OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Oil market outlook for the spring quarter

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Oil Market Highlights

- Early indications suggest that the world economy will perform well in the first half of 2006. The Euro-zone economies are experiencing a clear improvement in business sentiment and the growth forecast for 2006 has been increased to 1.6%. Japan is expected to grow by 2.0% as a result of strengthening domestic demand. Growth of the US economy moderated in the final quarter of 2005 but an improving labour market should maintain consumer spending. The US economy is expected to grow by 3.2% in 2006. Revisions to Chinese economic data confirm the growing importance of the service sector. The Chinese economy is expected to see more balanced growth of 8.5% this year with less emphasis on exports and investment and more resources directed to consumer spending. The forecast of world GDP growth for 2006 has been increased to 4.3% from 4.2%, reflecting improved expectations for Europe, Japan and China.

- It remains unclear whether this solid start to the year will be maintained throughout 2006. 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. The US housing market is a particular cause for concern. Many Asian economies remain dependent on a rather narrow range of exports and any retrenchment by the American consumer could have a significant impact on Asian growth. Global monetary conditions will tighten in 2006 and 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 Basket sustained its upward movement during most of December. The higher trend was mainly due to cold weather in the Northern Hemisphere amid closed arbitrage for the eastward flow of Western crude oil and tight regional supply which supported bullishness in the Asian market. The OPEC Reference Basket averaged $52.65/b for the month, representing a gain of $1.36 or 2.6%. With the end of the year, the Basket averaged $50.64/b in 2005, a more than 40% gain over the previous year. The Basket continued the upward movement into the New Year on supply fears in West Africa and rising geopolitical tensions in the Middle East. However, despite unseasonably warm weather in the Northern Hemisphere, the Basket continued its upward trend in the first half of January to average $56.82/b. In daily terms, the Basket stood at $59.26/b on 19 January 2006.

- Products retained more of their value mostly due to strong distillate prices on the back of healthy demand from the main European consumers such as Germany as well as opened arbitrage to the US market particularly for Russian gasoil and strong demand for heating oil in North Asia. Strong demand for gasoline also helped prices as the US gasoline crack spread almost doubled with a gain of 45% from the week ended 22 December. All these factors helped refining margins to rebound from the massive losses seen in the previous month in the USA. Likewise, refinery margins in Europe and Asia benefited from higher distillate prices, especially for diesel and jet-kerosene which kept market sentiment bullish. Improving refinery margins encouraged refiners, especially in the USA and Japan, to increase throughput, while in Europe-16, a drop in margins except for Rotterdam forced refiners to cut throughput slightly.

- OPEC spot chartering continued its downward trend, indicating a lower spot share in OPEC sailings which dropped by 2.12 mb/d to hit 11.56 mb/d. The decline was attributed entirely to Middle Eastern countries. Sailings from OPEC dropped by 0.8 mb/d to average 23.1 mb/d, but they remained 0.2 mb/d higher than a year earlier. Following the same trend, arrivals at the main importing consuming regions moved down, especially in the US Gulf/East Coasts, where they hit 10.6 mb/d, compared to a record-high of 11.20 mb/d in the previous month. All sectors of the tanker market weakened, except for the Suezmax. Spot freight rates for VLCCs carrying oil from the Middle East eastbound and westbound lost 16% and 11% respectively due to slower activity at the end of the month. In contrast, the Suezmax sector continued its upward trend for the fourth consecutive month, due to strong activity from the USA. The Aframax sector saw freight rates decline on all routes, except for Indonesia/US West Coast. However, despite the weakness in freight rates, December remained for the ship-owners the second most profitable month in the year after November.

- World oil demand growth in 2005 is now estimated at 1.1 mb/d or 1.4%, which represents a downward revision of 0.11 mb/d from last month's figure. The estimate is underpinned by data available for the first nine months of 2005 and with preliminary October figures for approximately 80% of countries as well as estimates for November and December. As a result the yearly average for world oil demand stands at 83.21 mb/d. In 2006, following a slight upward revision, world oil demand is forecast to grow by 1.6 mb/d or 1.9% to average 84.8 mb/d. The upward revision comes on the back of a more optimistic view of the world economy for the present year.

- Non-OPEC supply in 2005 is expected to average 50.1 mb/d, representing an increase of 0.3 mb/d over 2004, and a downward revision of 128,000 b/d from the previous month. In 2006, non-OPEC oil supply is expected to average 51.5 mb/d, an increase of 1.4 mb/d over 2005 and broadly unchanged from the previous forecast. Upward revisions in Russia, Brazil, and other developing countries have been offset by lower expectations in Western Europe. December OPEC crude oil production averaged 29.8 mb/d, a decline of around 170,000 b/d from the previous month.

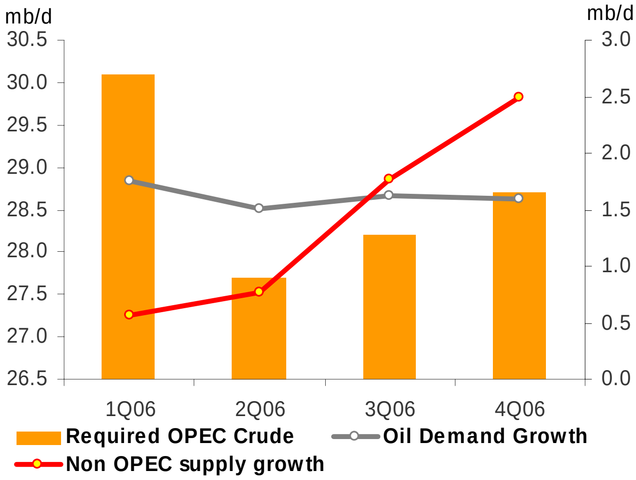
- US commercial oil stocks showed a seasonal draw, giving up the build of the previous period to decrease by 16.1 mb or 0.57 mb/d to stand at 1,009.6 mb in December. The y-o-y surplus and the five-year average remained nearly unchanged at 4.1% and 5% respectively. Total oil stocks in Eur-16 (EU plus Norway) continued to witness a seasonal draw for the second consecutive month, falling a further 7.9 mb or 0.25 mb/d to stand at 1,122.9 mb, which was still about 3% or 30.8 mb above the year-ago level. In November, total oil inventories in Japan lost nearly all the previous month's gain, standing at 192.9 mb which was 6.0 mb or 0.20 mb/d lower than the October level. This draw turned the y-o-y surplus registered in the previous month into a deficit of 6%.
- The demand for OPEC crude oil in 2005 (a-b) remains at 28.8 mb/d, representing an increase of 0.6 mb/d from 2004 to stand unchanged from earlier projections. However, the required crude oil for the fourth quarter is now estimated to be slightly lower than previously anticipated. For 2006, the demand for OPEC crude oil is expected to average 28.7 mb/d, unchanged from last month's report. However, the quarterly distribution shows that demand for OPEC crude oil is now expected at 30.1 mb/d in the first quarter, 27.7 mb/d in the second, 28.2 mb/d in the third and 28.7 mb/d in the fourth. 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 oil.

Oil market outlook for the spring quarter

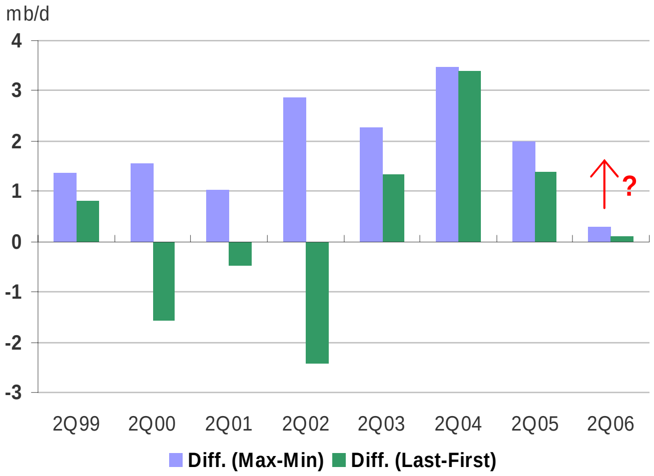
- This is the time of the year when all eyes turn to the second quarter and the question of how much demand will fall. The seasonality effect generally translates into a decline in demand of around 1.9 mb/d in the absolute level from the first to the second quarter of the year. Our current forecast suggests that world oil demand in the first quarter of 2006 is expected to average 85.5 mb/d, an increase of 1 mb/d above the last quarter of the previous year, before dropping by 1.9 mb/d to 83.6 mb/d in the second (see ***Graph 1***). This quarter to quarter fall in demand has implications on the amount of OPEC crude needed to balance the market as well as on global inventories. Therefore, pinpointing demand for the second quarter is of utmost importance to guaranteeing a smooth and stable passage though the spring period

- When reviewing the projections made at the beginning of each year for absolute second-quarter oil demand and comparing them with the actual figure for the past few years, the data shows that absolute demand for the second quarter has been increasingly underestimated in recent years. The range of this underestimation is observed to be between 0.5 mb/d and 3.3 mb/d, with the 90% confidence interval falling within 0.5 mb/d to 2.2 mb/d. Therefore, absolute demand for the second quarter could fall within a range of 84.1 mb/d to 85.8 mb/d. However, it is unlikely to reach the higher end of this range and even if it does this will not be known until much later when the actual data comes in and the necessary revisions have been made to the base. Nevertheless one conclusion that can be drawn is that in recent years absolute demand for the second quarter tends to be underestimated. One likely explanation for this increased uncertainty is the greater share of demand growth coming from developing countries where the availability and timeliness of data pose a considerable challenge.

Graph 1: Forecast for y-o-y demand and non-OPEC supply growth and required OPEC crude in 2006



Graph 2: Magnitude and direction of revisions to 2Q required OPEC crude: 1999-2006



- So far, oil demand growth appears to be developing in line with the expected forecast as the world economy has begun 2006 on a firm note. In the USA business spending is expected to grow strongly although consumer sentiment may be affected by a softer housing market. In Europe there is clear evidence of a revival in business confidence and growth in the first quarter should approach 2%. Japan is also benefiting from the broadening of the global expansion as substantial growth in employment and real incomes is boosting personal consumption. This momentum should ensure robust growth in the first half of the year although clear signs of rising inflation may encourage central banks to further tighten monetary policies. Additional risks to the expansion include the high levels of debt in the US economy and the possibility of dollar weakness as foreign investors revisit their commitment to the currency.

- Furthermore, growth in developing countries may also weaken as 2006 proceeds since a slower pace of growth in world trade and cooling economic activity in Asia may reduce revenues from commodity exports. The combination of high oil prices and the removal of fuel subsidies in some Asian countries have raised inflation rates and may impact consumer spending. On balance the growth rate of the world economy in 2006 is expected to be similar to that of 2005 and this is reflected in the high valuations of asset and commodity markets. Nevertheless critical financial imbalances continue to cast a shadow as the expansion enters its fourth year and disappointing growth or other shocks might lead to downward adjustments in markets if the economic cycle should seem set to turn down.

- Turning to supply, after a dismal year in 2005, non-OPEC supply (including processing gains) is expected to perform strongly through 2006. Focusing on quarter-on-quarter production in the first half, non-OPEC supply is expected to average 50.8 mb/d in first quarter 2006 and 51.3 mb/d in second quarter 2006. This implies a sequential growth of around 800,000 b/d from the fourth quarter of last year to the first quarter of 2006, and an additional growth of 500,000 b/d from the first to the second quarter. Add to this the growth in OPEC NGLs, and world oil supply excluding OPEC crude is expected to grow by 900,000 b/d in first quarter 2006 versus fourth quarter 2005, and 600,000 b/d in second quarter 2006 versus the previous quarter. The strong sequential rebound in supplies over the first half of the year coincides with the seasonal decline in world oil demand. With the current rate of OPEC crude production, this would result an excess of more than 2 mb/d of OPEC crude on the market in the second quarter. This trend, if continued, would leave hardly any room for an increase in OPEC crude oil output in 2006.

- The estimated required OPEC crude for the first and second quarters of 2006 is 30.1 mb/d and 27.7 mb/d, versus production over the fourth quarter of 2005 at 29.9 mb/d. Given that required OPEC crude reflects demand seasonality patterns and fluctuations in non-OPEC and OPEC NGLs, the estimated required OPEC crude is expected to fall sharply, in line with the past trend, from first to second quarter of this year. However, it is important to bear in mind that the demand for OPEC crude is derived from two large variables each with its own level of uncertainty, which compounds the range of overall uncertainty even further for the estimate for the required level of OPEC crude. For example, a look at the revisions made to second-quarter oil demand and non-OPEC supply reveals that the revisions in oil demand, compared to non-OPEC oil supply, are higher in magnitude and significantly underestimated since 2003. If the exceptionally high figure for 2004 is excluded, the combined impact of the uncertainty on required OPEC crude is around 1.1-1.4 mb/d (*see* ***Graph 2***). Thus, any forecast for required OPEC crude should factor in the possibility of a similar magnitude of uncertainty as well as take into account the probability that the actual figure may eventually prove to be higher.

- Evidence that the market continues to be amply supplied with crude can be seen in OECD commercial inventories which at the end of November stood at 2,678 mb, an increase of 47 mb above last year. Assuming OPEC production remains at current levels, and based on the expected trends in world oil demand and world oil supply excluding OPEC crude, OECD inventories are likely to build considerably and bring the days of cover above last year's levels. In the past, such a high level of inventories would have corresponded to a considerably lower level of prices. However, as noted in previous issues of the *MOMR*, there has been a disconnect between the traditional inverse relationship between stocks and prices since 2003, so that stocks and prices have begun to move in parallel. Moreover, in the past two years, this relationship has shifted to a higher level each year, a trend that has continued so far in 2006.

- Although the indicators for market fundamentals remain robust, uncertainties continue to pose a considerable challenge to the market outlook in the coming quarter. Nevertheless, OPEC production at much higher levels than the current demand for OPEC crude should provide a sufficient cushion to the upward risk from uncertainties, even in a situation of heightened concerns.

Beijing, People's Republic of China **22 December 2005**

Joint statement of the 1st China-OPEC Energy Dialogue

A formal Energy Dialogue has been established in Beijing today between the People's Republic of China and the Organization of the Petroleum Exporting Countries.

The delegations were headed by HE Minister Ma Kai, Chairman of the National Development and Reform Commission, People's Republic of China, and HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, the OPEC President and Secretary General, who is also Kuwait's Minister of Energy.

The purpose of the Energy Dialogue is to establish a balanced, pragmatic framework for cooperation, and to develop an ongoing exchange of views at all levels on energy issues of common interest, in particular security of supply and demand, in order to enhance market stability.

China's economic growth requires secure, steady supplies of energy, while OPEC's crude oil reserves and production are expected to continue growing, ensuring that there will be enough oil to meet rising world demand for decades to come. Some of OPEC's Member Countries also have substantial quantities of gas.

The Energy Dialogue covers broad issues and will build upon the existing oil and gas bilateral investment and trading relations between China and many OPEC Member Countries. In doing so, it will provide an insight into critical global energy issues as well as identify potential areas for cooperation.

Both parties believe that effective producer-consumer dialogue provides a "win-win" situation for all participants, as well as for the industry as a whole.

The framework for the China-OPEC Energy Dialogue was set-up at today's meeting, determining its objectives, scope, modalities and overall structure. It was stressed that there should be a pragmatic and sustained process of dialogue, that would maintain its momentum at all times, regardless of short-term developments in the market.

It was agreed that there would be meetings at Ministerial level at mutually convenient times, as well as technical exchanges. Both parties will hold a high-level technical roundtable in Vienna in the first half of 2006.

Moscow, The Russian Federation **26 December 2005**

OPEC-Russia meet on Energy Dialogue

Today a meeting took place in Moscow between delegations headed by HE Victor Khristenko, Minister of Industry and Energy of the Russian Federation, and HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, OPEC Conference President and Secretary General, who is also Minister of Energy of Kuwait.

Russia and OPEC are major oil producers. Considering the growing energy demand for the global economy, both Parties are consistently increasing their exports of hydrocarbons and developing new supply capacities. Meanwhile, both Parties have a mutual interest in the predictability and transparency of all factors affecting the oil market.

The OPEC activities aimed at oil market stabilization have been supported by Russia, thus having considerably increased their effectiveness. In addition, Russian and OPEC authorities have maintained numerous contacts at a high level, both informally and in the process of participation in conferences, workshops, and other events.

Next week, Russia commences its Presidency of the Group of Eight (G8). The Russian Federation has adopted the energy security theme as the main strategic initiative. Russia stages a wide dialogue today. The Parties believe that major energy resource producers and growing consumers have to be involved in it. The Dialogue between Russia and OPEC offers an opportunity to provide a balanced and constructive common perspective of producers on the energy theme on the Agenda of the G8 next year.

The framework for the Russia-OPEC Energy Dialogue was set up at today’s meeting, determining its objectives, scope, modalities, frequency, and overall structure. It was stressed that there should be a pragmatic and sustained process of dialogue.

It was agreed that there would be annual meetings at Ministerial level, as well as technical exchanges, seminars, joint studies and research. In addition to on-going oil market developments, other areas of interest to the two Parties included energy policies, upstream and downstream investment, data flow, and multilateral issues.

Highlights of the World Economy

Economic growth rates 2005-2006, %	World	G-7	USA	Japan	Euro-zone
2005	4.5	2.6	3.6	2.4	1.2
2006	4.3	2.5	3.2	2.0	1.6

Industrialised countries

United States of America

Fourth quarter growth subdued but 2006 should benefit from better labour market

Recent data suggests that fourth quarter consumer spending was in line with previous expectations. Retail sales were disappointing in November and the results for September and October were revised down. In December this pattern continued despite surging motor vehicle sales. Lower gasoline prices and higher sales incentives pushed sales to a 17.1 million annual rate – the highest since July but **overall retail sales rose by only 0.7% in December**. Consumer spending might even have recorded a slight decline in the fourth quarter. Employment data, in contrast, was encouraging. Although nonfarm payrolls rose by only 108,000 in December there were significant upwards revisions to the results for October and November. The unemployment rate for December fell to 4.9% and average hourly earnings rose, taking the six month growth rate to 3.4%. Businesses were less confident as 2005 drew to a close. The manufacturing Institute of Supply Management index fell in December following recovery in October and November. Net exports were weaker in October and November and it appears that **GDP growth in the fourth quarter was no higher than 2.5-2.8%**. This rather subdued end to the year kept downward pressure on inflation. The core producer price index (which excludes energy and food prices) rose by only 0.1% as a result of substantial discounts offered by motor vehicle manufacturers.

The minutes of the December meeting of the Federal Open Market Committee suggested that inflation pressures has moderated somewhat. Although core inflation might rise modestly in the months ahead as earlier energy price increases impact the economy, the upward movement would likely prove transitory. If lower growth were to persist into the first quarter, the Federal Reserve could end the process of raising interest rates rather sooner than expected. This is the dilemma facing the new Chairman of the Federal Reserve. On balance the Committee may err on the side of caution – continuing to increase interest rates to 5%. The major factors in the decision will be the extent of any recovery in consumer spending in the first quarter, whether the labour market continues to improve and the condition of the housing market.

The performance of the US housing market is important for the economy. New home sales drive construction activity and house prices affect the ability of consumers to finance personal spending. Production of homes has been running ahead of demand and the stock of unsold houses has risen gradually in 2005. Financing conditions and affordability have deteriorated significantly since 2004 and more buyers have chosen to finance purchases with interest-only mortgages. Mortgage applications have been falling although this has not yet been reflected in home sales data. Based on past experience, a peak in residential investment is likely around mid-year. The sharpness of the downturn will depend to some extent on changes in long term bond yields which have remained very low despite the substantial hikes in short term interest rates.

This year may see an adjustment in US external imbalances depending on the tempo of global growth. The trade deficit in November showed an improvement to $64.2 bn and imports of consumer goods showed a significant decline. In the first week of the year, the US dollar fell 2% in trade-weighted terms and if this trend continues a more competitive dollar should help to improve the trade performance by the middle of the year. The current strength of Asia and signs of recovery in Europe provide hope that this 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. Certainly domestic demand has improved markedly in Japan and Europe in recent quarters. Korean consumption growth has also been stronger in the second half of 2005 whilst Chinese exports have decelerated since the summer – reflecting lower demand from the USA. **2006 may be a transition year in which the engine of global demand (and global liquidity) is no longer the USA.**

Japan

Strong start to 2006 in all sectors of Japanese economy

Following a pause in growth in the third quarter it appears that the Japanese economy accelerated in the final months of 2005. Industrial production rose by 1.4% month-on-month in November, recording a fourth successive advance. Corporate growth plans were revised up for December, mainly as a result of a strong performance by IT and related industries. **The December all-industry *Tankan* report of the Bank of Japan confirmed that the recovery has broadened to include small and medium manufacturers.** Despite the improvement in domestic demand, global economic growth remains important. In November exports attained double-digit growth thanks to rising exports to China. The highest rates of growth were recorded in exports of electrical machinery and other capital goods. Capital investment is expanding strongly and machinery orders continued to rise. Personal consumption increased substantially in October and this level was probably at least maintained until the end of the year. Housing starts also improved in the second half of the year. **Overall GDP growth in the final quarter may have risen by 1.5% taking the growth rate for 2005 as a whole to 2.4-2.5%.**

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. Growth in fixed capital expenditure is forecast to be the most dynamic component of domestic demand in 2006, growing by about 8-9%. **Total domestic demand in 2006 is forecast to grow by about 2.5% but slowing growth in exports and rising imports imply that GDP may expand by only 2.0%.** 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 FY2006 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 the first half of the year, 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 rose by 15% against the yen in 2005. So far in 2006 the yen has strengthened slightly to ¥114 and the consensus expects the Japanese yen to rise further towards ¥110 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

Surveys optimistic for 2006, although domestic demand yet to show broad-based improvement

It seems unlikely that the growth of the Euro-zone in the final quarter of 2005 matched the excellent performance of the third quarter. October was disappointing and the size of the recovery in November and December would be unlikely to boost the fourth quarter growth rate to much more than 1.5%. **Nevertheless the survey evidence is definitely encouraging.** Most business surveys published at the end of 2005 were optimistic. The German Ifo business climate index reached a 5 year high in December, even the Italian ISAE business climate index recorded the highest value for 3 years. The Euro zone composite Purchasing Managers' Index reflected this confidence, implying further gains in industrial production in 2006. Both the manufacturing and service sector indices increased and the composite indicator rose to the highest level since November 2000. Most of this improvement follows stronger external demand. Italy benefited notably from strong global growth in the second half of 2005 and the weaker trend of the euro.

This good news should carry over into this year as the trend of orders is also rising. The surveys suggest a broad-based recovery across the main Euro-zone economies. GDP growth is expected to stabilize around 0.4-0.5% per quarter**. A higher, sustained rate of growth would require consumer confidence to be translated into purchases: the latest retail data shows a mismatch between the improving survey evidence and actual sales.** In November retail sales fell below October levels in Belgium and Germany and were only 0.5% higher in France (after two poor months). In comparison to 2004, Euro-zone retail sales rose by 0.3% but most of the gains were concentrated in the smaller economies. A clear positive is that 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 for December showed a fall to 2.2%. **The core rate of inflation is much lower, however, at about 1.5%** and it seems unlikely that this rate will increase much in 2006. The weakness of the euro last 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 December increase in Euro-zone interest rates to 2¼% is not expected to worsen growth prospects 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 this 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. 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 1.6%.**

Former Soviet Union

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

The GDP data for the third quarter illustrated the gradual change in the composition of Russian GDP growth. There has been a clear shift towards consumption and away from net exports, investment and the extractive sector. The non-oil sector has been growing slowly since 2004 as the unchecked rise in the real value of the rouble has had a severe effect on the competitiveness of Russian light industry. **In the third quarter total GDP growth accelerated to 7%, year-on-year, which raised the growth rate for the first three quarters of 2005 to 6.2%.** The improvement depended on continued strength in retail and wholesale trade. In contrast economic activity generated by the utility sector declined below 2004 levels whilst the growth in the extractive industries was only 1%. Manufacturing industries performed better in the third quarter, growing by 4.9% following virtual stagnation in the first half. This slow rate of growth remains well below the 8% which the manufacturing sector achieved in 2004.

The outlook for inflation has been temporarily improved by limits on gasoline prices – also the warm weather which allowed the annual rate of inflation to fall to 11.2% in November. **This year the main concern is the relationship between fiscal policy and the continued high level of oil-related inflows to the balance of payments.** In the first 10 months of 2005 the cumulative trade surplus was $103 billion. The budget surplus and the oil stabilisation fund contribute to the sterilization efforts of the central bank 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

Political uncertainty complicates Polish budget discussions

The Polish economy performed better than expected in the third quarter as GDP rose by 3.7%. Particularly welcome was the 5.7% increase in capital spending. Political uncertainty reduced international confidence in the Polish economy following the recent elections – in particular market commentators were concerned that the minority government will loosen fiscal policy. 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 above €/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 data for the first half of the year was revised up, taking growth for the first nine months of the year to 4.4%.** 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. 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 later in the year. The Czech trade balance continues to improve and the state budget also showed a healthy surplus in the first eleven months of 2005.

Developing Countries

Major revision to China's economy, India's record fiscal deficit a threat to growth, and Argentina cut loose from the IMF

The Chinese National Bureau of Statistics revised the GDP growth estimate for China for the last decade up to almost 17% in 2004. Nearly $285 billion has been uncovered in previously unreported GDP figures. While this finding may fuel the debate about the overheating of the Chinese economy, it is not expected to fundamentally impact Chinese economic policy. The main addition that this finding might help to explain is the growth of the Chinese services industry. Old methods of calculating Chinese GDP were derived from Centrally Planned Economy patterns which place more emphasis on industrial output, while the recalculation of GDP with more emphasis on services has added 93% to the tertiary industry category of China's economy. As a result, our forecast of China's GDP growth in 2005 has been raised from 9% to 9.8% and for 2006 from 8% to 8.5%.

India's fiscal deficit is becoming a real threat to its growing economy. Government procedures in 2005 were successful to provide a shield against high energy prices. Indian state-controlled oil companies which held the burden of this policy might not be able to continue if oil prices stay high. Political opposition to reform policies to reduce subsidies, broadening tax base and privatization is exaggerating the problem. Vietnam is expecting that the GDP growth rate for last year is over 8%. The country is likely to join the WTO in 2006 and this will test its textile industry against the Chinese competition when quota and restrictions on exports to the USA drop. Brazil and Argentina have moved to settle their IMF debts. Argentina cancelled its entire $9.5 billion debt to the IMF on 3 January 2006, effectively cutting free from lender after years of clashes. Argentina is estimating that it will gain $842 million in interest payment while Brazil's saving will amount to $900 million.

OPEC Member Countries

Fiscal markets are the target of reforms in some OPEC Member Countries

In its most recent efforts to reform the economy, the Nigerian government has introduced new measures to improve the banking sector by the start of 2006. The main components of the reform are the increase of capital requirements, the reform of the pension system and the development of a long-term capital market for government debt instruments. As part of its economic reforms, Libya is thinking to open its market to foreign banks. The reforms in Libya are aimed at attracting foreign investment as well as rejuvenating the national economy and integrating it into the global economy. With the exception of Indonesia, most OPEC Member Countries have set their budget on a conservative estimation of the oil price in 2006. Indonesia set its budget on the prediction that the oil price in 2006 will be $57/b, while Qatar's estimate is $34/b, Nigeria's $33/b, Saudi Arabia's $30/b, Libya's $27/b, Venezuela's $23/b and Algeria's $19/b. As a result, most Member Countries are expected to realize a substantial budget surplus in 2006.

Oil prices, the US dollar and inflation

Foreign exchange markets mull change in US interest rate policy

The second week of December saw a clear change in sentiment concerning the US dollar. Although the US economy continued to perform well, survey evidence suggested that recovery in the Euro-zone was gathering strength. The combination of the 0.25% increase in the euro interest rate on December 1 and signs of a change in Federal Reserve interest rate policy led to slight dollar weakness which has gained momentum in 2006. In December the dollar fell by 0.6% against the euro, 0.6% against the British pound and 0.8% against the Swiss franc. The dollar rose by 0.1% against the yen.

In December the OPEC Reference Basket rose to $52.65/b from $51.29/b in November. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 1.9% to $38.11/b from $37.39/b. The dollar fell by 0.4% as measured by the import-weighted modified Geneva I +US dollar basket*.

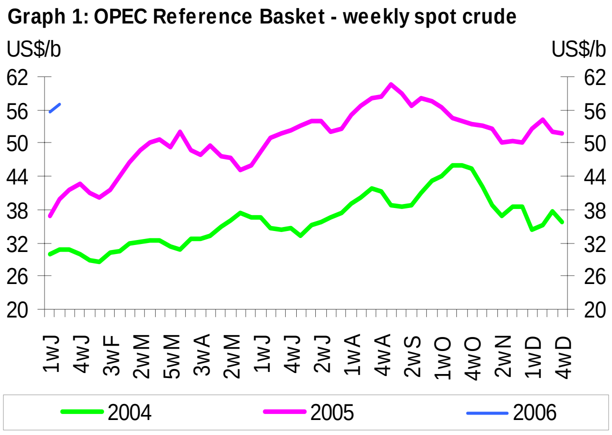
** The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movements

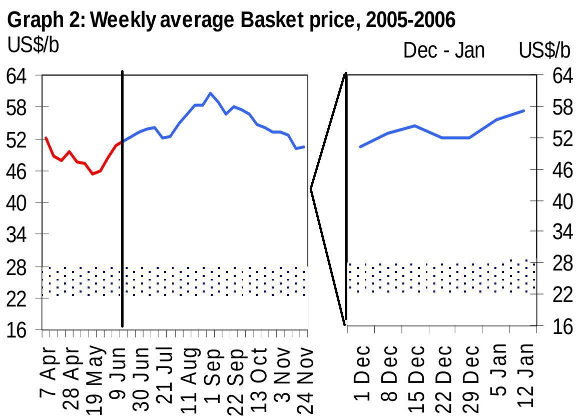
A cold snap in the Northern Hemisphere amid a draw on natural gas stocks pushed crude prices higher

OPEC Reference Basket

The OPEC Reference Basket slipped a marginal 33¢ to $50.13/b in the first week of December on high freight rates which dampened regional markets and the forecast for warmer weather in the Northern Hemisphere. However, this sentiment reversed in the second week to surge a healthy $2.52 or over 5% higher to settle at $52.65/b. Concern over heating fuel supply amid the arrival of winter in the Northern Hemisphere revived market bullishness. Furthermore, poor arbitrage opportunities prevented the flow of western crude eastward adding pressure on the Asian market to keep the upward momentum alive. Nevertheless, high freight rates dampened demand for regional crude in the western markets, which prevented a further price rise. A hefty drop in the US natural gas stocks the week before amid persistent frigid weather sustained market pressure. The Basket continued to improve in the third week, rising well above $50/b and closing at $54.19/b for a gain of $1.54/b, or nearly 3% in a bullish market. Market sentiment was supported by a persistent cold weather along with an upward revision of the IEA's forecast for global oil demand this year. However, a hefty liquidation in the futures markets on profit-taking amid a widening sweet/sour spread in the East eased some of the pressure.



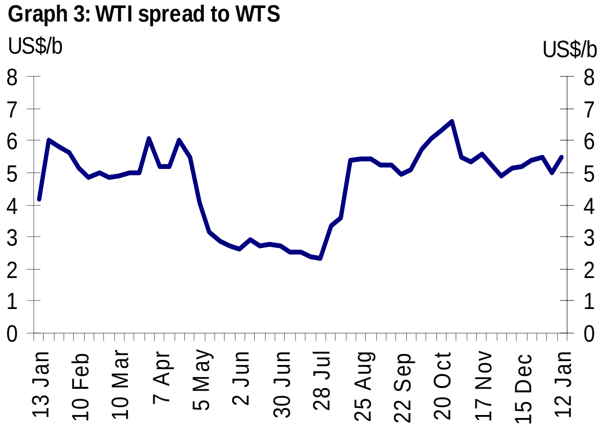
In the fourth week, the Basket saw a hefty drop of $2.26 or over 4% to settle at $51.93/b. Bearish petroleum data in the USA amid a forecast for warmer weather into the New Year exerted pressure on the petroleum market. Nevertheless, the final days of the year saw a rebound in prices on supply disruption from Nigeria amid the prospect that OPEC would reduce production. The year-end bullish sentiment was supported by stock-draws in Japan as well as the closure of several nuclear plants due to heavy snow that supported demand for sweet grade for thermal plants. Yet the Basket's weekly average edged a marginal 10¢ lower to settle at $51.83/b.



In monthly terms, the Basket saw overall upward movement in December due to cold weather in the Northern Hemisphere amid closed arbitrage for Western crude to flow eastward, which supported the bullishness in the Asian markets. The monthly average of OPEC's Reference Basket was $52.65/b for a gain of $1.36 or 2.6%. At $50.64/b, the yearly average of the Basket was more than 40% higher than that of 2004. Moreover, the New Year emerged on a bullish note amid fear of supply shortfalls on disruption to oil output from Nigeria amid the perception of a deterioration of the situation in the Middle East, yet the expectation of warmer weather in the Northern Hemisphere prevented the market from any further rise. In the first half of January, the Basket saw further gains averaging $56.82/b.

The forecast for cold weather supported the WTI price to strengthen with the WTI/WTS spread remaining unchanged

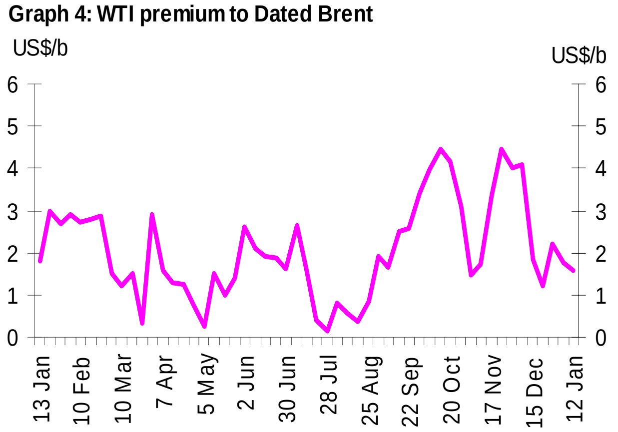
US market



The US cash crude market continued to slip in the first week of December amid a healthy build in crude oil stocks and the tendency of refiners to draw down stocks to limit year-end taxation. WTI's weekly average slipped a marginal 30¢ or slightly over 0.5% to settle at $57.55/b, with the WTS/WTS spread narrowing 24¢ to $5.01/b. Nevertheless, an early winter in the Northern Hemisphere boosted demand for natural gas, pushing the petroleum complex higher. WTI closed the second week nearly 4% higher following a surge of $2.27 to settle at $59.82/b. Hence the WTI/WTS spread widened a marginal 13¢ to $5.14/b. The cold weather sentiment continued in the third week despite an OPEC decision to keep the production ceiling unchanged. However, the bullishness was somewhat offset by the futures market that saw a hefty liquidation on the expectation for warmer weather into the New Year. WTI cash crude's weekly average saw a boost of 79¢ or 1.3% to settle at $60.61/b, with the WTI/WTS spread edging up 3¢ to $5.17/b. In the second half of the month, prices drifted lower amid a somewhat slow market at year-end. The forecast for mild winter with the holiday ahead also eased demand for winter fuels. Continued build in the US commercial crude oil stocks supported calmness in the marketplace. Hence, WTI closed the fourth week down 4.4% for a loss of $2.68 at $57.93/b. The WTI/WTS spread widened by 21¢ to $5.38/b amid healthy supply of sour foreign crudes. In the final week in December, the sentiment changed and prices hovered higher on the disruption of West African crude supply amid falls in gasoline and distillate stocks. WTI closed the final week with an average of $59.05/b on gains of $1.12 or nearly 2%, while the WTI/WTS spread widened by a marginal 9¢ to $5.47/b. WTI's monthly average was 90¢ or 1.54% higher to close at $59.37/b with the monthly average for the WTI/WTS spread unchanged at $5.30/b. The yearly average was more than $15 or over 36% higher at $56.51/b. The WTI/WTS spread averaged $4.62/b for the year compared to $3.97/b in 2004.

Healthier refining margins on rising demand revived market bullishness

European market



December saw a weaker start due to ample supply as buyers adopted a wait-and-see stance on high freight rates and weak arbitrage. In the first week, Brent's average slipped a marginal 11¢ to $53.28/b. The bearish sentiment for North Sea crude differentials furthered in the second week. However, healthier refining margins for light sweet grades gave the grade a lift amid clearing December barrels. Brent closed the second week at $55.74/b on average for a gain of $2.46 or nearly 5%. The sentiment strengthened in the third week on strong Urals levels amid healthy demand for January barrels and less availability. Brent saw a surge of $3.04 or 5% to average $58.78/b for the week. However, in the fourth week, the Brent differential weakened on softening Urals crude amid refiners recovering most of their January allotments. The forecast for milder temperatures in the USA, which prevented the flow of some transatlantic barrels, added to the price weaknesses. Brent's weekly average closed at $56.78/b for a drop of $2.08 or 3.5%. However, a recent attack on the oil infrastructure in Nigeria boosted North Sea grades. However, lack of liquidity in the marketplace by year-end offset any further rise. In the final week, Brent edged up 14¢ to settle at $56.84/b. Dated Brent averaged $57.02/b in December for a gain of almost 3% from the previous month. At $54.44/b, the average for 2005 was more than $16 or 42% higher than in the previous year.

Tight Urals availability kept the Brent/Urals spread at the narrowest monthly level for the year

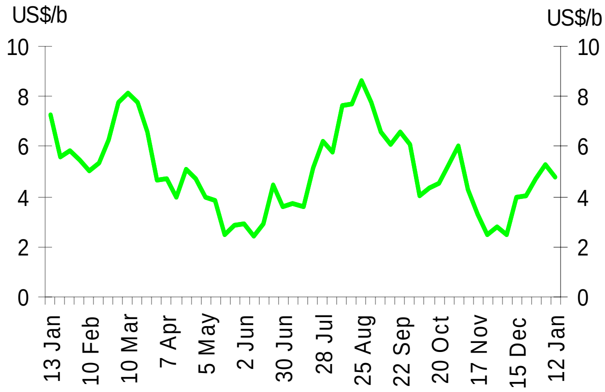
Urals emerged in December on a strong note amid signs of tight availability in the north, although strong differentials kept margins at a weaker level. Hence, the Brent/Urals spread averaged $2.01/b in the first week. However, strong demand in the north helped differentials to strengthen with the Brent/Urals average in the second week at $1.29/b. In the third week, the Brent/Urals spread widened by 50¢ to $1.79/b due to weakening refining margins. In the fourth week, with refiners looking for cheaper sour crude alternatives and Urals cargoes being resold in an attempt to boost margins, the Brent/Urals spread widened further to $2.88/b. Negative margins and slow year-end activities made supplies of prompt cargoes abundant amid delays of the Black Sea cargoes, thus providing no incentive for refiners to buy extra barrels. Hence, at $3.59/b the final week saw a further widening of the Brent/Urals spread below Dated Brent. Nonetheless, the December monthly average of the Brent/Urals spread narrowed 64¢ go $2.39/b.

Far East market

Middle Eastern crude was underpinned by tight supply of Murban for January loading amid a widening Brent/Dubai spread

Mideast crude enjoyed healthy sentiment on rising North Asian demand for winter fuels amid high prices for competing sweet grades in Asia. February Oman traded at a 9¢ premium to MOG while Abu Dhabi fetched a 25¢ discount at a similar level to that seen in January. Brent/Dubai's first weekly average spread edged up 30¢ to $2.78/b. Although sentiment firmed in the early part of the second week, lower major benchmark OSPs in November amid higher heavy grade differentials and lower ones for lighter grades for other Mideast crudes for January loading pressured the market to drift lower. February Oman was heard at a 3¢ premium to MOG amid a lack of Asian refiner interest. The market was also concerned about the shutdown of ADNOC's refinery at Ruwais, which was seen to result in more Murban offers on the market. Brent/Dubai's weekly average spread narrowed by 29¢ to $2.49/b. The bullish sentiment revived in the third week on a cold snap in Japan that pushed demand higher for kerosene-rich crude with February Murban assessed at a 20-30¢/b premium to ADNOC's OSP amid news of 10% lower crude exports in January on unplanned maintenance to a natural gas plant. Yet, Oman was under pressure following China's significant purchase of West African crude while reselling sour Mideast grades. February Oman was assessed from a 1¢/b discount to parity. The Brent/Dubai spread widened to $3.96/b. The sentiment spilled over into the third week amid further selling by China of Mideast sour grades due to the poor performance of the fuel oil crack spread with emerging demand for lighter grades for West of Suez destination. February Oman was trading at a 2-15¢/b discount to MOG while Abu Dhabi Murban firmed at a 30¢/b premium. The Brent/Dubai spread widened further to $4.02/b in the fourth week. The final week saw further firmness on a buying spree from Thailand amid February Oman trading at a 2-5¢/b discount to MOG. By the end of the week, activities were nearly idle due to the year-end holidays and with most February loadings placed with the market turning to March loading programmes. February Murban was heard traded at a premium of around 20-23¢/b to the OSP amid notification of full volume in February. The Brent/Dubai spread widened a further 71¢ to $4.73/b in the final week, with the December monthly average at $3.80/b, up 3¢, and the year-on-year spread average at $5.08 for a gain of 50¢/b over 2004.

Graph 5: Dated Brent spread to Dubai



Asian market

Lower export from Indonesia amid high freight rates for the inflow of West African crude continued to support Asian market sentiment

The Asian market was firm on high freight rates for West African crude flowing eastward. Hence, Malaysia's Petronas sold a Luban cargo for January loading at $1.90/b above the Tapis APPI amid receding Japanese kerosene inventories. The bullishness extended into the second week on limited exports from Indonesia amid strong Japanese utility demand. Hence, Indonesia's January Minas and Duri were assessed at premiums of $1.50 and $1.80/b to the ICP respectively. The regional Asian market continued to firm despite China's and India's significant purchases of West African crude as rising demand for naphtha and strong Japanese utility demand due to colder weather supported the market bullishness. Hence, the Tapis premium remained at around $2/b over APPI quote. The market strengthened further into the third week amid emerging trade for February barrels with Tapis fetching at $3/b premium over the APPI. The sentiment continued to underpin the market with tight West African crude amid the recent attack on the oil infrastructure that sent fear to the marketplace amid rising demand for light-end products amid waning stock levels of winter fuel supply in Japan. Thus, the Tapis/Brent spread widened to a record level in the fourth week to average $5.66/b, a level last seen in April. The bulls dominated until month-end on strong demand from Indonesia amid delayed repairs and reduced production from two major Australian oil fields with Japan shutting in several nuclear reactors due to heavy snow, forcing it to crank up oil-fired units at a time when winter spurred higher demand for middle distillates in the face of continuously falling stocks in Japan. Hence, Malaysia's February Luban was on offer at a $3/b premium over Tapis APPI. The Tapis/Brent spread was $4.96/b in December, the widest level since April, while for the year the spread averaged $3.47/b for a gain of 57¢ over the previous year to mark the widest spread on record.

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

			Year-to-date average	
	Nov 05	**Dec 05**	**2004**	**2005**
OPEC Reference Basket	**51.29**	**52.65**	**36.05**	**50.64**
Arab Light[1]	51.55	52.84	34.53	50.21
Basrah Light	48.07	49.15	34.27	48.33
BCF-17	41.33	42.34	na	40.53
Bonny Light[1]	57.18	57.91	38.27	55.67
Es Sider	54.92	57.14	36.58	52.62
Iran Heavy	49.28	50.88	33.06	47.99
Kuwait Export	49.19	50.83	34.08	48.66
Marine	53.17	54.72	34.04	50.49
Minas[1]	53.87	54.43	36.85	54.01
Murban	56.13	57.47	36.65	54.09
Saharan Blend[1]	56.15	57.65	38.35	54.64
Other Crudes				
Dubai[1]	51.63	53.22	33.66	49.36
Isthmus[1]	51.57	52.77	37.01	50.35
T.J. Light[1]	48.77	49.23	33.66	46.37
Brent	55.41	57.02	38.23	54.44
W Texas Intermediate	58.42	59.36	41.44	56.51
Differentials				
WTI/Brent	3.01	2.34	3.20	2.08
Brent/Dubai	3.78	3.80	4.58	5.08

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.

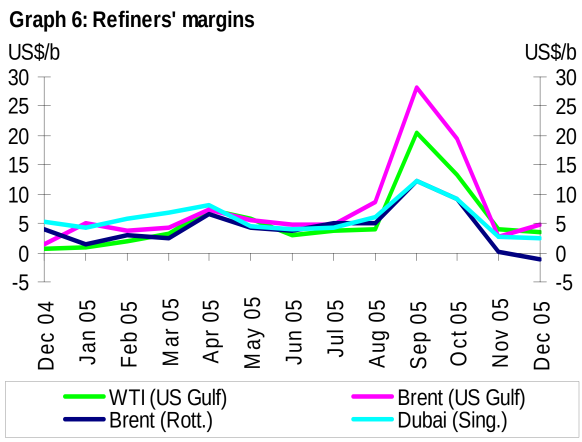
na not available.

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

Product Markets and Refinery Operations

Refinery margins rebounded in December, regaining part of the previous month's losses

Crude oil prices drifted lower on forecasts of mild weather in January in the Northern Hemisphere, while product prices retained more of their value due mainly to strong distillate prices on the back of healthy demand from main European consumers such as Germany as well as opened arbitrage to the US market particularly for Russian gasoil (*see **Graph 6***). Strong demand for gasoline also helped prices as the US gasoline crack almost doubled with a gain of 45% since the week ended 22 December. All these factors helped refining margins to rebound from the previous month's massive losses in the USA. Likewise, refinery margins in Europe and Asia benefited from higher distillate prices, especially for diesel and jet-kerosene which kept market sentiment bullish.

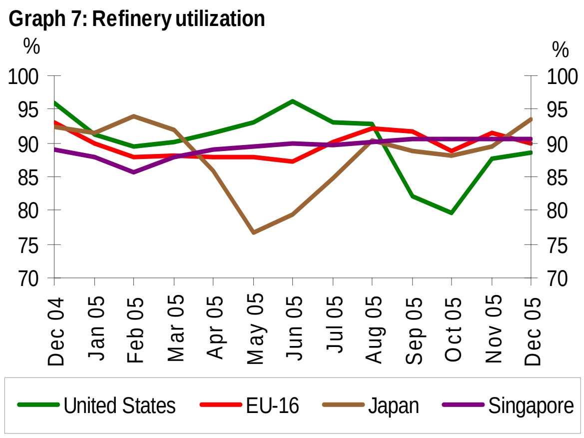


The refinery margins for WTI benchmark crude in the US Gulf Coast rose by 65% or $5.25/b to stand at $8.13/b in December compared with the previous month. In North-West Europe, Brent benchmark crude margins also increased but to a lesser degree, rising $3.46/b or 60% to reach $5.72/b. Asia saw less of a rise, gaining around 50% or $3.08/b to stand at $6.18/b.

Improving refinery margins encouraged refiners, especially in the USA and Japan, to increase throughput, while in Europe-16, a drop in margins except for Rotterdam forced refiners to cut throughput slightly.

Utilization rate rose in USA and Japan in December but moved slightly down in Eur-16 in December

Japan saw the largest increase in utilization rate in December, rising by 4.10% to 93.5% compared with the previous month (*see **Graph 7***). The higher utilization rate came on the back not only of improving refinery margins but also supported by higher demand particularly for heating oil due to the cold weather especially in North Asia. The US refining utilization rate followed the same pattern, rising 1% to stand at 88.6% in December, as refiners benefited from improved refinery margins. The Eur-16 utilization rate behaved contrary to the upward trend in the USA and Japan, declining by 1.7% to stand at 90% due to relatively stagnant margins especially in the Mediterranean area.



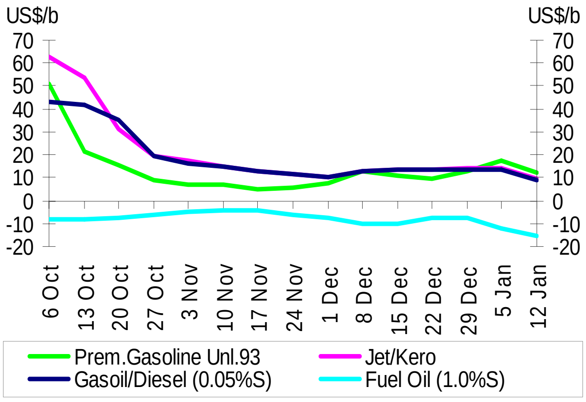
US product prices were mixed in December

US market

US product prices were mixed across the country driven by conflicting trends towards the end of the year. The arrival of cold weather in the northern USA amid tight gasoline supplies and lower refinery production on the Atlantic Coast pushed prices up in the first half of December. However, the tendency to maintain low inventories at the end of the year for tax purposes flooded the market with excess barrels in the latter part of the month which weighed on prices, especially gasoline but also distillates. Thus, higher demand was undercut by increasing supply as well as higher distillate output at the expense of gasoline due to recovering refinery margins.

As a result, the gasoil crack spread against the WTI benchmark in the US Gulf Coast widened by 24% or $3.28/b to reach $13.44/b on 5 January compared with the 1 December level (*see* ***Graph 8***). This was the highest level in five weeks and just one cent below the week ending 15 December where the crack spread touched $13.45/b.

Graph 8: US Gulf crack spread vs. WTI



Volatile trading on the back of conflicting trends in December affected gasoline crack spreads which narrowed to the lowest level of $9.80/b on 22 December after a short recovery in the first two weeks of the month. However, the gasoline crack spread rebounded sharply in early January, standing at $17.76/b on 5 January on the back of supply concerns as the planning of refinery maintenance and the replacement of MTBE by ethanol in gasoline blending lent considerable gains to gasoline prices at the start of 2006.

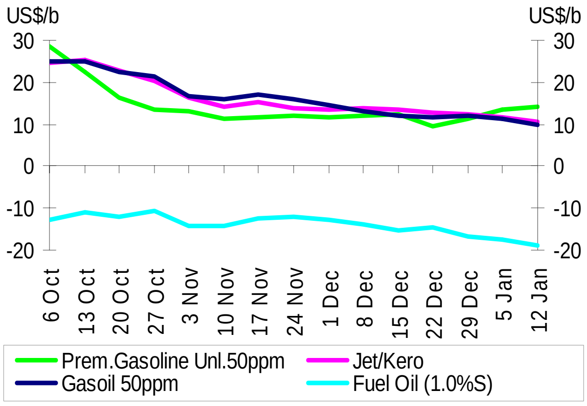
The US low-sulphur fuel oil market benefited from cold weather, especially in the northeast, which forced utilities to switch to fuel oil as natural gas prices reached all-time highs in the middle of December. Falling temperatures in late December and early January weighed on low-sulphur prices in the US northeast as well as the US Gulf Coast.

European market

Hefty end-year selling weighed on European product prices in December

Stronger crude oil futures and firmer distillate demand lent support to all products in the European markets, particularly in the first half of the month. Open arbitrage to the US market also contributed to the trend strength, while damages especially to a transport fuel storage facility in the UK caused no serious setback as their effect on product prices was limited. In the second half of December, and due to end-year tax assessments, most product prices reversed the rally, giving up some of their early month gains on the back of lower crude oil futures. 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



The weak trade, especially before the Christmas holidays, weighed on the jet/kerosene crack spread against Brent crude oil which continued to head lower in the last four weeks of December, declining from $13.74/b on 8 December to $11.77/b in the week ending 5 January (*see* ***Graph 9***). The diesel market started to revive somewhat on the back of improved demand especially from the UK, France and Germany, as well as lack of imports especially in the Mediterranean, but the gasoil crack spread against Brent crude oil slid to $11.47/b on 5 January, or $1.70/b below the 8 December level.

The European gasoline market benefited massively from stronger US demand where higher US gasoline futures encouraged arbitrage over the Atlantic, especially to the East Coast in early January. This led to a tremendous gain in the gasoline crack spread against the Brent crude which moved up to $13.45/b on 5 January from $12.16/b on 8 December after reaching its lowest level in months on 22 December when it touched bottom at $9/b.

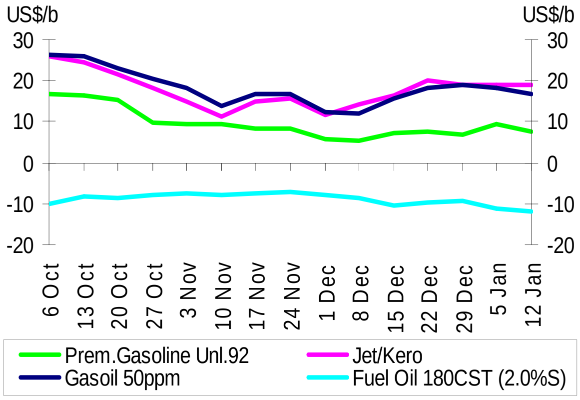
Despite some improvement in cracked fuel oil prices due to higher utility demand on the back of colder temperatures, and even despite the falling futures prices, the European low-sulphur fuel oil crack spread against Brent crude continued to slide, standing at $17.49/b on 5 January from $14.02/b on 8 December.

Asian market

Seasonal factors were the major movers in Asian product markets during December

Colder-than-normal weather in China, Japan and South Korea dramatically influenced prices for kerosene, as well as low-sulphur residues and gasoil in the region. Anticipation of gasoil stock-build for the upcoming Chinese New Year at the end of January also helped price sentiment to improve over the month. Higher demand in South Korea because of weather factors had the double effect of increasing local demand and reducing the available supply of kerosene to Japan.

Graph 10: Singapore crack spreads vs. Dubai



Kerosene prices on average jumped by $5.60/b and gasoil increased by 2.60/b over the November level in the Singapore cash market. Gasoline continued to take the seasonal backseat as prices showed no sign of recovery from the lows prevailing since October. Although up slightly during the month, regular gasoline prices were some $18.50/b or 24% below the peaks reached in September (*see **Graph 10***).

The Chinese government's policy in its internal product pricing had been to discourage refiners from fully meeting domestic demand for products over the past several months. Keeping prices within the 8% range of centrally-determined prices has reduced refining margins to such an extent that most refiners preferred to export rather than supply the internal market. At the end of December, the government announced that it would compensate some of the companies for losses incurred by not raising prices.

Refinery margins for key regional crudes improved as product prices, especially distillates, gained $4.1/b on average over November. However, this was counter-balanced by high gains in spot crude prices, which reacted to such factors as data showing lower crude stock levels in Japan. In the end, Dubai refining margins under the cracking mode gained $1.37/b while Arab Heavy rose $0.97/b over the November averages.

Reduced crack spreads between distillates and regional crudes on the one hand and more favourable spreads for the crudes outside regions on the other encouraged continued rise in the import of West African grades to this market, reaching as high as 1.25 mb/d in December.

Japanese activity to test the market for kerosene availability for January deliveries, given the 25% drop in stock levels towards the end of December, improved market sentiment for a higher price trend in January.

Table 2: Refined product prices, US$/b

		Oct 05	Nov 05	Dec 05	Change Dec/Nov
US Gulf (Cargoes):					
Naphtha		67.53	59.84	64.51	4.67
Premium gasoline	*(unleaded 93)*	83.30	64.38	71.30	6.92
Regular gasoline	*(unleaded 87)*	76.01	61.02	66.03	5.01
Jet/Kerosene		100.45	71.23	72.93	1.70
Gasoil	*(0.05% S)*	95.20	71.14	72.57	1.43
Fuel oil	*(1.0% S)*	55.02	52.99	50.51	-2.48
Fuel oil	*(3.0% S)*	42.64	38.42	41.12	2.70
Rotterdam (Barges FoB):					
Naphtha		71.56	62.65	65.20	2.55
Premium gasoline	*(unleaded 50 ppm)*	77.64	67.03	68.24	1.21
Premium gasoline	*(unleaded 95)*	69.44	60.02	61.04	1.02
Jet/Kerosene		81.27	69.50	70.00	0.50
Gasoil/Diesel	*(50 ppm)*	81.54	71.05	69.25	-1.80
Fuel oil	*(1.0% S)*	46.94	42.01	41.75	-0.26
Fuel oil	*(3.5% S)*	39.98	37.50	37.54	0.04
Mediterranean (Cargoes):					
Naphtha		58.43	51.20	53.71	2.51
Premium gasoline	*(50 ppm)*	75.86	64.69	67.95	3.26
Jet/Kerosene		78.81	67.90	67.90	68.15
Gasoil/Diesel	*(50 ppm)*	81.66	69.80	69.80	70.64
Fuel oil	*(1.0% S)*	45.39	41.91	41.91	43.53
Fuel oil	*(3.5% S)*	39.15	35.57	35.57	35.02
Singapore (Cargoes):					
Naphtha		57.80	53.19	53.77	0.58
Premium gasoline	*(unleaded 95)*	69.10	60.87	61.01	0.14
Regular gasoline	*(unleaded 92)*	67.91	59.48	59.89	0.41
Jet/Kerosene		75.71	64.78	70.37	5.59
Gasoil/Diesel	*(50 ppm)*	77.28	66.50	69.10	2.60
Fuel oil	*(180 cst 2.0% S)*	45.42	43.80	43.68	-0.12
Fuel oil	*(380 cst 3.5% S)*	45.78	42.91	42.48	-0.43

Table 3: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Oct 05	Nov 05	Dec 05	Dec/Nov	Oct 05	Nov 05	Dec 05	Dec/Nov
USA	13.35 R	14.70	14.86	0.16	79.6 R	87.6	88.6	1.00
France	1.55 R	1.83	1.79	-0.04	79.6 R	93.5	91.7	-1.80
Germany	2.31	2.34 R	2.33	-0.01	99.3	102.6 R	100.3	-2.30
Italy	1.94	1.95	1.92	-0.03	83.7	83.9	82.7	-1.20
UK	1.65	1.61	1.60	-0.01	90.3	88.0	87.7	-0.30
Eur-16	12.34 R	12.69 R	12.50	-0.19	89.8 R	91.7 R	90.0	-1.70
Japan	4.15	4.21	4.40	0.19	88.2	89.4	93.5	4.10

R — *Revised since last issue.*

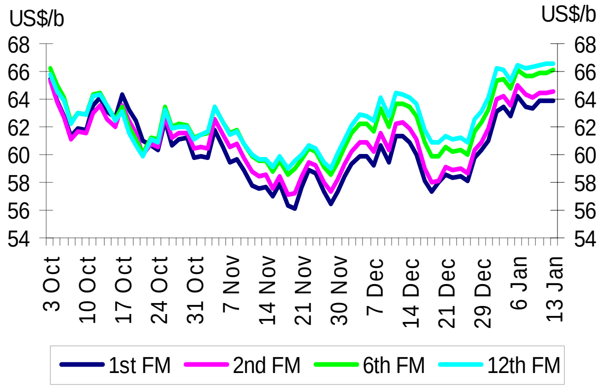
Sources — *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Non-commercials reduced net short positions on the forecast for cold weather and a drop in natural gas inventories

The futures market reversed the downward price movement into December on concern over cold weather and falling natural gas storage, although profit-taking capped any further rise.

Graph 11: Nymex WTI futures contracts, 2005-2006



FM = future month

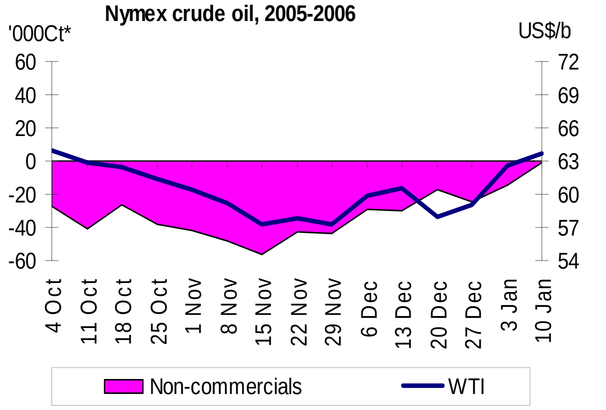
In the first week, the CFTC reported that net short positions were reduced by 14,000 to 29,500 lots with open interest rising 24,400 to 861,400. The Nymex WTI front-month closed the first weekly period at $59.94/b for a gain of $3.44 or more than 6% on concern over approaching cold weather in the US north-east.

The second week saw mixed movement, as concern over cold weather amid persistent depletion of natural gas stocks was poised by hefty fund sell-offs for profit-taking. Hence, net short positions were up by a marginal 400 contracts to close at nearly 30,000. The Nymex WTI prompt-month closed the second weekly period at $61.37/b, up $1.43 or 2.3%. Open interest increased by nearly 8,000 lots to 869,200.

In the third week the Nymex WTI front-month reversed the previous movement, declining a hefty $3.39 or 5.5% to settle at $57.98/b. The bearishness was triggered by the milder weather forecast for the first quarter of 2006 amid an unexpected rise in the US weekly crude oil stocks. Nonetheless, net short positions were reduced by a hefty 12,200 lots to nearly 17,000 contracts with open interest down a significant 56,000 lots to close at 813,000.

The final week of the year saw mixed movement. While concern over supply disruptions from Nigeria sent a bullish signal, healthier supply of natural gas and a milder weather outlook kept balance on the futures market. Nymex WTI closed the last week at $58.16/b, for an insignificant rise of 7¢. The CFTC revealed that net short positions gained 7,200 lots to 24,200, while open interest increased by a healthy 5,600 to close at nearly 850,000.

Graph 12: Futures Commitment of traders report Nymex crude oil, 2005-2006

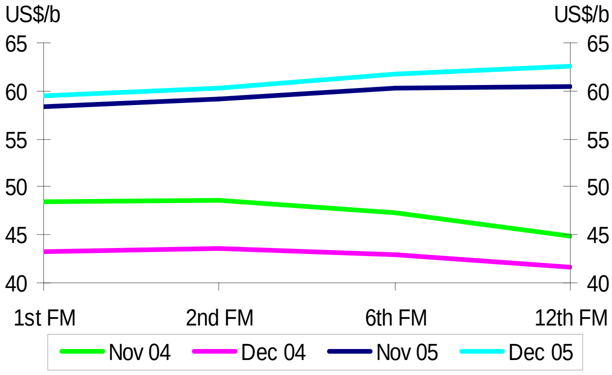


On a monthly basis, the December average for net short positions was down by 21,400 lots to 25,200 with open interest gaining 12,600 to 840,600. On a yearly basis, the weekly average for net positions was long at 10,400 lots, yet narrower by some 27,600 contracts than the previous year. Most of the decrease in long positions changes occurred during the last quarter of 2005 on ample supply amid comfortable stock levels. On the other hand, open interest gained nearly 128,000 lots to average 817,000 in 2005. The Nymex WTI front-month averaged $59.45/b in December for a gain of $1.11 or nearly 2%. On the year, the Nymex futures contract averaged $56.70/b for a rise of $15.23/b or nearly 37% above the previous year.

The forward structure remained in contango for the 1st/2nd month and steepened further for the later forward months on healthy stock levels amid recovering US production and higher imports

In December the contango continued at a similar level for the 1st/2nd month spread at 79¢/b while the 1st/6th month spread stood at $2.27/b representing a drop of 1¢ and a gain of 35¢/b respectively. The contango for the 1st/12th and 1st/18th month widened significantly by 94¢ and $1.46/b respectively. Continued builds in US crude oil stocks in December to average 322 mb or some 1,3 mb over November due to the recovery in production in the Gulf of Mexico and higher average imports, which put stocks at nearly 36 mb over the similar period last year, helped the contango to remain in place.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures continued to decline in December, resulting in a lower share of spot fixtures in OPEC sailings

Despite the sustained high level of crude oil production, **OPEC area spot fixtures continued their downward trend throughout the fourth quarter. This has resulted in a drop in the share of spot fixtures in OPEC sailings** to around 7 percentage points lower than last year, according to secondary sources. Spot fixtures dropped by 2.1 mb/d or 15% to hit 11. 6 mb/d in December, the lowest level since April 2004. In addition, traditionally, spot fixtures decline in December due to lower activity ahead of the holidays. **It is worth noting, however, that last year OPEC spot fixtures dropped by more than 2.5 mb/d**. Despite the significant decline, OPEC's share of global spot fixtures remained stable at 60%, but at 6 percentage points lower than the December 2004 level. The entire drop in OPEC spot fixtures was attributed to Middle Eastern countries, with eastbound long-haul fixtures going down by 1.4 mb/d or two thirds to register 3.9 mb/d while westbound fixtures lost 0.7 mb/d to average almost 1.3 mb/d. Compared to the same month last year, eastbound and westbound fixtures were 0.6 mb/d and 0.3 mb/d lower.

Similarly, **Non-OPEC spot fixtures experienced the same phenomenon by decreasing 15%** to average 7.6 mb/d, but the level was still 0.5 mb/d higher than a year earlier. Due to the fact that both OPEC and non-OPEC fixtures declined by 15% each, non-OPEC's share in total spot chartering remained unchanged at 40% compared to the previous month, but 36% higher than a year earlier. Consequently, total OPEC and non-OPEC spot fixtures accounted for a drop of 3.4 mb/d to hit nearly 19.2 mb/d, the lowest level in 2005. According to preliminary estimates, sailings from the OPEC area declined by 0.8 mb/d or 4% to average 23.1 mb/d due to holidays and to some extent to a slowdown in OPEC production, but compared to a year earlier they were around 0.2 mb/d higher. Middle Eastern countries contributed 64% to this drop. **Arrivals retreated in all main consuming regions, especially in US Gulf/East Coasts and the Caribbean** where they moved down from record-highs of 11.2 mb/d to 10.6 mb/d in December. Following the same direction, arrivals in Euro-Med and North-West Europe fell by 0.2 mb/d each to settle at 4.5 m/d and 7.9 m/d, respectively, while Japan saw its arrivals decline by 0.3 mb/d or 7% to average 4.1 mb/d.

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

	Oct 05	Nov 05	Dec 05	Change Dec/Nov
Spot Chartering				
All areas	23.00	22.57	19.16	-3.41
OPEC	14.50	13.68	11.56	-2.12
Middle East/east	5.88	5.32	3.91	-1.41
Middle East/west	2.14	1.96	1.28	-0.68
Sailings				
OPEC	24.88	23.92	23.08	-0.84
Middle East	18.60	18.09	17.55	-0.54
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.24	11.20	10.58	-0.62
North West Europe	8.13	8.13	7.90	-0.23
Euromed	4.92	4.69	4.46	-0.23
Japan	3.90	4.42	4.12	-0.30

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

Freight rates for crude dropped in all but the Suezmax sector due to the holidays

After having reached their highest level of the year in November, freight rates for crude oil weakened in most routes in December except for the Suezmax sector. **The overall weakness in the tanker market was attributed, essentially, to lower activity as it is usually the case in December due to the end-year holidays.** However, despite the decline, the tanker market remained very attractive to ship-owners compared to the historical average. As the month progressed, freight rates for VLCCs moving from the Middle East weakened steadily, especially eastbound as a result of growing available tonnage to reach low levels by the end of the month. Ship-owners were pushed to accept lower levels **with the supply/demand balance shifting to the advantage of charterers as the 30-day availability of VLCCs reached 82 by the end of the month from 51 at the beginning.** Freight rates on the Middle East/eastbound route lost 30 points on average to reach WS157 in December. The rates on this route began the month at more than WS200 before plunging to WS130 at the end of the month. Similarly, rates for tankers trading on the Middle East/westbound long-haul route dropped by 16 points or 11% to settle at a monthly average of WS126, after having started the month with a level of WS150. Consequently, in a single voyage, owners of modern VLCCs secured an average of $92,000 per day in December against around $110,000 per day in the previous month.

Contrary to the VLCC sector, **Suezmax owners still enjoyed huge benefits with freight rates continuing their upward trend for the fourth consecutive month to close the year at strong levels.** Freight rates for ships moving on the West Africa/US Gulf Coast and on the transatlantic routes rose by 19 and 23 points to average WS243 and WS230 respectively, their highest levels in 2005. The strength in the Suezmax sector was driven by sustained activity on these routes, supported by opportunities for transatlantic arbitrage. **In addition, delays in transiting the Turkish Straits, which reached up to 23 days, prevented freight rates from falling, by reducing the availability of tonnage for the Suezmax tankers.** The steady growth in freight rates in the Suezmax sector allowed ship-owners to enjoy an average of $90,000 per day on single voyage, almost the same as for VLCCs, compared to $75,000 per day in November. The abundance of Aframax tonnage in combination with a lack of holiday activity put downward pressure on the rates in this sector, except for the Indonesia/US West Coast route, which increased for the second consecutive month to average WS350, its highest level since November 2004. However, the Caribbean/US East Coast Aframax rates dropped further to average WS270, which corresponds to 44 points or 14% lower than the previous month, while across the Mediterranean and from there to North-West Europe, freight rates displayed minor losses of around 4% to average WS285 and WS277, supported by delays in the Turkish Straits. Even though most routes showed declines, **December was the second profitable month of the year for ship-owners after November, except for in the Caribbean**. It was even the best month in the year for ships trading on the Indonesia/US West Coast route. **On an annual basis, 2005 freight rate averages were the second highest after 2004 since 32 years.**

Table 5: Spot tanker freight rates, Worldscale

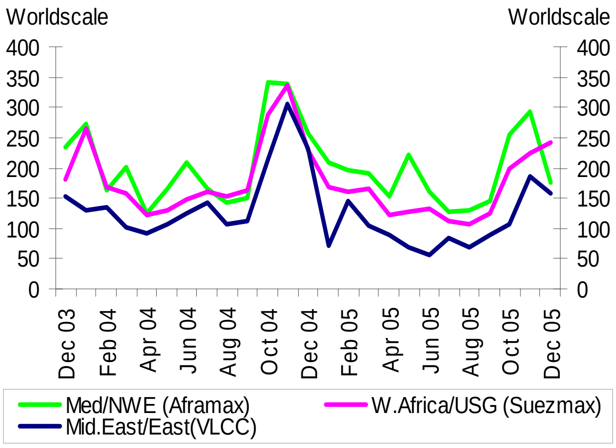
	Size *1,000 DWT*	Oct 05	Nov 05	Dec 05	Change Dec/Nov
Crude					
Middle East/east	200–300	107	187	157	-30
Middle East/west	200–300	99	142	126	-16
West Africa/US Gulf Coast	100–160	198	224	243	19
NW Europe/USEC - USGC	100–160	193	207	230	23
Indonesia/US West Coast	70–100	221	326	350	25
Caribbean/US East Coast	40–70	391	314	270	-44
Mediterranean/Mediterranean	40–70	233	297	285	-12
Mediterranean/North-West Europe	70–100	255	292	177	-115
Products					
Middle East/east	30–50	490	391	337	-54
Singapore/east	25–30	559	449	391	-58
Caribbean/US Gulf Coast	25–30	403	331	308	-23
NW Europe/USEC - USGC	25–30	428	306	312	6
Mediterranean/Mediterranean	25–30	377	337	308	-29
Mediterranean/North-West Europe	25–30	385	347	325	-22

Source: Galbraith's Tanker Market Report and others.

Tanker market for products continued to weaken from October highs

Freight rates for product carriers continued to fall for the second consecutive month from all-time high levels reached in October following the hurricanes which hit the US Gulf Coast, except on the transatlantic route. The cost for shipping products for long-haul cargoes of 30,000-50,000 DWT declined by almost 14% in the East, with Middle East/East route freight rates declining 54 points to average WS337, and the Singapore/East route falling by 58 points to settle at WS391 due to limited imports, particularly from China. Ship-owners trading in the Caribbean also saw the market weakening with rates moving down on average by 23 points to stand at WS308. Experiencing the same trend, freight rates in the Mediterranean and from there to North-West Europe closed lower by 29 and 22 points to average WS308 and WS325 respectively. In contrast, in the Western Hemisphere, the transatlantic market saw a slight improvement of 6 points to reach an average of WS312 due to strong activity, supported by US product imports**. However, except for the Caribbean, product freight rates for the year were higher than in 2004, especially in the East, where they were around 25% higher.**

Graph 14: Monthly averages of crude oil spot freight rates



World Oil Demand

World oil demand is projected to increase by 1.1 mb/d or 1.4% to average 83.2 mb/d

Estimate for 2005

With data available for the first nine months of 2005 and preliminary October figures for approximately 80% of the countries as well as estimates for November and December, world oil demand growth is estimated at 1.1 mb/d, which represents a downward revision of 0.11 mb/d from the previous month. As a result the yearly average now stands at 83.21 mb/d. The lower growth can be almost entirely traced in the first two major global oil consumers, the USA and China. In the former, the aftermath of the hurricanes as well as high oil and product prices seem to be behind the drop in petroleum product demand, which became evident from September and was extended in the following two months. In the latter, an overly optimistic demand forecast did not materialize as additional electricity capacity (comparable to the total installed UK capacity) was added during the year and wide price differentials between international and domestic prices triggered an increase in exports especially in the third and fourth quarters of last year.

Demand data for the USA — which is now complete for the whole year with estimations for November and December — indicates that petroleum product deliveries contracted by 0.3% during 2005. A closer look at the figures shows that y-o-y growth had seen a lull during most of the year. Petroleum product deliveries in the first eight months of last year (pre-hurricane impact) showed a marginal 0.17% y-o-y rise, while for the whole of 2005 the demand fell by 0.06 mb/d or 0.3% as indicated above. Thus, it would be misleading to attribute the lack of growth in US demand entirely to the impact of natural disasters. It seems that high domestic end prices for petroleum products — especially gasoline which broke through the $3/gal. psychological barrier in September — capped the rise in consumption. As for the last four months of the year, data shows a contraction in total product deliveries of 2.1% in September, 3.2% in October and 1.3% in November while in December demand seems to have recovered by 1.4%.

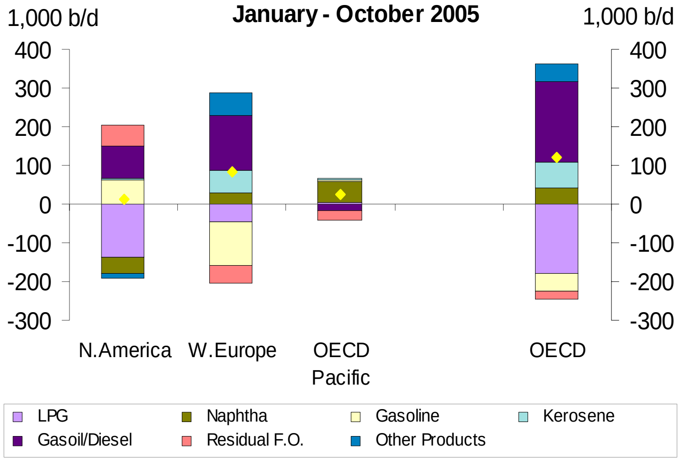
Latest production and trade statistics for the period January-November 2005 indicate that apparent Chinese demand slipped by a marginal 0.1 % y-o-y. The fall in apparent demand can be traced back to the decline in Chinese imports which fell by 4.5 % in the 11-month period. Crude oil production, the other component of the apparent demand equation, shows a y-o-y growth of 4.2% or 0.15 mb/d to reach 3.63 mb/d. Apparent demand would have shown a larger drop if the combined effect of higher domestic oil production had not offset the sizeable fall in net imports.

Developing Countries contributed the lion's share of growth in global oil demand in 2005. The latest data indicates that oil demand grew consistently throughout the year with first-quarter demand rising by 0.9 mb/d followed by 0.8 mb/d and 0.6 mb/d in the second and third quarters. Preliminary estimates for the last three months of 2005 based on latest GDP figures indicate a further rise of 0.7 mb/d which will result in a yearly average of 0.8 mb/d, representing approximately 70% of total expected global demand growth.

OECD

OECD countries oil demand is projected to rise by 0.27 mb/d or 0.5% to average 49.8 mb/d. This growth is higher compared to the oil requirements observed for the period January-October for which fairly good data is available. However, a rebound in demand is expected in some major Asia Pacific countries due to harsh winter temperatures and the latest EIA figures indicate that petroleum product supplies in the USA rose by 1.4% in December. According to the latest figures at hand, OECD inland deliveries of petroleum products for the first 10 months of the year rose by

Graph 15: OECD - Growth of total requirements by component



0.12 mb/d which translates into a y-o-y change of 0.3% and a period average of 45.6 mb/d. Not surprisingly gasoil/diesel requirements rose by 0.21 mb/d or 1.7 % during the 10-month period with a large share of the increase originating in Western Europe followed by North America. Kerosene and naphtha requirements grew by 0.07 mb/d or 1.6% and 0.04 mb/d or 1.3% during the period. Gasoline requirements showed a surprising decline as the modest rise in North American consumption was offset by the continued and sizeable decline in demand in Western Europe. LPG consumption shrank by 0.18 mb/d or 3.7% as high gas prices have induced substitution wherever possible. LPG consumption suffered the biggest relative decline in North America falling by 4.8%. However, consumption also declined a considerable 4.3% in Western Europe. Residual fuel oil requirements for the period January-October declined a marginal 0.6 % as the rise in consumption in North America was offset by the declines in Western Europe and OECD Pacific.

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

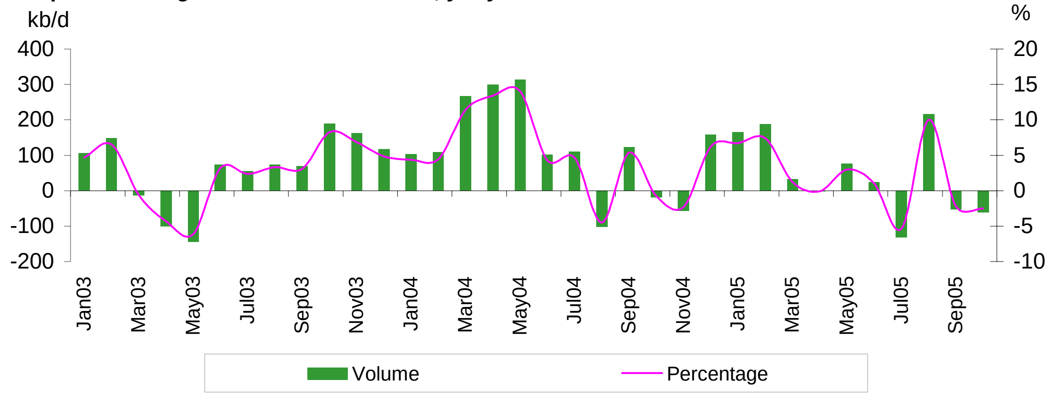
							Change 2005/04	
	2004	**1Q05**	**2Q05**	**3Q05**	**4Q05**	**2005**	**Volume**	**%**
North America	25.34	25.53	25.30	25.50	25.71	25.51	0.17	0.68
Western Europe	15.62	15.56	15.30	15.71	15.89	15.61	-0.01	-0.05
OECD Pacific	8.53	9.49	8.10	8.10	8.85	8.63	0.10	1.23
Total OECD	**49.49**	**50.57**	**48.70**	**49.31**	**50.45**	**49.76**	**0.27**	**0.54**
Other Asia	8.36	8.59	8.72	8.35	8.78	8.61	0.25	2.96
Latin America	4.89	4.83	4.97	5.10	5.05	4.99	0.10	2.07
Middle East	5.44	5.61	5.68	5.93	5.80	5.76	0.32	5.88
Africa	2.70	2.77	2.80	2.77	2.84	2.80	0.09	3.42
Total DCs	**21.39**	**21.79**	**22.17**	**22.15**	**22.47**	**22.15**	**0.76**	**3.56**
FSU	3.85	3.91	3.74	3.80	3.95	3.85	0.00	0.04
Other Europe	0.86	0.93	0.88	0.87	0.86	0.89	0.03	3.47
China	6.52	6.51	6.58	6.45	6.77	6.58	0.06	0.89
Total "Other Regions"	**11.22**	**11.35**	**11.19**	**11.11**	**11.58**	**11.31**	**0.09**	**0.80**
Total world	**82.09**	**83.71**	**82.06**	**82.58**	**84.50**	**83.21**	**1.12**	**1.36**
Previous estimate	82.09	83.69	82.08	82.55	84.95	83.32	1.22	1.49
Revision	0.00	0.02	-0.02	0.03	-0.45	-0.11	-0.11	-0.13

Totals may not add due to independent rounding.

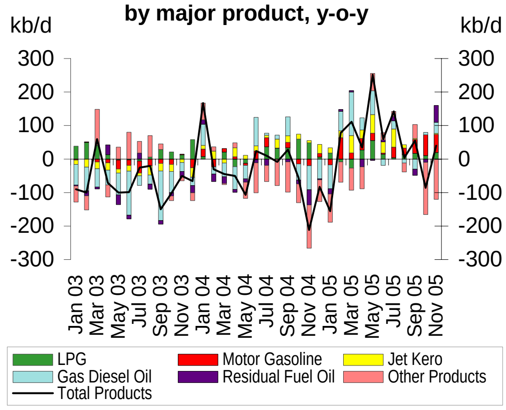
Developing Countries

Developing Countries oil demand is estimated to have risen by 0.76 mb/d or 3.6% to average 22.15 mb/d for the whole of 2005. Preliminary data continues to be strong for all the quarters. Nonetheless, these figures are subject to revision especially for the third quarter. According to the latest information, total Developing Countries oil demand rose by 0.9 mb/d or 4.2% during the first quarter, followed by another 0.8 mb/d or 3.7% increase in the second quarter. Preliminary third-quarter demand shows a slightly lower growth of 0.6 mb/d or 2.9%, and estimates for the last three months of the year indicate a growth of 3.4%. We are continuing to closely monitor the behaviour of domestic demand following the removal of subsidies and the increase in domestic petroleum prices in several major non-OECD Asia consuming countries. Demand in India, the biggest consuming country within the non-OECD Asia group accounting for 30% of the total group’s consumption, rose by 1.8% y-o-y during the period January-October 2005, a rate far lower than the average 4.2% yearly rise observed in the last 5 years. Nonetheless, the comparison of production and trade statistics with demand figures points to a possible build up in India’s domestic oil inventories. It is hard to make a final judgement on the impact of higher oil prices on demand in Asia because of the lack of data for the second half of the year. However, there are indications of a considerable drop in oil consumption in countries like the Philippines where high petroleum prices and lower economic activity might have cause demand to drop in 2005 to an eight-year low. On the other hand, oil demand seems to have recovered in Indonesia during November and December following a dramatic drop of around 40% in October.

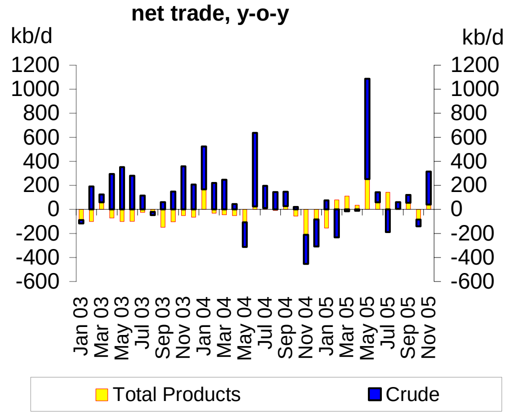
Graph 16: Changes in Indian oil demand, y-o-y



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



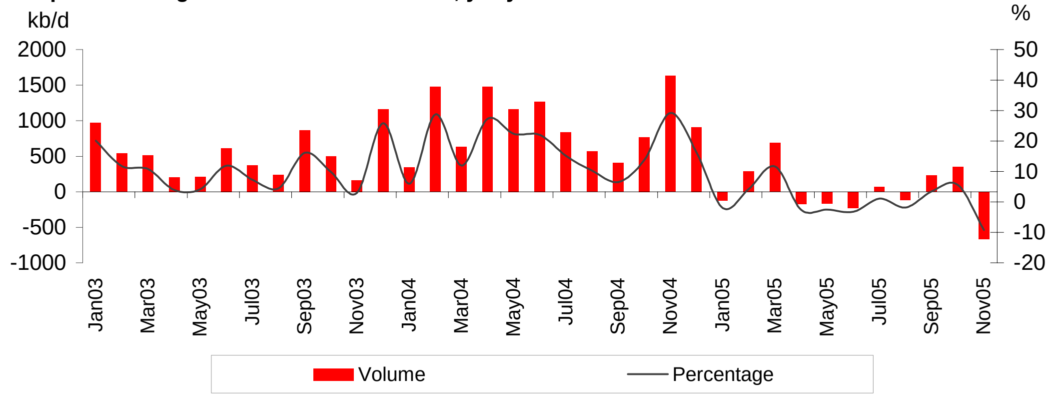
Graph 18: Changes in Indian oil and product net trade, y-o-y

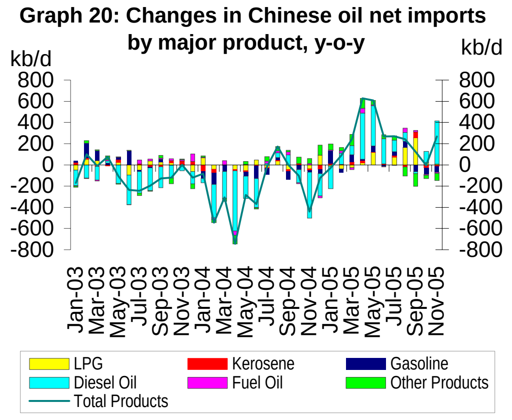


Other Regions

Apparent demand growth in the Other Regions group has been revised down to a meagre 0.09 mb/d or 0.8% to a yearly average of 11.3 mb/d as disappointing demand data continues to come in from China and Russia. Chinese apparent demand growth has been revised down for the 10th consecutive time and now stands at 0.06 mb/d or 0.9% for a yearly average of 6.6 mb/d. According to the latest production and trade data for the period January-November, apparent demand in China fell by 0.1% y-o-y. This fall can be traced back to the decrease in Chinese net imports which declined by 4.5% in the 11-month period. On the other hand, oil production — the other component of the apparent demand equation — showed a growth of 4.2%, rising by 0.15 mb/d to 3.63 mb/d. Thus, apparent demand would have shown a larger drop if the effect of higher domestic oil production had not offset the sizeable fall in net imports. Apparent demand in the FSU is estimated to remain at 3.8 mb/d, the same level as in 2004.

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





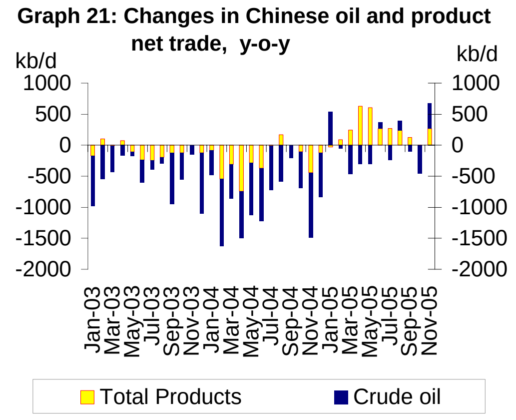


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

	1Q04	1Q05	Change 2005/04 Volume	%	2Q04	2Q05	Change 2005/04 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	0.63
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**	**1.18**
Other Asia	8.20	8.59	0.38	4.66	8.42	8.72	0.30	3.52
Latin America	4.69	4.83	0.13	2.85	4.88	4.97	0.09	1.77
Middle East	5.32	5.61	0.29	5.35	5.39	5.68	0.29	5.33
Africa	2.68	2.77	0.08	3.14	2.69	2.80	0.12	4.40
Total DCs	**20.90**	**21.79**	**0.89**	**4.24**	**21.38**	**22.17**	**0.79**	**3.69**
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	**81.82**	**83.71**	**1.89**	**2.31**	**80.89**	**82.06**	**1.17**	**1.44**

Totals may not add due to independent rounding.

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

	3Q04	3Q05	Change 2005/04 Volume	%	4Q04	4Q05	Change 2005/04 Volume	%
North America	25.41	25.50	0.09	0.35	25.69	25.71	0.03	0.10
Western Europe	15.60	15.71	0.11	0.70	16.02	15.89	-0.13	-0.81
OECD Pacific	8.16	8.10	-0.06	-0.71	8.77	8.85	0.08	0.91
Total OECD	**49.17**	**49.31**	**0.14**	**0.29**	**50.48**	**50.45**	**-0.02**	**-0.05**
Other Asia	8.24	8.35	0.11	1.30	8.57	8.78	0.21	2.41
Latin America	5.02	5.10	0.08	1.56	4.95	5.05	0.11	2.14
Middle East	5.58	5.93	0.36	6.40	5.45	5.80	0.35	6.39
Africa	2.69	2.77	0.08	3.13	2.76	2.84	0.08	3.03
Total DCs	**21.53**	**22.15**	**0.63**	**2.91**	**21.73**	**22.47**	**0.74**	**3.43**
FSU	3.94	3.80	-0.14	-3.66	4.07	3.95	-0.12	-2.85
Other Europe	0.82	0.87	0.06	6.74	0.84	0.86	0.01	1.54
China	6.36	6.45	0.08	1.29	6.71	6.77	0.06	0.84
Total "Other Regions"	**11.12**	**11.11**	**-0.01**	**-0.06**	**11.62**	**11.58**	**-0.05**	**-0.40**
Total world	**81.82**	**82.58**	**0.76**	**0.93**	**83.83**	**84.50**	**0.67**	**0.80**

Totals may not add due to independent rounding.

World oil demand is estimated to average 84.8 mb/d in 2006, a rise of 1.62 mb/d or 1.9% over 2005

Forecast for 2006

Average world oil demand is forecast to grow by 1.62 mb/d or 1.9% to average 84.8 mb/d for 2006. This represents an upward revision from the previous month and comes on the back of a more optimistic view of the world economy for the coming year. World GDP growth is now estimated at 4.3% for next year – an upward revision of 0.14% with respect to our previous figure – with the more positive economic outlook widespread among all regions. GDP growth rates have been revised up in OECD and well as non-OECD countries. OECD Europe and OECD Pacific regional GDP has been revised up by 0.11% and 0.17% to 2.1% and 2.4% respectively. China's economic growth for 2006 has suffered a substantial upward revision of half a percentage point to 8.5%, while non-OECD Asia GDP is projected to rise by nearly 6%.

Oil consumption is expected to rise in all major regions with the sole exception of Other Europe where demand will remain almost flat. North America, especially the USA, will contribute the bulk or three fourths of demand growth within the OECD countries and the remaining one fourth is seen to be equally distributed between Western Europe and OECD Pacific. Developing Countries demand is projected to rise by 0.7 mb/d or 3.2%, accounting for more than 40% of total estimated world oil demand growth. China where apparent demand is expected to rise by 6% y-o-y will make up about one fourth of total world oil demand growth. Demand is projected to rise in all quarters with typical seasonality trends repeated. Thus, demand in 2006 is expected to reach 85.46 mb/d in the first quarter and then drop 1.9 mb/d to 83.57 mb/d in the second quarter. In the third quarter, total world oil demand will recover to average 84.2 mb/d before rising a further 1.9 mb/d to average 86.1 mb/d in the last quarter of the year.

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

							Change 2006/05	
	2005	1Q06	2Q06	3Q06	4Q06	2006	Volume	%
North America	25.51	25.95	25.66	25.82	26.01	25.86	0.35	1.37
Western Europe	15.61	15.65	15.35	15.82	15.89	15.68	0.07	0.42
OECD Pacific	8.63	9.38	8.17	8.14	9.01	8.67	0.04	0.46
Total OECD	**49.76**	**50.98**	**49.19**	**49.78**	**50.91**	**50.21**	**0.46**	**0.92**
Other Asia	8.61	8.93	8.98	8.79	9.12	8.95	0.35	4.03
Latin America	4.99	4.98	5.08	5.19	5.10	5.09	0.10	1.99
Middle East	5.76	5.76	5.84	6.13	6.01	5.94	0.18	3.14
Africa	2.80	2.85	2.87	2.84	2.94	2.87	0.08	2.72
Total DCs	**22.15**	**22.51**	**22.77**	**22.95**	**23.16**	**22.85**	**0.70**	**3.17**
FSU	3.85	4.04	3.69	3.84	4.09	3.91	0.07	1.72
Other Europe	0.89	0.92	0.92	0.85	0.85	0.88	0.00	-0.03
China	6.58	7.02	7.00	6.79	7.08	6.97	0.39	5.98
Total "Other Regions"	**11.31**	**11.97**	**11.61**	**11.47**	**12.02**	**11.77**	**0.46**	**4.06**
Total world	**83.21**	**85.46**	**83.57**	**84.20**	**86.09**	**84.83**	**1.62**	**1.94**
Previous estimate	83.32	85.42	83.57	84.16	86.51	84.91	1.59	1.91
Revision	-0.11	0.04	0.00	0.05	-0.43	-0.08	0.03	0.03

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	25.95	0.42	1.63	25.30	25.66	0.36	1.44
Western Europe	15.56	15.65	0.09	0.59	15.30	15.35	0.06	0.39
OECD Pacific	9.49	9.38	-0.10	-1.09	8.10	8.17	0.07	0.89
Total OECD	**50.57**	**50.98**	**0.40**	**0.80**	**48.70**	**49.19**	**0.50**	**1.02**
Other Asia	8.59	8.93	0.34	3.96	8.72	8.98	0.26	3.03
Latin America	4.83	4.98	0.15	3.11	4.97	5.08	0.11	2.18
Middle East	5.61	5.76	0.15	2.73	5.68	5.84	0.17	2.94
Africa	2.77	2.85	0.08	2.97	2.80	2.87	0.06	2.21
Total DCs	**21.79**	**22.51**	**0.73**	**3.33**	**22.17**	**22.77**	**0.60**	**2.71**
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	7.02	0.50	7.70	6.58	7.00	0.42	6.37
Total "Other Regions"	**11.35**	**11.97**	**0.62**	**5.46**	**11.19**	**11.61**	**0.42**	**3.72**
Total world	**83.71**	**85.46**	**1.75**	**2.09**	**82.06**	**83.57**	**1.51**	**1.84**

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	25.50	25.82	0.32	1.26	25.71	26.01	0.30	1.18
Western Europe	15.71	15.82	0.11	0.73	15.89	15.89	0.00	-0.01
OECD Pacific	8.10	8.14	0.04	0.46	8.85	9.01	0.15	1.71
Total OECD	**49.31**	**49.78**	**0.47**	**0.96**	**50.45**	**50.91**	**0.45**	**0.90**
Other Asia	8.35	8.79	0.44	5.23	8.78	9.12	0.34	3.93
Latin America	5.10	5.19	0.10	1.89	5.05	5.10	0.04	0.87
Middle East	5.93	6.13	0.19	3.27	5.80	6.01	0.21	3.57
Africa	2.77	2.84	0.07	2.39	2.84	2.94	0.09	3.31
Total DCs	**22.15**	**22.95**	**0.79**	**3.58**	**22.47**	**23.16**	**0.69**	**3.07**
FSU	3.80	3.84	0.04	1.12	3.95	4.09	0.14	3.55
Other Europe	0.87	0.85	-0.02	-2.71	0.86	0.85	-0.01	-1.26
China	6.45	6.79	0.34	5.28	6.77	7.08	0.31	4.64
Total "Other Regions"	**11.11**	**11.47**	**0.36**	**3.23**	**11.58**	**12.02**	**0.44**	**3.83**
Total world	**82.58**	**84.20**	**1.63**	**1.97**	**84.50**	**86.09**	**1.59**	**1.88**

Totals may not add due to independent rounding.

World Oil Supply

The forecast for non-OPEC supply growth has been revised down to 0.25 mb/d

Non-OPEC

Estimate for 2005

Non-OPEC supply in 2005 is expected to average 50.09 mb/d, representing an increase of 0.25 mb/d over 2004 and a downward revision of 128,000 b/d from the previous month. The inclusion of historical revisions as well as actual data for several countries for 3Q05 and the first two months of 4Q05 has resulted in a downward revision to non-OPEC supply in all quarters.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.56	14.40	14.57	13.75	13.58	14.07	-0.49
Western Europe	6.14	5.98	5.69	5.46	5.67	5.70	-0.44
OECD Pacific	0.57	0.54	0.62	0.59	0.60	0.59	0.01
Total OECD	**21.27**	**20.93**	**20.88**	**19.79**	**19.85**	**20.36**	**-0.91**
Other Asia	2.59	2.71	2.69	2.65	2.73	2.70	0.10
Latin America	4.05	4.17	4.36	4.31	4.29	4.28	0.23
Middle East	1.88	1.82	1.81	1.79	1.76	1.80	-0.09
Africa	3.42	3.59	3.63	3.78	3.89	3.72	0.30
Total DCs	**11.95**	**12.28**	**12.49**	**12.53**	**12.68**	**12.50**	**0.55**
FSU	11.15	11.39	11.47	11.62	11.85	11.58	0.43
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.61	3.64	3.64	3.63	0.15
Total "Other regions"	**14.79**	**15.18**	**15.24**	**15.42**	**15.65**	**15.37**	**0.58**
Total Non-OPEC production	**48.01**	**48.38**	**48.61**	**47.74**	**48.18**	**48.23**	**0.21**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total Non-OPEC supply	**49.84**	**50.26**	**50.46**	**49.58**	**50.06**	**50.09**	**0.25**
Previous estimate	49.85	50.33	50.52	49.79	50.24	50.22	0.37
Revision	**-0.01**	**-0.06**	**-0.06**	**-0.20**	**-0.19**	**-0.13**	**-0.12**

Revisions to the 2005 forecast

Historical revisions, along with actual data for 3Q05 and the first two months of 4Q05, have led to a downward revision in all quarters of 2005

On a quarterly basis, the first, second, third, and fourth quarters have been revised down by 63,000 b/d, 58,000, 204,000 and 186,000 b/d respectively, resulting in a negative adjustment for the full year of 128,000 b/d. Negative revisions in the USA, Canada, Mexico, UK, India, Vietnam, Argentina, Trinidad, Sudan, and China have been partially offset by positive revisions in Australia, Brazil, Oman, Russia, and Azerbaijan.

The bulk of the negative revisions apply to the 3Q05 and 4Q05 forecasts for the USA, Mexico, UK, India, and Sudan. The forecast for the USA was subject to revision as the assumptions for the recovery of the Gulf of Mexico remain unchanged through 4Q05. But revisions for 3Q05 and actual data for 4Q05 show that production losses were slightly higher than previously estimated resulting in a downward revision of 117,000 b/d in 3Q05 and 70,000 b/d in 4Q05. Mexico's October and November data and preliminary December data show a production level that is lower than expected. As a result 4Q05 has been revised down by 33,000 b/d. Mexico deferred some production following damage to US refinery customers and therefore its level of production was subject to uncertainty. In the UK, actual data for 3Q05 and preliminary data for 4Q05 came in significantly lower than expected; UK oil production was revised down 120,000 b/d in 3Q05 and 61,000 b/d in 4Q05. Indian oil production does not appear to have recovered as expected after the fire at the Bombay High complex. It is estimated that 30,000 b/d of the 100,000 b/d affected due to the fire remained offline through 4Q05, but the recovery appears to have been slower, resulting in a downward revision of 40,000 b/d in 4Q05. In Sudan, the delayed start-up of the Adar Yale project from December 2005 to early January 2006 has resulted in a downward revision of 40,000 b/d to the forecast for 4Q05. However, this important project is now on stream and the necessary related infrastructure including storage and connecting pipelines is now operational.

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

Forecast for 2006

Non-OPEC oil supply in 2006 is expected to average 51.52 mb/d, an increase of 1.4 mb/d over 2005, broadly unchanged from the previous forecast. On a regional basis, the largest contributor is expected to be the African region with growth of 0.54 mb/d, followed by the FSU with 0.42 mb/d, North America with 0.40 mb/d, and Latin America with 0.17 mb/d. OECD Europe and the Middle East are expected to show a drop of 0.25 mb/d and 0.05 mb/d, respectively. Looking forward, the greatest uncertainty remains GoM production.

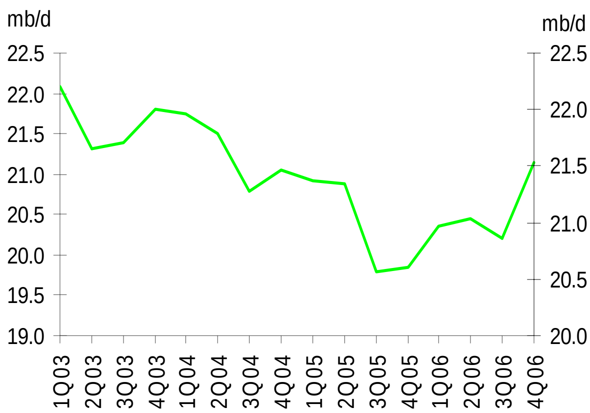
Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.07	14.13	14.35	14.48	14.94	14.48	0.40
Western Europe	5.70	5.64	5.53	5.13	5.52	5.45	-0.25
OECD Pacific	0.59	0.58	0.59	0.60	0.67	0.61	0.02
Total OECD	**20.36**	**20.35**	**20.46**	**20.20**	**21.14**	**20.54**	**0.18**
Other Asia	2.70	2.79	2.76	2.81	2.80	2.79	0.09
Latin America	4.28	4.36	4.37	4.55	4.52	4.45	0.17
Middle East	1.80	1.76	1.75	1.74	1.73	1.74	-0.05
Africa	3.72	4.05	4.24	4.26	4.47	4.26	0.54
Total DCs	**12.50**	**12.95**	**13.11**	**13.36**	**13.52**	**13.24**	**0.74**
FSU	11.58	11.84	11.96	12.06	12.15	12.01	0.42
Other Europe	0.16	0.17	0.17	0.17	0.17	0.17	0.01
China	3.63	3.64	3.67	3.71	3.69	3.68	0.05
Total "Other regions"	**15.37**	**15.66**	**15.81**	**15.94**	**16.01**	**15.86**	**0.48**
Total Non-OPEC production	**48.23**	**48.96**	**49.38**	**49.51**	**50.67**	**49.63**	**1.41**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total Non-OPEC supply	**50.09**	**50.84**	**51.25**	**51.38**	**52.60**	**51.52**	**1.43**
Previous estimate	50.22	51.07	51.25	51.41	52.60	51.59	1.37
Revision	**-0.13**	**-0.24**	**0.00**	**-0.03**	**0.00**	**-0.07**	**0.06**

OECD

OECD oil supply is expected to average 20.54 mb/d, representing an increase of 180,000 b/d versus the previous year, but a downward revision of 181,000 b/d from last month's report. The growth outlook for the USA, Canada, Mexico and Asia Pacific remains broadly unchanged, but the forecast for Western Europe has been revised down due to lower expectations in the UK and Norway.

Graph 22: OECD's quarterly production



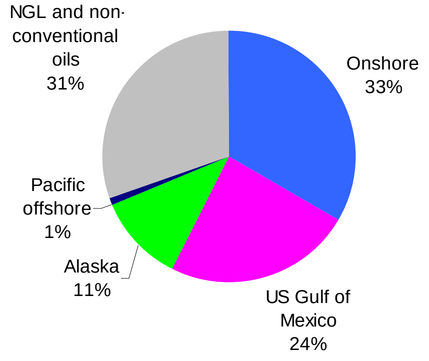
The outlook for growth in the USA remains unchanged

USA

Total US oil supply is expected to average 7.43 mb/d in 2006, an increase of 140,000 versus 2005. The growth outlook remains unchanged, but the overall level of production has been revised down by 30,000 b/d to reflect baseline revisions. The outlook is subject to the recovery of the Gulf of Mexico in the next 6 months, which in turn depends on many factors including the repair under tight market conditions of pipeline infrastructure and the Mars-Ursa production hub, among others. The assumptions for hurricane-related losses in 1Q06 and 2Q06 remain unchanged at 300,000 b/d and 200,000 b/d, respectively as well as 50,000 b/d of permanent losses, but these are likely to be adjusted in the coming months. At the time of publication, 396,000 b/d remained shut in. Three important Gulf of Mexico projects are expected to start in 2006: Thunder Horse (3Q06), Constitution (3Q06) and Atlantis (4Q06). However, the schedule of these projects is subject to revisions in both directions.

On a regional basis, US Gulf of Mexico crude oil production is expected to rebound to around 1.8 mb/d by the end of 2006 from 1 mb/d currently, driven by growth in deepwater and the return of hurricane-related losses. Elsewhere, crude oil production is expected to drop in the onshore Lower 48 by around 170,000 b/d to 2.5 mb/d and in Alaska by 40,000 b/d to 0.85 mb/d, and to remain flat in the Pacific offshore region at 65,000 b/d. Total NGL and non-conventional oil production is expected to average around 2.3 mb/d.

Graph 23: US production split, 2006



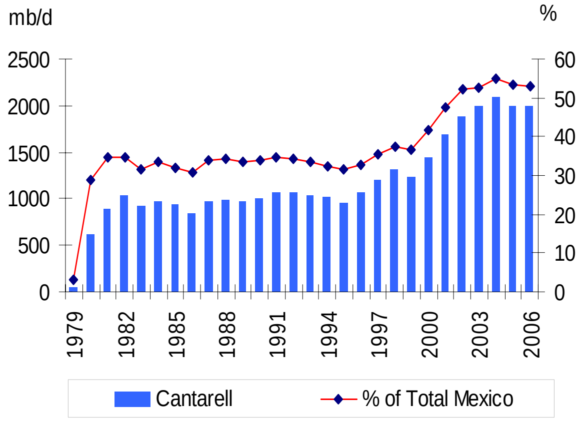
Mexico

2006 likely to be a historic year

Oil supply from Mexico is expected to average 3.77 mb/d in 2006, flat from 2005 and unchanged from last month's report. However, 2006 is likely to be a historic year for Mexican oil production: the giant Cantarell, which comprises the Akal, Chac, Kutz and Nohoch fields and accounts for 53% of total Mexican supply (2005), is officially expected to enter into gradual terminal decline. But additional expansions at the giant Ku-Maloob-Zaap (KMZ) project and from other projects (i.e. Antonio Bermudez, Jujo-Tecominoacan, Bellota Chinchorro and Poza Rica) are expected to offset Cantarell's decline in 2006 and in the coming years. Regionally, Mexican oil production may be split into three regions: Marine region (includes Cantarell and KMZ fields), Southern region (includes Antonio Bermudez and Jujo-Tecominoacan fields) and the Northern region (includes Poza Rica and other fields). In the first 11 months of 2005, the Marine region produced 2.75 mb/d, the Southern region produced 500,000 b/d, and the Northern region produced 85,000 b/d. Total NGLs produced in the country averaged 426,000 b/d. In 2006, average output from the Marine region is expected to increase slightly (two large platforms are expected to start in 3Q06 in the KMZ project), while in the southern and northern regions output is likely to increase slightly driven by expansion of existing projects, whilst total NGLs should remain broadly flat.

As background, oil production from Cantarell began in 1979, it rapidly reached around 1 mb/d and maintained this level for 16 years until 1996 before increasing to 1.3 mb/d in 1998. After 2000, Pemex began injecting nitrogen and drilling more wells, and this took production to 2.15 mb/d in 2004. However, during 2005 Pemex was unable to maintain Cantarell's output growth due to technical challenges among other factors, prompting some Pemex officials to announce that Cantarell may have peaked one year earlier than the original plan of 2006 (*MOMR* May 2005). Now, according to company reports Cantarell is expected to produce 1.99 mb/d in 2006, lower than in 2005, and is expected to decline by around 100,000 b/d per year in the next few years.

Graph 24: Mexican oil production



Canada

The outlook for Canada remains unchanged, with oil supply expected to average 3.27 mb/d in 2006, representing an increase of 250,000 b/d versus 2005. This increase reflects the unwinding of production at the Suncor project, ramp up of the White Rose field, and the start-up and expansion of several oil sand projects. Conventional crude oil production is expected to average 1.4 mb/d almost unchanged from 2005 as increased drilling has slowed the decline estimated at around 80,000 b/d per year, while production from Alberta's oils sands should reach a record high of 1.2-1.3 mb/d by year-end, versus an average of 1 mb/d in 2005.

North Sea production expected to fall 250,000 b/d in 2006

Western Europe

Total oil supply in OECD Europe is expected to average 5.45 mb/d in 2006, a drop of 250,000 b/d versus last year and a revision of 161,000 b/d from the previous month. Last year was especially disappointing for the North Sea due to accidents, prolonged shut-downs, deeper maintenance, and project delays, the combination of which resulted in the deferral of some 80 million barrels of production.

In 2006, Norwegian oil supply is expected to average 2.92 mb/d, a revision of 70,000 b/d versus last month. Production fell 200,000 b/d in 2005 relative to 2004 primarily due to accidents and project delays, but in 2006 there are fewer project start-ups compared to 2005, and the ramp up at the Kristin condensate field and other projects is projected to be slow; this combined with an estimated decline for crude of 90,000 b/d per year is likely to result in lower production. The Norwegian Petroleum Directorate (NPD) has also recently indicated that oil production will underperform in 2006 relative to 2005, but is likely to recover in 2007 when new projects come on stream. Having said this, at the time of publication there were a number of shutdowns in Norway due to fire alarms, and other technical problems in the Asgard B (118,000 b/d), Mikkel (11,000 b/d), and Kristin (62,000 b/d), which are expected to resume shortly.

UK oil supply is expected to average 1.69 mb/d, which represents a drop of 160,000 b/d versus 2005 and a downward revision of 91,000 b/d. The magnitude of the revisions to the 3Q05 and 4Q05 forecast clearly indicates that the UK is not showing any signs of improving. The revised forecast reflects a lower production base and the potential impact of reduced investment, particularly in marginal fields following the recent tax hike from 40% to 50%. The Buzzard field, with a production capacity of 180,000 b/d, is expected to start at the end of 2006; therefore, its contribution will be felt mainly in 2007. Elsewhere in Europe, Danish oil supply is expected to average 370,000 b/d in 2005, a drop of 20,000 b/d versus 2004 and unchanged from last month.

Asia Pacific is the only OECD region that shows the most significant improvement in the outlook for 2005 and 2006 compared to initial expectations

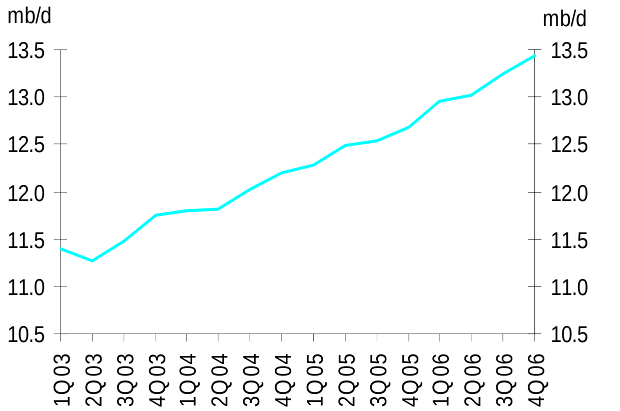
Asia Pacific

Oil supply in the Asia Pacific region in 2006 is expected to average 610,000 b/d, or 20,000 b/d higher than in 2005 and broadly unchanged from last month's report. Oil production in Australia is expected to average 540,000 b/d, while in other Asian countries it is expected to average 70,000 b/d. This year, the two most important projects in Australia that are expected to contribute are Enfield (100,000 b/d) and Geographe (35,000 b/d) both in 4Q06, as well as the ongoing expansion of the Mutineer/Exeter project which started in 2005. Recent reports indicate that some offshore production was temporarily shut after tropical storm Claire crossed the northern coast of Western Australia, but the impact is expected to be immaterial. In New Zealand production is expected to nearly double once the Pokohura gas condensate (25,000 b/d) project starts in 2Q06.

Developing Countries

Oil supply in the Developing Countries (DCs) is expected to average 13.24 mb/d, which represents an increase of 0.74 mb/d over 2005 and an upward revision of 54,000 b/d. The revision includes adjustments to several projects and primarily reflects positive revisions in Brunei, Brazil, Colombia, Trinidad, Oman, Yemen, Congo, South Africa and Tunisia, partially offset by negative revisions of the outlook for India, Vietnam, Argentina, and Sudan. Oil supply in the Other Asia region is expected to average 2.7 mb/d, an increase of 90,000 b/d versus 2005 but a slight downward revision of 15,000 versus last month. The outlook for Brunei and the Philippines has been revised up reflecting slight adjustments to two oil projects: Champion West in Brunei and the Malampaya oil project in the Philippines. Malampaya is under construction and is expected to start in 3Q06. But negative revisions have been applied to the outlook of India and Vietnam to reflect historical revisions to the base and recent underperformance.

Graph 25: Developing Countries' quarterly production



In Latin America, oil supply is expected to average 4.4 mb/d, an increase of 170,000 b/d versus 2005 and a positive adjustment of 50,000 b/d versus last month. The outlook for Argentina has been revised down to reflect recent base line revisions and lower expectations, but this has been offset by positive revisions to Colombia, Brazil, and Trinidad. Colombian oil production has stabilized at around 0.51-0.54 mb/d and in 2006 production is expected to average around 500,000 b/d, just below 2005. In Brazil, the combined ramp up of the P 50 (1Q06), Jubarte P 34 (1Q06) and Golfinho (2Q06) fields is now expected to be faster than previously anticipated resulting in an upward adjustment of 44,000 b/d to the full year average. In addition, the production of ethanol may increase slightly. As a result, Brazilian oil supply is expected to average 2.17 mb/d in 2006, an increase of 190,000 over 2005. In Trinidad, the start up of the LNG Train 4 will add around 10,000 b/d of condensate to 2006 production.

Oil supply in the Middle East region is expected to average 1.7 mb/d, a drop of 50,000 b/d versus 2005 but a positive revision of 39,000 b/d from last month's report. The outlook for Oman and Yemen has been revised up to reflect a higher base and an improving trend in mature fields.

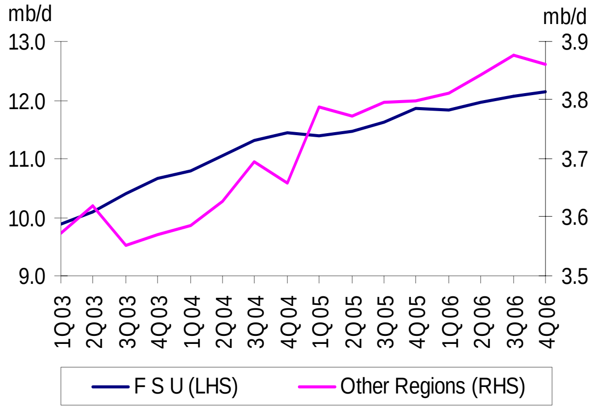
Oil supply in the African region is expected to increase 540,000 b/d in 2006 versus 2005

In the African region, oil supply is expected to average 4.2 mb/d, an increase of 540,000 b/d versus 2005, and a negative revision of 17,000 b/d from last month. Positive revisions in Congo, South Africa, and Tunisia have been offset by downward revisions in Equatorial Guinea and Sudan. The outlook for Angola, Egypt, and Gabon remains unchanged. Oil production in Congo has stabilized at around 250,000 b/d, and this trend is expected to continue in 2006. The revisions in South Africa reflect base line adjustments: oil production is expected to average 190,000 b/d in 2006, a decline of 10,000 b/d from 2005. In Tunisia, the Oudna project is expected to add around 15,000 b/d in the 4Q06. On the negative side, the Okume project (40,000 b/d) in Equatorial Guinea will start in 1Q07 rather than in 4Q06 as previously thought. As a result, Equatorial oil production is expected to remain broadly flat in 2006 at 350,000 b/d. In Sudan, oil supply is expected to average 510,000 b/d, an increase of 180,000 b/d from 2005 but a downward revision of 45,000 b/d. The revision reflects the delayed start-up of the Adar Yale project from December 2005 to January 2006 and a slower ramp up in the Palouge project than previously anticipated. In Angola, oil production is expected to average 1.48 mb/d, an increase of 260,000 b/d from 2005. This growth is underpinned by increases from the BBLT Phase I project (now producing), Dalia (4Q06) and from a new tie back in Kizomba A.

Other Regions

Total FSU oil supply is expected to average 12.01 mb/d, an increase of 0.42 mb/d versus 2005 and an upward revision of 77,000 b/d. The forecast for Other Regions (Other Europe and China) remains broadly unchanged, with total oil supply expected to average 3.75 mb/d in 2005 representing an increase of 60,000 b/d from 2005.

Graph 26: FSU and other region's quarterly production



Russia

The 2006 outlook for Russia has been revised up, but expected growth remains below 2005

Russian oil supply is expected to average 9.62 mb/d in 2006, an increase of 180,000 b/d versus 2005 and an upward revision of 81,000 b/d. The current consensus for Russian growth is 242,000 b/d, with a minimum and maximum range of 175,000 and 400,000 b/d. While the worst may be over in terms of the impact of capital restraint from Yukos and others, the industry is expected to grow at a more measured pace in the next few years (see previous *MOMR* reports). In 1Q06, the government is expected to implement a new formula for determining product export duties similar to that used for crude prices (link to crude prices), and this will at least reduce the incentive to produce and invest more products rather than crude production as it happened in 2005. Meanwhile, the crude export duty is expected to fall in February to $22/b from $24/b currently which should also provide some relief, particularly to rail exporters.

This year is also expected to be a year of restructuring rather than of consolidation, resulting in less uncertainty and more focus on business. Assuming no growth in entire Russia excluding PSA agreements — something that now appears unlikely — just the ramp up of Sakhalin I will make a positive contribution to oil production growth. Regionally, in 2005 the West Siberian region accounted for 72% of crude oil production, the Urals & Volga region for 23%, and other regions including offshore accounted for 5%. In 2006, production is expected to increase in all areas except the Urals & Volga region.

Caspian, China and Others

West Azeri is now on stream

In the Caspian region, oil production in Azerbaijan is expected to average 662,000 b/d in 2006, an increase of 180,000 b/d versus 2005 underpinned by the build up of the West Azeri field. West Azeri came on stream in early January and a peak will add 300,000 b/d to the 340,000 b/d from the Central Azeri field. Additionally, minor volumes of condensate may flow from Shah Deniz later in the year, but start-up may be delayed. Kazak oil production is expected to average 1.28 mb/d in 2006, an increase of 60,000 b/d barrels over last year and broadly unchanged from the previous month. Throughout 2005, several downward revisions have been made due to underperformance at the Karachaganak field, gas flaring restrictions, technical faults, and unexpected maintenance, among other reasons. In 2006, there will be no new material projects except some minor additions from Chinese and NOC operated projects, as well as Karachaganak. But the year has not started well, with production problems reported at the Karachaganak field which have resulted in a shut-down of 50,000 b/d of production since late December due to technical faults. Elsewhere in the Caspian region, oil production is expected to increase only slightly.

There is a high probability that Chinese oil production will do better in 2006 than currently estimated

Oil production in China is expected to average 3.68 mb/d in 2006, an increase of 50,000 b/d versus 2005, but a slight downward revision of 18,000 b/d from last month. What we know in terms of decline rates, new developments, satellite projects and capital expenditure plans in the country gives us enough confidence to support this forecast. However, there is a high probability that production will be higher. Despite the uncertainties, what is clear is that much of the increase in oil output will come from the South China Sea. Total offshore production in China is currently around 600,000 b/d, but it is expected to increase to 800,000-900,000 b/d by 2008 primarily from marginal and medium size fields located in the Bohai Sea and South China Sea (Western and Eastern part) areas in water depths of less than 400 metres.

FSU net oil exports (crude and products)

FSU net oil exports are expected to average 8 mb/d in 2006

In 2005, FSU net oil exports are expected to average 7.7 mb/d. The forecast for 2006 shows net exports averaging 8.09 mb/d, which represents an increase of 300,000 b/d over 2005. Exports from Azerbaijan are expected to account for the bulk of the increase.

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)	**7.48**	**7.73**	**7.83**	**7.90**	**7.74**
2006 (forecast)	**7.81**	**8.28**	**8.23**	**8.06**	**8.09**

OPEC natural gas liquids and non-conventional oils

OPEC NGLs expected to increase 330,000 b/d in 2006

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 of 4.3 mb/d in 2005 and 4.62 mb/d in 2006.

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 29.8 mb/d in December

Total OPEC crude oil production averaged 29.8 mb/d in December, a fall of 170,000 b/d from last month, according to secondary sources. The main drop came from Iraqi oil production which decreased by 127,000 b/d to average 1.58 mb/d..

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

	2004	2005	2Q05	3Q05	4Q05	Oct 05	Nov 05	Dec 05	*Dec/ Nov*
Algeria	1,228	1,349	1,343	1,366	1,374	1,373	1,375	1,375	*0.0*
Indonesia	968	940	944	933	933	931	938	930	*-7.8*
IR Iran	3,920	3,924	3,946	3,940	3,910	3,931	3,900	3,900	*0.0*
Iraq	2,015	1,832	1,841	1,968	1,684	1,754	1,713	1,585	*-127.3*
Kuwait	2,344	2,506	2,506	2,527	2,548	2,556	2,543	2,546	*2.5*
SP Libyan AJ	1,537	1,642	1,634	1,654	1,666	1,661	1,665	1,672	*7.0*
Nigeria	2,352	2,413	2,423	2,423	2,473	2,454	2,496	2,470	*-26.0*
Qatar	777	795	793	796	806	801	808	809	*1.5*
Saudi Arabia	8,982	9,404	9,456	9,498	9,441	9,434	9,458	9,430	*-28.4*
UAE	2,360	2,445	2,398	2,476	2,509	2,509	2,510	2,507	*-3.0*
Venezuela	2,576	2,631	2,633	2,611	2,588	2,584	2,585	2,596	*11.7*
OPEC-10	**27,043**	**28,050**	**28,077**	**28,224**	**28,249**	**28,234**	**28,278**	**28,235**	***-42.4***
Total OPEC	**29,058**	**29,881**	**29,918**	**30,192**	**29,932**	**29,988**	**29,990**	**29,821**	***-169.7***

Totals may not add due to independent rounding.

Rig Count

Non-OPEC rig activity averaged 2,479 in 2005

Non-OPEC

Non-OPEC rig count stood at 2,675 rigs in December, which represents a decrease of 35 rigs compared to the previous month. Of the total, 247 rigs were operating offshore and 2,428 onshore. In terms of oil and gas split, 833 rigs were drilling for oil, a drop of 32 from the previous month, while the rest was drilling for gas. Regionally, North America lost 39 rigs and Western Europe dropped 1 rig, while the Middle East, Africa, Latin America and rest of Asia gained 5 rigs. The average rig count in 2005 was 2,479 rigs, one of the highest levels in 20 years.

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

	2004	Nov 05	Dec 05	Change Dec 05 - Nov 05	2005	Change 05/04
North America	1,669	2,178	2139	-39	1,975	306
Western Europe	65	70	69	-1	65	0
OECD Pacific	22	23	23	0	25	3
OECD	**1,755**	**2,271**	**2231**	**-40**	**2,065**	**310**
Other Asia	126	150	147	-3	142	16
Latin America	126	155	158	3	141	15
Middle East	70	73	76	3	72	2
Africa	54	59	61	2	58	4
DCs	**376**	**437**	**442**	**5**	**412**	**36**
FSU	na	na	na	na	na	na
Other Europe	2	2	2	0	3	1
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**2,132**	**2,710**	**2675**	**-35**	**2,479**	**347**

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

OPEC rig count stood at 298 in December and averaged 276 in 2005

OPEC

OPEC rig count was 298 in December, representing an increase of 6 rigs over the previous month. Gains took place in Saudi Arabia (2), UAE (1) and Venezuela (4), which were partially offset by declines in other OPEC Countries. Of the total, 222 rigs were operating onshore and 76 rigs offshore. In terms of oil and gas split, there were 243 oil rigs while the remainder was gas and other rigs. In 2005, OPEC rig count averaged 276, the highest level since 1997.

Table 18: OPEC rig count in 2004-2005

	2004	Nov-05	Dec-05	Change Dec 05-Nov 05	2005	Change 05/04
Algeria	19	21	21	0	21	2
Indonesia	49	60	60	0	54	5
IR Iran	41	38	38	0	40	-1
Iraq	na	na	na	na	na	na
Kuwait	10	13	13	0	12	2
SP Libyan AJ	10	9	9	0	9	-1
Nigeria	8	9	9	0	9	1
Qatar	9	12	14	2	12	3
Saudi Arabia	32	43	44	1	36	4
UAE	16	16	15	-1	16	0
Venezuela	55	71	75	4	67	12
Total OPEC	**249**	**292**	**298**	**6**	**276**	**27**

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

Stock Movements

US commercial oil stocks experienced a seasonal draw of 0.57 mb/d in December

USA

In December, US commercial oil stocks excluding the Strategic Petroleum Reserve (SPR) showed a seasonal draw, erasing the build of the previous period to decrease by 16.1 mb or 0.57 mb/d to stand at 1,009.6 mb. The bulk of this draw came from some petroleum products especially propane which lost about 19% between 2-30 December. Distillate and residual fuel oil inventories also contributed also to this draw but with minor volumes. The y-o-y surplus and the five-year average remained nearly unchanged at 4.1% and 5% respectively.

Weak demand for crude oil from refiners due to year-end tax assessment, which was reflected in refinery runs falling to 89.89% at the end of the period from 90.61% at the start, coupled with lower imports which decreased by 0.52 mb/d to 10.06 mb/d, **pushed crude oil inventories higher, adding 1.3 mb or 0.05 mb/d to stand at 321.58 mb on 30 December 2005.** Lower crude oil production capped the stock-build. Days of forward demand remained unchanged at 21.5 which was 2.8 days or 15% above last year and 2.5 days or 13% higher than the five-year average. The y-o-y surplus continued to widen, increasing by 1.5% to stand at 12.5%, while the five-year average jumped from 9% to 12%.

Product inventories showed moderate changes in both directions where gasoline and jet kerosene rose by 1.7 mb to 204.3 mb and 0.7 mb to 43.5 mb respectively while distillate and residual fuel oil stocks experienced draws of 1.7 mb to 128.9 mb and 1.3 mb to 38.3 mb respectively. The moderate build in gasoline inventories occurred mainly on the back of higher gasoline output which rose from 8.81 mb/d to 8.94 mb/d. Despite this build, days of forward cover of gasoline declined by 0.1 days to stand at 22 days which was 5% or 1.2 days below last year. The build also failed to narrow the y-o-y deficit, which widened to 4.7% from 4% in the last report, but left stock levels nearly in line with the five-year average. The seasonal draw on distillate inventories was not due to implied demand which moved slightly down, but because of a drop in imports which fell by about 28% or 0.11 mb/d to stand at 0.29 mb/d as well as due to lower output which declined from 4.18 mb/d to 4.14 mb/d. All draws occurred on heating oil stocks which lost 3.57 mb to 54.21 mb, while the build of 1.89 mb to 74.70 mb in diesel inventories abated this draw. The draw on heating oil stocks narrowed the y-o-y and five-year average surplus by almost half from 16% to 8% and from 7% to 3% respectively. The y-o-y distillate excess also shortened from 9% to 6% while the five-year average narrowed to 2% from 4%. Days of forward demand for distillates fell to 29.7 from 32.3 days but remained 5% higher than last year.

In December, the SPR moved down a slight 1 mb to 684.6 mb. This draw could be attributed to the continuous release of SPR as crude oil production showed some setback that month which forced refiners to turn to the SPR to maintain refinery runs at an acceptable level to meet seasonal demand.

Table 19: US onland commercial petroleum stocks*, mb

	28 Oct 05	02 Dec 05	30 Dec 05	Change Dec/Nov	30 Dec 04	13 Jan 06**
Crude oil	319.1	320.3	321.6	1.3	285.9	321.4
Gasoline	196.9	202.6	204.3	1.7	217.2	211.6
Distillate fuel	120.9	130.6	128.9	-1.7	126.1	134.7
Residual fuel oil	34.3	39.6	38.3	-1.3	42.4	39.7
Jet fuel	36.6	42.8	43.5	0.7	40.1	44.1
Total	**1,005.6**	**1,025.7**	**1,009.6**	**-16.1**	**970.1**	**1,016.4**
SPR	685.2	685.6	684.6	-1	675.4	684.3

* *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.

Eur-16 oil inventories continued to decline, falling by 0.25 mb/d in December

Western Europe

Total oil stocks in Eur-16 (EU plus Norway) continued to witness a seasonal draw for the second consecutive month, falling a further 7.9 mb or 0.25 mb/d to stand at 1,122.9 mb, which was still about 3% or 30.8 mb above year-ago level. All draws came from product stocks which in total dropped by 9.1 mb or 0.29 mb/d to 651.1 mb while the small build in crude oil stocks diminished this draw.

After five consecutive months of draw, **crude oil inventories reversed direction, showing a minor build of 1.2 mb or 0.04 mb/d to stand at 471.9 mb**. Lower refinery runs due to year-end tax policy as well as slower trade over the Atlantic due to the narrow WTI-BFO spread forced many cargoes of European origin to look for a home on the continent. The slight build succeeded to put last month's y-o-y deficit at a surplus of 1% or 5.4 mb.

Middle distillate inventories led products on their way down, except for gasoline which showed a slight build on the back of slower demand. **Distillate stocks were still drawn down, falling by 5.9 mb or 0.19 mb/d to stand at 373.9 mb.** Despite this significant draw, the y-o-y surplus remained at a comfortable level of about 8% or 26.2 mb. The stock-draw was due to higher demand because of higher than normal temperatures especially in Northern Europe as well as higher Russian gasoil exports to the USA. Gasoline stocks benefited from weaker regional demand, coupled with closed arbitrage to the US market due to very high shipping cost. **This situation helped gasoline stocks to achieve a modest build of 1.4 mb or 0.05 mb/d to 141.4 mb which was nearly the same level as last year or less than 1%**. Naphtha and fuel oil inventories fell by 2.6 mb to 24.2 mb and 2.0 mb to 111.5 mb respectively. Strong utility demand and opened arbitrage to the Asia-Pacific area pushed fuel oil inventories down.

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

	Oct 05	Nov 05	Dec 05	Change Dec 05/Nov 05	Dec 04
Crude oil	484.1	470.7	471.9	1.2	466.5
Mogas	141.3	140.0	141.4	1.4	140.5
Naphtha	26.0	26.8	24.2	-2.6	26.5
Middle distillates	382.9	379.7	373.9	-5.9	347.7
Fuel oils	110.5	113.6	111.5	-2.0	111.0
Total products	634.7	633.3	626.9	-6.4	599.1
Overall total	**1,144.7**	**1,130.8**	**1,122.9**	**-7.9**	**1,092.1**

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

Oil inventories in Japan lost October's gain, falling by 0.20 mb/d in November

Japan

In November, total oil inventories in Japan lost nearly all the previous month's gain to stand at 192.9 mb which was 6.0 mb or 0.20 mb/d lower than the October level. This draw turned the y-o-y surplus registered the previous month into a deficit of 6%. Crude oil and petroleum product inventories contributed equally to this stock-draw with all major stocks showing a modest to moderate draw with the exception of gasoline which observed a marginal build.

Crude oil stocks experienced a moderate draw of 3.0 mb or 0.1 mb/d to stand at 111.0 mb, a decrease of 12.4% compared to the same month last year. The draw on crude oil inventories was due mainly to higher refinery throughput which rose to 4.21 mb/d from the 4.15 mb/d registered in the previous month. Japanese refineries boosted throughput in order to meet increasing demand which improved remarkably as cold weather hit Northern Asia. Lower crude oil imports added to this draw as they were down by about 4% compared with October 2004.

Total major product inventories (gasoline, middle distillates and residual fuel oil) fell by the same volume as crude oil dropping 3 mb or 0.10 mb/d to stand at 81.9 mb. This level was still about 4% higher than a year ago. Middle distillates were in the driver's seat, declining by 1.9 mb or 0.06 mb/d to stand at 47.6 mb which was 6% above the November 2004 level. Seasonal demand especially for heating oil was behind this draw which was abated by increasing refinery output. Gasoline stocks behaved contrary to other inventories, heading up a marginal 0.1 mb to 14.3 mb on the back of weaker demand and lower exports which fell by about 13% compared with the previous month. Higher imports also added also to this build with gasoline imports showing a massive rise of 49% compared with November 2004. The gasoline stock-build did not support the y-o-y surplus, instead, it narrowed from 13% in the last report to just 1% in November.

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

	Sep 05	Oct 05	Nov 05	Change Nov 05/Oct 05	Nov 04
Crude oil	114.5	114.0	**111.0**	-3.0	126.7
Gasoline	12.6	14.2	14.3	0.1	14.1
Middle distillates	45.3	49.5	47.6	-1.9	44.9
Residual fuel oil	20.5	21.2	20.1	-1.1	19.9
Total products	78.3	84.9	81.9	-3.0	78.9
Overall total**	**192.8**	**198.9**	**192.9**	**-6.1**	**205.7**

* *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 has been revised down for 4Q05 and is now estimated at 30.1 mb/d

Estimate for 2005

The demand for OPEC crude in 2005 (a-b) remains at 28.8 mb/d, representing an increase of 0.62 mb/d from 2004. However, the required crude for the fourth quarter has been revised down and is now estimated to be slightly lower than previously anticipated.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World Oil Demand	82.09	83.71	82.06	82.58	84.50	83.21
(b) Non-OPEC Supply	53.93	54.49	54.73	53.90	54.43	54.39
Difference (a-b)	28.16	29.23	27.33	28.67	30.07	28.83
OPEC crude oil production	29.06	29.47	29.92	30.19	29.93	29.88
Balance	0.90	0.25	2.59	1.52	-0.14	1.05

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

The estimated demand for OPEC crude in 1Q06 and 2Q06 is 30.1 mb/d and 27.7 mb/d respectively

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 28.7 mb/d, unchanged from last month's report. However, the quarterly distribution has been revised. The new forecast shows that demand for OPEC crude is now expected at 30.1 mb/d in the first quarter, 27.7 mb/d in the second, 28.2 mb/d in the third and 28.7 mb/d in the fourth. In terms of OPEC capacity, capacity 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	83.21	85.46	83.57	84.20	86.09	84.83
(b) Non-OPEC Supply	54.39	55.32	55.83	56.05	57.36	56.14
Difference (a-b)	28.83	30.14	27.74	28.16	28.73	28.69
OPEC crude oil production	29.88					
Balance	1.05					

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

Graph 27: Balance of supply and demand

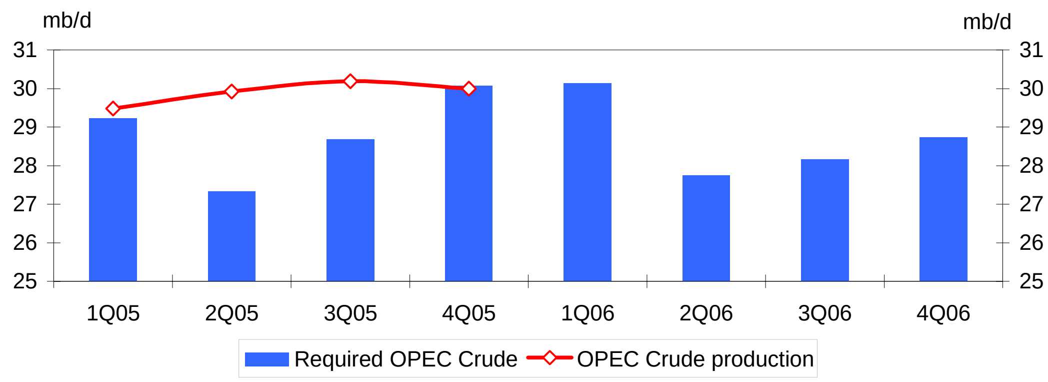


Table 24: World oil demand/supply balance, mb/d

	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	50.5	49.8	51.0	49.2	49.8	50.9	50.2
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.5	25.7	25.5	25.9	25.7	25.8	26.0	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	15.8	15.9	15.7
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.9	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	22.2	22.5	22.1	22.5	22.8	22.9	23.2	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	6.8	6.6	7.0	7.0	6.8	7.1	7.0
(a) Total world demand	77.1	77.7	79.2	82.1	83.7	82.1	82.6	84.5	83.2	85.5	83.6	84.2	86.1	84.8
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	20.9	20.9	19.8	19.8	20.4	20.3	20.5	20.2	21.1	20.5
North America	14.3	14.5	14.6	14.6	14.4	14.6	13.7	13.6	14.1	14.1	14.3	14.5	14.9	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.7	5.5	5.7	5.7	5.6	5.5	5.1	5.5	5.5
Pacific	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6
DCs	10.9	11.4	11.5	11.9	12.3	12.5	12.5	12.7	12.5	13.0	13.1	13.4	13.5	13.2
FSU	8.5	9.3	10.3	11.2	11.4	11.5	11.6	11.9	11.6	11.8	12.0	12.1	12.2	12.0
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	3.6	3.6	3.6	3.6	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	47.9	48.7	49.8	50.3	50.5	49.6	50.1	50.1	50.8	51.2	51.4	52.6	51.5
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	54.7	53.9	54.4	54.4	55.3	55.8	56.0	57.4	56.1
OPEC crude oil production (secondary sources)	27.2	25.3	27.0	29.1	29.5	29.9	30.2	29.9	29.9					
Total supply	77.2	76.8	79.4	83.0	84.0	84.6	84.1	84.4	84.3					
Balance (stock change and miscellaneous)	0.2	-0.9	0.2	0.9	0.2	2.6	1.5	-0.1	1.1					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2517	2558	2546	2626	2650							
OECD SPR	1288	1347	1411	1450	1462	1494	1494							
OECD total	3918	3823	3928	4008	4009	4120	4144							
Oil-on-water	830	816	883	904	927	928	920							
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	52	53	53							
SPR	27	28	29	29	30	30	30							
Total	82	79	79	81	82	84	82							
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.7	7.8	7.9	7.7	7.8	8.3	8.2	8.1	8.1
(a) - (b)	27.1	26.2	26.8	28.2	29.2	27.3	28.7	30.1	28.8	30.1	27.7	28.2	28.7	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	-	-	-	-	-	-	-	-0.3	-0.1	-	-	-	-0.2	-
North America	-	-	-	-	-	-	-	-0.3	-	-	-	-	-0.3	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.3	-0.1	-	-	-	-0.2	-
(a) Total world demand	-	-	-	-	-	-	-	-0.4	-0.1	-	-	-	-0.4	-0.1
Non-OPEC supply														
OECD	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
North America	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-0.1	-0.1	-	-0.2	-0.2	-0.2	-0.2	-0.2
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.1	-	-0.1	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	0.1	-	0.1	0.1	-	0.1	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-	-	-	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-	-	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-0.1	-0.1	-0.2							
Balance (stock change and miscellaneous)	-	-	-	-	-0.1	-	-0.2							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-	-	-	23							
OECD SPR	-	-	-	-	-	-	-							
OECD total	-	-	-	-	-	-	23							
Oil on water	-	-	-	-	-	-	-							
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	1							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	1							
Memo items														
FSU net exports	-	-	-	-	-	0.1	-	0.1	-	0.1	0.1	-	0.1	0.1
(a) - (b)	-	-	-	-	0.1	-	0.2	-0.3	-	0.3	-	0.1	-0.4	-

† This compares Table 24 in this issue of the MOMR with Table 24 in December 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	2,650
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	1,259
Western Europe	925	895	923	914	922	925	934	943	918	895	914	913	926	922	919	933	945	927	957	929	958
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	4,144
Oil-on-water	830	816	903	828	870	830	797	806	803	816	858	884	868	883	901	886	890	904	927	928	920
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	53
North America	52	48	49	51	53	53	52	52	50	48	46	48	49	46	46	47	47	47	47	50	49
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	30
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	26
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	82

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

	2001	2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
USA	8.05	8.04	7.82	7.65	-0.17	7.71	7.74	7.02	6.73	7.30	-0.36	7.20	7.36	7.43	7.75	7.43	0.14
Canada	2.73	2.84	2.98	3.07	0.09	2.94	2.95	3.02	3.17	3.02	-0.05	3.23	3.23	3.27	3.36	3.27	0.25
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.71	3.68	3.76	-0.08	3.70	3.76	3.78	3.84	3.77	0.01
North America	14.34	14.48	14.60	14.56	-0.04	14.40	14.57	13.75	13.58	14.07	-0.49	14.13	14.35	14.48	14.94	14.48	0.40
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.93	2.93	3.00	2.99	-0.20	3.00	2.97	2.77	2.93	2.92	-0.07
UK	2.54	2.52	2.33	2.09	-0.24	2.03	1.89	1.67	1.80	1.85	-0.24	1.78	1.71	1.52	1.73	1.69	-0.16
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	5.69	5.46	5.67	5.70	-0.44	5.64	5.53	5.13	5.52	5.45	-0.25
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.57	0.54	0.55	0.53	0.01	0.53	0.51	0.53	0.60	0.54	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	0.07	0.07	0.07	0.07	0.01
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.62	0.59	0.60	0.59	0.01	0.58	0.59	0.60	0.67	0.61	0.02
Total OECD	21.81	21.89	21.65	21.27	-0.38	20.93	20.88	19.79	19.85	20.36	-0.91	20.35	20.46	20.20	21.14	20.54	0.18
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.22	0.22	0.22	0.22	0.22	0.02
India	0.73	0.78	0.79	0.80	0.01	0.80	0.80	0.73	0.75	0.77	-0.03	0.80	0.80	0.80	0.80	0.80	0.03
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	0.40	0.38	-0.01	0.38	0.36	0.37	0.36	0.37	-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	0.49	0.53	0.53	0.51	0.04
Other Asia	2.20	2.30	2.40	2.59	0.19	2.71	2.69	2.65	2.73	2.70	0.10	2.79	2.76	2.81	2.80	2.79	0.09
Argentina	0.86	0.84	0.83	0.78	-0.05	0.76	0.76	0.74	0.75	0.75	-0.03	0.74	0.73	0.72	0.71	0.73	-0.03
Brazil	1.53	1.72	1.80	1.79	-0.01	1.85	2.03	2.02	1.99	1.97	0.18	2.06	2.08	2.28	2.25	2.17	0.19
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	0.49	0.48	0.48	0.48	-0.03
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	0.22	0.21	0.05	0.24	0.24	0.25	0.25	0.24	0.03
L. America others	0.24	0.25	0.25	0.26	0.01	0.28	0.28	0.30	0.30	0.29	0.03	0.30	0.30	0.30	0.30	0.30	0.01
Latin America	3.77	3.94	4.02	4.05	0.04	4.17	4.36	4.31	4.29	4.28	0.23	4.36	4.37	4.55	4.52	4.45	0.17
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	0.73	0.73	0.72	0.73	-0.04	0.71	0.71	0.71	0.71	0.71	-0.02
Syria	0.54	0.55	0.53	0.50	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.45	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	0.40	0.40	0.40	0.40	0.40	0.00
Middle East	2.15	2.10	2.00	1.88	-0.12	1.82	1.81	1.79	1.76	1.80	-0.09	1.76	1.75	1.74	1.73	1.74	-0.05
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.23	1.38	1.23	0.24	1.40	1.45	1.44	1.63	1.48	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	0.24	0.24	0.24	0.24	0.24	0.00
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	0.35	0.35	0.00
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	0.20	0.19	0.19	0.18	0.19	-0.01
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.36	0.34	0.34	0.03	0.41	0.50	0.55	0.58	0.51	0.18
Africa other	0.20	0.20	0.20	0.21	0.01	0.22	0.22	0.26	0.26	0.24	0.03	0.33	0.38	0.38	0.39	0.37	0.13
Africa	2.79	3.01	3.05	3.42	0.37	3.59	3.63	3.78	3.89	3.72	0.30	4.05	4.24	4.26	4.47	4.26	0.54
Total DCs	10.91	11.35	11.46	11.95	0.49	12.28	12.49	12.53	12.68	12.50	0.55	12.95	13.11	13.36	13.52	13.24	0.74
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.47	11.62	11.85	11.58	0.43	11.84	11.96	12.06	12.15	12.01	0.42
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.50	9.60	9.44	0.25	9.54	9.60	9.65	9.68	9.62	0.18
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	1.28	1.30	1.28	0.06
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.35	0.42	0.47	0.53	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	3.64	3.64	3.63	0.15	3.64	3.67	3.71	3.69	3.68	0.05
Non-OPEC production	44.73	46.14	46.95	48.01	1.06	48.38	48.61	47.74	48.18	48.23	0.21	48.96	49.38	49.51	50.67	49.63	1.41
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	46.42	47.87	48.75	49.84	1.09	50.26	50.46	49.58	50.06	50.09	0.25	50.84	51.25	51.38	52.60	51.52	1.43
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)	50.00	51.49	52.46	53.93	1.48	54.49	54.73	53.90	54.43	54.39	0.45	55.32	55.83	56.05	57.36	56.14	1.76

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

Table 28: Non-OPEC Rig Count

	2001	2002	2003	Change 03/02	1Q 04	2Q 04	3Q 04	4Q 04	2004	Change 04/03	1Q 05	2Q 05	3Q 05	Nov 05	Dec 05	4Q 05	2005	Change Dec 05-Nov 05	Change 05/04
USA	1156	831	1032	201	1,119	1164	1229	1249	1190	158	1279	1336	1419	1486	1470	1478	1378	-16	188
Canada	342	266	372	106	528	202	326	420	369	-3	620	241	527	600	575	572	490	-25	121
Mexico	54	65	92	27	107	113	111	108	110	18	114	116	104	92	94	93	107	2	-3
North America	1552	1162	1496	334	1,754	1479	1665	1777	1669	173	2013	1693	2050	2178	2139	2143	1975	-39	306
Norway	23	19	19	0	19	18	14	16	17	-2	15	18	19	16	15	17	17	-1	0
UK	24	26	20	-6	15	19	14	15	16	-4	16	22	23	27	27	24	21	0	5
Denmark	4	4	4	0	4	4	3	4	4	0	2	3	2	1	2	2	2	1	-2
Other Western Europe	44	36	36	0	31	30	27	27	29	-7	23	24	25	26	25	24	24	-1	-5
Western Europe	95	85	78	-7	69	70	57	62	65	-13	56	67	68	70	69	68	65	-1	0
Australia	10	9	11	2	12	13	18	14	14	3	17	15	17	14	14	15	16	0	2
Other Pacific	9	8	7	-1	7	8	9	6	8	1	7	10	10	9	9	9	9	0	1
OECD Pacific	20	17	18	1	19	22	26	20	22	4	24	25	27	23	23	24	25	0	3
Total OECD	1667	1264	1592	328	1,842	1570	1749	1859	1755	163	2093	1785	2146	2271	2231	2234	2065	-40	310
Brunei	3	3	3	0	2	3	3	2	3	0	1	2	3	2	2	2	2	0	-1
India	50	55	60	5	64	68	71	76	70	10	76	76	81	85	83	84	79	-2	9
Malaysia	11	14	14	0	15	15	13	13	14	0	12	14	14	13	12	13	13	-1	-1
Papua New Guinea	1	1	2	1	3	2	0	1	2	0	1	2	2	2	3	2	2	1	0
Vietnam	8	9	9	0	8	9	8	7	8	-1	8	10	10	10	10	10	9	0	1
Asia others	22	30	29	-1	27	31	31	31	30	1	35	36	36	38	37	37	36	-1	6
Other Asia	95	111	117	6	119	128	127	130	126	9	133	140	146	150	147	148	142	-3	16
Argentina	71	49	60	11	64	73	73	74	71	11	74	76	78	82	81	79	77	-1	6
Brazil	28	27	26	-1	24	26	26	26	26	0	26	27	28	30	28	27	27	-2	1
Colombia	15	11	11	0	8	9	9	11	9	-2	13	12	16	19	21	19	15	2	6
Ecuador	10	9	9	0	7	9	12	12	10	1	10	12	11	12	14	13	12	2	2
Peru	4	2	3	1	2	2	3	3	2	-1	3	4	3	3	3	3	4	0	2
Trinidad & Tobago	5	4	3	-1	3	4	4	4	4	1	3	2	2	5	5	4	3	0	-1
L. America others	7	5	4	-1	6	6	3	4	5	1	3	4	3	4	6	5	4	2	-1
Latin America	141	106	116	10	114	127	129	134	126	10	133	138	141	155	158	151	141	3	15
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	35	6	36	35	34	36	35	0	34	35	34	34	36	35	34	2	-1
Syria	19	22	24	2	24	24	23	23	24	0	21	20	22	23	23	23	22	0	-2
Yemen	6	9	9	0	7	8	9	11	9	0	10	11	13	13	14	14	12	1	3
Middle East	50	62	70	8	69	68	69	73	70	0	69	71	73	73	76	75	72	3	2
Angola	5	5	4	-1	4	3	3	3	3	-1	3	3	3	1	3	2	3	2	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	1	0	2	2	3	2	2	1	3	2	2	3	1	2	2	-2	0
Egypt	22	23	26	3	27	28	29	28	28	2	28	30	28	30	32	30	29	2	1
Gabon	2	2	3	1	2	2	2	2	2	-1	2	3	2	2	3	2	2	1	0
South Africa	1	1	0	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	13	1	15	18	20	22	19	6	23	21	19	23	22	23	21	-1	2
Africa	36	43	48	5	48	53	56	57	54	6	58	58	54	59	61	60	58	2	4
Total DCs	322	322	350	28	350	376	381	394	376	26	393	407	414	437	442	433	412	5	36
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	2	0	2	2	2	2	2	0	3	2	3	2	2	2	3	0	1
China	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	1944	356	2,194	1949	2132	2255	2132	188	2489	2194	2562	2710	2675	2670	2479	-35	347

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

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Data is provided by Data Services Department.

Data Summary

January 2006

OPEC Basket average price

US$ per barrel

⬆ up 1.4 in December	**December 2005**	**52.65**
	November 2005	51.29
	2005	50.64

December OPEC production

in million barrels per day, according to secondary sources

Algeria	1.37	Kuwait	2.55	Saudi Arabia	9.43
Indonesia	0.93	SP Libyan AJ	1.67	UAE	2.51
IR Iran	3.90	Nigeria	2.47	Venezuela	2.60
Iraq	1.58	Qatar	0.81	**TOTAL**	**29.82**

Supply and demand

in million barrels per day

2005		**2006**	
World demand	83.2	World demand	84.8
Non-OPEC supply	54.4	Non-OPEC supply	56.1
Difference	**28.8**	**Difference**	**28.7**

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

Stocks

US commercial crude oil stocks showed a seasonal draw of 16.1 mb in December

World economy

World GDP growth revised up to 4.5% for 2005 and to 4.3% for 2006

Issued 20 January 2006

Next report to be issued on 15 February 2006

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