OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

February 2008

Feature Article:
The unfolding economic downturn and its impact on the oil market

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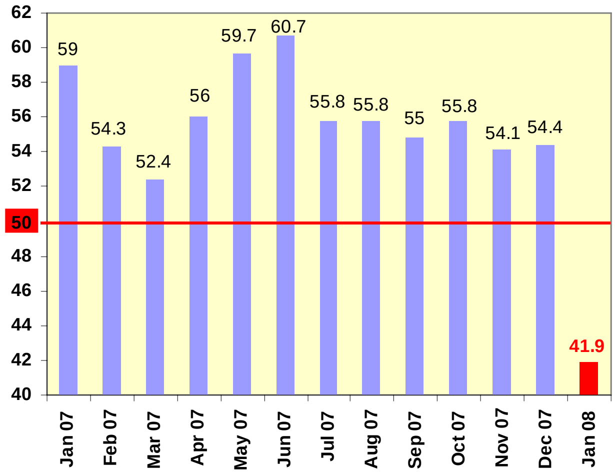
Oil Market Highlights

- The OPEC Reference Basket averaged $1.31 or 1.5% higher in January at $88.50/b. The Basket was sharply volatile in the first month of the year, reaching a record-high of $93.78/b on 3 January before declining again to $83.84/b on 22 January, the lowest level in some three months. The market was driven by concerns about the US economy, although moves by the US Federal Reserve to cut interest rates along with the economic stimulus plan helped support the market. Volatility continued into February on the weak economic outlook partially offset by geopolitical concerns, supply outages and a cold snap in the US. The Basket rebounded from $84/b to average month-to-date at $87.60/b after peaking at a four-week high of $90.79/b on 14 February.
- World economic growth has been revised down 0.1 percentage points (pp) to 4.6% in 2008 following further downward revisions in all three OECD regions. Risks to the world economy have increased considerably in January on mounting evidence of a slowdown in the US economy, fuelling fears of an outright recession with uncertain repercussions for the rest of the world. The US economy slowed considerably in 4Q07 with annualized real growth at 0.6% from 4.9% in the previous quarter. Early indicators in 2008 have been overwhelmingly bearish. Given the deteriorating climate, other measures apart from the strong response in monetary policy — the US Federal Reserve cut rates twice in January by 125 basis points — are being considered to prevent recession in the US. Agreement has been reached between the US administration and Congress to a fiscal incentive package, amounting to $168 billion or slightly more than 1% of GDP. Growth in the US has been revised down to 1.6% this year, down 0.2 pp, while Japanese growth is seen to moderate to below potential at 1.2% and Euro-zone growth to reach 1.8%. Growth in China and India has been kept unchanged at 9.9% and 8% respectively.
- World oil demand in 2007 is estimated to have grown at 1.2 mb/d or 1.4%. Recent data showed that weather in North America and Europe was colder than normal last December, leading to increased demand growth in these regions. Asian demand was stronger than expected. Fourth-quarter demand followed normally high winter seasonality, especially in the OECD, resulting in demand growth of 1.7 mb/d for that quarter. In 2008, world oil demand is forecast to grow by 1.2 mb/d to average just under 87 mb/d, representing a slight downward revision from the previous estimate. The slowing world economy, warm winter in the Pacific and the weather-related disruptions in China over the New Year holiday resulted in lower-than-expected oil consumption. US weather was colder than normal in January which led to an increase in winter product consumption. The world oil demand for the first quarter is forecast to grow by 1.4 mb/d to average 87.2 mb/d.
- Non-OPEC supply growth in 2007 has been revised down slightly to stand at 0.6 mb/d. The adjustments were due in large extent to downward revisions to supply from USA, Mexico, Norway and FSU. For 2008, non-OPEC supply growth is expected to average 1.1 mb/d as some of the 2007 revisions have been extended into 2008 and more data become available for project start-ups and ramp-ups. Growth in OPEC NGLs and non-conventional oils for 2007 and 2008 was left almost unchanged at 0.3 mb/d and 0.5 mb/d respectively. In January, OPEC crude oil production averaged 32.0 mb/d, almost unchanged from the previous month.
- Recent gasoline stock-builds across the globe, particularly in the US, along with the relatively light seasonal refinery maintenance schedule over the next few months, have undermined product market sentiment, which is not expect to revive significantly in the near future. However, lower crude costs in the past few weeks have helped refining margins in Atlantic Basin to improve slightly in January over the previous month. The current bearish momentum in the product markets may change as peak seasonal refinery maintenance is approaching which could lead to gasoline stock-draws in the coming months. Additionally, technical restrictions for summer grade gasoline may also provide support for product and crude prices in the future.
- OPEC spot fixtures dropped a further 0.3 mb in January to average 13.4 mb/d, which corresponds to two-thirds of total spot fixtures. Similarly, OPEC sailings fell a minor 0.4 mb to 23.1 mb, reflecting the drop in the fixtures. The bullishness of the tanker market in December did not last long and spot freight rates have retreated on almost all routes. The correction in rates was driven by a surge in availability of vessels. The highest loss was observed on VLCCs trading between the Middle East and Asia. However, despite the drop, freight rates remained profitable, above the 2007 average.
- Following five consecutive draws totaling more than 75 mb, US commercial oil stocks rose 11 mb in January to hit 981 mb, a return above the five-year average. The build was driven by both crude oil and gasoline. At 300 mb, crude oil stocks were 5 mb above the five-year average while gasoline stocks hit their highest level since February 1999. In EU-15 plus Norway, total oil stocks rose a further 16.5 mb and remained around 10 mb above the five-year average. Japan’s commercial oil stocks fell 8.2 mb to 178 mb in December, their lowest level since last May, with crude oil hitting an all-time low. Preliminary data show a further decline in Japan’s commercial oil stocks in January, leading to a large deficit of 14% from the five-year average.
- The demand for OPEC crude in 2007 is expected to average 31.9 mb/d, an increase of 0.3 mb/d over the previous year. In 2008, the demand for OPEC crude is expected to average 31.5 mb/d, a decline of 0.4 mb/d.

The unfolding economic downturn and its impact on the oil market

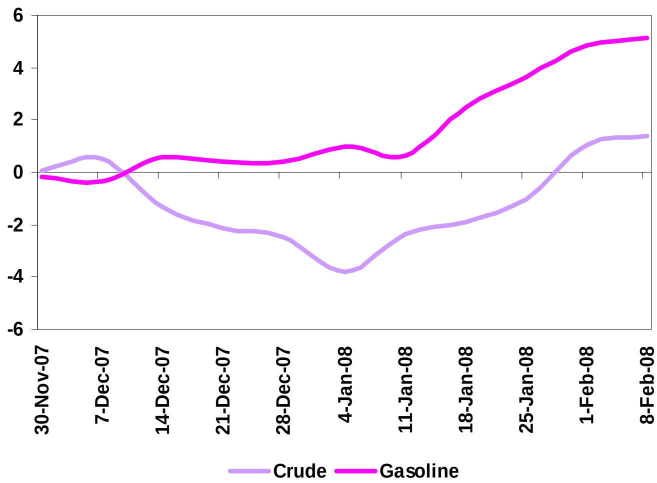
- Following an unprecedented six years of strong expansion, the world economy is now entering into a period of slower growth. World growth is now expected at 4.6% compared to average growth of around 5% in the last five years. Risks to the world economy have increased considerably since the fourth quarter of 2007 on continued turbulence in financial markets and growing evidence of a slowdown in the US economy, fuelling fears of an outright US recession, with potential repercussions for the rest of the world. These concerns have affected equity markets worldwide and to a lesser extent the commodity and oil markets.
- The core problem in the US remains the drag from the housing sector recession and the financial repercussions of the US subprime mortgage crisis on the real economy. Residential investment has been subtracting from US GDP growth since the second quarter of 2006 and the problem appears to be deepening. The spillover to other sectors is beginning to affect employment and consumer spending — the main drivers of the economy. As is well known, private consumption accounts for over 70% of GDP and thus any changes in consumer behaviour has a big effect on US economic growth.

Graph 1: US non-manufacturing index



Source: Institute for Supply Management

Graph 2: US crude and gasoline stocks: deviation from the five-year average(%)



- A series of interest rate cuts by the US Federal Reserve, aimed at arresting the slowdown in growth have not yet restored confidence in equity and credit markets. World equity values, which saw a double digit drop during January and early February, have managed a partial recovery in recent days. There is little doubt that recent indicators show a significant slowdown in the US economy. Employment in January fell for the first time since 2003, while the manufacturing survey (ISM) came close to the 50 level mark that separates expansion from contraction. More alarming, the Institute for Supply Management's Non-manufacturing PMI Index which accounts for the bulk of economic activity including services and construction registered a recessionary level of 41.9 in January from 54.4 in December (*see **Graph 1***).
- Weakening economic data in the EU and Japan support expectations of a general economic slowdown in all OECD regions. Whether this will affect growth prospects in emerging economies will largely depend on the degree of spillover to the rest of the world from a slowdown in the US. Initial estimates indicate that the Developing Countries' group including China and India will continue to grow at healthy levels albeit lower than those achieved in 2007. A combination of stronger growth in domestic demand and export diversification away from the US indicates a reduced dependency on the US as an engine of growth. Increased interdependency among Developing Countries can be seen from the evolving trade and investment patterns. However, this process is gradual and so these countries are still expected to be impacted by a US slowdown or recession. At present, however, the main concern in this group is rising inflation which has triggered monetary tightening policies which may somewhat impact growth.
- In light of the ongoing developments in the world economy, many institutions have begun to revise down oil demand forecasts from initially high levels. Although OPEC's demand growth projections are lower than other assessments for this year, one cannot rule out the potential for further downward revisions in the months ahead. A sharp economic slowdown, especially in the US, may further undermine demand growth in the coming months, mainly in transportation fuels.
- At the same time, current OPEC production at around 32 mb/d should help to further ease market fundamentals, resulting in builds in global inventories over the coming quarters. This can already be seen in US commercial inventories as crude and gasoline stocks have now moved above the five-year average (*see **Graph 2***). These unfolding developments in the world economy and the oil market warrant close monitoring in the months ahead to ensure a timely response to changing conditions.

Vienna, Austria 1 February 2008

147th (Extraordinary) Meeting of the OPEC Conference

The 147th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) was held at the OPEC Headquarters in Vienna on 1 February 2008, under the Chairmanship of its President, HE Dr Chakib Khelil, Minister of Energy and Mines of Algeria and Head of its Delegation, in order to review recent developments in world oil markets.

Prior to commencing the business of the day, the Conference extended a very warm welcome to HE Dr Galo Chiriboga Zambrano, Minister of Mines and Petroleum of Ecuador, who was attending a Meeting of the Conference as Head of his Country's Delegation for the first time.

The Conference extended its condolences to the Government and people of the Republic of Indonesia on the demise of His Excellency Muhammad Soeharto, former President of the Republic.

The Conference then reviewed oil market developments since its Meeting in Abu Dhabi in December 2007, as well as short-term prospects. It observed that OPEC production decisions had ensured that the market remained well supplied throughout 2007. It also noted that the first half of 2008 was likely to witness a crude inventory build, and supply/demand forecasts indicate that commercial oil stocks are in line with the seasonal trend and are expected to remain within their five-year average during the traditionally lower-demand season in 2008.

In view of the current situation, coupled with the projected economic slow-down, the Conference agreed that current OPEC production is sufficient to meet expected demand for the first quarter of the year. At the same time, however, the Conference noted that the significant uncertainties associated with the projected downturn in the global economy called for vigilant attention to their impact on key market fundamentals until its next Meeting on 5 March 2008. The Conference reiterated the Organization's determination to take every measure deemed necessary to keep the market stable.

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

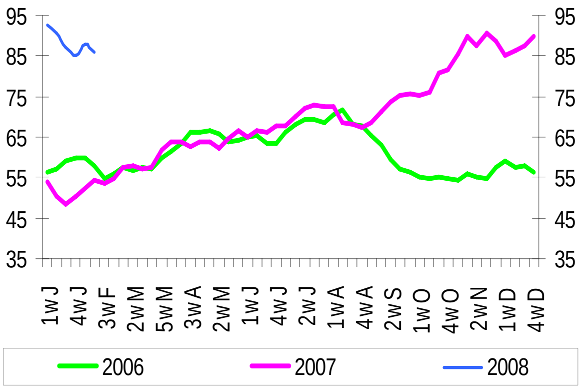
Crude Oil Price Movements

Speculative buying in the futures market along with the US stimulus plan offset potential recession fears

OPEC Reference Basket

The market sentiment emerged on a stronger note in January amid a cold snap in the Northern Hemisphere prompting demand for winter fuels while petroleum stocks experienced continued draws. Moreover, speculative buying in energy futures sent jitteriness in the marketplace on geopolitical developments in the Middle East and West Africa with the Basket peaking at an all-time high of $93.78/b to average $92.08/b in the first week of the year for a gain of $2.79 or over 3% from the previous week. Nevertheless, the bullish sentiment was short-lived as economic concerns dominated the market amid increasing signals indicating a recession on the horizon while global equity markets plunged.

Graph 1: OPEC Reference Basket - weekly spot crude

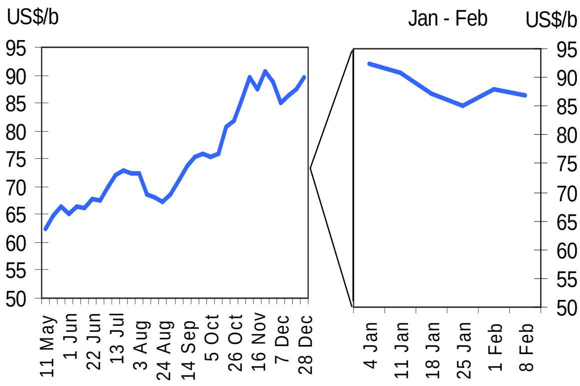


In the second week, the Basket averaged 1.8% or $1.67 lower to settle at $90.81/b. Economic concerns sustained as the Federal Reserve noted the weak economic outlook with the petroleum market under pressure from softening oil demand. An announced stimulus package by the US Administration strengthened the market momentarily.

However, the Basket plunged in the third week by $3.65 or over 4% to average 87.18/b. The bearish market sentiment continued into the fourth week amid a loss in the equity market with the Basket closing at $83.84/b on 22 January, the lowest level in some three months. The weekly average was $2.11 or 2.4% lower at $85.07/b, an eight-week low. A surprise Federal Reserve cut in interest rates and the US Administration's plan to stimulate the economy helped cap losses and in the final days of the month the Basket averaged $88.11/b for a gain of $3.04/b.

On a monthly basis, the OPEC Reference Basket averaged $1.31 or 1.5% higher at $88.50/b amid revived geopolitical concerns. The Basket has been sharply volatile in January, reaching a record-high of $93.78/b on 3 January before declining again to $83.84/b on 22 January, the lowest level in some three months, as the market was shaken by fears of a recession in the US and a slowdown in the global economy. The US Federal Reserve interest rate cut along with an economic stimulus plan supported the market to sustain some strength. Nonetheless, volatility resumed into early February on the weak economic outlook; however, this was balanced by geopolitical concerns amid outages from the North Sea, West Africa and an asset dispute in South America. A cold snap in the US lent support to the bullish market momentum. The Basket rebounded from $84/b to average $87.60/b month-to-date after peaking to a four-week high of $90.79/b on 14 February. Year-to-date, the Basket averaged $88.22/b.

Graph 2: Weekly average Basket price, 2007-2008

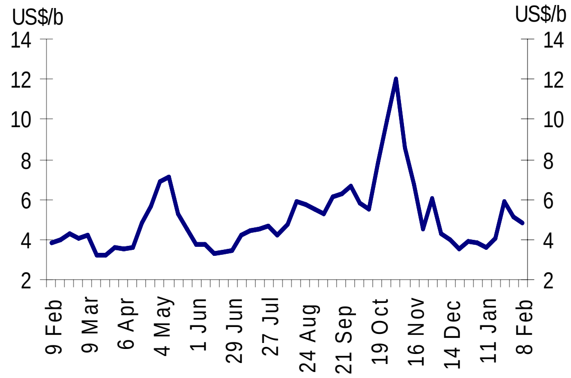


Narrowing WTI/Brent spreads supported sweet crude in the US domestic market

US market

The US domestic market was supported by the narrowing transatlantic spread. Demand for winter fuel added to market bullishness. The weekly WTI/WTS average spread was 5¢ narrower at \$3.86/b. The sentiment furthered into the second week amid the continued narrowing of arbitrage opportunities for Brent-related crude to flow to the US. The WTI/WTS spread averaged 22¢ narrower at \$3.64/b. Nevertheless, the sentiment was reversed in the third week as the transatlantic spread widened. A temporary halt of Nigeria's Forcados crude lent support to light sweet crude in the US. A lower refinery run rate also dampened light sour grade values. However, tight North Sea supply kept the bullish momentum intact. Thus, the WTI/WTS spread widened by 40¢ to \$4.04/b. In the fourth week, the spread widened a further \$1.84 to \$5.88/b. The flow of competing sour grade amid the narrowing transatlantic spread dampened US domestic light crude. In the final days of the month, Bent flipped into a premium to WTI, limiting the arbitrage opportunities, which supported the light grade to firm. Suspended production of 350,000 b/d from Northern Alberta due to cold weather kept further firmness in the marketplace. The WTI/WTS spread was 79¢ narrower at \$5.09/b. The monthly average for WTI was \$1.2 or 1.3% higher at \$92.90/b, while the premium to WTS widened 57¢ to \$4.52/b.

Graph 3: WTI spread to WTS, 2007-2008

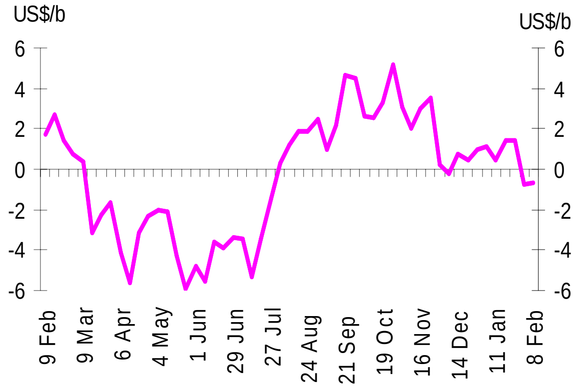


Availability of prompt January stems offsetting tight North Sea supply

North Sea market

The North Sea crude began the year on stronger demand for regional crude amid tight supply. Nevertheless, unsold January stems put a cap on differentials preventing them from firming further. Nonetheless, in the first week the WTI/Brent weekly average spread was 19¢ wider at \$1.13/b, supported by firm freight rates which limited transatlantic arbitrage opportunities. In the second week, the sentiment weakened amid unsold prompt barrels while short-term swaps fell indicating ample supply as February loading programmes emerged. Moreover, the narrowing WTI/Brent spread added to market bearishness as the spread narrowed by 70¢ to 43¢/b. However, weak refining margins amid clearing prompt January barrels at weaker levels kept the bearish sentiment intact as the front-end swap firmed limiting procurement. The WTI/Brent spread was 98¢ wider at \$1.41/b in the third week. In the fourth week, ample supply amid lower procurement helped market bearishness to sustain. A slight firmness in refining margins lent support to regional grades while high outright prices limited gains. The WTI/Brent spread narrowed 2¢ to average \$1.29/b. However, in the final days of the month, a rebound in refining margins and decent demand supported North Sea crude differentials to firm. Brent flipped into a premium over WTI to average 37¢/b. In monthly terms, Brent averaged 75¢ higher in January at \$92/b. The spread under WTI was 43¢ wider at 87¢/b.

Graph 4: WTI premium to Dated Brent, 2007-2008



Resumption of Iraq's exports from its northern outlet balanced tight Russian supply due to maintenance

Mediterranean market

The Mediterranean emerged firmer as the value of Siberian Light remained supported by tighter supplies due to scheduled pipeline maintenance. Brent/Urals spread averaged 5¢ narrower in the first week at \$2.69/b. However, weaker refining margins, increasing volumes of Iraqi Kirkuk crude and Saudi Arabia's lowering price differentials to Europe weighed on Urals crude. Russia's top Black Sea port was closed momentarily due to bad weather preventing the grade from falling further while sellers held cargoes waiting for higher differentials. Yet the reopening of Russia's

Black Sea port Novorossiisk resumed the pressure on the regional market despite delayed shipment from Iraq's northern outlet due to bad weather. Hence, the weekly average of Urals discount to Brent was 10¢ wider at $2.79/b. In the third week, Urals received support from tight Siberian Light that has been rising in value, in part because of tighter January supply due to pipeline maintenance. Prompt requirement also lent support to the grade as a halt on exports along Iraq's northern pipeline raised concern about the reliability of Kirkuk flows into the Mediterranean. The Brent/Urals spread was 10¢ narrower to average $2.69/b. An improvement in refining margins prompting demand in the fourth week lent support to the regional sour grade. The Brent/Urals spread was 10¢ narrower at an average of $2.60/b. A dearth of supply supported the grade in the final days of the month, yet the discount to Brent was 49¢ wider at an average of $3.09/b. Urals averaged 20¢ firmer in January at $89.20/b with the discount to Brent 55¢ wider at $2.78/b.

Middle Eastern market

Wide Brent/Dubai spread pressured Mideast crude while easing freight rates kept some balance in the market

The market entered the new year on a mixed note amid the perception of lower retroactive Mideast OSP leaving room for a firm premium while the Brent/Dubai spread remained wide, making the arbitrage unattractive. The spread jumped $7.72/b in the first trade of the year, yet the weekly average was 56¢ narrower at $6.26/b. In the second week, falling freight rates made arbitrage opportunities economical. March Oman was trading at a $1.20-1.50/b premium to Dubai and offers for Abu Dhabi Murban stood at a 20-25¢/b premium to ADNOC's OSP, prompting buyers to move to the sidelines. In the second week, the Brent/Dubai spread averaged $1.80 narrower at $4.46/b. While supply from the Mideast was unchanged with India issuing a buy-tender of sour grade supporting the Middle East market, the weaker crack spread prompted refiners to reduce runs amid the prospect of lower demand. In the third week the Brent/Dubai spread narrowed by 65¢ to $3.81 supporting the flow of arbitrage barrels. Abu Dhabi Murban traded at a softer premium of less than 10¢/b to ADNOC's OSP. In the fourth weekly period, Mideast crude was under mounting pressure amid Japanese refiners cutting runs with Murban trading at a discount of 20¢/b for the first time in some three months, on weaker refining margins amid fuel stocks in Singapore at a nine-month high. The Brent/Dubai spread was 58¢ wider at $4.39/b. Continued lower procurement in the final week of the month pushed Mideast differentials lower. Murban was trading at a 25¢/b discount to OSP. In the final week of the month, the average Brent/Dubai spread was 74¢ wider at $5.13/b, limiting the movement of arbitrage barrels. Dubai's monthly average in January was $87.35/b for a gain of $1.56 or 1.8% with the discount to Brent 81¢ narrower at $4.65/b.

Graph 5: Dated Brent spread to Dubai, 2007-2008

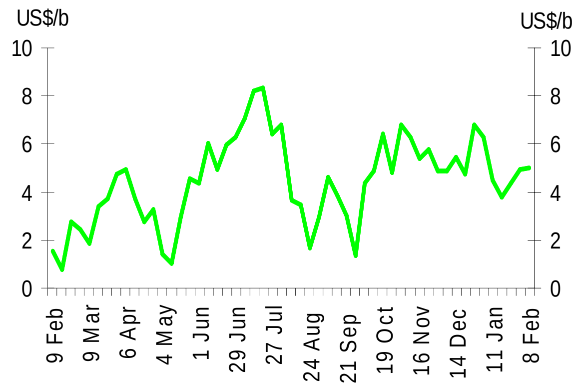


Table 1: OPEC Reference Basket and selected crudes, US$/b

	Dec 07	Jan 08	Change Jan/Dec	Year-to-Date 2007	Year-to-Date 2008
OPEC Reference Basket*	**87.19**	**88.50**	**1.31**	**50.79**	**88.50**
Arab Light	86.29	88.75	2.46	50.86	88.75
Basrah Light	82.79	85.21	2.42	47.63	85.21
BCF-17	79.79	80.59	0.80	42.68	80.59
Bonny Light	93.55	94.85	1.30	56.18	94.85
Es Sider	90.75	91.40	0.65	52.08	91.40
Girassol	88.98	88.68	-0.30	51.99	88.68
Iran Heavy	86.31	86.36	0.05	47.91	86.36
Kuwait Export	84.37	85.63	1.26	48.42	85.63
Marine	87.54	88.35	0.81	52.58	88.35
Minas	94.53	95.33	0.80	55.39	95.33
Murban	90.72	92.04	1.32	56.42	92.04
Saharan Blend	93.15	93.60	0.45	55.78	93.60
Other Crudes					
Dubai	85.79	87.35	1.56	51.92	87.35
Isthmus	87.53	88.07	0.54	48.90	88.07
T.J. Light	84.73	85.52	0.79	47.83	85.52
Brent	91.25	92.00	0.75	53.68	92.00
W Texas Intermediate	91.69	92.87	1.18	54.40	92.87
Differentials					
WTI/Brent	0.44	0.87	0.43	0.72	0.87
Brent/Dubai	5.46	4.65	-0.81	1.76	4.64

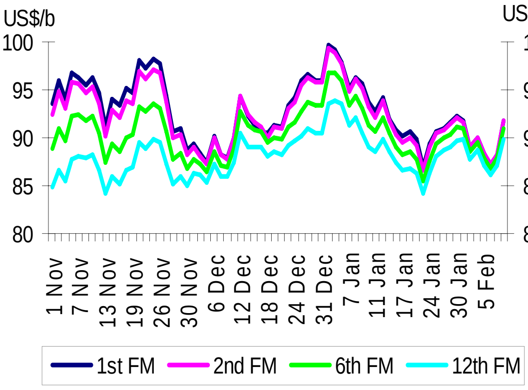
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

Speculative buying amid a plan to stimulate the economy kept the futures market steady

In the first weekly period of January, non-commercial net long positions gained nearly 7,900 lots to nearly 95,000. Open interest accumulated 52,700 lots to nearly 1,414,000. Including options, open interest was 119,400 lots wider at 2,628,400 contracts. Speculative buying pushed crude futures momentarily above $100/b with Nymex WTI averaging the week at $97.63/b to close at an all-time high of $99.62/b.

Graph 6: Nymex WTI futures prices, 2007-2008

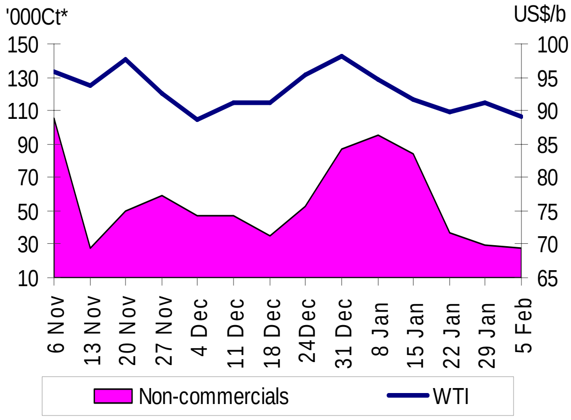


FM = future month

Nonetheless, in the second weekly period, non-commercial net longs dropped nearly 11,000 lots to almost 84,000, yet open interest rose 44,100 lots to an eleven-week high of 1,458,100, as commercials decreased long positions at a higher rate than shorts. With options included, open interest was 70,700 lots wider at 2,699,100. Surfacing economy concern overshadowed West African geopolitics and the weak US dollar. Nymex WTI weekly average was $4 lower at $93.63/b to close the second weekly period down by $3.77 to $91.90/b. The bearishness continued into the third weekly period on concern over the looming recession and lower refinery procurement on weak margins. The prospect of easing demand pushed the futures contract below the $90/b level for the first time since early December to average $90.35/b to close the period at $89.85/b.

In the third weekly period, non-commercial net long positions slipped to 37,100 lots, the lowest level in six weeks, amid a drop in longs to the lowest level since June. Open interest volume deflated to a five week-low of 1,343,200 contracts. Including options, open interest dropped to 2,532,500 lots with non-commercial net longs at 113,100 lots, the lowest level since August.

Graph 7: Non-commercial net long positions vs WTI, 2007-2008



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

In the fourth weekly period, open interest was up 22,600 lots at 1,365,800. However, non-commercial net long positions were at 29,800 lots, the lowest level since August. With options included, open interest inflated by 66,300 lots to 2,598,800.

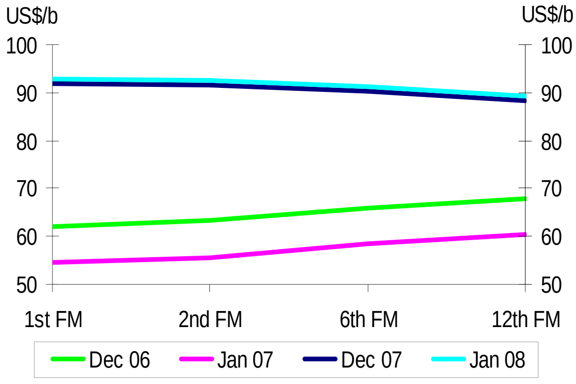
On a monthly basis, at 53,800 lots, non-commercial positions in January 2008 averaged 7,700 lots wider than in December and 70,500 higher y-o-y. Open interest averaged 1,395,250 for a gain of 39,100 lots over the previous month and 115,100 higher than the same period last year. With options included, non-commercial net long positions narrowed 3,100 lots to almost 123,000 but were 88,600 higher than a year ago. Open interest averaged 2,614,700 lots or 108,600 over December and 380,600 higher than a year ago. Crude oil futures averaged $92.93/b in January for a gain of $1.17 or 1.3%. Although concern over the health of the economy dominated the marketplace, an interest rate cut by the Federal Reserve along with an economic stimulus package by the US Administration supported the petroleum complex to sustain some strength.

The Forward Structure

Prospect of slower demand growth prompted crude oil stock depletion

The backwardation spread widened in January with the 1st/2nd month spread at 34¢/b or 18¢ wider than in December, representing a shift from contango last year, when the change was $1.33/b wider. The 1st/6th, 1st/12th and 1st/18th month spreads were $1.82, $3.69 and $5.19/b for a gain of 25¢, 32¢ and 44¢/b respectively. Although crude oil inventories rose in the last three weeks of January by an accumulated 10.1 mb, average weekly US crude oil stocks were at 288.1 mb or 8.1 mb lower than in the previous month and 32.8 mb lower than last year. Lower procurement amid fear over slower demand growth prompted some refineries to cut runs or go into early maintenance, contributing to further stock-draws.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Better performance of previous metals in January

Trends in selected commodity markets

The precious metal complex was among the better performers in January 2008 despite the increasing risks from the US economic downturn and potential contagion to other economies. **Spot gold prices increased 10.5% from the previous month to stand at $889.60/oz** (*see **Table 2** and **Graph 9***). There was a deceleration in gold prices during the third week of January, followed by a recovery in the following week driven by the second cut in US interest rates and more moderate growth in the first week of February (*see **Graph 9** below*).

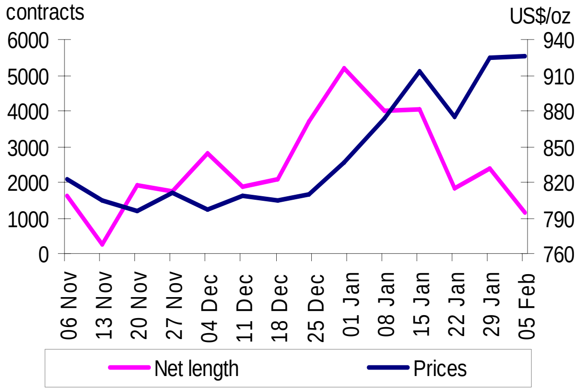
Table 2: Monthly changes in selected commodity prices, 2007-2008

	Nov/Oct	Dec/Nov	Jan/Dec	% Change Jan 08/Jan 07
Commodity	6.6	-1.0	2.8	42.2
Non-fuel	-0.2	-0.1	3.2	12.1
Energy	10.5	-1.4	2.5	64.9
Crude	11.1	-2.0	1.6	70.1
Natural gas	5.5	0.3	12.0	22.3
Gold*	6.8	-0.1	10.5	40.9
Silver*	7.5	-2.7	11.6	24.3
Platinum**	2.8	3.0	6.2	38.1
Food	1.5	4.8	4.7	32.8
Corn	4.2	5.4	14.6	25.1
Soybeans	4.9	11.4	7.1	69.7
Soybean oil	12.3	4.0	11.3	79.8
Industrial metals	-3.9	-5.9	3.1	-1.8
Aluminium	2.6	-5.0	3.1	-12.3
Copper	-13.3	-4.7	6.8	24.4
Nickel	-2.1	-14.6	6.6	-24.6
Sugar	1.3	-2.3	-2.7	0.5
Wheat	-4.0	14.5	0.3	88.5
Zinc	-14.3	-6.9	-0.6	-37.5

Sources: IMF; Estimations based on data provided by the IMF.
** Kitco*
*** Platinum Today*

Silver prices climbed to nearly 12% in January over the previous month fostered by greater investment demand due to the weakening US dollar and worries about inflation and economic growth. Despite higher volatility, the price of gold remain strong on further dollar weakness and supply disruptions as a severe power shortage in South Africa cut power supplies to several mines, resulting in a decline in global inventories due to structural supply problems and excessive demand from emerging economies. In this context, gold is seen to be a safe investment against inflation and the falling dollar. Demand from investors in the physical gold-backed ETFs has been another factor, together with the rise in oil prices and food given their impact on inflation.

Graph 9: Gold prices vs. net length, 2007-2008



Sources: CFTC and for prices (London fix gold prices).

As illustrated by **Graph 9**, speculative length in gold declined during most of January relative to December 2007, but prices remain very high. Observers see a continued favourable outlook for gold prices due to the expected further depreciation of the US dollar over the course of the year. A further interest rate cut is expected for next March.

Industrial metal prices reversed the falling trend in December to grow by 3.1% in January, although volatility remained high. While industrial metal prices recovered strongly at the beginning of the year, partly as a result o f the re-weighting of commodity indices by investment banks, they then experienced a drop due to the sharp drop in equity markets in the third week of January. Fed rate cuts seem to have exerted a positive impact on slowing the downtrend in industrial metal prices by the end of January, but the outlook of the sector depends so much on the unfolding US economic downturn. However, inventories at the London Metal Exchange remain very low for most industrial metals.

Supply-side issue concerns appeared in the last week of January and the beginning of February, in the face of important production losses in China and South Africa owing to power shortages, with aluminum and copper reporting the largest production losses. **Copper prices increased by near 7% in January** over the previous month owing to tight fundamentals and observers agreed that inventory draws are expected to continue even if short-term problems in the Chinese market have eased. Nickel prices rose 6.6% owing to positive expectations of an expansion in stainless steel production, which fell sharply in the second half of last year. **Aluminum prices grew by 3%** due to a recovery in the last week of January linked to the supply disruptions, but ample inventories may act as a cap.

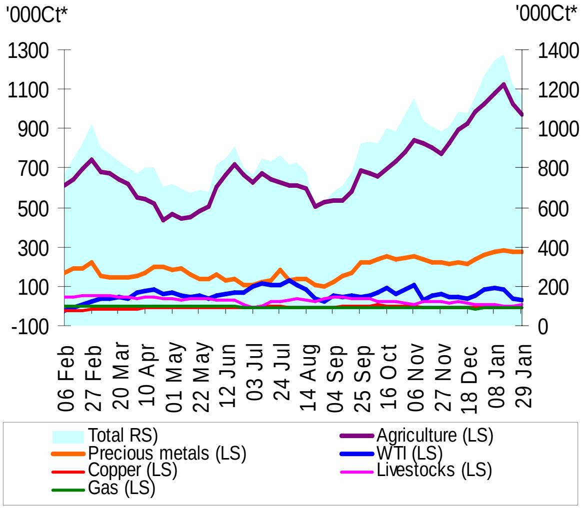
Agricultural prices posted a 4.5% gain in January on a monthly basis. Food prices increased by 4.7% driven by strong rallies in corn and soybean oil which climbed by 15% and 11% respectively. The outlook for the grain complex is positive for 2008 despite economic concerns given low inventories levels and positive demand from the food, fuel and feed sector. In addition, there is a competition for acreage in the upcoming planting season between wheat, corn and soybeans, which has contributed to rising prices of these commodities. Likewise the underperformance of corn prices compared to the other grains in 2007 has raised concern about the possibility of a shortage of supply in 2008. **An interesting issue is that it seems that the prices of food and crude oil have begun to be positively correlated according to a recent World Bank study.**

Investment flow into commodities

Recovery of non-commercial net inflow for major US commodity markets in the first week of February after a decline in the last two weeks of January

As illustrated by **Graph 10**, the **non-commercial net inflow for the major US commodity markets covered by the CFTC in terms of volumes declined during the two last weeks of January but recovered in the first week of February.** Net inflow of non-commercials in total commodities in the US fell by 149,365 contracts in the week ending 22 January (weekly changes) and by 53,805 contracts in the week ending 30 January. This is related to the fall in equity markets, and fears about inflation and US economic growth. Among the commodity groups most affected were agriculture whose net length dropped by 97,156 contracts in the third week of January, although the level of 1,026,913 is still very high (*see* ***Graph 10***).

Graph 10: CFTC net inflow by commodity group, 2007-2008



Ct = *Each contract is 1,000 barrels.

Gold speculative net length declined during January compared to the previous month following a strong decline of 54.2% in the week ending 22 January and an 8% drop in the first week of January. Non-commercial net inflows into gold contracts decline sharply in the first week of February, which may reflect concern in the market about the downside risk due to very high prices. Nevertheless, the speculative share of gold on CBOT has been volatile but low, averaging 14% from 16 October 2007 to 5 February 2008. This suggests that, as in the case of other commodity markets, speculative activity can add to short-term volatility, but fundamentals remain the most important factor over the long term.

Highlights of the World Economy

Economic growth rates 2007-2008, %							
	World	OECD	USA	Japan	Euro-zone	China	India
2007	5.3	2.7	2.2	2.1	2.6	11.4	8.6
2008	4.6	2.0	1.6	1.2	1.8	9.9	8.0

Industrialised countries

United States of America

Recent data have added to the perception of a sharp slowdown in the US economy feeding recessionary worries

Recent economic indicators have been overwhelmingly bearish, adding to the perception that the US may be sinking into recession. Initial government estimates show that the US economy slowed down almost to a standstill in the fourth quarter of 2007 after as strong third quarter. GDP growth slowed to an annual rate of 0.6% percent in October through December, down from a 4.9% percent pace in the third quarter. The estimate for Q4 may be revised upwards as more recent data indicates that inventories rose in December. Residential construction dropped in the fourth quarter by the most in 26 years, making the housing recession the worst since 1982.

The housing slump in the US has deepened and is expected to last into 2009, as house prices drop further and the overhang of unsold homes is gradually absorbed. Residential investment subtracted 1.2 percentage points from growth in the fourth quarter and around 1% for the whole year. However, export growth, assisted by a weakening dollar and strong external demand, remained one of the few supportive factors in the US economy, compensating somewhat for the housing sector drag. Net exports of goods and services contributed 0.55 percentage points to growth in 2007. However, growth in exports was weaker in the fourth quarter (+3.9%) than in the third quarter (+19.1%).

A spate of negative economic data for December and January has increased fears that the US economy will slide into recession in 2008. In particular, the unemployment rate has risen from a historically low 4.4% in March 2006 to 5.0% in December 2007. Such a surge of more than 0.5 percentage points has been seen in the past as presaging recession, technically defined as two consecutive quarters of negative growth. The unemployment rate, which increased 0.3 percentage points in December, did improve slightly in January to 4.9% but the number of jobs contracted for the first time by 17,000, the first drop more than four years. However, this was partly balanced by a sharp upward revision higher in the December reading to a gain of 82,000 jobs from the original reading of only an 18,000 increase. The Labour Department report showed that Service providers added 34,000 workers to payrolls after an increase of 143,000 in December, while builders trimmed staff by 27,000 workers. On the positive side was also the retail sales report for January which showed an unexpected rise of 0.3% following a drop of 0.4% in December. The 0.3% m-o-m increase was led by spending on autos, clothes and gasoline and temporarily eased concern that the US economy may have already slid into recession.

Manufacturing, which accounts for about 12% of the economy, unexpectedly expanded in January, showing some resilience in business investment even as other areas weaken. The ISM index of manufacturing activity rose to 50.7 in January from a downwardly revised 47.7 in December. December has been the lowest since April 2003 and the first contraction after ten consecutive months of expansion. On the positive side one also notes the rise in factory orders in December by 2.3% as exports and gains in investment helped to prevent a collapse in manufacturing. Excluding volatile orders for transportation equipment, demand climbed 0.7%.

The most alarming signal to date indicating the economy may be shrinking was the unexpected sharp drop in services activity in January. The Institute for Supply Management's non-manufacturing index, which reflects the bulk of the economic activity and assesses retailers, banks and construction companies, fell more than 12 points to 41.9 from 54.4 the prior month and the fastest pace of decline since the 2001 recession. A reading below 50 indicates contraction. The index has averaged 57.6 since its inception in July 1997.

The Fed responded to all this gloom by lowering interest rates twice in January by 125 basis points bringing the overall cuts to a colossal 225 points since last August. The target federal funds rate now stands at 3%, with an expectation of further cuts in March. Agreement has also been reached on a fiscal stimulus package amounting to $168 billion, expected to add 500,000 new jobs and help GDP growth particularly during the third quarter of 2008. The treasury estimates this will add 0.6%-0.7% to growth this year. The overall forecast for the US economic growth in 2008 has been revised down by 0.2 percentage points to 1.6%.

Japan

Japanese economic growth for 2008 revised down on mounting evidence of consumer and business pessimism

The first estimate for real GDP growth in the last quarter of 2007 showed an unexpected growth of 3.7% from 1.3% in Q3. It appears that rising exports to exports to Asia and emerging markets helped to compensate for reduced exports to a slowing US economy. However, most recent indicators point to a slowdown in 2008. The economic expansion, which has lasted since 2002, is threatened by fragile domestic demand and spreading weakness in the US economy, implying that monetary policy is likely to remain accommodative. The Nikkei 225 Stock Average has dropped 14% so far this year and household sentiment is at a four-year low. Business sentiment, in particular that of small firms— which employ the bulk of the labour force (around 70%) — has deteriorated. Japan's small business survey (the Shoko Chukin) sentiment index fell for the fourth month in a row in December to 43.5, the lowest level since April 2002, despite rising sales. This is seen to reflect the profit squeeze caused by rising input prices.

Moreover, consumer spending continues to be hampered by rising prices and stagnant wages. Consumer spending is expected to soften as a result of the higher food and energy prices. The latest figures on household expenditures reveal that real core spending, which excludes spending for housing and cars, fell 0.7% in December from the previous month following a growth of 1.4% in November, suggesting that private consumption remains sluggish. Fourth quarter spending showed a 2.3% q-o-q saar growth after a plunge of 6.2% in the third quarter

Although industrial production for December rose by 1.4% m-o/m, implying a 5.2% q-o-q in the fourth quarter of 2007, following a strong 9.2% gain in the third quarter, prospects for 2008 have worsened. The manufacturers' survey projection reveals that manufacturers plan to cut production in January and February in expectation of slowing external and domestic demand.

The expected softening in the economy is substantiated by the index of leading indicators. The Cabinet's office indicator of the economic outlook signaled for a fifth consecutive month that the economic expansion was likely to lose momentum. The leading index was at 40% in December, below the threshold of 50 that signals growth will slow in the next three to six months but higher than the November figure of 18.2, due to a recovery in manufacturing activity. The coincident index was at 66.7 from 30 in November.

However, an acceleration is expected in residential investment in the coming months as housing starts rebound from the disruption caused by the change in the Building Standards law relating to earthquake codes. In December, housing starts showed a solid rise of 19.2% y-o-y following drops of 27% in November and 35% in October. This may lift industrial production starting in the second quarter of 2008. In fact, construction starts, for both housing and nonresidential structures, has started to recover from the steep drop since summer, albeit at a slow pace. Residential investment is estimated to have fallen 9.3% from the fourth quarter of 2007, according to the economists surveyed by Bloomberg, after dropping 7.3% in the third quarter.

Turning to the labour market, the December unemployment rate remained at 3.8%, unchanged from November when the rate had fallen from the recent peak of 4%. This was interpreted as a cautiously positive sign although the ratio of job offers to applicants dropped slightly from 0.99 in November to 0.98. It is unclear how the employment situation will develop in the coming months.

Overall, Japanese economic growth was revised down to 1.2% in 2008 from 1.9% last year or below potential (1.5-2.0% according to BoJ). In contrast, the Bank of Japan in late January left its growth outlook for fiscal year 2008 (starting April, 2008) unchanged at the above potential pace of 2.1%. The Bank Of Japan left interest rates unchanged at 0.5% in February.

Euro-zone

Euro-zone economy weakens; ECB opts once more to keep interest rates on hold but signals possible cuts further ahead

Euro-zone economic growth in the fourth quarter of 2007 was slightly higher-than-expected at 0.4% q-o-q but about half the 0.8% achieved in Q3. Economic prospects have weakened in the euro zone since the start of the year. Euro-zone growth is hampered by an increasingly strong euro and the dampening effects of the credit squeeze. The single currency has risen 13% against the dollar in the last 12 months, reducing euro-zone competitiveness. However, with current Euro-zone inflation rates at 3.2% in January, way above the ECB's 2% target, interest rates cuts are unlikely unless growth is severely threatened.

On the positive side one notes the continued improvement in labour markets. The unemployment rate fell to 7.2% in November, and stayed at that level in December, the lowest since data were first collated in 1993. January reports showed services growth in the euro area cooled; manufacturing maintained its pace, while Euro-zone retail sales fell for a fourth month. Overall, some contagion from the slowdown the US can be observed, particularly in financial markets and lower exports to the US, but exports to the rest of the world are still sturdy. With inflation at fourteen year highs, the European central bank is more concerned about inflation, its primary mandate being to preserve price stability, than growth, although the pressure is mounting on the ECB to cut interest rates given the clear signs of weakening global economy and deceleration in the euro-zone expansion. As expected the ECB left its main policy rate unchanged in early February, but the statement indicated that worries about growth are moving centre stage ad signaling possible easing further down the line.

Both the PMI manufacturing and non-manufacturing indices have been declining in the last few months, but are still above the threshold 50 mark, indicating continued albeit slower economic expansion. However, the services sector appears to be slowing down more rapidly than manufacturing, despite the strength of the euro and slowing demand in the UK and US. It appears that the strong increase in trade with emerging markets, especially Asia, is compensating for the fall in demand from the US. The Royal Bank of Scotland Group Plc's manufacturing index rose slightly to 52.8 in January from 52.6 the previous month, with Germany registering acceleration in growth, France exhibiting healthy growth while production was stagnant in Italy and fell marginally in Spain. On the other hand, the euro-zone service industries grew at the slowest pace in four and a half years in January, when the purchasing managers' index for services fell to 50.6, the lowest since July 2003, from 53.1 in December. The national indices fell across the board, with Spain's' index shrinking the most while Germany's index fell below the 50 threshold. A composite measure for the euro region fell to 51.8 from 52.7 the previous month.

At the same time, the European Commission's economic sentiment index for the Euro-zone retreated to 101.7 in January from a revised 103.4 in December and from a peak of 112.1 in May. It was the lowest level since January 2006. While both business and consumer sentiment has declined, the overall index remains above its long term average of 100. Separately, the ZEW indicator of investor sentiment fell to its lowest level since 1993, indicating expectations of a significant deterioration in economic conditions. Contrary to the overall trend in the euro-zone, business confidence in Germany unexpectedly rose in January, an index by the Ifo research institute showed in late January. Moreover, the ZEW Center for European Economic Research said its index of German investor and analyst expectations for the next six months rose to minus 39.5 in February from the 15-year low of minus 41.6 last month, on expectations that the interest rate cuts and tax rebates in the US would stimulate demand for German goods. EU growth has been revised down to 1.8% in 2008, 0.1 pp lower than last month, moderating from 2.6% in 2007.

Former Soviet Union

Russian government estimates growth in 2007 was 8.1%

According to the Russian Ministry of Economic Development and Trade, economic growth in the country reached 8.1% t in 2007. It estimates that consumer demand continues to grow and that investments flow into the economy. Total investments in the country in 2007 increased by 21% compared with 2006. Most of the investments came in the petroleum sector, the food sector and within the property business. The construction industry grew by 18.2% in the course of the year. The ministry report says that the increasing inflation (about 12%) did not slow people's income increase. The Russian government has warned that the economy is highly dependent on natural resources and the failure to diversify from oil and gas exports could threaten the country's stability. The central bank of Russia is planning to use other means than appreciating the rouble to fight inflation which reached 12%. The central bank raised mandatory reserve requirements and interest rates this month after y-o-y inflation hit 12.6% in January.

In the Ukraine it is estimated that the trend in GDP in 2007 registered y-o-y of 7.3%, up marginally from 7.2% in the first 11 months of the year. The strong global sellers' market for metals was a major factor for Ukraine's economy in 2006-2007. Agriculture, on the other hand, faced a difficult year.

Developing Countries

The National Statistical Bureau in China said in a report that the Chinese economy in 2007 kept steady and fast growth with the features of rapid economic growth, optimized structure, increased efficiency and improved livelihood of the people. According to its preliminary estimate the GDP for the year was up by 11.4% representing the fifth successive year of growth over 10%. In terms of growth by quarters, it was up 11.1% for the first quarter, 11.9% for the second, 11.5% for the third and 11.2% for the fourth. In terms of growth by sectors, the value added of the primary industry was up by 3.7% percent, that of the secondary industry up by 13.4% and that of the tertiary industry up by 11.4%.

In 2007, the growth of CPI was 4.8%, which was 3.3 percentage points higher than in the previous year (6.5% growth in December). Inflation in China rose to an 11-year high of 6.9% in November, more than double the central bank's annual target, before easing to 6.5% in December. In response to high inflation the government tuned to use price control policies. Prices for food, electricity and fuels were fixed by governmental decrees. Households got relief allowing them to increase spending. Some economists criticize such measurement which might dislocate resources and create bottlenecks. Others believe that price pressures should ease in 2008 as rising food costs taper off later this year. Still, relatively high inflation would constrain China's ability to lower interest rates or relax liquidity conditions as inflation concerns call for relatively tight monetary policy.

Downside risks to China's economy in 2008: the impact of the recent bad weather and US slowdown

Some downside risks to the Chinese economy began to appear lately. The recent stormy weather in China might have an effect on the Chinese economy in 2008, and the slowdown in the US would impact on the Chinese exports. As result of the bad weather factories were forced to close and shipments disrupted just as the country's industrial base typically gears up production to make up for the one- or two-week breaks many manufacturers take for the New Year holiday. However, past experience suggests the economy will tend to grow faster in the aftermath of the storms. The biggest concern in China is the impact the disruptions will have on inflation. It is expected that tight monetary policies will therefore be maintained.

Tight monetary policy is affecting Indian economic growth

The Indian government announced that India's GDP growth will slow this fiscal year for the first time in three years. Accordingly, GDP growth for the fiscal year ending 31 March is expected to be 8.7%, down from 9.6% a year ago. Recent price data show that Indian policy-makers need to watch inflation as well. Latest figures released showed that wholesale prices rose 4.11% in the 12 months through 26 January, a bigger increase than expected. The government predicts that demand side pressure on inflation is coming down; some banks have already reduced their prime lending rates. So the government is calling the central bank to give a formal policy signal of softer interest rates. The central bank had kept key policy rates unchanged in its last quarterly monetary policy review last month. Data released by the Central Statistical Organisation in India this month showed that industrial production grew 7.6% in December 2007, much below the higher growth rate of 13.4% in December 2006, reflecting the impact of higher interest rates and a high base effect.

High inflation in Brazil forced central bank to pause monetary easing

The Brazilian state statistical agency stated that industrial activity expanded by 5.9% in 2007, the strongest performance in three years. The expansion came as a result of robust domestic demand, sustained by a rise in credit, employment and salaries. Investment in capital and the purchases of durable goods led the surge, which was underpinned by good performance in the vehicle, machinery and equipment sectors. Brazil's annual inflation rate in the first half of January rose above the central bank's target for the first time since 2006, pushed up by food prices. Brazil's central bank last month decided to leave interest rates unchanged for a third meeting to see whether the recent surge in prices will threaten the bank's year-end inflation target. Higher food prices together with the fastest economic expansion since 2004 led policy-makers to pause in October last year stopping the longest easing cycle since Brazil adopted inflation targets in 1999.

OPEC Member Countries

According to the latest data published by Libya's central bank, the consumer price index (CPI) grew by 6.7% in 2007, up from 3.3% a year earlier. Detailed data for the third quarter showed a rapid increase in housing and food prices during the first three quarters of 2007. The recent quarterly release for nominal GDP from the Qatar Planning Council shows the economy grew by 6% during the third quarter of 2007, compared with a year earlier.

Saudi Arabia's Central Department of Statistics stated that the country's consumer price index (CPI) grew by 5.4% y-o-y in October, up from 4.9% y-o-y in September. Rising food and rent costs are the main causes for the high inflation in October. The costs of food and beverages rose by 7.5% y-o-y in October, up from 7.2% a month earlier. Meanwhile, rents increased by 11.7% y-o-y in October, up from 11% in September.

Oil prices, the US dollar and inflation

The US dollar resuming its downward trend in January 2008

The US dollar resumed its downward trend against most major currencies in January. It depreciated most versus the Japanese yen by 4.2%, but also against the Swiss franc by 3.4% and by over 1% versus the euro. However, the dollar gained ground versus the pound sterling, rising 2.6% the UK currency. The euro averaged $1.4717 in January up from $1.4569 the previous month.

The dollar's downward trend in January was a result of the two recent cuts in US interest rates by the Fed bring the fed rate to 3%, while the ECB held its main refinancing rate at a six-year high of 4%, increasing the interest rate differential versus the euro. Mounting fears of a recession in the US diminished confidence in the US currency further, while an unwinding of 'carry trades' pushed the yen higher.

In January, the OPEC Reference Basket rose by $1.3/b or about 1.5% to $88.50/b from $87.19/b in December. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price dropped $2.1/b or about 3.6% to $56.13/b from $58.25/b. The dollar depreciated by 4.25% as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by 0.9%.*

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

World Oil Demand

World oil demand growth estimated at 1.2 mb/d in 2007 to average 85.76 mb/d

World oil demand in 2007

Recent data show that the weather in North America and Europe was colder than normal last December. Hence, oil demand consumption grew strongly in the US reaching 0.47 mb/d y-o-y. Winter oil consumption was weaker in other OECD regions as a result of warmer weather. In Non-OECD countries, Asia's oil demand turned out to be stronger than expected. As a result, the Other Asia region was revised up by 100 tb/d to reflect stronger oil demand in Taiwan, Singapore, and Malaysia.

Higher oil prices slightly dented transport fuel especially in the OECD where US gasoline demand growth inched up only 0.50% y-o-y. World oil demand in the fourth quarter followed normal high winter seasonality; hence total world oil demand growth in the fourth quarter is forecast at 1.7 mb/d. **World oil demand growth for 2007 is forecast at 1.2 mb/d or 1.4%.**

Table 3: World oil demand forecast for 2007, mb/d

							Change 2007/06	
	2006	1Q07	2Q07	3Q07	4Q07	2007	Volume	%
North America	25.31	25.67	25.43	25.50	25.64	25.56	0.26	1.01
Western Europe	15.63	15.22	14.96	15.40	15.74	15.33	-0.30	-1.90
OECD Pacific	8.40	8.83	7.80	7.81	8.75	8.30	-0.11	-1.27
Total OECD	**49.34**	**49.71**	**48.19**	**48.72**	**50.13**	**49.19**	**-0.15**	**-0.30**
Other Asia	8.83	8.98	9.11	8.89	9.25	9.06	0.23	2.58
Latin America	5.26	5.22	5.38	5.57	5.52	5.42	0.17	3.16
Middle East	6.19	6.45	6.44	6.60	6.44	6.48	0.29	4.67
Africa	3.00	3.14	3.08	3.09	3.18	3.12	0.12	3.96
Total DCs	**23.28**	**23.78**	**24.01**	**24.15**	**24.38**	**24.08**	**0.80**	**3.45**
FSU	3.89	3.86	3.70	4.00	4.32	3.97	0.09	2.19
Other Europe	0.91	1.01	0.92	0.91	0.91	0.93	0.02	2.74
China	7.16	7.48	7.77	7.72	7.38	7.59	0.42	5.90
Total "Other Regions"	**11.96**	**12.35**	**12.39**	**12.62**	**12.61**	**12.49**	**0.53**	**4.45**
Total world	**84.58**	**85.84**	**84.59**	**85.49**	**87.13**	**85.76**	**1.19**	**1.40**
Previous estimate	84.57	85.80	84.59	85.52	87.16	85.77	1.20	1.42
Revision	0.01	0.04	0.00	-0.03	-0.03	-0.01	-0.01	-0.02

Totals may not add due to independent rounding.

Table 4: First and second quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	1Q06	1Q07	Volume	%	2Q06	2Q07	Volume	%
North America	25.22	25.67	0.44	1.76	25.06	25.43	0.37	1.48
Western Europe	15.96	15.22	-0.74	-4.66	15.23	14.96	-0.27	-1.77
OECD Pacific	9.24	8.83	-0.42	-4.51	7.82	7.80	-0.02	-0.20
Total OECD	**50.43**	**49.71**	**-0.72**	**-1.42**	**48.11**	**48.19**	**0.09**	**0.18**
Other Asia	8.77	8.98	0.21	2.34	8.97	9.11	0.14	1.57
Latin America	5.07	5.22	0.16	3.07	5.24	5.38	0.14	2.69
Middle East	6.09	6.45	0.35	5.78	6.14	6.44	0.29	4.80
Africa	3.00	3.14	0.13	4.47	2.98	3.08	0.10	3.40
Total DCs	**22.94**	**23.78**	**0.85**	**3.69**	**23.33**	**24.01**	**0.68**	**2.91**
FSU	3.76	3.86	0.10	2.63	3.63	3.70	0.07	2.01
Other Europe	0.97	1.01	0.04	3.68	0.90	0.92	0.02	1.96
China	7.12	7.48	0.36	5.10	7.37	7.77	0.40	5.44
Total "Other Regions"	11.85	12.35	**0.50**	**4.20**	11.90	12.39	**0.49**	**4.13**
Total world	**85.21**	**85.84**	**0.63**	**0.74**	**83.33**	**84.59**	**1.25**	**1.51**

Totals may not add due to independent rounding.

Table 5: Third and fourth quarter world oil demand comparison for 2007, mb/d

			Change 2007/06				Change 2007/06	
	3Q06	3Q07	Volume	%	4Q06	4Q07	Volume	%
North America	25.53	25.50	-0.03	-0.12	25.40	25.64	0.24	0.96
Western Europe	15.60	15.40	-0.20	-1.27	15.72	15.74	0.02	0.10
OECD Pacific	7.85	7.81	-0.04	-0.50	8.71	8.75	0.04	0.47
Total OECD	**48.99**	**48.72**	**-0.27**	**-0.55**	**49.84**	**50.13**	**0.30**	**0.60**
Other Asia	8.64	8.89	0.25	2.92	8.94	9.25	0.31	3.48
Latin America	5.38	5.57	0.18	3.37	5.33	5.52	0.19	3.51
Middle East	6.35	6.60	0.25	3.88	6.18	6.44	0.26	4.28
Africa	2.95	3.09	0.14	4.61	3.07	3.18	0.10	3.39
Total DCs	**23.33**	**24.15**	**0.82**	**3.50**	**23.52**	**24.38**	**0.87**	**3.68**
FSU	3.91	4.00	0.09	2.25	4.24	4.32	0.08	1.91
Other Europe	0.88	0.91	0.02	2.56	0.88	0.91	0.02	2.70
China	7.23	7.72	0.49	6.76	6.94	7.38	0.44	6.29
Total "Other Regions"	12.02	12.62	**0.60**	**4.99**	12.07	12.61	**0.54**	**4.48**
Total world	**84.34**	**85.49**	**1.15**	**1.36**	**85.42**	**87.13**	**1.71**	**2.00**

Totals may not add due to independent rounding.

OECD North America

Fourth-quarter OECD oil demand growth revised down to 0.3 mb/d in 4Q07

High retail prices slightly affected gasoline consumption y-o-y growth in the US, with no growth seen in the fourth quarter. Jet fuel declined by a slight 0.40% as a result not only of higher prices but also due to the IATA operating procedures which pushed for better fuel efficiency. Latest data have revealed that the US November oil demand was not as strong as reported earlier. The US fourth-quarter oil demand was revised down reflecting weaker consumption in both October and November.

Mexican diesel and gasoline imports increased dramatically in December y-o-y. Despite higher retail prices, gasoline and diesel grew by around 5% each y-o-y in December. Although fuel oil was on the decline, December oil demand grew by 0.9% y-o-y. Mexico's total oil demand for 2007 grew by a strong 3% y-o-y adding 53 tb/d to total oil consumption. The engine behind this increase was mostly transport fuel.

Canada's December oil demand followed typical winter behaviour, inching up 2.6% y-o-y. Transport fuel grew the most adding 47 tb/d to total demand in December. As for the whole year of 2007, Canadian oil demand grew robustly adding 61 tb/d or 3.5% y-o-y. High retail prices have had little effect on transport fuel consumption in both Canada and Mexico. Hence, gasoline consumption grew strongly by 3.5% and 5.8% respectively.

As a result of the late arrival of winter in North America, fourth-quarter oil demand was revised down by 50 tb/d to show growth of 0.24 mb/d y-o-y.

Given the higher-than-expected decline, **total OECD fourth-quarter oil demand growth was revised down by 0.17 mb/d to show y-o-y growth of 0.30 mb/d**.

Table 6: Domestic Sales of Refined Petroleum Products in Mexico (tb/d)

	Dec 07	Nov 07	Dec 06	Change to Dec 06	Change to Dec 06 %
LPG	335	320	351	-16	-4.6
Gasoline	820	778	777	43	5.5
Jet Fuel	70	66	68	1	2.0
Diesel Oil	352	380	336	16	4.9
Fuel Oil	205	221	221	-17	-7.5
Other Products	66	76	78	-12	-15.5
Total Products	**1,848**	**1,841**	**1,832**	**16**	**0.9**

OECD Europe

OECD Europe demand growth remained flat

Transport and industrial fuel consumption pushed France's oil demand up by 9.9% y-o-y in November. This strong growth was in line with the new car registration which showed a 1.1% growth in new car sales. Contrary to France, UK oil demand dipped by 3.1% for the same month leading to a loss of 0.1 mb/d of total demand. Of course, the biggest loss was in both gasoline and jet fuel resulting from higher retail prices. The same case applied to Germany where gasoline declined by 7.3% and diesel fell by almost 11% leaving Germany's oil demand showing a decline of 10.1% y-o-y in November. Italy also followed suit with negative oil demand growth. Weak gasoline consumption, down by 8%, caused Italian total oil demand to decline 50 tb/d y-o-y in December. In general, the European transport fuel showed a weak growth during 2007, a trend which is expected to continue throughout 2008.

Given slow transport fuel demand, **OECD Europe fourth-quarter oil demand is forecast to be almost flat y-o-y, down by 44 tb/d from our last *MOMR*.**

OECD Pacific

Marginal growth in OECD Pacific

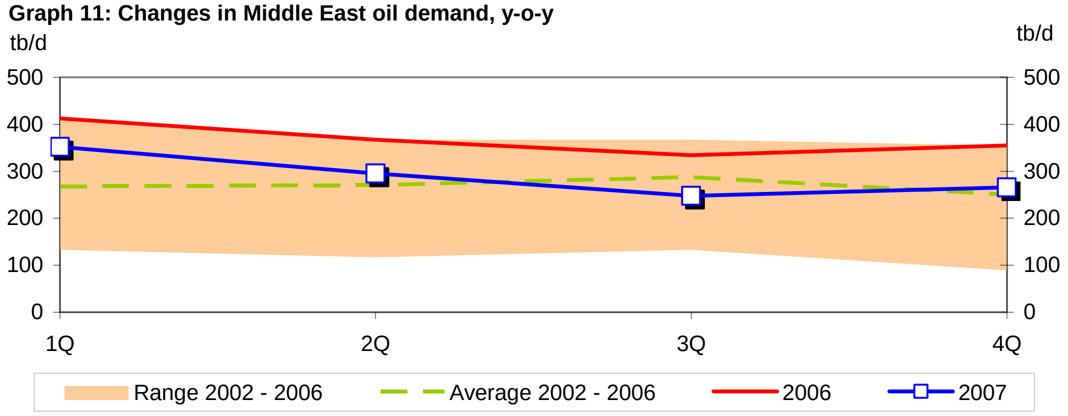
Despite the need for extra fuel oil to substitute the damaged nuclear power plant in Japan, total demand was slightly on the decline. However, Japanese crude burning increased by 0.17 mb/d y-o-y in December resulting from the partial shut-down of these power plants. Use of both smaller and more efficient cars led to a decline in gasoline usage in 2007. Furthermore, the mild winter in the Pacific not only reduced kerosene domestic sales in Japan by 19% but reduced fuel oil in December y-o-y. In fact, declining oil demand in Japan has been the trend during the last few years; however, the efficiency efforts are s expected to have reached an end to their effectiveness. As a result of less gasoline usage, Japan's domestic sales declined by 3.8% y-o-y in December. South Korean oil demand dipped by 6.45% y-o-y in December, and as for the whole year, the country's oil demand grew by 2.7% y-o-y.

Given the mild winter in the Pacific, **OECD Pacific oil demand growth in the fourth quarter was revised down by 74 tb/d to only 41 tb/d y-o-y.**

Alternative Fuels

As a result of international pressure, the EU is proposing new strict rules to govern the biofuel industry. The EU has since long been accused that its mandate to have a minimum of 10% of its energy use supplied from biofuel would harm the environment and lead to massive deforestation around the world. The new proposal is aimed at banning any use of biofuel that would damage the environment.

Graph 11: Changes in Middle East oil demand, y-o-y



Developing Countries

India saw 0.2 mb/d growth in 4Q07

India's oil demand in December was strong, adding 154 tb/d to total oil demand averaging the highest level for the whole year to stand at 3.0 mb/d. Strong economic activities caused **India's fourth-quarter oil demand to grow by 0.18 mb/d or 6.8% y-o-y to average 2.8 mb/d.** Transport fuel grew the most boosted by business and leisure travel and cargo. Industrial and agricultural fuel usages were also important factors for oil demand. Diesel and gasoline consumption growth added a respective 87 tb/d and 28 tb/d in the fourth quarter. Hence, Indian oil demand grew by 0.13 mb/d or 5% to average 2.75 mb/d in 2007. Stronger economic activities in other Asian countries called for more oil than expected. Oil demand in Taiwan, Singapore, and Malaysia was revised up by 0.1 mb/d in total. **Given strong Asian oil demand, Other Asia fourth-quarter oil demand was revised up by 0.1 mb/d to exceed 0.3 mb/d y-o-y growth**.

Saudi Arabian and Iranian economies caused a strong hike in oil consumption in the fourth quarter reaching 108 tb/d and 54 tb/d respectively. Transport and industrial fuel grew the most reflecting low energy prices across the region. Hence the Middle East fourth-quarter oil demand growth is forecast at 0.26 mb/d to average 6.44 mb/d y-o-y.

Graph 12: Yearly changes in Indian oil demand (12 month moving averages)

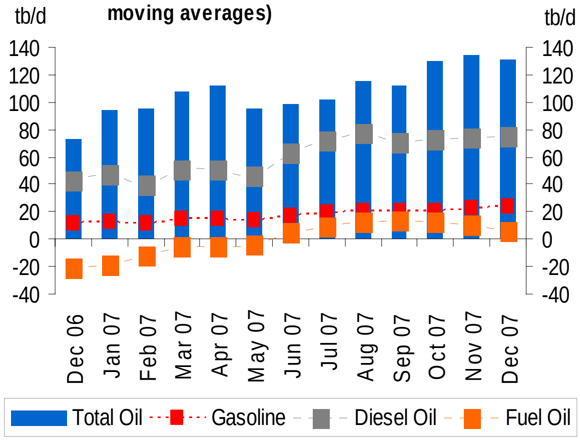


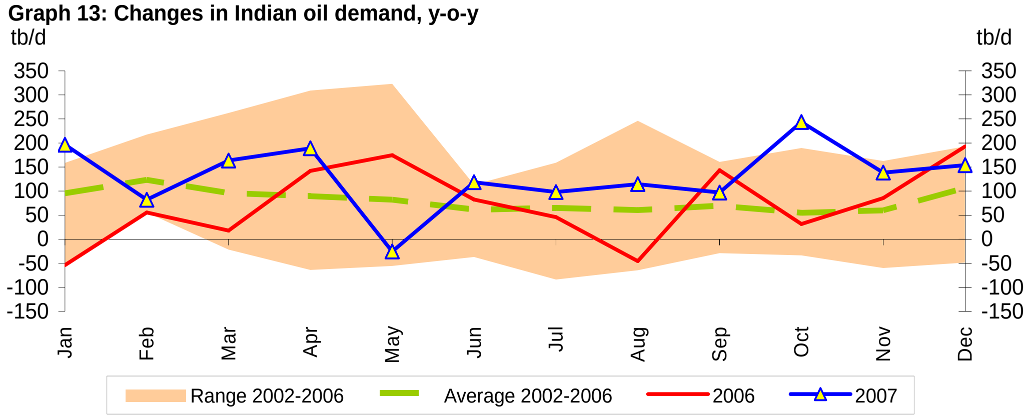
Table 7: Indian oil demand by main products, tb/d

	Dec 07	Nov 07	Jan 07 - Dec 07	Difference to Jan 06 - Dec 06	%
LPG	413	392	366	32	9.7
Motor Gasoline	283	229	236	24	11.1
Jet Kero	310	312	294	10	3.6
Gas Diesel Oil	1,136	1,039	980	75	8.3
Residual Fuel Oil	326	299	336	6	1.7
Other Products	540	398	540	-16	-2.8
Total Oil Demand	**3,007**	**2,670**	**2,752**	**131**	**5.0**

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

Given the strong oil demand in the Middle East and Other Asia, Developing Countries' oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching a y-o-y growth of 0.80 mb/d to average 24.08 mb/d.

Graph 13: Changes in Indian oil demand, y-o-y

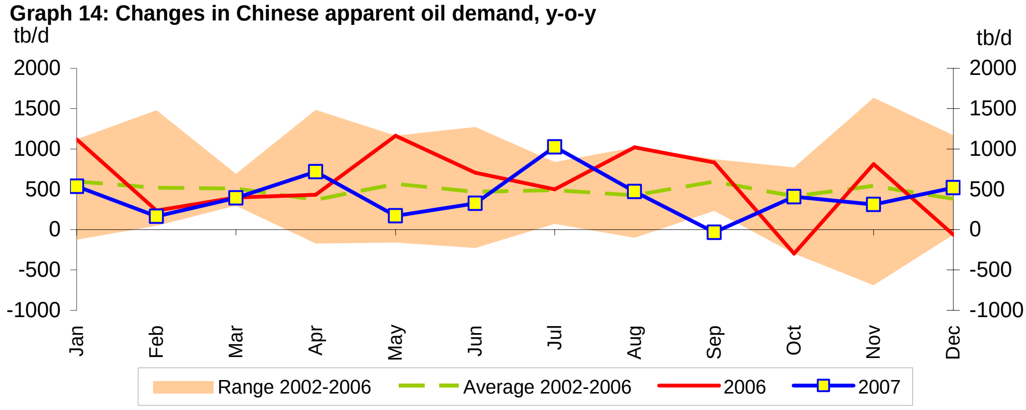


Other Regions

China's apparent demand grew by 0.44 mb/d in 4Q07

Transport fuel, which represents 30% of total Chinese oil demand, grew the most in the past winter. December oil demand grew strongly by 8.6% or 0.56 mb/d y-o-y. November apparent oil demand growth was weaker than expected, therefore total-fourth quarter apparent oil demand was revised down a slight 0.04 mb/d. **China's apparent oil demand for the fourth quarter is expected to grow by 0.44 mb/d y-o-y to average 7.38 mb/d**.

Russian apparent oil demand kept its momentum. Hence the FSU oil demand growth forecast stands at 0.08 mb/d y-o-y to average 4.32 mb/d, unchanged from our previous estimate.



World oil demand in 2008

World demand growth in 2008 revised down slightly to 1.2 mb/d to average 87.0 mb/d

World oil demand is forecast to grow by 1.2 mb/d in 2008 to average 86.99 mb/d, slightly down from our last *MOMR* estimate. The slow world economy, warm winter in the Pacific along with weather-related disruptions in China over the New Year holiday caused lower-than-expected oil consumption.

China's blizzard paralyzed a vast part of the country. The country's transport fuel consumption lost its most important season which is the Chinese New Year holiday. This will be reflected in the first-quarter oil demand. Furthermore, the US weather was colder than normal which led to an increase in winter product consumption.

A few variables will play a role in this year's oil demand. One is the weather. Warm weather will easily shave some of the anticipated oil demand, especially for fuel oil in OECD countries. Another variable is the oil prices. Although a big effect on oil demand is not anticipated, transport fuel would be slightly affected downward especially in the OECD. Another variable that might affect world oil demand is the slowdown in the US economy and its possible effect on non-OECD economies.

Europe has been pushing its policy for more fuel restrictions. The new plan would increase renewable energy use to 20% of energy demand. The plan also touches on climate change, which calls for a 20% cut in carbon dioxide (CO_2) emissions by 2020.

Healthy demand from Non-OECD countries along with strong winter oil consumption are expected to increase total world oil demand by 1.4 mb/d y-o-y in the first quarter.

OECD

First-quarter demand growth in North America revised down to 0.24 mb/d

US oil demand in January followed normal winter high seasonality yielding growth of 0.35 mb/d or 1.66% y-o-y. Some factors such as higher incomes, better fuel efficiency and the dependence on private transportation for travel prevented January's gasoline demand y-o-y growth from declining. Gasoline grew the most adding 190 tb/d y-o-y. Jet fuel unexpectedly declined by a strong 4.75% in January. Cold weather pushed natural gas prices up which led to more usage of fuel oil among power plants. Winter products — heating and fuel oil — grew strongly in January. **North America's oil demand is forecast to grow by 0.24 mb/d y-o-y in the first quarter 2008 to average 25.91 mb/d, a decrease of 85 tb/d from our previous estimate.**

Other OECD Regions

In Europe and the Pacific the weather was not as cold as usual leading to moderate consumption of winter products. Kerosene consumption, which is used for heating in Japan, did not grow as expected. Transport fuel demand in both regions was not as strong as it should be. Expensive gasoline along with the move to diesel-powered engines has helped to slow gasoline consumption in Europe. OECD Europe and Pacific oil demand in the first quarter is forecast to grow by 0.1 and 0.05 mb/d y-o-y respectively.

Developing Countries

Middle East demand seen growing 0.26 mb/d in 1Q08

The booming Middle East economies have boosted the region's demand for oil. Governmental investment in infrastructure and various industries will prolong the growth of oil consumption throughout 2008. Furthermore, regulated retail oil product prices resulted in strong growth in transport fuel consumption. It is anticipated that oil demand growth in this region will not be as strong as last year, partially as a result of government efforts to curb oil demand growth. **Middle East first-quarter oil demand is forecast to grow by 0.26 mb/d to average 6.71 mb/d y-o-y.**

Given that the first quarter is a low season for India's oil consumption, Other Asia's oil demand growth is forecast to reach 0.12 mb/d y-o-y. India's transport fuel will be overwhelmed by the anticipated shift from motorcycles to small-efficient cars. This fact, along with fuel subsidies, will lead to strong growth in gasoline consumption in the near future.

Anticipated economic growth in the FSU will lead to an increase in oil demand this year. Russia's recent announcement of higher duties for exported crude might lead to a mild increase in the FSU's apparent demand in the first quarter.

Other Regions

China's apparent demand growth up 0.32 mb/d in 1Q08

China experienced a colder-than-usual winter which paralyzed movement in the country during its most important holiday of the year. As a result, transport fuel lost its momentum; hence, first-quarter oil demand will show weaker-than-anticipated growth. Furthermore, due to a mass power shortage, industrial oil consumption was affected as well. The impact of the cold weather was further aggravated by a shortage in electricity supply which was caused by both droughts in hydroelectricity power plants and by a coal shortage.

In an effort to curb energy demand, China is planning to cut tax refunds on certain products in the future. This move is considered part of another mechanism to achieve the country's programme for energy efficiency.

China raised its jet fuel price for the first time since November. The increase was as the result of rising international crude prices. Should this increase be passed to final consumers then it would affect air travel demand. In terms of other retail transport fuel prices, the government announced last month that it would freeze prices over the short term in order to curb the surge in inflation**. China's apparent first-quarter oil demand is forecast to grow by 0.32 mb/d y-o-y to average 7.80 mb/d.**

China's LPG demand has been affected by NGL and other fuels in the past few years. High LPG prices in China curbed its usage. Last year the growth was moderate reaching 1%, a trend which is expected for this year as well.

Limitation in coal supply worldwide caused a dramatic increase in coal prices which in turn is expected to encourage power plants to use more fuel oil in the short term.

Table 8: World oil demand forecast for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 2008/07 Volume	%
North America	25.56	25.91	25.60	25.61	25.91	25.76	0.20	0.78
Western Europe	15.33	15.32	14.91	15.33	15.86	15.35	0.02	0.15
OECD Pacific	8.30	8.88	7.68	7.65	8.78	8.25	-0.05	-0.60
Total OECD	**49.19**	**50.11**	**48.19**	**48.59**	**50.55**	**49.36**	**0.17**	**0.35**
Other Asia	9.06	9.10	9.24	9.06	9.40	9.20	0.15	1.61
Latin America	5.42	5.34	5.47	5.66	5.62	5.52	0.10	1.85
Middle East	6.48	6.71	6.72	6.88	6.72	6.76	0.27	4.24
Africa	3.12	3.19	3.13	3.16	3.23	3.18	0.06	1.81
Total DCs	**24.08**	**24.34**	**24.57**	**24.76**	**24.97**	**24.66**	**0.58**	**2.40**
FSU	3.97	3.91	3.76	4.05	4.37	4.03	0.05	1.38
Other Europe	0.93	1.04	0.96	0.93	0.93	0.96	0.03	2.90
China	7.59	7.80	8.13	8.20	7.80	7.98	0.40	5.21
Total "Other Regions"	**12.49**	**12.75**	**12.85**	**13.18**	**13.10**	**12.97**	**0.48**	**3.82**
Total world	**85.76**	**87.19**	**85.60**	**86.53**	**88.63**	**86.99**	**1.23**	**1.43**
Previous estimate	**85.77**	**87.32**	**85.61**	**86.57**	**88.79**	**87.07**	**1.30**	**1.52**
Revision	**-0.01**	**-0.13**	**0.00**	**-0.04**	**-0.16**	**-0.08**	**-0.08**	**-0.09**

Totals may not add due to independent rounding.

Table 9: First and second quarter world oil demand comparison for 2008, mb/d

	1Q07	1Q08	Change 2008/07 Volume	%	2Q07	2Q08	Change 2008/07 Volume	%
North America	25.67	25.91	0.24	0.95	25.43	25.60	0.17	0.67
Western Europe	15.22	15.32	0.10	0.66	14.96	14.91	-0.05	-0.34
OECD Pacific	8.83	8.88	0.05	0.60	7.80	7.68	-0.12	-1.56
Total OECD	**49.71**	**50.11**	**0.40**	**0.80**	**48.19**	**48.19**	**0.00**	**-0.01**
Other Asia	8.98	9.10	0.13	1.39	9.11	9.24	0.14	1.48
Latin America	5.22	5.34	0.12	2.30	5.38	5.47	0.09	1.71
Middle East	6.45	6.71	0.26	4.03	6.44	6.72	0.28	4.35
Africa	3.14	3.19	0.05	1.59	3.08	3.13	0.05	1.62
Total DCs	**23.78**	**24.34**	**0.56**	**2.33**	**24.01**	**24.57**	**0.56**	**2.32**
FSU	3.86	3.91	0.05	1.31	3.70	3.76	0.06	1.62
Other Europe	1.01	1.04	0.03	2.98	0.92	0.96	0.04	4.35
China	7.48	7.80	0.32	4.28	7.77	8.13	0.36	4.64
Total "Other Regions"	**12.35**	**12.75**	**0.40**	**3.25**	**12.39**	**12.85**	**0.46**	**3.71**
Total world	**85.84**	**87.19**	**1.35**	**1.58**	**84.59**	**85.60**	**1.01**	**1.20**

Totals may not add due to independent rounding.

Table 10: Third and fourth quarter world oil demand comparison for 2008, mb/d

	3Q07	3Q08	Change 2008/07 Volume	%	4Q07	4Q08	Change 2008/07 Volume	%
North America	25.50	25.61	0.11	0.43	25.64	25.91	0.27	1.05
Western Europe	15.40	15.33	-0.08	-0.51	15.74	15.86	0.12	0.76
OECD Pacific	7.81	7.65	-0.16	-2.05	8.75	8.78	0.03	0.34
Total OECD	**48.72**	**48.59**	**-0.13**	**-0.26**	**50.13**	**50.55**	**0.42**	**0.84**
Other Asia	8.89	9.06	0.17	1.91	9.25	9.40	0.15	1.65
Latin America	5.57	5.66	0.09	1.62	5.52	5.62	0.10	1.81
Middle East	6.60	6.88	0.28	4.24	6.44	6.72	0.28	4.33
Africa	3.09	3.16	0.07	2.27	3.18	3.23	0.06	1.77
Total DCs	**24.15**	**24.76**	**0.61**	**2.53**	**24.38**	**24.97**	**0.59**	**2.41**
FSU	4.00	4.05	0.06	1.47	4.32	4.37	0.05	1.16
Other Europe	0.91	0.93	0.02	2.07	0.91	0.93	0.02	2.21
China	7.72	8.20	0.48	6.22	7.38	7.80	0.42	5.69
Total "Other Regions"	**12.62**	**13.18**	**0.56**	**4.41**	**12.61**	**13.10**	**0.49**	**3.89**
Total world	**85.49**	**86.53**	**1.04**	**1.22**	**87.13**	**88.63**	**1.50**	**1.72**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth revised down to 0.56 mb/d to average 49.46 mb/d in 2007

Non-OPEC

Estimate for 2007

Non-OPEC supply is expected to increase 0.56 mb/d over the previous year to reach a level of 49.46 mb/d which represents a downward revision of 87 tb/d compared to last month's assessment. Downward revisions made to the USA, Mexico, Norway, Brunei and FSU (Russia, Kazakhstan and Azerbaijan) were partially offset by upward revisions to the UK, Vietnam and Turkmenistan. The fourth quarter witnessed a significant downward revision of around 296 tb/d, mainly due to the release of actual data. On a quarterly basis, non-OPEC supply now stands at 49.81 mb/d, 49.51 mb/d, 48.99 mb/d and 49.54 mb/d respectively. 2006 figures have remained almost unchanged.

Graph 15: Regional Non-OPEC supply growth, y-o-y

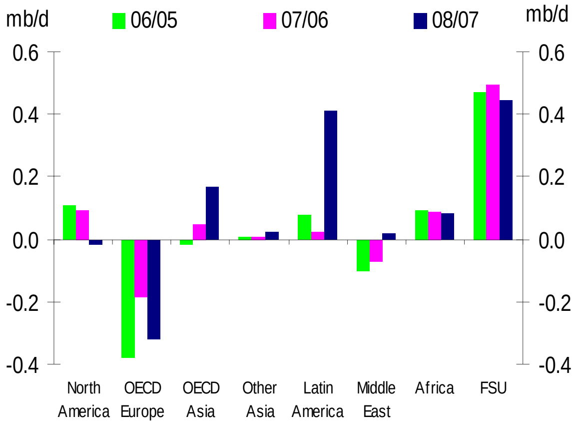


Table 11: Non-OPEC oil supply in 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06
North America	14.24	14.38	14.45	14.23	14.29	14.34	0.09
Western Europe	5.38	5.52	5.19	4.92	5.16	5.20	-0.19
OECD Pacific	0.56	0.57	0.61	0.63	0.63	0.61	0.05
Total OECD	**20.19**	**20.47**	**20.25**	**19.77**	**20.07**	**20.14**	**-0.05**
Other Asia	2.72	2.72	2.68	2.69	2.74	2.71	-0.02
Latin America	3.86	3.88	3.88	3.88	3.87	3.88	0.02
Middle East	1.76	1.70	1.69	1.69	1.68	1.69	-0.07
Africa	2.61	2.69	2.68	2.66	2.75	2.69	0.09
Total DCs	**10.94**	**10.99**	**10.92**	**10.91**	**11.04**	**10.97**	**0.02**
FSU	12.02	12.51	12.44	12.50	12.60	12.51	0.50
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.69	3.78	3.82	3.73	3.75	3.77	0.07
Total "Other regions"	**15.87**	**16.43**	**16.41**	**16.38**	**16.49**	**16.43**	**0.56**
Total Non-OPEC production	**47.00**	**47.89**	**47.59**	**47.07**	**47.61**	**47.54**	**0.54**
Processing gains	1.90	1.92	1.92	1.92	1.93	1.92	0.02
Total Non-OPEC supply	**48.90**	**49.81**	**49.51**	**48.99**	**49.54**	**49.46**	**0.56**
Previous estimate	48.91	49.82	49.54	49.01	49.84	49.55	0.64
Revision	-0.01	0.00	-0.03	-0.02	-0.30	-0.09	-0.08

In 2007, the FSU showed growth of 0.50 mb/d. Azerbaijan witnessed another year of strong performance with growth of around 0.21 mb/d, whilst Kazakhstan performed as in 2006 with a modest growth of 50 tb/d. Russia's growth is estimated at around 0.22 mb/d. The Latin American region remained almost flat as only Brazil witnessed minor growth of around 50 tb/d while others saw either no growth or declines. North America's production increased by 90 tb/d driven by Canada and the USA, while Mexico's production dropped a significant 0.21 mb/d. The African region increased by around 90 tb/d, with most of the increase coming from Sudan. China showed a modest increase from expansions and new projects. In OECD Pacific, both Australia and New Zealand showed a modest increase over last year. Other Asia and Middle East remained broadly flat. OECD Europe dropped 0.19 mb/d, with the UK experiencing a drop of 70 tb/d and Norway also showed a loss of 0.22 mb/d due to field declines, heavy maintenance and unplanned shut-downs.

Revisions to the 2007 estimate

A significant revision of 296 tb/d was made to the 4Q07 estimate to reflect the most recent data, which have resulted in an overall downward revision of 87 tb/d in the annual average. The estimate for 4Q07 for the USA has been revised down by 10 tb/d. Mexico's production in 4Q07 has been revised down by 64 tb/d. In the North Sea, 4Q07 oil production in the UK was revised upward by 40 tb/d while the Norway sector was revised down a slight 9 tb/d. In New Zealand, technical issues were behind the 4Q07 downward revision of around 7 tb/d. In Asia, a slight positive adjustment of 16 tb/d has been made to the data for Vietnam for 4Q07, while Brunei witnessed downward revisions for the 2Q07, 3Q07 and 4Q07 of around 26 tb/d, 26 tb/d and 22 tb/d respectively. In Argentina, a slight downward revision of 10 tb/d was made to the 4Q07 estimate due to an adjustment to match the actual production figures. The 4Q07 estimates for Russia, Azerbaijan and Kazakhstan have been revised down by around 40 tb/d, 93 tb/d and 35 tb/d respectively.

Forecast for 2008

Non-OPEC supply growth expected at 1.07 mb/d in 2008 to average 50.53 mb/d

Non-OPEC supply is expected to average around 50.53 mb/d in 2008, an increase of 1.07 mb/d over 2007 and a downward revision of 96 tb/d from last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 50.39 mb/d, 50.12 mb/d, 50.18 mb/d and 51.43 mb/d respectively.

Table 12: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.34	14.40	14.11	14.15	14.62	14.32	-0.02
Western Europe	5.20	5.17	4.90	4.59	4.86	4.88	-0.32
OECD Pacific	0.61	0.67	0.73	0.81	0.88	0.77	0.17
Total OECD	**20.14**	**20.24**	**19.74**	**19.55**	**20.37**	**19.97**	**-0.17**
Other Asia	2.71	2.78	2.79	2.88	2.96	2.85	0.15
Latin America	3.88	4.18	4.25	4.34	4.39	4.29	0.41
Middle East	1.69	1.69	1.70	1.71	1.72	1.70	0.02
Africa	2.69	2.77	2.78	2.77	2.78	2.78	0.08
Total DCs	**10.97**	**11.43**	**11.52**	**11.69**	**11.85**	**11.62**	**0.66**
FSU	12.51	12.79	12.88	12.96	13.21	12.96	0.44
Other Europe	0.15	0.15	0.15	0.15	0.15	0.15	0.00
China	3.77	3.84	3.89	3.89	3.90	3.88	0.11
Total "Other regions"	**16.43**	**16.77**	**16.91**	**17.00**	**17.26**	**16.99**	**0.55**
Total Non-OPEC production	**47.54**	**48.44**	**48.18**	**48.24**	**49.48**	**48.58**	**1.05**
Processing gains	1.92	1.95	1.94	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.46**	**50.39**	**50.12**	**50.18**	**51.43**	**50.53**	**1.07**
Previous estimate	49.55	50.61	50.21	50.22	51.45	50.63	1.08
Revision	-0.09	-0.22	-0.10	-0.04	-0.02	-0.10	-0.01

OECD

Total OECD forecast to decline by 166 tb/d below 2007 level

Total OECD oil supply is expected to reach 19.97 mb/d, a drop of around 0.17 mb/d below 2007. On a quarterly basis, OECD oil supply is expected to average 20.24 mb/d, 19.74 mb/d, 19.55 mb/d and 20.37 mb/d respectively. Preliminary data for January put total OECD at around 20.10 mb/d.

USA

North American Group supply expected to stay almost flat over 2007

In 2008, **US** oil supply is expected to reach a level of 7.64 mb/d representing growth of 151 tb/d over 2007 and a downward revision of 10 tb/d from the last assessment. On a quarterly basis, US oil supply is expected at 7.61 mb/d, 7.57 mb/d, 7.58 mb/d and 7.80 mb/d respectively. Atlantis South, which experienced many delays earlier, started up on 18 December with initial production around 35 tb/d and will continue to ramp up during the year to peak at 200 tb/d in early 2009. Genghis Khan also started up in late 2007 and is ramping up to reach a peak of 55 tb/d in early 3Q08. Neptune start-up date has not yet been confirmed yet but is expected to come onstream in 1Q08 and ramp up during the current year to reach a peak of around 50 tb/d by end-2008. Blind

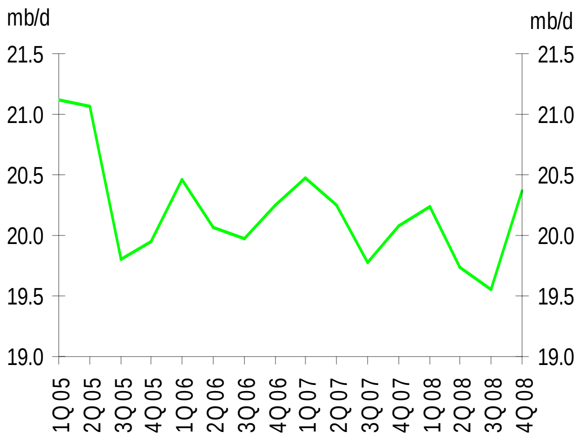
Faith is also expected to start production in 2Q08 and ramp up during the year. Thunder Horse start-up is being reviewed again as it may witness another delay from 4Q08 to 1Q09 due to shortage of equipments and manpower. Growth attributed to biofuels is expected at around 65 tb/d. The preliminary January figure for the US production level stands at around 7.51 mb/d.

Canada and Mexico

Syncrude output suspended for several days due extremely cold weather

Canadian oil supply for 2008 is expected to average 3.37 mb/d, almost flat compared with 2007 and a minor downward revision of 16 tb/d. On a quarterly basis, Canadian supply is forecast at around 3.41 mb/d, 3.31 mb/d, 3.32 mb/d and 3.45 mb/d respectively. The 1Q08 was revised downward by around 65 tb/d due to the suspension of syncrude out put (350 tb/d capacity) for several days due to very cold weather resulting in freezing of some instruments. The preliminary January figure is estimated at 3.46 mb/d.

Graph 16: OECD's quarterly production



Cantarell field is expected to decline by 200 tb/d in 2008

Mexico's oil supply in 4Q07 has been revised down by around 64 tb/d, of which 44 tb/d has been extended through 2008. Supply from Mexico now stands at around 3.31 mb/d representing a significant decline of around 178 tb/d compared with the 2007 annual figure. On a quarterly basis, it is forecast at 3.37 mb/d, 3.23 mb/d, 3.25 mb/d and 3.37 mb/d respectively. The new streams are expected to come on line in 4Q08 while the giant Cantarell field, which is witnessing a sharpening decline, is expected to produce just above 1 mb/d compared to a December 2007 level of 1.24 mb/d. Preliminary January oil supply is estimated at 3.33 mb/d.

Western Europe

Western Europe group is estimated to decline significantly by around 318 tb/d

Oil supply in this group is expected to reach a level of 4.88 mb/d representing a decline of 318 tb/d from 2007 and 19 tb/d less than last month's assessment. The downward revision was fully attributable to the other Western Europe group. On a quarterly basis, Western Europe's oil supply is expected at 5.17 mb/d, 4.90 mb/d, 4.59 mb/d and 4.86 mb/d respectively. The preliminary January oil supply figure is estimated at 5.16 mb/d.

Norway

Weak 2008 startup and further new projects delays in Norway

Norway's production level is unchanged from last month's assessment of around 2.48 mb/d which represents a decline of around 72 tb/d below the 2007 figure. On a quarterly basis, it is forecast at 2.61 mb/d, 2.46 mb/d, 2.33 mb/d and 2.53 mb/d respectively. The preliminary figure for January is 2.56 mb/d. The current year started with weak performance in the producing fields with further delays in some new projects expected.

UK's production level for 2008 is expected at 1.42 mb/d, a decline of around 224 tb/d from the previous year unchanged compared with last month's assessment. Quarterly figures now stand at 1.57 mb/d, 1.45 mb/d, 1.29 mb/d and 1.35 mb/d respectively. Preliminary figures for January at 1.60 mb/d.

Asia Pacific

OECD Pacific estimated to grow by around 168 tb/d

Oil supply in Asia Pacific is expected to average 0.77 mb/d, around 168 tb/d over the 2007 figure and broadly unchanged from last month's assessment. On a quarterly basis, it is expected to average 0.67 mb/d, 0.73 mb/d, 0.81 mb/d and 0.88 mb/d respectively.

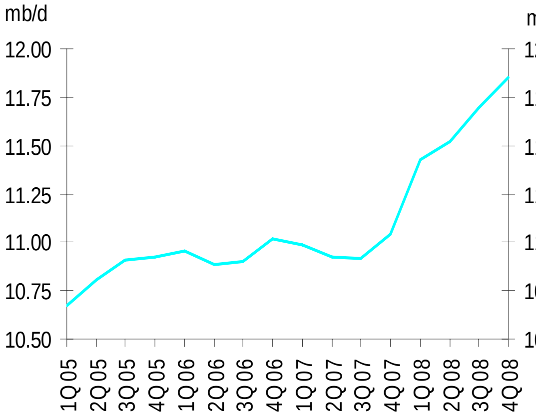
Australia's oil supply is expected to average 0.63 mb/d in 2008 which represents growth of around 101 tb/d over last year's figure and unchanged from last month's assessment. The preliminary January figure is 0.58 mb/d. Puffin Southwest and Puffin Northeast are expected to continue ramping up during 2008 but slower than expected earlier as technical problems and weather affected the good startup, the Enfield production witnessed a drop as technical problems reduced its performance during start-up.

New Zealand's oil supply is expected to add 66 tb/d over the 2007 figure to reach a level of around 145 tb/d. Preliminary January oil supply figure is 0.11 mb/d.

Developing Countries

Oil supply in this group is expected to reach production level of around 11.62 mb/d which represents growth of around 658 tb/d over last years' figure and an upward revision of around 18 tb/d from last month's assessment. On a quarterly basis, it is expected to average 11.43 mb/d, 11.52 mb/d, 11.69 mb/d and 11.85 mb/d respectively.

Graph 17: Developing Countries' quarterly production



Brazil and Other Asia group are the main contributors to the significant growth for this year. The preliminary January figure puts total DC oil supply at 11.23 mb/d.

Other Asia group is expected to reach a level of around 2.85 mb/d representing growth of 147 tb/d over 2007, an upward revision of around 26 tb/d from last month's assessment. On a quarterly basis, it is expected to average 2.78 mb/d, 2.79 mb/d, 2.88 mb/d and 2.96 mb/d respectively, with India, Malaysia and Vietnam as the main contributors to the growth.

Latin American oil supply is expected to average around 4.29 mb/d in 2008, representing a significant growth of around 411 tb/d over 2007 and a downward revision of 10 tb/d compared with last month's assessment. The quarterly distribution stands at 4.18 mb/d, 4.25 mb/d, 4.34 mb/d and 4.39 mb/d respectively. Brazil is the major contributor with around 409 tb/d with the preliminary figure for January at around 2.28 mb/d.

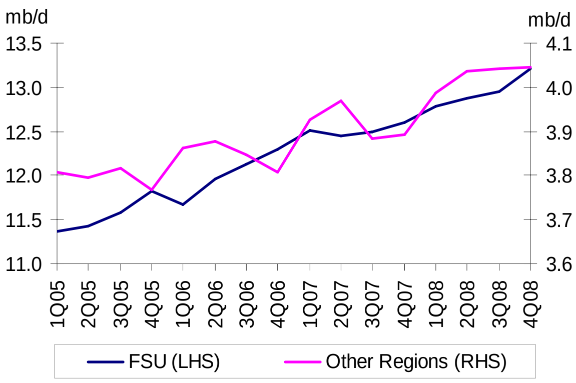
Africa is expected to average around 2.78 mb/d in 2008 or a growth of around 84 tb/d over the 2007 figure unchanged from last month's assessment. On a quarterly basis, oil supply from this group is expected to average 2.77 mb/d, 2.78 mb/d, 2.77 mb/d and 2.78 mb/d respectively. The preliminary figure for January puts total oil supply at around 2.75 mb/d.

The **Middle East** group is the only group which is expected to stay almost flat compared with the 2007 level. It is expected to average around 1.70 mb/d with the quarterly distribution at 1.69 mb/d, 1.70 mb/d, 1.71 mb/d and 1.70 mb/d respectively.

FSU, Other Regions

Oil supply in the FSU is expected to average 12.96 mb/d which represents growth of around 0.44 mb/d over the 2007 figure and a downward revision of around 64 tb/d compared with last month's assessment. On a quarterly basis, FSU supply is expected to average 12.79 mb/d, 12.88 mb/d, 12.96 mb/d and 13.21 mb/d respectively. Other Europe is expected to stay flat over 2007 at around 0.15 mb/d. China is expected to average 3.88 mb/d, representing growth of around 112 tb/d over 2007 and 39 tb/d higher than last month's assessment.

Graph 18: FSU and other region's quarterly production



Russia began the year weaker than expected

Russia

Russian oil supply is expected to reach 10.02 mb/d which represents growth of 151 tb/d and a downward revision of 40 tb/d compared with last month's assessment. On a quarterly basis, it is expected at 9.94 mb/d, 9.97 mb/d, 10.03 mb/d and 10.12 mb/d respectively. The 4Q07 downward revision has been extended through 2008. The preliminary January oil supply figure stands at around 9.77 mb/d.

Caspian

Oil supply in **Kazakhstan** is expected to grow by 99 tb/d over 2007 to reach 1.45 mb/d, unchanged from last month's assessment, with a quarterly distribution of 1.42 mb/d, 1.44 mb/d, 1.41 mb/d and 1.53 mb/d respectively. Tengiz expansion SGP will continue its ramp up with a better performance. The preliminary figure for January is estimated at around 1.37 mb/d.

Oil supply in **Azerbaijan** is expected to grow by around 200 tb/d over 2007 to reach 1.06 mb/d in 2008, a downward revision of 28 tb/d compared with last month's assessment. ACG phase II (East Azeri) will continue its ramp-up during 2008 while the ACG phase III (Gunseshli) is expected to start-up in 2Q08 and continue ramping up in 2008.

China

Oil supply in China is expected to average 3.88 mb/d representing growth of around 112 tb/d over the 2007 figure and an upward revision of 39 tb/d compared with last month's assessment. On a quarterly basis, it is expected to average 3.84 mb/d, 3.89 mb/d, 3.90 mb/d and 3.88 mb/d respectively. The Wenchang and Xijiang 23-1 fields are expected to come on line in 1Q08 and ramp up to peak at 40 tb/d each during the year. The preliminary January figure is estimated at around 3.81 mb/d.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average around 4.40 mb/d in 2007, an increase of around 0.34 mb/d over 2006. The 2008 the annual figure is forecast to reach 4.93 mb/d, an increase of around 0.53 mb/d over the 2007 estimate.

Table 13: OPEC NGL + non-conventional oils - 2005-2008

	2005	**2006**	**Change** 06/05	1Q07	2Q07	3Q07	4Q07	**2007**	**Change** 07/06	**2008**	**Change** 08/07
Total OPEC	**4.08**	**4.06**	-0.02	4.22	4.35	4.40	4.62	**4.40**	0.34	**4.93**	0.53

OPEC production averaged 32 mb/d in January

OPEC crude oil production

Total crude oil production averaged 32.0 mb/d in January, almost unchanged from December, according to secondary sources. OPEC production (not including Iraq) averaged 29.79 mb/d, up by 136 tb/d from December. Significant declines of 179 tb/d and 74 tb/d were seen in Iraq and Nigeria.

Table 14: OPEC crude oil production based on secondary sources, 1,000 b/d

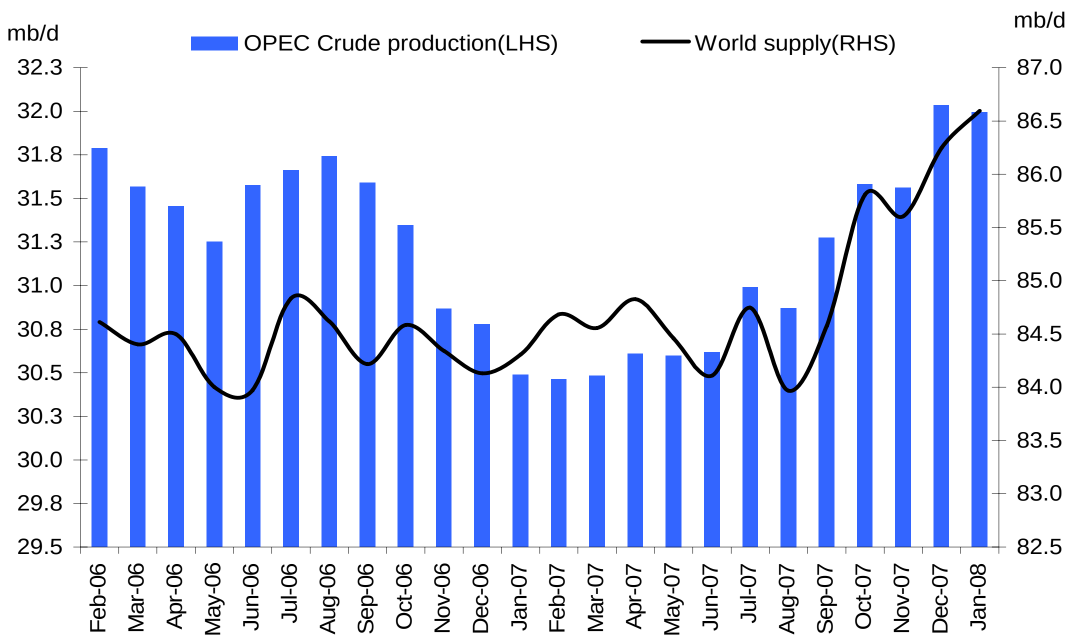
	2006	2007	2Q07	3Q07	4Q07	Nov 07	Dec 07	Jan 08	*Jan/Dec*
Algeria	1,365	1,360	1,352	1,365	1,388	1,390	1,395	1,410	*15.0*
Angola	1,385	1,662	1,628	1,678	1,783	1,791	1,827	1,859	*32.4*
Ecuador	536	506	509	508	508	506	509	503	*-6.2*
Indonesia	895	844	844	836	841	840	845	843	*-1.9*
Iran, I.R.	3,845	3,851	3,843	3,859	3,898	3,903	3,895	3,902	*7.0*
Iraq	1,932	2,089	2,021	2,107	2,333	2,339	2,381	2,202	*-179.2*
Kuwait	2,520	2,465	2,432	2,467	2,513	2,509	2,546	2,557	*11.0*
Libya, S.P.A.J.	1,702	1,710	1,695	1,718	1,742	1,744	1,749	1,743	*-6.2*
Nigeria	2,235	2,126	2,040	2,154	2,162	2,198	2,150	2,076	*-74.2*
Qatar	821	807	794	814	827	827	835	826	*-9.0*
Saudi Arabia	9,112	8,651	8,537	8,584	8,909	8,958	8,975	9,083	*107.3*
UAE	2,540	2,504	2,524	2,575	2,429	2,155	2,534	2,592	*57.8*
Venezuela	2,539	2,392	2,388	2,377	2,395	2,402	2,394	2,397	***3.2***
Total OPEC	**31,428**	**30,968**	**30,607**	**31,043**	**31,728**	**31,561**	**32,036**	**31,993**	***-42.9***
OPEC excl. Iraq	**29,496**	**28,879**	**28,586**	**28,936**	**29,395**	**29,222**	**29,655**	**29,791**	***136.3***

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures for the month of January indicate that world oil supply averaged 86.59 mb/d, an increase of 0.35 m/d over the December figure, with OPEC's crude share at around 36.9%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 19: OPEC and World oil supply



FSU net exports of crude and products

Total FSU net oil exports are estimated to average 8.54 mb/d in 2007, an increase of 0.41 mb/d over 2006. In 2008, net exports are forecast to reach 8.93 mb/d, an increase of 0.39 mb/d over the 2007 estimated figure.

Current trends

Actual figures for November indicate that total crude exports from the FSU averaged 6.29 mb/d. Preliminary figures for December averaged 6.21 mb/d, a decline of 83 tb/d from the previous month. Russian pipeline exports in December declined by 13 tb/d, mostly from Black Sea and Druzhba pipelines, partially offset by Baltic pipeline exports which increased 118 tb/d. The Russia-Far East route witnessed a decline of around 51 tb/d from November.

Table 15: FSU estimated net oil exports (historical and forecast), mb/d

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2004	7.17	7.30	7.38	7.37	**7.31**	**0.82**
2005	7.45	7.69	7.76	7.85	**7.69**	**0.38**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.44**
2007 (estimate)	**8.65**	**8.74**	**8.50**	**8.28**	**8.54**	**0.41**
2008 (forecast)	**8.87**	**9.12**	**8.90**	**8.84**	**8.93**	**0.39**

Table 16: Recent FSU exports of crude and products by source, mb/d

	2006	2007	2Q07	3Q07	4Q07	Nov 07	Dec 07*
Crude							
Russian pipeline							
Black Sea	1,288	1,361	1,398	1,332	1,294	1,298	1,205
Baltic	1,553	1,631	1,647	1,647	1,631	1,560	1,677
Druzhba	1,288	1,123	1,134	1,091	1,128	1,158	1,120
Total	**4,129**	**4,115**	**4,180**	**4,071**	**4,052**	**4,015**	**4,002**
Other routes							
Russian rail	313	289	255	266	300	300	317
Russian - Far East	84	246	231	246	263	301	250
Kazak rail	31	15	13	12	17	18	17
CPC pipeline	661	693	712	673	678	637	667
Caspian	**396**	**245**	**250**	**196**	**202**	**193**	**207**
of which							
Supsa (AIOC) - Georgia	114	0	0	0	0	0	0
Batumi - Georgia	177	138	140	105	121	101	136
Total**	**1,702**	**2,225**	**2,298**	**2,143**	**2,224**	**2,277**	**2,207**
Total crude exports	**5,831**	**6,340**	**6,478**	**6,214**	**6,276**	**6,292**	**6,209**
Products							
All routes							
Fuel oil	861	841	786	789	913	891	1,005
Gasoil	841	677	601	597	814	822	854
Others	662	670	671	676	730	596	590
Total	**2,364**	**2,188**	**2,058**	**2,062**	**2,458**	**2,309**	**2,449**
Total oil exports	**8,195**	**8,528**	**8,536**	**8,275**	**8,734**	**8,601**	**8,658**

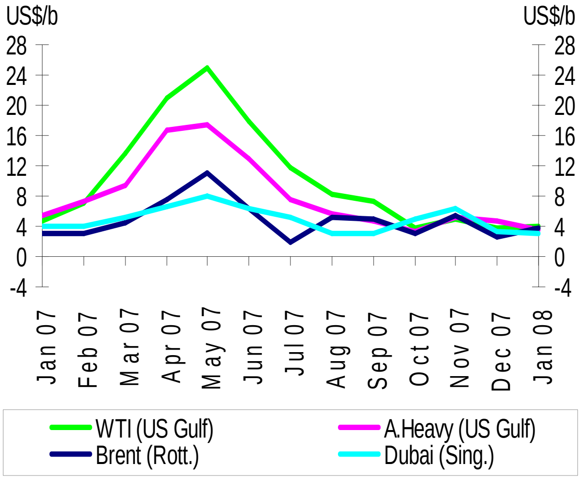
Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Product Markets and Refinery Operations

Refinery margins in Atlantic Basin improved slightly in January

Recent gasoline stock-builds across the globe, particularly in the US, along with the expected relatively light seasonal refinery maintenance schedule, have undermined product market sentiment, which may not see a significant boost in the coming months. However, lower crude costs in the past few weeks have helped refining margins in Atlantic Basin to improve slightly in January over the previous month. The current bearish momentum in the product markets may change as peak seasonal refinery maintenance is approaching which could lead to gasoline stock-draws. Additionally, technical restrictions for summer grade gasoline may also provide support for product and crude prices in the coming months.

Graph 20: Refining margins



As **Graph 20** shows, refinery margins for WTI at the US Gulf Coast increased by 29¢/b to $4.02 from $3.73/b in December. In Europe, the market followed suit and refinery margins for Brent crude at Rotterdam soared by $1.26, reaching $3.86/b from $2.60/b last month.

In Asia, mild weather in the north and higher imports of the bottom of the barrel components have undermined the bullish sentiment of the market, exerting pressure on the refinery margins. As **Graph 20** displays, refinery margins for Dubai crude in Singapore dropped 21¢/b to $3.04/b in January from $3.25/b in December.

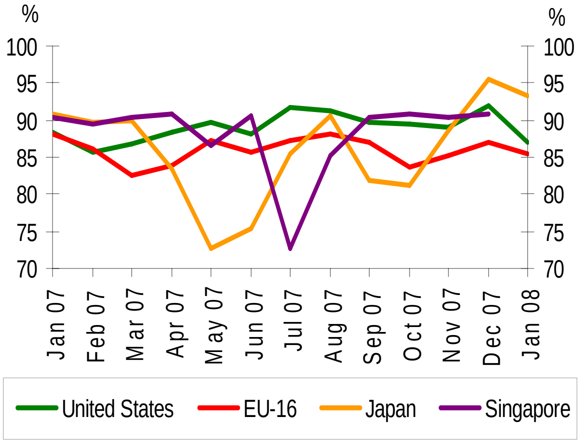
Despite the slight improvement in refining margins in the Atlantic Basin in January, product market momentum is not expected to see a significant upturn over the coming months, as was the case last year, as most of the long-idled US refinery capacity has returned to normal operations.

Refinery operations

Refinery throughputs fell across the globe

Refinery runs in the US on average were just 15.6 mb/b in 2007, the lowest annual figure since 2002. European refineries were also generally plagued by a series of unplanned shut-downs in the second and third quarters as well as extended planned maintenance in last autumn.

Graph 21: Refinery utilization rates



In Asia, the refinery utilization rate fell by nearly 3% in the second half of 2007 to 92.93% from 95.82% in the same period last year. This situation in Japan has intensified over the course of the year, as sluggish demand for different products has encouraged Japanese refiners to reduce throughput levels. In the last two months of 2007, refinery utilization rates surged across the board as refineries returned to normal operation.

As far as the latest developments in refinery operations are concerned, the recent bearish movement in product markets and refining margins, along with seasonal maintenance schedules, has adversely affected the refinery utilization rates in different markets over the last couple of weeks. As Graph 21 shows, the refinery utilization rate in the US slid by 4.7%

compared to the previous month and reached 87.1% in January from 91.8% in December. In Europe, the refinery utilization rate declined by 1.7% to 85.5% in January from 87.2% in the previous month. In Asia, refineries followed the same trend, and refinery operation levels declined, especially in South Korea and Japan. In Japan, refinery utilization rates dropped to 93.3% from 95.6% in December (*see* Graph 21).

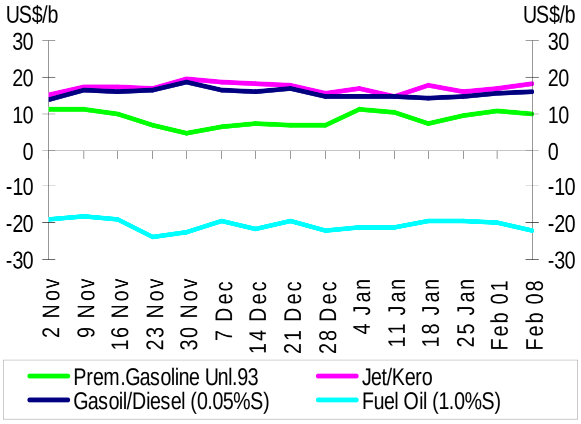
Looking ahead, with the scheduled spring refinery maintenance and throughput cuts by most independent refiners, refinery utilization rates are expected to see a further drop across the board in the coming months.

US market

A sharp gasoline stock-build has significantly changed US product market sentiment

The continuation of lower seasonal demand and higher imports boosted gasoline stock-builds in the US and exerted pressure on both the physical and the futures markets. In line with these bearish developments, speculative net long positions in RBOB declined 20.3% by 3 February and weekly prices of premium gasoline on the US Gulf Coast plunged from $109.36/b on 4 January to $98.92/b in the week ending 8 February.

Graph 22: US Gulf crack spread vs. WTI, 2007-2008



Despite lower gasoline prices, the gasoline crack spread versus WTI crude remained relatively steady over the last few weeks, which was largely attributed to the lower crude prices in the latter part of January (*see* **Graph 22**). The present bearish momentum of the gasoline market may change in future, as products in storage are winter quality and will need to be changed prior to the end of March when refiners switch to summer grades.

The middle distillate market has also lost its earlier ground in the second half of January due to relatively mild weather in the latter part of the month, which has encouraged market players to liquidate long positions on the Nymex, causing non-commercial long positions to plunge 43% by 3 February. So far, such bearish developments in the futures market have not seriously affected the middle of the barrel component in the physical market, and its crack spread versus WTI crude is relatively high (see **Graph 22**). The recent cold spell in the Northeast may improve the distillate market sentiment in the coming weeks and trim speculative short positions on the Nymex heating oil market.

The US fuel oil market improved in the middle of January after the fuel oil stock level dropped by 3 mb compared to earlier in the same month. But this situation changed again in the last two weeks and the weekly average of low sulphur crack spread versus WTI crude widened to minus $22.05/b in the week ending 8 February. Looking ahead, the recent cold spell along with lower domestic production and falling imports may support the US fuel oil market and narrow its spread against crude oil.

European market

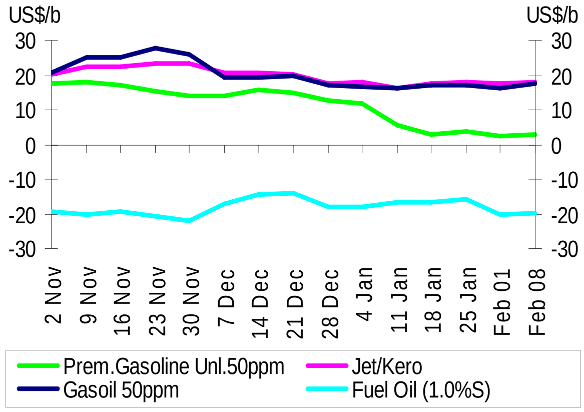
European gasoline margins deteriorated further in January

The recent bearish developments in the US gasoline market have narrowed arbitrage opportunities from overseas and negatively affected European gasoline prices as well as crack spreads. As **Graph 23** displays, the gasoline crack spread against Brent crude in Rotterdam plummeted significantly over the last few weeks to reach $2.65/b in early February from $11.90/b in early January.

The current bearish sentiment of the European gasoline market may improve slightly over the next weeks due to the increasing regional refinery maintenance schedule and relatively lower gasoline stocks in Europe compared to recent years. Despite the weakness of the gasoline market, the European naphtha market remained strong amid higher demand from the regional petrochemical sector and export opportunities to Asia.

The European middle distillate market sentiment remained steady from last month, and crack spreads for both jet/kero and gasoil stayed at around \$17/b. Ample arbitrage cargoes from Asia over the last few weeks may exert pressure on the middle distillate market in the near future, but at the same time the increasing regional refinery maintenance schedule may lead to lower outputs, removing the negative impact of imported volumes.

Graph 23: Rotterdam crack spreads vs. Brent, 2007-2008



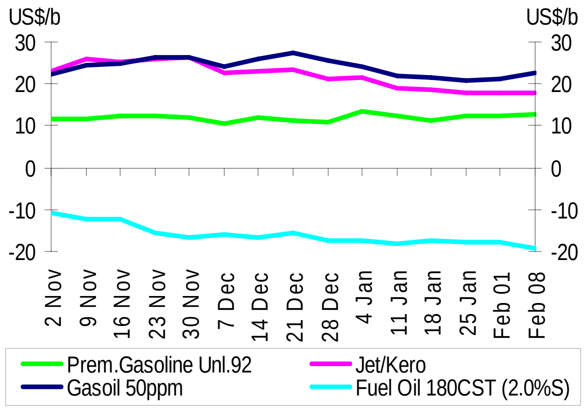
With regard to the fuel oil market, higher Russian exports combined with sluggish regional demand and lower export opportunities to Asia to compound the previous bearish momentum of the European market for both low-sulphur and high-sulphur fuel oil. The low-sulphur fuel oil crack spread against Brent crude fell to minus \$20/b in late January from around minus \$18/b over the same period of the previous month. Given the weak fundamentals in Asia and the continuation of Russian exports, the European fuel oil market is expected to remain lacklustre in the near future.

Asian market

Gasoline market in Asia performed better than in the rest of the world in January

The gasoline market in Asia has been supported by lower Chinese exports and higher demand from Australia following refinery outages. As a result, the crack spread versus Dubai crude oil remained above \$12/b in January. Given the end of the peak New Year holiday season in China, the Asian gasoline market is expected to lose its present relatively strong sentiment in the near future.

Graph 24: Singapore crack spreads vs. Dubai, 2007-2008



With regard to naphtha, the higher arbitrage cargoes from Europe and increased Indian exports have mitigated naphtha supply concerns in Asia and narrowed its backwardated level for the coming months. The current momentum of naphtha market in Asia may also face further pressure in the future with the approach of the cracker unit maintenance schedule in the coming months.

Among the middle of the barrel components, the gasoil market remained relatively strong last month due to higher regional demand, especially from China, and export opportunities to Europe. The gasoil crack spread against Dubai crude oil remained above \$20/b in January, and its current market momentum may persist due to higher regional demand, especially from China and Australia. Despite the bullish momentum for gasoil, the jet/kero market was relatively sluggish in January, largely due to mild weather in North Asia.

Furthermore, China's sluggish demand combined with arbitrage flows from the rest of the world has widened the discounted spread of the fuel versus Dubai crude oil in the last months (*see* **Graph 24**). The outlook for the Asian fuel oil market depends on Chinese demand over the coming months as well as the return of the Kashiwazak nuclear plant to normal operation.

Table 17: Refined product prices, US$/b

		Nov 07	Dec 07	Jan 08	Change Jan/Dec
US Gulf (Cargoes):					
Naphtha		97.14	92.43	96.06	3.63
Premium gasoline	*(unleaded 93)*	103.31	98.93	102.16	3.23
Regular gasoline	*(unleaded 87)*	99.30	95.37	97.48	2.11
Jet/Kerosene		112.30	109.42	109.49	0.07
Gasoil	*(0.05% S)*	111.40	107.54	107.04	-0.50
Fuel oil	*(1.0% S)*	74.10	70.83	72.88	2.05
Fuel oil	*(3.0% S)*	72.17	68.13	69.44	1.31
Rotterdam (Barges FoB):					
Naphtha		108.46	110.06	108.66	-1.40
Premium gasoline	*(unleaded 50 ppm*)*	109.03	105.68	95.82	-9.86
Premium gasoline	*(unleaded 95)*	97.05	94.05	94.13	0.08
Jet/Kerosene		115.45	111.11	109.32	-1.79
Gasoil/Diesel	*(50 ppm*)*	118.34	109.94	108.70	-1.24
Fuel oil	*(1.0% S)*	72.16	75.17	74.81	-0.36
Fuel oil	*(3.5% S)*	70.61	66.06	65.73	-0.33
Mediterranean (Cargoes):					
Naphtha		90.71	92.01	91.81	-0.20
Premium gasoline	*(50 ppm)*	109.76	106.35	107.01	0.66
Jet/Kerosene		112.90	108.18	107.43	-0.75
Gasoil/Diesel	*(50 ppm)*	117.22	111.52	109.47	-2.05
Fuel oil	*(1.0% S)*	74.37	73.12	73.04	-0.08
Fuel oil	*(3.5% S)*	70.01	65.28	63.97	-1.31
Singapore (Cargoes):					
Naphtha		91.38	92.24	93.12	0.88
Premium gasoline	*(unleaded 95)*	100.29	98.38	100.49	2.11
Regular gasoline	*(unleaded 92)*	98.94	97.09	99.56	2.47
Jet/Kerosene		112.77	108.31	106.17	-2.14
Gasoil/Diesel	*(50 ppm)*	112.26	111.33	108.94	-2.39
Fuel oil	*(180 cst 2.0% S)*	74.21	70.37	70.04	-0.33
Fuel oil	*(380 cst 3.5% S)*	73.95	70.89	70.56	-0.33

Table 18: Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Nov 07	Dec 07	Jan 08	Jan/Dec	Nov 07	Dec 07	Jan 08	Jan/Dec
USA	15.37	15.86	15.20	-0.66	89.0	91.8	87.1	-4.70
France	1.75	1.72	1.63	-0.09	89.4	87.8	84.1	-3.70
Germany	2.17	2.26 R	2.26	0.00	89.6	93.5 R	93.5	0.00
Italy	1.92	1.84	1.77	-0.07	82.2	78.6	75.6	-3.00
UK	1.58 R	1.51 R	1.77	0.26	82.5	79.9 R	78.6	-1.30
Eur-16	11.98	12.23 R	12.00	-0.23	85.3	87.1 R	85.5	-1.60
Japan	4.14 R	4.47	4.34	-0.13	88.5 R	95.6	93.3	-2.30

R *Revised since last issue.*

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

The Tanker Market

In January, total spot fixture activity in non-OPEC areas regained some of the losses of the previous month. In contrast, OPEC charterings and loadings fell.

Total spot fixtures increased 0.3 mb/d to stand slightly below 20 mb/d offsetting to some extent the loss of the previous month. The reason for the small gain in January could be attributed to the catching up process which normally follows the traditional lull in spot market activities during the second half of December. However, spot tanker chartering in OPEC declined by about 2.5% mostly due to the low level of spot fixture activity during the first week of the month in OPEC Member Countries outside the Middle East. Spot chartering of tankers for loadings from the Middle East area to Asian and Western Hemisphere destinations were up by around 17% each.

Tanker sailings from OPEC ports on average fell in January by about 0.40 mb/d due primarily to lower oil production. Middle East tanker loadings also fell by about 0.44 mb/d as a result of a similar declining trend in crude oil production.

However, arrivals of crude oil tankers in USA during January rose by about 6.1%. The increase in arrivals indicated a rise in crude oil imports and stocks in January. North-West European and Mediterranean arrivals were also up, but at a lower rate of about 1.5% and 2.5% respectively, mostly due to relatively low activity during the first week of January in those areas.

Table 19: Tanker chartering, sailings and arrivals, mb/d

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Spot Chartering				
All areas	21.39	19.67	19.97	0.30
OPEC	14.93	13.73	13.39	-0.34
Middle East/east	6.42	4.90	5.77	0.87
Middle East/west	2.10	1.64	1.91	0.27
Sailings				
OPEC	23.30	23.45	23.05	-0.40
Middle East	17.38	17.50	17.06	-0.44
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.57	8.86	9.40	0.54
North West Europe	7.42	7.99	8.10	0.12
Euromed	4.08	4.70	4.82	0.12

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

The crude oil tanker market shifted to a bearish mode on increased availability

The tanker spot market retreated in January from the high levels reached in December. Most reported routes registered declines in spot freight rates except for two routes in the clean sector. The entire dirty spot freight rates registered a drop in January compared to the previous month. The decline came as a correction to the remarkable levels spot freight rates had reached at the end of 2007, which many market participants regard as driven by non-fundamentals. On an average basis, dirty spot freight rates decreased 27%, with the VLCC sector experiencing the largest decline in January. Tonnage availability was the focal point which drove the market to an unbalanced stance that led to a decline in spot freight rates. Despite the increase in activities, the available tonnage list kept pressuring rates towards a gradual decline throughout January.

The VLCC sector started the month with a low activity level as many charterers were off for the New Year holiday which allowed rates to decline. Yet, with the return of market players, a long list of available tonnage confronted owners and charterers capitalized on availability to drag rates down further. Charterers recognized that good and sustainable tonnage will continue to be available and hence managed their requirements to pressure spot freight rates low. As tonnage mounted, the premium of double hull to single hull VLCCs widened to an all-time high in January reaching a level of WS50 points.

In East of Suez, VLCC spot freight rates on the long-haul Middle East to East route declined a sharp 39% in January from a month earlier. The decrease in refinery throughput in Asia on the back of unhealthy margins further supported the drop in freight rates. From the Middle East to western destinations, VLCC spot freight rates for long-haul voyages registered a drop of 31% in January from the previous month. Despite the monthly decline, VLCC spot freight rates from the

Middle East displayed an annual increase of 118% in January. In West of Suez, VLCC spot freight rates followed the same trend with availability driving the gradual correction drift throughout January. VLCC spot freight rates declined 36% on the West Africa to the East route in January from the previous month.

Similar developments were encountered in the Suezmax sectors which dropped 33% on average in January compared to a month ago. Despite the initial resistance to the fall, supported by the perception of fuel oil arbitrage from Europe to Asia as well as less tonnage availability, the possibility of combining or splitting cargoes to other vessel sizes dashed owners' efforts to maintain the freight level. Hence, Suezmax spot freight rates declined on both reported routes. From West Africa to the West, Suezmax spot freight rates declined 36% in January from the previous month. From North-West Europe to the US, the Suezmax market was in a slightly better position than the one in West Africa with rates dropping 29% in January. Fuel oil arbitrage opportunities as well as the port closure due to bad weather in the Black Sea supported the Suezmax sentiments. However, the reduction in the Turkish Strait delays as well as the emergence of the North Sea loading programme for February showing a decline in exports further pressured the market. However, on an annual basis, Suezmax spot freight rates registered an increase of 10% in January.

The Aframax sector came under pressure on all reported routes, with upcoast voyages from the Caribbean experiencing the biggest decline. Aframax Caribbean spot freight rates showed a decline of 29% driven mainly by availability and low activity. Charterers established that Aframax fundamentals do not support high spot freight rates given availability and hence kept the market under pressure. The only reported East of Suez route registered the second biggest decrease in the Aframax spot freight rates with a 23% decline in January from the previous month. The fixing of various old vessels influenced the market and dragged spot freight rates down, despite the increase of activities to China towards the end of the month. In the Mediterranean, Aframax spot freight rates declined 10% on average in January with market developments as well as the lack of cargoes pressuring rates. Additionally, the improvement of the delays at the Turkish Strait, coming down to 6–8 days in January from 8–12 days in December, supported increased availability and hence negatively influenced spot freight rates. Aframax Mediterranean spot freight rates were the only rates in the dirty sector displaying an annual decline of 10% on average in January.

Table 20: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	**Nov 07**	**Dec 07**	**Jan 08**	**Change Jan/Dec**
Crude					
Middle East/east	230-280	96	256	156	-101
Middle East/west	270-285	73	171	118	-53
West Africa/east	260	78	171	109	-62
West Africa/US Gulf Coast	130-135	121	231	147	-84
NW Europe/USEC - USGC	130-135	119	212	150	-62
Indonesia/US West Coast	80-85	148	240	185	-56
Caribbean/US East Coast	50-55	154	303	215	-88
Mediterranean/Mediterranean	80-85	151	210	188	-21
Mediterranean/North-West Europe	80-85	147	207	185	-22
Products					
Middle East/east	30-35	171	244	225	-20
Singapore/east	30-35	190	296	234	-62
Caribbean/US Gulf Coast	38-40	223	264	271	7
NW Europe/USEC - USGC	33-37	236	226	250	24
Mediterranean/Mediterranean	30-35	269	277	193	-84
Mediterranean/North-West Europe	30-35	279	287	203	-84

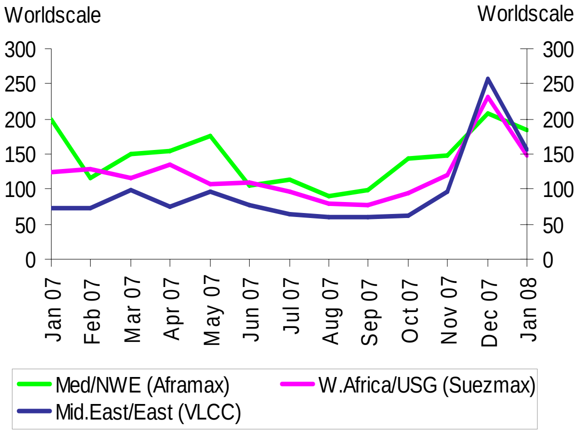
Source: Galbraith's Tanker Market Report and Platt's.

Clean spot freight rates were mixed in January with limited Chinese demand pressuring rates in Asia

The clean tanker market was mixed in January, with overall sentiments on the bearish side. On average, clean tanker spot freight rates declined 13% on all reported routes. East of Suez clean spot freight rates declined as well as Mediterranean rates, while from North-West Europe and the Caribbean to the US spot freight rates enjoyed some gains. In the East of Suez, clean tanker spot freight rates on reported routes declined 15% on average in January from the previous month. Voyages from Singapore to other Asian destinations experienced the biggest decline among East of Suez in January at 21%. Tonnage demand to deliver products to China weakened in January as many players went out of the market for the Chinese Lunar New Year holiday. Furthermore, diesel imports indicated a decline in January as refiners maximized their output. Additionally, new deliveries of clean tankers added to the pressure on clean spot freight rates. Moreover, the cut in throughput due to weak margins negatively affected spot freight rates from Singapore, which displayed a 10% drop compared to the same period last year. From the Middle East, clean spot freight rates decreased 8% in January from the previous month. Naphtha activities declined as petrochemical crackers went offline. Additionally, due to the long position list adding to the pressure, clean spot freight rates from the Middle East indicated a 19% increase in January on an annual basis.

In West of Suez, clean spot freight rates were mixed in January with Mediterranean rates declining, Caribbean rates remaining steady and North-West Europe rates increasing. Clean spot freight rates for voyages from the Mediterranean declined 30% in January from the previous month. High tonnage availability coupled with lack of cargoes created unbalanced sentiments. The Russian holiday as well as the bad weather situation in the Black Sea halted crude oil shipments which pressured throughput and hence affected product cargoes in January. Additionally, the improved traffic situation in the Turkish Strait further supported availability which pressured spot freight rates. From the Caribbean, clean spot freight rates remained steady in January with an increase of 3% from the previous month. Plenty of activities supported by active back haul voyages from the US halted the decline of clean spot freight rates despite a healthy position list. On an annual basis, clean spot freight rates for upcoast voyages from the Caribbean indicated a 3% increase in January. From North-West Europe, clean spot freight rates increased 11% in January from the previous month supported by the tight tonnage position. Despite the relatively closed gasoline arbitrage to the US, cargoes were still sailing and the delays due to bad weather in New York further limited availability.

Graph 25: Monthly averages of crude oil spot freight rates



Oil Trade

OECD

Net OECD imports decreased by 244,000 b/d in December supported by declining imports and steady exports

OECD crude oil imports remained relatively steady in December with a slight decline of 0.4% compared to the previous month according to estimated data. Fluctuations in imports were widespread with the largest percentage increases coming from Finland, Japan and Italy, while the largest drops took place in the UK, Denmark and Germany. With total crude oil imports of 30.5 mb/d in December, OECD average crude oil imports in 2007 were 413,000 b/d or 1% lower than in the previous year. Similarly, product imports declined by 1% in December compared to the previous month, bringing OECD product imports to average of 10.6 mb/d in 2007, down 5% from the previous year. Total crude oil and product imports in December declined by 0.5% from the previous month, while average 2007 OECD crude oil and product imports declined by 940,000 b/d or 2% compared to the previous year.

On the export side, OECD crude oil exports in December continued their upward trend for the third consecutive month, reaching 6.8 mb/d, about 200,000 b/d or 3% above their level in the previous month. Despite this increase, average 2007 OECD crude oil exports dropped by about 363,000 b/d or 5% compared to the previous year. Product exports decreased in December by about 2% compared to the previous month bringing average 2007 OECD product exports marginally below the 2006 average by just a fraction of 1%. These opposite directions of OECD crude oil and product exports in December left total exports at 15.5 mb/d, close to the previous month's figures.

As a result, OECD net oil imports reached 25.6 mb/d in December, 1% lower than the previous month, supported by declining imports and steady exports. Net crude oil imports reached 23.8 mb/d, a decline of 300,000 b/d from the previous month. On an annual basis, average net OECD crude oil imports in 2007 maintained their 2006 average almost entirely. However, despite the 4% increase in net OECD product imports in December compared to the previous month, average net OECD product imports in 2007 witnessed a sharp reduction of 460,000 b/d, or about 21% compared to the 2006 average.

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

	Oct 07	Nov 07	Dec 07	Change Dec/Nov
Crude oil	23,761	24,087	23,776	-312
Total products	2,017	1,759	1,826	67
Total crude and products	**25,779**	**25,846**	**25,602**	**-244**

Saudi Arabia remained the largest crude oil supplier to the OECD in December with a share of 14% unchanged from the previous month. Down from 13% in November to 12% in December, Russia maintained its position as second top crude oil supplier, followed by Canada, Venezuela, Nigeria and Mexico with around 6% each. Altogether, OPEC Member Countries supplied 53% of the OECD crude oil imports in December. For product supplies, Russia maintained its position as top OECD supplier in December with 10%, down from 11% in the previous month, followed by the Netherlands and the USA with 8% each and the UK with 6.5%. Saudi Arabia was the top OPEC Member Country supplier of products to the OECD in December with 3%. Altogether, OPEC Member Countries supplied about 16% of OECD product imports in December.

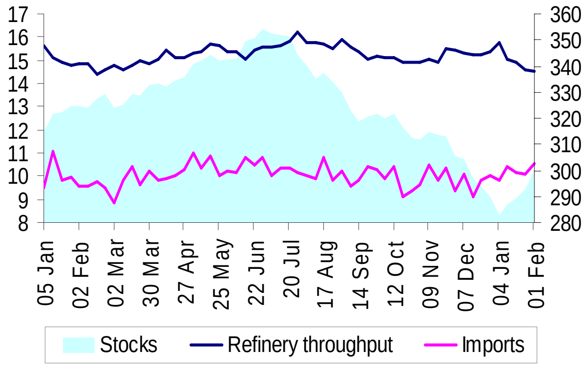
USA

US net oil imports rebounded with an increase of 0.7 mb/d in January reaching the highest level since August

According to preliminary data, US crude oil imports in January recorded the highest level since July 2007, breaking the continuous declines seen over the previous months. With an average of 10.2 mb/d, crude oil imports rose by 5% in January over the previous month, a gain of 2% compared to the 2007 average, and were slightly above the year ago level. Similarly, product imports increased in January by 227,000 b/d to average 3.5 mb/d. This was about 7% higher compared to the previous month and very close to their 2007 average. On a y-o-y basis, product imports were 3% higher in January than a year ago.

The increases in both crude oil and product imports in January came at a time when US refiners usually turn to stock-building, a process which is expected to continue for the whole first quarter. Crude oil stocks were about 14 mb higher at the end of January compared to the end of the previous month. Gasoline imports reached a new January high of slightly above 1 mb/d as inventories continued to rise. Total US oil imports reached about 13.7 mb/d in January, the highest level since August 2007. This volume of oil imports represents a 5% increase over the previous month, 2% over last year's average and 1% over a year ago.

Graph 26: US weekly crude oil stocks, refinery throughput and imports, 2007-2008



On the export side, product flows remained steady in January with a minor increase of 15,000 b/d compared to the previous month. With about 1.3 mb/d, product exports in January were 3% above their 2007 average, yet 13% lower than a year earlier.

As a result, US net oil imports in January averaged about 12.5 mb/d, indicating an increase of 0.7 mb/d or 6% over the previous month, a slight 1% increase over the 2007 average and a 3% increase over a year ago. This represents a rebound for US net oil imports from the previous month and the highest level since August.

Table 22: USA Crude and Product Net Imports/(Exports), tb/d

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Crude oil	9,974	9,719	10,207	488
Total products	2,128	2,050	2,262	212
Total crude and products	**12,102**	**11,769**	**12,469**	**700**

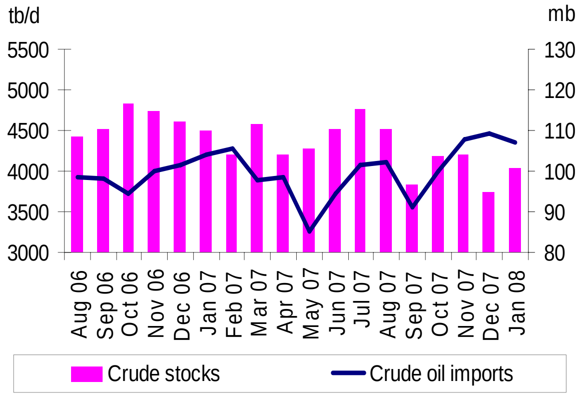
Canada remained the top US crude oil supplier in November with 19%, followed by both Saudi Arabia and Mexico with 15% each and Nigeria and Venezuela with 12% each. OPEC Member Countries supplied 53% of US crude oil imports in November, 1% higher than their share in the previous month. For products, Canada also maintained its position as the top US product supplier in November with 16%, followed by the Virgin Islands and Russia with 11% each and Algeria and the UK with 6% each. Altogether, OPEC Member Countries supplied 19% of US product imports in November.

Japan

Japans' net oil imports remained steady in January as the drop in product exports almost entirely offset the decline in both crude oil and product imports

According to preliminary data, Japan's crude oil imports decreased by 2% in January compared to the previous month. Given that crude oil imports in December were at their highest monthly rate for the year 2007, Japan's crude oil imports in January were still 9% higher than their 2007 average and about 4% higher than their level a year ago. This is attributed to the continued endeavours by refiners to build product stocks with higher refinery utilization rates in January, in addition to meeting the planned increase in throughput in the coming months. In terms of products, Japan's product imports dropped by about 4% in January compared to the previous month and by 5% compared to the 2007 average. At the same time, this drop exceeded 20% compared to a year ago.

Graph 27: Japanese crude oil imports and crude stocks



On the export side, Japan's product exports decreased by 23% in January compared to December 2007. The drop is even higher, at 25%, compared to Japan's 2007 average product exports. At the same time, Japan's product exports increased in January by 30% compared to their level a year ago. Yet, the low base of January 2007, which witnessed Japan's lowest monthly rate of product exports for 2007, is the main factor behind this high rate of increase.

As a result, Japan's net oil imports remained almost steady in January compared to the previous month, with a slight drop of 0.3%. This came as a result of the larger drop in product exports in January which offset almost entirely the decline in both crude oil and product imports in the same month. Yet, Japan's net oil imports in January showed an increase of 11% compared to the country's average net oil imports in 2007. At the same time, Japan's net oil imports in January of 4.457 mb/d represent a decline of 2% compared to the year-ago level of 4.649 mb/d, which was the highest monthly rate for the whole year.

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

	Nov 07	Dec 07	Jan 08	Change Jan/Dec
Crude oil	4,382	4,457	4,358	-99
Total products	145	104	189	85
Total crude and products	**4,527**	**4,560**	**4,547**	**-14**

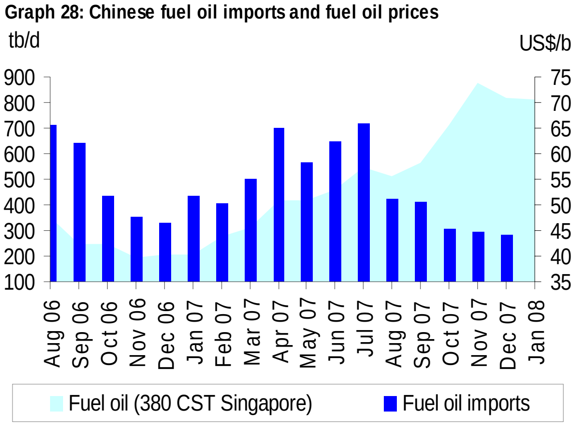
Saudi Arabia's share of Japan's crude oil imports decreased to 26% in December from 30% in the previous month. The UAE came next with 20%, up from 18%. Iran was Japan's third-biggest supplier of crude in December, although its share dropped from 15% to 13%. Altogether, OPEC Member Countries supplied 84% of Japan's crude oil imports in December, down from 87% in the previous month. Top non-OPEC crude oil suppliers in December include Russia with 5% and both Sudan and Oman with 3% each. On the product side, Saudi Arabia and the UAE remained Japan's main suppliers in December with 18% and 11% respectively, followed by Kuwait and Qatar with 10% each. Japan's top non-OPEC product suppliers in December include the USA with 9%, Korea with 8%, India with 6% and China with 3%.

China

China's December net oil imports declined due to a decrease in crude oil imports, while product imports increased

China's crude oil imports decreased in December compared to the previous month. The 8% decline came despite the high increase of refinery throughput. High international crude oil prices were one of the factors behind the decline in China's crude oil imports in December, as refiners turned to their stocks to meet demand. Additionally, China's crude oil production indicated an increase in December from the previous month which further supported the decline in crude oil imports. Despite the monthly decline, China's crude oil imports experienced an increase of 12% in December compared to the same period last year. On average, China in 2007 imported 12% more crude oil than in the previous year, marking another record in crude oil imports.

Graph 28: Chinese fuel oil imports and fuel oil prices



For products, China's product imports increased in December compared to a month earlier. The increase of 15% was supported by the country's efforts to relieve the product shortage as well as to prepare for the Chinese Lunar New Year holiday demand. Fuel oil imports continued to decline in December as the factors behind previous declines persisted, mainly the high international prices that led many refiners and power generation plants to seek alternative feedstock. China's fuel oil imports declined 2% in December compared to a month earlier. South Korea and Russia remained the top suppliers of China's fuel oil in December. On average, China imported 17% less fuel oil in 2007 compared to the previous year's average.

Imports of gasoline declined in December compared to the previous month as China increased refinery throughput and maximized gasoline and gasoil production. Gasoil imports increased sharply in December from a month earlier in order to overcome the encountered tightness. Naphtha imports were steady in December while jet fuel imports declined.

China's crude oil exports rose in December from the previous month to reach the highest level since December 2006. The increase was supported by high international prices. On the other hand, China's product exports remained steady in December with a minor decline of 4% compared to the previous month. The decline in product exports came mainly from the drop in gasoline and naphtha exports as products were required to cover local demand. Fuel oil export experienced a minor decline in December, while jet fuel exports increased.

Consequently, China's net oil imports declined 7% in December compared to the previous month. The drop came as a result of an 11% decline in crude oil net imports, partially offset by the increase in net product imports. The fall in China's crude oil net imports came on the back of decreased imports and increased exports. However, on an annual basis net oil imports experienced a 14% rise in December. For 2007, China's net oil imports registered a 7.2% increase compared to the average of the previous year, on the back of growing demand.

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

	Oct 07	Nov 07	Dec 07	Change Dec/Nov
Crude oil	2,866	3,253	2,881	-371
Total products	369	261	376	114
Total crude and products	**3,235**	**3,514**	**3,257**	**-257**

In December, Angola remained China's top crude oil supplier with 21%, followed by Saudi Arabia with 19%. Iran and Oman followed with 13% and 11%, respectively. Russia came fifth with 9%. For 2007, Saudi Arabia was China's top crude oil supplier with 16% followed by Angola and Iran with 15% and 13%, respectively.

India

India's crude oil imports increased sharply in December due to stronger local demand

In December, India's crude oil imports soared to mark the highest level since May 2005. The increase of 19% in crude oil imports from the previous month came on the back of increased refinery throughput to meet increasing local demand, despite the 2% rise in India's crude oil output. Additionally, the preparation for full capacity commissioning of Essar Oil's Vadinar refinery supported crude oil imports in December. Compared to the same period last year, India's crude oil imports displayed an 11% increase in December. On the product side, India imported 7% more petroleum products in December compared to a month earlier. The increase in product imports supported the strong local demand portrayed by the increase in India's domestic sales of petroleum products. The 3% rise in domestic sales in December from the previous month was supported by a 6% increase of diesel sales to meet local consumption. Domestic sales of bitumen increased 16% and gasoline increased 2%, while naphtha sales declined 7% in December due to natural gas substitution. Yet, it is expected that sales of naphtha will increase in the coming period due to natural gas shortage. Accordingly, imports of diesel and gasoline increased while imports of naphtha and kerosene declined in December compared to the previous month. On an annual basis, India's product imports indicated a 22% increase in December.

On the export side, India's product exports remained steady in December compared to the previous month. Exports of diesel and jet fuel increased while naphtha exports decreased sharply. However, on an annual basis, India's product exports increased 21% supported by private refiner demand.

Table 25: India's Crude and Product Net Imports/(Exports), tb/d

	Oct 07	Nov 07	Dec 07	Change Dec/Nov
Crude oil	2,315	2,260	2,696	435
Total products	-497	-270	-252	17
Total crude and products	**1,818**	**1,990**	**2,443**	**453**

As a result, India's net oil imports increased 23% in December supported by increases in both crude oil and product imports. On an average basis, India's net oil imports totaled 2,009 mb/d in 2007, an increase of 4% over the 2006 average. India's product exports indicated a 17% increase in 2007, which is in line with India's goal to be an international energy hub within a few years.

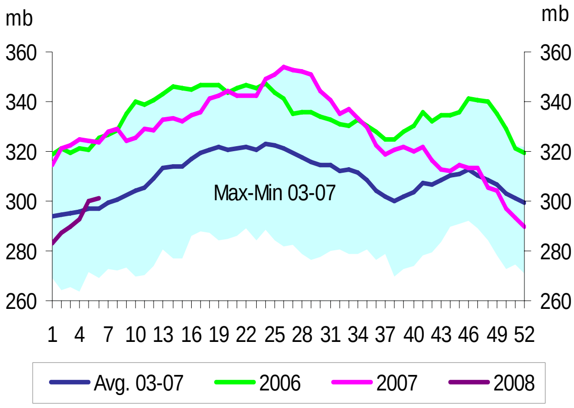
Stock Movements

US crude oil inventories returned above the five-year average in January while gasoline stocks surged to hit their highest level since early 1999

USA

After having dropped a strong 23 mb in December, due particularly to tax considerations, US commercial oil stocks continued to follow their seasonal trend and surged 11 mb in January to hit 981 mb returning above the five-year average. The build of January came after five consecutive monthly drops totaling more than 75 mb which sent total oil commercial stocks below the average of the previous five years. The increase in stocks was driven by gasoline and crude oil, which rose by a total of 34 mb. It was the first time since January 1980 that crude oil and gasoline stocks increased by such a strong amount.

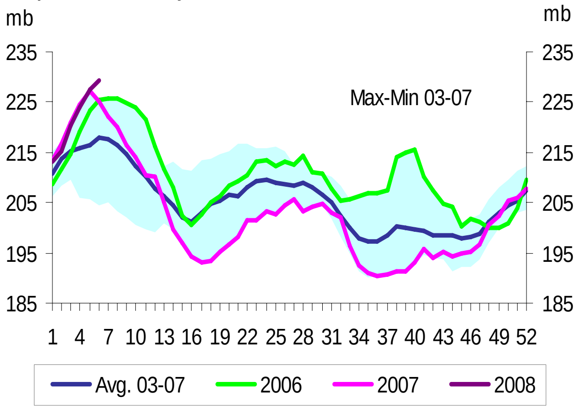
Graph 29: US Weekly Commercial Crude Oil Stocks



After six consecutive declines amounting to nearly 70 mb, crude oil commercial stocks increased by 14.3 mb, The surge of 0.46 mb/d in commercial crude oil stocks was driven by a cut in refining runs due to maintenance and a hike in imports, which jumped 0.48 mb/d to move above 10 mb/d for the first time since September 2007. At 300 mb, commercial crude oil stocks are around 5 mb above the five-year average, corresponding in terms of forward cover to half a day above the average of the previous five years (*see **Graph*** **29**.).

Similarly, due to strong imports, gasoline stocks surged 19.6 mb in January — the highest monthly build in fourteen years — to hit 228 mb, their highest level since February 1999 (*see **Graph 30***.). At this level, gasoline inventories corresponded to more than 20 days of forward demand cover, slightly above the five-year average. The current level of gasoline stocks appears to be sufficient to meet seasonal demand, particularly if demand weakens in the case of a recession in the US economy, although lower refining margins on top of the refining maintenance could return gasoline inventories below the five-year average again during the driving season. In contrast to crude oil and gasoline, distillate stocks dropped 0.9 mb to stand above 127 mb, which corresponds to 3% above the five-year average in absolute numbers and one day above the five-year average in terms of forward demand cover. The drop of this year seems to be weak when compared to the 6.4 mb in the previous month and more than 4 mb a year earlier. Within distillates, heating oil stocks remained well below the lower end of the five-year range. Nevertheless, contrary to the previous year or to the seasonal trend where stocks typically fall strongly, this year heating oil inventories have been almost stable during January due to milder weather. The tightness in heating oil could ease due to the expectations of weaker demand resulting from milder weather. In contrast to heating oil, diesel stocks at 91 mb were more than 20% above the five-year average. Residual fuel oil stocks fell 1.8 mb to 36.5 mb, their lowest level since last August, while jet fuel stocks rose by the same amount to 41.2 mb after three consecutive declines.

Graph 30: US Weekly Gasoline Stocks



Despite criticism, the US government continued to fill its SPR in accordance with the requirements of the Energy Policy Act of 2005, which aims to reach a capacity of 727 mb. However, 1.8 mb or 0.6 mb/d in the form of royalty-in-kind were added to the SPR in January, bringing total SPR to 698.3 mb, close to their level of pre-hurricanes Katrina and Rita in 2005. Sour crudes account for 60% while the remaining 40% corresponds to sweet crude. On the other hand, the Bush administration's fiscal year 2009 budget applied in early February for spending $171.4 million to double the capacity of the SPR to 1.5 billion barrels. The capacity of 727 mb is expected to be reached in the financial year 2009. To achieve this objective, the Department of Energy (DOE) proposed to use money from the $584 million in sales of stocks in 2005 to buy SPR stocks and continue to fill the SPR using royalty-in-kind. The DOE had a plan to add 11 mb to the SPR between February and July 2008, which corresponds to 60,000 b/d on average, before recently raising the objective to add 125,000 b/d between May and September.

Many criticisms were raised against the project arguing that filling the SPR when the prices are high is contributing to the tightness in the market. Democrats in the Senate introduced legislation to block the Energy Department from filling the SPR at current prices but the Department contends that the amount is too small to affect the market. Nevertheless, the DOE plans to study the impact of the SPR refill on the market.

Table 26: US onland commercial petroleum stocks, mb

	Nov 07	Dec 07	Jan 08	Change Jan 08 /Dec 07	Jan 07	08 Feb 08*
Crude oil	299.5	285.7	300.0	14.3	323.7	301.1
Gasoline	201.7	207.8	227.5	19.6	227.9	229.2
Distillate fuel	134.4	128.0	127.1	-0.9	139.5	127.0
Residual fuel oil	38.7	38.3	36.5	-1.8	42.3	36.9
Jet fuel	40.2	39.4	41.2	1.8	39.1	41.1
Total	**990.6**	**969.9**	**980.8**	**10.9**	**1,034.7**	**981.6**
SPR	695.5	696.5	698.3	1.8	688.6	698.3

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

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

The latest data show that US commercial stocks continued their upward trend and rose 0.7 mb in the week-ending 8 February to stand at 981.6 mb, widening the surplus with the five-year average to 19 mb or 2%. The build in stocks was driven by crude oil and gasoline. Crude oil stocks rose 1.1 mb, the fifth consecutive weekly increase, to 301.1 mb and remained above the five-year average while gasoline stocks rose for the fourteenth consecutive week to hit 229.2 mb, the highest level since mid-February 1999 and corresponding to 11 mb or 5% above the five-year average. The 1.7 mb build in gasoline inventories was driven by an increase in production following the recovery of the refinery utilization rate. In contrast to crude oil and gasoline, distillate stocks remained almost stable at 127 mb, corresponding to 4% above the five-year average. Within distillates and due to mild weather, heating oil stocks continued to move against their seasonal trend. They rose 0.6 mb to around 37 mb, narrowing the deficit with the five-year average to around 22% compared with more than 30% in the previous month. Despite a draw of around 0.8 mb, diesel stocks remained very comfortable, more than 20% above the five-year average.

Western Europe

EU-16 oil stocks remained comfortable in January almost 10 mb above the five-year average. Crude oil stocks were even 15 mb higher than a year earlier.

EU-16 (EU-15 plus Norway) total oil stocks increased a further 16.5 mb in January to stand at nearly 1,124 mb remaining 9.5 mb or 1% above the five-year average. The build of 16.5 mb, the highest since January 2006, was driven by distillates, which rose for the second month adding more than 12 mb to hit 374 mb, returning above the five-year average after having been below during two consecutive months.

The jump in middle distillate stocks came as a result of the combination of high diesel imports from the USA and lower demand for heating oil because of the mild weather, particularly in Germany.

Crude oil stocks, almost unchanged from the previous month, remained comfortable, above the five-year average and even above the level of a year ago. The minor build of 0.1 mb in crude oil stocks came as a combination of the cut in refining runs and lower exports to US markets.

Due to sluggish demand and lower exports, gasoline inventories continued their upward trend, although slowly, rising 2.5 mb to stand at 127.4 mb, the highest level since last May. However, despite this recovery, gasoline stocks remained below the lower end of the five-year range, implying a deficit with the five-year average of 21 mb or 14% at end-January.

Residual fuel oil inventories rose 1.2 mb amid weak demand to 113.2 mb, the highest level since the end of the third quarter, while naphtha stocks increased a further 0.9 mb to nearly 31 mb, a fourteen-month high.

Table 27: Western Europe's oil stocks, mb

	Nov 07	Dec 07	Jan 08	Change Jan 08/Dec 07	Jan 07
Crude oil	480.2	478.4	478.3	-0.1	463.2
Mogas	123.7	125.0	127.4	2.5	142.0
Naphtha	28.6	29.9	30.8	0.9	29.6
Middle distillates	357.0	362.0	374.1	12.1	399.6
Fuel oils	112.3	111.9	113.2	1.2	121.4
Total products	621.5	628.8	645.5	16.7	692.5
Total	**1,101.7**	**1,107.3**	**1,123.8**	**16.5**	**1,155.7**

Source: Argus, Euroilstock.

Japan

Japan's commercial crude oil stocks fell 9.2 mb to hit an all-time low while product stocks remained at the upper end of the five-year range at the end of 2007. Preliminary data for January show a further draw.

Japanese commercial oil stocks fell 8.2 mb in December to stand at 178 mb, the lowest level since last May, to remain 3% below the five-year average for the fourth consecutive month. The draw was attributed to crude oil stocks which fell more than 9 mb to slip below the lower end of the five-year range for an all-time low of 95 mb. The substantial draw on crude oil stocks of around 0.3 mb/d was driven by the surge in refining runs, which increased by 0.33 mb to 4.47 mb/d and hit a utilization rate of more than 95%, the highest level since January 2006.

Total product stocks rose by almost 1 mb and remained comfortably close to the upper end of the five-year range. Both distillate and gasoline inventories were above their respective five-year average. Gasoline stocks increased for the third consecutive time, due to lower demand, to stand at nearly 13 mb, whereas distillate stocks fell for the fourth consecutive time to stand at 39 mb. The mixed trends in gasoline and distillate stocks are to some extent typical for this period of time when seasonal demand for distillates is higher while demand for gasoline is lower.

Table 28: Japan's commercial oil stocks*, mb

	Oct 07	Nov 07	Dec 07	Change Dec 07/Nov 07	Dec 06
Crude oil	103.7	104.1	94.9	-9.2	112.1
Gasoline	11.7	11.9	12.9	1.0	12.6
Naphtha	13.0	12.4	12.1	-0.3	10.9
Middle distillates	40.3	39.8	38.8	-1.0	41.7
Residual fuel oil	18.8	18.1	19.4	1.2	20.8
Total products	83.9	82.2	83.2	0.9	86.0
Total**	**187.6**	**186.3**	**178.1**	**-8.2**	**198.0**

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

Preliminary data indicate that Japan's total commercial oil stocks dropped a further 7 mb in January, widening the deficit with the five-year average to around 14%. Both crude oil and product inventories fell. Crude oil stocks declined more than 4 mb, pushing the deficit with the five-year average to 19 mb or 18%, while product inventories dropped around 3 mb but remained 16% above the five-year average. More than 80% of the draw on product stocks comes from middle distillates.

Balance of Supply and Demand

Demand for OPEC crude in 2007 increased by 289 tb/d

Estimate for 2007

The demand for OPEC crude in 2007 is estimated to average 31.91 mb/d, an increase of 289 tb/d over the previous year. On a quarterly basis, demand for OPEC crude is estimated to average 31.81 mb/d, 30.73 mb/d, 32.11 mb/d and 32.97 mb/d respectively.

Table 29: Summarized supply/demand balance for 2007, mb/d

	2006	1Q07	2Q07	3Q07	4Q07	2007
(a) World Oil Demand	**84.58**	**85.84**	**84.59**	**85.49**	**87.13**	**85.76**
Non-OPEC Supply	48.90	49.81	49.51	48.99	49.54	49.46
OPEC NGLs and non-conventionals	4.06	4.22	4.35	4.40	4.62	4.40
(b) Total Supply excluding OPEC Crude	**52.96**	**54.03**	**53.86**	**53.39**	**54.16**	**53.86**
Difference (a-b)	**31.62**	**31.81**	**30.73**	**32.11**	**32.97**	**31.91**
OPEC crude oil production (1)	31.43	30.48	30.61	31.04	31.73	30.97
Balance	-0.19	-1.33	-0.12	-1.06	-1.24	-0.94

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

Demand for OPEC crude in 2008 expected to decline by 375 tb/d to 31.53 mb/d

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 31.53 mb/d, a decline of around 375 tb/d compared with 2007. On a quarterly basis, demand for OPEC crude is expected to average 32.07 mb/d, 30.64 mb/d, 31.38 mb/d and 32.03 mb/d respectively.

Table 30: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.76**	**87.19**	**85.60**	**86.53**	**88.63**	**86.99**
Non-OPEC Supply	49.46	50.39	50.12	50.18	51.43	50.53
OPEC NGLs and non-conventionals	4.40	4.73	4.85	4.97	5.17	4.93
(b) Total Supply excluding OPEC Crude	**53.86**	**55.12**	**54.97**	**55.15**	**56.60**	**55.46**
Difference (a-b)	**31.91**	**32.07**	**30.64**	**31.38**	**32.03**	**31.53**

Graph 31 Balance of supply and demand

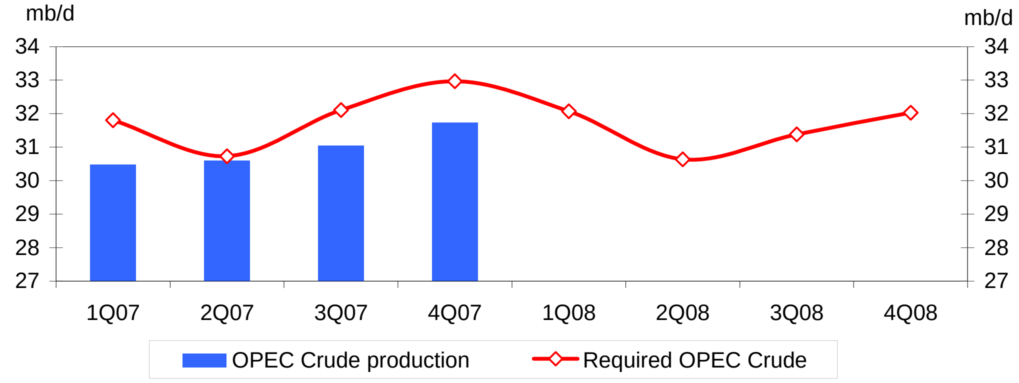


Table 31: World oil demand/supply balance, mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	50.1	49.2	50.1	48.2	48.6	50.6	49.4
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.6	25.9	25.6	25.6	25.9	25.8
Western Europe	15.4	15.5	15.6	15.6	15.2	15.0	15.4	15.7	15.3	15.3	14.9	15.3	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.8	8.3	8.9	7.7	7.7	8.8	8.2
DCs	20.6	21.8	22.5	23.3	23.8	24.0	24.1	24.4	24.1	24.3	24.6	24.8	25.0	24.7
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.3	83.7	84.6	85.8	84.6	85.5	87.1	85.8	87.2	85.6	86.5	88.6	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.3	19.8	20.1	20.1	20.2	19.7	19.5	20.4	20.0
North America	14.6	14.6	14.1	14.2	14.4	14.5	14.2	14.3	14.3	14.4	14.1	14.2	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	4.9	5.2	5.2	5.2	4.9	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.8
DCs	10.3	10.5	10.8	10.9	11.0	10.9	10.9	11.0	11.0	11.4	11.5	11.7	11.9	11.6
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.8	12.9	13.0	13.2	13.0
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.5	49.5	50.4	50.1	50.2	51.4	50.5
OPEC NGLs + non-conventional oils	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLs	51.4	52.5	52.6	53.0	54.0	53.9	53.4	54.2	53.9	55.1	55.0	55.1	56.6	55.5
OPEC crude oil production (secondary sources)	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0					
Total supply	79.7	83.1	84.2	84.4	84.5	84.5	84.4	85.9	84.8					
Balance (stock change and miscellaneous)	0.3	0.7	0.6	-0.2	-1.3	-0.1	-1.1	-1.2	-0.9					
OECD closing stock levels (*mb*)														
Commercial	2517	2547	2597	2679	2603	2675	2661	2555						
SPR	1411	1450	1487	1499	1507	1509	1523	1520						
Total	3928	3998	4083	4177	4110	4183	4184	4076						
Oil-on-water	882	905	958	910	912	909	929	n.a.						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	55	53	51						
SPR	29	29	30	30	31	31	30	30						
Total	80	80	83	85	85	86	83	81						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.9	9.1	8.9	8.8	8.9
(a) - (b)	27.9	29.8	31.1	31.6	31.8	30.7	32.1	33.0	31.9	32.1	30.6	31.4	32.0	31.5

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

n.a. Not available.

Table 32: World oil demand/supply balance: changes from last month's table † , mb/d

	2003	2004	2005	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08	3Q08	4Q08	2008
World demand														
OECD	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.3	-0.1
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
DCs	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.2	-0.1
World demand growth	*0.0*	*-*	*-*	*0.0*	*0.0*	*-*	*0.0*	*-0.1*	*0.0*	*-0.2*	*-*	*0.0*	*-0.1*	*-0.1*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
North America	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.1	-	-	-0.1
Total non-OPEC supply growth	*0.4*	*-*	*-*	*-*	*-*	*0.0*	*0.0*	*-0.3*	*-0.1*	*-0.2*	*-0.1*	*0.0*	*0.3*	*0.0*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.1	-	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-0.3	-0.1					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-0.2	-0.1					
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	-7	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-7	-						
Oil-on-water	-	-	-	-	1	-	-	-						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Memo items														
FSU net exports	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-	-	-0.1
(a) - (b)	-	-	-	-	-	-	-	0.3	0.1	0.1	0.1	-	-0.1	-

† This compares Table 31 in this issue of the MOMR with Table 31 in the January 2008 issue.
This table shows only where changes have occurred.

Table 33: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
Closing stock levels *mb*																						
OECD onland commercial	2,630	2,478	2,517	2,547	2,597	2,679	2,465	2,546	2,581	2,547	2,543	2,623	2,638	2,597	2,597	2,658	2,767	2,679	2,603	2,675	2,661	2,555
North America	1,262	1,175	1,161	1,193	1,257	1,275	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,275	1,233	1,294	1,286	1,223
Western Europe	925	895	922	924	945	975	919	933	945	924	952	925	952	945	949	945	958	975	953	954	946	938
OECD Pacific	443	408	435	430	395	428	400	420	430	430	389	422	432	395	409	436	459	428	417	426	429	394
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,509	1,523	1,520
North America	552	601	640	678	687	691	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695	699
Western Europe	356	357	374	377	407	412	371	366	367	377	376	401	405	407	407	411	412	412	415	415	425	418
OECD Pacific	380	389	396	396	393	396	398	398	396	396	396	395	393	393	392	393	393	396	401	401	403	404
OECD total	3,918	3,825	3,928	3,998	4,083	4,177	3,888	3,974	4,016	3,998	4,005	4,117	4,132	4,083	4,084	4,151	4,262	4,177	4,110	4,183	4,184	4,076
Oil-on-water	830	815	882	905	958	910	906	891	894	905	934	931	926	958	962	968	966	910	912	909	929	n.a.
Days of forward consumption in OECD																						
OECD onland commercial	55	51	51	51	53	54	51	52	51	50	52	53	53	52	54	54	56	54	54	55	53	51
North America	52	48	46	47	50	50	46	47	47	47	48	50	49	50	49	50	53	50	48	51	50	47
Western Europe	60	58	60	59	60	64	61	60	59	59	62	59	60	59	62	61	61	64	64	62	60	61
OECD Pacific	52	47	51	50	47	52	51	52	49	45	48	53	49	43	52	55	53	49	53	55	49	44
OECD SPR	27	28	29	29	30	30	30	29	28	29	30	30	30	29	31	30	30	30	31	31	30	30
North America	23	25	25	27	27	27	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27	27
Western Europe	23	23	24	24	26	27	25	24	23	24	25	26	26	25	27	26	26	27	28	27	27	27
OECD Pacific	45	45	47	46	47	48	51	49	45	42	49	49	45	43	50	50	45	45	51	51	46	46
OECD total	82	79	80	80	83	85	81	81	80	79	82	84	83	81	85	85	86	84	85	86	83	81

n.a. Not available.

Table 34: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2003	2004	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
USA	7.82	7.65	7.34	-0.32	7.24	7.40	7.37	7.40	7.36	0.02	7.46	7.58	7.41	7.51	7.49	0.13	7.61	7.57	7.58	7.80	7.64	0.15
Canada	2.98	3.07	3.03	-0.04	3.22	3.05	3.18	3.34	3.20	0.17	3.34	3.28	3.37	3.45	3.36	0.16	3.41	3.31	3.32	3.45	3.37	0.01
Mexico	3.80	3.83	3.77	-0.07	3.79	3.78	3.70	3.51	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.37	3.23	3.25	3.37	3.31	-0.18
North America	14.60	14.56	14.14	-0.43	14.25	14.23	14.25	14.25	14.24	0.11	14.38	14.45	14.23	14.29	14.34	0.09	14.40	14.11	14.15	14.62	14.32	-0.02
Norway	3.26	3.19	2.97	-0.22	2.93	2.70	2.73	2.76	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.61	2.46	2.33	2.53	2.48	-0.07
UK	2.33	2.10	1.89	-0.22	1.89	1.73	1.49	1.71	1.71	-0.18	1.80	1.73	1.43	1.61	1.64	-0.07	1.57	1.45	1.29	1.35	1.42	-0.22
Denmark	0.37	0.39	0.38	-0.01	0.36	0.35	0.32	0.34	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.30	0.30	0.28	0.30	0.29	-0.02
Other Western Europe	0.48	0.52	0.53	0.01	0.55	0.56	0.54	0.57	0.56	0.03	0.69	0.70	0.69	0.68	0.69	0.13	0.69	0.69	0.68	0.68	0.68	0.00
Western Europe	6.44	6.20	5.76	-0.44	5.73	5.34	5.08	5.39	5.38	-0.38	5.52	5.19	4.92	5.16	5.20	-0.19	5.17	4.90	4.59	4.86	4.88	-0.32
Australia	0.60	0.52	0.53	0.01	0.43	0.44	0.59	0.56	0.51	-0.02	0.51	0.54	0.54	0.52	0.53	0.02	0.55	0.58	0.65	0.73	0.63	0.10
Other Pacific	0.06	0.05	0.05	0.00	0.06	0.05	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.10	0.08	0.02	0.12	0.15	0.15	0.16	0.14	0.07
OECD Pacific	0.66	0.57	0.58	0.01	0.49	0.50	0.65	0.61	0.56	-0.02	0.57	0.61	0.63	0.63	0.61	0.05	0.67	0.73	0.81	0.88	0.77	0.17
Total OECD	21.70	21.33	20.48	-0.86	20.46	20.07	19.98	20.25	20.19	-0.29	20.47	20.25	19.77	20.07	20.14	-0.05	20.24	19.74	19.55	20.37	19.97	-0.17
Brunei	0.21	0.21	0.21	0.00	0.23	0.21	0.22	0.22	0.22	0.01	0.20	0.18	0.17	0.17	0.18	-0.04	0.17	0.17	0.17	0.17	0.17	-0.01
India	0.79	0.79	0.76	-0.03	0.79	0.80	0.77	0.82	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.84	0.85	0.84	0.84	0.02
Malaysia	0.78	0.79	0.77	-0.03	0.78	0.71	0.76	0.78	0.76	-0.01	0.75	0.74	0.76	0.78	0.76	0.00	0.79	0.78	0.81	0.85	0.81	0.05
Thailand	0.26	0.25	0.30	0.04	0.32	0.33	0.32	0.31	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.01	0.35	0.35	0.35	0.35	0.35	0.01
Vietnam	0.38	0.42	0.39	-0.03	0.39	0.37	0.36	0.36	0.37	-0.02	0.36	0.34	0.34	0.36	0.35	-0.02	0.36	0.35	0.40	0.46	0.39	0.04
Asia others	0.15	0.18	0.26	0.07	0.27	0.26	0.26	0.26	0.26	0.01	0.27	0.27	0.27	0.27	0.27	0.01	0.28	0.30	0.30	0.30	0.29	0.03
Other Asia	2.56	2.66	2.68	0.02	2.77	2.68	2.70	2.75	2.72	0.04	2.72	2.68	2.69	2.74	2.71	-0.02	2.78	2.79	2.88	2.96	2.85	0.15
Argentina	0.84	0.80	0.78	-0.02	0.76	0.78	0.78	0.77	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.76	0.75	0.74	0.73	0.74	-0.02
Brazil	1.80	1.79	1.99	0.20	2.06	2.08	2.10	2.15	2.10	0.11	2.16	2.15	2.16	2.14	2.15	0.05	2.44	2.52	2.61	2.67	2.56	0.41
Colombia	0.55	0.54	0.53	-0.01	0.53	0.54	0.53	0.53	0.54	0.01	0.53	0.53	0.54	0.54	0.53	0.00	0.54	0.54	0.54	0.54	0.54	0.01
Trinidad & Tobago	0.17	0.16	0.18	0.02	0.19	0.18	0.19	0.17	0.18	0.00	0.16	0.16	0.16	0.17	0.16	-0.02	0.17	0.17	0.17	0.17	0.17	0.00
L. America others	0.24	0.26	0.30	0.04	0.26	0.26	0.27	0.26	0.26	-0.03	0.26	0.27	0.27	0.27	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01
Latin America	3.59	3.54	3.78	0.23	3.81	3.85	3.87	3.88	3.86	0.08	3.88	3.88	3.88	3.87	3.88	0.02	4.18	4.25	4.34	4.39	4.29	0.41
Bahrain	0.21	0.21	0.21	0.00	0.21	0.21	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.82	0.79	0.78	0.00	0.77	0.75	0.74	0.74	0.75	-0.03	0.73	0.72	0.71	0.71	0.72	-0.03	0.73	0.75	0.77	0.79	0.76	0.05
Syria	0.53	0.49	0.45	-0.04	0.43	0.43	0.42	0.41	0.42	-0.03	0.41	0.40	0.39	0.38	0.39	-0.03	0.38	0.37	0.37	0.37	0.37	-0.02
Yemen	0.45	0.42	0.42	0.00	0.40	0.39	0.38	0.36	0.38	-0.03	0.36	0.36	0.38	0.38	0.37	-0.01	0.37	0.37	0.36	0.35	0.36	-0.01
Middle East	2.01	1.91	1.86	-0.05	1.81	1.77	1.74	1.72	1.76	-0.10	1.70	1.69	1.69	1.68	1.69	-0.07	1.69	1.70	1.71	1.72	1.70	0.02
Chad	0.02	0.16	0.18	0.02	0.16	0.15	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
Congo	0.26	0.24	0.24	0.00	0.25	0.25	0.25	0.25	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.27	0.29	0.27	0.03
Egypt	0.75	0.71	0.70	-0.01	0.69	0.68	0.66	0.66	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.64	0.66	0.65	0.64	0.65	0.01
Equatorial Guinea	0.24	0.34	0.36	0.02	0.37	0.37	0.37	0.35	0.36	0.01	0.37	0.38	0.37	0.38	0.37	0.01	0.39	0.39	0.38	0.38	0.38	0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.26	0.26	0.26	0.01
South Africa	0.17	0.20	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.27	0.30	0.34	0.04	0.35	0.36	0.40	0.50	0.40	0.07	0.50	0.50	0.48	0.51	0.50	0.09	0.50	0.49	0.48	0.48	0.48	-0.01
Africa other	0.20	0.21	0.25	0.04	0.31	0.34	0.32	0.32	0.32	0.07	0.34	0.34	0.34	0.39	0.35	0.03	0.40	0.40	0.41	0.41	0.41	0.05
Africa	2.16	2.40	2.51	0.11	2.57	2.58	2.59	2.68	2.61	0.09	2.69	2.68	2.66	2.75	2.69	0.09	2.77	2.78	2.77	2.78	2.78	0.08
Total DCs	10.32	10.52	10.83	0.31	10.96	10.88	10.90	11.02	10.94	0.11	10.99	10.92	10.91	11.04	10.97	0.02	11.43	11.52	11.69	11.85	11.62	0.66
FSU	10.28	11.14	11.55	0.40	11.67	11.97	12.13	12.30	12.02	0.47	12.51	12.44	12.50	12.60	12.51	0.50	12.79	12.88	12.96	13.21	12.96	0.44
Russia	8.46	9.19	9.44	0.25	9.48	9.63	9.72	9.76	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.94	9.97	10.03	10.12	10.02	0.15
Kazakhstan	1.03	1.18	1.23	0.05	1.22	1.31	1.31	1.37	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.41	1.53	1.45	0.10
Azerbaijan	0.31	0.31	0.44	0.13	0.56	0.61	0.68	0.75	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	1.00	1.03	1.08	1.13	1.06	0.20
FSU others	0.47	0.47	0.44	-0.03	0.41	0.42	0.41	0.42	0.42	-0.02	0.44	0.42	0.45	0.44	0.44	0.02	0.43	0.43	0.43	0.43	0.43	-0.01
Other Europe	0.17	0.17	0.16	-0.01	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00
China	3.42	3.50	3.64	0.14	3.70	3.72	3.69	3.66	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.84	3.89	3.89	3.90	3.88	0.11
Non-OPEC production	45.89	46.67	46.65	-0.01	46.95	46.79	46.86	47.38	47.00	0.35	47.89	47.59	47.07	47.61	47.54	0.54	48.44	48.18	48.24	49.48	48.58	1.05
Processing gains	1.80	1.83	1.86	0.03	1.92	1.89	1.88	1.92	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.94	1.94	1.95	1.95	0.02
Non-OPEC supply	47.69	48.50	48.51	0.02	48.87	48.68	48.73	49.30	48.90	0.38	49.81	49.51	48.99	49.54	49.46	0.56	50.39	50.12	50.18	51.43	50.53	1.07
OPEC NGL	3.58	3.86	3.93	0.07	3.85	3.92	4.01	3.90	3.92	-0.01	4.13	4.26	4.31	4.52	4.31	0.39	4.62	4.74	4.86	5.06	4.82	0.52
OPEC Non-conventional	0.14	0.17	0.16	-0.01	0.13	0.12	0.15	0.15	0.14	-0.02	0.08	0.08	0.09	0.10	0.09	-0.05	0.10	0.10	0.10	0.10	0.10	0.02
OPEC (NGL+NCF)	3.72	4.03	4.08	0.06	3.98	4.05	4.16	4.06	4.06	-0.02	4.22	4.35	4.40	4.62	4.40	0.34	4.73	4.85	4.97	5.17	4.93	0.53
Non-OPEC & OPEC (NGL+NCF)	51.40	52.52	52.60	0.07	52.85	52.73	52.90	53.35	52.96	0.36	54.03	53.86	53.39	54.16	53.86	0.90	55.12	54.97	55.15	56.60	55.46	1.60

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

Table 35: World Rig Count

	2003	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	Dec07	4Q 07	2007	07/06	Jan08	Change Jan/Dec
USA	1,032	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,811	1,790	1,767	119	1,749	-62
Canada	372	369	490	121	665	282	494	440	470	-20	532	139	348	360	356	344	-126	494	134
Mexico	92	110	107	-3	85	85	77	84	83	-24	90	88	96	98	93	92	9	97	-1
North America	1,496	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,269	2,240	2,203	3	2,340	71
Norway	19	17	17	0	19	20	16	9	16	-1	16	19	18	19	17	18	2	17	-2
UK	20	16	21	5	29	27	26	15	24	3	25	29	27	22	22	26	2	20	-2
Western Europe	78	65	65	0	77	78	73	65	73	8	72	78	76	73	73	75	2	72	0
OECD Pacific	18	22	25	3	25	28	25	28	27	2	24	30	28	30	32	29	2	33	3
Total OECD	1,592	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,370	2,342	2,306	6	2,445	75
Other Asia	117	126	142	16	153	150	156	152	153	11	158	157	151	144	150	154	1	154	10
Latin America	116	126	141	15	149	162	164	165	160	19	195	188	184	201	191	189	29	187	-14
Middle East	70	70	72	2	72	79	82	85	80	8	82	85	87	88	86	85	5	90	2
Africa	43	51	54	3	59	62	68	77	67	13	75	80	88	92	88	83	16	88	-4
Total DCs	346	376	409	33	433	453	470	479	459	50	510	510	509	525	515	511	52	519	-6
Non-OPEC Rig Count	1,938	2,131	2,477	346	2,806	2,560	2,861	2,818	2,761	284	2,963	2,603	2,852	2,898	2,860	2,820	59	2,984	86
Algeria	20	19	21	2	21	21	28	27	24	3	25	26	28	29	28	27	3	27	-2
Angola	4	3	3	0	4	4	4	4	4	1	5	4	3	5	5	4	0	5	0
Indonesia	45	49	54	5	55	43	46	52	49	-5	49	56	60	66	64	57	8	64	-2
Iran	35	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	50	6	48	-2
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	5	10	12	2	12	13	14	15	14	2	14	13	13	11	11	12	-2	12	1
Libya	10	10	9	-1	9	9	10	12	10	1	13	12	14	15	14	13	3	14	-1
Nigeria	10	8	9	1	10	9	10	10	10	1	8	7	8	9	10	8	-2	11	2
Qatar	8	9	12	3	13	10	11	9	11	-1	11	12	13	16	14	13	2	11	-5
Saudi Arabia	32	32	36	4	54	60	70	76	65	29	76	76	78	76	77	77	12	77	1
UAE	16	16	16	0	17	16	16	16	16	0	14	15	15	14	14	14	-2	13	-1
Venezuela	37	55	67	12	78	83	85	77	81	14	76	80	77	71	71	76	-5	81	10
OPEC Rig Count	222	252	279	27	313	313	341	341	327	48	342	352	360	362	356	352	25	363	1
Worldwid Rig Count*	2,160	2,383	2,756	373	3,119	2,873	3,202	3,159	3,088	332	3,305	2,955	3,212	3,260	3,216	3,172	84	3,347	87
of which:																			
Oil	816	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,303	1,286	1,241	127	1,309	6
Gas	1,326	1,486	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,933	1,906	1,910	-49	1,987	54
Others	18	20	22	2	14	13	18	21	16	-6	20	19	20	24	24	21	5	51	27

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary February 2008

OPEC Basket average price

US$ per barrel

↑ *up 1.31 in January*

January 2008	***88.50***
December 2007	*87.19*
Year-to-date	*88.50*

January OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.41*	*SP Libyan AJ*	*1.74*
Angola	*1.86*	*Nigeria*	*2.08*
Ecuador	*0.50*	*Qatar*	*0.83*
Indonesia	*0.84*	*Saudi Arabia*	*9.08*
IR Iran	*3.90*	*UAE*	*2.59*
Iraq	*2.20*	*Venezuela*	*2.40*
Kuwait	*2.56*	***TOTAL***	***31.99***

Supply and demand

in million barrels per day

2007		***2008***	
World demand	*85.8*	*World demand*	*87.0*
Non-OPEC supply	*53.9*	*Non-OPEC supply*	*55.5*
Difference	***31.9***	***Difference***	***31.5***

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

Stocks

OECD commercial oil stocks fell a further 40 mb in December, although estimates for January show a build of around 22 mb to stand above the five-year average. US commercial oil stocks returned above the five-year average after a build of 11 mb in January.

World economy

World GDP for 2007 unchanged at 5.3% but revised down to 4.6% for 2008.

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Data cover period up to the end of January 2008 unless otherwise stated.