OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Slower demand in the coming quarters

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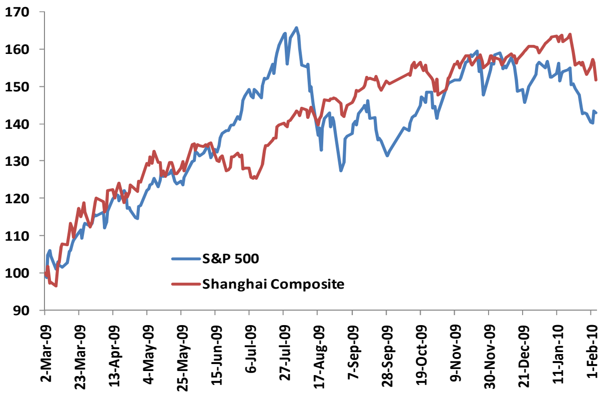
Oil Market Highlights

- The **OPEC Reference Basket** continued its upward trend in early January to hit a 15-month high of $80.29/b on the back of bullish sentiment, driven by cold weather. The trend was reversed after temperatures rose in the Northern Hemisphere, combined with the stronger dollar and a downward correction in equity markets. The Basket fell steadily to stand at $71.01/b on 29 January. Renewed concerns about economic growth, particularly in Euro-zone, resulted in a further decline, pushing the Basket below $70/b in early February to stand at $69.76/b on 9 February. On a monthly basis, the Basket averaged $76.01/b in January, up $2 from December.
- The **world economy** continues to show some improvement and global GDP is now expected to grow at an upwardly revised 3.4% in 2010 after contracting by 0.9% in 2009. The main contribution for this growth is coming from developing Asia, with China seen growing by 9.1% in 2010, while India is forecast to grow by 7.0% in 2010. The OECD in comparison is forecast to grow on a much lower level of 1.7%. The US is now expected to contribute the most within the OECD at 2.5% in 2010. Growth in 2010 continues to be challenged by concerns about the level of public debt in almost all OECD regions, still record high unemployment levels across the globe and government efforts in China to prevent the economy from overheating.
- **World oil demand** growth in 2009 remained broadly unchanged from the previous report with a contraction of 1.4 mb/d. For 2010, global demand is projected to grow by 0.8 mb/d, in line with the previous forecast. The slower pace of recovery in US demand, despite positive economic signals, is a key uncertainty for oil demand growth this year. Non-OECD regions will be the sole contributors to global demand growth in 2010.
- **Non-OPEC supply** is expected to have increased by 0.6 mb/d in 2009, following a slight downward revision, mainly due to changes to historical data and some adjustment to actual fourth quarter production data. In 2010, non-OPEC oil supply is forecast to increase by 0.3 mb/d following a minor downward adjustment. In January, total OPEC crude oil production averaged 29.19 mb/d, according to secondary sources, representing an increase of 63 tb/d from the previous month.
- A cautious and smart operational approach by refiners coupled with higher seasonal demand has led to an improvement in **product market** fundamentals in January. But mild weather in the latter part of January has adversely affected the temporary bullishness sentiment and capped gains in refining margins. The recent heavy snow in the US could trigger further bullish developments in the product market, but it may not be able to provide sufficient support for both products and crude in the short-term, as the market is suffering from sluggish demand growth. Refinery utilization rates remained below seasonal levels, particularly in the Atlantic region.
- The bullishness of the **tanker market** continued in January and spot freight rates have increased on all routes. The correction in rates was driven by changes to world scale flat rate as well as increased activities. OPEC spot fixtures increased a further 1.2 mb/d in January to average 12.7 mb/d, which corresponds to almost two-thirds of total spot fixtures. OPEC sailings fell a minor 0.1 mb to 22.9 mb, according to preliminary estimates.
- US **commercial oil inventories** fell by 3.0 mb in January to 1,046 mb, but the drop was far below the seasonal draw. This decline was driven by products which outpaced the build in crude oil inventories. US commercial oil inventories are 32 mb above a year ago and 61 mb above the five year average. In December, commercial oil inventories in Japan fell by 3.6 mb to total of 164.2 mb. This represents around 25 mb below both a year earlier and the average for the last five years. This draw is attributed to total products as crude inventories saw some gains. Preliminary indications show that at end of January, Japan’s commercial oil inventories rose by 4.8 mb to The build was split between crude and products.
- The **demand for OPEC crude** in 2009 is estimated at 28.8 mb/d around 130 tb/d higher than in the previous report. This still represents a decline around 2.2 mb/d compared to 2008. In 2010, the demand from OPEC crude is expected to average 28.8 mb/d, about 150 tb/d above the previous assessment and almost unchanged from a year earlier.

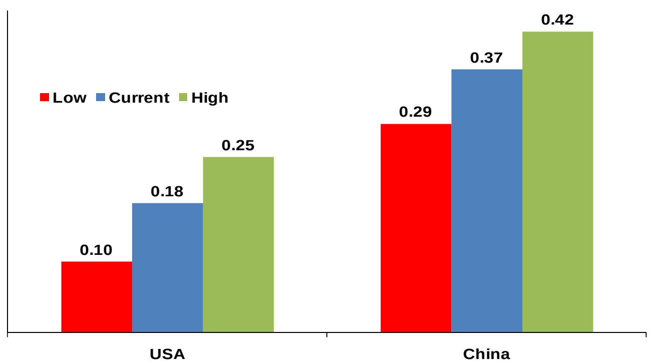
Slower demand in the coming quarters

- Crude oil prices fell for the third consecutive weeks from a peak of more than $83/b in early January to just above $71/b. Over the past week, prices have been particularly volatile following increased activities in the future markets. Many factors were behind these developments including a correction in equity markets from recent highs, a stronger dollar and concerns about the pace of the economic recovery and its possible negative impact on OECD demand. More recently, heightened fiscal uncertainties in the Euro-zone and a shift in Chinese monetary policies and the effects this might have on that country's growth prospects have further dampened sentiments.
- The global recovery is proceeding apace, led by manufacturing, but the strength of the upturn in 2010 is still uncertain and regionally uneven. Stronger growth is expected in non-OECD in the range of 5-6%, spearheaded by Chinese growth of around 9%, while OECD is not likely to exceed the 2% mark. Indeed, according to our latest forecast, real GDP in the US in 2010 will only be 0.4% above the pre-crisis level, in sharp contrast to a 29% increase in China. Moreover, in the major OECD countries, the recovery is far from self-sustaining and remains largely dependent on continued government support. Moreover, uncertainties related to the timing and coordination of exit strategies and the ongoing debate on regulatory financial reform may add a further layer of risk to the other challenges faced by advanced economies. The rapid deterioration in government finances is a major constraint on maintaining the much-needed fiscal support to labour markets and other sectors of the economy in many OECD countries. Within the Euro-zone, highly indebted members have already led to a hike in credit default premia and damaged the credibility of the single currency, causing it to lose ground against the dollar. In contrast, brisk growth in emerging countries is creating early signs of overheating, implying a faster exit from expansionary policies.

Graph 1: S&P 500 Index & Shanghai Composite



Graph 2: Range of uncertainty on US and China oil demand growth, mb/d



- More recently, concerns of overheating have focused on China's very rapid expansion of lending and capital inflows as well as rising property values. Consequently, the Chinese government took steps to slow down the pace of bank lending and lower the target for credit expansion, fuelling expectations of an impending interest rate increase, which could slow economic growth further down the line. Such expectations translated into a correction in equity values not only in China but also across the globe (*see* ***Graph 1***). At this time, fears of a sharp slowdown in China appear premature; however, the strong market reaction is a reminder of the rising importance of the Chinese economy in the global context. In 2010, China is expected not only to be a major motor of regional and global growth but is seen to supplant Japan as the second largest economy.
- Uncertainty about the pace of the US economic recovery is creating some downward risk on the country's oil demand this year. Cold weather managed to increase demand for heating oil and fuel oil, but declining demand for diesel and gasoline resulted in negative growth in January. The 1% or around 180 tb/d forecast growth for US oil demand for the whole year may not materialise. Given several obstacles demand growth could be as little as 100 tb/d for the total year (*see* ***Graph 2***). The main risk remains the recovery path of the US economy which in turn is dependent on the degree of government fiscal and monetary support and its success in lowering the unemployment rate, a main determinant of consumer sentiment and private consumption.
- Last year, China's strong economic growth was based on the huge stimulus package, which contributed to a moderate rise in oil demand. In 2010, oil demand is forecast to grow by 4.5%, or 0.37 mb/d. Nevertheless, the government is keen to curb the nation energy use, an aim incorporated in its current five year plan. However, there is some uncertainty about oil demand growth. Slower-than-expected growth in the global economy could impact China's exports and industrial production, dampening the need for oil. Internal measures to slow down the economy may also affect oil demand. On the other hand, positive signals – such as projected strong growth in new car sales in China – appear supportive for oil demand growth this year.
- In light of the significant contribution of the US and China to economic growth and oil consumption, the economic and demand uncertainties in these countries will continue to have an important impact on both the world economy and the oil market. Therefore, ongoing developments should be monitored closely in the months ahead.

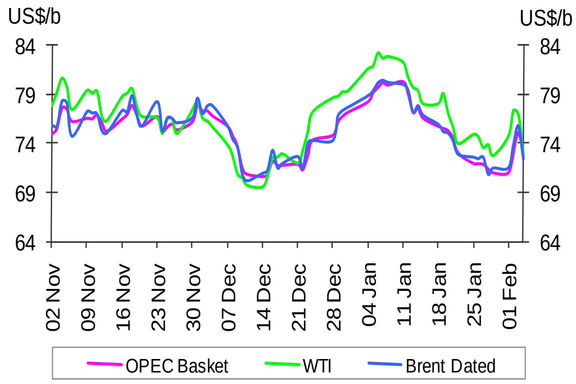
Crude Oil Price Movements

Prices volatile in January but averaged $2.00 above the previous month

OPEC Reference Basket

Cold weather and increased investment flows helped oil futures and the OPEC Reference Basket to continue the upward trend in the first weeks of 2010. The OPEC Reference Basket hit $80.29/b on 11 January, the highest since early October 2008, after ten consecutive sessions of gains.

Graph 1: Crude oil price movement



However, the momentum came to an end just after temperatures in the Northern Hemisphere increased and concerns about global economic growth emerged again. A stronger dollar and downward corrections in the equity markets also contributed to the decline in prices. As a result, the OPEC Reference Basket started to decline to settle at $71.01/b on 29 January – the last business day of the month – implying a loss of more than $9 or 11.6% in 14 days. Over this period, the Basket increased just in one day, on 14 January.

All the Basket components dropped within that period, particularly Ecuadorian crude, Oriente and Middle Eastern crudes. Oriente lost around $10.50/b and Middle Eastern crude saw losses between $9.15/b for Arab Light and $9.70/b for Iran Heavy while Brent-related and Venezuelan Merey crudes declined by almost $8.50/b. Higher demand for distillate-rich crudes in Europe and Asia Pacific following improving distillate margins helped Middle Eastern crudes to strengthen in early January. Abu Dhabi reduced allocations from contractual supply by as much as 13%, lifting Murban values for March cargoes to a small premium to the ADNOC OSP after three months of discounts. However, as temperatures retreated from unusually low levels, demand for middle distillate-rich grades fell along with refining margins, leading to bearish sentiment for Middle Eastern crudes in most of the second half of January. The heavy crude market was the most affected. It has been sluggish over almost the whole month on a supply glut before it got some support at the end of the month after Abu Dhabi deepened its supply curbs on the heavy Upper Zakum grade for March. Increased Russian offers of its new ESPO blend also put downward pressure on the medium-heavy crude market.

However, despite the strong decline in the second half of the month, **the OPEC Reference Basket averaged $76.01/b in January, up $2.0 or 2.7% from December 2009.** Among the components, Oriente gained $4.01 followed by Basrah Light (+$2.71), Merey (+$2.64), Girassol (+$2.25) and Arab Light (+$2.08). The remaining components increased by less than $2.0 each. Compared to a year earlier, the gain rose to $34.47 or 83% *(see **Table 1**)*.

The OPEC Reference Basket showed some recovery in early February before it dropped to $69.76/b on 9 February. The last time when the Basket was below $70/b was on 9 October 2009.

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

	Dec 09	Jan 10	Change Jan/Dec	2009	2010
OPEC Reference Basket	**74.01**	**76.01**	**2.00**	**41.54**	**76.01**
Arab Light	74.38	76.46	2.08	41.23	76.46
Basrah Light	73.03	75.74	2.71	39.47	75.74
Bonny Light	75.68	77.39	1.71	45.44	77.39
Es Sider	74.23	76.14	1.91	42.74	76.14
Girassol	74.53	76.78	2.25	43.43	76.78
Iran Heavy	74.34	75.72	1.38	39.93	75.72
Kuwait Export	74.03	75.69	1.66	40.00	75.69
Marine	75.36	77.07	1.71	44.62	77.07
Merey	68.63	71.27	2.64	37.39	71.27
Murban	76.84	78.19	1.35	46.27	78.19
Oriente	68.93	72.94	4.01	35.12	72.94
Saharan Blend	74.98	76.79	1.81	43.89	76.79
Other Crudes					
Minas	78.67	79.82	1.15	44.98	79.82
Dubai	75.42	76.69	1.27	43.94	76.69
Isthmus	73.05	76.10	3.05	40.15	76.10
T.J. Light	71.81	74.66	2.85	38.86	74.66
Brent	74.28	76.19	1.91	43.59	76.19
W Texas Intermediate	74.41	78.30	3.89	41.50	78.30
Urals	73.88	76.09	2.21	43.09	76.09
Differentials					
WTI/Brent	0.13	2.11	1.98	-2.09	2.11
Brent/Dubai	-1.14	-0.50	0.64	-0.34	-0.50

Note: Arab Light and other Saudi Arabian crudes preliminarily based on American Crude Market (ACM) and subject to revision.

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

The oil futures market

Bearish economic news and stronger dollar led to a decline in the WTI front-month in early February

Oil futures remained strong in early January, supported by very cold weather in the Northern Hemisphere. However, in the US, Nymex WTI front-month continued the upward trend started in mid-December 2009 to hit a 15-month high of $83.18/b on 6 January before declining as temperatures improved. With the exception of 8 and 25 January, the WTI front-month has declined over all the traded sessions, losing nearly $10.30 in 16 trading days to settle at $72.89/b on 29 January – the last business day of the month and the lowest after the $72.47/b seen on 21 December 2009. However, despite this downward trend, WTI front-month averaged $79.34/b in January, up $4.74 or 6.4% from December. The gain over the previous month was due to the combination of weakness from the first half of December and strong levels in early January. Compared with a year ago, WTI front-month in January 2010 displayed a gain of $37.42 or 89%. This was mainly due to the low levels seen in the previous year as prices plunged to as low as $35.4/b on 15 January, following the collapse of the financial market.

The drop in WTI front-month was exacerbated by bearish economic news from the main consumer countries as well as a stronger dollar. The re-emergence of concern about global economic growth and hence oil demand was triggered by several news. Firstly, China, the world's second-largest energy consumer, surprised markets by raising interest rate for the first time since August. The move to tighten monetary policy was seen as part of an effort to cool down its economy in order to avoid overheating. This could likely imply lower GDP growth and oil demand. Secondly, in the US Administration’s proposed restrictions on the US banking sector has raised concerns that they would not only undermine the financial sector's profitability, but also result in a decrease in liquidity on commodity markets. As a result, all asset classes were under significant pressure. Thirdly, in Europe, growing concerns that Greece's economic problems, resulting in a weaker euro, also contributed to the bearishness in the oil market. The recent draw in oil stocks — both commercial and floating — which remained high also contributed to the decline in oil futures.

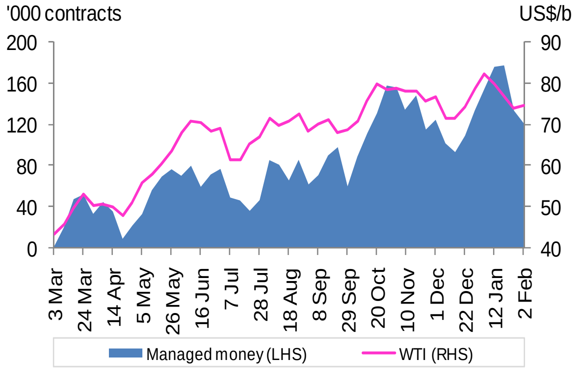
In addition to milder weather, high inventories, concern about economic growth and investor activity, the futures market was also affected by the US dollar and equity markets. The relationship between the US dollar and WTI became stronger again in late January when the WTI March contract was weakening while the dollar was strengthening, particularly against the Euro when it hit a six-and-a-half month high. Similarly, the relationship between futures and equity markets strengthened as growing concerns about economic prospects affected the stock market. The WTI front-month was also pressured by increasing stocks at Cushing, Oklahoma, the delivery point for WTI, to the all-time high of almost 36 mb in early January

However, the weaker dollar in combination with higher equity markets and positive data on US manufacturing and consumer spending helped the Nymex WTI March contract to recover in the first day of February from a five-week low. The recovery continued the second day before a bearish report showing US crude oil inventories increasing more than expected in the previous week and refinery rates dropping to their lowest levels since 1990, pushed prices down back to less than $77/b on 3 February. Bearish sentiment amid a plunge in equity markets, higher-than-expected rise in US jobless claims, sovereign debt concerns (particularly in European Union), and strength of the US dollar to a seven-month high against the euro, made the WTI front-month fall by $3.89 or 5% on 4 February, the largest drop in a single day since July. Prices dropped further on 5 February when estimated daily trading volume for the WTI front-month hit 54,000 positions shortly after settlement. Daily trading volume for all crude oil futures contracts hit 1,007,414 positions. The record remains at 1,092,509 positions of 6 June 2008, around one month before WTI front-month prices hit an all-time high.

After increasing net long crude oil positions in December, money managers raised them further in early January to more than 177,000 contracts in the week through 19 January 2010, the highest since 2006. However, bearish sentiment in the market pushed money managers cut net long positions sharply in the week through 26 January to 133,155 lots. The previous cut was in the week-ending 15 December 2009. Net long positions were cut further in the week ending 2 February to 121,074 lots (*see **Graph 2***).

Open interest on the Nymex WTI increased further in January to stand at 1,360,697 at the week-ending 2 February, the highest level since 13 June 2008, a month before the WTI front-month hit its all-time high of more than $147/b.

Graph 2: Managed money net positions: Nymex WTI futures and options

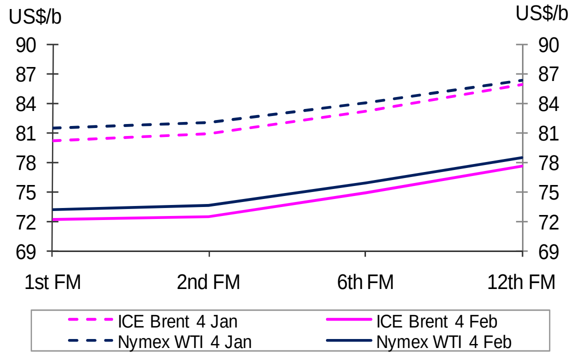


In Europe, ICE Brent followed almost the same trend as WTI. Brent February contract reached almost $81.90/b in the first week of January to drop to $71.46/b in the end of the month, implying a loss of $10.43, almost in step with the $10.30 drop in Nymex WTI. For the whole month, Brent averaged $77.91/b in January compared with $75.21/b in December and $45.71/b in January 2009. Like WTI, Brent front-month also recovered in the first two days of February before losing 14¢ or 0.18% and $3.79 or 5% in the following two days to settle at $72.13/b on 4 February. It moved even below $70/b on 5 February.

The spread between the WTI-Brent front-month contract was almost stable around $1.40/b in January but recovered strongly compared to the previous month when it stood at minus 59¢/b. It dropped only once below $1/b to 89¢/b on 15 January when Brent fell by just half of WTI's loss (71¢ against $1.39). The spread strengthened in January on the back of stronger demand in the US and the increase in storage capacity at Cushing. In February, the WTI-Brent spread fell to more than minus $10/b on 12 February 2009 when Cushing rose to a high level of 34.9 mb.

The futures market for both WTI and Brent remained in contango in January but the respective curves have flattened. The expansion in storage capacity at Cushing has also contributed to the softness in the contango as traders holding WTI contracts may now be less concerned by swelling in Cushing stocks. The discount for front-month WTI versus a month later narrowed 34% between 4 January and 4 February. It moved from 61¢/b to 40¢/b whereas the spread between 1st month and 12th month has widened to \$5.36/b from \$4.79/b a month earlier as the front-month was the impact of the bearishness was more pronounced on the front-month. Regarding Brent, the spread between the 1st and the 2nd month has almost halved to move from 67¢/b to 36¢/b. and the spread between the 1st month and the 12th month dropped by just 4% to \$5.54/b.

Graph 3: Nymex WTI and ICE Brent forward curve, 2009



FM = future month

Table 2: Nymex WTI and ICE Brent forward price, US\$/b

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
4 Jan 2010	81.51	82.12	82.65	84.02	86.30
4 Feb 2010	73.14	73.54	74.14	75.83	78.50

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
4 Jan 2010	80.12	80.79	81.46	83.08	85.87
4 Feb 2010	72.13	72.49	73.08	74.84	77.67

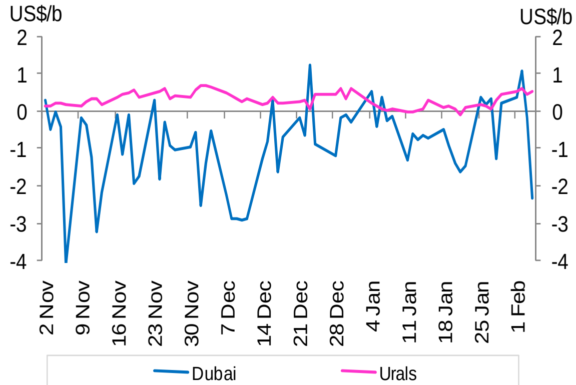
FM = future month

The sour/sweet crude spread

The Brent-Dubai spread remained negative in January but dropped to average minus 5¢, more than half of December's level of minus \$1.14/b. The decline in the spread is attributed to the bearish sentiment for Middle Eastern crude amid increasing supply. The spread even turned positive in late January and early February. A negative spread opens opportunities of arbitrage for West African, Mediterranean and Russian crudes to move to Asia as the price of lower-quality Middle Eastern crude was higher compared with higher quality crudes. The introduction of Russian new blend ESPO into Asia-Pacific market in January has also put pressure on Middle Eastern crudes. The front-month Brent/Dubai Exchange for Futures (EFS) for March rose to 20¢/b in the first week of February as Saudi Arabia cut March OSP of Arab Light and Arab Medium crudes for Asian customers, despite healthy fuel oil cracks and improving refining margins. The cut in OSP might be driven by the anticipation of lower seasonal Asian demand.

The Brent-Urals spread narrowed in January and moved even in negative territory during few days. Russian Urals crude strengthened on the back of improving refining margins and received support from the price hikes of Saudi, Iraqi and Iranian OSPs to Europe. Russian crude was also supported by a drop in loading programmes and delays in the Black Sea and port closures. The spread averaged 10¢/b in January compared with 40¢/b in December *(see **Graph 4**).*

Graph 4: Brent Dated vs. Sour grades (Urals and Dubai) spread



Commodity Markets

The growth in the World Bank non-energy commodity price index remained the same in January while the energy index saw some gains

Trends in selected commodity markets

The Word Bank (WB) index for non-energy commodities in January remained the same (2.9% m-o-m) as in the previous month while the energy index rose 4.2% m-o-m, reversing the 1.8% fall a month earlier. Within agriculture, grains dropped by 1.4% m-o-m, while energy was driven by the rise in coal and crude oil. Volatility was a feature of commodity prices in January.

At the beginning of 2010, there were two key factors driving the commodity markets, namely the colder-than-expected weather and China's economic monetary policy. Trading sentiment was dampened by China's move to impose higher reserve ratios for selected banks. It is feared that tighter monetary policy in the world's second largest oil consumer could hamper global economic recovery.

Table 3: Commodity price data, 2009-2010

		Monthly averages			% Change	
Commodity	**Unit**	**Nov**	**Dec**	**Jan**	**Dec 09/ Nov 09**	**Jan 10/ Dec 09**
World Bank commodity price indices for low and middle income countries (2000 =100)						
Energy		261.51	256.74	267.47	-1.8	4.2
Coal, Australia	$/mt	78.80	83.10	97.00	5.5	16.7
Crude oil, average	$/bbl	77.55	74.88	77.12	-3.4	3.0
Crude oil, Brent	$/bbl	77.04	74.67	76.37	-3.1	2.3
Crude oil, WTI	$/bbl	78.00	74.49	78.36	-4.5	5.2
Natural gas Index	2000=100	141.09	163.98	178.44	16.2	8.8
Natural gas, US	$/mmbtu	3.69	5.37	5.81	45.4	8.2
Non Energy		235.36	241.85	248.94	2.8	2.9
Agriculture		213.28	217.62	222.06	2.0	2.0
Beverages		245.39	252.20	252.69	2.8	0.2
Food		215.30	217.89	221.14	1.2	1.5
Grains		214.32	216.96	213.97	1.2	-1.4
Raw Materials		192.05	199.40	208.74	3.8	4.7
Soybean meal	$/mt	422.00	401.00	405.00	-5.0	1.0
Soybean oil	$/mt	931.00	935.00	924.00	0.4	-1.2
Soybeans	$/mt	440.00	450.00	437.00	2.3	-2.9
Maize	$/mt	171.64	164.56	167.31	-4.1	1.7
Sorghum	$/mt	166.01	166.35	161.79	0.2	-2.7
Wheat, Canada	$/mt	288.37	287.79	287.21	-0.2	-0.2
Wheat, US, HRW	$/mt	211.04	206.25	201.19	-2.3	-2.5
Wheat, US SRW	$/mt	204.66	206.50	198.78	0.9	-3.7
Sugar EU	¢/kg	49.63	48.92	47.81	-1.4	-2.3
Sugar US	¢/kg	70.25	73.42	86.77	4.5	18.2
Sugar, world	¢/kg	49.07	51.87	58.36	5.7	12.5
Metals and Minerals		261.51	256.74	267.47	-1.8	4.2
Aluminum	$/mt	1949.29	2180.10	2235.15	11.8	2.5
Copper	$/mt	6675.60	6981.71	7386.25	4.6	5.8
Gold	$/toz	1127.04	1134.72	1117.96	0.7	-1.5
Iron ore	¢/dmtu	100.95	100.95	100.95	0.0	0.0
Lead	¢/kg	230.88	232.85	236.84	0.9	1.7
Nickel	$/mt	16991.19	17066.43	18439.25	0.4	8.0
Silver	¢/toz	1787.68	1764.46	1775.05	-1.3	0.6
Steel products index	2000=100	206.84	205.07	205.76	-0.9	0.3
Tin	¢/kg	1494.24	1554.69	1771.48	4.0	13.9
Zinc	¢/kg	219.34	237.60	243.45	8.3	2.5
Fertilizers		242.18	243.50	255.16	0.5	4.8

a) Included in the energy index (2000=100)
b) Included in the non-energy index (2000=100)
c) Steel not included in the non-energy index
$ = US dollar ¢ = US cent bbl = barrel
cum = cubic meter dmtu = Dry Metric Ton Unit
kg = kilogram mmbtu = million British thermal units
mt = metric ton toz = troy oz
n.a. = not available n.q. = no quotation SGP = Singapore
*(*) Series changed*

The impact of the weather weakened as winter in the Northern Hemisphere turned a little milder. Nevertheless, there is growing concern about an overheating of the Chinese economy. The surge in December's imports of some commodities and the strength of implied demand contributed to this fear. Commodity markets were also influenced through January by continuing changes in external markets, perceptions about the global economic recovery and the volatile dollar market. Commodities were affected in the second week of January due to the US Administration’s plans to tighten trading restrictions. Apart from concern for the profitability of the financial sector, these measures also raised concern on liquidity in the commodity markets. The stronger dollar in response to doubts on the economic recovery of Eastern and Southern European countries was an additional bearish factor in January.

Energy prices increased 4.2% in January

The **World Bank energy price commodity index** (crude oil, natural gas and coal) jumped 4.2% m-o-m in January from minus 2.4% m-o-m in December on the back of a 16.7%, 8.2% and 3.0% in coal, crude oil and Henry Hub (HH) natural gas respectively. Natural gas was positively influenced by colder-than-normal temperatures, although later news of milder-than-expected temperatures in the first half of February weighed on prices.

Non-energy commodity prices remained stable

The World Bank index for non-energy commodity prices grew at the same pace in January as the previous month, by around 2.8%. The recovery in some items was counterbalanced by the decline in others, like grains, some industrial metals and gold, which lost ground.

The weaker trend in industrial metal prices in January has been driven by macro uncertainties related to European sovereign debt and announcements by the US Administration on banking sector regulation and monetary tightening in China. Price trends will remain macro-driven and volatility could intensify until sentiment becomes more confident.

Aluminium showed a slower pace of growth, 2.5% m-o-m in January compared to 11.8% the previous month, which was related to lower Chinese imports in December – down 3% from November – and a weak global market. Inventories at the London Metal Exchange (LME) kept inflating m-o-m in January.

Copper prices grew further by 5.8% m-o-m in January compared to 4.6% in the previous month. The major driver of copper prices was strong Chinese trade data. Chinese copper imports of unwrought copper and copper rose 27% more in December than in November 2009. Copper scrap imports went up 47% m-o-m last December. Copper prices were also encouraged by the announcement of the World Bureau of Metal Statistics (WBMS) that the copper market surplus has reached 191,000 tonnes from January to November 2009, narrowing 205,000 tonnes compared to the previous time period. On the supply-side, copper output in China declined 1% m-o-m in December. Nevertheless, inventories at the LME continued piling in January.

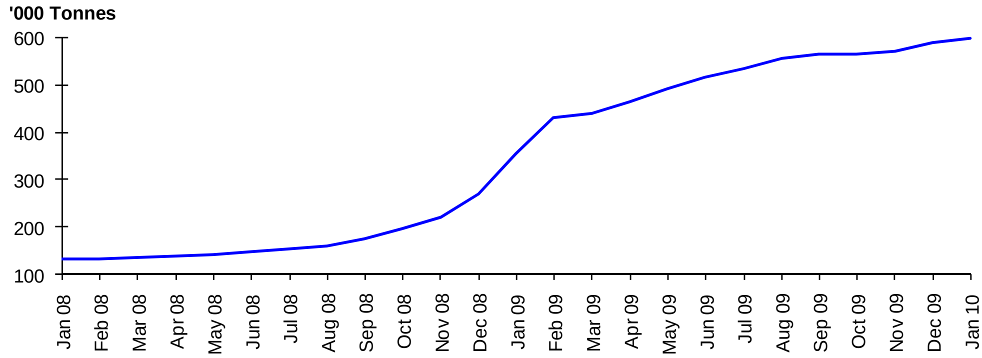
Nickel prices recovered to increase by 8.0% m-o-m in January compared to 0.4% in December. The nickel prices were sustained by supply concerns in major producing economies. China’s output declined 2% m-o-m in December. On the demand side, demand increased 4% y-o-y in December due to the faster growth of the stainless steel industry. Despite this, inventories at the LME are at record levels.

Zinc prices are following a bearish trend increasing by only 2.5% in January compared to 8% the previous month on an estimated strong surplus in November 2009 and new record-high in Chinese zinc production in December 2009, up 4% m-o-m and 45% y-o-y. Refined zinc imports by China declined 10% m-o-m in December but are still high and ballooned 477% on a y-o-y basis.

The agricultural WB price index reported the same growth in January as in December. Grain prices declined by 1.4% m-o-m. The fall in major price crops was accelerated following the January US Department of Agriculture release of the World Agricultural Supply and Demand Estimates (WASDE) which was substantially bearish for corn, soybean and wheat.

Gold prices dropped 1.5% m-o-m in January on the back of the rise in US bond yields and real interest rates as well as a stronger US dollar.

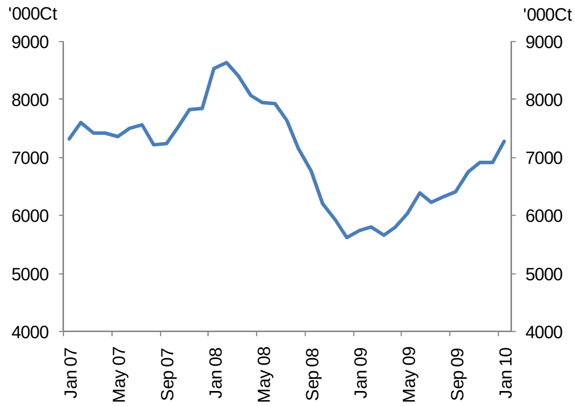
Graph 5: Inventories at the LME



Investment flow into commodities

The **open interest volume** (OIV) in major commodities (agriculture, copper, natural gas, WTI, livestock and precious metals) in the US recovered by 5.4% m-o-m in January which compared favourably with a slight decline in the previous month for a level of **7,287,938** contracts. Except for copper, there were gains across the entire spectrum of commodities.

Graph 6: Total open interest volume



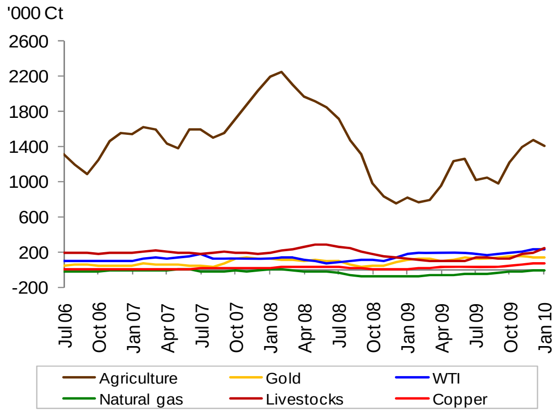
Source: CFTC

Table 4: CFTC data on non-commercial positions, '000 contracts

	Open interest	Swap positions Net length		Money positions Net length		Other positions Net length		Non-commercials Net length	
	Jan 10	**Jan**	**% OIV**	**Jan**	**% OIV**	**Jan**	**% OIV**	**Jan**	**% OIV**
Crude Oil	1294	112	9	160	12	-41	-3	232	18
Natural Gas	759	153	20	-111	-15	-52	-7	-10	-1
Agriculture	3752	800	21	540	14	65	2	1,404	37
Precious Metals	644	-83	-13	218	34	46	7	181	28
Copper	148	44	29	25	17	-1	-1	68	46
Livestock	510	159	31	101	20	-6	-1	255	50
Total	**6741**	**1,184**	**18**	**933**	**14**	**12**	**0**	**2,129**	**32**
	Open interest	**Swap positions Net length**		**Money positions Net length**		**Other positions Net length**		**Non-commercials Net length**	
	Dec 09	**Dec**	**% OIV**	**Dec**	**% OIV**	**Dec**	**% OIV**	**Dec**	**% OIV**
Crude Oil	1198	154	13	112	9	-39	-3	227	19
Natural Gas	716	138	19	-113	-16	-38	-5	-14	-2
Agriculture	3571	789	22	630	18	53	1	1,471	41
Precious Metals	630	-104	-16	235	37	53	8	185	29
Copper	149	58	39	12	8	-1	-1	69	46
Livestock	477	146	31	61	13	-7	-1	200	42
Total	**6741**	**1,181**	**18**	**938**	**14**	**21**	**0**	**2,140**	**32**

The **disaggregated CFTC data** indicates the pace of non-commercial net length growth dropped 0.5% from last December as short positions rose more than longs. Hence, non-commercial net length as percentage of OIV declined from 60% in December to 58% In January.

Graph 7: CFTC net length by commodity group

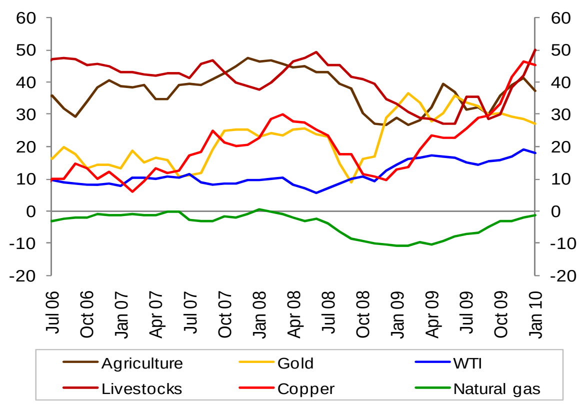


Source: CFTC

A 5.5% m-o-m decline took place in money-managed positions in volume over January compared to positive growth of 5.8% in December. Nevertheless, the major losers were agriculture and gold as considerable activity was seen in WTI, copper and HH natural gas.

Agricultural OIV surged 5.1% m-o-m to 3,752,251 contracts, a recovery from only 0.8% growth in the previous month. The gains were reported in corn, wheat, coffee and cocoa.

Graph 8: CFTC net length as % of open interest



Source: CFTC

In the paper market, overall sentiment has been bearish with non-commercial net length in agriculture plummeting by 4.6% m-o-m to 1,404,316 contracts in January, a continuation of a sluggish trend seen since December. An important liquidation took place in agriculture with shorts jumping by 21.1% m-o-m while longs slightly declined by 2.4% with the net length as a percentage of OIV standing at 37.4% in January down from 41% in December.

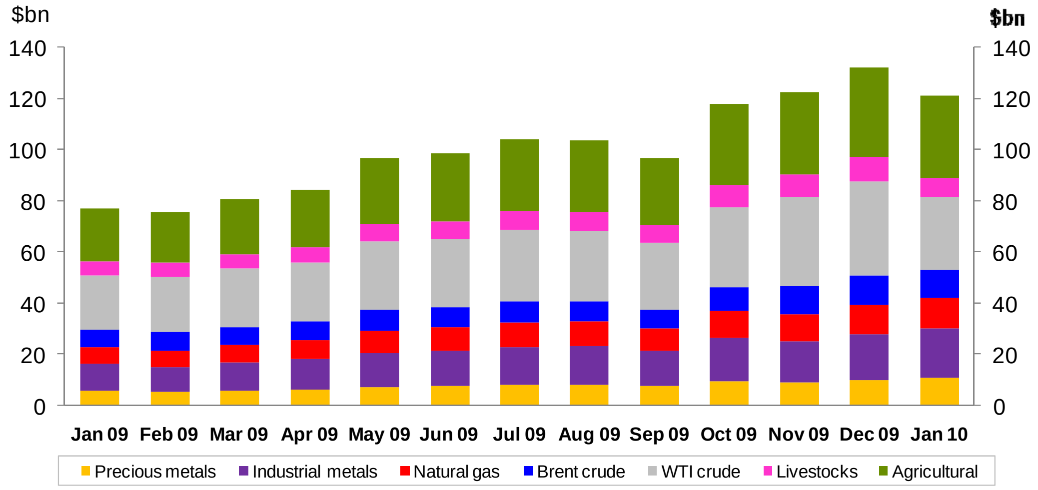
Massive selling took place in both swaps and money positions for agriculture as a whole. Net length positions in money managers declined 14.3% m-o-m in January.

Precious metals OIV recovered, increasing by 2.3% m-o-m to 644,436 contracts following a drop in the previous month. A larger 11% increase in longs than in shorts (8.8%) prompted the non-commercial net length as percentage of OIV to stand at 28.1% in January from 29.3% a month earlier.

Nymex natural gas futures OIV inflated 5.9% m-o-m to 759,170 contracts in January. Non commercial longs inflated 11.1% m-o-m in January but as shorts also rose by 8.6% m-o-m, the net length as percentage of OIV remained at -1%. Money positions net length declined 2.2% m-o-m compared to a 19.2% drop last December.

Copper open interest volume declined 0.4% m-o-m to 148,389 contracts in January. Short positions sunk by 15.9% while a lower reduction of 7.5% in shorts, caused net length as a percentage of OIV to stand at almost the same level as in December (around 45%). It must be noted that money positions more than doubled in January so the strong bullish sentiment in the copper paper market since December is still continuing.

Graph 9: Inflow of investment into commodities



Source: CFTC

Dollar investment inflows into commodities are estimated to have declined 8.5% m-o-m in January compared to last December due to a sell-off in commodities, especially WTI and agricultural complex.

Highlights of the World Economy

Economic growth rates 2009-2010,%

	World	OECD	USA	Japan	Euro-zone	China	India
2009	-0.9	-3.4	-2.4	-5.3	-3.9	8.7	6.2
2010	3.4	1.7	2.5	1.1	0.6	9.1	7.0

Industrialised countries

USA

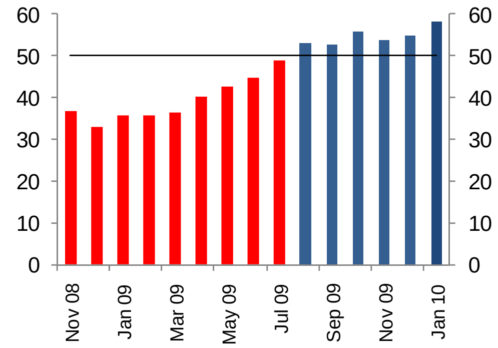
The US economy has continued its recovery with 4Q GDP growing at 5.7% and unemployment in January falling to 9.7%%

The US economy continues to improve from its recent trough-levels. 4Q09 real GDP growth was reported at a seasonally-adjusted annualized rate (saar) of 5.7%. Although this number indicates a solid recovery, a closer review of the details indicates a more mixed picture.

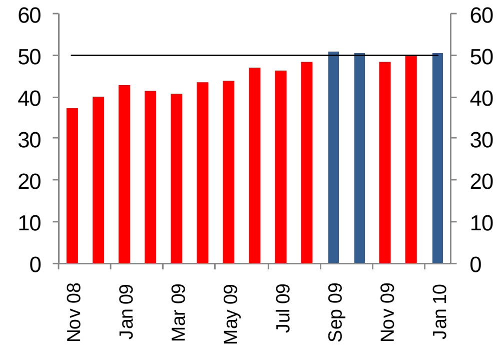
Personal expenditures expanded by 2.0% in 4Q09, after having risen by 2.8% in 3Q09. This is a positive sign indicating households probably have again the means to spend and are willing to do so. This is particularly important as government expenditure has declined slightly by 0.2% in the fourth quarter after growth having peaked in the second quarter at 6.7% and was still increasing by 2.6% in the third quarter. So while most areas of GDP have improved for the better, the main question with regard to the 2010 forecast is what is coming next, especially as 3.3 percentage points of the 5.7% GDP growth in fourth quarter were due to inventory replenishing,. This could potentially push growth in the next quarter to a much lower level, once the inventory replenishment is over.

The labour market remained weak by historical standards even though The unemployment rate fell to 9.7% in January 2010, compared to 10.0% in December. The question remains if this improvement can be sustained. Payrolls continued falling with 20,000 jobs unexpectedly being shed in January. Excluding government hiring, the job-losses would have been at 53,000. The recent weekly jobless claims also increased. On the positive side, hours worked per work week for all employees– considered widely as a leading indicator – rose by 0.1 hours to 33.9 hours. The work week in factories rose by 0.3 hours to 39.9, so this might also validate the recently high ISM numbers and might support the industrial production number for January. Compensation has improved as average hourly earnings were up 0.2% m-o-m in January, after a rise of 0.1% m-o-m in December. This comes along with signs of a bottoming out in consumer credit, which dropped by $1.7 bn in December compared with double digit declines in the previous months. Consumer credit fell by $21.8 bn in November. Both developments id sustained could potentially support household spending going forward.

Graph 10a: ISM manufacturing index



Graph 10b: ISM non-manufacturing index



Source: Institute for Supply Management

Business sentiment also continued to improve. Both of the ISM indices were moving up, reflecting the positive growth trend. ISM manufacturing improved to 58.4 in January, which is the highest level since the recession started two years ago. The ISM non-manufacturing index which was only slightly above the 50 level in December when it stood at a level of 50.1 rose again slightly in January to 50.5. At this level it is just about indicating a little growth in the services sector, which accounts for more than 70% of US

GDP. It remains to be seen whether the leading manufacturing sector can pull the service-sector significantly above the 50 level.

The uncertainty about the pace of the economic recovery is being reflected in the equity market as well. The two positive data releases- the relatively high fourth quarter 2009 GDP numbers and the surprising improvement in the unemployment numbers for January were widely ignored by the stock market. The current level of the S&P 500 as a major benchmark for the US equity market is around 7-8% lower in the past two weeks.. There could be a realization that equity markets might have risen too far too fast on exaggerated expectations and that the economic recovery might take longer than expected. The housing sector remains under pressure as well. Prices continued to fall on a yearly basis, according to the Case-Shiller index, but the decline moderated to 5.32% in November. With prices in both important areas – housing and equities – are in decline, a substantial improvement to the pre-crisis level currently seems to be unlikely in an economy that is dependent on household spending, but burdened by debt, the prospect of higher taxes to repay the stimulus, high unemployment and falling asset prices.

So while there are signs for a continuation of the recovery, an element of caution is still required. The forecast for GDP growth has been revised up somewhat to 2.5% for 2010 while the estimate for 2009 is for a contraction of 2.4%.

Japan

The Japanese economy remains under pressure with retail sales declining and the prospect for 2010 still muted

The Japanese economy's growth is still challenged by deflation, declining retail sales, and remains dependent on government-led support and its relative success in exports, mainly to Asia and particularly to China.

Real retail sales are estimated to have declined for the third consecutive month in December by 0.5% m-o-m. This follows a decline in November and October of 0.3% m-o-m and 0.4% m-o-m, respectively. The falling trend reflects a drop in consumer confidence, led by continuing uncertainty in the employment market, falling wages, deflationary pressures, and the tapering off of governmental support for car and electronics purchases. In nominal terms, the December decline in retail sales was at 1.2% m-o-m and 0.3% y-o-y basis. Sales were thus by lower than the level of last year's December retail sales in the midst of the financial crisis. As far as household consumption is concerned the numbers for December were still solid, with real spending levels rising 2.1% y-o-y and 1.0% m-o-m, after an increase of 0.1% m-o-m in November and 0.7% m-o-m in October. However, most of the stimulus that was targeting this increase in consumption is now tapering off, which implies weakening demand going forward.

The unemployment rate unexpectedly declined by 0.1% in December and is back to October levels of 5.1% lower than the peak-level in July 2009 of 5.7%. Again the widely-watched job-to-applicant ratio continued its gradual improvement to stand at 0.46, improving for a second consecutive month. However, cash-compensation was down for the 19th consecutive month, by 6.1% y-o-y in December, and winter bonuses were fell 10.6% y-o-y. For all of 2009, wage compensation declined by 3.9% and currently no major improvement can be expected.

Consumer prices remain under continued pressure and the consumer price index (CPI) excluding energy and food declined by 1.2% y-o-y in December, the sharpest drop since 1971 when records began. According to the most recent data, this trend is to persevere at the beginning of 2010.

Industrial production grew 2.2% m-o-m in December. This comes after an increase of 2.2% in November and 0.6% in October. While this indicates an upswing, going forward the Ministry of Economic Trade and Industry (METI) is projecting much lower levels for 1H10. The current forecast is for 1.3% increase in January and 0.3% for February. As the METI projections for industrial production are usually 0.2-0.3 percentage points higher than the actual numbers, according to research undertaken by Deutsche Bank, may imply that the growth in February might be even flat.

Significant support for the substantial increase in industrial production in December has come from exports. Real exports were up by 2.6% m-o-m in December, after 5.1% m-o-m increase in November and 5.2% m-o-m in October. On a quarter-on-quarter basis exports increased by 12.7%. While exports to China are the main driver for this trend, exports to the US are starting to decline again, pointing to the uncertain pace of recovery in the US economy. Real exports to the US in December fell by 2.3% m-o-m, after a sharp increase in October of 5.0% m-o-m and 0.6% in November. It is the first negative m-o-m reading since February 2009. The trend of exports to the EU has not been much better. Exports rose ng a mere 0.2% m-o-m in December after a strong growth in October of 9.3% and a decline in November of 4.0%. As highlighted, exports to Asia were the main positive development in December, rising by 3.1% m-o-m, after a gain of 6.7% in October and a 1.8% decline in November. China, which currently constitutes the main export market for Japan, is showing the steadiest development. Exports to China grew constantly in the course of the 4Q. In December, exports were 2.5% higher on a monthly basis, compared to 2.0% in November and 3.0% in October. While so far this certainly is a solid trend, the main question is whether this can continue. Recent moves to slow down growth in China by curbing lending and other measures might have an impact on Japanese exports.

In addition to this relatively muted forecast for 2010, the debt situation of Japan is adding concern for the economy. According to IMF projections the debt/GDP ratio of Japan is expected to reach 250% by 2014. This development is causing concern in the capital markets and as in other OECD countries interest rates that investors might ask for financing this public debt could be on the rise. The major financial source for the Japanese budget deficit has been Japanese households and it remains to be seen whether this can continue in the future. Standard & Poor’s has just recently sounded the alarm over the Japanese debt-level and warned that it might lower the Japanese AA-credit rating, the agencies third highest. In addition to this, concerns were being raised in the bond-markets that the Japanese Post Bank might diversify into non-Japanese assets, i.e. US treasuries. Deposit-taking banks, including the postal sector, held 42.5% and insurance companies another 20% of the outstanding Japanese government bonds at the end of September last year. Foreigners owned just 5.8%, according to the Ministry of Finance data.

Despite the current crisis in Japan, household savings are rising again. The widespread complacency about Japanese debt levels seems to be a major driver for the success of the Japanese government bond-market and a supporting factor for the government to continue its debt spending.

In light of the challenges for 2010, the forecast remained unchanged at 1.1% and at minus 5.3% for 2009.

Euro-zone

The Euro-zone is currently being challenged by the public finances in some of the Euro-zone countries, rising unemployment and unexpected negative data from Germany.

Economic conditions in the Euro-zone as a whole have been mostly steady over the last months. However, the situation in some parts of the Euro-zone has worsened, particularly in Greece and Spain, while the main economies, Germany and France, have continued their slight improvement. But even there, first signs of potential worries are emerging. Industrial production in Germany surprisingly declined by 2.6% m-o-m in December following a small growth of 0.7% in November. The December number would have been worse if one excludes the positive effect of high energy demand due to the unusually cold weather. Industrial orders in Germany also declined in December. Orders fell by 2.3% m-o-m in December, after increasing 2.7% in November. The November figures were boosted by non-Euro-zone foreign orders pointing to the strong German export market, but foreign orders plunged by 3.2% m-o-m in December. The fourth quarter for Germany is already showing a weaker economic trend than 3Q09, when Germany’s economy recovered from its trough and expanded – ahead of other Euro-zone nations – by 0.7% q-o-q. The third quarter certainly was boosted by government-led stimulus on a global scale, which was filtering through into the significant support for the German export-engine. Moreover, domestically the government undertook considerable stimulus measures and supported both the car sector and the labour market via direct cash-injections and many other measures. Softer production and order indicators signal a weaker fourth quarter and there is the likelihood that it will not only stagnate, but probably decline. On the other hand, business sentiment in Germany is still high and the widely-watched Ifo business climate index has reached a pre-crisis level of 95.8. This compares with only 82.9 one year ago. The detailed Euro-zone GDP numbers, due to be published in mid-February will reveal how far the growth momentum in the 4Q09 was maintained.

The Euro-zone unemployment rate reached 10% in December compared with 9.9% in November. Again Germany was the most successful of the bigger Euro-zone economies in fighting unemployment which came in at 7.5% for the third consecutive month, only slightly higher than the highest post-crisis level in June 2009, when it reached 7.6% and held this level for four months. This is in stark contrast to Spain which again faced an increase of 0.1% to 19.5%, or almost twice the average Euro-zone level. Again, Spain marked the record level in youth unemployment, which is now at 44.5%, higher than the November level when it stood at 43.6%. This compares with a Euro-zone level of 21.0%, up by 0.1% from November. The weak employment trend in the Euro-zone is feeding through into the retail sales numbers that have stagnated in December on a monthly basis, but are still better than the decline of 0.5% in November.

Business sentiment has improved in the Euro-zone. The Markit Euro-zone manufacturing purchasing managers' index rose to 52.4 in January, compared to 51.6 in December 2009 and above an earlier "flash" estimate of 52.0. This increase was driven by France with Germany and Italy also contributing to improvement. In contrast, the survey reflects a slowing momentum in Greece and Spain which recorded lower levels which are still showing contraction as the index remains below the 50 threshold.

A major problem in the Euro-zone is the mounting public-debt of some of its member countries, particularly Greece. This weakening financial situation of many Euro-zone countries might push up the interest rates investors are demanding for financing this debt and this might put public finances in some of the Euro-zone countries under considerable pressure. Euro-zone countries have borrowed a record €110bn already this year from financial markets, pushing up the cost of debt and forcing nations with the weakest public finances to pay a higher price for the increased deficits. Greece said that it would keep its borrowing program in spite of concerns in the markets, which saw its bond yields hit 10-year highs in recent weeks. The volume of the Euro-zone sovereign credit default swaps that allow hedging against sovereign bond-default has reached new record highs.

In light of these worries about Euro-zone debt levels and the stress that it could put on the Euro, the president of the European Central Bank (ECB) reassured investors about public finances. The ECB also left its main interest rate unchanged at 1% for the ninth consecutive month, a record low. The bank is expecting inflation – currently at 1.0% for January – and economic growth to remain "moderate". Financial markets are not expecting any interest rate rise until at the earliest late this year. The ECB hinted strongly that at its next meeting in March further steps for implementing the ECB's "exit strategy", under which it will gradually unwind emergency measures to support financial markets, would be provided.

The many uncertainties in the real economy and in the public finances led to the forecast for 2010 to remain unchanged at an expected growth of 0.6% following a decline of 3.9% last year.

Former Soviet Union

Russian economy contracted by 7.9% in 2009

The Russian national statistics office announced in preliminary data that the economy shrank by 7.9% in 2009, after growing by 5.6% a year earlier. The Russian economy recovered in the third quarter, but improvements are still rather weak and its sustainability uncertain. Russia's manufacturing sector showed signs of recovery at the start of 2010. Output rose for the sixth straight month, and at a faster rate, as new orders increased for the first time since last October. Employment continued to fall, but at a much slower rate than the trend pace recorded over late 2008 and 2009. Inflationary pressures strengthened, but remained relatively weak. Our forecast of 3% growth in Russia GDP is based on the effect of delayed impact of the government's large stimulus package, an upturn in external demand and lower interest rates. Private consumption is predicted to recover at a healthy pace, while the danger of non-performing loans might comprise a big challenge to the financial sector.

Current account deficit and inflation in Ukraine to improve in 2010

The National Bank of Ukraine (NBU) has predicted that the deficit of the country's balance of payment will improve in 2010, while in 2009 it came to $13.727 bn. The deficit of Ukraine's current account in 2009 reached $1.94 bn, and the deficit of the financial account totaled $11.787 billion. Ukraine's current account could end this year flat after several years of sliding into the red and the capital account gap could also contract significantly according to NBU. The economy of the former Soviet state has been hard hit by the global financial crisis and contracted by up to 15%, but a sharp fall in domestic demand for imports and a sharply depreciated currency that has made steel and chemical exports much cheaper means the trade account has become close to balanced, helping to bring the current account into the black. Inflation in Ukraine in December 2009 fell to 0.9% m-o-m, from 1.1% in November 2009. Inflation was 12.3% in 2009, while in 2008 it was 22.3%. The NBU forecasts further disinflation in January 2010.

Developing Countries

Possible overheating in developing Asia might bring early exit policies for the region

Inflation is appearing as a growing risk across most of developing Asia. The rise of inflationary pressure in recent months is due to the rapid economic recovery in the region after a deep global recession in early 2009. While rising demand is welcomed to stimulate growth, it has exposed those countries to price instability, pushing policymakers to take a tougher stand on expansionary policies.

Economy growth in China overshoots government target in 2009

Economic growth in China exceeded the government's aim of average real GDP growth of 8% in 2009, posting a full-year growth of 8.7%. It is estimated that the above-target performance was driven mainly by infrastructure investment linked to the government’s stimulus package and a rebound in expenditure on property development. Although real GDP is forecast to grow by 9.1% in 2010, the growth trend is predicted to decelerate throughout the year, and in 2011 the rate of expansion is forecast to fall even further. This reflects the introduction of gradual tightening measures and furthermore the fading impact of the government’s stimulus efforts. With these signs, monetary authorities have moved to rein in credit, which is believed to be causing the overheating. For the first time in over a year the People’s Bank of China raised the reserve-requirement ratio for banks by half a percentage point to 16% on 18 January, thus reducing the amount of money available for banks to lend.

Stimulus in India to overcome drought to push growth higher

The IMF has projected India's economic growth for fiscal 2010-11 at 8% and at 6.7% for the current fiscal year. It attributed India's prompt fiscal and monetary easing to the speedy recovery from the global meltdown. Recent data show that the industrial sector continued to strengthen in November, as year-on-year output growth hit a two-year high of 11.7%. This followed a 10.3% year-on-year expansion in October. Although agricultural output for the current fiscal year is estimated to decline 1% due to a drought, non-agricultural GDP growth is likely to increase. Job growth is expected to support private consumption. Investments are likely to improve with booming corporate profits, rising business confidence and favorable financing conditions. The accelerated pace of reforms and capital inflows could also raise investment. India’s wholesale price inflation rose at a faster rate during December. Wholesale prices shot up by 7.3% y-o-y, compared with a 4.8% gain in November. While the Central Bank of India is trying to keep prices down, the drought and supply bottlenecks have spurred increases. To lower the amount of capital available for lending, the Reserve Bank of India on 29 January increased the cash reserve ratio for banks by 0.75 percentage points to 5.75%. Tighter interest rates could come next. The bank has moved from “managing the crisis to managing the recovery”.

OPEC Member Countries

Inflation in Saudi Arabia increased to 4.2 y-o-y in December

Recent data published by the Central Department of Statistics & Information in Saudi Arabia show that annualized inflation accelerated for the second consecutive month in December to 4.2% from 4.0% in the previous month. On a m-o-m basis, consumer prices increased 0.4% in December compared with 0.3% in November. The Kingdom's annual inflation came down from a record high of 11.1% in July 2008 to a two-year low of 3.5% in October 2009. The Saudi Arabian Monetary Agency SAMA in October forecast inflationary pressures during the fourth quarter, mostly due to seasonal factors. But all data show that the general trend indicates a continued decline in the inflation rate during the fourth quarter of 2009 according to current indexes and future forecasts at both the domestic and international levels, the SAMA said.

Oil prices, the US dollar and inflation

The US dollar continued to strengthen in January, supported in part due to euro weakness

The US dollar continued to strengthen in January against all four major currencies after having reached a 13-month low only at the beginning of December. On a monthly basis, the dollar rose 2.3% against the euro, 1.9% versus the yen, 0.7% compared the Swiss-franc and up by 0.5% against the pound sterling. After having reached a level of $1.5120/€ at the beginning of December – its weakest level since August 2008, it averaged at a monthly rate of $1.4270/€ compared to the December level of $1.4608/€.

The increase in the US dollar was supported only in part by positive indicators in the US economy but even more so due to continued weakness in the Euro-zone and Japan. Particularly the rising concern of the public debt situation in both of the economies constitutes a key-element of the current weakness of their currencies. The surprisingly high US GDP in 4Q09 as well as the drop in the US unemployment rate for December also gave a boost to the US currency.

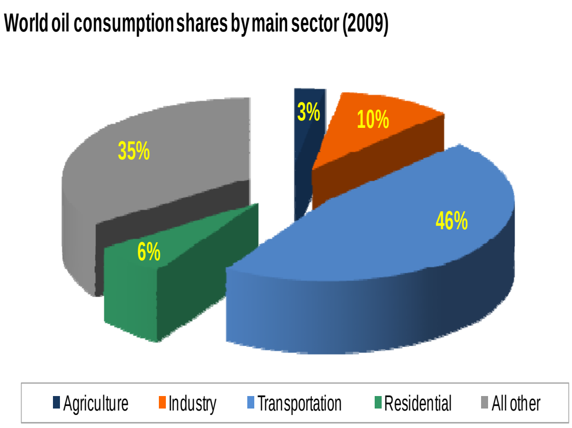
In January, the OPEC Reference Basket increased by $2.00/b or 2.7% to $76.01/b from $74.01/b in December. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket Price rose by $1.91/b or 4.1% to $48.01/b from $46.10/b. The dollar rose by 1.4%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation remained flat.*

* *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 declined by 1.4 mb/d in 2009

World oil demand in 2009



With the year 2009 behind us and the economic recovery ongoing, the uncertainties impacting oil demand are expected to remain for some time. Last year's oil demand plunged heavily as a result of the world financial crisis. World oil demand continued its downward slide from the year before last, bottoming out in the first quarter of 2009 with a deficit of 3.0 mb/d. The non-OECD regions managed to recover quickly registering 0.5 mb/d growth in the second quarter and hitting 1.3 mb/d growth in the fourth. However, this strong recovery could not offset the massive slide in OECD oil demand. The OECD oil demand bottomed out in the second quarter at minus 2.9 mb/d resulting from a semi-halt in the region's industrial production. Cold weather in December, improved economic activity, and a low base line in 2008 have pushed the oil demand up in the OECD which reduced the region's oil demand decline to only 0.3 mb/d.

Given the negative impact of the global financial crisis, world oil demand is estimated to have declined by 1.4 mb/d or 1.6 % in 2009, unchanged from the previous report.

Table 5: World oil demand forecast for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 2009/08 Volume	Change 2009/08 %
North America	24.17	23.52	22.91	23.26	23.44	23.28	-0.89	-3.67
Western Europe	15.33	14.91	14.23	14.62	14.84	14.65	-0.68	-4.44
OECD Pacific	8.07	8.14	7.30	7.27	8.01	7.68	-0.39	-4.79
Total OECD	**47.57**	**46.57**	**44.44**	**45.15**	**46.29**	**45.61**	**-1.96**	**-4.11**
Other Asia	9.39	9.41	9.73	9.55	9.71	9.60	0.22	2.30
Latin America	5.80	5.61	5.82	6.02	5.98	5.86	0.05	0.92
Middle East	6.89	6.96	7.07	7.30	7.03	7.09	0.20	2.83
Africa	3.18	3.26	3.23	3.16	3.27	3.23	0.04	1.40
Total DCs	**25.27**	**25.24**	**25.85**	**26.03**	**25.98**	**25.78**	**0.51**	**2.01**
FSU	4.11	3.82	3.70	4.14	4.18	3.96	-0.14	-3.52
Other Europe	0.79	0.77	0.73	0.77	0.76	0.76	-0.03	-4.08
China	7.97	7.61	8.38	8.56	8.27	8.21	0.23	2.94
Total "Other	**12.87**	**12.20**	**12.82**	**13.46**	**13.21**	**12.93**	**0.06**	**0.45**
Total world	**85.70**	**84.00**	**83.11**	**84.64**	**85.48**	**84.32**	**-1.39**	**-1.62**
Previous estimate	85.70	84.00	83.12	84.81	85.36	84.33	-1.38	-1.61
Revision	0.00	0.00	0.00	-0.17	0.13	-0.01	-0.01	-0.02

Totals may not add due to independent rounding.

Table 6: First and second quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	1Q08	1Q09	Volume	%	2Q08	2Q09	Volume	%
North America	24.77	23.52	-1.25	-5.05	24.42	22.91	-1.51	-6.18
Western Europe	15.29	14.91	-0.38	-2.48	15.07	14.23	-0.84	-5.57
OECD Pacific	8.91	8.14	-0.77	-8.60	7.86	7.30	-0.56	-7.16
Total OECD	**48.96**	**46.57**	**-2.40**	**-4.89**	**47.35**	**44.44**	**-2.91**	**-6.15**
Other Asia	9.49	9.41	-0.08	-0.85	9.55	9.73	0.18	1.86
Latin America	5.60	5.61	0.01	0.12	5.84	5.82	-0.02	-0.34
Middle East	6.77	6.96	0.19	2.84	6.87	7.07	0.20	2.96
Africa	3.22	3.26	0.04	1.13	3.18	3.23	0.04	1.36
Total DCs	**25.08**	**25.24**	**0.15**	**0.62**	**25.45**	**25.85**	**0.40**	**1.59**
FSU	4.17	3.82	-0.35	-8.49	3.79	3.70	-0.09	-2.27
Other Europe	0.83	0.77	-0.06	-6.98	0.76	0.73	-0.03	-3.68
China	7.97	7.61	-0.37	-4.58	8.17	8.38	0.22	2.67
Total "Other Regions"	**12.98**	**12.20**	**-0.78**	**-5.99**	**12.72**	**12.82**	**0.10**	**0.82**
Total world	**87.02**	**84.00**	**-3.02**	**-3.47**	**85.52**	**83.11**	**-2.40**	**-2.81**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2009, mb/d

			Change 2009/08				Change 2009/08	
	3Q08	3Q09	Volume	%	4Q08	4Q09	Volume	%
North America	23.57	23.26	-0.32	-1.34	23.93	23.44	-0.49	-2.05
Western Europe	15.53	14.62	-0.90	-5.82	15.44	14.84	-0.60	-3.85
OECD Pacific	7.54	7.27	-0.26	-3.50	7.97	8.01	0.04	0.45
Total OECD	**46.63**	**45.15**	**-1.48**	**-3.18**	**47.34**	**46.29**	**-1.05**	**-2.22**
Other Asia	9.27	9.55	0.28	3.06	9.23	9.71	0.48	5.14
Latin America	5.97	6.02	0.05	0.84	5.80	5.98	0.18	3.03
Middle East	7.09	7.30	0.22	3.04	6.86	7.03	0.17	2.48
Africa	3.11	3.16	0.04	1.40	3.21	3.27	0.05	1.68
Total DCs	**25.44**	**26.03**	**0.59**	**2.33**	**25.11**	**25.98**	**0.88**	**3.49**
FSU	4.22	4.14	-0.08	-1.94	4.24	4.18	-0.06	-1.41
Other Europe	0.79	0.77	-0.02	-3.00	0.78	0.76	-0.02	-2.56
China	8.10	8.56	0.45	5.58	7.65	8.27	0.62	8.11
Total "Other Regions"	**13.12**	**13.46**	**0.35**	**2.64**	**12.67**	**13.21**	**0.54**	**4.26**
Total world	**85.19**	**84.64**	**-0.54**	**-0.64**	**85.12**	**85.48**	**0.37**	**0.43**

Totals may not add due to independent rounding.

Alternative fuel

Biofuel production has been negatively affecting food prices as its production requires the use of a large quantity of various foods; in addition, farmers are using more land to supply biofuel needs at the cost of producing food.

US authorities are mandating the use of one million plug-in hybrid vehicles by 2015. This move would reduce the use of gasoline by 0.15 mb/d annually as claimed by the US; however it will not be as green as it claims, as emissions will result from the use of electric power plants instead. The positive side of such initiative is that the industry will work on designing more efficient trucks in the future.

The Philippines is having problems because the cost of imported ethanol and sugar cane is soaring as a result of excessive production of biofuels worldwide. Currently, the country is planning to increase its mandated ethanol blend from 5% to 10% by 2011. Only heavy subsidies and enforced rules will make such a blend likely to materialize.

Bad weather along with the slow world economy has hurt the ethanol industry in Brazil. Low oil prices last year exposed the unfeasibility of the biofuel industry. The Brazilian government worries that a price drop during 2010 will put the industry under high pressure as was the case in early 2009. The biofuel industry has enjoyed a time of high oil prices which makes it feasible for its operation to continue. Argentina is implementing a 5% biodiesel blend starting April 2010. This will amount to 17.5 tb/d. Of course, this will reduce export quantities and incur some subsidy costs for the government.

Economic pressure has forced the Italian government to reduce its biofuel subsidies this year. Doing so would result in no growth in country's production for the year. Massive biofuel subsidies within the European Union caused the biofuel industry to grow quickly; however governments are rethinking this policy not only due to the cost but also the negative environmental effects as well. The result will be that the EU does not achieve its mandate of 5.75% in 2010.

OECD – North America

North America oil demand estimated to decline by 0.9 mb/d in 2009

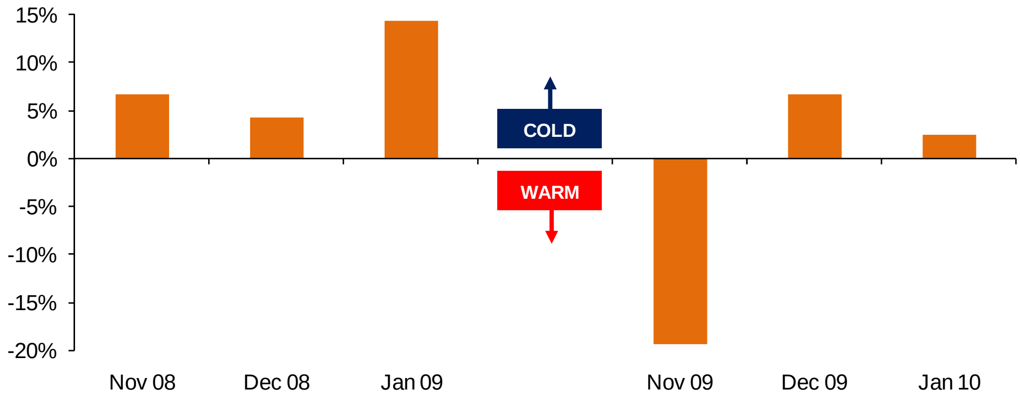
Recent data indicated that the cold weather in December increased US consumption of both heating and fuel oil leaving the country's total oil demand almost flat. The demand for distillate fuel oil increased by 0.24 mb/d in December y-o-y. Furthermore, holiday travel affected the country's transport fuel as well. Gasoline and jet fuel also recorded an increase in consumption amounting to 0.4% and 6.9% respectively. Jet fuel grew positively for the first time since April 2008 due to increased activities in the aviation industry. Jet fuel growth in December did not change the total picture for the year at all. In annual terms, US jet fuel usage declined by 132 tb/d or 8.6% y-o-y. Nevertheless, the driving season in the third quarter managed to pull the gasoline usage to a green level from a deep decline early in the year.

US oil demand declined the most in the world reaching minus 0.8 mb/d in 2009. Most of this decline was as a result of low consumption of industrial fuel.

Mexican oil demand recorded 2.7% growth in December y-o-y. It has been growing since September following many months of decline. As in the US, world economic turmoil has affected Mexico's oil consumption pushing it lower to show a decline of 55 tb/d in 2009. Slowing manufacturing activities reduced the use of diesel oil by 23 tb/d or 6% to average 1.77 mb/d in 2009. Mexican oil demand started recovering in the last quarter, registering growth of 40 tb/d and is expected to follow the same behaviour at least in the first quarter of 2010.

North America oil demand is forecast to decline by 0.9 mb/d y-o-y in 2009 to average 23.3 mb/d.

Graph 11: US heating degree days, difference to normal (%)



OECD Europe oil demand estimated to decline by 0.7 mb/d in 2009

OECD - Europe

Stimulus plans in the Big Four European countries (German, France, Italy and UK) have only had a minor effect on oil demand growth in the region. Ahead of the expiration of most government financial incentives, the Big Four registered strong growth in new passenger cars in December 2009 exceeding 19%. The main bulk of the increase was registered in France with 49%, the UK 39%, and Italy 17%. However this did not affect the region's transport fuel in any way, which continued its decline until year end. Furthermore, the 31% growth in new car sales in Europe in November contrasted with a 5.1% decline in the region's oil demand. The decline in the Big Four oil demand in November was not limited to merely transport fuel, but hit all products. Fuel oil declined the most reaching as low as an 18% decline which reduced oil demand by 110 tb/d y-o-y. As for the year as a whole, Big Four oil demand was negatively affected by low industrial production which plunged its oil demand by 4.6%. Oil demand in Germany, the largest economy on the continent, contracted the most at minus 0.12 mb/d in 2009. As expected, the loss was as a result of low use of industrial and transportation fuel. The second largest decline was in Italy. Italian oil demand declined by 100 tb/d or 6.2% in 2009. Despite the cold weather in December, Italian oil demand sunk by 100 tb/d; however this decline was seen in most of the European countries.

OECD Europe's third and fourth quarter oil demand decline was more than expected. The economic crisis has affected energy use as unemployment keeps growing; hence the region's oil demand was revised down by 70 tb/d for 2009. OECD Europe oil demand is forecast to decline by 0.7 mb/d in 2009 to average 14.7 mb/d.

Graph 12: European new passenger car registrations & motor fuel consumption, y-o-y % changes

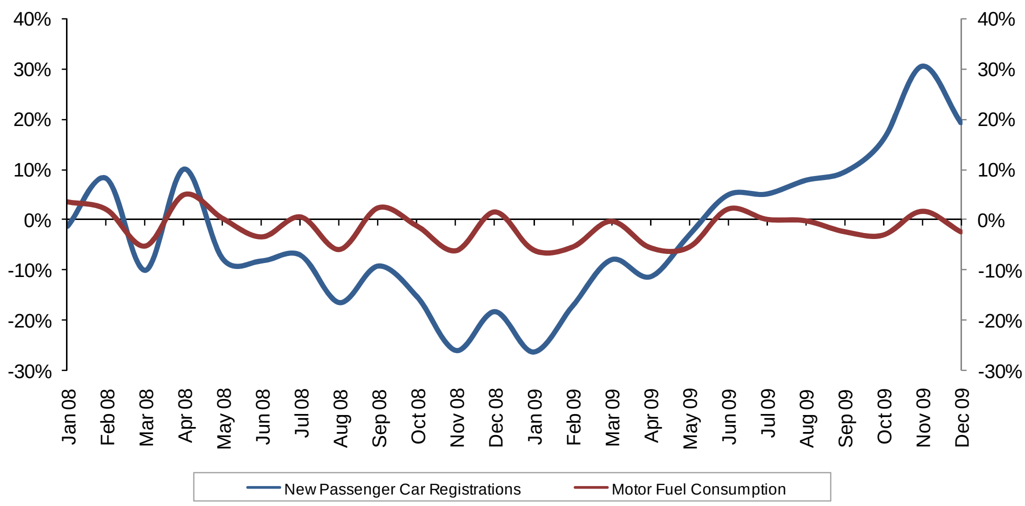


Table 8: Italian Oil Consumption (tb/d)

	Dec 09	Dec 08	Change to Dec 08	Change to Dec 08 (%)
LPG	151	147	4	2.9
Gasoline	255	272	-16	-6.0
Jet Fuel	69	67	2	3.0
Diesel Oil	695	684	11	1.7
Fuel Oil	265	353	-88	-25.0
Other Products	95	108	-13	-12.0
Total Oil	**1,530**	**1,630**	**-100**	**-6.1**

The OECD Pacific oil demand is estimated to decline by 0.4 mb/d in 2009

OECD - Pacific

The largest oil consuming country in the OECD Pacific experienced a 2.2% oil demand decline in December averaging 3.96 mb/d. This was not a new trend for Japan. As for the year in total, Japan's oil demand is forecast to decline by 8.2% or 0.3 mb/d in 2009. All sectors that require energy are performing slower than before. Only gasoline consumption was 0.7% higher and mostly due to the low base in 2008. Furthermore, the use of kerosene also increased slightly as a result of colder than normal weather; nevertheless, the decline in other products massively pushed the country's oil demand into the red. The use of crude burning declined by more than half, following the restoration of a damaged nuclear power plant.

South Korea on the other hand has been showing an increase in its energy use, including fossil fuel. South Korea managed to pull out of the deficit in oil use in the middle of the year. The country's oil use in the second and third quarter grew by 70 tb/d each. Given the economic recovery, especially in industrial production, South Korea's oil demand grew 3.8% in December ending the fourth quarter with a 150 tb/d growth y-o-y. For the total year, the country used 7% more gasoline and 0.8% more diesel.

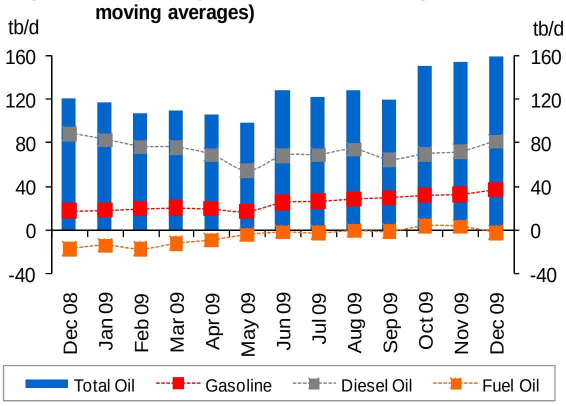
Due to enhanced economic activity in South Korea and colder weather, OECD Pacific fourth quarter oil demand was revised up by 0.13 mb/d. OECD Pacific oil demand is forecast to decline by 0.4 mb/d in 2009 averaging 7.7 mb/d.

Developing Countries

Developing Countries' oil demand growth is estimated at 0.5 mb/d in 2009

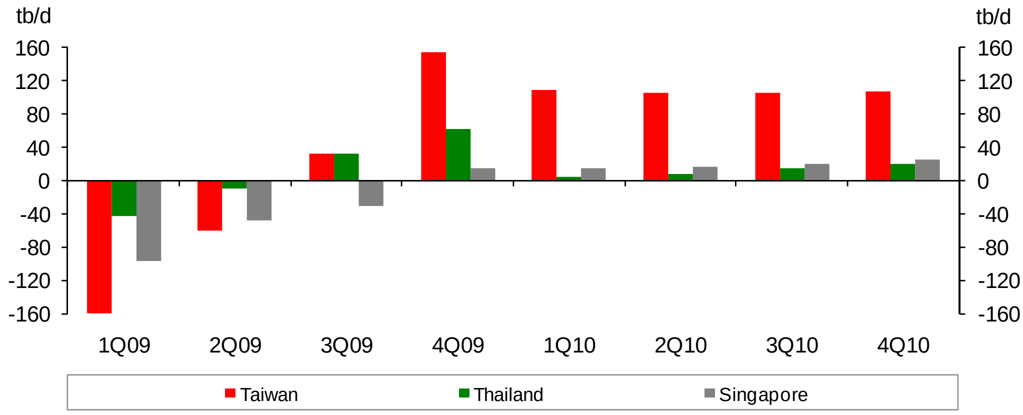
India's economy continued its roaring performance in 2009 despite the setbacks in most of the world, reaching 6.2% growth. December Indian oil demand registered 5.9% growth y-o-y adding another 185 tb/d to the country's oil demand. Most of the growth was as a result of strong use in the transport sector. Gasoline and diesel usage increased by 55 tb/d and 133 tb/d in December y-o-y.

Graph 13: Yearly changes in Indian oil demand (12 month moving averages)



All economic sectors showed strong growth leading to consumption of more oil than previously expected. Indian oil consumption came out of 2009 almost unaffected by the world financial crisis, due to robust economic growth and several governmental incentives for all industry sectors, especially the automobile sector. The country's total oil demand increased by 5.6% or 160 tb/d in 2009 to average 3.3 mb/d. Diesel oil consumption accounted for half of this growth and gasoline consumption contributed 38 tb/d to the country's total oil demand growth in 2009.

Graph 14: Oil consumption in selected Asian countries, y-o-y growth



Other Asia oil demand for 2009 shows growth of 0.22 mb/d

The rest of Other Asia was no different from India as far as oil use was concerned. The region's economy rebounded quickly and ended the year with GDP growth of 2.7% in 2009. Despite the strong plunge in Taiwan's economy, its use of oil pulled out of the deficit to a break-even level. Taiwan oil demand showed a massive increase in the fourth quarter reaching 155 tb/d. Despite the decrease in transport fuel, oil used by the manufacturing industry resulted in strong y-o-y growth in the second half of 2009. Thailand's oil demand behaved a little better than Taiwan's and was expected to end the year with slight growth of 1.4%.

As for the total region of Other Asia, the fourth quarter came in as expected with massive 5.4% growth adding another 0.5 mb/d of consumed oil. This put Other Asia oil demand for the total year at growth of 0.21 mb/d averaging 9.6 mb/d.

Graph 15: Changes in Indian oil demand, y-o-y

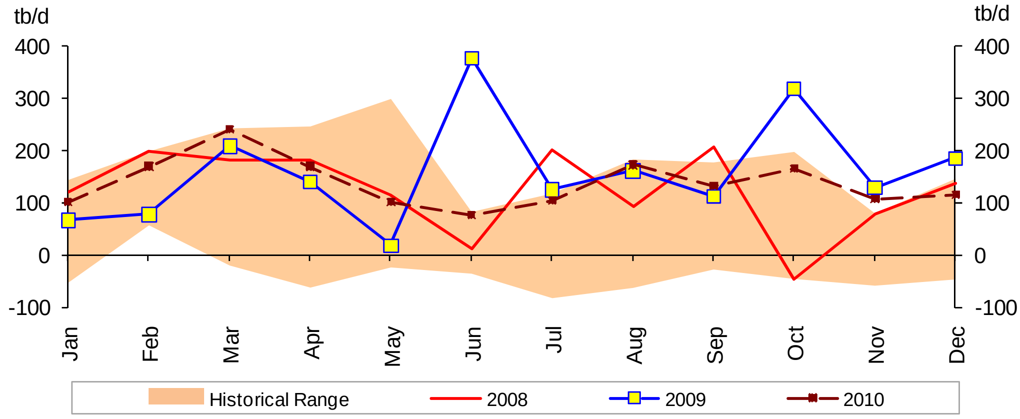


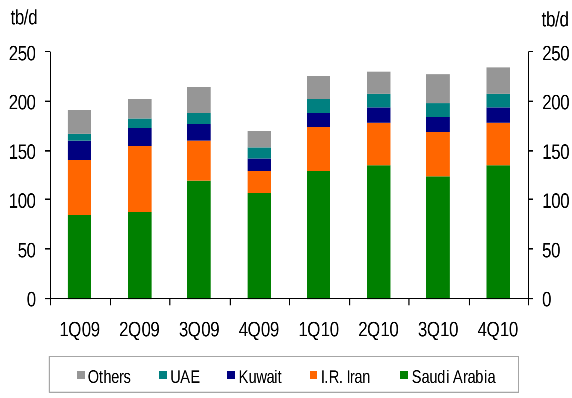
Table 9: Taiwan oil demand, tb/d

	Nov 09	Nov 08	Change from Nov 08	Change from Nov 08 (%)
LPG	76	49	27	35.2
Gasoline	153	176	-23	-15.1
Jet/Kerosene	46	37	9	19.1
Gas/Diesel Oil	87	124	-37	-42.3
Fuel Oil	143	135	8	5.5
Other Products	443	295	149	33.5
Total	**947**	**815**	**132**	**13.9**

Source: JODI

Middle East total oil demand in 2009 remained relatively steady with a minor upward revision of 10 tb/d compared to last month. Slow demand in certain countries pressured the region's overall performance. Middle East demand is estimated to grow by 0.2 mb/d to 7.1 mb/d.

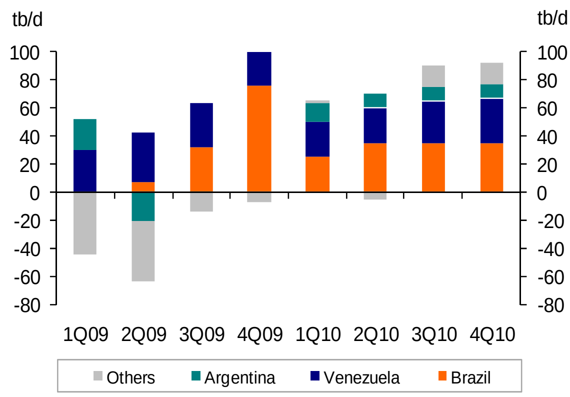
Graph 16: Yearly oil demand growth in the Middle East



Latin America oil demand growth estimated at 50 tb/d in 2009

In spite of the 1% downward decline in the Brazilian economy, the country's oil demand is forecast to grow by 2% in 2009. As expected, Brazilian oil demand growth is attributed to industrial sectors. Strong industrial use of oil pushed Argentina's December inland oil deliveries to grow by 8.8%. The country's oil demand recovery in the fourth quarter managed to pull total oil demand only to a breakeven level. The global financial crisis negatively affected Argentina's oil demand in the first half of 2009. Other countries in

Graph 17: Yearly oil demand growth in Latin America



Latin America such as Venezuela and Ecuador used more oil last year in the same magnitude as Brazil. Given this strong unexpected growth in Brazil, the region's fourth quarter oil demand was revised up by 30 tb/d y-o-y. Latin America oil demand forecast indicated growth of 50 tb/d y-o-y in 2009.

As a consequence of the strong Asian oil demand, Developing Countries' oil demand growth is forecast at 0.5 mb/d y-o-y in 2009, averaging 25.8 mb/d.

Table 10: Inland oil deliveries in Argentina, kb/d

	Jan-Dec 2009	Jan-Dec 2008	Difference	%
LPG	33	30	4	10.8
Gasoline	138	132	6	4.4
Gas/Diesel Oil	254	275	-21	-8.3
Jet/Kerosene	34	33	1	2.8
Fuel Oil	34	40	-6	-16.2
Other Products	73	55	18	24.7
Total	**567**	**565**	**2**	**0.4**

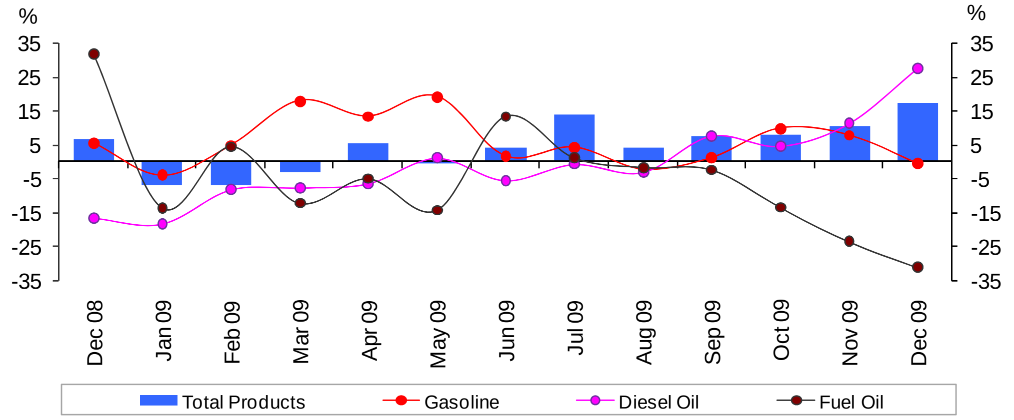
Source: Secretaría de Energía, República Argentina

Other regions

Chinese apparent oil demand growth in the fourth quarter estimated at 0.62 mb/d

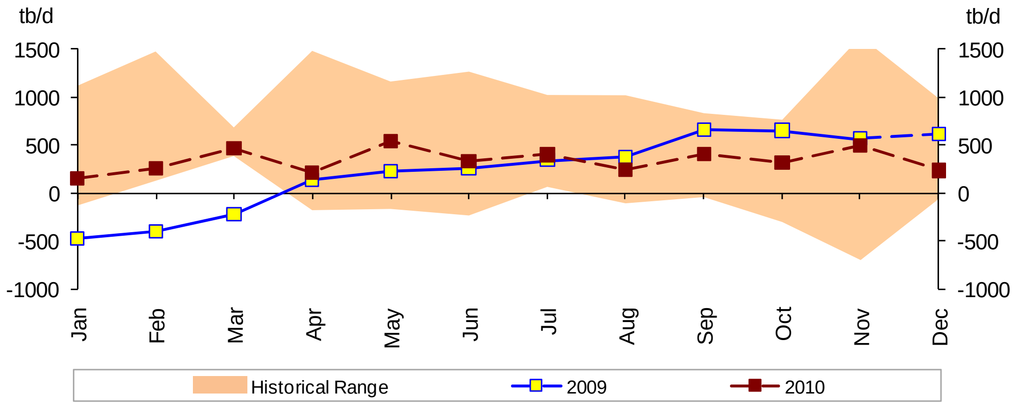
China's December apparent oil demand hit a high record reaching 17% growth y-o-y; however it was a little less than November's y-o-y growth. Not only was the demand high but the refinery runs were high as well since the new Chinese pricing system, which was implemented this year, guarantees a certain margin to refiners. This caused the country's oil imports to reach 1.4 mb/d growth in December y-o-y.

Graph 18: Changes in Chinese main oil products apparent consumption, y-o-y



Despite the strong setback of the Chinese oil demand during the financial turmoil in the first quarter, recovery was remarkably fast pushing oil demand growth to 2.7% in the second quarter, mainly due to strong economic activity and government stimulus plans. The main drivers of that growth are motor gasoline (95 tb/d or 6%), LPG (80 tb/d or 13%), which is used in the petrochemical industry, and kerosene (49 tb/d or 18%). Small decreases have been registered for diesel oil (-44 tb/d or -2%) and residual fuel oil (-4 tb/d or -6%). China's oil demand growth materialized despite the 17% decrease in the country's exports in 2009. The government stimulus plan that was introduced during 2009 made a significant push to the country's new car registration, which grew by a strong 56% introducing another 13.6 million vehicles to China's streets in 2009. To meet the growing 5% demand in power consumption, China expanded its existing power generators adding another 90 GW in 2009. Nevertheless, the new capacity expansion was fueled not only by oil, but mostly by various kinds of energy, dominated by coal. Given the government stimulus plan which promotes economic activities along with energy demand, Chinese fourth quarter apparent oil demand is exceeding all expectations. Chinese fourth quarter apparent oil demand growth is forecast at 0.62 mb/d y-o-y to average 8.2 mb/d.

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



World oil demand growth forecast for 2010 unchanged at 0.8 mb/d

World oil demand in 2010

The slow pace of the recovery in the world economy in 2010 is putting pressure on oil demand. As a result, US demand is a key uncertainty for this year. Having a low base for oil consumption as a result of the last two years' decline in consumption is a positive factor; however, this could be easily undermined by a continuation of the low oil demand seen in most all sectors. Cold weather did manage to strengthen heating and fuel oil demand, but declining consumption in the industrial sector has pushed the country's total oil demand into the negative so far this year. It is expected that the recovery will strengthen in the second half of the year; however the risk is high that the country's oil demand would slide back further. The 1% forecast growth in US oil demand this year is facing a set of obstacles that could prevent it from materializing. If this happens, then the US oil demand might come flat if not negative for the total year. It is all connected to the pace of recovery, which in turn depends on how much the government is able to stimulate the economy and tackle unemployment. It is forecast that the expected economic recovery this year would minimize the loss in OECD oil demand by more than 90%; hence, this is tied to the recovery of the US economy. The US, which consumes less than one fourth of the total oil consumed worldwide, is a key country to world oil demand changes.

Last year, China's stimulus plan contributed positively to the country's growth in many sectors including its energy demand growth. China's oil demand is forecast to grow by 4.5% in 2010 adding another 0.37 mb/d to the country's oil consumption pool. The downward risk to the oil demand forecast for China is minimal. Nevertheless, the government is keen to curb the nation's energy use via a programme that was started in 2006. Another downward risk is the future status of the global economy which might hinder China's exports and industrial production. Should a minor setback in China's economic activities materialize, the oil demand growth forecast will be affected slightly as a result of conservative 4.5% initial assessment for growth. There are many factors that are pushing the energy consumption up despite the government's initiative to reduce energy use. It is forecast that the country's new car sales in 2010 will amount to 15 million vehicles or 40%. There is an upward risk to China's oil demand forecast and it might absorb to a certain degree any unexpected decline in US demand. Early assessment indicated that worse-than-expected US oil demand might shave more than 100 tb/d from the world oil demand growth forecast for 2010.

World oil demand growth in 2010 will be completely due to non-OECD regions. World oil demand is forecast to grow by 0.8 mb/d y-o-y, averaging 85.1 mb/d, broadly unchanged from the previous month.

Table 11: World oil demand forecast for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 2010/09 Volume	%
North America	23.28	23.60	23.11	23.53	23.74	23.50	0.21	0.92
Western Europe	14.65	14.56	14.05	14.46	14.72	14.45	-0.20	-1.38
OECD Pacific	7.68	8.01	7.11	7.10	7.89	7.52	-0.15	-2.00
Total OECD	**45.61**	**46.16**	**44.27**	**45.09**	**46.36**	**45.47**	**-0.14**	**-0.31**
Other Asia	9.60	9.63	9.87	9.77	9.90	9.79	0.19	1.98
Latin America	5.86	5.67	5.89	6.11	6.07	5.94	0.08	1.33
Middle East	7.09	7.18	7.30	7.53	7.26	7.32	0.23	3.24
Africa	3.23	3.31	3.29	3.22	3.31	3.28	0.05	1.67
Total DCs	**25.78**	**25.79**	**26.35**	**26.62**	**26.54**	**26.33**	**0.55**	**2.14**
FSU	3.96	3.85	3.72	4.17	4.22	3.99	0.03	0.77
Other Europe	0.76	0.75	0.73	0.77	0.78	0.76	0.00	0.02
China	8.21	8.08	8.69	8.91	8.61	8.57	0.37	4.49
Total "Other Regions"	**12.93**	**12.69**	**13.14**	**13.86**	**13.61**	**13.33**	**0.40**	**3.09**
Total world	**84.32**	**84.64**	**83.75**	**85.57**	**86.51**	**85.12**	**0.81**	**0.96**
Previous estimate	84.33	84.71	83.75	85.73	86.38	85.15	0.82	0.98
Revision	-0.01	-0.07	0.00	-0.17	0.13	-0.03	-0.02	-0.02

Totals may not add due to independent rounding.

Table 12: First and second quarter world oil demand comparison for 2010, mb/d

	1Q09	1Q10	Change 2010/09 Volume	%	2Q09	2Q10	Change 2010/09 Volume	%
North America	23.52	23.60	0.08	0.32	22.91	23.11	0.20	0.87
Western Europe	14.91	14.56	-0.35	-2.35	14.23	14.05	-0.18	-1.29
OECD Pacific	8.14	8.01	-0.14	-1.67	7.30	7.11	-0.19	-2.62
Total OECD	**46.57**	**46.16**	**-0.41**	**-0.88**	**44.44**	**44.27**	**-0.17**	**-0.39**
Other Asia	9.41	9.63	0.21	2.27	9.73	9.87	0.14	1.46
Latin America	5.61	5.67	0.07	1.16	5.82	5.89	0.07	1.12
Middle East	6.96	7.18	0.23	3.24	7.07	7.30	0.23	3.26
Africa	3.26	3.31	0.05	1.50	3.23	3.29	0.06	1.83
Total DCs	**25.24**	**25.79**	**0.55**	**2.19**	**25.85**	**26.35**	**0.50**	**1.92**
FSU	3.82	3.85	0.03	0.89	3.70	3.72	0.02	0.51
Other Europe	0.77	0.75	-0.02	-2.59	0.73	0.73	-0.01	-0.68
China	7.61	8.08	0.48	6.24	8.38	8.69	0.30	3.61
Total "Other Regions"	**12.20**	**12.69**	**0.49**	**4.01**	**12.82**	**13.14**	**0.32**	**2.47**
Total world	**84.00**	**84.64**	**0.63**	**0.75**	**83.11**	**83.75**	**0.64**	**0.77**

Totals may not add due to independent rounding.

Table 13: Third and fourth quarter world oil demand comparison for 2010, mb/d

	3Q09	3Q10	Change 2010/09 Volume	%	4Q09	4Q10	Change 2010/09 Volume	%
North America	23.26	23.53	0.27	1.17	23.44	23.74	0.30	1.28
Western Europe	14.62	14.46	-0.16	-1.09	14.84	14.72	-0.12	-0.81
OECD Pacific	7.27	7.10	-0.17	-2.39	8.01	7.89	-0.11	-1.43
Total OECD	**45.15**	**45.09**	**-0.06**	**-0.13**	**46.29**	**46.36**	**0.07**	**0.14**
Other Asia	9.55	9.77	0.22	2.26	9.71	9.90	0.19	1.94
Latin America	6.02	6.11	0.09	1.50	5.98	6.07	0.09	1.54
Middle East	7.30	7.53	0.23	3.11	7.03	7.26	0.23	3.33
Africa	3.16	3.22	0.06	1.93	3.27	3.31	0.05	1.41
Total DCs	**26.03**	**26.62**	**0.59**	**2.28**	**25.98**	**26.54**	**0.56**	**2.16**
FSU	4.14	4.17	0.03	0.75	4.18	4.22	0.04	0.91
Other Europe	0.77	0.77	0.01	0.65	0.76	0.78	0.02	2.62
China	8.56	8.91	0.36	4.15	8.27	8.61	0.34	4.14
Total "Other Regions"	**13.46**	**13.86**	**0.39**	**2.90**	**13.21**	**13.61**	**0.40**	**3.03**
Total world	**84.64**	**85.57**	**0.93**	**1.09**	**85.48**	**86.51**	**1.03**	**1.20**

Totals may not add due to independent rounding.

OECD

OECD demand to contract slightly in 2010

January cold winter weather within the OECD did not offset the decline in oil use experienced in other sectors of the economy. Furthermore, the two largest auto manufacturers in the US (GM and Ford) reported an increase in sales of 14% and 25% in January. In addition, two airlines reported an increase in air travel in January; however, this did not stop the total country's oil demand from seeing a 1.9% decline in January y-o-y. Industrial use of oil is very low, resulting from low manufacturing activities. Initial January data indicated a continued decline in US oil demand despite the increase in heating oil usage. Distillate fuel oil use hit bottom with more than an 8% decline. The use of other products such as gasoline is sliding to the negative as well. Should this early weekly data materialize and continue in the second month of the year, then the country's total oil demand growth forecast will be revised down. In total, US oil consumption was 0.4 mb/d less than a year ago. US oil demand is the wild card to the total world oil demand growth forecast. Should the country's oil use continue its decline for the first quarter despite the cold winter, then the second quarter oil demand would be lower as well. The country's economy is still recovering, industrial production is low and new car registrations are below normal indicating that oil demand is not likely to return to its normal trend.

In Europe, the Big Four oil demand is forecast to shrink by more than 2% in 2010. Germany's oil demand is forecast to decline by 50 tb/d this year; however it is half of what was seen last year. France, on the other hand, is expected to experience the same decline of last year. Other countries within the region are experiencing a slowdown in new car sales due to the economic turmoil. OECD Europe oil demand is anticipated to decline by 200 tb/d in 2010, up from a 700 tb/d decline in 2009.

The two largest oil consuming countries in the Pacific are contradicting each other in the oil consumption trend for this year. It is expected that Japan will reduce its oil usage by more than 4% in 2010; while South Korea is forecast to increase its oil use by 1% in the same year. Industrial and transport use of fuel are the two sectors that are expected to positively affect South Korea's total oil demand for 2010. The year has started with cold winter in the Pacific causing the region's heating oil usage to slightly increase; however some heating demand was met by other fuels.

Given the hope for a positive US oil demand trend, OECD oil demand is forecast to dip below the line by only 0.3% in 2010 to average 45.5 mb/d.

Non-OECD

Developing Countries forecast to grow by 2.1% in 2010, leading to accumulative growth of 1.0 mb/d in non-OECD demand

Healthy economic growth in China, India, the Middle East, and Latin America is expected to contribute to higher demand growth in 2010 in comparison to last year. Non-OECD new vehicle sales especially in China are expected to be strong, resulting from stimulus plans that were started last year.

The continuous economic boom in the Middle East has continued to bolster regional oil demand. It is expected that Middle East oil demand will grow by 3.2% in 2010. Given its sturdy economy, there is an upward risk for the region's oil demand forecast. It is expected that the oil demand quarterly distribution growth will follow normal seasonality, peaking in the third quarter.

Furthermore, Other Asia oil demand is forecast to grow led by strong consumption in India. India's oil demand is forecast to be in line with last year's level. The industrial, transportation, and agricultural sectors are expected to show a healthy performance stimulating the country's oil demand to grow by 5.0% in 2010.

Following a bumpy year, China's oil demand is expected to grow the most this year reaching 4.5%. First quarter oil demand is expected to increase by 0.5 mb/d with a strong trend throughout the year.

Given the healthy growth in India and the Middle East, oil demand in the Developing Countries is forecast to grow by 2.1% in 2010. This will lead to accumulative growth in non-OECD oil demand of 1.0 mb/d in 2010.

World Oil Supply

Non-OPEC

Estimate for 2009

Non-OPEC supply estimated to have grown 0.58 mb/d in 2009 to average 50.95 mb/d

Non-OPEC supply in 2010 is estimated to have increased by 0.58 mb/d over the previous year to average 50.95 mb/d in 2009. The current estimate points toward a relatively minor downward revision of 11 tb/d compared to last month. Due to various historical revisions to different countries' data, the annual growth in 2009 increased compared to last month despite a minor downward revision to the overall total. The supply profile of many non-OPEC countries experienced various changes both upwards and downwards. Historical revisions were carried over to supply from Other Western Europe, Brunei, India, Malaysia, Thailand, Vietnam, Argentina, Brazil, Chad, South Africa, and China. Recently updated data led to the revisions, with some going back to 2007. Additionally, there were few other revisions that were introduced to 2009 supply estimates on the back of new data, mainly for the fourth quarter. Production estimates for the US, Canada, Denmark, Brazil, Yemen, Azerbaijan, and China during 2009 experienced minor revisions compared to the previous month. On a quarterly basis, non-OPEC supply is estimated at 50.92 mb/d, 50.61 mb/d, 50.81 mb/d and 51.44 mb/d, respectively.

Graph 20: Regional Non-OPEC supply growth, y-o-y

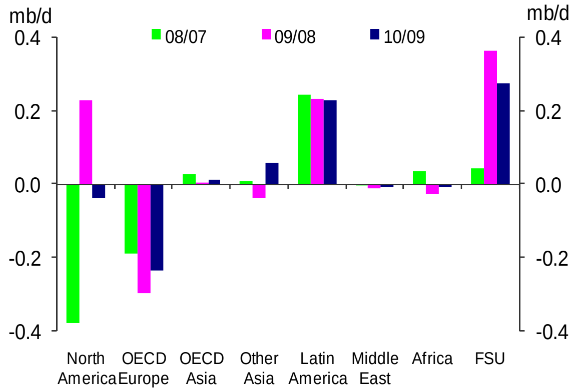


Table 14: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.92	14.19	14.01	14.19	14.28	14.17	0.24
Western Europe	4.97	5.06	4.66	4.45	4.75	4.73	-0.24
OECD Pacific	0.63	0.64	0.61	0.65	0.64	0.64	0.01
Total OECD	**19.52**	**19.89**	**19.28**	**19.30**	**19.67**	**19.53**	**0.02**
Other Asia	3.73	3.71	3.69	3.70	3.77	3.72	-0.02
Latin America	4.20	4.36	4.38	4.39	4.50	4.41	0.21
Middle East	1.67	1.67	1.68	1.69	1.67	1.68	0.01
Africa	2.75	2.73	2.73	2.72	2.67	2.71	-0.03
Total DCs	**12.35**	**12.47**	**12.47**	**12.50**	**12.61**	**12.51**	**0.16**
FSU	12.56	12.64	12.90	13.00	13.16	12.93	0.37
Other Europe	0.15	0.14	0.13	0.14	0.14	0.14	-0.01
China	3.84	3.80	3.85	3.88	3.87	3.85	0.01
Total "Other regions"	**16.55**	**16.58**	**16.88**	**17.03**	**17.17**	**16.92**	**0.37**
Total Non-OPEC production	**48.41**	**48.94**	**48.63**	**48.83**	**49.45**	**48.96**	**0.55**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.36**	**50.92**	**50.61**	**50.81**	**51.44**	**50.95**	**0.58**
Previous estimate	50.45	50.92	50.60	50.81	51.49	50.96	0.51
Revision	-0.09	0.00	0.01	0.00	-0.05	-0.01	0.07

Revisions to the 2009 estimate

Most of the non-historical revisions to non-OPEC supply estimates in 2009 took place in the fourth quarter, while there were few revisions in the first three quarters to individual countries' oil supply; however, most of these offset one another. Compared to previous month's figures, non-OPEC supply estimate in the fourth quarter experienced a downward revision of 52 tb/d. US oil supply experienced an upward revision of 46 tb/d in 2009, mainly in the fourth quarter, to adjust for actual production data, which came in higher-than-expected on the back of strong supply from the Gulf of Mexico as well as improved biofuels production. Similarly, actual data for Vietnam production in the fourth quarter displayed a healthy increase on the back of ramp-ups of different fields that resulted in an upward revision of 37 tb/d for the whole year. Yemen oil supply estimates for 2009 experienced an upward revision of 20 tb/d to adjust for recently received actual production data.

On the other hand, Canada oil supply estimates encountered a downward revision of 30 tb/d, to adjust for an updated estimation in the fourth quarter that was lower than expected, on the back of production problems at different oil sand facilities. Brazil oil supply estimates were revised down due to lower-than-previously expected actual production data in the fourth quarter. The estimate for Azerbaijan oil production was revised down by 5 tb/d, compared to the previous month, as actual production figures indicated lower output in the fourth quarter due to unexpected shutdown and maintenance.

Forecast for 2010

Non-OPEC supply forecast to grow by 0.33 mb/d in 2010 to average 51.28 mb/d

Non-OPEC supply is expected to average 51.28 mb/d in 2010, an increase of 0.33 mb/d over the previous year, indicating a downward revision of 33 tb/d from the previous month. The downward revision came due to a few changes to individual countries' supply profile in addition to carrying over some of the revisions introduced to 2009 supply estimates. On a quarterly basis, non-OPEC supply is expected to average 51.39 mb/d, 51.14 mb/d, 51.03 mb/d and 51.55 mb/d, respectively.

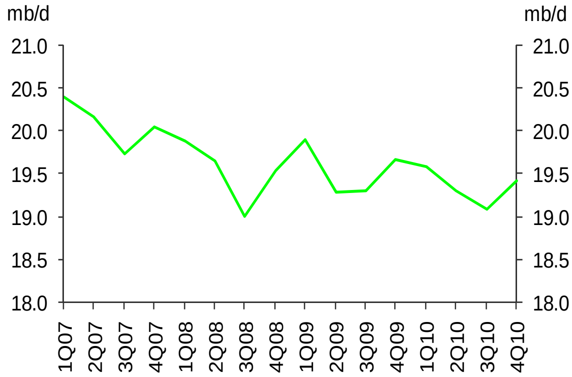
Table 15: Non-OPEC oil supply in 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
North America	14.17	14.32	14.25	14.16	14.29	14.26	0.09
Western Europe	4.73	4.61	4.41	4.26	4.45	4.43	-0.30
OECD Pacific	0.64	0.64	0.64	0.67	0.68	0.66	0.02
Total OECD	**19.53**	**19.58**	**19.31**	**19.10**	**19.42**	**19.35**	**-0.18**
Other Asia	3.72	3.74	3.72	3.71	3.70	3.72	0.00
Latin America	4.41	4.53	4.57	4.65	4.75	4.62	0.22
Middle East	1.68	1.67	1.68	1.67	1.66	1.67	-0.01
Africa	2.71	2.69	2.68	2.71	2.70	2.70	-0.02
Total DCs	**12.51**	**12.62**	**12.66**	**12.73**	**12.81**	**12.70**	**0.19**
FSU	12.93	13.18	13.18	13.15	13.28	13.20	0.27
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	3.85	3.89	3.87	3.93	3.92	3.90	0.05
Total "Other regions"	**16.92**	**17.21**	**17.19**	**17.21**	**17.34**	**17.24**	**0.32**
Total Non-OPEC production	**48.96**	**49.41**	**49.16**	**49.05**	**49.56**	**49.29**	**0.33**
Processing gains	1.98	1.98	1.98	1.98	1.98	1.98	0.00
Total Non-OPEC supply	**50.95**	**51.39**	**51.14**	**51.03**	**51.55**	**51.28**	**0.33**
Previous estimate	50.96	51.42	51.19	51.03	51.61	51.31	0.35
Revision	-0.01	-0.02	-0.05	0.00	-0.06	-0.03	-0.02

OECD

OECD supply to average 19.35 mb/d in 2010, a decrease of 0.18 mb/d

Graph 21: OECD's quarterly production



Total OECD oil supply in 2010 is projected to decline by 0.18 mb/d compared to the previous year to average 19.35 mb/d, indicating a downward revision of 78 tb/d compared to last month. The downward revision was mainly a carried over adjustment from historical data that affected the supply forecast of the US, Canada, Denmark, and Other Western Europe. The OECD supply profile remains unchanged with a growth anticipated in North America while Western Europe is believed to continue declining and OECD Pacific is expected to show a minor increase. On a quarterly basis, OECD oil supply is forecast to stand at 19.58 mb/d, 19.31 mb/d, 19.10 mb/d and 19.42 mb/d, respectively.

North America

Oil production from North America is foreseen to increase by 90 tb/d over 2009 to average 14.26 mb/d in 2010, indicating a minor upward revision of 10 tb/d compared to last month. Oil production forecast remains relatively unchanged from the previous month with the US and Canada expected to add volumes while Mexico is seen to continue to decline in 2010. On a quarterly basis, North America oil supply in 2010 is expected to stand at 14.32 mb/d, 14.25 mb/d, 14.16 mb/d, and 14.29 mb/d, respectively.

US

US supply to grow at 0.14 mb/d in 2010

The **US** oil supply is forecast to average 8.19 mb/d in 2010, following an upward revision of 34 tb/d from the previous month. Despite the upward revision to total volume, the growth in 2010 experienced a downward revision of 10 tb/d from last month to now stand at 0.14 mb/d. The introduced historical revision was the main reason for the adjustments. US oil supply is expected to increase in 2010 supported by projects startups and ramp-ups in the Gulf of Mexico such as the Cascade, Chinook, Clipper, and Perdido developments. Additionally, biofuels production is foreseen to increase in 2010 supported by improved economics. However, a high level of risk is associated with the forecast on the back of weather and economic conditions. On a quarterly basis, US oil production is seen to stand at 8.20 mb/d, 8.17 mb/d, 8.16 mb/d, and 8.23 mb/d, respectively. Preliminary data puts the US January oil supply at 8.19 mb/d, which is slightly lower than December.

Canada and Mexico

Oil sand to further support Canada oil supply to grow by 0.10 mb/d in 2010

Canadian oil supply is expected to increase by 0.10 mb/d over the previous year to average 3.23 mb/d in 2010, indicating a downward revision of 24 tb/d compared to the previous month. The downward revision was introduced mainly on the back of the historical revisions. Expected growth in 2010 also experienced an upward revision of 10 tb/d, but this was not enough to offset the historical revision to the total volume. Canada supply growth forecast remains supported by oil sand developments while the conventional oil supply is seen declining. The small upward revision of the forecast growth was instituted due to the expected increase of number of wells that would be drilled in Canada in 2010. The number of projected wells to be drilled in 2010 encountered an increase of 12% compared to the forecast in November 2009, which puts the total for 2010 at 9000 wells. Additionally, the operational glitches experienced in 2009 by some oil sand producers are expected to be few in 2010, which is supporting the growth.

Mexico oil production to decline by 0.15 mb/d in 2010

Oil supply from **Mexico** is anticipated to decline by 0.15 mb/d from the previous year to average 2.83 mb/d in 2010, unchanged from last month. The lack of major new developments in the short term and the decline in mature areas are the main factors behind the expected decline. The new development at the Chicontepec project is not seen to provide enough volume to offset the decline at the Cantarell and other fields, while the Ku-Maloob-Zaap (KMZ) is believed to be reaching peak production. Hence, the expected new volume in 2010 is not seen to be sufficient to reverse the declining trend experienced since 2005.

Western Europe

OECD Western Europe oil production is estimated to decline by 0.30 mb/d to average 4.43 mb/d in 2010, indicating a downward revision of 85 tb/d compared to the previous month. The downward revision was introduced to adjust for the undertaken historical revisions mainly for Other Western Europe. Additionally, some minor downward revision was introduced to the UK supply profile in 2010. OECD Western Europe supply is expected to have quarterly supply of 4.61 mb/d, 4.41 mb/d, 4.26 mb/d and 4.45 mb/d, respectively.

Norway supply to average 2.22 mb/d in 2010

Oil production from **Norway** is forecast to drop by 0.12 mb/d to average 2.22 mb/d in 2010, flat from the previous month. The drop in mature producing areas remains as the major factor behind the continuing decline as new developments are expected to add only limited volumes. Expected production in the first quarter of 2010 represents a decline from the previous quarter, while the export programme, which so far is showing a decline in the first two months of the year, is supporting expectations for a drop in the first quarter. The harsh weather conditions at the beginning of the year are believed to have negatively affected production.

UK supply to decline by 0.14 mb/d in 2010

The **UK** oil supply is predicted to decline by 0.14 mb/d to average 1.35 mb/d in 2010, indicating a downward revision of 10 tb/d compared to last month's level. The downward revision was introduced on the back of lower export programme in the first two months of the year. Additionally, the fire at the Erskine platform that resulted in the shutdown of the facility that produces gas and small quantity of condensate further supported the minor downward revisions. Moreover, the reported decline in drilled wells in 2009 further influenced the forecast for 2010.

Oil supply from **Denmark** is believed experience a minor drop of 20 tb/d from the 2009 level to average 0.24 mb/d in 2010, representing a downward revision of 13 tb/d from the previous month. The downward revision came partially to adjust for revision to the fourth quarter 2009 that was carried over to 2010. The first quarter supply is expected to show a minor increase compared to fourth quarter level as the Siri fields resumed production after a shutdown for several months.

Other Western Europe oil supply forecast to average 0.62 mb/d in 2010, representing a decline of 20 tb/d from 2009, and indicating a downward revision of 62 tb/d compared to the previous month. The experienced downward revision came on the back of the introduced historical revision.

Asia Pacific

Oil supply from **OECD Asia Pacific** is expected to grow by 20 tb/d over 2009 to average 0.66 mb/d in 2010, unchanged from previous month's projection. On a quarterly basis, total oil supply is estimated to average 0.64 mb/d, 0.64 mb/d, 0.67 mb/d and 0.68 mb/d respectively.

Australia supply to remain flat in 2010 at 0.55 mb/d

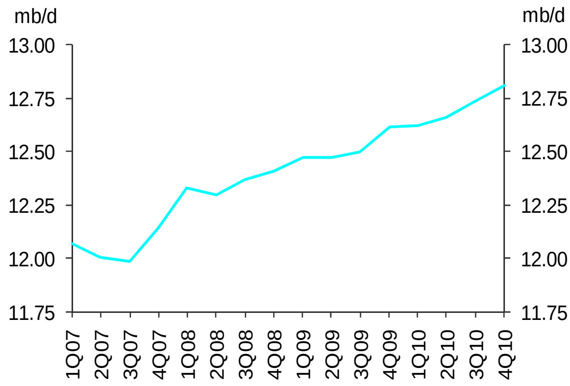
Oil production from **Australia** is anticipated to remain relatively flat from 2009 and average 0.55 mb/d in 2010, unchanged from the previous month. Australia oil supply encountered various setbacks in 2009 that are being resolved partially in 2010 as the Van Gogh development is expected to be onstream in February. However, the startup of the fire disrupted Montara projects has been push to 2011 and the Stybarrow field shutdown for maintenance is seen to negatively affect supply.

Developing Countries

DC supply up almost 0.2 mb/d in 2010

Developing Countries (**DCs**) oil supply is foreseen to grow by 0.19 mb/d to average 12.70 mb/d in 2010, indicating an upward revision of 76 tb/d from last month. Most of the upward revision came on the back of historical amendments, while the actual changes to the forecast for 2010 were minimal. All of the DCs regions experienced some upward revision with the Middle East encountered the largest at 32 tb/d, followed by Africa with 18 tb/d while Other Asia and Latin America were revised up by 13 tb/d each. DCs share of non-OPEC supply is seen to remain steady in 2010 as per the forecast at 26%, yet remains as the second highest contributor to non-OPEC growth after the FSU. Growth in 2010 is expected to come more toward the end of the year with relatively moderate growth in each quarter. On a quarterly basis, total oil supply in DCs is predicted to average 12.62 mb/d, 12.66 mb/d, 12.73 mb/d and 12.81 mb/d, respectively.

Graph 22: Developing Countries' quarterly production



Other Asia supply to average 3.72 mb/d in 2010

Oil supply from **Other Asia** is projected to remain flat from 2009 to average 3.72 mb/d in 2010, representing an upward revision of 13 tb/d compared to last month. Despite the upward revision, the growth level remained unchanged in this month as most of the revisions where encountered as historical adjustments. Indonesia oil supply is forecast to average 1.02 mb/d in 2010, unchanged from 2009 with an upward revision of around 5 tb/d compared to last month. The upward revision was supported by the ramp-up of the South Natuna Block B that started production in 2009 and is producing gas and condensate. Additionally, expected volume from the Cepu development is further supporting the country supply and offsetting the decline in mature areas. Oil supply forecast for Brunei, Thailand, and Vietnam experienced upward revision due to historical changes. Thailand oil supply is forecast to remain steady in 2010 as expected new biofuels plants are seen to offset the decline in mature areas. Vietnam oil production is expected to drop by 30 tb/d in 2010 over 2009 level on the back of natural decline. India and Malaysia oil supply forecast encountered downward revision compared to last month's level on the back of historical changes. India oil supply is forecast to average 0.84 mb/d in 2010, a growth of 60 tb/d over 2009. The expected growth is supported by the Mangala field development which is continuing to ramp-up and expected to reach first-phase capacity in the second half of the year. Other Asia oil supply is expected to add some volume in 2010 supported by biofuels development in the Philippines. On a quarterly basis, Other Asia supply is seen to average 3.74 mb/d, 3.72 mb/d, 3.71 mb/d and 3.70 mb/d, respectively.

Colombia supply to grow by 80 tb/d in 2010

Latin America supply is anticipated to increase by 0.22 mb/d to average 4.62 mb/d in 2010, displaying a minor upward revision of 13 tb/d compared to last month evaluation. The minor revision affected Argentina and Brazil supply forecasts on the back of historical updates. Brazil oil supply is now expected to average 2.71 mb/d in 2010, an increase of 0.20 mb/d over 2009, the highest foreseen growth among all non-OPEC countries. The continuing developments of the deepwater projects offshore Brazil is supporting the steady growth, yet risks due to delays and maintenance remains. Colombia oil supply is forecast to increase by 80 tb/d to average 0.76 mb/d in 2010. Increased investment in the hydrocarbon sector is supporting the anticipated growth in Colombian oil supply. On a quarterly basis, Latin American supply is estimated at 4.53 mb/d, 4.57 mb/d, 4.65 mb/d and 4.75 mb/d respectively.

Middle East supply to remain relatively flat in 2010

Oil supply from the **Middle East** is expected to average 1.67 mb/d in 2010, a minor drop of 10 tb/d from 2009 and an upward revision of 32 tb/d compared to last month's assessment. The upward revisions introduced to the Oman and Yemen oil supply forecasts mainly reflect historical changes. The growth level improved slightly by only 10 tb/d compared to last month's level. Oman oil supply forecast is displaying the only expected growth among the Middle East at 30 tb/d. The continuing support of EOR projects is seen behind the anticipated growth. Syrian oil supply is expected to drop by 20 tb/d in 2010 to average 0.35 mb/d. The drop is seen on the back of natural decline at mature producing areas, despite new volumes supported by developments such as the Khurbet East project. On a quarterly basis, Middle East supply is expected to average 1.67 mb/d, 1.68 mb/d, 1.67 mb/d and 1.66 mb/d, respectively.

Egypt supply expected to average 0.67 mb/d in 2010

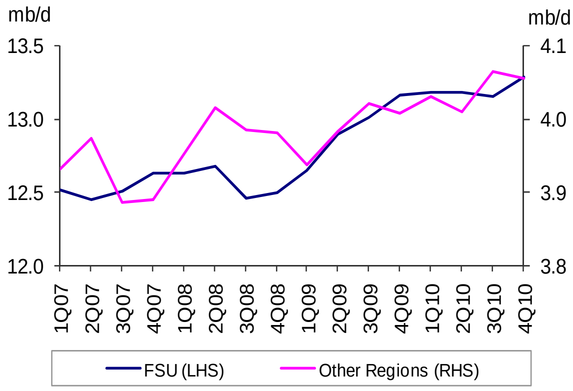
Africa oil supply is forecast to average 2.70 mb/d in 2010, representing a decline of 20 tb/d from the previous year and an upward revision of 18 tb/d compared to the previous month. Congo, Egypt, and South Africa oil supply forecasts encountered revisions. South Africa oil supply experienced a historical revision. Congo and Egypt supply forecast were revised slightly up on the back of increased drilling activities and investment. In Egypt, it was reported that 520 exploration and developments wells will be drilled in 2010. Additionally, the completion of development of 8 oil fields is expected in 2010, which is seen to support the country's supply and offset the decline in production at mature areas. Uganda oil production is expected to increase slightly in 2010 as the supply from the Lake Albert discovery is expected to start at a small volume in the second half of 2010 and then peak at 0.15 mb/d in the coming years. On a quarterly basis Africa supply is seen to average 2.69 mb/d, 2.68 mb/d, 2.71 mb/d and 2.70 mb/d, respectively.

FSU, Other Regions

FSU supply is forecast to increase by 0.27 mb/d in 2010

FSU oil supply is estimated to average 13.20 mb/d in 2010, an increase of 0.27 mb/d over 2009, representing a downward revision of 20 tb/d compared to the previous month. The revision was introduced partially on the back of adjustments to actual production figures in the fourth quarter of 2009 which have been carried over to 2010. The FSU remains as the leading region in terms of growth among all non-OPEC regions. In terms of the share of non-OPEC supply, FSU share is expected to increase to 27% in 2010 from 26% in 2009. On a quarterly basis, total oil supply from the FSU is seen to average 13.18 mb/d, 13.18 mb/d, 13.15 mb/d and 13.28 mb/d, respectively. **China** oil supply is predicted to grow by 50 tb/d to average 3.90 mb/d. **Other Europe** supply is seen to remain steady at an average of 0.14 mb/d in 2010.

Graph 23: FSU and other region's quarterly production



Russia

Russia supply is expected to average 9.98 mb/d in 2010

Russian oil production is forecast to increase by 50 tb/d to average 9.98 mb/d in 2010, unchanged from last month. Russian oil supply is expected to remain relatively healthy across the year, yet with a small decline in the second half of 2010. The ramp-up in the Vankor projects will be one of the key factors that will shape Russian oil supply in 2010. However, the risk associated with the Russia oil supply forecast remains at a high level. The ability of operators, especially Vakor, to continue to ramp up volumes will depend on many factors among them is the zero export-duty rate. Additionally, new volumes are expected to more than offset the natural decline in other areas. However, if the decline rate is accelerated by lack of investment, the supply forecast will change. Among the other developments in Russia, the Odoptu field in the Sakhalin 1 projects is expected to startup in the second half of 2010 to help compensate for the decline experienced in 2009. Additionally, a new field at the Uvat project is also expected to startup in 2010. On a quarterly basis, Russian oil supply is expected to average 10.04 mb/d, 10.00 mb/d, 9.95 mb/d and 9.91 mb/d, respectively. Preliminary figures indicate that Russia oil production stood at 10.04 mb/d in January, slightly lower than previous month.

Caspian

Oil supply from **Kazakhstan** is anticipated to increase by 90 tb/d to average 1.63 mb/d in 2010, steady from the previous month. The development of the sour gas injection project is seen to support the growth in production. The Tengiz project is expected to continue to support Kazakhstan growth in 2010. However, recent government discussions to increase taxation might affect the supply forecast in the near future.

Azeri oil supply is forecast to grow by 0.10 mb/d in 2010

Azerbaijan oil supply is projected to average 1.13 mb/d in 2010, representing growth of 0.10 mb/d over 2009, indicating a downward revision of 30 tb/d compared to the previous month. The downward revision came partially to reflect adjustments to actual production data in the fourth quarter of 2009 that were carried over to the 2010 forecast. The ACG complex is expected to continue adding volumes in 2010. The quarterly breakdown now stands at 1.06 mb/d, 1.10 mb/d, 1.13 mb/d and 1.21 mb/d, respectively.

Other FSU oil supply is expected to increase by 30 tb/d over 2009 to average 0.46 mb/d in 2010, with an upward revision of 8 tb/d compared to the previous month. The upward revision came to cover the expected increase in Turkmenistan production in 2010.

China

China supply forecast to grow by 50 tb/d in 2010

Oil supply from **China** is anticipated to increase by 50 tb/d over 2009 to average 3.90 mb/d in 2010, indicating a downward revision of 11 tb/d from the previous month. Despite the downward revision, the growth level remains unchanged from the previous month as the revision was experienced due to historical changes. The expected growth in 2010 is supported by the startup of different projects at the Bohai Sea such as the Jizhou 25-1and Bozhong. However, the severe weather conditions in January have negatively affected production, which slightly influenced the supply forecast in the first quarter. The quarterly figures are seen to average 3.89 mb/d, 3.87 mb/d, 3.93 mb/d, and 3.92 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to average 5.10 mb/d in 2010, a growth of 0. 51 mb/d over the previous year. In 2009, OPEC NGLs is estimated to have averaged 4.59 mb/d, an increase of 0.26 mb/d over 2008.

Table 16: OPEC NGLs + non-conventional oils, 2007-2010

			Change						Change		Change
	2007	**2008**	08/07	1Q09	2Q09	3Q09	4Q09	**2009**	09/08	**2010**	10/09
Total OPEC	**4.03**	**4.32**	0.29	4.37	4.55	4.72	4.70	**4.59**	0.26	**5.10**	0.51

OPEC crude oil production

OPEC production averaged 29.19 mb/d in January 2010

Total OPEC crude oil production averaged 29.19 mb/d in January, an increase of 63 tb/d, according to secondary sources. OPEC production not including Iraq averaged 26.80 mb/d, up by 148 tb/d from December. Declines of 124 tb/d and 85 tb/d were seen in Nigeria and Iraq, while Angola and Venezuela indicated an increase of 133 tb/d and 105 tb/d respectively, in January.

Table 17: OPEC crude oil production based on *secondary sources*, 1,000 b/d

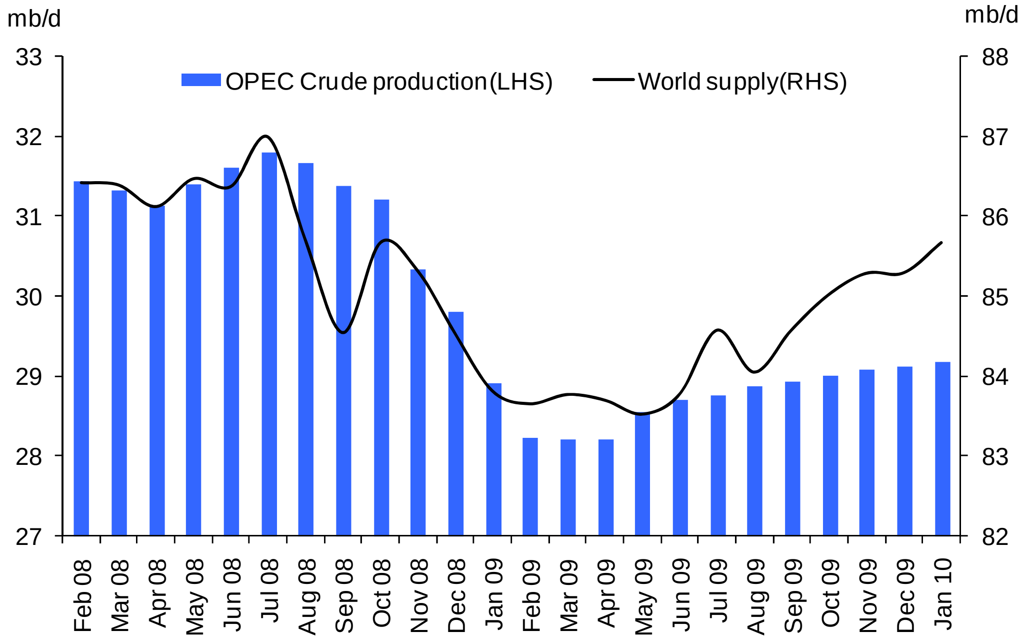
	2008	2009	2Q09	3Q09	4Q09	Nov 09	Dec 09	Jan 10	*Jan/Dec*
Algeria	1,382	1,273	1,266	1,273	1,288	1,291	1,290	1,295	*4.8*
Angola	1,871	1,786	1,743	1,828	1,872	1,876	1,853	1,986	*132.5*
Ecuador	503	476	479	472	472	471	473	478	*5.3*
Iran, I.R.	3,892	3,728	3,730	3,749	3,739	3,746	3,747	3,747	*0.0*
Iraq	2,341	2,425	2,406	2,507	2,461	2,448	2,479	2,393	*-85.2*
Kuwait	2,554	2,265	2,247	2,254	2,284	2,288	2,291	2,300	*9.7*
Libya, S.P.A.J.	1,718	1,559	1,554	1,557	1,548	1,548	1,543	1,543	*0.0*
Nigeria	1,947	1,810	1,748	1,739	1,936	1,955	1,988	1,864	*-124.1*
Qatar	840	777	769	780	796	795	803	813	*10.0*
Saudi Arabia	9,113	8,057	8,009	8,123	8,131	8,133	8,134	8,139	*5.0*
UAE	2,557	2,256	2,244	2,253	2,258	2,245	2,270	2,270	*0.0*
Venezuela	2,487	2,311	2,300	2,323	2,290	2,297	2,259	2,364	*105.2*
Total OPEC	**31,206**	**28,724**	**28,495**	**28,859**	**29,075**	**29,092**	**29,129**	**29,193**	***63.2***
OPEC excl. Iraq	**28,865**	**26,299**	**26,088**	**26,352**	**26,614**	**26,643**	**26,651**	**26,799**	***148.4***

Totals may not add due to independent rounding.

World Oil Supply

Preliminary figures for the month of January indicate that world oil supply averaged 85.67 mb/d, an increase of 0.38 m/d over the December figure, with OPEC's crude share at around 34.1%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 24: OPEC and World oil supply

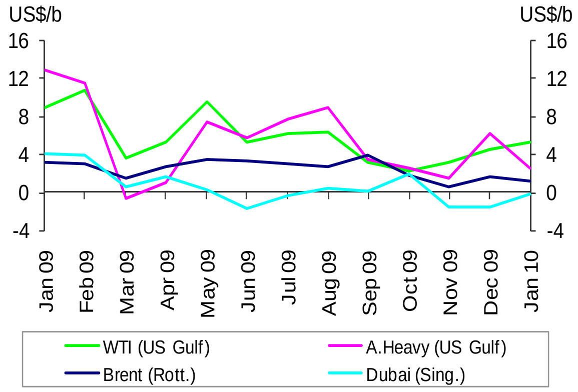


Product Markets and Refinery Operations

The imbalance in product market fundamentals has eased slightly

A cautious and strategic operational approach by refiners coupled with higher seasonal demand somehow led to improving product market fundamentals in January. However, mild weather in the latter part of the month has adversely affected earlier bullishness of the product market and capped the improvements in refining margins. The recent heavy snow in the US may trigger another bullish development in the product market, but may not be sufficient to support products and crude in the short-term, as the market continues to suffer from sluggish demand growth.

Graph 25: Refining margins



As **Graph 25** shows, refining margins in the US extended the upward trend and margins for WTI crude oil at the US Gulf Coast soared by 73¢ to reach $5.30/b in January from $4.57/b the previous month. In Europe, refining industry performance was weak and cold weather could not boost product market sentiment, as end users relied on tertiary stocks rather than spot market purchase. Refining margins for Brent crude oil in Rotterdam fell by 42¢ to $1.17/b in January from about $1.59/b in December.

In Asia, due to higher regional demand and export opportunities to other markets, refining economics improved compared to last month, but remained unhealthy. Refining margins for Dubai crude oil in Singapore rose by $1.40/b to minus 24¢/b in January from minus $1.64/b a month earlier.

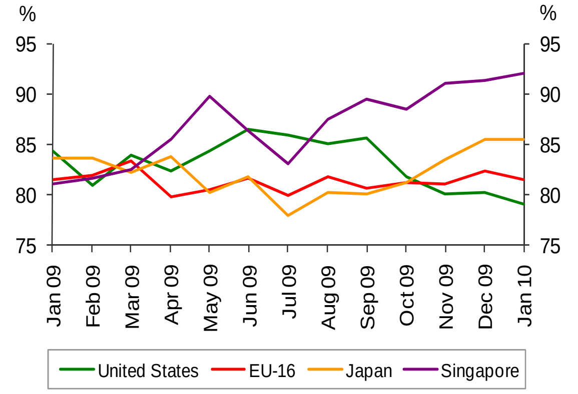
Looking ahead, with the approaching end of winter season and slow recovery of demand in the developed countries as well as comfortable product stocks and idle refining capacity, product market sentiment is expected to remain subdued and would not be able to lift crude prices in the future.

Refinery operations

Refinery throughputs remained unusually low in January

Disappointing reports about downstream performance in the last quarter of 2009 and huge product stocks both on- and off-shore have forced integrated and independent refinery companies to revisit their operation plans and to remove the imbalance in the product market. This situation has encouraged many major oil companies to change their business plans in the refining industry. They would either continue closing down their less profitable units or switch their refining business to developing countries. Under such circumstances, refiners, especially in the US and Europe, have taken a very cautious and strategic operational approach and did not maintain typical operation levels in January.

Graph 26: Refinery utilization rates, 2009 - 2010



As Graph 26 indicates, refinery utilization rates in the US slid by 1.2% to reach 79.1% in January from 80.3% in December, whereas typically it should be around 90%. Slow recovery of demand and huge product stocks also negatively affected European refinery utilization rates which fell by 0.8% to 81.5% in January from 82.3% the previous month.

In Asia, there are still mixed developments in the refining industry and throughput levels. On the one hand, Chinese refiners are running at maximum capacity, but on the other hand, the rest are running at much lower-than-typical seasonal levels. Refinery utilization rates in Japan rose very marginally by 0.1% in January to record 85.5% from 83.4% in December.

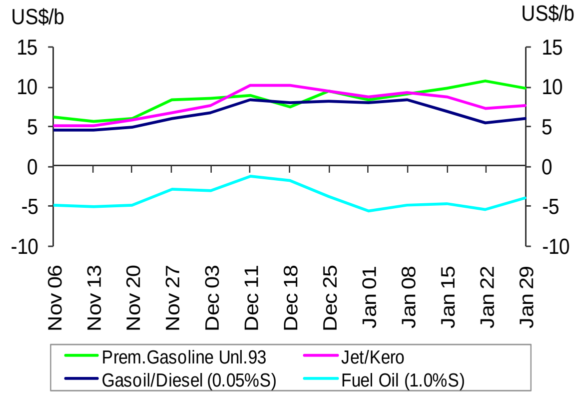
With the end of winter season approaching and the start of spring refinery season, especially in the Atlantic Basin, refinery utilization rates are expected to remain low in the coming months. Comfortable product stocks and a persistently slow recovery in demand would contribute to a pessimistic outlook for refinery utilization rates in the future.

US market

Product market sentiment in the US lost its earlier strength in the latter part of January

US refiners tried to reduce distillate inventories through run cuts and exporting of excess barrels to other markets. But mild weather in the last two weeks of January, along with a continuation of declining distillate demand have hampered their efforts and distillate prices fell in both spot and futures markets. According to the EIA, US distillates demand on average plunged by more than 9% in the four weeks to 29 January from a year earlier.

Graph 27: US Gulf crack spread vs. WTI, 2009 - 2010



In line with these developments, the gasoil crack spread on the US Gulf Coast against WTI crude oil plummeted to $5.85/b in the last week of January from about $8/b in the same week of December. Due to this bearish development, speculators, especially managed money, also cut their net long positions substantially in the Nymex heating oil market. Managed money net long positions slipped to around 12,000 lots in late January from over 35,000 lots early the same month.

With regard to the gasoline market, slowing stock building resulting from refinery run cuts provided some support. As **Graph 27** shows, the gasoline crack spread on the US Gulf Coast rose to around $10/b in the third week of January from $9/b late December. However, higher arbitrage cargoes have recently undermined the bullish sentiment of the gasoline market and market participants liquidated their net long positions. Managed money net long positions in Nymex gasoline market declined to 53,000 lots on 29 January from 68,000 lots earlier the same month. By starting refinery maintenance and switching gasoline production to summer grades in March, gasoline market sentiment in the US may gain ground again, but it largely depends on transatlantic arbitrage economics.

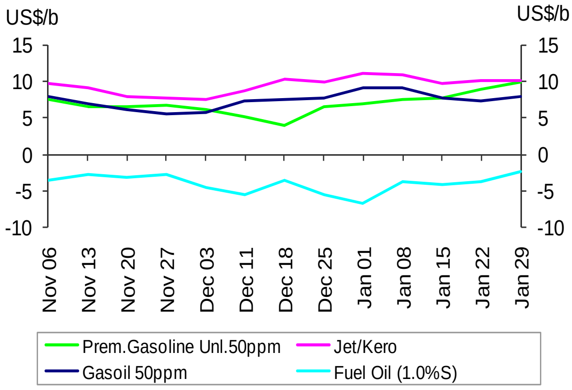
The high sulfur fuel oil market in the US remained weak amid less regional demand and lack of export opportunities to Asia Pacific and Latin America. Low sulfur fuel oil market was also lacklustre and the crack spread against WTI crude on the US Gulf Coast widened from about minus $3/b in late December to around minus $5/b in the same period of January *(see **Graph 27**).* Weaker domestic demand associated with possible warmer weather in the Northeast could further undermine the persisting discount in the low sulfur fuel oil market versus crude oil.

European market

Increasing export opportunities supported the European gasoline market

European gasoline market sentiment improved due to export opportunities to the US, Brazil, Nigeria and Iran. Early refinery maintenance, fewer regional supplies and increasing spot buying by Saudi Arabia for February have also contributed to such positive developments in the European gasoline market. The gasoline spread against Brent crude oil at Rotterdam rose to near $10/b in the last week of January from about $7/b in the same week of the previous month *(see Graph 28).* The persisting bullish sentiment of the European gasoline market may remain for the coming month amid increasing maintenance schedules.

Graph 28: Rotterdam crack spreads vs. Brent, 2009 - 2010



Naphtha prices were slightly lower as higher production outpaced demand. However, the European naphtha market may remain strong in the coming months amid persisting arbitrage opportunities to Asia and improving economic growth prospects.

The European distillates market also remained relatively strong due to fewer imports from the US and planned refinery maintenance. Furthermore, middle distillate prices in the Mediterranean market rose on the back of strong demand from Morocco where delays to the startup of a refinery unit have boosted demand. These developments led to stock draws in the region and the gasoil market turned from a narrowed contango level to a flat structure. This situation may encourage traders to further reduce off-shore distillate stocks which still stood around 70-80 mb. The crack spread of gasoil against Brent crude at Rotterdam stands nearly at $8/b *(see **Graph 28**)*. However, it is worth noting that with the approaching end of the winter season and mild weather forecast for Europe in the coming weeks as well as the recent fixing of more than 200,000 tonnes of gasoil destined for Europe, the European distillates market may lose part of its current bullish sentiment in the future.

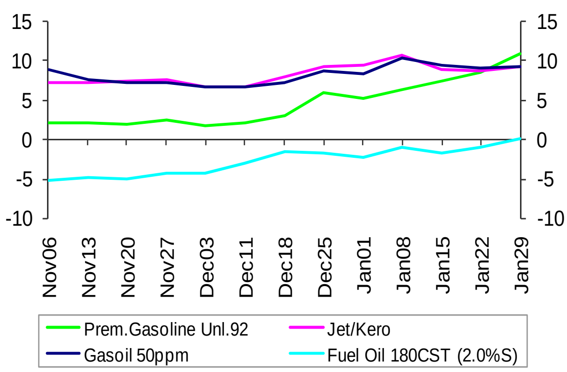
The European fuel oil market performance was good in January due to lower regional output and continuation of arbitrage flows to Asia. This situation has resulted in a fuel oil stock draw in Rotterdam and narrowed the low sulfur fuel spread versus crude. As **Graph 28** indicates, the low sulfur fuel oil crack spread against Brent crude oil declined to minus $2.43/b on the last week of January from about minus $6/b in the same period of the previous month. The lower supply from FSU countries may lend more support to the European fuel oil market in the coming month.

Asian market

Preparation of the Indian state oil companies for new fuel specifications provide some support for the Asian market

Asian refiners were benefiting from cold weather in Europe and the launching of the Euro-4 fuel specification in the 13 major cities of India in April. More imports from Indonesia following outages of the hydro-cracking units at Balikpapan refinery have also provided some support for the Asian distillates market. These circumstances lifted gasoil market sentiment and its crack spread versus Dubai crude rose to around $9/b late January *(see **Graph 29**)*. However, due to increasing exports from China, the Asian distillates market may lose ground in the next months.

Graph 29: Singapore crack spreads vs. Dubai, 2009 - 2010



The gasoline crack also rose sharply in January amid increasing demand from Indonesia and India, as India started to buy in the spot market prior to the launch of cleaner motor-fuel. Indonesia will need to import up to 2 mb more of gasoline in February than monthly average imports which are around 4.8 mb. This situation has off-set the bearish impact of Chinese gasoline exports. The gasoline crack spread against Dubai crude oil in Singapore soared to $10/b late January from around $6/b over the same period in December *(see Graph 29).*

The Asian naphtha market was also strong in January amid flourishing regional demand, but huge arbitrage cargoes from Northwest Europe and the Mediterranean put pressure on this market and its backwardation level narrowed compared to the previous month.

Asian fuel oil market sentiment was reinforced in January due to stock draws in Singapore, increasing regional demand, fewer arbitrage cargoes from the West and lower exports from Saudi Arabia. This situation has tempted traders to increase their activities in the swaps market which remained in backwardation and in the spot market, fuel oil traded quite unusually at almost parity level with Dubai crude, whereas it used to be sold at discounted of around minus $2/b in December. With increasing refinery maintenance in the west and possibly fewer arbitrage cargoes, the fuel oil market in Asia is expected to remain firm in the coming month.

Table 18: Refined product prices, US$/b

		Nov 09	Dec 09	Jan 10	Change Jan/Dec
US Gulf (Cargoes):					
Naphtha		78.83	79.06	78.97	-0.08
Premium gasoline	*(unleaded 93)*	84.46	82.52	83.63	1.11
Regular gasoline	*(unleaded 87)*	81.55	79.93	80.88	0.95
Jet/Kerosene		83.59	83.60	82.27	-1.32
Gasoil	*(0.05% S)*	82.90	82.07	80.81	-1.26
Fuel oil	*(1.0% S)*	73.43	71.27	69.90	-1.37
Fuel oil	*(3.0% S)*	71.23	69.07	67.93	-1.14
Rotterdam (Barges FoB):					
Naphtha		74.91	71.93	79.05	7.12
Premium gasoline	*(unleaded 10 ppm)*	83.45	76.06	84.65	8.59
Premium gasoline	*(unleaded 95)*	77.26	70.41	78.36	7.95
Jet/Kerosene		85.33	79.76	86.46	6.70
Gasoil/Diesel	*(10 ppm)*	83.24	77.91	84.11	6.20
Fuel oil	*(1.0% S)*	73.51	65.88	72.55	6.67
Fuel oil	*(3.5% S)*	70.96	65.26	71.29	6.03
Mediterranean (Cargoes):					
Naphtha		71.32	69.71	76.50	6.79
Premium gasoline	*(50 ppm)*	66.04	61.85	67.07	5.22
Jet/Kerosene		83.84	78.51	84.15	5.63
Gasoil/Diesel	*(50 ppm)*	84.29	77.15	83.66	6.51
Fuel oil	*(1.0% S)*	72.91	66.74	72.10	5.37
Fuel oil	*(3.5% S)*	70.90	65.10	70.82	5.72
Singapore (Cargoes):					
Naphtha		76.77	78.28	80.66	2.38
Premium gasoline	*(unleaded 95)*	82.00	81.85	88.01	6.16
Regular gasoline	*(unleaded 92)*	79.96	78.95	84.87	5.93
Jet/Kerosene		84.98	83.24	85.87	2.62
Gasoil/Diesel	*(50 ppm)*	85.26	82.69	85.89	3.19
Fuel oil	*(180 cst 2.0% S)*	73.04	72.79	75.55	2.76
Fuel oil	*(380 cst 3.5% S)*	73.09	72.65	75.11	2.46

Table 19: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Nov 09	**Dec 09**	**Jan 10**	**Jan/Dec**	**Nov 09**	**Dec 09**	**Jan 10**	**Jan/Dec**
USA	14.11	14.20	13.74	-0.46	80.1	80.3	79.1	-1.1
France	1.51	1.52	1.51	-0.01	82.1	81.8	81.7	-0.1
Germany	1.90	1.88	1.84	-0.04	84.6	85.2	84.9	-0.3
Italy	1.66	1.65	1.61	-0.03	76.5	76.9	76.7	-0.2
UK	1.41	1.46	1.45	-0.01	76.3	77.6	76.9	-0.6
Euro16	10.62	10.78	10.77	-0.01	81.1	82.3	81.7	-0.6
Japan	3.71	3.87	3.80	-0.07	83.4	85.4	85.1	-0.3

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

The Tanker Market

Total spot fixture activity increased in January, driven mainly by the increase in OPEC charterings

Total spot fixtures increased 0.4 mb/d to stand slightly below 19 mb/d. The pick up in activity after the December holidays supported gains as charterers looked to cover open positions. OPEC spot tanker fixtures increased by 10.4% due to higher market activities. OPEC Middle East Members were the main driver of the January increase, while spot fixtures from OPEC Members outside the Middle East declined. Both Middle East to west and east spot fixtures showed healthy gains with Middle East to west fixtures indicating a gain of 34% in January compared to the previous month. On an annual basis, global spot fixtures experienced growth of 5% in January, broadly in line with OPEC spot fixtures.

Tanker sailings from OPEC ports on average fell in January by about 0.1 mb/d, according to preliminary data. OPEC sailings on an annual basis indicated a 3% decline in January, in line with the production level. Middle East tanker loadings remained relatively steady in December.

However, arrivals of crude oil tankers in USA during January fell by 3.9% on lower imports. European arrivals declined 3.6% while those to the Far East remained relatively steady.

Table 20: Tanker chartering, sailings and arrivals, mb/d

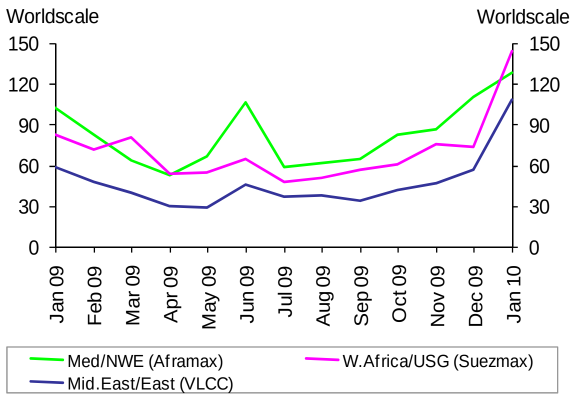
	Nov 09	Dec 09	Jan 10	Change Jan/Dec
Spot Chartering				
All areas	18.47	18.55	18.93	0.38
OPEC	11.25	11.50	12.70	1.20
Middle East/East	5.00	4.73	5.66	0.93
Middle East/West	0.84	1.30	1.74	0.44
Outside Middle East	5.25	5.78	5.30	-0.48
Sailings				
OPEC	22.77	22.96	22.87	-0.09
Middle East	16.60	16.89	16.87	-0.02
Arrivals				
North America	8.41	8.31	7.99	-0.32
Europe	12.30	11.55	11.13	-0.42
Far East	8.13	8.32	8.31	-0.01
West Asia	4.80	4.97	4.98	0.01

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

The crude oil tanker market increased partially due to changes in flat rates

The tanker spot market increased in January from the previous month. All reported routes registered an increase in spot freight rates. The increase came on the back of lower world scale (WS) values for 2010, which pushed owners to resist the level accepted in 2009 as the lumpsum value declined, hence driving up the freight rate in WS. On an average basis, dirty spot freight rates increased 63%, with the Suezmax sector experiencing the largest growth in January. Market activity was one of the main reasons for the increase.

Graph 30: Monthly averages of crude oil spot freight rates



The VLCC sector started the month with high activity as many charterers were trying to make up for lost time due to the holidays in December. This increase continued through most of the month to decline slightly at the end as charters were holding their positions to calm down the market.

In East of Suez, VLCC spot freight rates on the long-haul Middle East to East route increased a sharp 89% in January from a month earlier. The decrease in WS value supported the rise in addition to higher imports in China and India as well as weather delays. From the Middle East to western destinations, VLCC spot freight rates for long-haul voyages registered a rise of 79% in January from the previous month. The same factors that influenced Middle East to east route affected the Middle east to West route, in addition to shifting to long haul routes as well as the weather delays in the Northern Hemisphere. VLCC spot freight rates increased 76% on the West Africa to the East route in January from the previous month on the back of the above-mentioned factors in addition to the support received from the Suezmax sector.

Similar developments were encountered in the Suezmax sectors which rose by 96% on average in January compared to a month ago, supported by the dame factors affecting the VLCC rates. In addition to tonnage availability that further supported owners' positions. From West Africa to the West, Suezmax spot freight rates rose 95% in January from the previous month. From Northwest Europe to the US, the Suezmax market was in a slightly better position than the one in West Africa with rates increasing 97% in January. Arbitrage opportunities as well as the port closure due to bad weather supported the Suezmax sentiment. In addition, the high level of activity on the back of slightly higher production supported the rates. On an annual basis, Suezmax spot freight rates registered an increase of 74% in January.

The Aframax sector followed the same trend but with a lower increase. Aframax Caribbean spot freight rates showed an increase of 69% driven mainly by loading delays and bad weather conditions in the Gulf of Mexico. The only reported East of Suez route registered the second largest increase among Aframax spot freight rates with a 40% increase in January from the previous month. The high level of activity in the region supported by China fuel oil trade supported rates. In the Mediterranean, Aframax spot freight rates rose 13% on average in January as tonnage oversupply limiting gains over previous months. On an annual basis, average Aframax freight rates showed an increase of 42% in January.

Table 21: Spot tanker crude freight rates, Worldscale

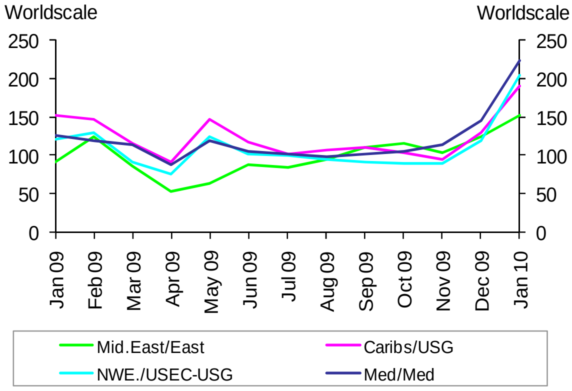
	Size *1,000 DWT*	**Nov 09**	**Dec 09**	**Jan 10**	**Change Jan/Dec**
Crude					
Middle East/East	230-280	47	57	108	51
Middle East/West	270-285	32	38	68	30
West Africa/East	260	54	62	109	47
West Africa/US Gulf Coast	130-135	76	74	144	70
NW Europe/USEC-USGC	130-135	73	68	134	66
Indonesia/US West Coast	80-85	77	99	139	40
Caribbean/US East Coast	80-85	93	105	177	72
Mediterranean/Mediterranean	80-85	92	113	123	10
Mediterranean/North-West Europe	80-85	86	110	128	18

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

Product spot freight rates increased in January but at a lower rate than for crude

The clean tanker market rose in January but below the rise in crude spot freight rates. On average, clean tanker spot freight rates increased 43% on all reported routes. East of Suez clean spot freight rates saw gains of 17% in January, on the back of the amendment to the WS flat rate coupled with increased activity. On an annual basis, East of Suez product spot freight rates increased 49% in January.

Graph 31: Monthly averages of clean spot freight rates



In West of Suez, clean spot freight rates increased in January with North-West Europe to the US rates experiencing the highest increase. Clean spot freight rates for voyages from the Mediterranean rose 52% in January from the previous month. Port delays coupled with increased activities supported freight rates in addition to owners' resistance to accepting similar level of WS as in the end of 2009 due to the change in flat rates. From the Caribbean, clean spot freight rates rose in January with an increase of 47% from the previous month. Weather conditions and port delays increased activity and hence supported freight rates. From North-West Europe to the US, clean spot freight rates increased 72% in January from the previous month, the highest among all clean spot freight rates. Plenty of activities supported by arbitrage movements as well as weather conditions. On an annual basis, West of Suez clean spot freight rates indicated a 60% increase in January.

Table 22: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Nov 09	Dec 09	Jan 10	Change Jan/Dec
Products					
Middle East/East	30-35	104	124	152	28
Singapore/East	30-35	93	133	147	14
Caribbean/US Gulf Coast	38-40	96	130	191	61
NW Europe/USEC-USGC	33-37	90	119	205	86
Mediterranean/Mediterranean	30-35	114	146	224	78
Mediterranean/North-West Europe	30-35	124	156	234	78

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

Oil Trade

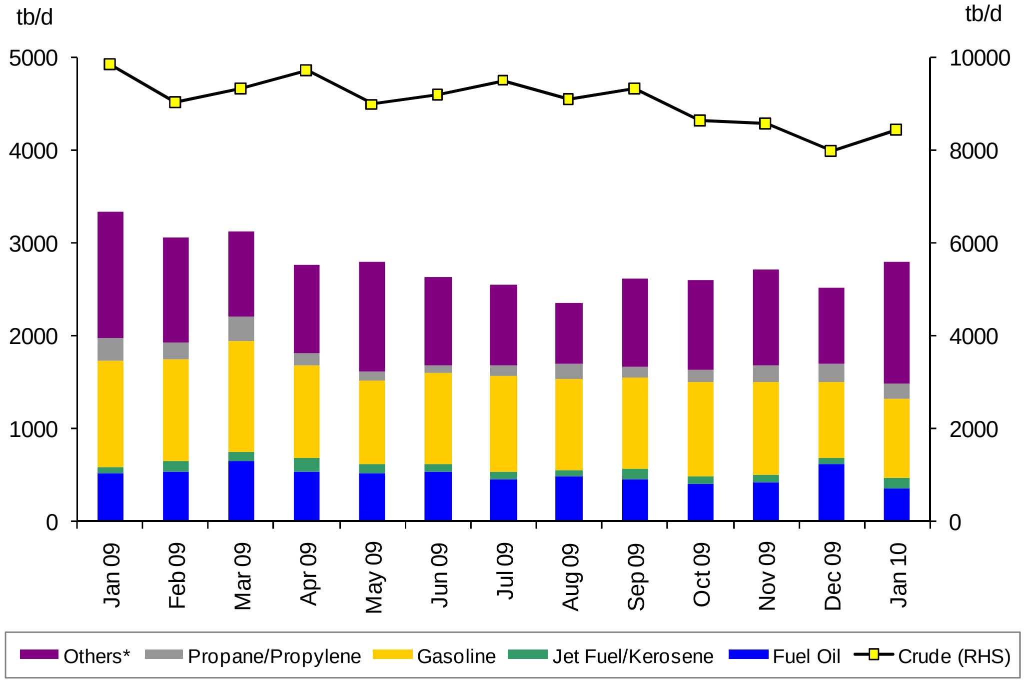
US net oil imports rebounded with an increase of 0.9 mb/d in January on higher imports and lower exports

USA

US crude oil imports averaged 8.43 mb/d in January, about 0.45 mb/d higher than the previous month bit a 14% or 1.41 mb/d decline compared to the same month a year ago. For the year, crude oil imports to the US averaged 9.1 mb/d, representing a drop of 7% or 0.7 mb/d.

US product imports rose in January by 11.2% or 280,000 b/d compared to the previous month to average 2.80 mb/d, but showed a decline of 16% or 0.54 mb/d from the same month a year ago. Finished motor gasoline imports were at 214,000 b/d compared to 201,000 b/d in December and were 3.8% lower compared to the same month last year. Gasoline imports averaged 0.22 mb/d in 2009, representing a decline of 27%. Distillate imports in January were at 476,000 b/d compared to 264,000 b/d in the previous month and 249,000 b/d a year earlier. For the year, distillate imports average 229,000 b/d, 8% higher compared to the previous year.

Graph 32: USA's imports of crude and petroleum products

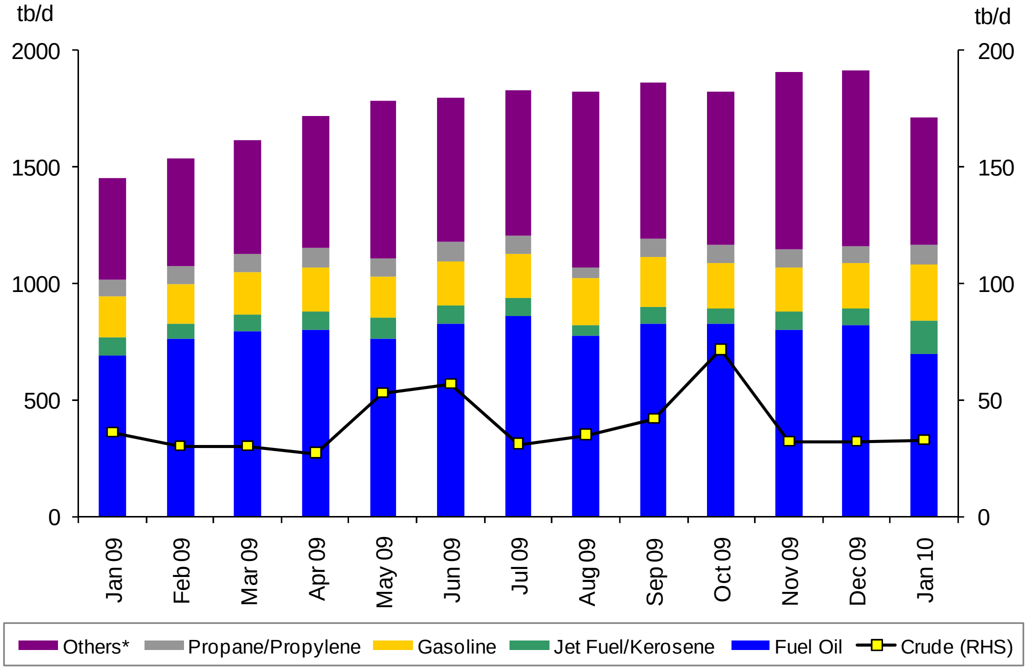


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

On the export side, US products fell in January compared to the previous month, averaging 1.75 mb/d. On a y-o-y basis, product exports were 18% or 264,000 b/d higher. US product exports in 2009 averaged 1.79 mb/d compared to 1.75 mb/d in 2008.

As a result, US net oil imports in January were 11% or about 0.93 mb/d higher compared to the previous month to average 9.44 mb/d. This was the result of an increase of 0.45 mb/d in net crude oil imports and of 0.48 mb/d in net product imports, both compared to the previous month. January net oil imports were 19% lower than a year earlier and average net oil imports in 2009 were at 10.02 mb/d, representing a loss of 10% or about 1.13 mb/d from a year ago.

Graph 33: USA's exports of crude and petroleum products



*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

According to the latest data available, Canada was the top crude oil supplier to the US in November, supplying about 1.98 mb/d, up from 1.86 mb/d in the previous month. For the first eleven months of 2009, average exports of Canadian crudes to the US were at 1.93 mb/d, almost unchanged compared to the same period a year ago. Mexico was next, supplying about 0.95 mb/d, down from about 1.02 mb/d in the previous month. Average US imports of Mexican crudes for the first eleven months of 2009 were at 1.10 mb/d compared to 1.19 mb/d during the same period a year ago. Nigeria and Saudi Arabia came next with 0.95 mb/d and 0.84 mb/d respectively. OPEC Member Countries supplied about 4.23 mb/d or 48.6% of total US crude oil imports in November, down from 4.27 mb/d the previous month and from 5.24 mb/d in the same month a year earlier. OPEC crude exports to the US declined by 1.03 mb/d during the first eleven months of 2009, compared to the same period in the previous year, dropping to 4.41 mb/d.

For product imports, Canada was again the top product supplier to the US in November, supplying about 0.54 mb/d, compared to 0.50 mb/d in the previous month. Russia was next with 0.26 mb/d, up from 0.23 mb/d a month earlier, followed by the Netherlands with 0.23 mb/d, up from 0.08 mb/d. For OPEC Member Countries, Algeria supplied the US with 0.18 mb/d of products in November followed by Venezuela with 0.08 mb/d. Altogether, OPEC Member Countries supplied about 325,000 b/d or 13.7% of total US product imports in November, up from 305,000 b/d the previous month. For US product exports, Mexico was the top importer in November, importing 0.31 mb/d of US products. The Netherlands was next with 0.23 mb/d followed by Canada with 0.20 mb/d. Altogether, OPEC Member Countries imported an average of 124,000 b/d of US products in November compared to 110,000 b/d in the previous month.

Table 23: USA crude and product net imports, tb/d

	Nov 09	Dec 09	Jan 09	Change Jan/Dec
Crude oil	8,546	7,950	8,399	449
Total products	765	564	1,044	480
Total crude and products	**9,311**	**8,514**	**9,443**	**929**

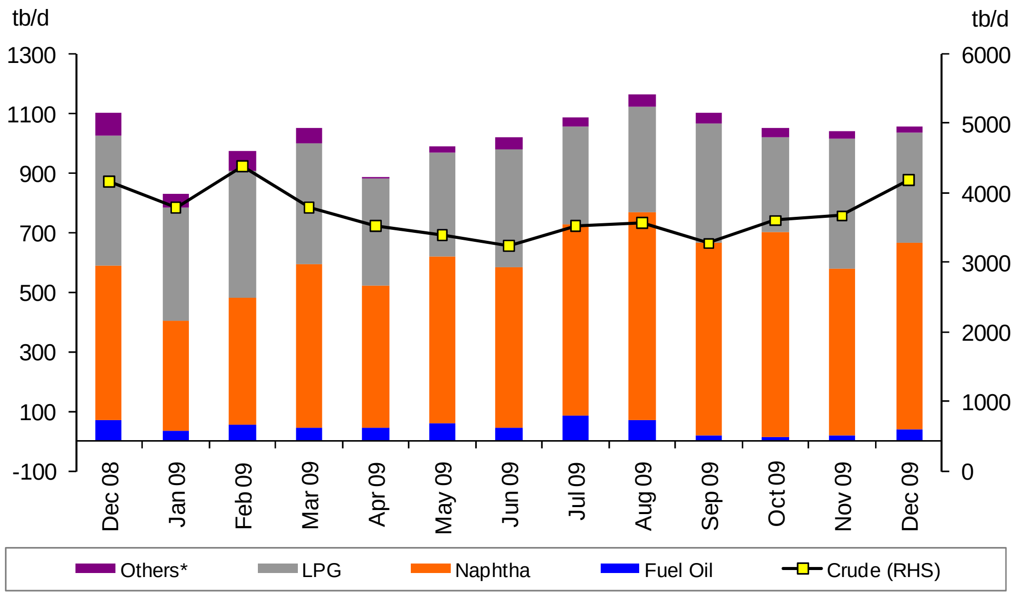
Japans' net oil imports in 2009 continued with declining trend of previous years to average just above 4 mb/d

Japan

According to latest official data, Japan's crude oil imports increased by 14% or 518,000 b/d in December to average 4.19 mb/d. This was slightly higher than the same month a year ago. In annual terms, Japan's average crude oil imports stood at 3.66 mb/d, representing a drop of 12.4% or 517,000 b/d from the same period a year ago.

Japan's product imports were slightly higher in December compared to the previous month at about 1.06 mb/d and displayed an annual decline of 4.6% compared to a year ago. Japan mainly imports naphtha and LPG as fuel oil imports have been declining steadily throughout 2009. Naphtha and LPG imports accounted for most of the country's total monthly product imports in December. Fuel oil imports in December averaged 41,000 b/d compared to 17,000 b/d in the previous month and 68,000 b/d a year ago. In annual terms, Japan's product imports averaged 1.02 mb/d, representing a decline of 120,000 b/d or 11% compared to a year ago.

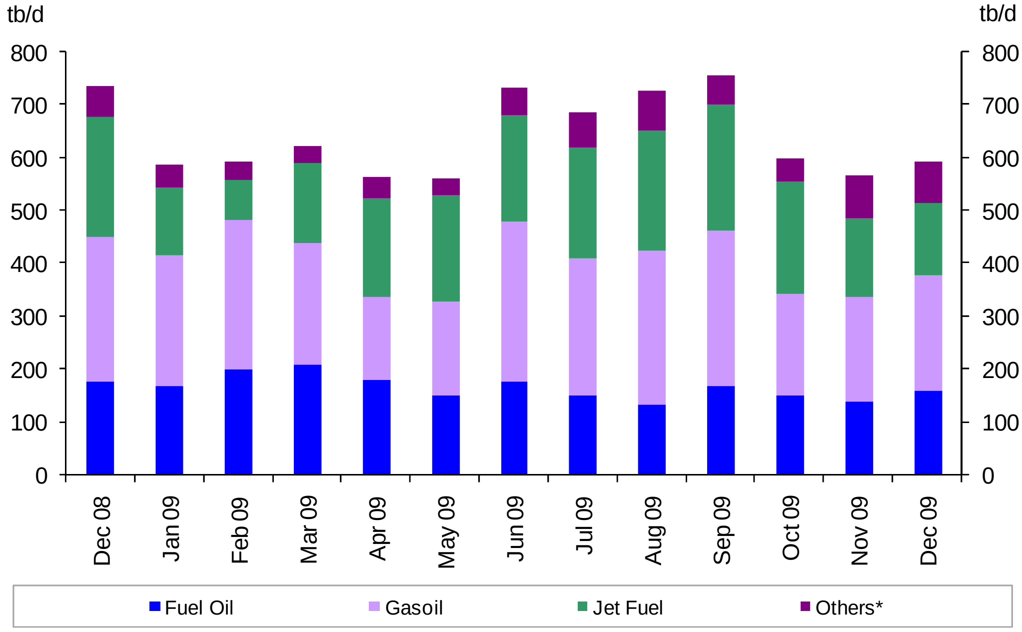
Graph 34: Japan's imports of crude and petroleum products



*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

On the export side, Japan's product exports averaged 594,000 b/d in December, 5% or 27,000 b/d higher compared to the previous month but 19% lower than the same month a year ago. Gasoil, fuel oil and jet fuel, the country's main product exports, accounted for about 92% of the country's total product exports in December. Gasoil exports represented 39% of Japan's total product exports in December, jet fuel for 22% and fuel oil 30%. Average product exports stood at 636 tb/d in 2009, which is 58 tb/d lower than the previous year, mainly on the back of low margins which have led to reduced refinery runs.

Graph 35: Japan's exports of petroleum products



*Others: Contains LPG, Gasoline, Naphtha, Kerosene, Lubricating Oil, Asphalt and Paraffin Wax.

As a result, Japan's net oil imports in December were at about 4.65 mb/d, indicating an increase of 503,000 b/d or 12% compared to the previous month and steady compared to a year earlier. Net crude imports were higher by 518,000 b/d and net product imports were higher by 52,000 b/d. Japan's net oil imports during the full year of 2009 were at 4.0 mb/d, representing a drop of 14% or 636,000 b/d from the same period a year ago.

Table 24: Japan's crude and product net imports, tb/d

	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Crude oil	3,603	3,673	4,191	518
Total products	449	476	462	-14
Total crude and products	**4,052**	**4,149**	**4,653**	**503**

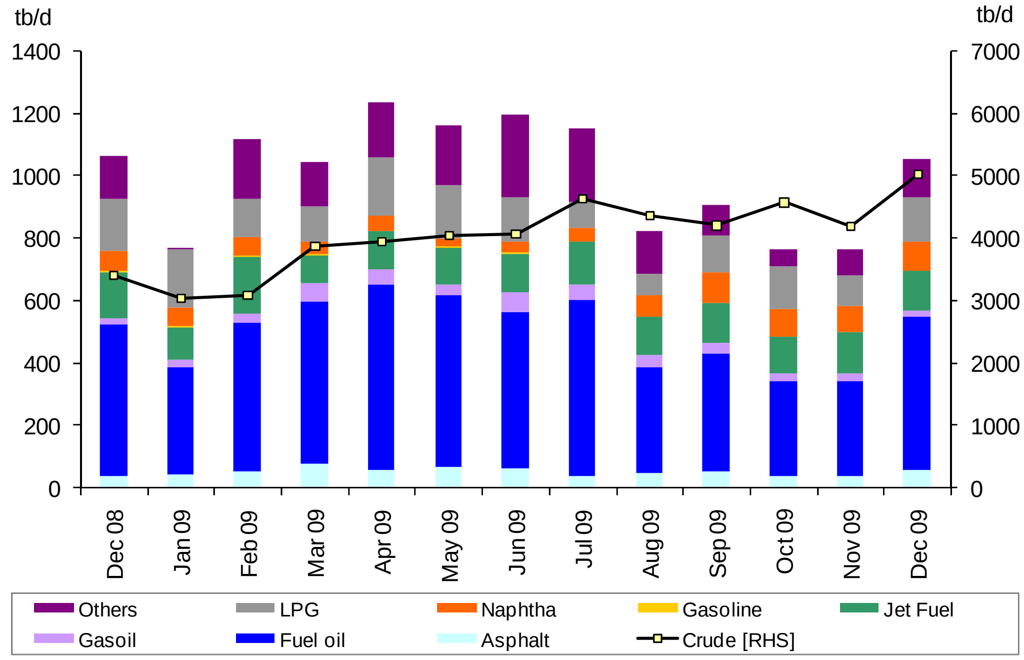
Saudi Arabia was Japan's top crude oil supplier in December with 1.17 mb/d or 29% of Japan's total crude oil imports, down from 1.24 mb/d in the previous month. The UAE was next, supplying 0.86 mb/d, up from 0.74 mb/d a month earlier. Iran supplied 0.5 mb/d compared to 0.31 mb/d in the previous month. Altogether, OPEC Member Countries supplied 3.54 mb/d or 87.4% of Japan's crude oil imports in December, up from 3.07 mb/d in the previous month. Top non-OPEC crude oil suppliers in December include Russia with 0.16 mb/d, down from 0.21 mb/d a month earlier, and Oman with 0.17 mb/d, up from 0.11 mb/d in the previous month. On the product-side, with the exclusion of LPG imports, preliminary data indicates that Saudi Arabia was Japan's top supplier in December with 210,000 b/d, up from 187,000 b/d in the previous month, followed by the UAE with 137,000 b/d, down from 121,000 b/d in December. Altogether, OPEC Member Countries supplied about 0.48 mb/d or 70% of Japan's product imports in December, down from 0.55 mb/d a month ago. Top non-OPEC product suppliers in November include Russia, with about 29,000 b/d, followed by Oman with 25,000 b/d and Indonesia with 15,000 b/d.

China

China's December net oil imports increased to record high on high crude oil imports

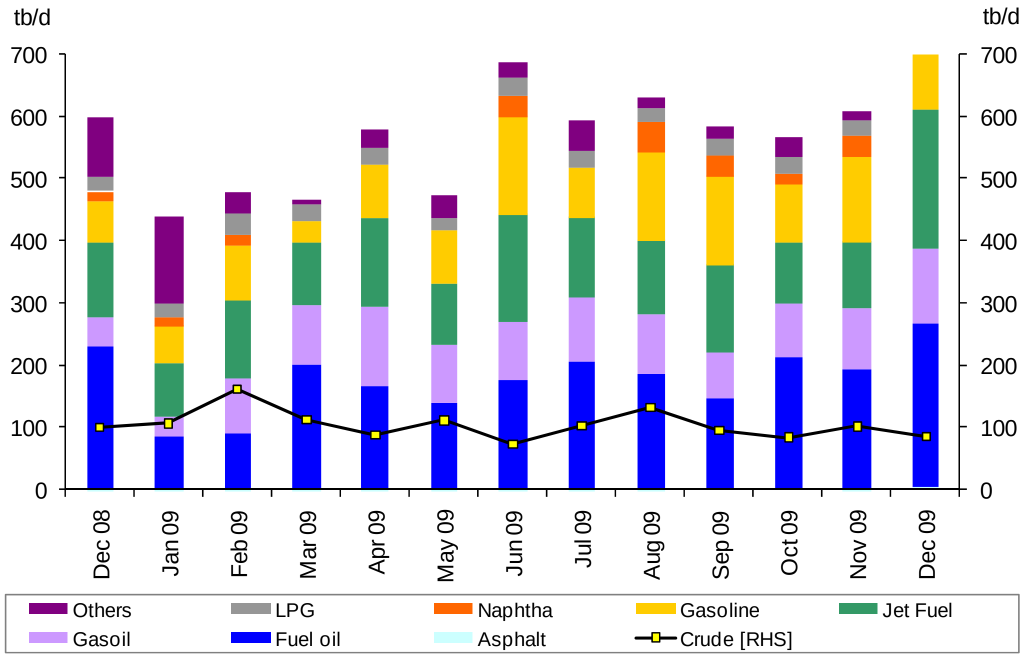
According to Chinese official data, China's crude oil imports have reached a monthly record high in December 2009 of 5.02 mb/d with annual crude oil imports averaging 4.10 mb/d in 2009 for the first time. Imports of oil products for the full year 2009 stood at 1.0 mb/d, 4.4% higher than the previous year. Crude oil imports in 2009 exceeded local crude production with a share of 56% of the apparent demand. The fast pace of the expansion of refinery capacity overtook the growth in domestic consumption, which lead to a surge in diesel and gasoline exports. Oil imports picked up in the beginning of April, after having declined in the first quarter, as new refineries in Huizhou in Guangdong province and in the Fujian province came onstream. In the second half of 2009, crude oil imports grew rapidly on the back of economic improvement.

Graph 36: China's imports of crude and petroleum products



In December of 2009, China became a net exporter of gasoline for the first time in 15 years with a volume of 270.000 b/d. Exports of gasoline in 2009 on average stood at 115.000 b/d, compared to 48.000 b/d the previous year. Average imports of diesel slightly declined to 450.000 b/d for 2009 compared to a year earlier. Due to the increased activity in the petrochemical sector China become a net importer of naphtha for the first time, reaching 42.000 b/d in 2009 compared to a net exports of 18.000 b/d a year earlier. Also, imports of fuel oil increased by 75.000 b/d in December compared to the previous month to average 108.000 b/d based on growing demand from local refineries. Despite the increase of naphtha and fuel oil imports, the surge in exports of gasoline and diesel reduced total net product imports by 24% y-o-y. With the increase in imports of crude oil and other products, Chinas net oil imports rose by 8% to 4.39 mb/d in 2009 compared to a year earlier.

Graph 37: China's exports of crude and petroleum products



In 2009, Saudi Arabia was China's top crude oil supplier with 0.84 mb/d, followed by Angola with 0.65 mb/d and Iran with 0.46 mb/d. OPEC Member Countries supplied

2.65 mb/d in 2009, which represents a 64.7% share of total crude oil imports in China.

Table 25: China's crude and product net imports, tb/d

	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Crude oil	4,489	4,081	4,943	862
Total products	194	154	85	-69
Total crude and products	**4,683**	**4,235**	**5,028**	**793**

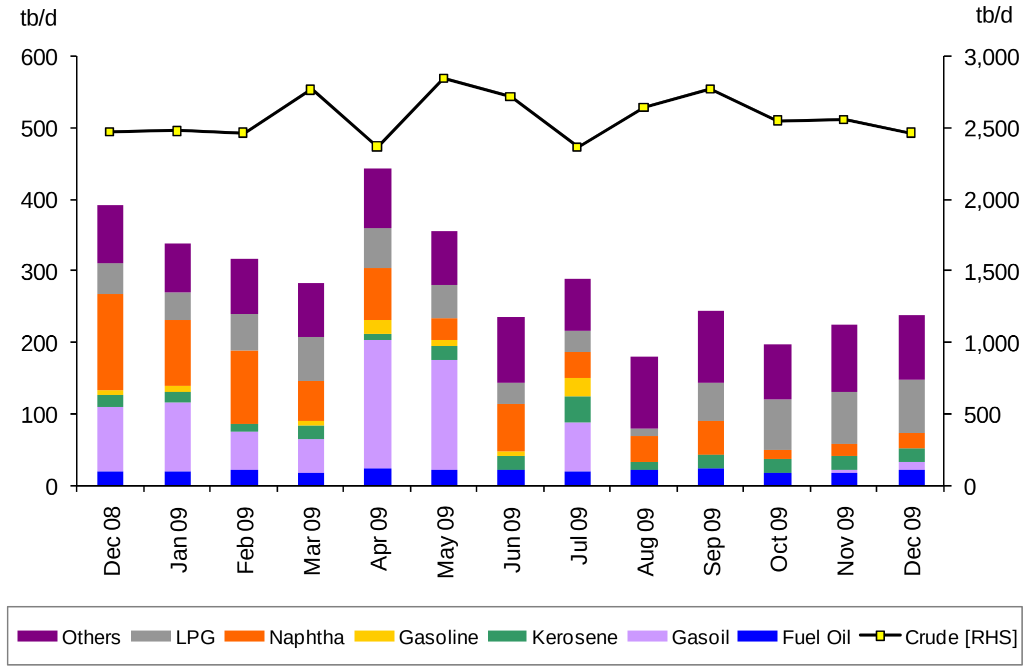
India

India's net oil imports remained steady in 2009 as total imports and exports declined

According to preliminary data, India's crude oil imports were slightly lower in December, compared to the previous month at about 2.47 mb/d. December's crude imports were also 9,700 b/d lower compared to the same month a year ago. India's crude oil imports during the year 2009 averaged 2.58 mb/d, almost unchanged compared to a year ago.

India's product imports increased in December by about 12,000 b/d compared to the previous month to average 0.24 mb/d, about 40% lower compared to the same month a year ago. For the fifth month-in-a-row, there were no gasoline imports in December. After picking up in November, Gasoil imports rose further in December. LPG imports in December averaged about 75,000 b/d, compared to 72,000 b/d the previous month and 68,000 b/d a year earlier.

Graph 38: India's imports of crude and petroleum products



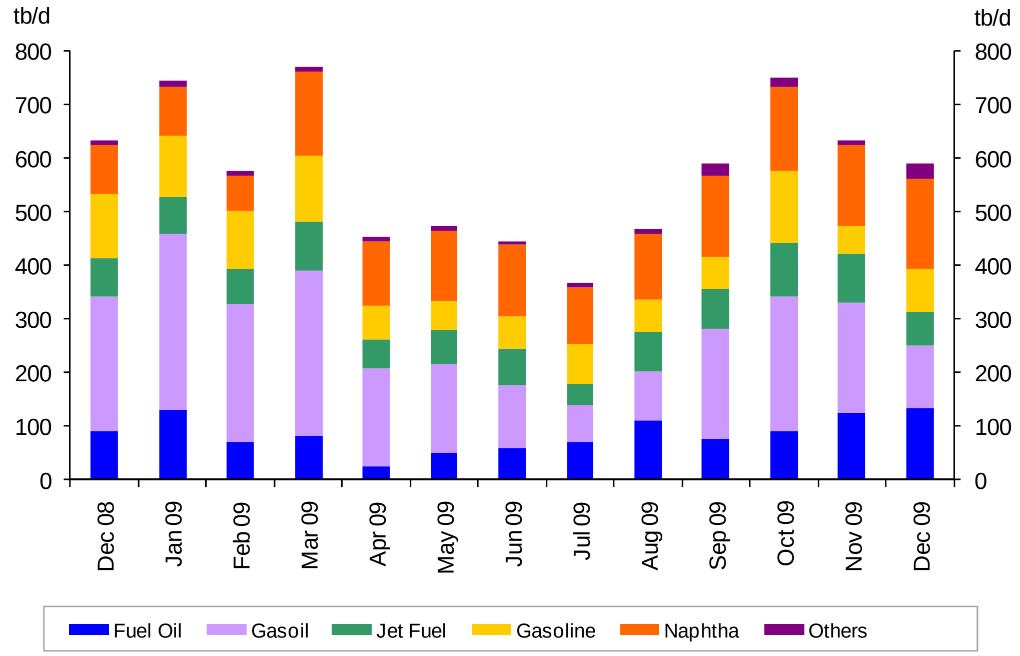
For the year 2009, India imported an average of 0.28 mb/d of products compared to 0.42 mb/d a year earlier, indicating a 34% y-o-y decline. The lower import figure was due to a decline in exports in 2009 which came on the back of reduced margins and overall sluggish global market conditions.

Table 26: India's crude and product net imports, tb/d

	Oct 09	Nov 09	Dec 09	Change Dec/Nov
Crude oil	2,551	2,561	2,466	-94
Total products	-554	-408	-354	55
Total crude and products	**1,997**	**2,152**	**2,112**	**-40**

On the export side, India's total product exports of 592,000 b/d in December were 43,000 b/d or 7% lower compared to the previous month and 6.6% lower compared to a year earlier. Gasoil exports in December averaged 118,000 b/d, down from 206,000 b/d in the previous month and from 272,000 b/d a year earlier.

Graph 39: India's exports of petroleum products



As a result, India's net oil imports in December averaged 2.11 mb/d, indicating a decrease of 2% or 40,000 b/d compared to the previous month and 5% compared to a year ago. Net product imports rose 55,000 b/d. India's net oil imports for the year averaged 2.30 mb/d, an increase of 4% or 87,000 b/d over a year ago.

FSU

FSU total oil exports increased by 10% in 2009 on higher production

According to preliminary data, FSU crude oil exports rose in December, increasing by 169,000 b/d or 2.5% over the previous month to average 6.85 mb/d. Russian crude oil exports in December averaged 3.98 mb/d, some 170,000 b/d higher compared to the previous month but about 73,000 b/d lower compared to a year earlier. On the products side, FSU product exports increased in December by 151,000 b/d to average 2.91 mb/d from 2.76 mb/d in the previous month.

In total, FSU crude oil and product exports averaged 9.75 mb/d in December, about 322,000 b/d or 3.4% higher compared to the previous month. Total FSU exports for the month were 0.55 mb/d or 5.9% higher than a year ago.

In annual terms, total FSU crude and product exports averaged 9.50 mb/d in 2009, indicating an increase of 0.88 mb/d or 10.1% over the previous year. The increase was attributable to both products and crude. A number of factors contributed to the increase in crude exports, including higher output from Russia, Azerbaijan and Kazakhstan. Lower demand and refinery upgrades triggered an increase in FSU product exports, as refiners looked to send surplus products overseas.

Table 27: Recent FSU exports of crude and products by source, kb/d

	2008	2009	2Q09	3Q09	4Q09	Nov 09	Dec 09*
Crude							
Russian pipeline							
Black Sea	1,248	1,201	1,170	1,120	1,152	1,135	1,204
Baltic	1,559	1,577	1,591	1,567	1,613	1,548	1,639
Druzhba	1,077	1,112	1,065	1,110	1,130	1,131	1,117
Total**	**3,905**	**3,922**	**3,876**	**3,816**	**3,904**	**3,814**	**3,984**
Other routes							
Russian rail	283	280	278	291	284	279	280
Russian-Far East	220	283	264	279	305	280	338
Kazak rail	17	18	17	17	17	18	17
Vadandey	20	155	155	148	148	175	152
Ventspils	n.a.	n.a.	13	13	5	0	0
CPC	675	736	729	737	741	735	751
BTC	648	805	794	870	874	888	882
Atasu-Alashankou	121	157	166	185	178	196	161
Caspian	185	281	275	297	303	292	301
Total crude exports***	**6,089**	**6,653**	**6,568**	**6,654**	**6,752**	**6,677**	**6,846**
Products							
Gasoline	210	229	216	181	147	169	186
Naphtha	217	273	273	270	261	264	277
Jet	37	52	61	47	41	32	44
Gasoil	810	949	946	960	896	915	922
Fuel oil	1,069	1,114	1,193	1,200	1,135	1,156	1,236
VGO	196	233	243	225	228	220	242
Total	**2,539**	**2,850**	**2,933**	**2,883**	**2,708**	**2,756**	**2,907**
Total oil exports	**8,628**	**9,503**	**9,500**	**9,537**	**9,460**	**9,432**	**9,753**

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

* *Preliminary.*

** *Total incl. exports of minor volumes to China and Pacific.*

*** *Total crude exports incl. minor volumes of Kaliningrad.*

Because of rounding, some totals may not agree exactly with the sum of their component parts.

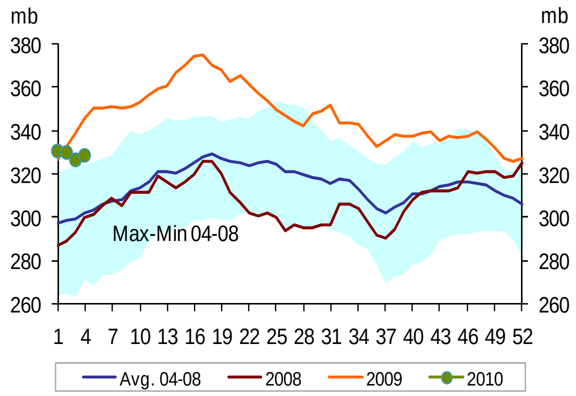
Stock Movements

US commercial oil stocks fell but remained 61 mb above the five-year average

USA

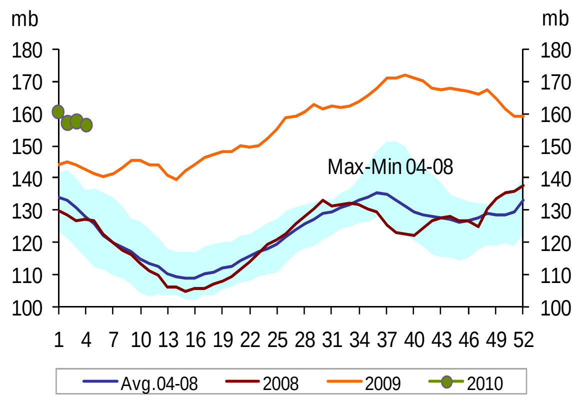
US commercial oil inventories at the end of January fell for the fourth consecutive month by 3.0 mb, however, this drop was well below the one experienced in recent months and also much smaller than the seasonal draw of about 18 mb. The fall in US commercial oil stocks was driven by products which outpaced the build in crude oil inventories. At 1046 mb, total commercial oil inventories stood at 32 mb or 4.7 % above a year earlier and remained at comfortable levels with a surplus of 61 mb or 6.2% above the five year average.

Graph 40: US weekly commercial crude oil inventories



After showing a substantial draw in December, US crude commercial stocks in January observed a contra-seasonal build of 1.7 mb to 329.0 mb. This build could be attributed to the rise in crude oil imports which increased by 450 tb/d to 8.4 mb/d after a sharp declined in the previous month. The decline of 80,000 barrels in US crude oil refinery input below the December level also contributed to this build. At 13.73 mb/d, US crude runs correspond to a refinery utilization rate of 79%. It is worth noting that during the week-ending 29 January, refineries operated at 77.7% of capacity, the lowest level since the 1990s, excluding hurricane-related decline This has resulted from a deterioration in US product demand and refineries are not ready to increase their operations just for the sake of building more inventories. This situation is likely to continue in the coming months as there is no clear sign of demand for US products to pick up, along with more upcoming refinery maintenance and companies shutting down due to very weak demand. In January, crude oil commercial inventories stood at a 28.7 mb or 9.5% above the five-year average; however they remained 24 mb or 7% below the same period last year. In days of forward cover, US crude oil inventories stood at 23.8 days, about 2.3 days or 11% more than the average of last year.

Graph 41: US weekly distillate stocks



In contrast to the build in crude oil, US total products declined 4.7 mb in January versus December to stand at 717.0 mb. The draw comes for the fourth consecutive month. Within products, the picture was mixed. Gasoline stocks rose by 8.4 mb to 228.1 mb to start the year with a comfortable level of 10.4 mb or 4.8% above a year ago, and especially widening the surplus with the five-year average to 6 mb or 2.5%. The continued build in gasoline stocks for the last three months could be attributed to lower demand. In fact, gasoline consumption decreased in January by 3.4% or 300 tb/d versus the previous month to average 8.4 mb/d, and even compared to the same period last year, which was considered a low base of oil consumption, gasoline demand was lower by 0.5%. Distillate stocks which contain heating oil and diesel fell by 2.5 mb to 156.6 mb driven by the drop in heating oil as diesel oil showed a build. Despite this draw, total distillates remained at healthy levels indicating a surplus of 13.1 mb or 9.1% above a year ago and 26 mb or 20% higher than the seasonal norm. The surplus in middle distillates is unlikely to narrow as demand for diesel is not expected to rise given that the consumption in January dropped more than 9% versus a year earlier, which was considered very low base year for diesel demand as a result of sluggish industrial production. Residual fuel and jet fuel oil stocks increased by 2.5 mb and 1.5 mb to 39.7 mb and 43.2 mb respectively, mainly due to decline in demand. Both products remained at healthy levels above a year ago.

The Strategic Petroleum Reserve (SPR) at the end of January remained unchanged at 727 mb reaching capacity. The US administration decided to cancel plans for SPR expansion, claiming that the current emergency oil stockpile reserve is big enough to handle any disruption in petroleum supplies, and that current petroleum reserves are adequate. Indeed, the current US SPR could meet above 82 days of US imports which is expected to average 8.9 mb/d this year. With the cancellation of the expansion plan, the US administration would save $71 million.

Table 28: US onland commercial petroleum stocks, mb

	Nov 09	Dec 09	Jan 10	Change Jan 10 /Dec 09	Jan 09
Crude oil	336.9	327.3	329.0	1.7	352.9
Gasoline	218.4	219.7	228.1	8.4	217.7
Distillate fuel	171.3	159.0	156.5	-2.5	143.4
Residual fuel oil	36.6	37.2	39.7	2.5	35.4
Jet fuel	42.4	41.7	43.2	1.5	40.5
Total	**1,087.4**	**1,049.0**	**1,046.0**	**-3.0**	**1,058.6**
SPR	726.1	726.6	726.6	0.0	703.8

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

Japan

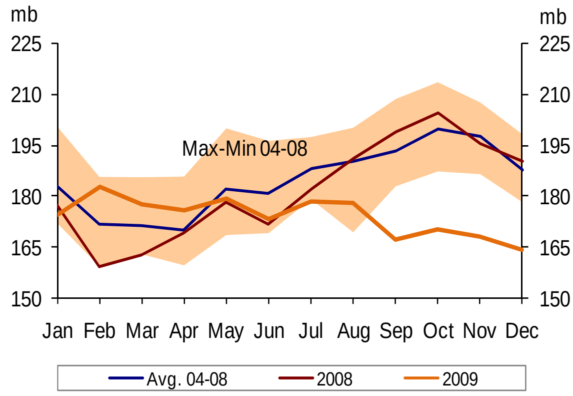
Japan's commercial oil stocks saw a drop in December, but preliminary data shows an increase in January

In December, commercial oil inventories in Japan fell by 3.8 mb for the second consecutive month to a total of 164.2 mb, the lowest level since March 2008. This represents around 25 mb below both a year-ago at the same time and the average for the last five years. This draw is attributed to total products as crude inventories saw some gains at the end of 2009.

After crude oil stocks hit a record low in September, they rebounded over 6 mb during the course of the last three months with December experiencing a build of 2.8 mb to stand at 92.5 mb. This build is driven by the increase of 14.0% in crude oil imports to a total of 4.2 mb/d despite a surprise increase in the crude utilization rate by 4.8% to 79.8%. It is worth noting that for the whole of 2009, crude oil imports declined by 12.9%. This has led to a significant drop in crude oil inventories of 15.8 mb or 14.6% below last year. Additionally, crude oil inventories in Japan finished the year at 14.5% or 15.7% below the seasonal norm.

Total products in December saw a hefty draw of 6.6 mb for the third consecutive month to stand at 71.7 mb. This build is mainly attributed to the rise in Japan's oil products sales which saw an increase of 13.2 % to average 3.9 mb/d, combined with higher imports. However, despite the increase in Japan's domestic oil sales in December versus November, consumption in Japan hit a 24-year low for the month as a result of the recession and diversification to move toward other fuel sources. For 2009, total petroleum demand sales plunged 6.9%, matching the drop in 1982. This development will likely not encourage refiners to build more inventories in the country.Total product inventories ended the year with 9.6 mb or 11.8% below a year earlier and by 9.0 mb or 11% below the average for the last five years. Within products, with the exception of naphtha, all products saw a draw. Middle distillates experienced the bulk of the drop declining 4.9 mb to 33.2 mb. Within middle distillates, jet fuel, kerosene and fuel oil saw a draw, while gasoil stocks experienced a slight build. Jet fuel inventories fell by 14.5% driven by the decline of 26% in output; similarly, kerosene stocks dropped 18.7% on the back of higher consumption which increased by more than double in December versus November mainly due to colder temperatures. Fuel oil stocks saw a minor drop of 0.2% supported by the decline in fuel oil A category, while fuel oil B.C saw a minor build. In contrast, gasoil inventories went up by 5.3% driven by the increase of 6% in output. Total middle distillate inventories remained at 3.0 mb below a year earlier and 5.1 mb below the seasonal average. Gasoline inventories saw a drop of 1.6 mb to stand at 12.1 mb on the back of higher domestic sales increasing by 13.1% and lower imports by almost double which outweighed the increase of 7.5% of output. Despite this drop, gasoline inventories remained almost at the same level as last year and remained in line with the average of the last five years. Naphtha is the only product in Japan experiencing a build of 0.2 mb to 10.1 mb due to the increase of 13% and a 15% in output and imports respectively, which outpaced the rise of 4.2% in domestic sales. Naphta inventories remained at 0.3 mb or 3.3%, higher than the seasonal norm.

Graph 42: Japan's commercial oil stocks



Preliminary indications based on weekly data published by the Petroleum Association of Japan (PAJ) shows that at end of January, Japan's commercial oil inventories reversed the downward trend observed during last two months and increased by 4.8 mb to 169.0 mb. Despite this build, Japanese oil inventories reamained 5.5 mb or 3.3 % below last year.The build estimated in January is split between crude and products as they increased by 2.3 mb and 2.5 mb respectively. At 94.8 mb, crude oil inventories are 7.9 mb or 8% below the seasonal norm. For the week ending 30 January, refiners were operating at 82.2%, 0.5% lower than the previous week which corresponds to crude runs of 4.64 mb/d. On the product side, the picture was mixed among components with gasoline and fuel oil stocks going up 2.3 mb and 1.5 mb respectively, while distillates and naphta inventories experienced a drop of 1.1 mb and 0.3 mb respectively.

Table 29: Japan's commercial oil stocks*, mb

	Oct 09	Nov 09	Dec 09	Change Dec 09/Nov 09	Dec 08
Crude oil	91.4	89.7	92.5	2.8	108.3
Gasoline	13.5	13.7	12.1	-1.6	12.3
Naphtha	12.0	9.9	10.1	0.2	13.4
Middle distillates	36.8	38.1	33.2	-4.9	36.3
Residual fuel oil	16.3	16.6	16.3	-0.3	19.3
Total products	78.5	78.3	71.7	-6.6	81.3
Total**	**170.0**	**168.0**	**164.2**	**-3.8**	**189.7**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore product stocks fell in December and preliminary data indicates a further drop in January

At the end of December, Singapore products reversed the build of the last two months and declined by 3.0 mb to stand at 45.0 mb. Despite this drop, Singapore product stocks remained at 12.7 mb or 40% above a year ago. Fuel oil inventories saw a considerable draw of 5.4 mb to stand at 19.0 mb, almost at the same level as in September. The drop could be attributed to the decline in exports from Western Europe to Singapore as they dropped to a six-month low. The rise in bunker demand also contributed to this drop. Despite this draw, Singapore fuel oil inventories remained around 39% higher than a year earlier. In contrast to the draw in fuel oil stocks, light and middle distillates rose by 0.8 mb and 1.6 mb respectively. At 11.1 mb, light distillate stocks jumped to a five-month high despite strong demand from South Asia to now stand at 3.5 mb or 45% above a year ago. Middle distillate inventories ended the year at 14.7 mb and are now at a comfortable level of 3 mb or 25% higher than a year earlier.

Preliminary data for the end of January 2010 indicates that Singapore product inventories stood at 43.7 mb, around 1.3 mb below the previous month, but around 5 mb above the same month a year earlier. Singapore fuel oil fell slightly by 0.31 mb for the second consecutive month to stand at 18.7 mb driven by stronger regional demand combined with lower imports, however stocks remained more than 6.3% above a year earlier. Middle distillate inventories also dropped by 0.6 mb to stand at 14.5 mb. Light distillates also saw a drop of 0.3 mb to 10.5 mb supported by higher demand from Indonesia as the country needs around 7 mb of gasoline in February to fill the gap caused by refinery outages.

ARA product stocks rose in December, but preliminary data shows a drop in January

Product stocks in ARA in December rose 4.0 mb for the second consecutive month to reach a record-high of 42.1 mb, mainly due to the addition of new storage facilities and lack of exports as demand remained very weak in the region. Product stocks ended the year at 5.4% or 14% above a year earlier. All products saw a build at the end of 2009, with fuel oil and gasoline stocks showing the bulk of this build to increase by 1.4 mb and 1.1 mb respectively; while naphta, gasoil and jet oil stocks experienced a more moderate build.

Preliminary data for the end of January 2010 indicates a drop of around 3.0 mb versus December 2009 to stand at about 39 mb or 7% above the same month a year earlier. All products saw a decline with fuel oil stocks falling by 1.4 mb. The drop in fuel oil stocks was driven by higher demand from Northwest Europe and the Mediterranean which outpaced the imports coming mainly from Canada and Russia. Gasoil inventories dropped around 1.0 mb, but remained 16% above a year earlier as some volumes from floating storage went into storage onland. Also, inflows into tanks coming mainly from Russia were below the volume of exports to the Mediterranean and Poland leading to more stock-draws.

Balance of Supply and Demand

Estimate for 2009

Demand for OPEC crude estimated at 28.8 mb/d in 2009, down 2.2 mb/d from the previous year

Demand for OPEC crude has been revised up by around 130,000 b/d to currently stand at 28.8 mb/d, driven by an upward revision to the fourth quarter of 400,000 b/d. This change resulted from an upward revision in world oil demand combined with a downward revision in non-OPEC supply and OPEC NGLs as some up-to-date data has become available for Member Countries. Demand for OPEC crude in 2009 still represents a considerable decline of 2.2 mb/d from the previous year.

The first half of the year experienced negative growth of around 3.0 mb/d compared to the same period last year. However, the decline is seen narrowing in the second half to show a loss of only 1.1 mb/d in the fourth quarter.

Table 30: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.70**	**84.00**	**83.11**	**84.64**	**85.48**	**84.32**
Non-OPEC Supply	50.36	50.92	50.61	50.81	51.44	50.95
OPEC NGLs and non-conventionals	4.32	4.37	4.55	4.72	4.70	4.59
(b) Total Supply excluding OPEC Crude	**54.69**	**55.29**	**55.16**	**55.53**	**56.13**	**55.53**
Difference (a-b)	**31.02**	**28.71**	**27.95**	**29.11**	**29.35**	**28.78**
OPEC crude oil production	31.21	28.46	28.49	28.86	29.07	28.72
Balance	0.19	-0.25	0.55	-0.25	-0.28	-0.06

Totals may not add due to independent rounding.

Forecast for 2010

Demand for OPEC crude in 2010 forecast at 28.8 mb/d, almost unchanged from previous year

Demand for OPEC crude in 2010 is projected to average 28.8 mb/d, following an upward revision of about 150,000 b/d from the previous assessment as OPEC NGLs experienced a downward revision; however, world oil demand and non-OPEC supply remained almost unchanged. On a quarterly basis, with the exception of the third quarter, all other quarters saw an upward revision.

Required demand for OPEC crude is forecast to remain almost at the same level as last year, following two consecutive annual declines. The first half of the year is still showing a drop of 0.3 mb/d, while the second half is estimated to see positive growth of around 0.3 mb/d in the third quarter and 0.2 mb/d in the fourth.

Table 31: Summarized supply/demand balance for 2010, mb/d

	2009	1Q10	2Q10	3Q10	4Q10	2010
(a) World Oil Demand	**84.32**	**84.64**	**83.75**	**85.57**	**86.51**	**85.12**
Non-OPEC Supply	50.95	51.39	51.14	51.03	51.55	51.28
OPEC NGLs and non-conventionals	4.59	4.83	5.01	5.16	5.40	5.10
(b) Total Supply excluding OPEC Crude	**55.53**	**56.22**	**56.15**	**56.19**	**56.94**	**56.38**
Difference (a-b)	**28.78**	**28.41**	**27.60**	**29.38**	**29.57**	**28.75**

Totals may not add due to independent rounding.

Graph 43: Balance of supply and demand

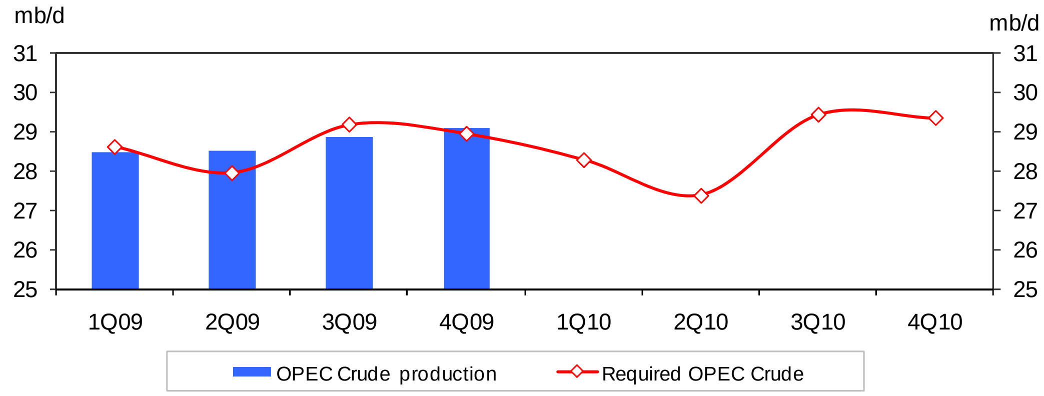


Table 32: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.4	45.1	46.3	45.6	46.2	44.3	45.1	46.4	45.5
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.3	23.4	23.3	23.6	23.1	23.5	23.7	23.5
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.2	14.6	14.8	14.6	14.6	14.0	14.5	14.7	14.4
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.3	7.3	8.0	7.7	8.0	7.1	7.1	7.9	7.5
DCs	21.8	22.6	23.3	24.3	25.3	25.2	25.9	26.0	26.0	25.8	25.8	26.3	26.6	26.5	26.3
FSU	3.8	3.9	4.0	4.0	4.1	3.8	3.7	4.1	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.4	8.6	8.3	8.2	8.1	8.7	8.9	8.6	8.6
(a) Total world demand	82.5	83.9	84.9	86.0	85.7	84.0	83.1	84.6	85.5	84.3	84.6	83.8	85.6	86.5	85.1
Non-OPEC supply															
OECD	21.3	20.4	20.1	20.1	19.5	19.9	19.3	19.3	19.7	19.5	19.6	19.3	19.1	19.4	19.4
North America	14.6	14.1	14.2	14.3	13.9	14.2	14.0	14.2	14.3	14.2	14.3	14.3	14.2	14.3	14.3
Western Europe	6.2	5.7	5.3	5.2	5.0	5.1	4.7	4.5	4.7	4.7	4.6	4.4	4.3	4.4	4.4
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7
DCs	11.6	11.9	12.0	12.0	12.3	12.5	12.5	12.5	12.6	12.5	12.6	12.7	12.7	12.8	12.7
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	13.0	13.2	12.9	13.2	13.2	13.1	13.3	13.2
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	49.9	50.5	50.4	50.9	50.6	50.8	51.4	50.9	51.4	51.1	51.0	51.5	51.3
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.3	4.4	4.6	4.7	4.7	4.6	4.8	5.0	5.2	5.4	5.1
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.8	54.5	54.7	55.3	55.2	55.5	56.1	55.5	56.2	56.2	56.2	56.9	56.4
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.2	31.2	28.5	28.5	28.9	29.1	28.7					
Total supply	82.9	84.2	84.3	84.7	85.9	83.7	83.7	84.4	85.2	84.3					
Balance (stock change and miscellaneous)	0.3	0.2	-0.6	-1.3	0.2	-0.3	0.5	-0.3	-0.3	-0.1					
OECD closing stock levels (*mb*)															
Commercial	2538	2585	2667	2566	2701	2747	2760	2781							
SPR	1450	1487	1499	1524	1527	1547	1561	1564							
Total	3988	4072	4166	4090	4227	4294	4321	4345							
Oil-on-water	905	954	919	951	967	901	902	871							
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	62	61	60							
SPR	29	30	30	32	33	35	35	34							
Total	80	82	85	86	93	97	96	94							
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.9	9.0	9.0	9.3	9.5	9.0	9.1	9.2
(a) - (b)	29.3	30.5	31.1	31.4	31.0	28.7	27.9	29.1	29.4	28.8	28.4	27.6	29.4	29.6	28.7

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

Table 33: World oil demand/supply balance: changes from last month's table † , mb/d

	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09	2009	1Q10	2Q10	3Q10	4Q10	2010
World demand															
OECD	-	-	-	-	-	-	-	-0.2	-	-	-0.1	-	-0.2	-	-0.1
North America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-	-	-0.2	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-0.1	0.1	-	-	-	-0.1	0.1	-
DCs	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
(a) Total world demand	-	-	-	-	-	-	-	-0.2	0.1	-	-0.1	-	-0.2	0.1	-
World demand growth	*-*	*-*	*-*	*-*	*-*	*0.03*	*-0.01*	*-0.17*	*0.11*	*-0.01*	*-0.07*	*-*	*-*	*-*	*-0.02*
Non-OPEC supply															
OECD	-	-	-	-0.1	-0.1	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-0.1
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-0.1	-0.1	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-0.1	-0.1	-	-	-	-	-	-	-	-	-0.1	-
Total non-OPEC supply growth	*-0.01*	*-*	*-0.02*	*-0.05*	*-*	*0.10*	*0.09*	*0.09*	*0.03*	*0.07*	*-0.02*	*-0.06*	*-*	*-0.01*	*-0.02*
OPEC NGLs + non-conventionals	-	-	-	-	-	-0.1	-	-0.1	-0.3	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-0.1	-0.1	-0.1	-	-0.1	-0.3	-0.1	-0.2	-0.2	-0.1	-0.1	-0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-0.1	-0.1	-0.1	-	-0.1	-	-					
Balance (stock change and miscellaneous)	-	-	-	-0.1	-0.1	-0.1	-	-	-	-					
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-	10	-						
SPR	-	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	11	-						
Oil-on-water	-	-	-	-	-	-	-	-	-						
Days of forward consumption in OECD							-	-	-						
Commercial onland stocks	-	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-	-						
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	0.1	0.1	0.1	-	-	0.4	0.1	0.2	0.2	-	0.2	0.2

† This compares Table 32 in this issue of the MOMR with Table 33 in the January 2010 issue.

This table shows only where changes have occurred.

Table 34: OECD oil stocks and oil on water at the end of period

	2001	2002	2003	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
Closing stock levels *mb*																											
OECD onland commercial	2,630	2,473	2,511	2,538	2,585	2,667	2,566	2,701	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,667	2,598	2,658	2,650	2,566	2,572	2,605	2,662	2,701	2,747	2,760	2,781
North America	1,262	1,175	1,161	1,193	1,257	1,277	1,229	1,301	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,229	1,216	1,239	1,282	1,301	1,348	1,383	1,390
Western Europe	925	890	915	915	934	962	930	992	942	915	942	934	937	935	948	962	941	936	932	930	961	957	949	992	992	976	972
OECD Pacific	443	408	435	430	394	429	407	407	389	422	432	394	408	436	461	429	420	428	432	407	394	409	431	407	408	401	419
OECD SPR	1,288	1,347	1,411	1,450	1,487	1,499	1,524	1,527	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564
North America	552	601	640	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704	715	726	727
Western Europe	356	357	374	377	407	412	421	416	376	401	405	407	407	411	412	412	415	413	423	421	423	414	414	416	424	427	429
OECD Pacific	380	389	396	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406	408	408	408
OECD total	3,918	3,820	3,921	3,988	4,072	4,166	4,090	4,227	3,995	4,106	4,121	4,072	4,072	4,141	4,255	4,166	4,106	4,164	4,170	4,090	4,101	4,131	4,184	4,227	4,294	4,321	4,345
Oil-on-water	830	815	882	905	954	919	951	967	931	932	925	954	962	975	974	919	919	895	920	951	935	919	886	967	901	902	871
Days of forward consumption in OECD																											
OECD onland commercial	55	51	51	51	52	54	54	59	52	53	52	51	54	54	55	54	54	54	53	52	54	56	56	58	62	61	60
North America	52	48	46	47	50	50	51	56	47	50	49	50	49	50	53	50	49	51	51	50	50	53	54	55	59	59	59
Western Europe	60	58	59	58	60	63	61	68	61	58	60	58	61	60	60	63	63	61	59	61	64	62	61	67	70	67	65
OECD Pacific	52	47	51	50	47	51	50	53	48	52	49	43	52	55	53	48	53	54	49	46	50	54	54	50	56	55	52
OECD SPR	27	28	29	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	33	35	35	34
North America	23	24	25	26	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	30	31	31	31
Western Europe	23	23	24	24	26	27	27	28	25	26	26	25	27	26	26	27	28	27	27	28	28	27	27	28	30	29	29
OECD Pacific	45	45	46	46	46	47	50	53	49	49	45	42	50	50	45	44	51	51	46	45	51	54	51	50	56	56	51
OECD total	82	79	79	80	82	85	86	93	82	83	82	80	84	84	85	84	85	85	84	84	87	89	88	91	97	96	94

Table 35: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2004	2005	2006	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09
USA	7.65	7.34	7.36	7.50	0.14	7.64	7.75	7.20	7.42	7.50	0.00	7.85	7.97	8.13	8.27	8.05	0.55	8.20	8.17	8.16	8.23	8.19	0.14
Canada	3.07	3.03	3.20	3.32	0.12	3.30	3.12	3.30	3.28	3.25	-0.07	3.30	3.07	3.12	3.05	3.13	-0.12	3.22	3.24	3.20	3.29	3.23	0.10
Mexico	3.83	3.77	3.69	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.04	2.97	2.94	2.96	2.98	-0.19	2.91	2.85	2.80	2.78	2.83	-0.15
North America	14.56	14.14	14.24	14.30	0.06	14.22	14.05	13.63	13.80	13.92	-0.38	14.19	14.01	14.19	14.28	14.17	0.24	14.32	14.25	14.16	14.29	14.26	0.09
Norway	3.19	2.97	2.78	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.52	2.20	2.28	2.38	2.34	-0.11	2.32	2.21	2.11	2.26	2.22	-0.12
UK	2.10	1.89	1.71	1.69	-0.02	1.66	1.65	1.42	1.58	1.58	-0.11	1.63	1.56	1.27	1.50	1.49	-0.09	1.42	1.34	1.30	1.33	1.35	-0.14
Denmark	0.39	0.38	0.34	0.31	-0.04	0.28	0.28	0.27	0.28	0.28	-0.03	0.28	0.27	0.27	0.24	0.26	-0.02	0.25	0.25	0.24	0.24	0.24	-0.02
Other Western Europe	0.48	0.49	0.51	0.62	0.11	0.63	0.65	0.67	0.66	0.65	0.03	0.63	0.63	0.64	0.63	0.63	-0.02	0.62	0.62	0.62	0.61	0.62	-0.02
Western Europe	6.16	5.72	5.34	5.17	-0.17	5.08	4.97	4.74	5.07	4.97	-0.21	5.06	4.66	4.45	4.75	4.73	-0.24	4.61	4.41	4.26	4.45	4.43	-0.30
Australia	0.52	0.53	0.51	0.53	0.02	0.47	0.53	0.55	0.58	0.53	0.01	0.55	0.52	0.55	0.54	0.54	0.01	0.53	0.53	0.56	0.57	0.55	0.00
Other Pacific	0.05	0.05	0.05	0.08	0.03	0.11	0.11	0.10	0.09	0.10	0.02	0.09	0.09	0.10	0.10	0.10	0.00	0.11	0.11	0.11	0.11	0.11	0.02
OECD Pacific	0.57	0.58	0.56	0.60	0.04	0.58	0.63	0.64	0.67	0.63	0.03	0.64	0.61	0.65	0.64	0.64	0.01	0.64	0.64	0.67	0.68	0.66	0.02
Total OECD	21.29	20.44	20.15	20.08	-0.07	19.89	19.66	19.01	19.53	19.52	-0.56	19.89	19.28	19.30	19.67	19.53	0.02	19.58	19.31	19.10	19.42	19.35	-0.18
Brunei	0.21	0.21	0.22	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.01	0.17	0.15	0.16	0.18	0.17	0.00	0.16	0.16	0.16	0.16	0.16	-0.01
India	0.79	0.76	0.78	0.80	0.02	0.80	0.79	0.79	0.81	0.80	0.00	0.78	0.78	0.79	0.81	0.79	-0.01	0.82	0.82	0.85	0.88	0.84	0.06
Indonesia	1.15	1.12	1.07	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.02	1.02	1.02	1.03	1.02	-0.02	1.02	1.03	1.02	1.01	1.02	0.00
Malaysia	0.79	0.77	0.76	0.76	0.00	0.77	0.75	0.77	0.74	0.76	0.00	0.74	0.73	0.73	0.71	0.73	-0.03	0.72	0.70	0.69	0.67	0.69	-0.03
Thailand	0.25	0.29	0.32	0.33	0.02	0.34	0.36	0.36	0.36	0.36	0.03	0.37	0.37	0.36	0.37	0.37	0.01	0.36	0.37	0.37	0.37	0.37	0.00
Vietnam	0.42	0.39	0.37	0.35	-0.02	0.36	0.33	0.31	0.34	0.33	-0.01	0.35	0.37	0.37	0.41	0.38	0.04	0.38	0.35	0.33	0.30	0.34	-0.03
Asia others	0.18	0.26	0.26	0.27	0.00	0.27	0.27	0.27	0.28	0.27	0.01	0.27	0.27	0.27	0.27	0.27	0.00	0.29	0.29	0.30	0.30	0.29	0.02
Other Asia	3.81	3.79	3.78	3.71	-0.06	3.79	3.70	3.71	3.74	3.73	0.02	3.71	3.69	3.70	3.77	3.72	-0.02	3.74	3.72	3.71	3.70	3.72	0.00
Argentina	0.80	0.78	0.77	0.77	0.00	0.79	0.79	0.78	0.77	0.78	0.01	0.78	0.77	0.73	0.76	0.76	-0.02	0.74	0.73	0.72	0.71	0.73	-0.03
Brazil	1.80	1.98	2.11	2.22	0.12	2.33	2.38	2.42	2.40	2.38	0.16	2.47	2.49	2.51	2.55	2.50	0.12	2.61	2.66	2.73	2.83	2.71	0.20
Colombia	0.54	0.53	0.54	0.54	0.00	0.57	0.59	0.61	0.62	0.60	0.06	0.65	0.66	0.68	0.73	0.68	0.08	0.74	0.76	0.77	0.78	0.76	0.08
Trinidad & Tobago	0.16	0.18	0.18	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.16	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01
L. America others	0.26	0.30	0.26	0.27	0.00	0.27	0.27	0.28	0.31	0.28	0.01	0.31	0.30	0.31	0.31	0.31	0.03	0.29	0.29	0.29	0.29	0.29	-0.02
Latin America	3.55	3.77	3.87	3.96	0.10	4.12	4.18	4.24	4.26	4.20	0.24	4.36	4.38	4.39	4.50	4.41	0.21	4.53	4.57	4.65	4.75	4.62	0.22
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.79	0.78	0.75	0.71	-0.04	0.74	0.74	0.76	0.78	0.76	0.05	0.78	0.79	0.83	0.83	0.81	0.05	0.83	0.84	0.84	0.84	0.84	0.03
Syria	0.49	0.45	0.44	0.42	-0.02	0.41	0.40	0.40	0.39	0.40	-0.02	0.38	0.37	0.36	0.36	0.37	-0.03	0.36	0.35	0.34	0.34	0.35	-0.02
Yemen	0.41	0.41	0.37	0.34	-0.04	0.31	0.31	0.30	0.30	0.31	-0.03	0.30	0.30	0.29	0.28	0.29	-0.01	0.27	0.28	0.28	0.27	0.28	-0.02
Middle East	1.90	1.85	1.76	1.67	-0.09	1.67	1.66	1.67	1.67	1.67	0.00	1.67	1.68	1.69	1.67	1.68	0.01	1.67	1.68	1.67	1.66	1.67	-0.01
Chad	0.16	0.18	0.15	0.15	0.00	0.15	0.15	0.15	0.15	0.15	0.00	0.14	0.14	0.14	0.14	0.14	-0.01	0.13	0.12	0.11	0.10	0.11	-0.02
Congo	0.24	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.26	0.26	0.02	0.26	0.27	0.27	0.27	0.27	0.01	0.28	0.29	0.29	0.29	0.28	0.02
Egypt	0.71	0.70	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.70	0.69	0.68	0.66	0.68	-0.01	0.68	0.67	0.67	0.67	0.67	-0.01
Equatorial Guinea	0.30	0.36	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.37	0.36	0.35	0.34	0.36	-0.02	0.35	0.35	0.34	0.34	0.34	-0.01
Gabon	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.25	0.25	0.24	-0.01	0.26	0.26	0.27	0.27	0.26	0.02	0.27	0.27	0.28	0.27	0.27	0.01
South Africa	0.19	0.19	0.19	0.18	-0.01	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.16	0.17	0.00	0.15	0.15	0.15	0.15	0.15	-0.02
Sudan	0.30	0.34	0.40	0.50	0.10	0.50	0.49	0.47	0.44	0.48	-0.02	0.46	0.48	0.47	0.47	0.47	-0.01	0.47	0.48	0.48	0.47	0.48	0.01
Africa other	0.21	0.25	0.32	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.38	0.37	0.36	0.35	0.36	-0.01	0.36	0.36	0.38	0.41	0.38	0.01
Africa	2.36	2.52	2.59	2.70	0.11	2.75	2.76	2.74	2.73	2.75	0.04	2.73	2.73	2.72	2.67	2.71	-0.03	2.69	2.68	2.71	2.70	2.70	-0.02
Total DCs	11.63	11.93	12.00	12.05	0.05	12.33	12.30	12.36	12.41	12.35	0.30	12.47	12.47	12.50	12.61	12.51	0.16	12.62	12.66	12.73	12.81	12.70	0.19
FSU	11.14	11.55	12.02	12.52	0.50	12.62	12.67	12.46	12.49	12.56	0.04	12.64	12.90	13.00	13.16	12.93	0.37	13.18	13.18	13.15	13.28	13.20	0.27
Russia	9.19	9.44	9.65	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.78	9.88	9.97	10.07	9.92	0.14	10.04	10.00	9.95	9.91	9.98	0.05
Kazakhstan	1.18	1.23	1.30	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.48	1.51	1.55	1.61	1.54	0.12	1.62	1.63	1.59	1.68	1.63	0.09
Azerbaijan	0.31	0.44	0.65	0.86	0.21	0.96	1.03	0.85	0.78	0.91	0.04	0.94	1.08	1.05	1.04	1.03	0.12	1.06	1.10	1.13	1.21	1.13	0.10
FSU others	0.47	0.44	0.42	0.44	0.02	0.46	0.46	0.46	0.45	0.46	0.02	0.44	0.44	0.44	0.43	0.44	-0.02	0.45	0.45	0.47	0.48	0.46	0.03
Other Europe	0.17	0.16	0.15	0.15	0.00	0.15	0.15	0.14	0.14	0.15	-0.01	0.14	0.13	0.14	0.14	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00
China	3.50	3.64	3.69	3.77	0.07	3.81	3.87	3.84	3.84	3.84	0.07	3.80	3.85	3.88	3.87	3.85	0.01	3.89	3.87	3.93	3.92	3.90	0.05
Non-OPEC production	47.74	47.71	48.02	48.57	0.55	48.79	48.65	47.82	48.41	48.41	-0.16	48.94	48.63	48.83	49.45	48.96	0.55	49.41	49.16	49.05	49.56	49.29	0.33
Processing gains	1.83	1.86	1.90	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03	1.98	1.98	1.98	1.98	1.98	0.00
Non-OPEC supply	49.57	49.58	49.92	50.49	0.57	50.74	50.60	49.77	50.36	50.36	-0.13	50.92	50.61	50.81	51.44	50.95	0.58	51.39	51.14	51.03	51.55	51.28	0.33
OPEC NGL	3.54	3.74	3.76	3.95	0.19	4.13	4.23	4.26	4.25	4.22	0.27	4.26	4.45	4.62	4.59	4.48	0.26	4.72	4.91	5.05	5.29	4.99	0.51
OPEC Non-conventional	0.17	0.16	0.14	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00
OPEC (NGL+NCF)	3.71	3.89	3.89	4.03	0.14	4.24	4.34	4.36	4.36	4.32	0.29	4.37	4.55	4.72	4.70	4.59	0.26	4.83	5.01	5.16	5.40	5.10	0.51
Non-OPEC & OPEC (NGL+NCF)	53.28	53.47	53.81	54.53	0.71	54.98	54.93	54.13	54.72	54.69	0.16	55.29	55.16	55.53	56.13	55.53	0.85	56.22	56.15	56.19	56.94	56.38	0.85

Notes: Totals may not add up due to independent rounding. Indonesia has been included in Non-OPEC supply for comparison purpose.

Table 36: World Rig Count

	2005	2006	06/05	Change 1Q07	2Q07	3Q07	4Q07	2007	07/06	Change 1Q08	2Q08	3Q08	4Q08	2008	08/07	Change 1Q09	2Q09	3Q09	Dec09	4Q09	2009	09/08	Jan09	Jan/Dec
USA	1,381	1,647	267	1,733	1,756	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,172	1,108	1,081	-796	1,267	95
Canada	458	470	12	532	139	348	356	344	-126	507	169	432	408	379	35	328	91	177	313	277	218	-161	459	146
Mexico	107	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	128	128	135	122	123	128	26	125	3
North America	1,945	2,200	255	2,355	1,983	2,231	2,240	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,607	1,508	1,428	-931	1,851	244
Norway	17	17	0	16	19	18	17	18	1	17	21	21	21	20	2	25	18	18	22	20	20	0	20	-2
UK	21	27	5	25	29	27	22	26	-1	19	21	24	24	22	-4	22	19	16	14	15	18	-4	15	1
Western Europe	70	77	7	75	80	79	77	78	0	91	97	101	103	98	20	90	82	76	84	85	83	-15	84	0
OECD Pacific	25	26	2	24	30	32	30	29	2	32	39	39	34	36	7	27	25	26	25	23	25	-11	26	1
Total OECD	2,078	2,347	269	2,494	2,141	2,387	2,385	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,716	1,616	1,557	-978	1,961	245
Other Asia	200	202	2	206	213	212	216	212	10	213	220	218	212	216	4	212	212	213	241	233	217	1	227	-14
Latin America	129	149	19	175	177	171	179	175	27	187	184	195	197	191	16	164	147	149	172	169	157	-34	174	2
Middle East	131	132	1	144	146	154	154	149	18	158	165	175	171	167	18	162	151	139	148	147	150	-18	151	3
Africa	8	10	2	16	12	14	14	14	4	10	13	14	11	12	-2	8	11	9	14	12	10	-2	22	8
Total DCs	468	493	25	540	549	550	563	551	58	569	583	602	591	586	36	546	520	510	575	561	534	-52	574	-1
Non-OPEC Rig Count	2,546	2,840	294	3,035	2,690	2,937	2,948	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,291	2,177	2,091	-1,030	2,535	244
Algeria	21	24	4	25	26	28	28	27	2	26	27	24	26	26	-1	24	30	27	27	27	27	1	18	-9
Angola	3	4	1	5	4	3	5	4	1	5	6	5	5	5	1	5	3	3	5	4	4	-1	11	6
Ecuador	12	11	0	12	10	11	10	11	-1	7	9	12	13	10	-1	10	10	10	10	10	10	0	10	0
Iran	40	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	52	52	52	52	52	2	52	0
Iraq	0	0	0	0	0	0	0	0	0	29	29	29	29	29	29	29	29	29	29	29	29	0	29	0
Kuwait	12	14	1	14	13	13	11	12	-1	12	11	12	12	12	0	12	11	14	17	13	13	0	21	4
Libya	9	10	1	13	12	14	14	13	3	14	15	15	15	15	2	15	13	14	16	15	14	-1	16	0
Nigeria	9	10	1	8	7	8	10	8	-1	9	8	6	6	7	-1	7	6	6	8	7	6	-1	9	1
Qatar	12	11	-1	11	12	13	14	13	2	11	12	11	11	11	-1	9	9	9	8	9	9	-2	8	0
Saudi Arabia	37	65	28	76	76	78	77	77	11	78	77	76	76	77	0	72	67	67	67	66	68	-9	68	1
UAE	16	16	0	14	15	15	14	15	-2	12	12	13	12	12	-2	13	12	13	11	12	12	0	12	1
Venezuela	68	81	13	76	80	77	71	76	-5	82	81	77	81	80	4	69	64	54	49	54	60	-20	65	16
OPEC Rig Count	238	290	51	303	305	311	302	305	16	336	337	330	336	335	29	315	307	295	299	298	304	-31	319	20
Worldwide Rig Count*	2,785	3,130	345	3,338	2,995	3,249	3,250	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,806	2,126	2,173	2,590	2,476	2,395	-1,061	2,854	264
of which:																	0	0	0	0	0	0	0	0
Oil	980	1,124	144	1,264	1,167	1,254	1,285	1,242	119	1,408	1,351	1,479	1,490	1432	190	1,276	1062	1175	1397	1349	1,215	-217	1,540	143
Gas	1,746	1,947	201	2,013	1,764	1,931	1,904	1,903	-44	1,969	1,814	2,070	1,948	1950	47	1,450	993	965	1153	1092	1,125	-825	1,272	119
Others	21	17	-4	20	17	20	25	20	4	26	32	36	37	33	12	35	35	34	41	37	35	3	41	0

**/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 2010

OPEC Basket average price

US$ per barrel

⬆ *up $2.00 in January*	***January 2010***	***76.01***
	December 2009	*74.01*
	Year-to-date	*76.01*

January OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.06 in January*	***January 2010***	***29.19***
	December 2009	*29.13*

World economy

The world economy is now forecast to grow at an upwardly revised 3.4% in 2010 following a now lower contraction of 0.9% in 2009. The main revisions to the 2010 forecast were made to US, China and India, which are now expected grow by 2.5%, 9.1% and 7.0%, respectively.

Supply and demand

in million barrels per day

2009		***2010***	
World demand	*84.3*	*World demand*	*85.1*
Non-OPEC supply	*50.9*	*Non-OPEC supply*	*51.3*
OPEC NGLs	*4.6*	*OPEC NGLs*	*5.1*
Difference	***28.8***	***Difference***	***28.7***

Totals may not add due to independent rounding.

Stocks

US commercial oil inventories fell by 3.0 mb in January, but the drop was much less than the typical seasonal draw. This decline was driven by products which outpaced the build in crude oil inventories. US commercial oil inventories are 32 mb above a year ago and 61 mb above the five-year average. In December, commercial oil inventories in Japan fell by 3.6 mb; however, preliminary indications for January shows a build of 4.8 mb divided between crude and products.

Issued 10 February 2010.
Next report to be issued on 10 March 2010.

Data covers period up to the end of January 2010 unless otherwise stated.