NW Europe/USEC - USGC	100–160	123	193	207	14
Indonesia/US West Coast	70–100	159	221	326	105
Caribbean/US East Coast	40–70	218	391	314	-77
Mediterranean/Mediterranean	40–70	185	233	297	64
Mediterranean/North-West Europe	70–100	146	255	292	37
Products					
Middle East/east	30–50	310	490	391	-99
Singapore/east	25–30	440	559	449	-110
Caribbean/US Gulf Coast	25–30	366	403	331	-72
NW Europe/USEC - USGC	25–30	398	428	306	-122
Mediterranean/Mediterranean	25–30	259	377	337	-40
Mediterranean/North-West Europe	25–30	256	385	347	-38

Source: Galbraith’s Tanker Market Report and others.

Product freight rates moved down due to limited demand and lack of arbitrage opportunities

After reaching exceptionally high levels in October following hurricanes, spot **freight rates for products showed some weakness in November**, especially at the end of the month. The ease in rates is **attributed essentially to a slow-down in imports from the USA** due to a decline in product prices in the US market and the recovery of refineries from hurricane damage. Freight rates in the east declined by around 20% compared to the previous month with shipments of 30,000-50,000 dwt on the Middle East/east route lower by almost 100 points to average WS391, while rates on the Singapore/East route dropped by 110 points to settle at WS449 on the back of high stock levels and reduced demand.

Graph 14: Monthly averages of crude oil spot freight rates



Despite this significant drop, freight rates on these two routes remained higher than the averages of the corresponding month of last year. However, the decline was more pronounced for cargoes moving from North-West Europe to the US East and Gulf Coast, which fell by 122 points or nearly 30% in one month to WS306. The huge decline in freight rates on this route is due to the limited transatlantic arbitrage after the tightness in product supplies eased as US refinery output has increased and the US East Coast enjoyed unseasonably warm weather. It is estimated that in November refinery throughputs reached more than 15 mb/d, the highest level before Hurricane Rita hit the US Gulf Coast in late September. Compared to the previous month, this corresponds to an increase of more than 1 mb/d. Similarly, due to limited activity, freight rates for cargoes moving between the Caribbean and US Gulf Coast lost 72 points to stand at a monthly average of WS331, while rates within the Mediterranean basin and from there to NW Europe lost about 40 points or 10% each to average WS337 and WS347 respectively. **Except for ships trading in the east, freight rates were lower than the November 2004 levels.**

World Oil Demand

World oil demand in 2005 forecast to grow by 1.22 mb/d or 1.5% to average 83.3 mb/d

Forecast for 2005

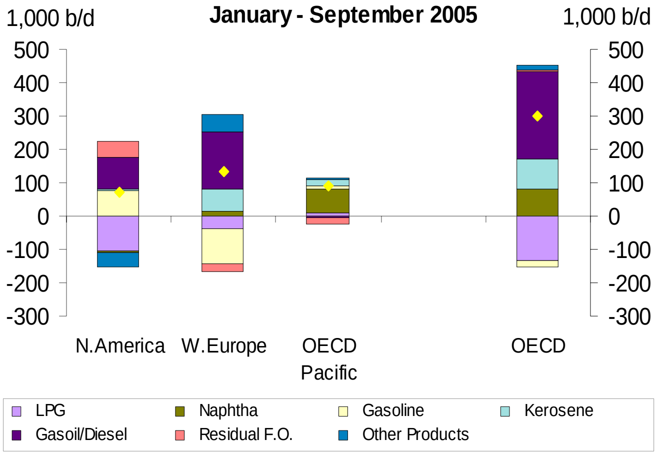
With preliminary data at hand for the first three quarters of 2005 and a healthier outlook for the world as well as regional economies for the reminder of 2005 and 2006, world oil demand is projected to rise by 1.2 mb/d or 1.5% to a yearly average of 83.3 mb/d. It is not surprising that oil demand growth is coming from countries with high rates of economic growth — Developing Countries — and oil producing states which have benefited from international oil prices. Incoming data from Developing Countries seems to corroborate earlier demand growth figures. According to latest information, first-quarter oil demand growth was around 0.9 mb/d with the second quarter rise hovering around 0.7 mb/d. Preliminary figures suggest another 0.6 mb/d gain in demand for the third quarter and, based on GDP data for the last quarter of this year, Developing Countries demand is projected to grow by 0.65 mb/d during the last three months of 2005. All this means that combined oil demand in Developing Countries will average around 0.7 mb/d which represents approximately three fifths of the total expected growth in oil demand for the current year.

OECD countries oil demand is projected to rise by 0.33 mb/d or 0.7% to average 49.8 mb/d. The promising growth seen in the first two quarters of 0.4 mb/d and 0.6 mb/d fell back in the third quarter when y-o-y growth was merely 0.1 mb/d. The low figure can be attributed partly to a contraction in third-quarter oil consumption in OECD Pacific countries but primarily to a disappointing 0.1 mb/d rise in North American demand with most of the growth coming from Mexico and Canada. As expected, the hurricane disruptions affected petroleum product consumption during September and October. Secondary and tertiary inventories, wholesale and consumers stocks, were probably drawn down to make up for disruptions to the US supply chain. Replenishing these stocks will likely show up in additional demand in the months to come. Thus, we project that demand will rise by 0.3 mb/d in North America for the last quarter of the year with the lion's share coming from the USA. Western Europe's oil demand is projected to finish the year with a slight decline following an increase in the second and third quarter of 2005. Healthy and surprising growth in the OECD Pacific for the first two quarters came to a halt during the third quarter when preliminary figures indicated a 0.7% y-o-y contraction. As for the year and based on a more positive economic outlook, the forecast indicates a growth of approximately 0.1 mb/d or 1.2% to average 8.6 mb/d. In China, following an unexpected contraction in apparent demand growth in the second quarter of 2005, preliminary trade and production data indicates a recovery in apparent demand in August of 0.06 mb/d followed by a 0.34 mb/d rise in September. Based on a positive economic outlook for 2005 — now revised up to 9.2% —the need to replenish drawn down product stocks, the suspension of export rebates on petroleum products (gasoline and naphtha), the need to comply with import quotas and the usual spur in buying ahead of the Chinese holidays, apparent oil demand in China is projected to grow by 0.34 mb/d or 5.1% during the fourth quarter resulting in a yearly rise of 0.13 mb/d or 2%.

OECD

Oil demand in OECD countries is projected to rise by 0.33 mb/d or 0.7% to a yearly average of 49.82 mb/d. North America will contribute three quarters of total growth; nevertheless it is important to highlight that the 1.2% y-o-y rise seen in the first two quarters of the year decelerated considerably in the third quarter to just 0.4%. Moreover, for the third quarter all the growth originated in Mexico and Canada, with the USA showing a marginal 0.2% contraction. According to the latest EIA monthly data, petroleum product supply for the period January-October 2005 fell by 0.3% compared with the first ten months of 2004. A breakdown into major product categories shows gasoline supply up by 0.2% in the first ten months of 2005, with distillates and fuel oil rising by 1.2% and 4.4%

Graph 15: OECD - Growth of total requirements by component



respectively. Thus, the contraction can be traced back to other product categories as well as jet fuel. It is important to note the weakening relation observed this year between GDP growth and oil demand in the USA. This year solid economic growth for the first three quarters of the year does not correlate to the actual contraction in demand seen in the first ten months. This divergent trend can in part be attributed to the sizable drop in demand during September and October as a result of the hurricanes; however, record pump prices, especially in the third quarter, may also have played a role.

According to the latest information, OECD oil demand rose by 0.3 mb/d or 0.6% for the first three quarters to a total of 49.39 mb/d. The breakdown of total OECD oil requirements by products for this period shows that inland deliveries of gasoil/diesel experienced the bulk of this growth, increasing by 0.26 mb/d or 2.1% followed by kerosene and naphtha, which rose 0.09 mb/d and 0.08 mb/d respectively. LPG consumption continued to decline, dropping by almost 0.13 mb/d or 2.7 % for the first nine months of this year due to high natural gas prices.

Table 6: World oil demand forecast for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.34	25.53	25.30	25.46	25.97	25.57	0.23	0.89
Western Europe	15.62	15.56	15.30	15.74	15.93	15.63	0.01	0.09
OECD Pacific	8.53	9.49	8.10	8.10	8.81	8.62	0.09	1.10
Total OECD	**49.49**	**50.57**	**48.70**	**49.30**	**50.71**	**49.82**	**0.33**	**0.68**
Other Asia	8.36	8.59	8.71	8.34	8.89	8.63	0.27	3.26
Latin America	4.90	4.83	5.00	5.10	5.04	4.99	0.09	1.93
Middle East	5.44	5.61	5.68	5.93	5.65	5.72	0.28	5.17
Africa	2.70	2.75	2.80	2.77	2.79	2.78	0.08	2.93
Total DCs	**21.39**	**21.77**	**22.18**	**22.14**	**22.37**	**22.12**	**0.73**	**3.40**
FSU	3.85	3.91	3.74	3.80	3.96	3.85	0.00	0.12
Other Europe	0.86	0.93	0.88	0.87	0.85	0.88	0.03	3.35
China	6.52	6.51	6.58	6.45	7.05	6.65	0.13	2.00
Total "Other Regions"	**11.22**	**11.35**	**11.19**	**11.11**	**11.87**	**11.38**	**0.16**	**1.46**
Total world	**82.09**	**83.69**	**82.08**	**82.55**	**84.95**	**83.32**	**1.22**	**1.49**
Previous estimate	82.09	83.65	82.09	82.42	84.93	83.27	1.18	1.44
Revision	0.00	0.04	-0.01	0.13	0.02	0.04	0.04	0.05

Totals may not add due to independent rounding.

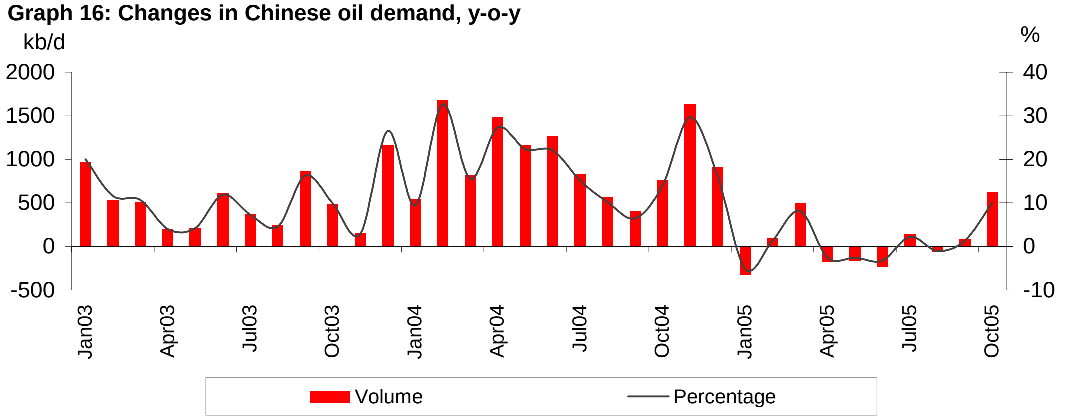
Developing Countries

Developing countries oil demand is projected to rise by 0.7 mb/d or 3.2% to average 22.1 mb/d representing approximately three fifths of total world demand growth. The lion’s share of demand growth in this group will originate in non-OECD Asia and the Middle Eastern countries where consumption is projected to rise by 0.27 mb/d and 0.28 mb/d, respectively. In South-East Asia, reductions in subsidies have slashed consumption in several countries, e.g. Indonesia where gasoline and kerosene prices more than doubled recently. The extent to which the higher domestic product prices have impacted consumption is still uncertain. Indonesia’s oil demand contracted abruptly in October by as much as 40% after the government sharply raised domestic fuel prices during the month. However, local officials indicated that demand rebounded in November and early December, recovering much of the initial loss. According to the latest figures for the second week of November, product consumption stood at around 1.1 mb/d recovering from levels as low as 0.8 mb/d when prices were first increased. Pertamina officials expect product consumption to reach its normal level of 1.1-1.2 mb/d in the months to come. Demand in Thailand, where the removal of subsidies in July resulted in a rise of almost a third of domestic product prices, is up by more than 3.5% for the first ten months of the year. Malaysia also steadily phased out subsidies on domestic product prices; however, demand is estimated to rise by around 3% for the year. Oil demand in Latin America and Africa is projected to increase by around 0.08 mb/d each.

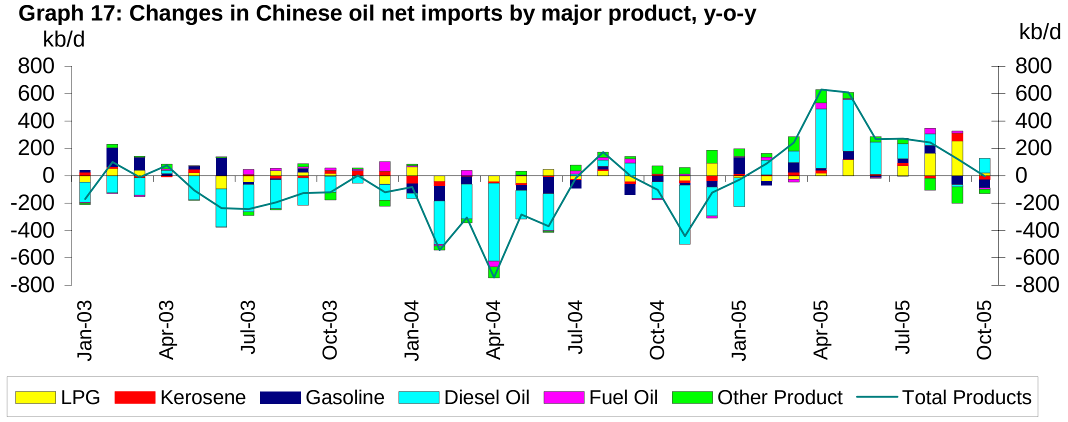
Other Regions

Other regions total oil demand growth is projected at 0.16 mb/d or 1.5% to average 11.4 mb/d for the year. Despite the disappointing expected growth in Chinese apparent demand for this year, it accounts for more than three fourths of the total growth in this group. China's apparent demand derived from trade and production figures is projected to rise by 0.13 mb/d or 2% in sharp contrast to the astonishing near 1 mb/d registered last year. Following a modest start this year, Chinese demand rose by 4.6% during the first quarter but then registered a sudden 2.8% drop in the second quarter. Preliminary data and estimates for the third quarter indicate a minor 1.3% y-o-y rise for the third quarter. From the latest figures, apparent product demand in China for the first nine months of the year shows a 0.07 mb/d or 1.1% rise with respect to the same period last year. The good news is that, according to the August and September data, apparent demand seems to have started to recover. Although at 0.06 mb/d the rise during August was modest, in September the recovery appears to be robust with demand rising by 0.34 mb/d y-o-y. As mentioned earlier, apparent oil demand in China is projected to grow by 0.34 mb/d or 5.1% during the fourth quarter which results in a y-o-y rise of 0.13 mb/d or 2%. FSU's apparent demand is projected to remain flat from last year following declines in the second and third quarters of the year. In contrast, the oil demand estimate for Other Europe (a group consisting of several central European states) has been revised slightly up as data from the first two quarters of the year indicates that demand rose more than previously estimated.

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



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



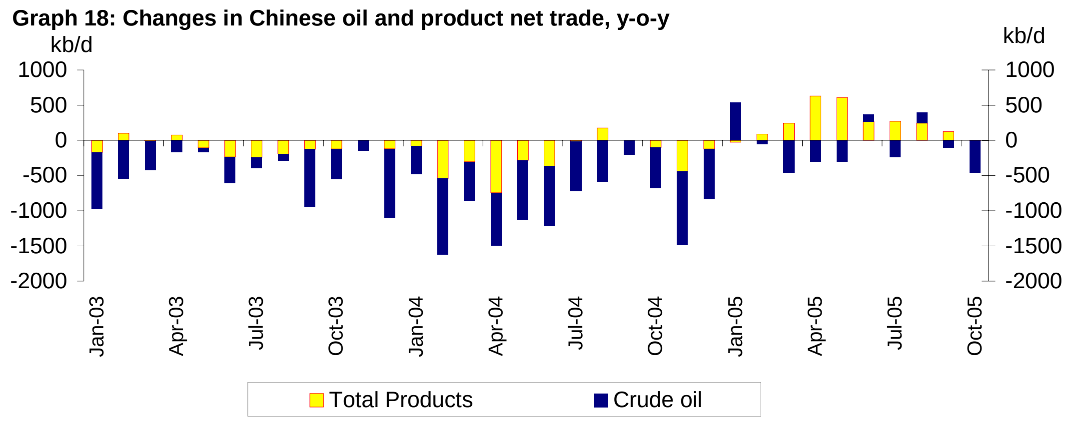


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.23	25.53	0.31	1.21	25.03	25.30	0.27	1.09
Western Europe	15.66	15.56	-0.11	-0.70	15.20	15.30	0.10	0.66
OECD Pacific	9.28	9.49	0.20	2.19	7.90	8.10	0.20	2.51
Total OECD	**50.17**	**50.57**	**0.40**	**0.80**	**48.13**	**48.70**	**0.57**	**1.19**
Other Asia	8.17	8.59	0.41	5.04	8.48	8.71	0.22	2.64
Latin America	4.69	4.83	0.14	2.99	4.92	5.00	0.08	1.67
Middle East	5.32	5.61	0.29	5.35	5.39	5.68	0.29	5.33
Africa	2.66	2.75	0.09	3.52	2.69	2.80	0.11	4.21
Total DCs	**20.84**	**21.77**	**0.93**	**4.47**	**21.48**	**22.18**	**0.71**	**3.29**
FSU	3.61	3.91	0.29	8.12	3.76	3.74	-0.02	-0.57
Other Europe	0.91	0.93	0.03	3.14	0.86	0.88	0.02	2.58
China	6.23	6.51	0.28	4.58	6.77	6.58	-0.19	-2.80
Total "Other Regions"	**10.75**	**11.35**	**0.61**	**5.65**	**11.38**	**11.19**	**-0.19**	**-1.66**
Total world	**81.76**	**83.69**	**1.94**	**2.37**	**80.99**	**82.08**	**1.09**	**1.35**

Totals may not add due to independent rounding.

Table 8: Third and fourth quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.41	25.46	0.05	0.19	25.69	25.97	0.28	1.09
Western Europe	15.60	15.74	0.14	0.92	16.01	15.93	-0.08	-0.50
OECD Pacific	8.16	8.10	-0.06	-0.71	8.77	8.81	0.04	0.41
Total OECD	**49.17**	**49.30**	**0.13**	**0.27**	**50.47**	**50.71**	**0.24**	**0.47**
Other Asia	8.23	8.34	0.11	1.34	8.55	8.89	0.35	4.04
Latin America	5.02	5.10	0.07	1.46	4.95	5.04	0.08	1.69
Middle East	5.58	5.93	0.36	6.40	5.45	5.65	0.20	3.59
Africa	2.69	2.77	0.08	3.06	2.76	2.79	0.03	1.01
Total DCs	**21.52**	**22.14**	**0.62**	**2.89**	**21.71**	**22.37**	**0.65**	**3.01**
FSU	3.94	3.80	-0.14	-3.66	4.07	3.96	-0.10	-2.56
Other Europe	0.82	0.87	0.06	6.74	0.84	0.85	0.01	1.05
China	6.36	6.45	0.08	1.29	6.71	7.05	0.34	5.11
Total "Other Regions"	**11.12**	**11.11**	**-0.01**	**-0.06**	**11.62**	**11.87**	**0.25**	**2.13**
Total world	**81.80**	**82.55**	**0.75**	**0.92**	**83.81**	**84.95**	**1.14**	**1.36**

Totals may not add due to independent rounding.

World oil demand estimated to average 84.9 mb/d in 2006, rising by 1.6 mb/d or 1.9% over 2005

Forecast for 2006

Average world oil demand is now projected to grow by 1.6 mb/d or 1.9% to average 84.9 mb/d for 2006, slightly higher than the estimate presented in last month's *MOMR*. The upward revision is due to a more optimistic view of the world economy for the coming year. The World's GDP growth is now projected to rise by 4.2% next year with OECD and some developing economies in Asia and Latin America showing better than previously projected rates of economic expansion. Oil consumption is expected to rise in all major regions with the sole exception of Other Europe (Central European states) where demand will remain almost flat. North America, especially the USA, will contribute the bulk of demand growth within the OECD countries but some growth is expected in Western Europe and OECD Pacific. As has been the case in the last ten years, oil demand growth from developing economies of 0.7 mb/d is projected to contribute with a significant portion to total growth. China will make up more than one fifth of total world oil demand growth in 2006. Demand is projected to rise in each single quarter on a y-o-y basis. Thus, absolute demand of 83.57 mb/d in the second quarter of 2006 will drop by 1.9 mb/d with respect to the first three months of 2006 (85.42 mb/b). Total world oil demand will then recover by 0.6 mb/d to average 84.16 mb/d in the third quarter and further by 2.4 mb/d to average 86.5 mb/d the fourth quarter. This preliminary assessment is subject to further adjustments as new information becomes available on key factors such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events, and variations in crude and product prices.

Table 9: World oil demand forecast for 2006, mb/d

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.57	25.94	25.66	25.78	26.27	25.91	0.34	1.34
Western Europe	15.63	15.64	15.35	15.85	15.93	15.70	0.06	0.40
OECD Pacific	8.62	9.38	8.17	8.14	8.96	8.66	0.04	0.43
Total OECD	**49.82**	**50.97**	**49.19**	**49.76**	**51.16**	**50.26**	**0.44**	**0.89**
Other Asia	8.63	8.91	8.96	8.76	9.23	8.97	0.33	3.88
Latin America	4.99	4.98	5.11	5.19	5.08	5.09	0.10	1.99
Middle East	5.72	5.80	5.88	6.17	5.90	5.94	0.22	3.86
Africa	2.78	2.83	2.86	2.84	2.88	2.85	0.08	2.71
Total DCs	**22.12**	**22.52**	**22.81**	**22.96**	**23.08**	**22.85**	**0.73**	**3.30**
FSU	3.85	4.04	3.69	3.84	4.10	3.92	0.07	1.72
Other Europe	0.88	0.92	0.92	0.85	0.84	0.88	0.00	-0.03
China	6.65	6.98	6.96	6.75	7.33	7.00	0.35	5.33
Total "Other Regions"	**11.38**	**11.93**	**11.57**	**11.43**	**12.27**	**11.80**	**0.42**	**3.69**
Total world	**83.32**	**85.42**	**83.57**	**84.16**	**86.51**	**84.91**	**1.59**	**1.91**
Previous estimate	83.27	85.31	83.51	83.88	86.48	84.80	1.52	1.83
Revision	0.04	0.11	0.06	0.27	0.03	0.11	0.07	0.08

Totals may not add due to independent rounding.

Table 10: 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	25.53	25.94	0.41	1.62	25.30	25.66	0.36	1.43
Western Europe	15.56	15.64	0.09	0.56	15.30	15.35	0.06	0.36
OECD Pacific	9.49	9.38	-0.11	-1.12	8.10	8.17	0.07	0.85
Total OECD	**50.57**	**50.97**	**0.39**	**0.78**	**48.70**	**49.19**	**0.49**	**1.00**
Other Asia	8.59	8.91	0.33	3.82	8.71	8.96	0.25	2.89
Latin America	4.83	4.98	0.15	3.11	5.00	5.11	0.11	2.17
Middle East	5.61	5.80	0.19	3.44	5.68	5.88	0.21	3.64
Africa	2.75	2.83	0.08	2.95	2.80	2.86	0.06	2.18
Total DCs	**21.77**	**22.52**	**0.75**	**3.46**	**22.18**	**22.81**	**0.63**	**2.83**
FSU	3.91	4.04	0.13	3.33	3.74	3.69	-0.05	-1.31
Other Europe	0.93	0.92	-0.01	-1.30	0.88	0.92	0.05	5.22
China	6.51	6.98	0.46	7.10	6.58	6.96	0.38	5.78
Total "Other Regions"	**11.35**	**11.93**	**0.58**	**5.12**	**11.19**	**11.57**	**0.38**	**3.37**
Total world	**83.69**	**85.42**	**1.73**	**2.06**	**82.08**	**83.57**	**1.49**	**1.82**

Totals may not add due to independent rounding.

Table 11: 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	25.46	25.78	0.32	1.25	25.97	26.27	0.30	1.16
Western Europe	15.74	15.85	0.11	0.71	15.93	15.93	0.00	-0.03
OECD Pacific	8.10	8.14	0.03	0.42	8.81	8.96	0.15	1.68
Total OECD	**49.30**	**49.76**	**0.46**	**0.94**	**50.71**	**51.16**	**0.44**	**0.88**
Other Asia	8.34	8.76	0.42	5.10	8.89	9.23	0.33	3.74
Latin America	5.10	5.19	0.10	1.89	5.04	5.08	0.04	0.87
Middle East	5.93	6.17	0.23	3.95	5.65	5.90	0.25	4.37
Africa	2.77	2.84	0.07	2.36	2.79	2.88	0.09	3.35
Total DCs	**22.14**	**22.96**	**0.82**	**3.71**	**22.37**	**23.08**	**0.72**	**3.20**
FSU	3.80	3.84	0.04	1.12	3.96	4.10	0.14	3.54
Other Europe	0.87	0.85	-0.02	-2.71	0.85	0.84	-0.01	-1.27
China	6.45	6.75	0.30	4.67	7.05	7.33	0.28	3.90
Total "Other Regions"	**11.11**	**11.43**	**0.32**	**2.88**	**11.87**	**12.27**	**0.40**	**3.41**
Total world	**82.55**	**84.16**	**1.60**	**1.94**	**84.95**	**86.51**	**1.57**	**1.84**

Totals may not add due to independent rounding.

World Oil Supply

The forecast for Non-OPEC supply growth remained unchanged at 0.37 mb/d

Non-OPEC

Forecast for 2005

Non-OPEC supply in 2005 is expected to average 50.2 mb/d, representing an increase of 0.37 mb/d over the previous year and a downward revision of around 1 mb/d since it was first made in July 2004. Non-OPEC supply including OPEC NGLs and non-conventional oils is expected to average 54.5 mb/d, an increase of 0.5 mb/d. No material revisions have been implemented in this month's report.

Table 12: Non-OPEC oil supply in 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.56	14.48	14.63	13.84	13.69	14.15	-0.40
Western Europe	6.14	5.98	5.70	5.58	5.73	5.75	-0.39
OECD Pacific	0.57	0.54	0.62	0.58	0.59	0.58	0.01
Total OECD	**21.27**	**21.00**	**20.95**	**19.99**	**20.00**	**20.48**	**-0.79**
Other Asia	2.59	2.71	2.69	2.65	2.78	2.71	0.12
Latin America	4.06	4.16	4.35	4.31	4.31	4.28	0.22
Middle East	1.89	1.82	1.81	1.78	1.76	1.79	-0.10
Africa	3.42	3.59	3.63	3.78	3.94	3.73	0.31
Total DCs	**11.96**	**12.27**	**12.48**	**12.53**	**12.79**	**12.52**	**0.56**
FSU	11.15	11.39	11.47	11.61	11.78	11.56	0.41
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.61	3.66	3.64	3.63	0.15
Total "Other regions"	**14.79**	**15.18**	**15.24**	**15.42**	**15.58**	**15.36**	**0.56**
Total Non-OPEC production	**48.02**	**48.45**	**48.67**	**47.95**	**48.36**	**48.36**	**0.33**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total Non-OPEC supply	**49.85**	**50.33**	**50.52**	**49.79**	**50.24**	**50.22**	**0.37**
Previous estimate	49.85	50.32	50.51	49.77	50.24	50.21	0.35
Revision	**0.00**	**0.00**	**0.01**	**0.02**	**0.00**	**0.01**	**0.01**

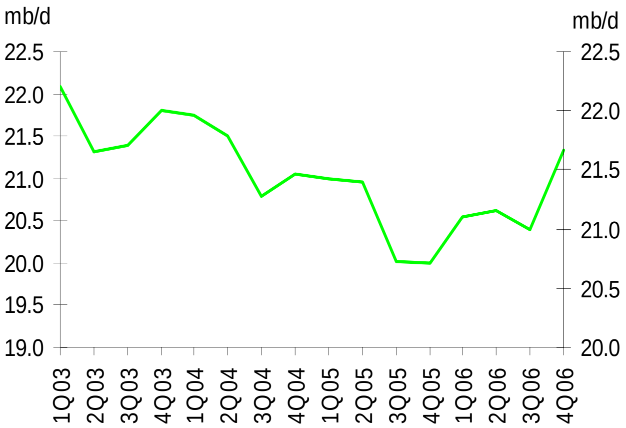
Totals may not add due to independent rounding.

Total OECD production expected to drop 0.78 mb/d in 2005

OECD

OECD oil supply is expected to average 20.48 mb/d, which represents a decline of 0.79 mb/d versus the previous year, unchanged from last month's report. Improvements in the US Gulf of Mexico oil production during November came close to our assumptions, whilst preliminary data for Mexico and North Sea for the months of October and November came close to our estimates. As highlighted in last month's report, the OECD, in particular the North Sea and USA, has been a major drag for non-OPEC supply growth this year, with both regions accounting for the bulk of the revisions in non-OPEC. A full recovery for the OECD to pre-Katrina levels is still not expected until the third quarter of 2006 (*see **Graph 19***).

Graph 19: OECD's quarterly production

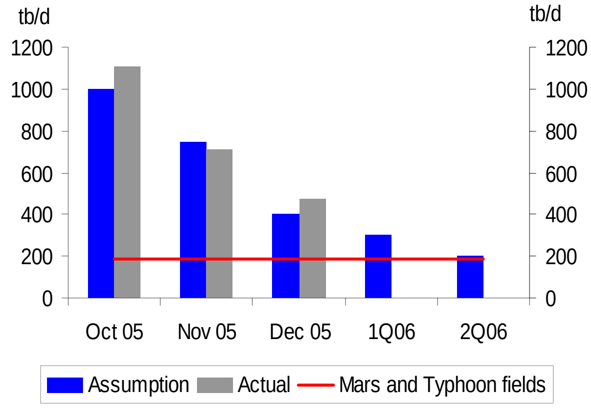


Improvement in the outlook for the US Gulf of Mexico remained at expected pace

USA

Total US oil supply is expected to average 7.34 mb/d in 2005, which represents a drop of 310,000 b/d versus 2004. US Gulf of Mexico oil production partially began to recover in the later part of November. Actual losses for November are estimated at 0.71 mb/d compared to our assumption of 0.75 mb/d. At the time of writing, average losses for December are estimated at 0.47 mb/d versus our assumption of 0.4 mb/d for the entire month. The recovery in November was primarily due to the restart of several oil fields connected to the now-operational Empire terminal, which handles up to 500,000 b/d of crude and which was damaged during Katrina/Rita storms. Looking ahead, the recovery of the Gulf of Mexico is still dependent on many factors including the repair of significant amounts of infrastructure under tight market conditions, and therefore remains subject to uncertainty. Even then, two important fields (Mars and Typhoon) will not return before the middle of next year, limiting the full recovery of the area until then. In addition to the affected oil production, there are also significant gas field shutdowns and damaged onshore infrastructure affecting the production of natural gas and natural gas liquids; in contrast to the improving trend in the recovery of oil production, the recovery for these hydrocarbons has been much slower than expected.

Graph 20: US Gulf of Mexico assumptions



Mexican production has dropped for three consecutive months since August due to the loss of US refinery customers, outlook does not look positive

Mexico and Canada

Mexican oil supply is expected to average 3.77 mb/d this year, which represents a drop of 70,000 b/d versus 2004. The forecast for Mexico remains unchanged, despite the recent underperformance. Our forecast for the fourth quarter of the current year is 3.72 mb/d similar to the third, but preliminary production data for October and November indicates that production averaged around 100,000 b/d below this estimate. Mexican production has dropped for three consecutive months since August following damages to US refinery customers, as well as limited crude storage facilities and a lack of opportunities for placing heavy crude outside the USA. Whilst some of these issues seem to be improving, a full recovery of US Gulf of Mexico refineries is not expected until early 2006. Considering the complexity of the issue, it is difficult to see actual Mexican production exceeding our expectations for the quarter. Thus, the combination of hurricane-related shutdowns in the summer, natural field declines and virtually no new production has resulted in a bad year for Mexican oil production.

The outlook for Canada remains unchanged, with oil supply expected to average 3.05 mb/d in 2005, representing a drop of 30,000 b/d versus 2004. Year-to-date conventional crude production has performed better than original expectations, and a continuation of this positive trend is expected in 2006.

Western Europe

Total oil supply in OECD Europe is expected to average 5.75 mb/d in 2005, a drop of 390,000 b/d versus last year and unchanged from last month. Norwegian oil supply is expected to average 3 mb/d in 2005, a drop of 200,000 b/d versus 2004. UK oil supply is expected to average 1.90 mb/d, which represents a drop of 190,000 b/d versus 2004. Following months of underperformance in Norway and the UK, preliminary data for the months of October and November shows positive trends in crude oil production that are in line with the estimates. In Denmark, oil supply is expected to average 390,000 b/d in 2005, unchanged from 2004.

Asia Pacific the only OECD region that shows the most significant improvement in the outlook for this year and next compared to initial expectations

Asia Pacific

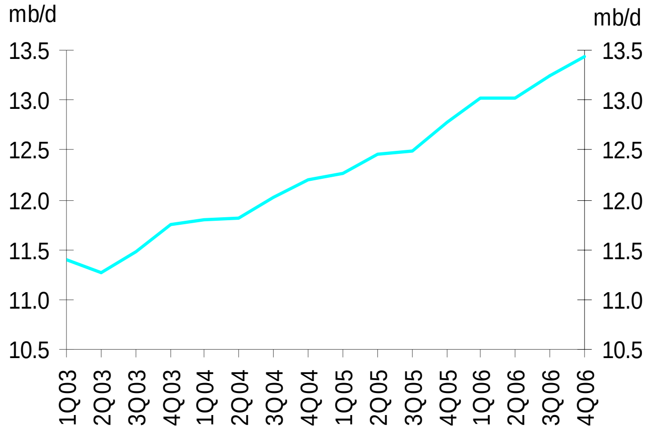
Oil supply in the Asia Pacific region is expected to average 590,000 b/d in 2005 or 10,000 b/d higher than in 2004 to remain broadly unchanged from last month's report. This month we have made a minor downward adjustment to Australian data for the third quarter of 2005 with no material impact on the full year outlook. However, it is worth pointing out that the outlook for Australian production has been revised up before to reflect better-than-expected production and this has resulted in a stronger outlook for the entire region. Arguably, the performance of Australian fields has been much better than anticipated and we believe that this trend, compounded by the start up of projects, will continue in 2006. In fact, it is worth noting that of the OECD regions, Asia Pacific shows the most significant improvement in the outlook for this year and the next when compared to initial expectations, and even to the last few years.

Developing Countries unchanged at 12.52 mb/d in 2005

Developing Countries

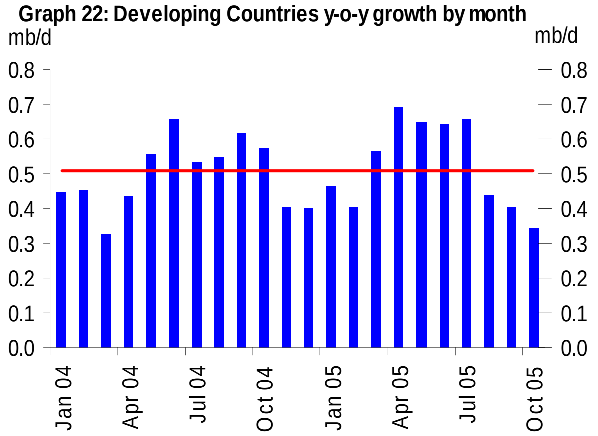
The outlook for the Developing Countries (DCs) remains broadly unchanged. Total oil supply is expected to average 12.52 mb/d in 2005, which represents an increase of 0.54 mb/d over 2004 and a revision of just 17,000 b/d. All revisions took place in Latin America, particularly in Colombia and Ecuador.

Graph 21: Developing Countries' quarterly production



In Colombia, we revised the first quarter of 2005 down, the second up and the third up by 6,000 b/d, 18,000 b/d, and 36,000 b/d respectively. Colombian oil production, which has been on the decline since 1998, has more or less stabilized since 2004 at around 0.51-0.54 mb/d. Our forecast for 2005 has been revised up slightly in the past and we now expect Colombian oil supply to average 520,000 b/d in 2005, or 10,000 b/d less than in 2004. In Ecuador, we revised up in first, second and third quarters of 2005 by 6,000 b/d, 7,000 b/d and 26,000 b/d respectively. Ecuadorian production appears to have recovered faster than previously thought after the strike earlier this year. Elsewhere in Latin America we are not making any changes, but it is worth noting that preliminary data in Argentina for September shows crude oil production hitting a 12-year low of 650,000 b/d, which would imply that total oil supply may have underperformed by 60,000 b/d versus our estimated third-quarter average. Final data should provide confirmation of this trend.

Graph 22: Developing Countries y-o-y growth by month



Elsewhere the forecast for all developing countries remains unchanged. With the year now ending, it is important to emphasize that the performance of Developing Countries has remained solid despite various project delays throughout the year. Several important counties stand out such as Angola, Brazil, Malaysia, and Sudan, all of which are likely to show above average growth rates in 2005 and 2006. In addition, at the time of writing, at least four important projects were expected to come on stream at the end of the fourth quarter of 2005 that have not yet done so. These include the BBLT Phase 1 in Angola, Adar Yale in Sudan, Ruby Phase I in Vietnam, and Acis South in Malaysia. Some of these may eventually start in early 2006.

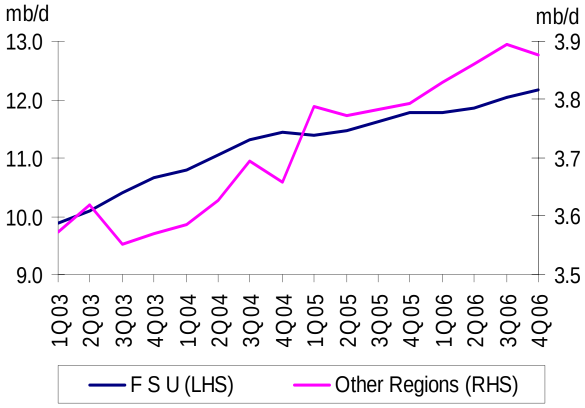
Other Regions

The outlook for the FSU remains unchanged. FSU oil supply is expected to average 11.56 mb/d in 2005, an increase of 0.41 mb/d over the previous year. The forecast for Other Regions (which includes Other Europe and China) remains unchanged, with total oil supply expected to average 3.79 mb/d in 2005 representing an increase of 150,000 b/d from 2004.

The outlook for Russia remains unchanged for 2005, but it might improve in 2006

Russian oil supply is expected to average 9.42 mb/d in 2005, an increase of 230,000 b/d versus 2004. The latest data shows flat oil production in November versus October at around 9.58 mb/d. We have now seen all the growth that Russian companies can deliver in 2005, and from here to around April 2006 we should see a seasonal drop due to the impact of winter on operations and water transport. Looking ahead, the industry continues to struggle and face uncertainties. However, the worst may be over in terms of the impact generated from capital restraint on production from the part of Yukos, Sibneft, and others. As detailed in several *MOMR* reports, the Russian industry is expected to grow at a more measured pace in the next few years, but in the short term the industry is still responding to a new environment, as seen by the abrupt slow-down in the rate of growth from 8-10% per year in 2000 to 2004 to below 3% in 2005. In 2006, Russian growth is expected to average 120,000 b/d, and while the risks remain on the down side, recently we have seen some indicators that could reverse this picture to a higher growth rate for 2006.

Graph 23: FSU and other region's quarterly production



In the Caspian region, Azeri oil production is still expected to average 440,000 b/d in 2005, an increase of 130,000 b/d from 2004. The latest data shows Azeri oil production at 0.5 mb/d, which is inline with our fourth quarter 2005 estimates. Kazak oil production is expected to average 1.22 mb/d in 2005, an increase of 40,000 b/d over the previous year. Last month, we made a downward revision to the full year outlook primarily due to underperformance at the Karachaganak field between May and September due to gas flaring restrictions, technical faults, and more recently maintenance, among other reasons. Karachaganak is now reported to have returned to more normal levels of production during October, resulting in a rebound in Kazak oil production to around 1.27 mb/d, just above our estimate for the quarter.

Forecast for 2006

Non-OPEC supply growth forecast for 2006 is estimated at 1.4 mb/d; including OPEC NGLs, total growth is estimated at 1.7 mb/d

Non-OPEC oil supply in 2006 is expected to average 51.6 mb/d, an increase of 1.4 mb/d over 2005 broadly unchanged from last month. Non-OPEC supply including OPEC NGLs and non-conventional oils is expected to average 56.2 mb/d, an increase of 1.7 mb/d. On a regional basis, the largest contributor is expected to be the African region with a growth of 0.54 mb/d, followed by the FSU with 0.37 mb/d, North America with 0.35 mb/d (mainly because of the unwinding of US Gulf of Mexico production), and Latin America with 0.11 mb/d. OECD Europe and the Middle East are expected to show a drop of 0.13 mb/d and 0.09 mb/d respectively. Oil production growth is underpinned by the start-up of over 35 greenfield projects.

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

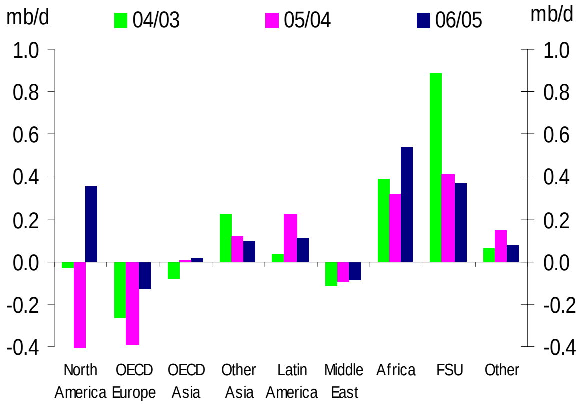


Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.15	14.18	14.38	14.51	14.96	14.51	0.35
Western Europe	5.75	5.80	5.69	5.29	5.68	5.61	-0.13
OECD Pacific	0.58	0.57	0.55	0.59	0.68	0.60	0.02
Total OECD	**20.48**	**20.55**	**20.61**	**20.39**	**21.33**	**20.72**	**0.24**
Other Asia	2.71	2.81	2.77	2.82	2.81	2.80	0.09
Latin America	4.28	4.37	4.31	4.46	4.47	4.40	0.11
Middle East	1.79	1.74	1.72	1.69	1.66	1.70	-0.09
Africa	3.73	4.10	4.22	4.27	4.50	4.28	0.54
Total DCs	**12.52**	**13.03**	**13.02**	**13.24**	**13.43**	**13.18**	**0.66**
FSU	11.56	11.78	11.88	12.01	12.03	11.93	0.37
Other Europe	0.16	0.17	0.17	0.17	0.17	0.17	0.01
China	3.63	3.66	3.69	3.73	3.71	3.70	0.06
Total "Other regions"	**15.36**	**15.62**	**15.75**	**15.91**	**15.91**	**15.80**	**0.44**
Total Non-OPEC production	**48.36**	**49.19**	**49.38**	**49.54**	**50.67**	**49.70**	**1.34**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total Non-OPEC supply	**50.22**	**51.07**	**51.25**	**51.41**	**52.60**	**51.59**	**1.37**
Previous estimate	50.21	51.05	51.20	51.42	52.74	51.61	1.40
Revision	**0.01**	**0.02**	**0.04**	**-0.01**	**-0.14**	**-0.02**	**-0.03**

Totals may not add due to independent rounding.

Revisions to the 2006 forecast

Forecast for 2006 revised down by 19,000 b/d due to outlook for Kazakhstan

On a quarterly basis, the forecasts for the first and second quarters have been revised up 24,000 b/d and 44,000 b/d respectively, while the forecasts for the third and fourth quarters have been revised down by 6,000 b/d and 136,000 b/d respectively, resulting in a full year negative adjustment of 19,000 b/d. The adjustment is entirely the result of a downward revision in the outlook for Kazakhstan. On a full year basis, the estimate for Kazak oil production in 2006 has been revised down by 25,000 b/d to 1.28 mb/d, for a growth of just 60,000 b/d under the assumption that the expansion of Tengiz field is likely to start in early 2007 instead of mid-2006. The construction of the main compressors and related infrastructure is due to be completed by end of 2006. This expansion is now expected to add another 200,000 b/d to the current field production of around 250,000 b/d by the end of 2007.

FSU net oil exports (crude and products)

FSU net oil exports expected to average 7.7 mb/d in 2005 and 8 mb/d in 2006

In 2005, FSU net oil exports are expected to average 7.71 mb/d. The forecast for 2006 shows net exports averaging 8.01 mb/d, which represents an increase of 300,000 b/d over 2005.

Table 14: FSU net oil exports, mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004	7.17	7.30	7.38	7.37	**7.31**
2005 (estimate)	**7.49**	**7.73**	**7.81**	**7.82**	**7.71**
2006 (forecast)	**7.75**	**8.20**	**8.18**	**7.93**	**8.01**

OPEC natural gas liquids and non-conventional oils

The forecast for OPEC NGLs for 2005 and 2006 remains unchanged

The growth forecast for OPEC NGL production in 2005 and 2006 remains unchanged at 200,000 b/d and 330,000 b/d, respectively. This increase should result in average production in 2005 and 2006 of 4.3 mb/d and 4.62 mb/d, respectively.

Table 15: OPEC NGL + non-conventional oils - 2002-2006

2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	2006	Change 06/05
3.62	**3.71**	**4.09**	**0.38**	4.22	4.27	4.32	4.37	**4.30**	0.20	**4.62**	0.33

OPEC crude oil production

OPEC output averaged 29.9 mb/d

Total OPEC crude production averaged 30 mb/d in November, broadly unchanged from last month, according to secondary sources. Production increased in Nigeria, Qatar, and Saudi Arabia, while Iraqi output averaged 1.7 mb/d.

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

	2003	2004	4Q04	1Q05	2Q05	3Q05	Oct 05	Nov 05	*Nov/Oct*
Algeria	1,134	1,228	1,285	1,313	1,343	1,366	1,372	1,372	*0.3*
Indonesia	1,027	968	963	951	944	933	930	928	*-2.0*
IR Iran	3,751	3,920	3,947	3,900	3,946	3,940	3,931	3,914	*-16.7*
Iraq	1,321	2,015	1,960	1,834	1,841	1,968	1,754	1,732	*-22.0*
Kuwait	2,172	2,344	2,448	2,438	2,506	2,530	2,573	2,554	*-19.1*
SP Libyan AJ	1,422	1,537	1,608	1,613	1,634	1,654	1,661	1,668	*7.0*
Nigeria	2,131	2,352	2,344	2,332	2,423	2,424	2,458	2,466	*8.5*
Qatar	748	777	791	784	793	796	801	809	*8.2*
Saudi Arabia	8,709	8,982	9,450	9,220	9,456	9,498	9,426	9,458	*32.2*
UAE	2,243	2,360	2,486	2,396	2,399	2,473	2,502	2,488	*-13.7*
Venezuela	2,305	2,577	2,605	2,699	2,639	2,611	2,587	2,576	*-11.7*
OPEC-10	**25,642**	**27,043**	**27,927**	**27,647**	**28,084**	**28,225**	**28,240**	**28,233**	***-7.0***
Total OPEC	**26,964**	**29,059**	**29,888**	**29,481**	**29,925**	**30,192**	**29,994**	**29,965**	***-29.0***

Totals may not add due to independent rounding.

Rig Count

Non-OPEC rig activity stood at 2,710 in November

Non-OPEC

Non-OPEC rig count stood at 2,710 rigs in November, which represents an increase of 85 rigs compared to the previous month. Of the total, 263 rigs were operating offshore and 2,447 onshore. In terms of the oil and gas split, there were 865 oil rigs and 1,830 gas rigs. The number of oil rigs increased 228 over the previous month. Regionally, North America gained 66 rigs, while Western Europe gained 6 rigs and OECD Pacific lost 2. The Middle East, Africa, Latin America and the rest of Asia gained a total of 16 rigs.

Table 17: Non-OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Oct 05	Nov 05	Change Nov 05-Oct 05
North America	1,496	1,669	173	2,112	2,178	66
Western Europe	78	65	-13	64	70	6
OECD Pacific	18	22	4	25	23	-2
OECD	**1,592**	**1,755**	**163**	**2,201**	**2,271**	**70**
Other Asia	117	126	9	147	150	3
Latin America	116	126	10	139	155	16
Middle East	70	70	0	76	73	-3
Africa	48	54	6	59	59	0
DCs	**350**	**376**	**26**	**421**	**437**	**16**
FSU	0	0	0	0	0	0
Other Europe	2	2	0	3	2	-1
China	0	0	0	0	0	0
Other regions	0	0	0	0	0	0
Total non-OPEC	**1,944**	**2,132**	**188**	**2,625**	**2,710**	**85**

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

OPEC rig count rose to 292 in November and should pass the 300 mark in December

OPEC

OPEC rig count was 292 in November, representing an increase of 13 rigs. Increases took place in Indonesia (3), Libya (2), Nigeria (2), Qatar (1), Saudi Arabia (1) and Venezuela (7). These gains were partly offset by declines in other OPEC Countries. Of the total, 218 rigs were operating onshore and 74 rigs offshore. In terms of oil and gas split, there were 240 oil rigs while the remainder was gas and other rigs. By the end of December, the number of rigs operating in Saudi Arabia is expected to see a significant increase, which should boost total rigs in OPEC to above 300.

Table 18: OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Oct 05	Nov 05	Change Nov 05-Oct 05
Algeria	20	19	-1	21	21	0
Indonesia	45	49	4	57	60	3
IR Iran	35	41	6	38	38	0
Iraq	na	na	na	na	na	na
Kuwait	5	10	5	15	13	-2
SP Libyan AJ	10	10	0	7	9	2
Nigeria	10	8	-2	7	9	2
Qatar	8	9	1	11	12	1
Saudi Arabia	32	32	0	42	43	1
UAE	16	16	0	17	16	-1
Venezuela	37	55	18	64	71	7
Total OPEC	**218**	**249**	**31**	**279**	**292**	**13**

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

Stock Movements

USA

US commercial oil stocks showed a massive build of 20.1 mb in November

US commercial oil inventories (excluding Strategic Petroleum Reserve SPR) during the period 28 October-2 December 2005 stood at 1,025.7 mb which was 20.1 mb or 0.57 mb/d above the level observed at the end of the previous period. This is the highest level for this period since 2001 where commercial oil stocks ended at 1,024.8 mb in the week ending 7 December 2001. All segments of inventories contributed to this build, products in general and distillates in particular, while the incremental share of crude oil was very modest. Despite the significant stock-build, the y-o-y surplus remained at 4%, while the five-year average improved to 5% from 3% registered last month.

Crude oil inventories continued to rise for the second consecutive month, although with only very modest gains over the month before. Crude oil stocks stood at 320.3 mb which was 1.2 mb or 0.03 mb/d higher than that in the previous period. Minor stock-builds could be justified by higher refinery runs which continued to recover after the significant drop caused by hurricanes in September/October. Refinery runs at the end of this period stood at 90% which was about 8% above the preceding period. The y-o-y surplus improved a slight 1% to stand at 11% while the five-year average remained 9% higher. In terms of days of forward demand, crude oil inventories covered 21.5 days or about three days (14%) above last year and two days (10%) above the five-year average.

As a result of improving refinery runs, product output rose to meet seasonal demand, especially for heating oil, and to compensate for losses due to hurricane damage. This led to significant stock-builds in all main product inventories with distillates observing the highest increment rising 9.7 mb or 0.28 mb/d to stand at 130.6 mb. The two components of distillates — heating oil and diesel — regained the previous month’s losses, increasing by 3.8 mb to 57.8 mb respectively and above the five-year average. As was mentioned earlier, the build was attributed mainly to high production which moved up from 3.80 mb/d to 4.18 mb/d. Imports also contributed to this build, increasing to 0.40 mb/d from 0.32 mb/d. Distillates forward cover improved further by almost one day to stand at 3.5 days or 12% above last year, while the five-year average for days of cover turned into a surplus of 1% after dropping into negative territory in the last period. Gasoline inventories behaved similarly but to a lesser degree, rising 5.7 mb or 0.17 mb/d to stand at 202.6 mb which was 4% below a year ago. Compared with the five-year average, gasoline stocks were only slightly higher, showing a very modest increment of 0.1 mb. Days of forward demand of gasoline stood at 22.1 days or about one day less compared to last year and the five-year average.

During the same period, the SPR improved slightly after two months of declines following a series of US Gulf Coast hurricanes, rising 0.4 mb to 685.6 mb. The sustained recovery in crude oil production should be reflected in a further increase of the SPR in the coming months as US refiners who benefited from the release of the SPR during the last two months will start to return the quantities they had drawn.

US commercial oil stocks in the week ending 9 December witnessed a further build of 1.2 mb to stand at 1,026.9 mb. Crude oil and gasoline inventories continued to contribute to this build as the first rose 0.9 mb to 321.2 mb, and the second moved up by 1.8 mb to 204.4 mb. The increase in crude oil stocks is mainly due to healthy imports of 10.4 mb/d, and they are about 10% higher than a year ago and the last five-year average. Regarding gasoline, stocks are still in line with the five-year average, but 2.5% below last year’s level. Distillate stocks, however, showed a minor draw of 0.1 mb to 130.5 mb, but they are still at a healthy level as they are 9% above this time last year or 4% above the last five-year average.

Table 19: US onland commercial petroleum stocks*, mb

	30 Sep 05	28 Oct 05	02 Dec 05	Change Nov/Oct	02 Dec 04	09 Dec 05 **
Crude oil	305.4	319.1	320.3	1.2	288.2	321.2
Gasoline	195.5	196.9	202.6	5.7	211.8	204.4
Distillate fuel	128.0	120.9	130.6	9.7	123.3	130.5
Residual fuel oil	33.5	34.3	39.6	5.3	42.4	39.0
Jet fuel	37.2	36.6	42.8	6.2	40.9	43.9
Total	**1,004.9**	**1,005.6**	**1,025.7**	**20.1**	**983.0**	**1,026.9**
SPR	693.3	685.2	685.6	0.4	672.9	685.6

* *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

Western Europe

Eur-16 oil stocks saw a considerable draw of 0.46 mb/d in November

After four consecutive months of build, total oil inventories in Eur-16 (EU plus Norway) showed a considerable draw of 13.8 mb or 0.46 mb/d to stand at 1,130.9 mb in November. The main reason for such a big draw-down was crude oil and, to a lesser degree, middle distillates and gasoline. This stock-draw depressed the y-o-y surplus, pushing it down to 22.5 mb or 2% from 5% observed in the last report.

Crude oil inventories contributed massively to the draw on total oil stocks in Eur-16. High refinery runs which rose to 12.7 mb/d, the highest level since December 2004, pushed crude oil stocks down by 14.1 mb or 0.47 mb/d to 470.0 mb, the lowest level since August 2004. Most of the draw occurred in France and the Netherlands and to a lesser degree in Germany. This massive draw turned last report's y-o-y surplus into a 5% deficit.

Gasoline and distillate inventories showed a marginal draw of 1.3 mb or 0.04 mb/d to 140.0 mb and 2.4 mb or 0.08 mb/d to 380.5 mb respectively. The draw on gasoline stocks was attributed to healthy demand in the UK, Denmark and the Mediterranean basin. Exports to the Middle East added to this draw. Despite this minor draw, gasoline's y-o-y surplus stood at the previous month's level of 5%. Improved demand due to cold weather was behind the slight draw on middle distillates, especially heating oil. Despite this slight draw, the y-o-y surplus improved further to 10% from 6% in the previous month.

Table 20: Western Europe's oil stocks*, mb

	Sep 05	Oct 05	Nov 05	Change Nov 05/Oct 05	Nov 04
Crude oil	488.1	484.1	470.0	-14.1	492.0
Mogas	136.3	141.3	140.0	-1.3	133.5
Naphtha	24.2	26.0	26.8	0.9	26.6
Middle distillates	385.7	382.9	380.5	-2.4	346.6
Fuel oils	116.1	110.5	113.6	3.1	109.8
Total products	638.1	634.7	634.0	-0.6	589.8
Overall total	**1,150.4**	**1,144.7**	**1,130.9**	**-13.8**	**1,108.4**

** At end of month, with region consisting of the Eur–16*

Source: Argus, Euroilstock

Japan

Oil stocks in Japan showed a moderate build of 0.20 mb/d in October

In October, total oil stocks in Japan continued to display a further build for the fourth consecutive month, increasing by 6.1 mb or 0.20 mb/d to stand at 198.9 mb, the highest level since November 2004. Product inventories contributed to the increase, especially middle distillates which accounted for almost half the build, while crude oil stocks slipped slightly. The significant rise failed to improve the y-o-y surplus, which narrowed to 2% from the 4% registered in the previous month.

Increasing refinery runs, which rose by nearly 4% to stand at 93.8% in October, were behind the marginal draw on crude oil inventories which declined by 0.5 mb or 0.02 mb/d to stand at 114.0 mb from September's downwardly revised level of 114.5 mb. Compared to the previous year, crude oil inventories have fallen to a deficit of 8%.

Higher product output due to improved refinery utilization helped product inventories to show moderate builds, especially middle distillates which rose by 4.2 mb or 0.14 mb/d to stand at 49.5 mb, a level not seen since November 1999. This moderate stock-build put distillates at a y-o-y surplus of 24%. Gasoline stocks behaved similarly but to a lesser degree rising 1.6 mb or 0.05 mb/d to 14.2 mb. This build managed to put the y-o-y surplus at about 13%.

Table 21: Japan's commercial oil stocks*, mb

	Aug 05	Sep 05	Oct 05	Change Oct 05/Sep 05	Oct 04
Crude oil	117.5	114.5	**114.0**	-0.5	124.5
Gasoline	12.3	12.6	14.2	1.6	12.6
Middle distillates	40.3	45.3	49.5	4.2	39.8
Residual fuel oil	21.0	20.5	21.2	0.7	17.9
Total products	73.5	78.3	84.9	6.6	70.3
Overall total**	**191.0**	**192.8**	**198.9**	**6.1**	**194.8**

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

Balance of Supply and Demand

The demand for OPEC crude production remained unchanged for the fourth quarter, at 30.3 mb/d

Forecast for 2005

The demand for OPEC crude in 2005 (a-b) is forecast at 28.8 mb/d, an increase of 0.62 mb/d from 2004 to remain unchanged from earlier projections. On a quarterly basis the demand for OPEC crude is estimated at 29.1 mb/d, 27.3 mb/d, 28.4 mb/d and 30.3 mb/d for the first, second, third, and fourth quarters respectively.

In terms of OPEC capacity, taking into account the supply/demand balance, the resulting demand for OPEC crude and projected production capacity, OPEC's spare capacity is now estimated to average around 8% in the fourth quarter, compared to 4.9% in the same period of 2004.

Table 22: Summarized supply/demand balance for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World Oil Demand	82.09	83.69	82.08	82.55	84.95	83.32
(b) Non-OPEC Supply	53.94	54.55	54.79	54.11	54.61	54.51
Difference (a-b)	28.15	29.15	27.29	28.44	30.33	28.80
OPEC crude oil production	29.06	29.48	29.92	30.19		
Balance	0.91	0.33	2.63	1.75		

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

The demand estimate for OPEC crude in 2006 is 28.7 mb/d, with the first quarter estimated at 29.9 mb/d

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 28.7 mb/d, representing an upward revision of 134,000 b/d from last month's report. The quarterly distribution shows that demand for OPEC crude is now expected at 29.9 mb/d in the first quarter, 27.7 mb/d in the second, 28.1 mb/d in the third and 29.2 mb/d in the fourth.

In terms of OPEC capacity, OPEC capacity in 2006 is expected to average around 33.5 mb/d ending the year at around 33.9 mb/d. This level is expected to be sufficient to cover demand needs for OPEC crude.

Table 23: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World Oil Demand	83.32	85.42	83.57	84.16	86.51	84.91
(b) Non-OPEC Supply	54.51	55.55	55.83	56.08	57.35	56.21
Difference (a-b)	28.80	29.87	27.74	28.07	29.16	28.70
OPEC crude oil production						
Balance						

(1) Including OPEC NGLs + non-conventional oils.
(2) Selected secondary sources.
Totals may not add due to independent rounding.

Table 24: World oil demand/supply balance, mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	48.0	48.0	48.6	49.5	50.6	48.7	49.3	50.7	49.8	51.0	49.2	49.8	51.2	50.3
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.5	26.0	25.6	25.9	25.7	25.8	26.3	25.9
Western Europe	15.3	15.3	15.4	15.6	15.6	15.3	15.7	15.9	15.6	15.6	15.4	15.9	15.9	15.7
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.8	8.6	9.4	8.2	8.1	9.0	8.7
DCs	19.7	20.2	20.4	21.4	21.8	22.2	22.1	22.4	22.1	22.5	22.8	23.0	23.1	22.8
FSU	3.9	3.7	3.8	3.8	3.9	3.7	3.8	4.0	3.8	4.0	3.7	3.8	4.1	3.9
Other Europe	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.9
China	4.7	5.0	5.6	6.5	6.5	6.6	6.4	7.1	6.6	7.0	7.0	6.7	7.3	7.0
(a) Total world demand	77.1	77.7	79.2	82.1	83.7	82.1	82.6	84.9	83.3	85.4	83.6	84.2	86.5	84.9
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	21.0	21.0	20.0	20.0	20.5	20.6	20.6	20.4	21.3	20.7
North America	14.3	14.5	14.6	14.6	14.5	14.6	13.8	13.7	14.2	14.2	14.4	14.5	15.0	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.7	5.6	5.7	5.7	5.8	5.7	5.3	5.7	5.6
Pacific	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.6
DCs	10.9	11.3	11.5	12.0	12.3	12.5	12.5	12.8	12.5	13.0	13.0	13.2	13.4	13.2
FSU	8.5	9.3	10.3	11.2	11.4	11.5	11.6	11.8	11.6	11.8	11.9	12.0	12.0	11.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.7	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	46.4	47.8	48.8	49.9	50.3	50.5	49.8	50.2	50.2	51.1	51.2	51.4	52.6	51.6
OPEC NGLs + non-conventional oils	3.6	3.6	3.7	4.1	4.2	4.3	4.3	4.4	4.3	4.5	4.6	4.7	4.8	4.6
(b) Total non-OPEC supply and OPEC NGLs	50.0	51.5	52.5	53.9	54.5	54.8	54.1	54.6	54.5	55.6	55.8	56.1	57.4	56.2
OPEC crude oil production (secondary sources)	27.2	25.3	27.0	29.1	29.5	29.9	30.2							
Total supply	77.2	76.8	79.4	83.0	84.0	84.7	84.3							
Balance (stock change and miscellaneous)	0.2	-0.9	0.2	0.9	0.3	2.6	1.7							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2517	2558	2546	2626	2626							
OECD SPR	1288	1347	1411	1450	1462	1494	1494							
OECD total	3918	3823	3928	4008	4009	4120	4121							
Oil-on-water	830	816	883	904	927	928	917							
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	52	53	52							
SPR	27	28	29	29	30	30	29							
Total	82	79	79	80	82	84	81							
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.7	7.8	7.8	7.7	7.7	8.2	8.2	7.9	8.0
(a) - (b)	27.1	26.3	26.8	28.1	29.1	27.3	28.4	30.3	28.8	29.9	27.7	28.1	29.2	28.7

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

Table 25: World oil demand/supply balance: changes from last month's table † , mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	-	-	-	-	-	-	0.1	-	-	-	-0.1	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-
Western Europe	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.2	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.1	-0.1	-
(a) Total world demand	-	-	-	-	-	-	0.1	-	-	0.1	0.1	0.3	-	0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.1							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-3	-3	-	-19							
OECD SPR	-	-	-	3	3	-	-2							
OECD total	-	-	-	-	-	-	-21							
Oil on water	-	-	-	-	-	-	-							
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-							
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
(a) - (b)	-	-	-	-	-	-	0.1	-	-	0.1	-	0.3	0.2	0.1

† *This compares Table 24 in this issue of the MOMR with Table 24 in November 2005 issue.*

This table shows only where changes have occurred.

Table 26: OECD oil stocks and oil on water at the end of period

	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
Closing stock level *mb*																					
OECD onland commercial	2,630	2,476	2,529	2,602	2,664	2,630	2,606	2,651	2,577	2,476	2,428	2,551	2,600	2,517	2,465	2,545	2,584	2,558	2,546	2,626	2,626
North America	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,215	1,161	1,145	1,193	1,209	1,200	1,200	1,275	1,240
Western Europe	925	895	923	914	922	925	934	943	918	895	914	913	926	922	919	933	945	927	957	929	954
OECD Pacific	443	408	447	457	473	443	435	447	440	408	411	452	459	435	400	420	430	430	389	422	432
OECD SPR	1,288	1,347	1,274	1,271	1,269	1,288	1,306	1,318	1,323	1,347	1,362	1,365	1,383	1,411	1,423	1,429	1,435	1,450	1,462	1,494	1,494
North America	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	678	690	698	696
Western Europe	356	357	356	352	347	356	356	352	349	357	368	362	364	374	371	366	367	377	377	401	405
OECD Pacific	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396	396	395	393
OECD total	3,918	3,823	3,803	3,873	3,933	3,918	3,912	3,970	3,900	3,823	3,790	3,916	3,983	3,928	3,888	3,974	4,019	4,008	4,009	4,120	4,121
Oil-on-water	830	816	903	828	870	830	797	806	803	816	858	884	868	883	901	886	890	904	927	928	917
Days of forward consumption in OECD																					
OECD onland commercial	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51	52	53	52
North America	52	48	49	51	53	53	52	52	50	48	46	48	49	46	46	47	47	47	47	50	48
Western Europe	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	60	59	60	63	59	60
OECD Pacific	52	47	56	56	54	49	57	55	47	42	51	57	51	47	51	51	49	45	48	52	49
OECD SPR	27	28	27	27	26	27	28	28	27	27	29	28	28	28	30	29	28	29	30	30	29
North America	23	25	23	23	23	23	23	24	24	25	25	25	25	25	26	26	26	27	27	27	27
Western Europe	23	23	24	23	22	23	24	23	23	23	24	23	23	24	24	23	23	24	25	26	25
OECD Pacific	44	45	46	46	42	42	50	48	41	40	48	49	43	43	50	49	45	42	49	49	44
OECD total	82	79	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80	79	82	84	81

Table 27: Non-OPEC supply and OPEC natural gas liquids, mb/d

					Change						Change						Change
	2001	2002	2003	2004	04/03	1Q05	2Q05	3Q05	4Q05	2005	05/04	1Q06	2Q06	3Q06	4Q06	2006	06/05
USA	8.05	8.04	7.82	7.65	-0.17	7.71	7.74	7.14	6.80	7.34	-0.31	7.25	7.39	7.46	7.78	7.47	0.13
Canada	2.73	2.84	2.98	3.07	0.09	3.01	3.01	2.99	3.17	3.05	-0.03	3.23	3.23	3.27	3.35	3.27	0.22
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.71	3.72	3.77	-0.07	3.70	3.76	3.78	3.84	3.77	0.00
North America	14.34	14.48	14.60	14.56	-0.04	14.48	14.63	13.84	13.69	14.15	-0.40	14.18	14.38	14.51	14.96	14.51	0.35
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.93	2.93	3.00	2.99	-0.20	3.07	3.04	2.84	3.00	2.99	0.00
UK	2.54	2.52	2.33	2.09	-0.24	2.03	1.91	1.79	1.86	1.90	-0.19	1.87	1.80	1.62	1.82	1.78	-0.12
Denmark	0.35	0.37	0.37	0.39	0.02	0.39	0.38	0.37	0.39	0.39	0.00	0.38	0.37	0.35	0.36	0.37	-0.02
Other Western Europe	0.38	0.42	0.43	0.47	0.04	0.48	0.48	0.48	0.48	0.48	0.01	0.48	0.47	0.48	0.50	0.48	0.00
Western Europe	6.68	6.65	6.39	6.14	-0.26	5.98	5.70	5.58	5.73	5.75	-0.39	5.80	5.69	5.29	5.68	5.61	-0.13
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.56	0.53	0.54	0.53	0.01	0.52	0.50	0.51	0.61	0.53	0.01
Other Pacific	0.07	0.06	0.06	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.08	0.08	0.06	0.01
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.62	0.58	0.59	0.58	0.01	0.57	0.55	0.59	0.68	0.60	0.02
Total OECD	21.81	21.89	21.65	21.27	-0.38	21.00	20.95	19.99	20.00	20.48	-0.79	20.55	20.61	20.39	21.33	20.72	0.24
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
India	0.73	0.78	0.79	0.80	0.01	0.80	0.80	0.73	0.79	0.78	-0.02	0.84	0.83	0.83	0.82	0.83	0.05
Malaysia	0.68	0.71	0.75	0.82	0.07	0.86	0.84	0.86	0.90	0.86	0.05	0.90	0.88	0.89	0.88	0.89	0.03
Vietnam	0.34	0.34	0.35	0.40	0.04	0.38	0.38	0.37	0.41	0.38	-0.01	0.39	0.37	0.38	0.37	0.38	-0.01
Asia others	0.25	0.26	0.30	0.37	0.07	0.46	0.47	0.48	0.48	0.47	0.10	0.48	0.48	0.52	0.52	0.50	0.03
Other Asia	2.20	2.30	2.40	2.59	0.19	2.71	2.69	2.65	2.78	2.71	0.12	2.81	2.77	2.82	2.81	2.80	0.09
Argentina	0.86	0.84	0.83	0.78	-0.05	0.76	0.76	0.75	0.76	0.76	-0.02	0.75	0.74	0.74	0.73	0.74	-0.02
Brazil	1.53	1.72	1.80	1.80	0.00	1.85	2.03	2.01	1.99	1.97	0.17	2.07	2.02	2.19	2.22	2.13	0.15
Colombia	0.61	0.58	0.55	0.53	-0.01	0.52	0.53	0.52	0.50	0.52	-0.01	0.49	0.48	0.47	0.46	0.47	-0.04
Ecuador	0.41	0.40	0.43	0.53	0.10	0.55	0.54	0.52	0.54	0.54	0.01	0.54	0.53	0.53	0.53	0.53	-0.01
Trinidad & Tobago	0.13	0.15	0.16	0.16	-0.01	0.20	0.21	0.22	0.23	0.21	0.05	0.23	0.23	0.24	0.24	0.23	0.02
L. America others	0.24	0.25	0.25	0.26	0.01	0.28	0.28	0.29	0.29	0.29	0.02	0.29	0.29	0.29	0.29	0.29	0.01
Latin America	3.77	3.94	4.02	4.06	0.04	4.16	4.35	4.31	4.31	4.28	0.22	4.37	4.31	4.46	4.47	4.40	0.11
Bahrain	0.19	0.19	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.90	0.82	0.76	-0.06	0.73	0.72	0.72	0.71	0.72	-0.05	0.70	0.69	0.68	0.67	0.68	-0.04
Syria	0.52	0.51	0.54	0.51	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.46	0.45	0.44	0.43	0.44	-0.03
Yemen	0.47	0.46	0.44	0.42	-0.03	0.40	0.40	0.40	0.39	0.40	-0.02	0.39	0.39	0.38	0.37	0.38	-0.01
Middle East	2.14	2.06	2.00	1.89	-0.11	1.82	1.81	1.78	1.76	1.79	-0.10	1.74	1.72	1.69	1.66	1.70	-0.09
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.23	1.39	1.23	0.24	1.40	1.46	1.45	1.63	1.49	0.26
Chad	0.00	0.00	0.02	0.16	0.13	0.18	0.18	0.18	0.18	0.18	0.02	0.18	0.18	0.18	0.18	0.18	0.00
Congo	0.27	0.25	0.24	0.24	0.00	0.23	0.23	0.24	0.23	0.24	0.00	0.23	0.23	0.23	0.23	0.23	-0.01
Egypt	0.76	0.75	0.75	0.71	-0.04	0.70	0.69	0.69	0.70	0.70	-0.01	0.70	0.69	0.68	0.67	0.68	-0.01
Equatorial Guinea	0.14	0.20	0.24	0.34	0.10	0.35	0.36	0.36	0.36	0.36	0.02	0.35	0.35	0.35	0.39	0.36	0.01
Gabon	0.30	0.29	0.25	0.25	0.00	0.25	0.25	0.26	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.18	0.19	0.20	0.22	0.02	0.21	0.20	0.20	0.19	0.20	-0.03	0.19	0.18	0.18	0.17	0.18	-0.02
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.36	0.38	0.35	0.04	0.49	0.52	0.59	0.62	0.56	0.21
Africa other	0.20	0.20	0.20	0.21	0.01	0.22	0.22	0.26	0.26	0.24	0.03	0.31	0.36	0.36	0.36	0.35	0.11
Africa	2.79	3.01	3.05	3.42	0.37	3.59	3.63	3.78	3.94	3.73	0.31	4.10	4.22	4.27	4.50	4.28	0.54
Total DCs	10.90	11.32	11.46	11.96	0.50	12.27	12.48	12.53	12.79	12.52	0.56	13.03	13.02	13.24	13.43	13.18	0.66
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.47	11.61	11.78	11.56	0.41	11.78	11.88	12.01	12.03	11.93	0.37
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.50	9.54	9.42	0.23	9.48	9.52	9.59	9.55	9.54	0.11
Kazakhstan	0.80	0.94	1.03	1.18	0.15	1.26	1.22	1.17	1.23	1.22	0.04	1.25	1.27	1.29	1.31	1.28	0.06
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.35	0.42	0.46	0.52	0.44	0.13	0.56	0.60	0.64	0.68	0.62	0.18
FSU others	0.45	0.45	0.47	0.47	0.01	0.47	0.48	0.49	0.49	0.48	0.01	0.49	0.49	0.49	0.49	0.49	0.01
Other Europe	0.18	0.18	0.17	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00	0.17	0.17	0.17	0.17	0.17	0.01
China	3.30	3.39	3.41	3.48	0.08	3.63	3.61	3.66	3.64	3.63	0.15	3.66	3.69	3.73	3.71	3.70	0.06
Non-OPEC production	44.71	46.10	46.96	48.02	1.07	48.45	48.67	47.95	48.36	48.36	0.33	49.19	49.38	49.54	50.67	49.70	1.34
Processing gains	1.69	1.73	1.80	1.83	0.03	1.88	1.85	1.84	1.88	1.86	0.03	1.88	1.87	1.87	1.93	1.89	0.02
Non-OPEC supply	46.40	47.83	48.75	49.85	1.10	50.33	50.52	49.79	50.24	50.22	0.37	51.07	51.25	51.41	52.60	51.59	1.37
OPEC NGL	3.40	3.42	3.57	3.85	0.28	3.96	4.01	4.06	4.11	4.04	0.19	4.20	4.30	4.39	4.47	4.34	0.31
OPEC Non-conventional	0.18	0.20	0.14	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01	0.28	0.28	0.28	0.28	0.28	0.02
OPEC (NGL+NCF)	3.58	3.62	3.71	4.09	0.38	4.22	4.27	4.32	4.37	4.30	0.20	4.48	4.58	4.67	4.75	4.62	0.33
Non-OPEC & OPEC (NGL+NCF)	49.99	51.45	52.46	53.94	1.48	54.55	54.79	54.11	54.61	54.51	0.57	55.55	55.83	56.08	57.35	56.21	1.69

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

Table 28: Non-OPEC Rig Count

	2001	2002	Change 02/01	1Q 03	2Q 03	3Q 03	4Q 03	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	Sep 05	3Q 05	Oct 05	Nov 05	Change Nov 05-Oct 05
USA	1156	831	-325	901	1028	1088	1109	1032	201	1119	1164	1229	1249	1190	158	1452	1419	1479	1486	7
Canada	342	266	-76	494	203	383	408	372	106	528	202	326	420	369	-3	497	527	541	600	59
Mexico	54	65	11	82	84	96	107	92	27	107	113	111	108	110	18	106	104	92	92	0
North America	1552	1162	-390	1476	1315	1567	1624	1496	334	1754	1479	1665	1777	1669	173	2055	2050	2112	2178	66
Norway	23	19	-4	18	19	20	18	19	0	19	18	14	16	17	-2	16	19	21	16	-5
UK	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	-4	20	23	19	27	8
Denmark	4	4	0	3	5	3	4	4	0	4	4	3	4	4	0	2	2	2	1	-1
Other Western Europe	44	36	-8	36	34	38	37	36	0	31	30	27	27	29	-7	23	25	22	26	4
Western Europe	95	85	-10	77	78	83	75	78	-7	69	70	57	62	65	-13	61	68	64	70	6
Australia	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	3	16	17	16	14	-2
Other Pacific	9	8	-1	8	7	8	6	7	-1	7	8	9	6	8	1	11	10	9	9	0
OECD Pacific	20	17	-3	18	17	18	19	18	1	19	22	26	20	22	4	27	27	25	23	-2
Total OECD	1667	1264	-403	1571	1411	1669	1719	1592	328	1842	1570	1749	1859	1755	163	2143	2146	2201	2271	70
Brunei	3	3	0	3	4	4	2	3	0	2	3	3	2	3	0	3	3	2	2	0
India	50	55	5	59	60	61	62	60	5	64	68	71	76	70	10	83	81	84	85	1
Malaysia	11	14	3	14	13	16	15	14	0	15	15	13	13	14	0	14	14	13	13	0
Papua New Guinea	1	1	0	1	2	2	1	2	1	3	2	0	1	2	0	2	2	2	2	0
Vietnam	8	9	1	9	9	10	8	9	0	8	9	8	7	8	-1	10	10	10	10	0
Asia others	22	30	8	31	28	26	30	29	-1	27	31	31	31	30	1	34	36	36	38	2
Other Asia	95	111	16	117	115	119	118	117	6	119	128	127	130	126	9	146	146	147	150	3
Argentina	71	49	-22	59	66	59	57	60	11	64	73	73	74	71	11	75	78	74	82	8
Brazil	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	0	27	28	24	30	6
Colombia	15	11	-4	10	9	11	12	11	0	8	9	9	11	9	-2	17	16	18	19	1
Ecuador	10	9	-1	9	11	8	8	9	0	7	9	12	12	10	1	11	11	12	12	0
Peru	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	-1	3	3	4	3	-1
Trinidad & Tobago	5	4	-1	3	3	3	3	3	-1	3	4	4	4	4	1	2	2	2	5	3
L. America others	7	5	-2	3	4	4	5	4	-1	6	6	3	4	5	1	3	3	5	4	-1
Latin America	141	106	-35	113	121	114	114	116	10	114	127	129	134	126	10	138	141	139	155	16
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	4	33	34	36	36	35	6	36	35	34	36	35	0	33	34	34	34	0
Syria	19	22	3	23	23	26	23	24	2	24	24	23	23	24	0	24	22	24	23	-1
Yemen	6	9	3	11	10	9	7	9	0	7	8	9	11	9	0	14	13	14	13	-1
Middle East	50	62	12	70	68	72	68	70	8	69	68	69	73	70	0	74	73	76	73	-3
Angola	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	-1	3	3	3	1	-2
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	0	0	1	1	2	1	0	2	2	3	2	2	1	2	2	2	3	1
Egypt	22	23	1	26	26	27	26	26	3	27	28	29	28	28	2	26	28	29	30	1
Gabon	2	2	0	3	4	1	3	3	1	2	2	2	2	2	-1	3	2	2	2	0
South Africa	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	8	12	14	12	14	13	1	15	18	20	22	19	6	20	19	23	23	0
Africa	36	43	7	45	50	44	51	48	5	48	53	56	57	54	6	54	54	59	59	0
Total DCs	322	322	0	346	354	350	350	350	28	350	376	381	394	376	26	412	414	421	437	16
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	0	3	3	3	2	-1
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1992	1588	-404	1919	1767	2021	2071	1944	356	2194	1949	2132	2255	2132	188	2558	2562	2625	2710	85

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

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Data is provided by Data Services Department.

Data Summary December 2005

OPEC Basket average price

US$ per barrel

⬇ *down 3.34 in November*

November 2005	***51.29***
October 2005	*54.63*
Year-to-date	*50.47*

November OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.37*	*Kuwait*	*2.55*	*Saudi Arabia*	*9.46*
Indonesia	*0.93*	*SP Libyan AJ*	*1.67*	*UAE*	*2.49*
IR Iran	*3.91*	*Nigeria*	*2.47*	*Venezuela*	*2.58*
Iraq	*1.73*	*Qatar*	*0.81*	***TOTAL***	***29.97***

Supply and demand

in million barrels per day

2005		***2006***	
World demand	*83.3*	*World demand*	*84.9*
Non-OPEC supply	*54.5*	*Non-OPEC supply*	*56.2*
Difference	***28.8***	***Difference***	***28.7***

Non-OPEC supply includes OPEC NGLs and non-conventional oils

Stocks

US commercial crude oil stocks saw a substantial increase of 20.1 mb in November

World economy

World GDP growth revised up to 4.4% for 2005 and to 4.2% for 2006

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Next report to be issued on 20 January 2006

Data covers period up to end of November 2005 unless otherwise stated