OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
The oil market moves towards fundamentals

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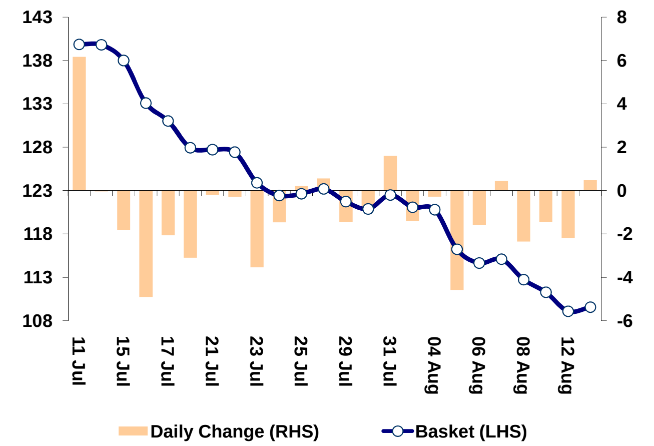
Oil Market Highlights

- The OPEC Reference Basket rose $2.89/b or 2% in July to set a new monthly high of $131.22/b. In daily terms, the Basket jumped sharply higher in the first days of the month to peaking at $140.73 on 4 July with US dollar weakness and geopolitical tensions dominated the upward trend. However, the sentiment eased over the course of the month with concern over slower demand growth amid weak economy signals helping the Basket to fall $13.55 or almost 10% lower. In August, the weaker economic outlook indicating lower demand as well as a recovery in the US dollar and high OPEC oil exports helped calm the market. Although the uptrend revived following recent supply disruptions in the Caucasus, the momentum was short-lived as speculative funds continued to exit the crude oil futures market. This helped the Basket to plunge to a three-month low of $109/b on 12 August.
- The world economy is seen to grow at 3.9% this year, 0.1% down on last month's forecast and around 1.0% lower than in 2007. For 2009, the forecast of 3.8% is also 0.1% lower than last month's, mainly due to downward revisions made to all major OECD regions. In contrast, Developing Countries' growth in 2009 is unchanged at 5.6%. For 2009, India's growth was revised up 0.2 pp to 7.7% while China's is unchanged at 9.2%. US economic expansion next year is now projected at 1.3%, down 0.3pp from the previous month, but still higher than the prospect of 1.1% growth in Japan and the Euro-zone. The dollar strengthened on the perception that the rest of the world — mainly other OECD regions — were facing increasing headwinds and were slowing down fast, while the US is seen to have been more proactive in resolving economic and financial sector problems. Japan is on the brink of recession after 2Q08 real GDP fell at an annualized rate of 2.4%. Eurozone growth was also negative in 2Q08 falling at around 0.8% annualized rate. In contrast, US grew at 1.9% rate in 2Q08, buoyed by the fiscal stimulus. However, the US outlook for the 2H08 has worsened, with no bottom yet in sight for the housing sector.
- US oil demand has been badly hurt this summer by slowing economy and high oil prices. Transport and industrial fuels declined the most, pushing the country's total oil demand down by 3.8% or 0.8 mb/d in the first seven months. Gasoline, the engine of the US oil demand, has been on the decline since the beginning of the year. Summer strong oil demand growth in China, Middle East and Asia has not been enough to offset the huge decline in OECD oil demand in the second quarter. World oil demand in 2008 is forecast to grow by 1.0 mb/d with a slight 30 tb/d revision from the previous forecast. In 2009, world oil demand is forecast to grow by 0.9 mb/d, unchanged from the previous forecast and 0.1 mb/d lower than demand growth in 2008. With growth expected at 1.2 mb/d, non-OECD countries will account for all of the world oil demand growth next year. Due to a major slowdown in transport and industrial fuel consumption not only North America but also in OECD Europe and Pacific, oil demand growth will be on the decline in 2009 which will make the world oil demand growth the lowest since 2002.
- Non-OPEC oil supply in 2008 is expected to increase 0.58 mb/d over the previous year, broadly unchanged from the previous forecast. Upward revisions to supply from the USA, Mexico, UK, and China offset downward adjustments to Canada, Norway, Australia, India, Malaysia, Vietnam, Brazil, Russia, Kazakhstan, and Azerbaijan. In July, total OPEC crude oil output averaged 32.6 mb/d, representing a gain of 235,800 b/d over the previous month due to higher production from Saudi Arabia, Iraq, Nigeria, Kuwait and the UAE. Preliminary global oil supply figures — combining non-OPEC supply, OPEC NGLs & non-conventional oils and OPEC production — for July indicate that world oil supply rose by 0.6 mb/d in July over the previous month. In 2009, non-OPEC oil supply is expected to grow by 0.9 mb/d steady from last month.
- Deteriorating demand in the OECD countries, particularly in the US along with costly crude oil significantly undermined refining economics across the world in July. The current sentiments of product market may exacerbate further in the next months with the approaching end of driving season and product market fundamentals may ease further. This weaker trend is likely to be enhanced by new refinery capacities coming onstream in coming months. Looking ahead, the only major wild card for the product markets would be possible refinery outages due to hurricane activity in the Gulf of Mexico. Additionally, the recent sharp fall in crude oil prices may help to improve refining economics and to cap discretionary cuts by refiners.
- OPEC spot fixtures increased by less than 1% in July over the previous month to average 14.0 mb/d supported by a 3% increase in spot fixtures in the Middle East. OPEC sailings were steady averaging 23.43 mb/d. Arrivals in the US rose last month as imports increased marginally. Spot freight rates for crude oil tankers were firm mainly due to the very strong Suezmax market, while product tanker freight rates were weaker on higher tonnage availability with the closure of the gasoline arbitrage to the US.
- US commercial oil stocks continued their upward trend in July, increasing more than 13 mb to reach 988 mb but remained 28 mb below the five-year average. The build was driven by distillates which rose for the third consecutive month to stand above 133 mb. Similarly, gasoline stocks remained comfortably above the top of the five-year range. Crude oil stocks inched up slightly but remained 16 mb below the five-year average. EU-15 plus Norway total oil inventories remained comfortable in July after a build of 3.6 mb, due to a jump in crude oil stocks and despite a decline in products. In Japan commercial oil stocks fell 6.7 mb in June, widening the deficit with the five-year average to 10 mb. Crude oil stocks were the main contributor to the decline but preliminary data show a surge of around 14 mb in total oil stocks in July.
- The demand for OPEC crude in 2008 is estimated to average 32.1 mb/d, a decline of 0.1 mb/d over the previous year. In 2009, the demand for OPEC crude is expected to average 31.3 mb/d or 0.7 mb/d lower than in 2008.

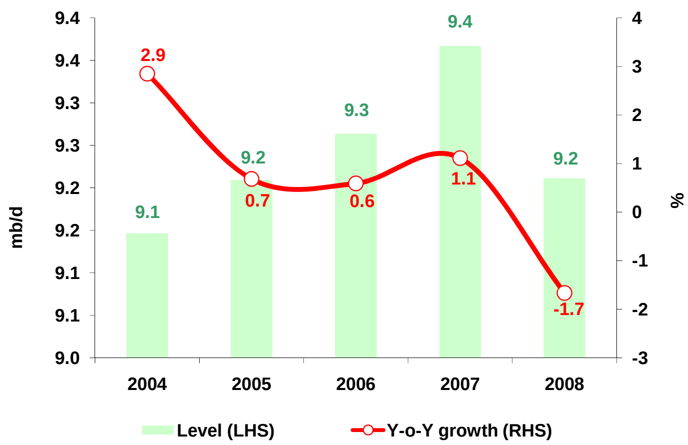
The oil market moves towards fundamentals

- Since reaching record highs in the first half of July, crude oil prices have fallen sharply with the OPEC Reference Basket declining more than $31/b by the second week of August (*see* ***Graph 1***). In line with this development, speculators have significantly liquidated net long positions on the Nymex. Non-commercials positions have flipped from 25,000 contracts net long to 5,000 contracts net short. Taken together, these developments indicate that the continued softening of oil market fundamentals, which has been seen since the start of the year, have finally begun to be reflected in prices. Indeed, the market's mild reaction to the recent supply disruptions in the Caucasus is indicative of the recent change in sentiment. What have been the main factors behind this recent shift?
- In the last few weeks, the outlook for the world economy has deteriorated further as more evidence of a global slowdown emerged. The continued recession in the housing sector and tighter credit is expected to remain a drag on the US economy in the coming quarters as consumers retrench. Euro-zone growth has been revised down as evidence mounts of a sharp slowdown in activity in many members including Germany. Growth for the region in the second quarter is now negative. Similarly, the expansion in Japan has decelerated sharply and moved into reverse in the second quarter. Although emerging market economies remained resilient in the first half of 2008, in the second part of the year tighter monetary policies put in place to fight rising inflationary pressures imply slower growth ahead.

Graph 1: OPEC Basket prices since mid-July 200 8(US$/b)



Graph 2: US gasoline demand, January-July



- The softening economic situation has led to a further slowdown in oil demand growth. A good indicator of the decline in oil demand growth has been the drop in US gasoline consumption this year (*see* ***Graph 2***). Over the previous four years, US gasoline demand has seen an average y-o-y increase of 0.7% in the first seven months of the year. This year, however, US gasoline demand has actually fallen by 1.7% y-o-y, the first drop since 2004. This slowdown in consumption growth is expected to persist into 2009, where yearly oil demand growth is seen rising by 0.9 mb/d, the slowest pace since 2002.
- While demand growth has slowed, the performance of non-OPEC supply has begun to improve and is expected to see healthy growth in the coming year. Following a period of consecutive downward revisions, recent data for July shows non-OPEC supply growth lending support to the yearly forecast of a rise of 580 tb/d in 2008. This emerging upward trend is expected to continue into 2009, with the current forecast expecting an increase of 950 tb/d.
- Despite market fundamentals indicating little need for additional crude, OPEC members have increased production to help calm markets. In July, OPEC output reached 32.64 mb/d, representing a gain of 780 tb/d since April. With current production, OPEC is now producing well above the demand for its crude. The healthy supply situation has been reflected in the shape of the forward market, which has shifted into contango since late May, indicating prompt supply is more than sufficient to meet demand.
- Other factors have also helped to ease prices. In addition to the reduction in geopolitical tensions in some producing regions, the recent strengthening of the US dollar against major currencies has reduced the incentive to invest into commodities including oil as a hedge against currency movements and inflation. The resurgence of the dollar came as markets have reassessed the relative growth outlook for the US versus other OECD regions in the coming months and on mounting evidence of a global slowdown.
- Given these trends, risks to the outlook for the world oil market appear to be on the downside. With current OPEC production well above the expected demand for OPEC crude, there is potential for a sharp build in crude oil inventories. Moreover, the current contango market structure could further encourage stock building. However, a number of potential upside risks remain, namely from geopolitical developments, the hurricane season in the Gulf of Mexico and colder winter weather. In light of these ongoing changes in the market, OPEC will continue to closely monitor market developments ahead of the upcoming Ministerial Meeting in September.

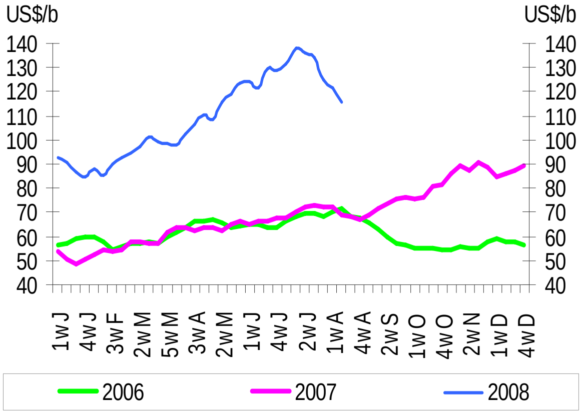
Crude Oil Price Movements

Fluctuations in the US dollar and geopolitical tensions dominated market bullishness

OPEC Reference Basket

The crude oil market kicked off the month on a strong note amid a weakening US dollar while geopolitical tensions continued to escalate. The OPEC Reference Basket averaged more than 5% higher in the first week when it rallied $6.71/b to settle at $138.31/b to mark a record weekly high of $140.73/b. Nonetheless, the sentiment calmed in the second week amid news of an easing in the Mideast geopolitics and losses in the equity market while the US dollar fluctuated. Although a renewed escalation in geopolitics later in the week pushed the Basket nearly 5% higher on Friday, 11 August, the weekly Basket average eased $2.24/b or 1.6% in the second week to reach $136.07/b.

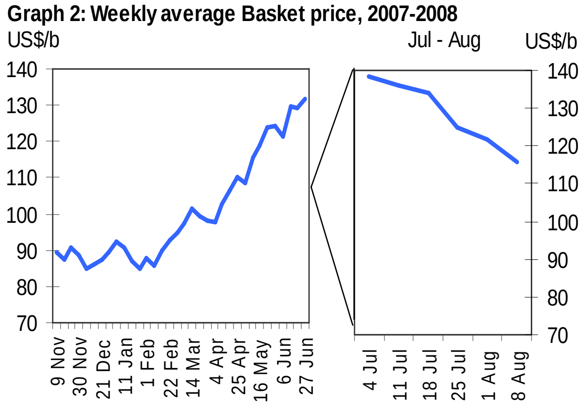
Graph 1: OPEC Reference Basket - weekly spot crude



Revived concerns over the weak economy were expected to dent demand for oil amid a healthy build in US crude oil and gasoline inventories indicating slower demand growth. This was supported by positive geopolitical developments while OPEC's oil exports increased. The Basket plunged 3.5% on Wednesday, 16 August. Thus, the Basket closed the third week down 1.5% or $2.10/b to settle at $133.97/b. In the fourth week, tropical Storm Dolly in the Gulf of Mexico revived potential supply fears; nevertheless, the sentiment was short-lived. However, fluctuations in Mideast geopolitics revived concern over oil supply, while the weak economy outlook and recovery in the US dollar exchange rate dominated the bearish market sentiment. The Basket averaged the week at $124.82/b, down by a hefty 6.8% or $9.15/b. In the final days of the month, the Basket bottomed to $120.88/b, the lowest level in eight weeks, to average $124.82/b closing the month at an average of $131.22/b, the highest monthly average ever.

In monthly terms, the Basket began July with a sharp jump in prices, which peaked at over $140/b. Geopolitical tensions in the Middle East supported by US dollar weakness dominated market bullishness. Nevertheless, the sentiment eased during the course of the month with concern over slower demand growth amid weak economic signals supporting a decline in the Basket of $13.55/b or almost 10%. However, the monthly average was $2.89 or well over 2% firmer to settle at $131.22/b, a record-high. In August, the weak economy implying a drop in oil demand growth, the recovery of the US dollar and high OPEC oil exports helped to further calm the market. Although a fire at a pipeline in Turkey and force majeure declared by West Africa triggered some concern in the market, the momentum was short-lived as speculative funds continued to exit the crude oil futures market. Hence, the Basket plunged to a three-month low of $109.08/b on 12 August.

Graph 2: Weekly average Basket price, 2007-2008

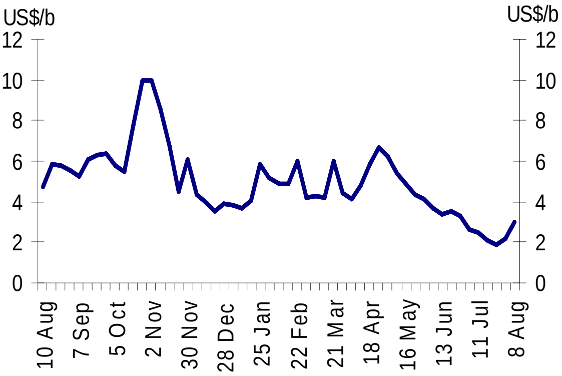


Narrowing transatlantic spread supported light sour crude in the US domestic market

US market

The US domestic market for sweet crude emerged weaker amid closed arbitrage flows across the Atlantic boosting the light grade. Weak refining margins prompted refiners for more lucrative sour grade. The WTI/WTS spread averaged the first week at $2.62/b or 67¢ narrower than in the previous week. Flow of limited arbitrage barrels at a time of less West African crude supported regional grades to remain firm. In the second week, the average WTI/WTS spread was 11¢ narrower at $2.51/b. The pressure continued with crude oil stocks falling in Cushing, Oklahoma, while gasoline inventories piled up. The WTI/WTS spread narrowed in the third week by 44¢ to $2.07/b. Light sour crude continued to gain momentum in the US domestic market amid the closed arbitrage window. The prospect of a swap of sweet SPR crude with sour grades lent a short-lived bearish momentum amid the continued narrow transatlantic spread. The WTI/WTS spread was 19¢ narrower at $1.88/b. In the final days, sweet crude firmed amid ship delays at the Mississippi river while the contango spread weighed down on closed transatlantic arbitrage barrels. The WTI/WTS spread was 17¢ wider at $2.05/b. The monthly average for WTI was $133.82/b in July when it was 11¢ narrower. The WTI/WTS spread narrowed $1.22 to average $2.21/b, the lowest monthly average level since December 2003.

Graph 3: WTI spread to WTS, 2007-2008

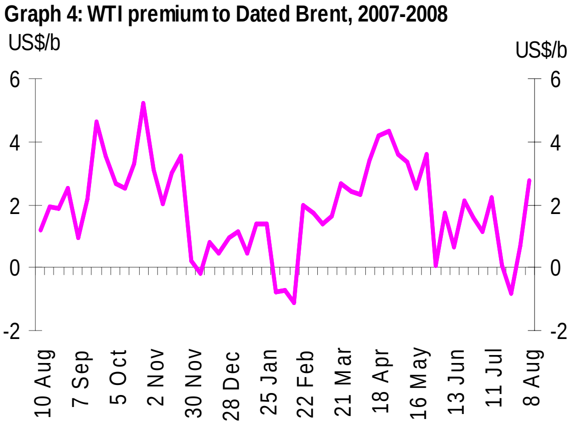


Seasonal oilfield maintenance prompted higher North Sea quantities amid lighter blend

North Sea market

The European market emerged on a weaker note amid poor refining margins. However, the bullish momentum revived following a revision by Platts in the price mechanism for dealing with Forties crude in calculating the cost of sulphur content. In the first week, Brent discount to WTI was 43¢ narrower at $1.14/b. In the second week the bearishness resumed amid unsold prompt July Forties stems. Adding to the bearishness were more barrels emerging from the North Sea in August pressuring the regional crude. Brent discount to WTI doubled when it was $1.06 wider at $2.20/b. In the third week, the sentiment improved amid clearing late July Forties stems. Lower market liquidity supported North Sea grade differentials. The WTI premium to Brent narrowed by $2.13 to just 7¢/b, a level last seen in the final week of May. The sentiment strengthened with refining margins improving at a time when oilfield summer maintenance begins. Implication that light quality will be in the blend due to seasonal outages added to differential strength. In the fourth week, the Brent spread flipped into a premium to WTI of 80¢/b. The premium extended further in the final days of the month to average $1.29/b amid firm refinery demand. The contango on the forward structure added to the buying spree for stockpiling. Brent averaged in July $133.19/b for a gain of 75¢ while the discount to WTI was 86¢ narrower at 63¢/b.

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



Mediterranean market

Urals supported by healthy refining margins amid prompt lifting on tight supply

The Mediterranean market emerged on continued weakness, yet improved refining margins lent support for the light sour grade amid prompt lifting. In the first week, the Urals crude discount to Brent was 43¢ narrower at $4.43/b. The sentiment was volatile but firm into the second week. Thus, the Brent premium to Urals narrowed by $1.26 to $2.74/b. Demand for Urals crude continued in the Mediterranean amid soft differentials in a slow market while light Azeri Light crude was on offer pressuring the grade. Hence, Urals spread under Brent was 23¢ wider at $2.97/b in the third week. Resumed flow of Iraq's Kirkuk crude supported the bearish market sentiment. Continued offers of Azeri Light added to market weakness for Urals crude. Yet, the lower Russian loading programme in August kept a cap on market bearishness. In the fourth week, Urals discount to Brent widened by 51¢ to $3.48/b. In the final days, healthy diesel margins amid tight Russian supply prompted limited offers. Urals discount to Brent was 29¢ narrower at $3.19/b. The monthly average of Urals was 48¢ narrower at $121.29/b, yet the discount to Brent average in July narrowed $1.58 to reach $3.13/b narrower, the narrowest level in seven months.

Middle Eastern market

Ample supply, yet the narrow Brent/Dubai spread pressured the Mideast crude

The market emerged on a weaker note as a Mideast major reduced the retroactive spread relative to Dubai at a faster rate than anticipated. The poor performance of fuel oil was seen lending support to market bearishness. Thus, the narrowing of the Brent/Dubai spread to $3.74 from $4.68 the week before amid a weak Brent crude was seen opening the opportunity for rival crude to flow eastward. The sentiment continued into the second week with Dubai's discount to Brent narrowing by $2.63 to $1.11/b keeping the Mideast crude under pressure. Ample supply from a Mideast major also enhanced market calmness. In the third week, with ample supply, buyers were asking for a discount while adopting the sidelines. The market was quiet most of the week amid a wide gap between offers and bids. Moreover, despite higher freight cost, the attractive Brent/Dubai spread at 72¢/b encouraged the eastward flow of western crude. Higher term volume in September ahead of seasonal maintenance prompted bearish momentum among buyers. In the fourth week, the market firmed as oilfield maintenance offset the higher volume in September. Nonetheless, high middle distillates at Singapore storage pressured the kerosene-rich grade. The Brent/Dubai spread widened by $1.28 to $2/b. In the final days, ample supply continued to pressure the Mideast grade while the middle distillate crack spread weakened. Dubai crude averaged the month at $131.27/b, for a gain of $3.45 or 2.7% with the discount to Brent $2.70 narrower at $1.92/b, the narrowest monthly average level in 18 months.

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

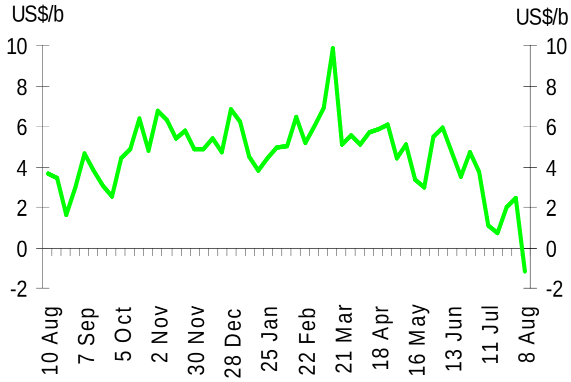


Table 1: OPEC Reference Basket and selected crudes, US$/b

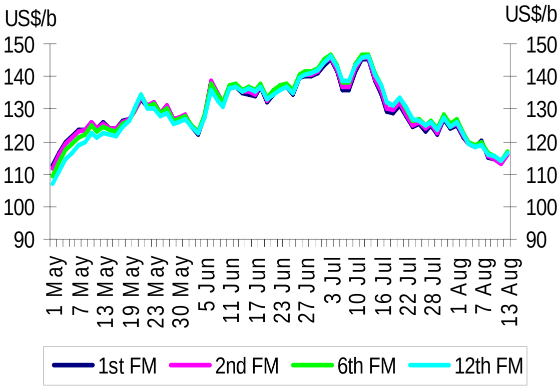
	Jun 08	Jul 08	Change Jul/Jun	Year-to-Date 2007	Year-to-Date 2008
OPEC Reference Basket	**128.33**	**131.22**	**2.89**	**61.59**	**109.15**
Arab Light	129.35	132.75	3.40	61.08	110.00
Basrah Light	124.46	127.00	2.54	58.78	106.29
BCF-17	116.16	124.51	8.35	54.10	99.02
Bonny Light	136.44	137.64	1.20	67.77	116.21
Es Sider	131.69	132.14	0.45	63.86	112.16
Girassol	130.89	131.35	0.46	63.28	110.77
Iran Heavy	124.66	126.75	2.09	59.30	106.20
Kuwait Export	124.37	127.57	3.20	58.82	105.69
Marine	129.25	132.73	3.48	62.09	109.11
Minas	136.49	139.76	3.27	65.59	115.62
Murban	134.56	137.94	3.38	66.03	113.90
Oriente	119.13	119.43	0.30	54.95	100.15
Saharan Blend	133.94	134.49	0.55	67.44	114.69
Other Crudes					
Dubai	127.82	131.27	3.45	61.49	108.12
Isthmus	129.90	130.98	1.08	59.59	109.70
T.J. Light	125.62	127.71	2.09	57.75	106.45
Brent	132.44	133.19	0.75	65.29	112.84
W Texas Intermediate	133.93	133.82	-0.11	63.30	114.48
Differentials					
WTI/Brent	1.49	0.63	-0.86	-1.99	1.63
Brent/Dubai	4.62	1.92	-2.70	3.80	4.72

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

The Oil Futures Market

Open interest volume fell below 1.3 million contracts with the non-commercial positions flipping into net short

Graph 6: Nymex WTI futures prices,2008



FM = future month

The petroleum complex emerged the month on a strong bullish trend. A draw on the US crude oil stocks, the weak dollar exchange rate and escalating geopolitical tensions in the Mideast were the main drivers. In the first weekly period, Nymex WTI front month contracts averaged $3.79 firmer at $139.07/b, after peaking above the $140/b level for the first time. Nonetheless, the CFTC revealed that net non-commercials reduced net long positions by 2,200 to nearly 22,000 lots as short positions fell at a faster rate than longs. However, open interest volume was 11,600 lots lower at 1,294,500, the lowest level since March last year. With options included, open interest volume was 71,000 lots higher at 2,873,700.

In the second weekly period, the CFTC reported that the volume of non-commercial net longs was down by a hefty 14,900 to nearly 7,100 lots, the lowest level since February 2007 as longs fell and shorts rose. In contrast, open interest volume saw a moderate build of 21,800 to 1,316,300 lots. With options included, open interest volume increased 46,500 to 2,920,200 contracts. The continued volatile bullish sentiment due to the weak US dollar and tensions in the Mideast geopolitics was somewhat capped by a drop in the equity market. The Nymex WTI prompt month averaged $141.57/b, after peaking at $145.29/b.

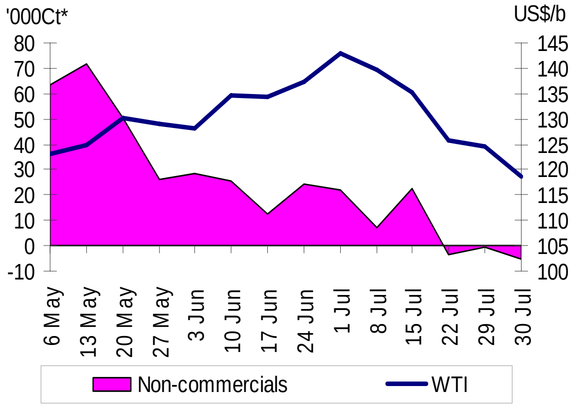
In the third weekly period, ongoing geopolitical tensions from West Africa to the Mideast along with the weak US dollar, an oil workers' strike threat in Brazil and looming hurricanes sustained the bullish market sentiment. However, these were outweighed by US economic concerns which were seen denting oil demand growth. Nymex WTI averaged the week 23¢ lower at $141.34/b. The CFTC revealed that non-commercials reduced shorts heavily while the longs rose, thus the net longs were 15,300 higher at 22,400 contracts. Open interest volume also rose 28,100 to 1,344,400 lots. With options included, open interest volume was almost 54,000 lots higher at 2,974,100, the highest level in six weeks.

In the fourth weekly period, the CFTC reported that non-commercials flipped positions from net long to 3,600 lots net short, the first time since February last year. Furthermore, open interest volume saw a significant decline of 127,000 lots to 1,217,375, the lowest level since December 2006. With options included, open interest volume saw a draw of 241,349 to 2,732,781 lots. The bearishness dominated in the fourth week amid a healthy build in the US crude oil stocks with gasoline inventories rising for the fourth consecutive week. Economic concerns and easing Mideast geopolitical tensions prompted a speculative exit from the energy futures market. Nymex WTI averaged the week $10.99 lower at $130.35/b, the lowest level in seven weeks.

The bearish sentiment continued in the fifth weekly period, on the recovery in the US dollar, the reduced threat of tropical storm Dolly threat to the petroleum infrastructure in the Gulf of Mexico, and persistent worries over demand growth while rising OPEC exports supported market calmness. Thus, Nymex WTI front month contracts averaged the week at $124.02/b, a drop of $6.33, while closing the week at $122.19/b, the lowest level in eleven weeks. Yet, some geopolitical elements from the Mideast and West Africa were still keeping the bulls intact. The CFTC reported that non-commercials net short volume narrowed by nearly 3,000 to 660 lots amid a rise in long positions at a faster rate than shorts. Open interest volume was up nearly 3,200 to 1,220,500 contracts. Including options, open interest rose 51,800 to 2.784,600 lots.

On a monthly basis, non-commercials net long positions dropped by 13,200 in July to 9,400 contracts, the lowest level since February 2007, which made it 101,400 lots lower than last year. Open interest volume was 75,300 lower at 1,278,600 contract or almost 242,000 contracts lower than last year. With options included, at 2,857,100, open interest volume was 27,800 lower than in June, yet 370,400 higher than last year. The market emerged in July on a bullish note with the Nymex WTI front month peaking at an all-time high of more than $145/b. Tensions in the Mideast and West Africa geopolitics and the weak US dollar dominated market bullishness. However, the sentiment shifted later in the month amid fluctuations in geopolitics while OPEC supply increase at a time of weak economic data indicated slower oil demand growth on the horizon. Nymex WTI crude oil prompt month contracts eased to average $133.48/b in July, representing a decline of 54¢.

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



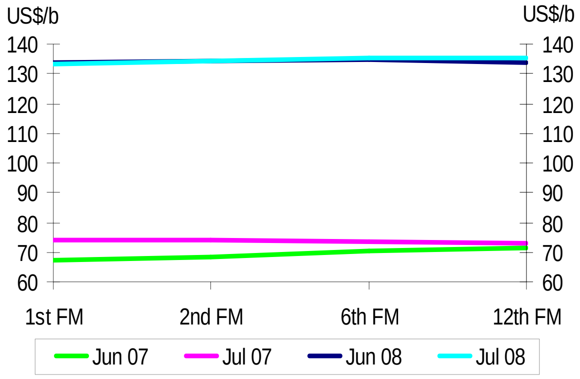
NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The Forward Structure

Reduced refinery runs widened the contango spread

The forward structure remained in contango in July with the 1st/2nd and 1st/6th month spread averaging 10¢/b and $1.01/b wider at 61¢/b and $1.88/b respectively. The farther out months fell deeper into contango with the 1st/12th and 1st/18th month spread at $1.68/b and $1.78/b respectively. US crude oil stocks averaged 295.4 mb in July which made them 5.8 mb lower than in June and nearly 55 mb lower than last year. Refinery runs fell on weak margins and refinery outages.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Commodity prices slowed by 1% in July led by negative growth in non-fuel prices and lower energy prices due to the deceleration in the world economy and the stronger dollar.

Trends in selected commodity markets

A downward trend was imposed on most commodity markets in July month-on-month (m-o-m) regardless of the specific conditions of each market. The IMF commodity index grew only by 1% in July, down from 5.7% in the previous month, with negative growth in non-fuel commodity prices (0.2% m-o-m). There was also an important deceleration in the energy commodity index whose monthly growth rate declined to 2% m-o-m in July compared to a growth of 7% in June (*see **Table 1***). **Major losses in agriculture and the energy complex offset the gains in some industrial and precious metals.**

The slowdown in the energy commodity index (which includes crude oil, natural gas and coal) in July from the previous month was prompted by a 12.6% plunge in US natural gas prices together with a significantly lower growth in the crude oil price index (*averaged petroleum spot price*) in July m-o-m which was down 0.8% from 7% in last June m-o-m. **Crude oil price soared in early July with WTI selling at $145/b before falling below $115/b in early August.**

US natural gas price fell 12.6% in July m-o-m. Contrary to the previous month when Nymex natural gas showed the best performance in the energy complex, in July it showed the biggest losses in the complex on a monthly basis due to lower crude oil prices and better perspectives for supply in particular from the Barnett Shale formation in Northeast Texas.

Coal prices still rose 12.7% m-o-m **in July** on healthy demand in China and export problems in Australia.

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

	% Change			% Change
	May/Apr	June/May	July/June	Jul 08/Jul 07
Commodity	7.5	5.7	1.4	58.0
Non-Energy	-0.9	1.6	-0.2	17.4
Energy	11.6	7.4	2.0	83.1
Crude	12.6	7.1	0.8	79.9
Natural Gas	10.7	12.6	-12.6	78.2
Coal	8.3	19.9	12.7	167.4
Agriculture*	1.0	4.0	-1.8	-
Food	0.9	3.8	-1.5	40.2
Corn	-1.3	17.9	-7.0	81.4
Soybean Oil	3.0	6.3	-3.0	67.5
Soybeans	-1.6	18.3	3.5	79.0
Wheat	-9.2	6.0	-5.8	37.7
Sugar	-0.7	-0.1	25.0	20.7
Industrial Metals	-4.3	-2.2	0.9	-4.4
Aluminium	-2.0	2.0	3.4	12.0
Copper	-4.1	-0.8	1.4	5.3
Nickel	-10.8	-12.1	-10.9	-39.8
Zinc	-4.4	-12.5	-2.6	-47.7
Gold*	-2.3	0.1	5.7	-
Fertilizers	12.5	0.7	9.5	-

Sources: IMF; Estimations based on data provided by the IMF.
** World Bank Index*

Industrial metals recovered by 0.9% in July from the previous month. Nevertheless, most metal prices recorded

Non-energy commodity showed negative growth of 0.2% m-o-m in July due to a 2% m-o-m drop in food prices which outweighed the recovery in industrial metals and gold.

Industrial metal prices rose 0.9% m-o-m in July, with all metals except for nickel and zinc recovering on a monthly basis. Nonetheless, most of the metals reported significant price drops since 18 July until the first week of August in response to the unfavourable global

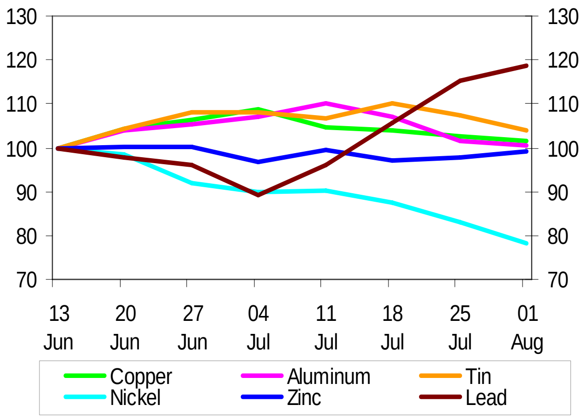
losses since mid-July

macro-economic context characterized by weaker demand in the US. and Europe's fears of inflation in Developing Countries, the stronger dollar and the seasonally slow period for demand. It seems that these factors led to long liquidation which exerted further downward pressure on prices.

Lead prices rose 5% in July from the previous month as a result of falling inventories and supply problems in China and Australia.

Copper prices recovered by 1% m-o-m in July but on a weekly basis copper has experienced negative growth since 7 November 2007 on weaker Chinese demand data and bearish sentiment in the futures markets which led to a liquidation in long positions (*see **Graph 10***). It is estimated that, until a recovery in Chinese demand materializes, copper prices may fall to $7,400/t. In the medium term, some analysts remain optimistic that prices will be supported by supply constraints and a historically low level of copper inventories.

Graph 9: Weekly industrial metal prices, Index (06/13/08=100)



Source: IMF

Aluminum prices rose by 3% m-o-m in July, but a strong drop took place in the second half of the month (*see Graph 9*) on the back of rising inventories and growing concern about global macro-economic growth. Despite this negative performance, some analysts consider that there is room for upward pressure in the next months due to power generation scarcity problems.

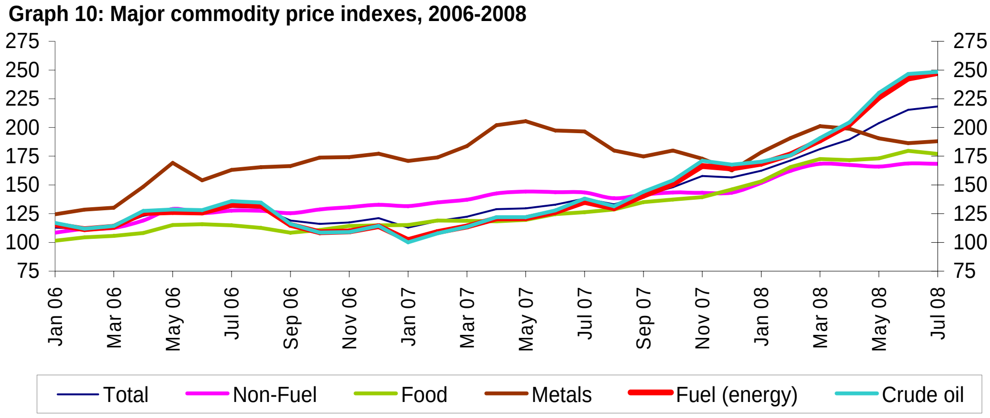
Zinc dropped by 2.6% in July due to rising inventories, weak demand and strong supply growth perspectives.

Nickel prices dropped 11% in July owing to weaker demand in the stainless steel sector and the sharp decline in world stainless steel prices.

The World Bank agricultural price index decreased 1.8% in July while the IMF food price index fell 1.5%. Major price declines were seen in corn, wheat and soybean oil due to better output expectations. The exception was sugar which increased by 25% due to unfavourable output expectations from Brazil and concern about the weather in India.

Gold price increased by 5.7% m-o-m in July owing to high oil prices and the weaker dollar but has declined since mid-July in parallel with the reversal in oil prices and the stronger dollar.

Fertilizers were also an exception in the bearish scenery for commodity products. The World Bank Index increased by 9.5% m-o-m in July, up from 0.7% in June as a result of greater demand and perspectives of expectations in China's export tariffs.



Commodity Price Index, 2005 = 100

Total	-	Includes both fuel and non-fuel.
Non-fuel	-	Includes food and beverages and industrial inputs.
Food	-	Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges.
Metals	-	Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium.
Fuel (energy)	-	Includes crude oil (petroleum), natural gas and coal.
Crude oil	-	Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh.

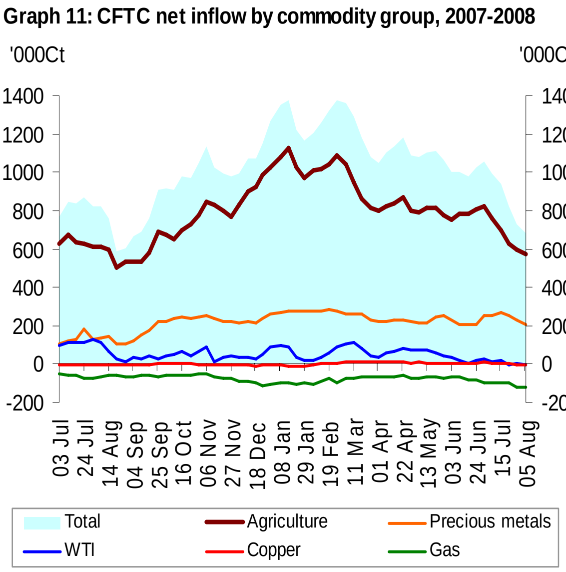
Source: IMF

Investment flow into commodities

Non-commercial open interest in major US commodity markets declined sharply by 305,000 to 7,664,000 contracts in July m-o-m

According to the CFTC, open interest volume showed a considerable decline in July m-o-m which reflected the sharp fall in commodity prices over the month and discouragement as a result of the risk represented by the possible adoption of regulations to the markets in the US.

Speculative net length covered by the CFTC further declined in July by 96,000 contracts m-o-m and net length as percentage of open interest fell from 13.6% on 1 July to 10% in the week ending 29 July and to 9% in the first week of August.



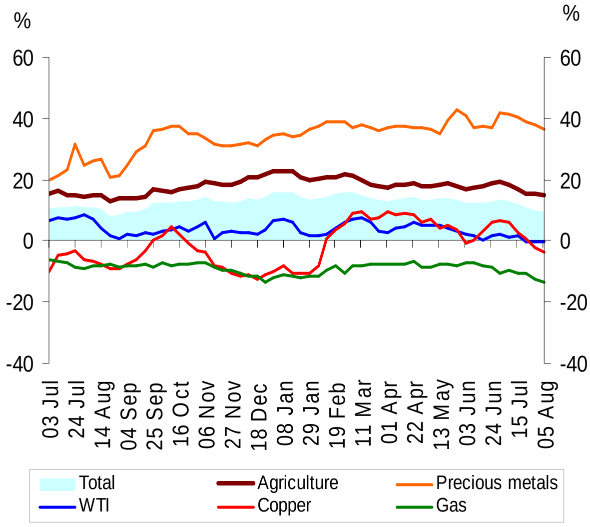
Source: CFTC

Non-commercial net length as a percentage of open interest volume declined in agriculture from 18% on 29 July to 15% on 7 August.

Speculative positions in crude oil turned net short since 22 July to the first week of August. Precious metals net longs declined in a moderate way and gold on the Commodity Exchange INC saw an increase in non-commercial net longs.

The negative impact of falling commodity prices together with deteriorating macroeconomic global environment slowdown and rising inflation seem to have greatly hit investment sentiment which also reinforced the decline in commodity prices.

Graph 12: CFTC net inflow by commodity group, 2007-2008



Source: CFTC

It is worth noting that Barclays argues that, despite the development in the CFTC data, investment flows to commodity continue but there has been a shift from broad directional strategies toward exposures using exchange traded products (ETPs) and structured products with capital protection. The inflow into commodity-linked ETPs was near $10 bn in the first half of this year, relative to the first half of 2007. Inflows captured by medium-term notes have remained stable in the first half of 2008 compared to the same period in the last 2 years. Nevertheless, the growing interest in ETPs has been in parallel with a fading interest in commodity indices, in which net fund inflow after peaking in 2006 has been patchy — $1.4 bn and $2 bn over the first half of 2007 and 2008. This reflects a shift in the kind of investors in the commodity markets because now retail investors seem to have the greatest interest in commodity ETPs. Barclays states that there has not been a decline in the interest related to the retail sector, but a shift from agriculture into precious metals. The same bank reported a doubling of the value of commodity structured product issuance in the first half of 2008 (relative to the same period last year) which reached $7.8 bn especially in agricultural products. An outflow from indices had taken place with investors in commodities shifting way from simple commodity index swaps to more complex investment strategies. It seems that energy and industrial metals have been favoured by the rapid growth in the flow into some of the new products which allow short positions to be held. Flows into ETPs have been growing rapidly too, especially in gold and platinum.

Highlights of the World Economy

Economic growth rates 2008-2009, %							
	World*	OECD	USA	Japan	Euro-zone	China	India
2008	3.9	1.7	1.6	1.0	1.4	9.9	7.6
2009	3.8	1.6	1.3	1.1	1.1	9.2	7.7

**World aggregate growth rate now based on country weights calculated from updated 2005 purchasing power parity exchange rates.*

Industrialised countries

United States of America

US grew 1.9% in Q208 but prospects for rest of year have weakened; no bottom yet in sight for US housing sector

The US grew at a 1.9% annualised rate in Q208, buoyed by the fiscal stimulus. However, the outlook for the second half of this year is far from bright with no bottom yet in sight for the housing sector. With rising unemployment, shrinking home wealth and tighter credit, consumer expenditure is expected to remain weak for the rest of the year. The outlook for corporate earnings has also dimmed, but continued strong exports are placing a floor under manufacturing.

Net exports contributed a very large 2.4 percentage points to growth during the second quarter from a positive 0.8 pp in 1Q08, while personal consumption added 1.1 pp, up from 0.6 pp in the previous quarter as the rebate checks from the fiscal stimulus package put money into the hands of consumers. About 90% of the planned $100 bn in tax rebates had been sent by mid-July. However going into the third quarter, consumer spending is expected to slow down. Consumer confidence has been falling steadily since and the latest figures for July, although slightly improved, remain very close to 16-year lows. The Conference Board Consumer confidence index stood at 51.9 from a revised 51 in June, but pessimism about the future was the deepest in the 41-year's index history. Mirroring this fall in confidence is the loss of momentum in retail sales, which dropped 0.1% in July, the first fall in five months, following a revised 0.3% growth in June. Excluding gasoline, sales fell 0.2% while excluding automobiles they rose 0.4%. The retail sales report shows US consumers are buying fewer cars, and this is confirmed by a separate industry report where sales of cars and light trucks in July stood at 12.5 mn (annual pace), the lowest since 1993. In addition, consumer sentiment is dampened by the steady rise in unemployment. Payrolls have declined for seven straight months, since December 2007, bringing up the total job losses to 463,000, with the unemployment rate rising in July to 5.7%, the highest level in more than four years.

Other indicators in July point to a stagnating economy. The Institute for Supply Management's non-manufacturing index, which accounts for almost 90% of economic activity rose to 49.5 from 48.2 in June, but was still indicating contraction for the second consecutive month. A reading of 50 is the dividing line between growth and contraction. The survey members' comments in July point to continued concern about inflationary pressures and their effect on the economy. Moreover, the closely-watched ISM manufacturing index fell to 50 from 50.2 in June. The index was below 50 for four months between February and May. The purchasing managers' gauge of new orders for factories decreased to 45, the lowest level since October 2001, from 49.6. However, the report showed that exports were still growing, albeit at a slower pace. The export measure fell to 54 from 58.5 in June. Were it not for exports, manufacturing overall would be in a significant recession. In fact overall GDP growth in the second quarter would have been also negative excluding the positive contribution of net exports.

Separately, there are signs that the credit crunch is intensifying. Tighter credit is seen to delay any recovery in economic growth. The latest Fed's Senior Loan Officer Survey showed that about 75% of U.S. banks had tightened standards on prime mortgage loans, up from 60% in the previous survey. Funds were becoming scarcer not only for homebuyers bit also for small business, credit card loans and other forms of credit. It is noticeable that mortgage rates have not fallen despite the 325 base points drop in the federal funds rate over the past year. 30-year mortgage rates stood at 6.52% in the first week of August, almost unchanged from 6.59% a year ago. The recent concern about Fannie Mae and Freddie Mac may result in higher mortgage rates, further curtailing access to housing loans.

Meanwhile, the housing sector remains in recession and there are few sighs that a bottom has been reached. Residential investment has subtracted from GDP for 12 consecutive quarters. . Existing home sales in June fell 2.6% to a 4.86 million annual pace, the lowest level in a decade, after sales had risen by 2% in May. Inventories in June stood at 11.1 months, twice the normal supply in a balanced market. Moreover, new home sales dropped further in June by 5.3% to an annual pace of 426,000, the lowest rate since December 2004. However, the supply of new homes at the current sales rate fell to 10 months from 10.4 months in May. Home prices, as measured by the Case-Shiller index in twenty metropolitan areas, continued their decent, falling 15.8% in May (y-o-y), the biggest decline since records began seven years ago. However, seen from a different perspective, the data show that the rate of monthly declines has been slowing down. Prices fell 0.9% in May, compared to 1.3% in April, 2.2% in March and a record 2.6% in February. Also on the positive side, one notes that pending home sales, a leading indicator for existing home sales, rose unexpectedly in June by 5.3% following a revised 4.9% decline in May, as buyers bought foreclosed and lower-priced homes, possibly indicating that prices had fallen enough to start attracting buyers into the market.

Despite rising inflation, which reached 5% in June, as expected the Fed left interest rates on hold in July voicing concern about the economy. The Fed has also extended its emergency-lending programs for investment banks till January 2009.

US economic expansion next year is now projected at 1.3% (or 0.3 pp down on last month), from an estimated 1.6% this year.

Japan

GDP growth contracted 2.4% in the second quarter bringing Japan to the brink of recession

The Japanese economy is set to slow down for the rest of 2008 and in 2009. After retracting in the second quarter, recent economic data highlight the risks to the economic outlook for the rest of the year. The longest postwar expansion which started six years ago is probably coming to an end. Growth is threatened by a slowdown of exports to the US and by fragile domestic demand, implying that monetary policy is likely to remain accommodative. Japan is on the brink of recession after 2Q08 real GDP fell at an annualized rate of 2.4% with exports, the main engine of growth, dropping for the first time in three years and consumer expenditure stagnating. The economy shrank 0.6% from the previous quarter after growing a strong 1.0% in 1Q08 (or 3.2% annualized rate). Exports fell 2.3%, the most since the 2001-2002 recession, while imports also dropped at the rate of 2.8%.

The Japanese government has already admitted that the economy may have slipped into recession. In particular, escalating food and commodity prices are affecting sentiment and consumption, since the rise in the prices for necessities has been faster than that of incomes. Moreover, the economic activity coincident index fell to 101.7 in June from 103.3 a month earlier. A three-month moving-average of the index fell for a fourth month in June to 102.2 from 102.5 in May. In addition, the leading index, which signals the direction of the economy for the next three to six months, fell to 101.7 in June from 103.3 in May. It is expected that the government will soon disclose an economic stimulus package to ease the impact of higher energy and food prices on the economy.

Sentiment among Japan's households, whose consumption accounts for more than half of GDP, fell to a 26-year low. The consumer sentiment index dropped to 31.4 in July from 32.6 in June, the lowest level since the government figures were collected in 1982. Of the four components used to measure consumer sentiment, the outlook for livelihood and that for willingness to purchase durable goods fell to a record low. Moreover, 89.3% of households predict prices will be higher a year from now. The price of frequently purchased goods rose 4.2% in June, while wages dropped for the first time this year. Wages, including overtime and bonuses fell 0.6% in June from a year earlier. Households responded by reducing spending by almost 2% for a fourth consecutive month in June after the jobless rate rose to 4.1% in June, the highest level since September 2006. While consumer prices have been on the rise, producer prices inflation has been accelerating at an even faster pace. According to the Bank of Japan, wholesale prices in July climbed 7.1% from a year earlier, the fastest rate in 27 years, following a revised 5.7% in June.

However, a recession if it materializes, implying two consecutive quarters of GDP contraction, is expected to be milder than the last one in 2001. Japanese banks are relatively untouched by the credit crunch, and the Japanese corporate sector is in a healthy state having shed excess capacity in plant and labour over the last decade as well as reducing debt. The smaller than expected contraction in machinery orders in June, which fell 2.6% after having increased 10.4% in May, is seen as a positive sign. Companies have also declared plans to increase capital investment by 4.1% in the year ending March 2009, according to a survey released by the Development Bank of Japan. While slower than 2007's 7.7% growth, these plans compare favourably with the 10% decline witnessed in 2001. Nevertheless, the rate of bankruptcies in Japan is on the rise. Corporate bankruptcies in July surges 24% y-o-y, the highest in three years. The reasons cited for the increased rate were deteriorating profitability, higher costs and the credit crunch.

Overall, the Japanese economy is expected to grow at 1.0% this year -down 0.5 pp from last month, and by 1.1% in 2009, a downward revision of 0.2 pp.

Euro-zone

Euro-zone growth down 0.2% in 2Q08 with reduced expectations for the coming quarters.

Recent indicators in the Euro-zone point to a much weaker performance in the coming quarters as seen from declining measures for manufacturing, services and consumer spending. The outlook for the rest of 2008 and 2009 is for slower growth as a mixture of factors- strong euro, slowing export growth, falling corporate profitability, high energy and raw material prices and subdued consumer confidence are negatively impacting growth. Higher inflationary pressures are also preventing a monetary easing that could be of help to the economy, especially in countries that are foundering such as Spain and Italy.

As expected, the Euro-zone economy contracted by 0.2% q-o-q or around 0.8% on an annualised basis in the second quarter of 2008. Three of the largest countries in the region witnessed negative q-o-q growth: Germany (-0.5% following a remarkably strong performance of 1.3% in 1Q08), France (-0.3%), and Italy (-0.3%), while Spain almost stagnated at +0.1% growth from 0.3% in the first quarter and 0.8% in Q407.

The composite RBS/Markit Eurozone Purchasing Managers Index, a reliable indicator for growth trends, has been falling in the last few months, with the June reading dropping below the threshold 50% for the first time. The index continued to fall in July, where drops in both the manufacturing and services PMIs took the composite index to a near seven-year low of 47.8 from 49.3 in June, well below the break-even point of 50 that separates expansion from contraction. Seasonally adjusted manufacturing PMI decreased to 47.4 in July from 49.2 in June. Italian manufacturing PMI declined to 45.3 in July from 46.9 in June, marking the lowest level since November 2001. The PMI for France fell to 47.1 from 49.2 in June and hit its lowest level since July 2003. Similarly, the German manufacturing PMI dropped to 50.9 from 52.6 in June, reaching the lowest level since August 2005. Industrial production in the euro-zone remained unchanged in June following a decline of 1.8% in May (mom), which represented the biggest drop since December 1992. The yearly decline amounted to 0.5% in June.

Moreover, In July, the Eurostat reported that the economic sentiment indicator (ESI) declined sharply in the euro area, by 5.3 points to 89.5, its lowest level since March 2003, recording the largest month-on-month decline since October 2001. The confidence indicators fell in all sectors, particularly in services. The dominant services sector slid further into contraction in July, hitting a five-year low, confirming the spread of weakness throughout the euro-area. The French services PMI dropped to 47.5, its lowest since the survey began in 1998, while Italy’s slipped into further contraction to 45.6. Spain had a small rebound but remained well below the 50.0 level at 37.1. Germany fared a little better and remained in growth territory at 53.1, slightly higher than the 52.1 recorded in June. All this indicates that the euro zone is heading towards a period of stagnation.

Euro-zone growth has been revised down 0.3 pp this year and next from last month’s forecast. The region is expected to grow 1.4% this year moderating to 1.1% in 2009.

Former Soviet Union

Russia’s fixed investment was up by 20.3% y-o-y in the first four months

The Ministry of Economic Development in Russia estimates that the economy has continued to grow rapidly, with real GDP up by 8.3% y-o-y in the first four months of 2008. Domestic demand, including strong private consumption and investment spending, are the main drivers of the expansion. Fixed investment was up by 20.3% y-o-y in the first four months. Investment, which grew in all sectors, was especially strong in the transport sector, where it rose by 24.6%. Preliminary figures from the National Bank of Ukraine (the central bank) placed Ukraine's current account deficit at $6.7 bn in the first half of 2008, more than triple the $2 bn deficit seen in the first half of 2007. Ukraine's consumer price index (CPI), the main gauge of inflation, rose 15.5% in the first half of this year.

Developing Countries

In the first half of 2008, China's GDP grew 10.4%

According to the Chinese National Bureau of Statistics (NBS), China's GDP grew 10.4% to 13.06 trillion Yuan (1.9 trillion U.S. dollars) in the first half of 2008 over the same period last year. The growth rate was 1.8 percentage points lower than in the first half of last year, and 0.2 percentage points lower than in the first quarter of this year. China's real GDP growth remained strong in the second quarter of 2008, expanding by 10.1% y-o-y, compared with 10.6% in the first quarter and 11.9% in 2007. The main cause of the slowdown was a weaker performance from net exports. Investment, which is continuing to boom, was the largest single contributor to the expansion. According to the NBS, fixed-asset investment nationwide was up 26.3% year-on-year. The growth rate was 0.4 percentage points higher than the year-earlier level. NBS stated that China's consumer price index (CPI), the main gauge of inflation, rose 7.9% in the first half over the same period last year, 0.2 percentage points lower than in the first five months. Inflation was expected to slow in the second half, but China remains watchful against high inflationary pressure due to rising prices of commodities and oil on the global market. China's official Purchasing Managers' Index for July fell further than expected to 48.4 from 52.0 in June. The PMI has not fallen below 50 since the survey started in Jan 2005, suggesting that the manufacturing sector might be contracting. The decline in the official PMI reflects the fact that China's manufacturing sector is facing tough challenges due to the slowdown in the global economy, rising production costs, tight credit conditions, power shortages and currency appreciation.

Interest rates in India were raised to 9%

The risks to Asia's developing countries economic growth have increased significantly in the past quarter as a result of mounting concerns over inflation and softening global demand. The main risk comes from rising inflation. Higher inflation will pose a threat to economic growth through the dampening effect on consumer spending and the policy response in the form of higher interest rates. Interest rates in India were raised further on 29 July by a larger-than-expected 50 basis points to 9%. By mid-July, annual inflation in India, as measured by the wholesale price index, was running at nearly 12% — more than double the central bank's previous medium-term target. As a result, industrial activity is on a slowing trend.

Interest rate in Brazil raised to 13%

In Brazil, first-quarter data showed only a moderate deceleration in the pace of economic expansion compared with the final quarter of 2007, with real GDP expanding by 5.8% y-o-y in January-March 2008. The Banco Central do Brazil (the Brazilian central bank) has moved aggressively on 23 July by raising the benchmark Selic overnight interest rate a surprising 75 basis points to 13%. The move was in response to growing inflationary pressures: the IPCA inflation rate hit 6.30% annually in mid-July, up from 5.89% in the previous month. The Central Bank's target for annual consumer inflation is 4.5%, plus or minus two percentage points tolerance band. Brazil's growth in consumer spending will slow more than the country's GDP as interest rates rise are hurting domestic sales.

OPEC Member Countries

CPI in Libya is up by 12.4% y-o-y

The General Information Authority in Libya has recently released consumer price index (CPI) data using 2003 as new base year. According to the data, the CPI grew by 12.4% y-o-y in June 2008, up from 10.7% y-o-y in the previous month. The upward pressure on consumer prices is caused by strong world commodity prices, robust domestic demand, the gradual elimination of the state subsidy system, and the strong expansion of the Libyan economy. Downward pressures on prices stem from the stability of the domestic currency (dinar) and price controls for some basic goods and services. The Central Bank of Libya stated that the current-account surplus stood at 29.05 billion dinar ($23 billion) in 2007, or 32.6% of the GDP, down from the 32.65 billion dinar current-account surplus recorded in 2006, which represented 40.5% of the GDP.

Iran's real GDP growth to remain strong over 2008/09

Iranian real GDP growth is set to remain relatively strong over 2008/09, supported by high oil prices. The resultant buoyant oil earnings will allow the government to continue with its expansionary fiscal policy, which will in turn contribute to high levels of private consumption and investment. The Central Bank of the Islamic Republic of Iran released monetary data which showed liquidity rose 25% y-o-y in April, the first month of the Iranian fiscal year. Average annual inflation reached 25.3% in the Iranian month ending on May 20th, up from 17.1% in 2007 according to the Bank. Iran's central bank and the Iranian government had reached an agreement to leave interest rates frozen at 12% until the end of fiscal year 2008/09.

US dollar stages strong recovery since mid-July rising almost 7% versus the euro in the last four weeks

Oil prices, the US dollar and inflation

The US dollar retreated in July shedding its partial gains over the previous two months against the major currencies in the modified Geneva I +US dollar basket. Versus the euro, the dollar fell by 1.4%, losing also 1.3% versus the pound sterling, 1.1% against the Swiss franc and remaining almost unchanged versus the Japanese yen, falling only by 0.1%. Versus the modified Geneva I + US dollar basket, the dollar posted a drop of 0.73%. The US currency averaged $1.5769/€ in July from $1.5552/€ in June.

Currency movements were again characterized by high volatility in July. Having fallen to record lows against the single currency in the first to weeks of July, dipping to almost $1.6/€ on 15 July, the US currency staged a strong recovery. By August 13, it had risen to $1.49 or almost 6.8% over the course of four weeks. The dollar strengthened on the perception that the rest of the world- mainly other OECD regions- were facing increasing headwinds and slowing down fast, while the US was perceived to be more proactive in resolving problems.

In July, the OPEC Reference Basket rose by almost $2.9/b or 2.3% to $131.22/b from $128.33/b in June. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price rose $0.9/b or 1.2% to $79.31/b from $78.38/b. The dollar depreciated by 0.7%, as measured against the import-weighted modified Geneva I+US dollar basket, while inflation eroded the value of the barrel by over 0.3%.*

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

World Oil Demand

World oil demand growth in 2009 unchanged at 0.9 mb/d to average 87.80 mb/d

World oil demand in 2009

World oil demand is forecast to grow by 0.9 mb/d in 2009, averaging 87.80 mb/d, unchanged from last month's forecast. Non-OECD oil demand growth of 1.2 mb/d will account for all of the world oil demand growth next year. The transport sector will see the most growth. Due to a major slowdown in transport and industrial fuel consumption not only in North America but also in OECD Europe and Pacific, oil demand will be weak in 2009, which will make world oil demand the lowest since 2002. The variables affecting the 2009 oil demand forecast suggest a potential range of growth between 0.7 mb/d and 1.15 b/d.

World oil demand in 2008 revised slightly to 1.0 mb/d to stand at 86.90 mb/d

World oil demand in 2008

US oil demand has been badly hurt by the slowing economy and high oil prices. Transport and industrial fuels declined the most, pushing the country's total oil demand down by 3.8%. Gasoline, the engine of the US oil demand, has been on the decline since the beginning of the year. The record-high $4/gallon has altered consumer behaviour resulting in a total decline of 0.15 mb/d in the first seven months of the year. Peak summer driving season lost its momentum due to reduced travel; hence North America's oil demand was revised down by 0.2 mb/d in the second quarter. Strong summer oil demand growth in China, the Middle East and Asia, which added around 1.2 mb/d y-o-y, was not enough to offset the huge decline in OECD oil demand in the second quarter. **Thus world oil demand is forecast to grow by 1.0 mb/d for 2008 to average 86.9 mb/d, a reduction of only a minor 0.03 mb/d from our last *MOMR* forecast.**

Table 3: World oil demand forecast for 2008, mb/d

							Change 2008/07	
	2007	1Q08	2Q08	3Q08	4Q08	2008	Volume	%
North America	25.54	24.84	24.77	25.49	25.69	25.20	-0.34	-1.32
Western Europe	15.30	15.16	15.03	15.37	15.74	15.33	0.02	0.16
OECD Pacific	8.35	8.90	7.89	7.81	8.75	8.33	-0.01	-0.17
Total OECD	**49.19**	**48.89**	**47.70**	**48.66**	**50.18**	**48.86**	**-0.33**	**-0.67**
Other Asia	9.12	9.32	9.44	9.11	9.46	9.34	0.22	2.39
Latin America	5.50	5.53	5.69	5.81	5.75	5.70	0.19	3.52
Middle East	6.50	6.74	6.77	6.91	6.75	6.79	0.29	4.51
Africa	3.09	3.19	3.11	3.13	3.21	3.16	0.07	2.23
Total DCs	**24.21**	**24.78**	**25.02**	**24.96**	**25.17**	**24.98**	**0.77**	**3.19**
FSU	3.98	3.97	3.84	4.07	4.42	4.07	0.09	2.31
Other Europe	0.93	1.04	0.95	0.93	0.93	0.96	0.02	2.48
China	7.59	7.97	8.16	8.20	7.78	8.03	0.44	5.83
Total "Other Regions"	**12.50**	**12.98**	**12.94**	**13.19**	**13.12**	**13.06**	**0.56**	**4.46**
Total world	**85.90**	**86.65**	**85.66**	**86.82**	**88.47**	**86.90**	**1.00**	**1.17**
Previous estimate	85.78	86.48	85.80	86.61	88.35	86.81	1.03	1.20
Revision	0.12	0.17	-0.14	0.21	0.13	0.09	-0.03	-0.03

Totals may not add due to independent rounding.

Table 4: First and second quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.68	24.84	-0.84	-3.27	25.42	24.77	-0.65	-2.55
Western Europe	15.23	15.16	-0.07	-0.45	14.95	15.03	0.08	0.56
OECD Pacific	8.91	8.90	-0.02	-0.21	7.88	7.89	0.01	0.17
Total OECD	**49.82**	**48.89**	**-0.93**	**-1.86**	**48.25**	**47.70**	**-0.55**	**-1.14**
Other Asia	8.98	9.32	0.34	3.82	9.24	9.44	0.21	2.24
Latin America	5.29	5.53	0.24	4.49	5.47	5.69	0.22	3.98
Middle East	6.45	6.74	0.28	4.38	6.44	6.77	0.33	5.13
Africa	3.10	3.19	0.09	2.83	3.05	3.11	0.06	2.03
Total DCs	**23.83**	**24.78**	**0.95**	**3.99**	**24.20**	**25.02**	**0.82**	**3.38**
FSU	3.87	3.97	0.10	2.71	3.71	3.84	0.13	3.50
Other Europe	1.01	1.04	0.03	2.86	0.92	0.95	0.03	2.73
China	7.48	7.97	0.49	6.60	7.77	8.16	0.40	5.11
Total "Other Regions"	12.35	12.98	**0.63**	**5.08**	12.39	12.94	**0.55**	**4.45**
Total world	**86.00**	**86.65**	**0.65**	**0.76**	**84.84**	**85.66**	**0.82**	**0.96**

Totals may not add due to independent rounding.

Table 5: Third and fourth quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	3Q07	3Q08	Volume	%	4Q07	4Q08	Volume	%
North America	25.57	25.49	-0.08	-0.31	25.49	25.69	0.20	0.78
Western Europe	15.41	15.37	-0.04	-0.25	15.62	15.74	0.12	0.77
OECD Pacific	7.89	7.81	-0.08	-1.01	8.72	8.75	0.03	0.34
Total OECD	**48.86**	**48.66**	**-0.20**	**-0.40**	**49.83**	**50.18**	**0.35**	**0.70**
Other Asia	8.94	9.11	0.17	1.90	9.31	9.46	0.15	1.64
Latin America	5.64	5.81	0.17	3.01	5.60	5.75	0.15	2.68
Middle East	6.63	6.91	0.28	4.22	6.47	6.75	0.28	4.31
Africa	3.06	3.13	0.07	2.29	3.15	3.21	0.06	1.78
Total DCs	**24.27**	**24.96**	**0.69**	**2.84**	**24.53**	**25.17**	**0.64**	**2.60**
FSU	4.00	4.07	0.07	1.71	4.35	4.42	0.06	1.49
Other Europe	0.91	0.93	0.02	2.07	0.91	0.93	0.02	2.21
China	7.72	8.20	0.48	6.22	7.38	7.78	0.40	5.42
Total "Other Regions"	12.63	13.19	**0.57**	**4.49**	12.64	13.12	**0.48**	**3.84**
Total world	**85.76**	**86.82**	**1.06**	**1.24**	**87.00**	**88.47**	**1.47**	**1.69**

Totals may not add due to independent rounding.

Alternative Fuels

In the first six months of 2008, food prices continued to skyrocket and the blame has been aimed at the biofuel industry. The biofuel industry survived only on massive subsidies from OECD which has led to a worldwide crisis. The OECD countries are feeling the heat and some of their officials called for an immediate halt to all biofuel subsidies. This worldwide pressure resulted in an amendment to the EU biofuel strategies and halted its pre-set plan to reach a 10% blend of transport fuel by the end of the next decade. This was one of the most effective solutions toward easing the world food problem. Likewise, the US biofuel industry is becoming a large burden on the government's budget. Even with high oil prices, this industry is not completely economical and must live on subsidies. Both the US and the European Union biofuel plans have been blamed for the massive Asian deforestation as a result of the need to use more land to produce raw biofuel materials.

OECD North America

North America revised down to show decline of 0.3 mb/

US oil demand fell 3.5% losing 0.7 mb/d y-o-y in July. Gasoline demand was down by 0.24 mb/d in July as a result of $4/gallon prices; it not only lost its expected annual increase of 1.6% but has declined year-to-date by 1.6%. Given the weaker-than-expected GDP and higher prices, US oil demand is expected to show a weak performance in the second half of the year. Canadian gasoline demand was reduced by higher retail prices which resulted in a contraction of 4.5% y-o-y in June. Also, Canadian transport and industrial diesel showed a strong decline of 3.6%. Hence Canadian oil demand was flat in the first six months of 2008 averaging 1.4 mb/d. Mexican gasoline showed some growth in June but not enough to offset the decline in industrial fuel oil which led to a total oil demand decline of 27 tb/d y-o-y. During the first half of 2008, Mexican oil demand grew slightly by 0.9%, mainly due to the strong growth in gasoline and diesel. **As a result of weak US oil demand, North America's oil demand growth was revised down by another 0.04 mb/d in 2008 to show a total decline of 0.3 mb/d y-o-y in 2008.**

OECD Europe

OECD Europe almost flat in 2009

European oil demand is slowing down in the third quarter of 2008. Transport fuel, which usually peaks in the summer, was weak across Europe. Gasoline consumption declined by 10% in Italy in June leading to a total decline of 6% y-o-y. German inland oil delivery declined by 4.2% in May as a result of a strong decline in gasoline. The same trend applied to the UK, where gasoline inland delivery slid 3.7% in May, reducing the country's total inland delivery by 50 tb/d. This slow oil demand trend applies to all of Europe not only in the first half but also the second half of the year. Hence, **OECD Europe oil demand is forecast to be almost flat in 2008 y-o-y.**

Table 6: World oil demand forecast for 2009, mb/d

							Change 2009/08	
	2008	1Q09	2Q09	3Q09	4Q09	2009	Volume	%
North America	25.20	24.65	24.50	25.22	25.50	24.97	-0.23	-0.91
Western Europe	15.33	15.18	14.97	15.35	15.76	15.32	-0.01	-0.07
OECD Pacific	8.33	8.87	7.84	7.76	8.72	8.29	-0.04	-0.45
Total OECD	**48.86**	**48.70**	**47.32**	**48.32**	**49.99**	**48.58**	**-0.28**	**-0.57**
Other Asia	9.34	9.48	9.61	9.28	9.62	9.50	0.17	1.77
Latin America	5.70	5.67	5.85	5.97	5.89	5.85	0.15	2.68
Middle East	6.79	7.02	7.06	7.19	7.02	7.07	0.28	4.16
Africa	3.16	3.26	3.18	3.20	3.26	3.23	0.07	2.10
Total DCs	**24.98**	**25.44**	**25.70**	**25.64**	**25.81**	**25.65**	**0.67**	**2.67**
FSU	4.07	4.04	3.90	4.13	4.49	4.14	0.07	1.66
Other Europe	0.96	1.05	0.96	0.94	0.95	0.98	0.02	1.99
China	8.03	8.39	8.59	8.63	8.18	8.45	0.42	5.23
Total "Other Regions"	**13.06**	**13.49**	**13.46**	**13.71**	**13.61**	**13.57**	**0.51**	**3.88**
Total world	**86.90**	**87.62**	**86.47**	**87.67**	**89.41**	**87.80**	**0.89**	**1.03**
Previous estimate	**86.81**	**87.45**	**86.62**	**87.46**	**89.28**	**87.71**	**0.89**	**1.03**
Revision	**0.09**	**0.17**	**-0.14**	**0.21**	**0.13**	**0.09**	**0.00**	**0.00**

Totals may not add due to independent rounding.

Table 7: 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	24.84	24.65	-0.19	-0.77	24.77	24.50	-0.27	-1.09
Western Europe	15.16	15.18	0.02	0.13	15.03	14.97	-0.06	-0.40
OECD Pacific	8.90	8.87	-0.03	-0.28	7.89	7.84	-0.05	-0.63
Total OECD	**48.89**	**48.70**	**-0.20**	**-0.40**	**47.70**	**47.32**	**-0.38**	**-0.80**
Other Asia	9.32	9.48	0.16	1.72	9.44	9.61	0.17	1.80
Latin America	5.53	5.67	0.15	2.62	5.69	5.85	0.16	2.81
Middle East	6.74	7.02	0.28	4.16	6.77	7.06	0.29	4.21
Africa	3.19	3.26	0.07	2.19	3.11	3.18	0.07	2.25
Total DCs	**24.78**	**25.44**	**0.65**	**2.64**	**25.02**	**25.70**	**0.68**	**2.74**
FSU	3.97	4.04	0.07	1.76	3.84	3.90	0.06	1.69
Other Europe	1.04	1.05	0.02	1.81	0.95	0.96	0.02	1.98
China	7.97	8.39	0.42	5.27	8.16	8.59	0.43	5.27
Total "Other Regions"	**12.98**	**13.49**	**0.51**	**3.92**	**12.94**	**13.46**	**0.51**	**3.97**
Total world	**86.65**	**87.62**	**0.97**	**1.12**	**85.66**	**86.47**	**0.82**	**0.96**

Totals may not add due to independent rounding.

Table 8: 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	25.49	25.22	-0.27	-1.06	25.69	25.50	-0.19	-0.74
Western Europe	15.37	15.35	-0.03	-0.16	15.74	15.76	0.02	0.13
OECD Pacific	7.81	7.76	-0.05	-0.64	8.75	8.72	-0.03	-0.29
Total OECD	**48.66**	**48.32**	**-0.34**	**-0.71**	**50.18**	**49.99**	**-0.20**	**-0.39**
Other Asia	9.11	9.28	0.17	1.87	9.46	9.62	0.16	1.69
Latin America	5.81	5.97	0.16	2.75	5.75	5.89	0.15	2.52
Middle East	6.91	7.19	0.29	4.12	6.75	7.02	0.28	4.13
Africa	3.13	3.20	0.07	2.24	3.21	3.26	0.06	1.75
Total DCs	**24.96**	**25.64**	**0.69**	**2.74**	**25.17**	**25.81**	**0.64**	**2.54**
FSU	4.07	4.13	0.07	1.60	4.42	4.49	0.07	1.58
Other Europe	0.93	0.94	0.02	2.02	0.93	0.95	0.02	2.16
China	8.20	8.63	0.43	5.24	7.78	8.18	0.40	5.14
Total "Other Regions"	**13.19**	**13.71**	**0.51**	**3.89**	**13.12**	**13.61**	**0.49**	**3.73**
Total world	**86.82**	**87.67**	**0.85**	**0.98**	**88.47**	**89.41**	**0.93**	**1.06**

Totals may not add due to independent rounding.

OECD Pacific

OECD Pacific demand revised slightly lower

Higher import bills pushed South Korea to reduce its July oil imports by more than 4% y-o-y. For that reason, South Korea is planning to increase it renewable usage and efficiency over the long term. Furthermore, the country started new coal-operated power plants, which will reduce the consumption of other energy. Around 40% of South Korean power plants are using coal for energy. Japan’s high gasoline retail prices of $6.43/gallon dented transportation fuel consumption in its high summer season. The OECD Pacific oil demand has been experiencing a steady decline in its oil demand in 2008. It is anticipated that the oil consumption in OECD Pacific will experience further declines in the second half of the year. Higher petroleum product prices are triggering efforts to increase consumption efficiency in Japan which will lead to a marginal decline in the second half of 2008**. OECD Pacific oil demand was revised down marginally in the second quarter.**

Table 9: Japanese Domestic Sales, tb/d

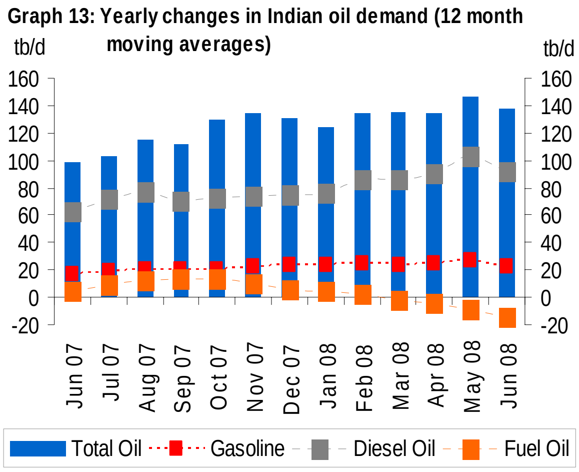
	Jun 08	Change from Jun 07	Change from Jun 07 %
Gasoline	923	-90	-8.9
Naphtha	749	-18	-2.4
Jet Fuel	108	3	2.6
Kerosene	162	-18	-10.2
Gas Oil	576	-56	-8.8
Other Products	605	-2	-0.3
Direct Use of Crude	172	-25	-12.8
Total	**3,295**	**-207**	**-5.9**

Source: Ministry of Economy and Trade in Japan (METI).

Developing Countries

DC oil demand growth forecast at 0.8 mb/d in 2008

To ease the burden on consumers, some small consuming countries within Asia are reducing their retail petroleum prices as a result of declining crude prices. Taiwan already reduced its gasoline and diesel prices by around 6%. Malaysia, which increased its retail prices by 40% two months ago, is anticipated to scale back prices in the near future. On the other hand, since both China and India have their retail prices under control via subsidies, they are not expected to reduce retail prices as they are not as high as in other Asian countries.



As a result of slowing domestic demand, Taiwan's crude oil imports and refining throughput in the first half dipped by 6.5% and 9% respectively.

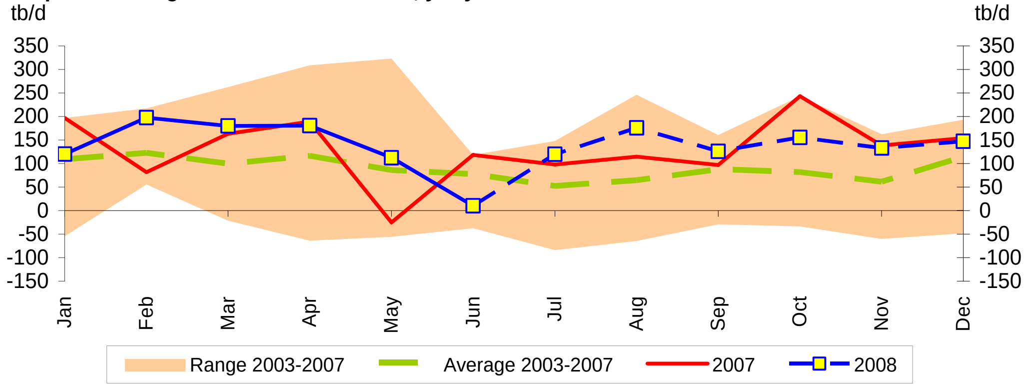
India's gasoline consumption showed an expected decline of 14 tb/d in June. The last time Indian gasoline demand experienced such a decline was in September 2005. Not only has last May's retail petroleum price hike slightly dented demand, but the early monsoon season had a negative effect on Indian oil demand as well. Total Indian demand for the month of June recorded the lowest growth of only 10 tb/d since May of last year. Although summer is a high season for agriculture in India, weather and prices have suppressed diesel demand in June to only 1.02 mb/d which is the lowest level since the start of the year. **India's oil demand is forecast to grow by 140 tb/d in 2008 y-o-y.**

Table 10: Indian oil demand by main products, tb/d

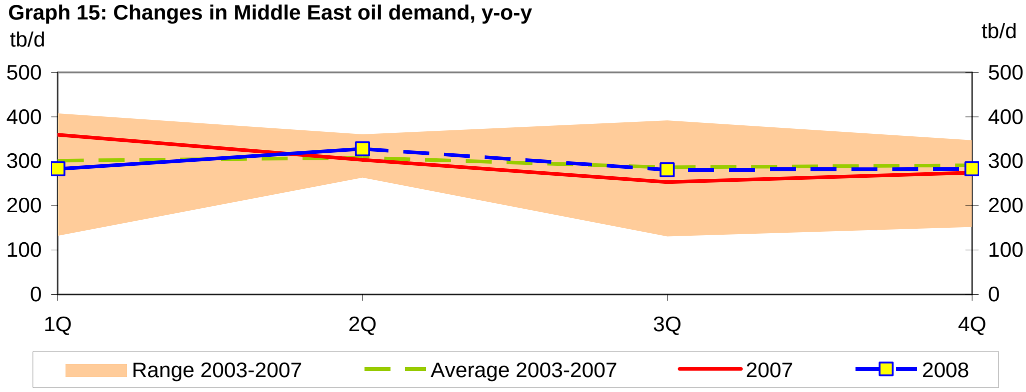
				Difference to	
	Jun 08	May 08	Jan 08 - Jun 08	Jan 07 - Jun 07	%
LPG	342	376	379	25	7.2
Motor Gasoline	227	291	255	20	8.7
Jet Kero	284	301	300	11	3.7
Gas Diesel Oil	1,016	1,123	1,107	106	10.6
Residual Fuel Oil	349	301	308	-26	-7.7
Other Products	494	481	597	-3	-0.6
Total Oil Demand	**2,711**	**2,874**	**2,947**	**134**	**4.7**

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

Graph 14: Changes in Indian oil demand, y-o-y

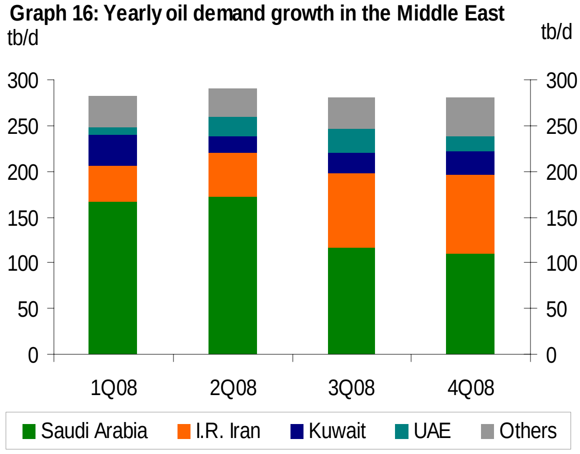


Graph 15: Changes in Middle East oil demand, y-o-y



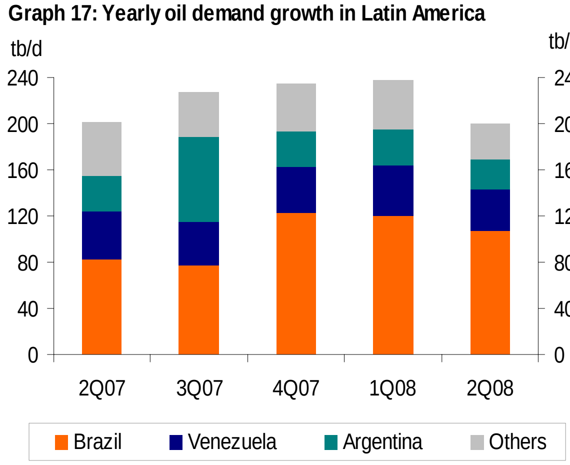
As was expected, the Middle East oil demand growth reached 0.33 mb/d y-o-y in the second quarter averaging 6.8 mb/d. Given the healthy economic performance in the Middle East, oil demand growth should remain strong in both the third and fourth quarters at 0.28 mb/d each. Transport and industrial fuel demand are on the rise and are expected to remain so for the rest of the year. **Middle East oil demand growth is forecast to top 0.29 mb/d y-o-y in the third quarter of 2008.**

Graph 16: Yearly oil demand growth in the Middle East



Brazil, Venezuela, and Argentina are the main contributors to Latin America's strong oil demand this year. Their economic boom led to strong oil demand growth this year; hence **Latin America oil demand growth is forecast to grow by 0.19 mb/d to average 5.7 mb/d in 2008.**

Graph 17: Yearly oil demand growth in Latin America



As a result of strong oil demand in Other Asia, Latin America, the Middle East, and Africa, Developing Countries oil demand growth in 2008 is forecast to reach 0.8 mb/d y-o-y to average 25.0 mb/d.

China to grow at 0.5 mb/d in 3Q

Other Regions

Several variables pushed China's apparent oil demand up 6% in the first six months of 2008. High economic activities along with the preparation for both summer demand and the Olympic Games were the reason for higher oil demand year-to-date in 2008. Transport fuel demand grew the most in the first half of the year exceeding 15%. However, July fuel oil imports declined by 35% due to low refining demand. To offset May's high oil imports, China's June oil imports grew slightly by only 2.2% resulting in apparent oil demand growth of only 3.1% or 2.5 tb/d y-o-y in June. **China's apparent oil demand grew by 5.8% or 439 tb/d in the first six months averaging 8.06 mb/d y-o-y.** Furthermore, China's oil import in first half of the year grew by 10.7% averaging 4.2 mb/d.

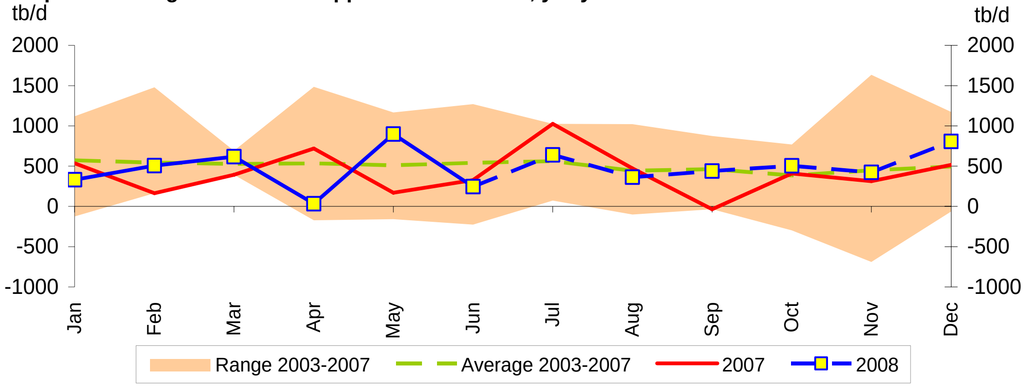
It is anticipated that the Chinese oil imports and consumption will fall back in September and October following the conclusion of the Olympics. However, apparent demand in the second half will show strong growth exceeding 0.44 mb/d y-o-y.

China's efforts to reduce the country's energy consumption per GDP unit by around 5% annually until 2010 have fallen below target. Recent data indicated that this accomplishment ranged between 15% to 40% depending on different provinces. China commissioned new units in a major power plant in Beijing which will boost the country's total electricity capacity to exceed 700 million kilowatts. China has been building its electricity production plants since the major shutdown in summer 2004. These new plants are mainly operated on coal. Limiting electricity shutdowns has drastically reduced the pressure on diesel consumption.

Given the recent increase in retail petroleum prices, the new car sales growth in China was not as strong in July as in the previous month; however, a survey found more than two thirds of city drivers still prefer to drive rather than using public transportation. **China's third-quarter oil demand growth is forecast at 0.48 mb/d y-o-y to average 8.2 mb/d.**

Second-quarter apparent demand in the FSU was stronger than expected, resulting in an upward revision of 0.05 mb/d. Hence the growth for the whole year of 2008 will reach 0.09 mb/d y-o-y.

Graph 18: Changes in Chinese apparent oil demand, y-o-y



World Oil Supply

Non-OPEC supply growth expected at 0.58 mb/d, unchanged from the previous month, to average 50.0 mb/d

Non-OPEC

Forecast for 2008

Non-OPEC supply growth is expected to stand at 0.58 mb/d, steady from last month's assessment. Emerged production data indicate that non-OPEC supply performance in the second half of 2008 will improve as previously anticipated. Non-OPEC oil supply is foreseen to average 50.00 mb/d in 2008, a slight downward revision of 11 tb/d to total non-OPEC supply although growth remained steady from the last assessment. Despite this minor downward revision to total non-OPEC supply, a number of significant upward and downward revisions have been made to individual production estimates which have roughly offset one another. USA, Mexico, UK, and China were revised upward, while Canada, Norway, Australia, India, Malaysia, Vietnam, Brazil, Russia, Kazakhstan, and Azerbaijan were revised downward. On a quarterly basis, total non-OPEC supply stands at 49.60 mb/d, 49.60 mb/d, 49.81 mb/d and 50.99 mb/d respectively with downward revisions of around 0.10 mb/d and 0.03 mb/d in the first and third quarters, respectively, and upward revisions of around 0.03 mb/d and 0.05 mb/d in the second and fourth quarters, respectively, compared to last month's assessment. The historical figure for 2007 has been revised down slightly by around 9 tb/d.

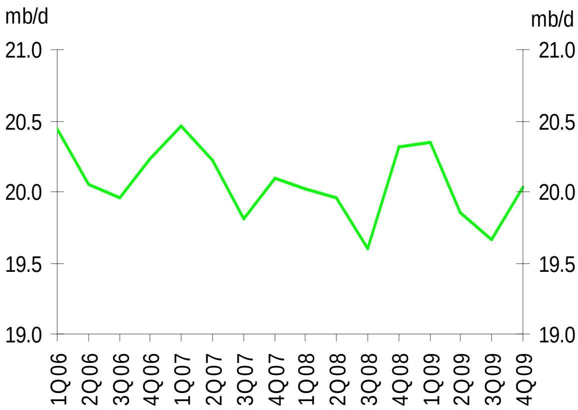
Table 11: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.30	14.23	14.33	14.23	14.57	14.34	0.04
Western Europe	5.24	5.21	4.99	4.59	4.90	4.92	-0.32
OECD Pacific	0.60	0.58	0.63	0.77	0.84	0.71	0.10
Total OECD	**20.15**	**20.02**	**19.96**	**19.60**	**20.31**	**19.97**	**-0.17**
Other Asia	2.71	2.75	2.70	2.85	2.94	2.81	0.10
Latin America	3.88	3.99	3.97	4.22	4.23	4.10	0.22
Middle East	1.66	1.63	1.62	1.65	1.66	1.64	-0.02
Africa	2.67	2.71	2.71	2.75	2.75	2.73	0.06
Total DCs	**10.92**	**11.08**	**11.01**	**11.46**	**11.58**	**11.28**	**0.37**
FSU	12.52	12.60	12.67	12.79	13.10	12.79	0.27
Other Europe	0.15	0.14	0.14	0.14	0.14	0.14	0.00
China	3.77	3.81	3.87	3.88	3.91	3.87	0.10
Total "Other regions"	**16.44**	**16.55**	**16.68**	**16.82**	**17.15**	**16.80**	**0.36**
Total Non-OPEC production	**47.50**	**47.65**	**47.65**	**47.87**	**49.04**	**48.06**	**0.56**
Processing gains	1.92	1.95	1.95	1.94	1.95	1.95	0.02
Total Non-OPEC supply	**49.42**	**49.60**	**49.60**	**49.81**	**50.99**	**50.00**	**0.58**
Previous estimate	49.43	49.70	49.57	49.84	50.94	50.02	0.58
Revision	-0.01	-0.10	0.03	-0.03	0.05	-0.01	0.00

OECD

Total OECD production is expected to average 19.97 mb/d in 2008, indicating a decline of around 0.17 mb/d from the 2007 figure, representing an upward revision of around 0.08 mb/d from last month. On a quarterly basis, OECD oil supply is expected to average 20.02 mb/d, 19.96 mb/d, 19.60 mb/d and 20.31 mb/d respectively. The growth contributed by North America and OECD Pacific is not enough to offset the decline in Western Europe.

Graph 19: OECD's quarterly production



Neptune reached full capacity and the USA growth is expected at 0.23 mb/d

USA

The US oil supply is anticipated to average 7.73 mb/d in 2008 representing a significant increase of 0.23 mb/d over 2007 and an upward revision of 53 tb/d from last month's assessment. The revision of last month's estimate is mainly due to the Neptune field reaching its capacity of 50 tb/d in late July much earlier than previously expected. Additionally, adjustments due to actual data, mainly for the second quarter, indicated higher production of biofuels and NGLs, further supporting the upward revision. Preliminary data for July show that production remained relatively steady compared to the previous month.

Canada and Mexico

Oil supply from **Canada** is estimated to average 3.39 mb/d in 2008, indicating an increase of 70 tb/d over 2007. On a quarterly basis, production stands at 3.31 mb/d, 3.24 mb/d, 3.34 mb/d and 3.47 mb/d respectively. The downward revision from last month's level of around 33 tb/d was due to adjustments from actual figures for both 2007 and the first quarter of 2008. July preliminary data for oil supply indicate a minor increase of 10 tb/d over June's figure to average 3.45 mb/d.

Mexican total oil supply is foreseen to average 3.32 mb/d in 2008, a decline of around 0.26 mb/d compared with the 2007 figure. The quarterly distribution stands at 3.29 mb/d, 3.18 mb/d, 3.20 mb/d and 3.24 mb/d respectively. The slightly upward revision of around 12 tb/d of the annual average was due to adjustments to actual data that were incorporated and carried over from the second quarter onward. Preliminary data for July put production at 3.22 mb/d, unchanged from the previous month.

OECD Western Europe supply to average 4.92 mb/d

Western Europe

Oil supply in OECD Europe is expected to average 4.92 mb/d in 2008, representing a drop of 170 tb/d from 2007. The quarterly figures are foreseen at 5.21 mb/d, 4.99 mb/d, 4.59 mb/d and 4.90 mb/d respectively. Norway and UK are expected to contribute the majority of the decline in 2008.

Norway oil supply is expected to average 2.40 mb/d in 2008, around 0.16 mb/d lower than in 2007. The downward revision from the previous month's assessment of around 19 tb/d was carried out to reflect adjustments from actual figures as new data indicated heavier-than-expected maintenance in the second quarter. Preliminary figures show that Norway's oil supply stands at 2.49 mb/d, around 200 tb/d more than in the previous month.

The **UK** production level for 2008 is expected to average 1.52 mb/d, around 170 tb/d less than in the previous year, which represents an upward revision of around 74 tb/d from last month's estimate. In addition to adjustments to the actual figures for both 2007 and the first half of 2008, the expected production from the Ettrick facility is likely to add to the UK supply toward the end of 2008. UK preliminary production July figure stands at 1.43 mb/d, a decline of 70 tb/d from the previous month.

Asia Pacific

OECD Asia Pacific region oil supply is expected to average 0.71 mb/d in 2008, representing growth of 10 tb/d compared with the 2007 figure. On a quarterly basis, total oil supply is estimated to average 0.58 mb/d, 0.63 mb/d, 0.77 mb/d and 0.84 mb/d respectively.

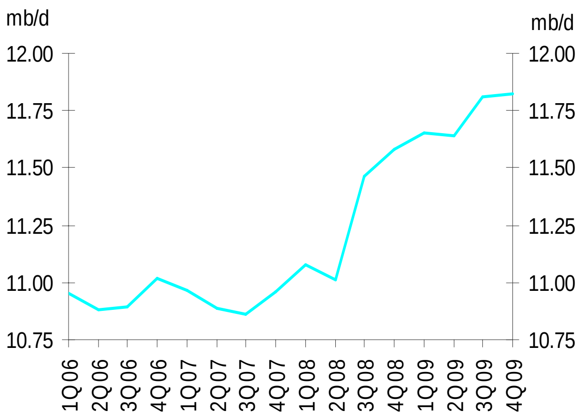
Australia is forecast to show growth of around 59 tb/d over 2007, representing a downward revision of 9 tb/d compared with last month. The revisions were due to adjustments to actual figures in the second quarter on the back of lower output. The preliminary figure for July stands at 0.52 mb/d, unchanged from the previous month.

Developing Countries supply forecast to grow 0.37 mb/d

Developing Countries

Oil supply in the Developing Countries (DCs) is expected to average 11.28 mb/d in 2008, representing an increase of 0.37 mb/d over 2007. On a quarterly basis, total oil supply in DCs is forecast to stand at 11.08 mb/d, 11.01 mb/d, 11.46 mb/d and 11.58 mb/d respectively, representing a downward revision of around 41 tb/d from the previous month's assessment.

Graph 20: Developing Countries' quarterly production



The Other Asia group is expected to see growth of 0.10 mb/d in 2008 to average 2.81 mb/d. On a quarterly basis, Other Asia is expected to average 2.75 mb/d, 2.70 mb/d, 2.85 mb/d and 2.94 mb/d respectively. Malaysia remains the major growth contributor among the group, expected to add 48 tb/d in 2008 despite a downward revision of around 11 tb/d due to the receipt of actual figures. Supply from India is estimated to remain flat in 2008, which indicates a downward revision of around 6 tb/d from last month's assessment due to adjustments from actual figures. Similarly, growth in Vietnam in 2008 experienced a minor downward revision of around 10 tb/d due to production redistribution of the Su Tu Vang field which is expected to start up this quarter.

Oil supply from **Latin America** is forecast to increase by around 222 tb/d over 2007 to reach a level of 4.10 mb/d, representing a downward revision of around 18 tb/d from the previous month mainly from Brazil as more actual data became available. On a quarterly basis, Latin American supply stands at 3.99 mb/d, 3.97 mb/d, 4.22 mb/d and 4.23 mb/d respectively.

Middle East production is expected to decrease in 2008 by around 17 tb/d from the 2007 figure, steady from last month's assessment. The production decline is mainly from Syria and Yemen, despite the expected production start up of Syria's Khurbet East field in the third quarter. The 2008 figure is expected to average 1.64 mb/d. On a quarterly basis Mideast supply will average 1.63 mb/d, 1.62 mb/d, 1.65 mb/d and 1.66 mb/d respectively.

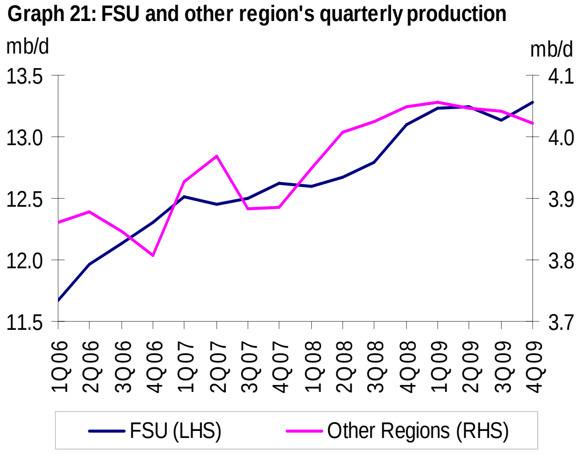
Africa is expected to increase supply by around 60 tb/d in 2008 to reach 2.73 mb/d, unchanged from the previous month. The quarterly distribution average now stands at 2.71 mb/d, 2.71 mb/d, 2.75 mb/d and 2.75 mb/d respectively.

FSU supply growth is forecast at 0.27 mb/d

FSU, Other Regions

Oil supply in the FSU is expected to average 12.79 mb/d in 2008, representing an increase of 0.27 b/d and a downward revision of around 55 tb/d from last month's assessment. On a quarterly basis, total oil supply in the FSU is expected to average 12.60 mb/d, 12.67 mb/d, 12.79 mb/d and 13.10 mb/d respectively. China is expected to grow by 97 tb/d in 2008 to reach 3.87 mb/d. Also the Other Europe group is expected to stay flat at 0.14 mb/d.

Graph 21: FSU and other region's quarterly production



Russia

Russian oil supply is expected to average 9.88 mb/d in 2008, nearly unchanged from the previous year. On a quarterly basis, Russian oil supply is expected to average 9.76 mb/d, 9.77 mb/d, 9.95 mb/d and 10.04 mb/d respectively. A downward revision of around 10 tb/d was carried out due to delays in the seasonal start up of the Sakhalin-2 on the back of required repairs to the mooring buoy at the production complex.

A BTC explosion to affect Azerbaijan's supply

Caspian

Kazak oil production is anticipated to average 1.43 mb/d in 2008, representing an increase of around 80 tb/d versus 2007 and a downward revision of around 20 tb/d from last month. The heavier-than-expected maintenance in addition to the adjustment to the actual level were behind the downward revision. The quarterly supply figures are currently expected at 1.42 mb/d, 1.43 mb/d, 1.37 mb/d and 1.50 mb/d respectively.

Azeri oil supply is forecast to average 1.02 mb/d in 2008, representing an increase of around 155 tb/d over the previous year and a downward revision of 25 tb/d from the previous month. The revision was due to adjustments from actual figures in addition to the partial effect of the recent explosion at the BTC pipeline, which is expected to negatively affect production. However, once further details of the pipeline repairs timetable are known, the effect on the production can be better appraised. The quarterly breakdown now stands at 0.96 mb/d, 1.01 mb/d, 1.00 mb/d and 1.09 mb/d respectively.

China

Total oil supply is expected to average 3.87 mb/d in 2008, representing an increase of 97 tb/d over 2007 and a net upward revision of 7 tb/d versus last month's assessment due to the receipt of actual data for second-quarter production. The quarterly figures are expected to average 3.81 mb/d, 3.87 mb/d, 3.88 mb/d and 3.91 mb/d respectively.

Forecast for 2009

2009 growth expected at 0.95 mb/d to average 50.95 mb/d

Non-OPEC oil supply is expected to average 50.95 mb/d in 2009, an increase of 0.95 mb/d over 2008 and relatively flat versus last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 51.27 mb/d, 50.77 mb/d, 50.63 mb/d and 51.15 respectively. Total Non-OPEC growth remained steady despite various revisions to individual countries, with upward revisions offsetting the downward adjustment. Most of the revisions made for the current year have been extended to 2009 in addition to the changes in project start-ups and ramp-ups according to the latest information.

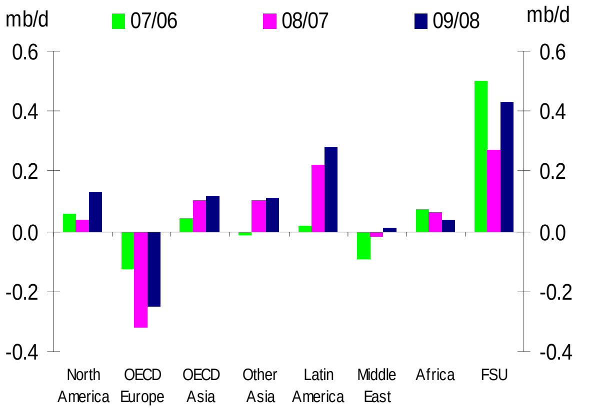
Table 12: Non-OPEC oil supply in 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	14.34	14.63	14.32	14.38	14.56	14.47	0.13
Western Europe	4.92	4.88	4.71	4.45	4.65	4.67	-0.25
OECD Pacific	0.71	0.83	0.81	0.84	0.82	0.83	0.12
Total OECD	**19.97**	**20.35**	**19.85**	**19.67**	**20.04**	**19.97**	**0.00**
Other Asia	2.81	2.93	2.88	2.95	2.95	2.92	0.11
Latin America	4.10	4.32	4.36	4.43	4.41	4.38	0.28
Middle East	1.64	1.65	1.66	1.66	1.66	1.66	0.01
Africa	2.73	2.75	2.74	2.78	2.81	2.77	0.04
Total DCs	**11.28**	**11.65**	**11.64**	**11.81**	**11.83**	**11.73**	**0.45**
FSU	12.79	13.23	13.24	13.13	13.28	13.22	0.43
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	3.87	3.91	3.91	3.90	3.88	3.90	0.03
Total "Other regions"	**16.80**	**17.28**	**17.29**	**17.17**	**17.31**	**17.26**	**0.46**
Total Non-OPEC production	**48.06**	**49.28**	**48.78**	**48.65**	**49.17**	**48.97**	**0.91**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.04
Total Non-OPEC supply	**50.00**	**51.27**	**50.77**	**50.63**	**51.15**	**50.95**	**0.95**
Previous estimate	50.02	51.25	50.74	50.69	51.13	50.95	0.94
Revision	-0.01	0.02	0.02	-0.05	0.02	0.00	0.01

Revisions to the 2009 forecast

In the USA, the Blind Faith field is now forecast to reach its peak in 2008 instead of 2009 as is the Neptune field which was reported to have reached its peak. Canada Christina Lake C1 and Foster Creek Expansion developments are anticipated to add 15 tb/d and 20 tb/d in the first and third quarter of 2009. UK's Shelley field has been added and is foreseen to start up production of around 10 tb/d in the first quarter of 2009 as well as Ettric field which continues ramping up toward its peak. The Frade field is now expected to start up in the second quarter of 2009 and continue ramping up in 2009 and 2010. In Syria, the Khurbet East oil field is expected to start up in 2008 and continue ramping up toward its peak of 35 tb/d in 2009.

Graph 22: Regional Non-OPEC supply growth, y-o-y



OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.85 mb/d in 2008 an increase of around 0.53 mb/d over the previous year. In 2009, the level for OPEC NGLs is expected to average 5.51 mb/d, around 0.66 mb/d over the current year.

Table 13: OPEC NGLs + non-conventional oils, 2006-2009

			Change						**Change**		**Change**
	2006	**2007**	07/06	1Q08	2Q08	3Q08	4Q08	**2008**	08/07	**2009**	09/08
Total OPEC	**4.08**	**4.32**	0.24	4.62	4.82	4.92	5.04	**4.85**	0.53	**5.51**	0.66

OPEC crude oil production

July OPEC crude output jumped to by 236,000 b/d to 32.6 mb/d

Total crude oil production averaged 32.64 mb/d in July, an increase of 235,800 b/d over the June figure, according to secondary sources. OPEC production not including Iraq stood at 30.14 mb/d, an increase of 182 tb/d over the June level. The increase came mainly from Saudi Arabia, Iraq, Nigeria, Kuwait and the UAE, while production from Venezuela, Libya, and Angola displayed declines in July over the same period.

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

	2007	3Q07	4Q07	1Q08	May	Jun 08	2Q08	Jul 08	*Jul/Jun*
Algeria	1,360	1,365	1,386	1,397	1,405	1,406	1,406	1,406	*0.4*
Angola	1,660	1,678	1,777	1,865	1,905	1,918	1,902	1,903	*-15.0*
Ecuador	507	508	509	505	506	498	503	501	*3.8*
Indonesia	844	836	841	862	853	851	859	855	*3.8*
Iran, I.R.	3,855	3,861	3,907	3,939	3,869	3,898	3,893	3,900	*1.7*
Iraq	2,089	2,107	2,330	2,303	2,471	2,455	2,423	2,508	*53.8*
Kuwait	2,464	2,467	2,508	2,535	2,577	2,590	2,580	2,614	*24.3*
Libya, S.P.A.J.	1,710	1,718	1,741	1,751	1,726	1,723	1,731	1,706	*-16.3*
Nigeria	2,125	2,154	2,158	2,044	1,853	1,878	1,855	1,922	*43.8*
Qatar	807	814	825	839	845	861	850	863	*1.7*
Saudi Arabia	8,654	8,584	8,921	9,057	9,155	9,350	9,163	9,513	*162.2*
UAE	2,504	2,574	2,427	2,586	2,611	2,614	2,611	2,638	*23.3*
Venezuela	2,392	2,377	2,395	2,385	2,356	2,368	2,360	2,316	*-51.7*
Total OPEC	**30,970**	**31,044**	**31,726**	**32,068**	**32,132**	**32,408**	**32,135**	**32,643**	***235.8***
OPEC excl. Iraq	**28,881**	**28,937**	**29,396**	**29,766**	**29,661**	**29,953**	**29,712**	**30,135**	***182.0***

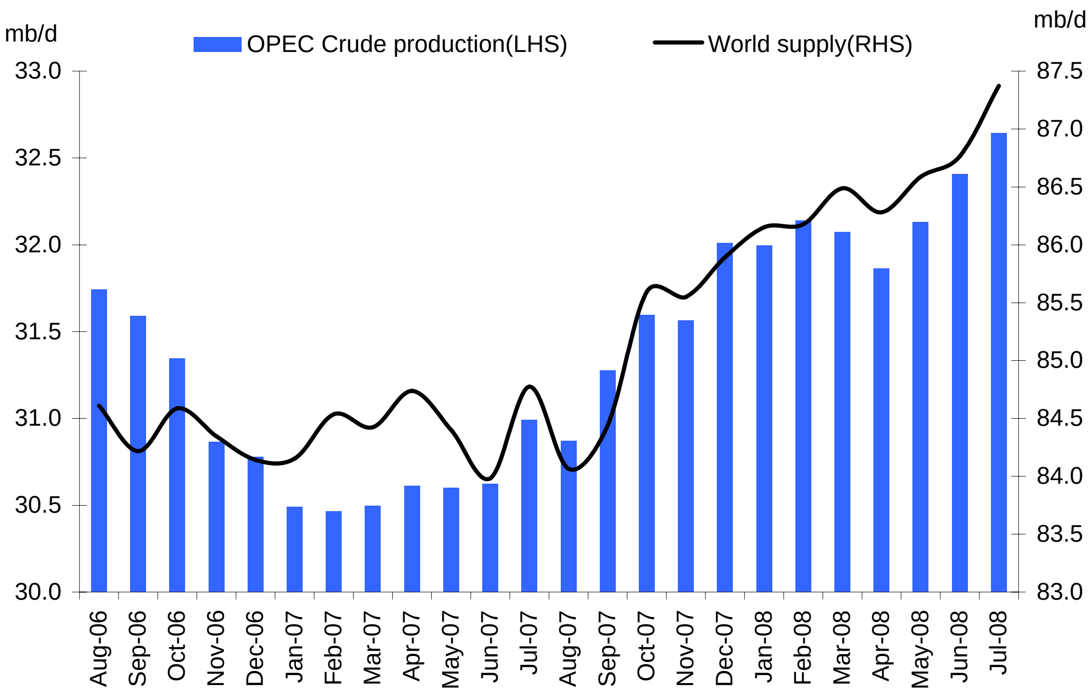
Totals may not add due to independent rounding.

Global supply estimated at 87.37 mb/d in July

World oil supply

Preliminary figures for July indicate that world oil supply averaged 87.37 mb/d, an increase of 0.61 mb/d over the previous month. OPEC crude is estimated to have a 37.4% share in global supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 23: OPEC and World oil supply



FSU net exports of crude and production

Total FSU net oil exports are expected to average 8.74 mb/d in 2008, an increase of 0.19 mb/d over the previous year. In 2009, total net oil exports are expected to average 9.10 mb/d or 0.36 mb/d over the 2008 estimate.

Current trends

Actual figures for May indicate that total crude exports from the FSU averaged 6.70 mb/d. Preliminary figures for June averaged 6.18 mb/d, a decline of 519 tb/d from the previous month. Russian exports through pipeline were down by 243 tb/d. The CPC pipeline transfer increased slightly by 18 tb/d in June compared with the May figure. The recent explosion along the BTC pipeline and the hostility in the region will have an affect on the exports, which will be assessed as further details emerge.

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

	1Q	2Q	3Q	4Q	Year	Growth (y-o-y)
2005	7.45	7.69	7.77	7.85	**7.69**	**0.37**
2006	7.91	8.34	8.22	8.06	**8.13**	**0.45**
2007	8.64	8.74	8.50	8.31	**8.54**	**0.40**
2008 (estimate)	**8.63**	**8.84**	**8.72**	**8.68**	**8.72**	**0.18**
2009 (forecast)	**9.18**	**9.34**	**9.00**	**8.80**	**9.08**	**0.36**

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

	2006	2007	4Q07	1Q08	2Q08	May 08	Jun 08*
Crude							
Russian pipeline							
Black Sea	1,288	1,360	1,294	1,224	1,345	1,363	1,296
Baltic	1,553	1,645	1,631	1,530	1,678	1,681	1,639
Druzhba	1,288	1,122	1,128	1,130	1,053	1,098	964
Total***	**4,129**	**4,127**	**4,052**	**3,884**	**4,076**	**4,155**	**3,912**
Other routes							
Russian rail	313	290	300	296	342	385	302
Russian - Far East	84	247	263	209	204	207	190
Kazak rail	31	15	17	17	18	17	18
CPC pipeline	661	701	678	624	709	679	697
Caspian	**396**	**249**	**205**	**191**	**196**	**165**	**227**
of which							
Supsa (AIOC) - Georgia	114	0	0	0	0	0	0
Batumi - Georgia	177	138	121	105	121	100	138
Total**	**1,702**	**2,234**	**2,228**	**2,110**	**2,348**	**2,547**	**2,271**
Total crude exports	**5,831**	**6,362**	**6,280**	**5,994**	**6,425**	**6,702**	**6,183**
Products							
All routes							
Fuel oil	861	841	913	1,085	1,131	1,063	1,309
Gasoil	841	677	814	855	787	695	837
Others	662	670	730	975	694	623	674
Total	**2,364**	**2,188**	**2,458**	**2,916**	**2,612**	**2,381**	**2,820**
Total oil exports	**8,195**	**8,550**	**8,738**	**8,910**	**9,037**	**9,083**	**9,003**

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

* *Preliminary.*

** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

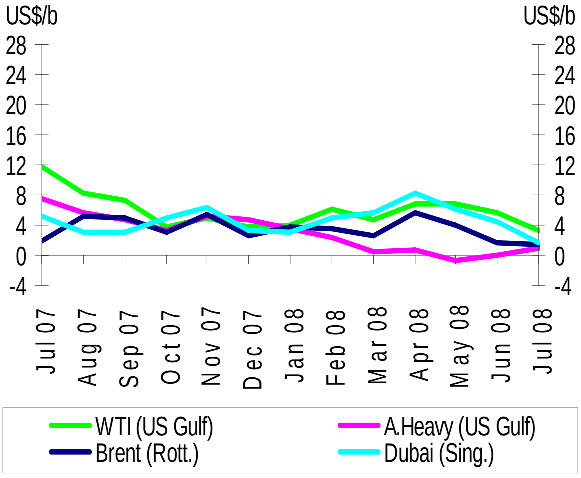
*** *Total incl. exports to China.*

Product Markets and Refinery Operations

Refining margins plummeted in July

Deteriorating demand in the OECD countries, particularly in the US along with costly crude oil significantly undermined refining economics across the world in July. The current sentiment in the product markets may build further over the next months with the approaching end of driving season, resulting in product market fundamentals easing further. This weaker trend is likely to be enhanced by new refinery capacities coming onstream in next months. Looking ahead, the only major wild card for the product markets would be possible refinery outages due to hurricane activity in the Gulf of Mexico. Additionally, the recent sharp fall in crude oil prices may help improve refining economics and cap discretionary cuts by refiners.

Graph 24: Refining margins



As **Graph 24** shows, refining margins for WTI crude at the US Gulf Coast slid by $2.46/b to reach $3.23/b from $5.69/b last month. In Europe, the situation remained lacklustre, as narrowing distillate cracks combined with negative impacts of overhang gasoline cargoes exerted pressure on European refining economics. Brent crude oil margins at Rotterdam fell to $1.39/b from $1.56/b in June.

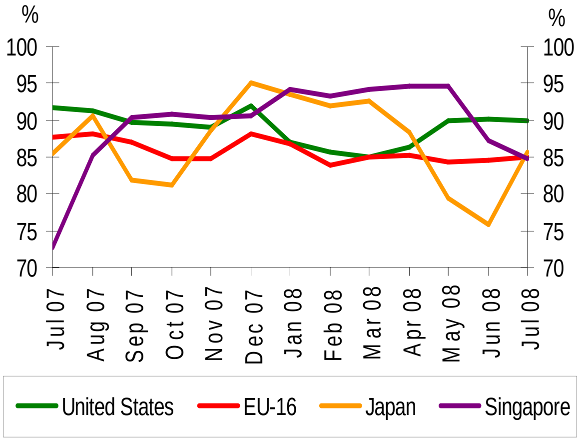
In Asia, the market followed the same trend, as ample regional supply outstripped demand, resulting in a poor performance for refiners. In light with these developments, refining margins for Dubai crude oil in Singapore slipped by $2.80/b to reach $1.68/b from $4.48/b in the previous month.

Refinery operations

Refinery throughputs increased significantly in Japan but remained steady in the Atlantic Basin

Bearish developments in product markets have adversely affected refinery operations, particularly in the US and Europe, and limited their typical seasonal growth.

Graph 25: Refinery utilization rates



As Graph 25 shows, the refinery utilization rate in the US declined a slight 0.2% compared to the previous month to reach 89.9% in July from 90.1% in June. In Europe, the refinery utilization rate rose a very marginal 0.4% to 84.9% from 84.5% in the June. In Asia, refineries returned from annual turnaround, boosting throughputs compared to the previous month. In Japan, the refinery utilization rate jumped by 9.7% to 85.6% from 75.9% in June (*see Graph 25*).

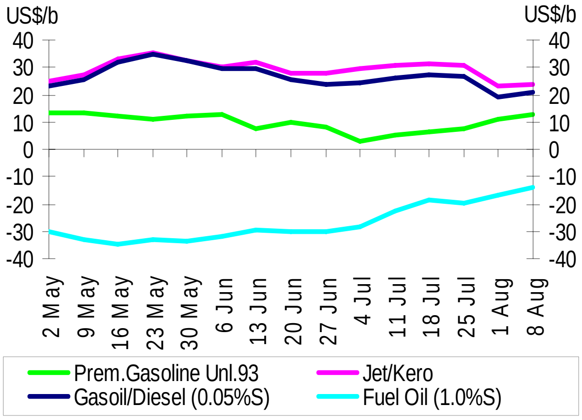
Looking forward, with the approaching end of the driving season and the approach of autumn refinery maintenance, refinery utilization rates in the Atlantic Basin are expected to decrease in September and remain at a relatively low level up to November. In Asia, refineries returned from major maintenance and their operation levels may stay high in the next months; however, poor refining economics may lead to discretionary cuts and trim Asian refinery utilization rates over the coming months.

US gasoline market could not recover in July

US market

Contra-seasonal stock-builds in July and the continuation of slowing demand in tandem with slowing economic growth put pressure on the US gasoline market in the same month. As Graph 26 shows, the gasoline crack spread for WTI crude oil at the US Gulf Coast slumped on average by nearly $4/b to $5.49/b in July from $9.38/b in the previous month. Due to stock-draws in the last two weeks, gasoline prices and crack spreads improved, but with the approaching end of the driving season, the gasoline market may lose ground in the near future.

Graph 26: US Gulf crack spread vs. WTI, 2008



With regard to middle distillates, due to huge stock-builds in the last couple of weeks resulting from switching the refinery mode in favour of distillates, the previous concern about a shortage of middle distillates has eased, reducing the distillate spread. The gasoil crack spread versus WTI crude fell on average to $26/b in July from $27/b in the previous month **(***see* ***Graph 26*****)**. The continuation of distillate stock-builds may exert further pressure on the distillate market and US refining economics. However, American refiners benefited from the arbitrage opportunities to Europe and exports of more than 250 tb/d to Europe in July.

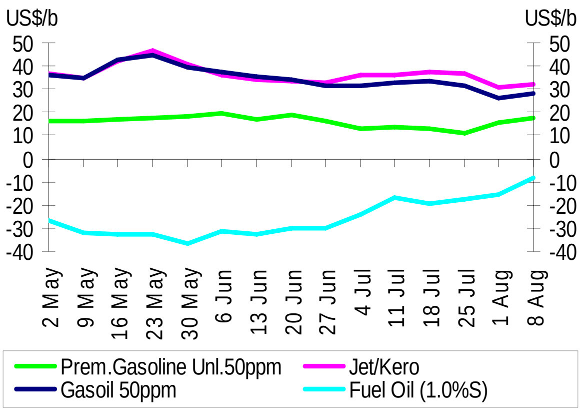
In the US, the fuel oil market improved due to higher demand from utility plants, lower regional outputs and positive developments in other markets. This situation lifted fuel oil prices and narrowed significantly its discounted value against WTI crude oil. The sulphur fuel oil discount versus WTI reached to minus $14/b in the week ended 8 August from about minus $25/b in early July. Looking ahead, amid current strong fundamentals the fuel oil market is expected to remain strong in the very short term.

European distillate market lost ground slightly in July

European market

The European market, which is structurally short of middle distillates, has provided support to the refining industry across the board over the last months. This situation has changed slightly in July due to higher regional output and increased imports from the US. Following these developments, the European distillate market flipped to contango and its crack margins narrowed both in physical and futures markets compared to the previous months. The gasoil crack spread against Brent crude oil at the Rotterdam market slipped on average to $32.25/b in July from around $35/b in the previous month (*see Graph 27*). It may drop further next month. The jet/kero crack remains strong as jet fuel stocks are 20% lower than last year, but has fallen encouraging traders to export cargoes from the Middle East rather to Europe than to Asia.

Graph 27: Rotterdam crack spreads vs. Brent, 2008



Additionally, limited arbitrage opportunities to the US also undermined the European gasoline market and deteriorated further its persistent bearish sentiment. Gasoline prices in Europe improved slightly due to the recent gasoline stock-draws in the US, but since gasoline demand fundamentals appear weak, the current situation may not last long. The gasoline crack spread versus Brent crude oil plummeted to $11/b in the last week of July from $16/b in the same week of the previous month. Apart from gasoline, the naphtha market in Europe is also lacklustre, and sluggish regional demand forced European refiners to export naphtha cargoes to the Asian market.

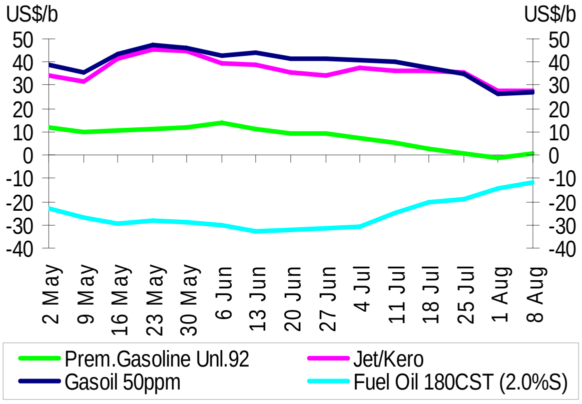
With regard to fuel oil, warmer weather and low rainfalls resulted in restricted hydropower outputs and boosted fuel oil consumption by electricity plants especially in the Mediterranean area. Similarly, the tight supply situation in Asia and easing freight costs opened the arbitrage opportunity to Asia, supporting fuel oil prices. These ongoing developments narrowed the low-sulphur fuel oil crack spread against Brent crude to minus $8/b in the first week of August from about minus $24/b in the same period of the previous month. Since the European fuel oil stocks are at very comfortable levels, the currently bullish movements in the fuel oil market are expected to disappear in the near future as both Middle East and Russian exports will be back to their normal level.

Asian market

Ample supply from North Asia undermined the Asian middle distillate market

Over the last couple of months, the Asian product market was stronger than the other markets due to higher imports by China and Australia and export opportunities to Europe. Following the completion of refinery maintenance and with higher output from North Asia and muted demand from China, the Asian distillate market lost ground flipping into contango. In line with these movements, the gasoil crack slid to $27/b in early August from $41/b over the same period of July (*see Graph 28*). An aggressive sell-off in the swap market has also contributed to these bearish developments in the gasoil market. Jet fuel oil cracks also fell in recent weeks, but remained stronger than the gasoil cracks due to arbitrage shipments to the West.

Graph 28: Singapore crack spreads vs. Dubai, 2008



Given the ample regional supplies and spillover impacts of bearish developments in the Atlantic Basin, the Asian gasoline market sentiment weakened significantly over the last few weeks and its crack plummeted sharply in the latter part of July. The gasoline crack against Dubai crude slipped to about $1/b from the last week of July from around $10/b over the same period of the previous month. The recent US gasoline stock-draw, which lifted gasoline prices in the Atlantic Basin, may provide support for the Asian gasoline market as well, but with the approaching end of the driving season, this might not be sustained for a long period. The influx cargoes of naphtha from Europe along with more exports from India also deteriorated Asian naphtha market sentiment putting pressure on the spot markets.

As far as the fuel oil market is concerned, lower exports from the Middle East have boosted fuel oil prices. The current situation may continue next month due to higher demand from the Middle East power generators and tightening of supply. These developments significantly narrowed the fuel oil spread versus Dubai crude to minus $14/b in the first week of August from minus $30/b over the same period of the previous month. However, it is worth noting that due to China's sluggish demand, the Asian fuel oil market fundamentally is still weak, and by increasing exports from the Middle East and more arbitrage cargoes from Europe, it may lose ground again in the future.

Table 17: Refined product prices, US$/b

		May 08	Jun 08	Jul 08	Change Jul/Jun
US Gulf (Cargoes):					
Naphtha		129.68	135.61	131.33	-4.28
Premium gasoline	*(unleaded 93)*	137.84	143.09	139.77	-3.32
Regular gasoline	*(unleaded 87)*	133.16	140.51	135.08	-5.43
Jet/Kerosene		156.75	163.29	163.58	0.29
Gasoil	*(0.05% S)*	155.70	160.81	159.07	-1.74
Fuel oil	*(1.0% S)*	83.95	93.02	106.44	13.42
Fuel oil	*(3.0% S)*	92.30	103.65	112.31	8.66
Rotterdam (Barges FoB):					
Naphtha		129.70	143.54	142.28	-1.26
Premium gasoline	*(unleaded 50 ppm*)*	140.04	150.09	145.48	-4.61
Premium gasoline	*(unleaded 95)*	124.51	133.46	129.38	-4.08
Jet/Kerosene		163.93	166.50	169.44	2.94
Gasoil/Diesel	*(50 ppm*)*	163.07	166.80	165.10	-1.70
Fuel oil	*(1.0% S)*	90.32	101.66	114.61	12.95
Fuel oil	*(3.5% S)*	80.30	89.47	100.80	11.33
Mediterranean (Cargoes):					
Naphtha		108.72	119.81	119.76	-0.05
Premium gasoline	*(50 ppm)*	141.69	151.71	146.11	-5.60
Jet/Kerosene		159.42	162.48	167.71	5.23
Gasoil/Diesel	*(50 ppm)*	162.71	167.17	166.44	-0.73
Fuel oil	*(1.0% S)*	91.49	101.76	111.35	9.59
Fuel oil	*(3.5% S)*	80.43	89.64	100.95	11.31
Singapore (Cargoes):					
Naphtha		113.63	125.18	125.41	0.23
Premium gasoline	*(unleaded 95)*	131.07	140.23	135.19	-5.04
Regular gasoline	*(unleaded 92)*	130.01	138.72	134.60	-4.12
Jet/Kerosene		159.47	164.76	167.21	2.45
Gasoil/Diesel	*(50 ppm)*	161.86	170.00	168.64	-1.36
Fuel oil	*(180 cst 2.0% S)*	91.15	96.23	109.53	13.30
Fuel oil	*(380 cst 3.5% S)*	87.62	94.58	108.05	13.47

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	May 08	Jun 08	Jul 08	Jul/Jun	May 08	Jun 08	Jul 08	Jul/Jun
USA	15.70	15.72	15.68	-0.04	90.0	90.1	89.9	-0.20
France	1.70	1.70	1.70	0.00	87.7	88.2	87.7	-0.50
Germany	2.04	2.06	2.20	0.14	84.3	85.1	91.1	6.00
Italy	1.67	1.68	1.67	-0.01	71.5	71.8	71.5	-0.30
UK	1.48	1.61	1.53	-0.08	79.9	86.5	82.4	-4.10
Eur-16	11.83 R	11.86 R	11.92	0.06	84.3 R	84.5 R	84.9	0.40
Japan	3.70	3.53	3.98	0.45	79.3	75.9	85.6	9.70

R *Revised since last issue.*

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

The Tanker Market

Global and OPEC spot fixtures together with OPEC sailings were almost steady in July

OPEC spot fixtures were almost steady in July compared to the previous month, increasing by less than 1% to reach 14.0 mb/d, according to preliminary data. The slight rise was supported mainly by the increase in both Middle East/East and Middle East/West route spot fixtures which rose on average by 3.0% over the previous month. The Middle East/East spot fixtures ended the month at 5.8 mb/d., while the Middle East/West route ended the month at 1.9 mb/d. The return to operation of a large number of refineries after a heavy summer maintenance programme, together with the extra barrels in the Middle East, were among the main reasons that kept spot fixtures on the positive side in this region. On a y-o-y basis, OPEC spot fixtures in July indicated growth of 20% compared to July 2007, while average spot fixtures for the first seven months of 2008 were 13.76 mb/d, indicating growth of 10% compared to the same period last year. Similarly, global spot fixtures increased in July by slightly higher than 1% compared to the previous month to stand at 21.1 mb/d, compared to 20.86 mb/d in June.

Sailings from OPEC were also steady in July at 23.43 mb/d, indicating an increase of 0.9% compared to the previous month and 1.2% compared to a year earlier. Middle East sailings also increased by a higher percentage of 1.6% in July compared to the previous month, but were very close to their year-ago level. Crude oil arrivals in the USA rose by 1.2% in July, in line with the marginal increase in US crude oil imports, compared to the previous month. In contrast, arrivals in North-West Europe and the Mediterranean were only 0.1% higher in June compared to the previous month.

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

	May 08	Jun 08	Jul 08	Change Jul/Jun
Spot Chartering				
All areas	19.95	20.86	21.10	0.25
OPEC	13.16	13.90	14.00	0.11
Middle East/east	5.26	5.61	5.80	0.19
Middle East/west	0.96	1.85	1.90	0.05
Sailings				
OPEC	23.10	23.23	23.43	0.20
Middle East	17.05	17.30	17.58	0.28
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.16	8.32	8.43	0.11
North West Europe	8.00	7.83	7.91	0.08
Euromed	4.64	4.56	4.59	0.03

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

Dirty tanker spot freight rates closed the month with an average increase of 18%, with Suezmax indicating the highest gain

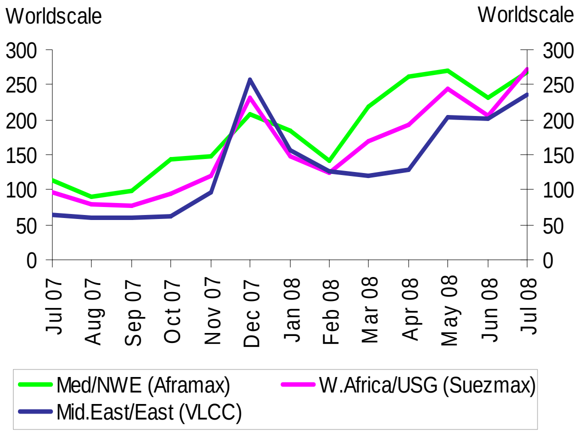
The crude oil tanker market was relatively strong in July with an upward tendency. Spot freight rates for dirty tankers evolved along different trends throughout July, reflecting ongoing developments. The high volatility of the Aframax sector continued in July, despite an increasing monthly average. Dirty tanker spot freight rates on all reported routes closed the month with an average increase of 18% from the previous month, but saw an overwhelming increase of 200% on an annual basis. Contrary to June when Suezmax spot freight rates displayed the biggest average decline from the previous month, they were the rates that displayed the biggest gain of 31% in July, while the VLCC rates experienced the lowest increase of 11%. Dirty tanker spot freight rates were generally at healthy levels in July, owing to healthy activities and owners protecting their interests at a time when higher bunker prices were exerting a direct influence on the upward movement of freight rates. Contrary to previous months, the dirty spot tanker market outpaced once again the clean market in July, with clean spot freight rates experiencing monthly declines on five out of the six reported clean tanker routes.

VLCC spot freight rates were generally higher in July compared to the previous month. Spot freight rates for VLCCs trading on the long-haul route from the Middle East to the East which were relatively steady in the previous month month, increased by 17% in July compared to June. The increase in freight rates on this route took place at the beginning of the month with the sentiment of the market shifting to a bullish mode on news of extra barrels coming from the Middle East and higher activities mainly due to higher crude oil imports by China and Japan adding support. Apart from the first week, freight rates were steady at around WS240 for most of July before softening towards the end of the month as activities in the Middle East eased. With rather less demand and the appearance of more tonnage, charterers were able to attract a number of offers for cargoes they placed in the market. VLCC spot freight rates on the Middle East/East route ended the month with an average rate of WS235, the highest rate since January 2008.

Middle East to the West spot freight rates closed the month at a lower monthly gain of 4% in July compared to June. Throughout the month, freight rates on this route were fluctuating within the WS140-WS150 range, ending the month at an average of WS144, slightly above the average WS139 of the previous month. On an annual basis, Middle East VLCC spot freight rates displayed a substantial average increase of 233% in July compared to July 2007. On the other hand, VLCC spot freight rates for voyages from West Africa to the East went through a steady mode during the first two weeks of the month on the back of a generally quiet market before rebounding during the last two weeks ending the month with an average of WS179 indicating an increase of 12% compared to the previous month. On an annual basis, spot freight rates on the West Africa to the East route displayed an increase of 174% in July compared to July 2007. Strong July Suezmax spot freight rates in this region were an influential factor in the general firmness of spot freight rates on this route.

Suezmax spot freight rates made a very strong showing in July in a reverse direction of movement compared to the previous month. Increased activities in the region with exports of Azeri and CPC Blend crudes scheduled to increase by 30% and 15% respectively in August compared to July have driven up Suezmax freight rates in the region to levels not seen for a long time. A similar fashion of weekly evolvements in freight rates for both Suezmax routes were evident in July, with rates going through a steady and gradual increase during the first three weeks of the month before easing in the last week. From West Africa, Suezmax spot freight rates were also strengthened by buyers rushing to secure vessels to the US as a precaution before the arrival of a tropical Atlantic storm which could delay shipping in the US Gulf and limit availability of oil tankers. Accordingly, spot freight rates reacted by increasing 32% in July from the previous month reaching an average of WS271, the highest rate since December 2004. Suezmax freight rates on the North-West Europe/US US route followed the same pattern ending the month at an average of WS257, the highest rate since December 2004 also, indicating a monthly increase of 30% compared to the previous month. On an annual base, Suezmax average freight rates on both routes displayed an increase of 172% in July compared to July 2007.

Graph 29: Monthly averages of crude oil spot freight rates



As usual, volatility continued to characterize Aframax spot freight rates in July. With the exception of the Caribbean market, the Aframax trend in July resembled those of VLCCs and Suezmax moving upward throughout the month before declining sharply in the fourth week for the two reported Mediterranean routes. East of Suez Aframax reported route continued its firmness seen in June, increasing by 30%, the highest monthly increase compared to all other reported Aframax routes, supported again by increased interregional trades as well as replacement charters due to various delays. In the Mediterranean, across Mediterranean rates started July at around WS240, reaching about WS340 during the third week before falling back to WS240 at the end of the month. However, freight rates on both routes indicated a monthly increase of 16% compared to June, retaining their May highest rate levels since January 2006. Spot freight rates for Aframax upcoast voyages from the Caribbean experienced the only monthly decline in July compared to June. For the first two decades of July, freight rates on this route averaged about WS210, then surged to about WS300 during the last decade, ending the month at an average of WS248, 19% lower than in the previous month. On average, Aframax spot freight rates displayed an increase of 12% in June compared to the previous month, but, on an annual base, they displayed an increase of 104% over the same period last year.

For the second consecutive month, the clean tanker market followed a reverse trend in July than that of the dirty tanker market, with spot freight rates declining throughout the month for most reported routes. Generally, to the West of Suez, the market was going through a quiet tone with a build-up of tonnage supply due to lack of arbitrage barrels flowing to the US for most of the month, while, to the East of Suez, there was a mixed sentiment among the two reported routes on this sector.

Table 20: Spot tanker crude freight rates, Worldscale

	Size				Change
	1,000 DWT	May 08	Jun 08	Jul 08	Jul/Jun
Crude					
Middle East/east	230-280	204	201	235	34
Middle East/west	270-285	138	139	144	5
West Africa/east	260	194	206	271	66
West Africa/US Gulf Coast	130-135	244	159	178	19
NW Europe/USEC - USGC	130-135	215	198	257	59
Indonesia/US West Coast	80-85	216	231	308	77
Caribbean/US East Coast	50-55	290	305	248	-57
Mediterranean/Mediterranean	80-85	279	237	278	41
Mediterranean/North-West Europe	80-85	270	232	268	36

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

Average clean spot freight rates were 2% lower in July, with the Singapore to East route showing the only monthly gain

The only clean tanker route that displayed freight rates monthly gain in July was the Singapore to East route which went through a steady and gradual rise ending the month with a 15% increase compared to the previous month. North East Asia activities were firm in July supported by higher demand for middle distillates, especially from China and also Australia where diesel cargoes were heading to cover gasoil shortages in the wake of an explosion at a gas facility at the Varanus Island earlier in June leading to higher competition on tonnage availability in Singapore. Clean spot freight rates on the East of Suez Middle East/East route were steady throughout the month, backed by tonnage availability, ending the month with a 4% drop compared to the previous month. As a result, average East of Suez spot freight rates in July were 5% higher than in June, but on an annual base, they were 46% higher than in July 2007.

To West of Suez, clean spot freight rates were declining steadily throughout the month with limited activities dominating the scene and tonnage supply was building up continuously due to the closure of arbitrage of gasoline from North West Europe to the US, which is a dominating factor in influencing spot freight rate movements in this region. Both, higher spot freight rates in June and lower demand for gasoline in the US, have contributed to the closure of this window. As a result, spot clean freight rates on the North West Europe/US route declined by 18% in July compared to the previous month, while rates in the Mediterranean declined by 21% each. Steady activities and balanced tonnage availability on the Caribbean/US route kept spot freight rates steady throughout July, ending the month with a slight decline of 2% compared to the previous month. Altogether, average West of Suez clean spot freight rates were 9% lower in July than in the previous month, but 38% higher than in July 2007. For both East and West of Suez, average clean spot freight rates were 2% lower in July than in June, but were about 42% higher than a year earlier.

Table 21: Spot tanker product freight rates, Worldscale

	Size				Change
	1,000 DWT	May 08	Jun 08	Jul 08	Jul/Jun
Products					
Middle East/east	30-35	193	314	302	-12
Singapore/east	30-35	190	259	298	40
Caribbean/US Gulf Coast	38-40	376	395	389	-6
NW Europe/USEC - USGC	33-37	320	353	289	-64
Mediterranean/Mediterranean	30-35	292	361	282	-78
Mediterranean/North-West Europe	30-35	302	371	291	-79

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

Oil Trade

OECD net oil imports were steady in June compared to May, but declined compared to a year earlier

OECD

OECD crude oil imports in June increased for the second consecutive month by about 148,000 b/d or 0.5% compared to the previous month, averaging 29.84 mb/d. June crude oil imports were very close to their level a year earlier, with a marginal decline of 0.2%. **Higher OECD crude oil imports in June were mainly attributed to increases by both the US and Japan** over the same period of about 760,000 b/d which was more than the declines in other OECD countries such as Germany where crude oil imports declined by about 2% y-o-y. For the first half of 2008, OECD countries imported on average 30.32 mb/d, indicating no annual growth over the same period in 2007. Lower economic growth in most areas of the OECD and higher crude oil prices compared to a year earlier were the main reasons behind declines in crude oil imports which were offset by gains in other OECD areas such as Japan which increased its crude oil imports by more than 400,000 b/d over the same period as a result of reorienting its refineries towards the export market.

In contrast, OECD product imports fell further in June by about 154,000 b/d or 1.5% compared to the previous month to average 10.17 mb/d, the lowest average since January 2006. The decline is higher, at 4.6%, compared to the same month last year. Average OECD product imports for the first half of 2008 were 10.56 mb/d, indicating a decline of 103,000 b/d y-o-y or 1.0% compared to the same period last year.

On the export side, OECD crude oil exports increased by another 118,000 b/d or 2% in June compared to the previous month, and by 0.6% compared to the same month last year. Average crude oil exports for the OECD countries during the first half of 2008 were 6.28 mb/d, about 550,000 b/d or 8.1% lower than in the same period last year. OECD product exports in June were about 9.52 mb/d, some 90,000 b/d or 0.9% lower compared to the previous month. On a year-on-year basis, OECD product exports in June were about 5.5% higher than in the same month last year. Despite the month-to-month decline, total OECD product exports for the first half of 2008 were 9.48 mb/d, some 430,000 b/d or 4.8% higher than in the first half of 2007.

Accordingly, OECD net oil imports in June averaged 24.05 mb/d, a record-low level, indicating steady volumes compared to the previous month, but a decline of 4.3% compared to a year earlier. At the same time, average net oil imports for the first half of 2008 were 25.12 mb/d, indicating no annual growth over the first half of 2007. During the first half of 2008, OECD net crude oil imports were up by 0.54 mb/d, while net product imports were down by the same amount.

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

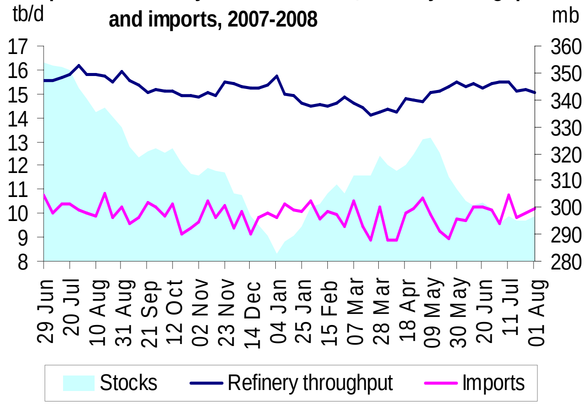
	Apr 08	May 08	Jun 08	Change Jun/May
Crude oil	24,312	23,377	23,407	30
Total products	829	710	646	-64
Total crude and products	**25,141**	**24,087**	**24,053**	**-34**

Saudi Arabia was the top OECD crude oil supplier in June with 15.4%, up from 13.5% in the previous month, followed by Russia with 11.9%, down from 12.8% in the previous month. Canada supplied 6.3% and Norway 5.8% respectively. Altogether, OPEC Member Countries supplied 55.7% of total OECD crude oil imports in May, up from 54.4% in the previous month. For products, OPEC Member Countries' share of total OECD product imports in June was 14.2%, down from 14.6% in the previous month. Saudi Arabia supplied 3.21%, Algeria 2.22% and the UAE 1.83%. OECD's top non-OPEC product supplier in June was the Netherlands with 10.3%, up from 9.5% in the previous month, followed by the US and Russia with 8.1% each.

US net oil imports declined marginally in July on the back of higher net crude and lower net product imports

USA

Graph 30: US weekly crude oil stocks, refinery throughput and imports, 2007-2008



According to official data, **US crude oil imports increased for the second consecutive month in July**, averaging 10.14 mb/d, representing a gain of 0.9% or 90,000 b/d over the previous month. July crude oil imports were 153,000 b/d or 2.4% higher than in the same month last year. Despite these m-o-m and y-o-y gains, the US is still importing less volumes of crude oil in 2008 compared to 2007. Average crude oil imports for the first seven months of 2008 were 9.84 mb/d, 1.7% or 173,000 b/d lower than their average for the first seven months of 2007. This decline is attributed to the overall state of the US economy which has hit sales for almost all products, apart from gasoil, with gasoline and jet fuel sales declining since December last year.

US product imports in July were at their lowest level since January 2008. At 3.13 mb/d, July product imports were 4.8% or 157,000 b/d lower than in the previous month, but displayed a bigger drop of 18% compared to July 2007. All major product imports were lower in July than in the previous month. Finished motor gasoline imports declined in June by 192,000 b/d or 39% to reach 300,000 b/d. Average US gasoline imports for the first seven months of 2008 were 386,000 b/d, indicating a 13% drop compared to the first half of 2007. Distillate fuel oil imports increased a marginal 4,000 b/d or 2% in June to average 164,000 b/d. In the first seven months of 2008, average distillate fuel oil imports were 223,000 b/d, indicating a drop of 31% compared to the same period last year. Residual fuel oil imports declined in June by 87,000 b/d or 24% compared to the previous month, reaching about 273,000 b/d and were 38% lower than in July 2007. For the first seven months of 2008, the US imported 9% less residual fuel oil than in the same period of 2007. On average, US product imports declined by 11% in the first seven months of 2008 compared to the same period last year.

On the export side, US product exports in June were about 1.47 mb/d, representing a gain of 2% or 27,000 b/d over the previous month, but were very close to their year-earlier levels. Average US product exports for the first seven months of 2008 were 1.69 mb/d, 24% higher than in the same period last year.

As a result, US net oil imports declined a marginal 0.8% in July compared to the previous month to reach about 11.77 mb/d. The 94,000 b/d drop in net oil imports came as a result of the 90,000 b/d increase in net crude oil imports and the 184,000 b/d drop in net product imports compared to the previous month. On a y-o-y basis, US net oil imports in July were 3.6% lower than in the same month last year. Average net oil imports for the first seven months of 2008 were 11.34 mb/d, indicating a drop of 889,000 b/d or 7.3% compared to the same period last year.

Table 23: USA Crude and Product Net Imports/(Exports), tb/d

	May 08	Jun 08	Jul 08	Change Jul/Jun
Crude oil	9,638	10,019	10,109	90
Total products	1,417	1,846	1,662	-184
Total crude and products	**11,055**	**11,865**	**11,771**	**-94**

Canada was the top crude oil supplier to the US in May with a share of 19%, almost steady from the previous month, followed by Saudi Arabia with 16.35%, up from 14.7%. Mexico and Venezuela came next with 11.56% and 10.67% respectively. Altogether, OPEC Member Countries supplied 56.8% of total US crude oil imports in May, unchanged from the previous month. For product imports, Canada also was the US top supplier in May with a share of 15.8%, down from 17.5% in the previous month, followed by the Virgin Islands with 10.6% and Russia with 10%. For OPEC Member Countries, Algeria supplied 5.9% of total US oil product imports in May, followed by Venezuela with 5.6% and Nigeria with 2.1%. Altogether OPEC Member

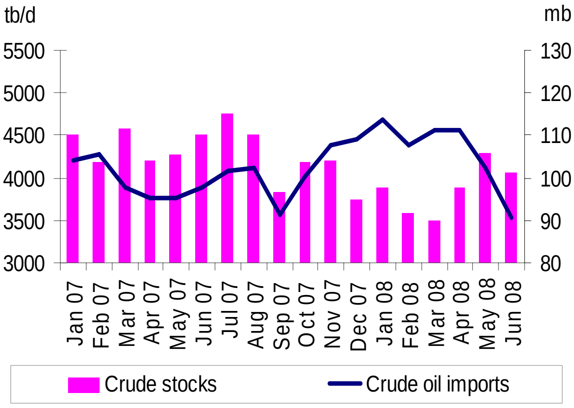
Countries supplied 13.8% of US product imports in May, down from 18.1% in the previous month. For US product exports, Mexico was the top importer with a share of 19%, down from 21.6%, followed by Canada with 12.2% and Chile with 7%.

Japan

Japan's net oil imports declined in June by 14% backed by lower crude oil imports

According to published Japanese data, Japan's crude oil imports decreased substantially in June by 590,000 b/d or 14% compared to the previous month to reach about 3.53 mb/d, about 9% lower than a year earlier. In the first half of 2008, **Japan imported an average of 4.06 mb/d, indicating annual growth of 7.9% compared to the first half of 2007.** This growth does not reflect healthy domestic demand as Japan's oil sales have been shrinking by around 4% a year since 2006 and are expected to continue this way, especially with indications that some industries are shifting to electricity or alternative power sources as a result of record-high prices. The growth in Japan's crude oil imports in the first half of 2007 came amid the prolonged shut-down of Japan's and the world's biggest nuclear power plant after a major earthquake in July 2007, which increased demand for direct burning crude oil for thermal generation, in addition to a clear tendency of Japanese refiners to re-orient their plants toward the export market to take advantage of the robust demand for oil products in Asia, especially in China. Refinery runs were lower in June compared to May with many refineries still under maintenance ahead of the summer holiday season.

Graph 31: Japan's crude oil imports and crude stocks



Japan's product imports in June increased by 44,000b/d or 9% compared to the previous month to average 557,000 b/d, yet were 4% lower than a year earlier. Naphtha constituted more than two thirds of Japan's product imports in June averaging 406,000 b/d, down by 3% from the previous month. Fuel oil imports were about 146,000 b/d in June, up by 45% from the previous month. Product imports in the first half of 2008 averaged 535,000 b/d, almost steady compared to the same period last year with a marginal decline of 2%, in line with the shrinking demand for oil products in this country.

On the export side, Japan's product exports in June increased by 4% compared to the previous month, but were a substantial 45% higher than a year earlier averaging 608,000 b/d. Gasoil exports in June were about 214,000 b/d, up by 14% compared to the previous month. Jet fuel exports were about 198,000 b/d, down 3% from the previous month. Fuel oil exports were about 174,000 b/d, 11% lower than in May. Lower volumes of gasoline and kerosene were exported in June. Average product exports for the first half of 2008 were about 577,000 b/d, indicating annual growth of about 126,000 b/d or 28% compared to the first half of 2007.

As a result, Japan's net oil imports in June were about 3.48 mb/d, indicating a decline of 570,000 b/d or 14% compared to the previous month and by the same percentage compared to a year earlier. For four successive months, Japan was a net product exporter in June with about 50,000 b/d; therefore its net oil imports were lower than its net crude oil imports by this amount. Average net oil imports for the first half of 2008 were 4.3 mb/d indicating a 155,000 b/d or 4% increase compared to the first half of 2007. Japan has switched from a net oil product importer of about 179,000 b/d during the first half of 2007 to a net product exporter of about 10,000 b/d in the first half of 1008, and this trend is expected to continue throughout the year.

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

	Apr 08	May 08	Jun 08	Change Jun/May
Crude oil	4,553	4,119	3,527	-591
Total products	-4	-73	-51	22
Total crude and products	**4,549**	**4,045**	**3,476**	**-569**

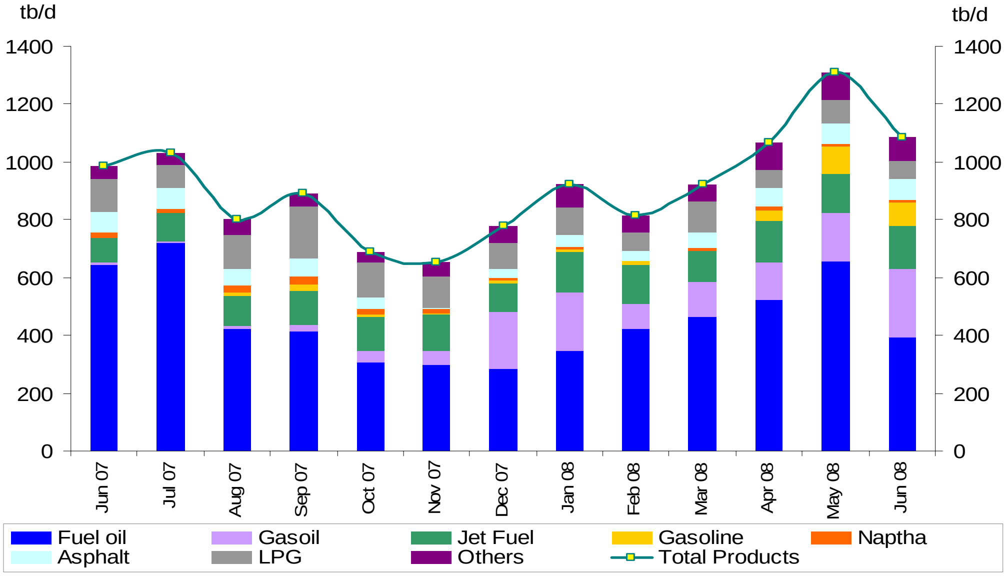
Saudi Arabia and the UAE were Japan's top crude oil suppliers in June with 29.9 % and 24.3% respectively. Saudi Arabia's share was 0.8% down from the previous month, while UAE's share was up by 1.1%. Qatar supplied 12.6% of Japan's crude oil imports in June, up from 10.1% in the previous month, while Iran's share was 7.8%, down from 11.5% in the previous month. OPEC Member Countries supplied 85.7% of Japan's crude oil imports in June, down from 90.1% in the previous month. Top non-OPEC suppliers in June include Russia with 4.7%, up from 3.3% in the previous month, and Sudan with 3.6%, up from 1.9% in the previous month. On the product side, preliminary data indicate that Saudi Arabia was also Japan's top supplier in June with 17.3%, down from 17.7% in the previous month, followed by Kuwait with 11.6%, up from 9.0% in the previous month, and the UAE with 8.6%. Altogether, OPEC Member Countries supplied 48.8% of Japan's product imports in June, down from 59.3% in the previous month. Top non-OPEC product suppliers in June include the USA with 8.3%, almost unchanged from the previous month, South Korea with 8.1% and India with 5.9%.

China

China's net oil imports fell in June backed by declines in both net crude oil and net product imports

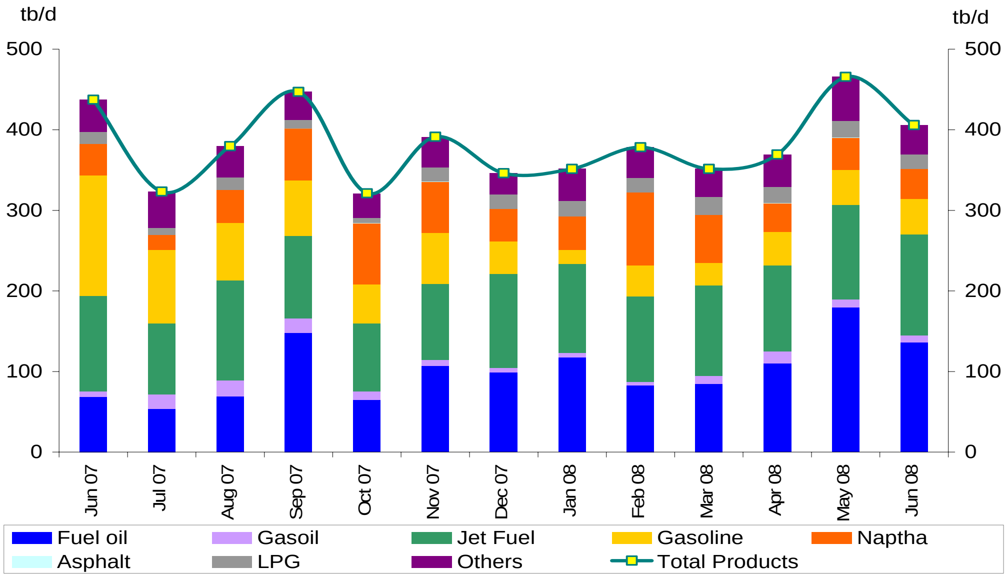
According to official data, **China's crude oil imports unexpectedly declined in June for the second month so far this year, averaging 3.56 mb/d which is 7% or 270,000 b/d lower than in the previous month.** China's crude oil imports in June were 3% higher than in June 2007. Average crude oil imports for the first half of 2008 were 3.65 mb/d, indicating some 0.34 mb/d or 10% annual growth over the same period last year. Lower crude oil imports in June are sending question marks about the potential possibility of imports being hit by the surge in crude oil prices over the previous two months. However, with an economy that is still growing at high rates, 10.4% during the first half of 2008, and new refineries coming into operation during the remainder of the year, China's crude oil imports are not expected to witness a major shift in this trend during the second half of the year. n the other hand, China's monthly crude oil production increased further in June, averaging 3.9 mb/d, the highest rate in 2008, indicating an increase of some 80,000 b/d or 2.1% over the previous month. China's June crude oil production was 0.34 mb/d higher than the country's crude oil imports, the highest difference so far this year.

Graph 32: China's import of petroleum products



Similarly, China's total product imports declined in June by a substantial 226,000 b/d or 17% compared to the previous month, averaging 1.1 mb/d. A sharp decline in fuel oil imports in June was the main reason behind the drop in total product imports which was not offset by increases in gasoil, and, to a less extent, jet fuel imports. Despite this monthly decline, China's product imports were 10% higher than in June 2007. China imported about 80,000 b/d of gasoline in June, down 14% from the previous month. 48% of June's gasoline imports came from Singapore and 20% from the United Kingdom. Despite this month-to-month decline, average gasoline imports for the first half of 2008 were about 39,000 b/d, compared to about 1,000 b/d during the same period last year. Jet fuel imports in June reached about 146,000 b/d, 7% higher than in the previous month. South Korea supplied about 54% of China's jet fuel imports in June, followed by Japan with 28% and Taiwan with 14%. Average jet fuel imports for the first half of 2008 were 134,000 b/d, 26% higher than in the same period last year. Naphtha imports were unchanged in June compared to May, yet naphtha imports during the first half of 2008 were 72% lower than in the same period last year. Gasoil imports surged again in June reaching an unprecedented 239,000 b/d, up by 41% from the previous month. Average January-June 2008 gasoil imports were 159,000 b/d, more than twelve times their average during the same period last year. South Korea supplied one third of China's gasoil imports in June followed by Taiwan with 25% and Japan with 22%. Russia's share of gasoil supply to China in June reached 16%, up from 11% in the previous month. Fuel oil imports declined sharply in June averaging about 368,000 b/d, a decline of 41% from the previous month. The share of China's fuel oil imports of its total imports declined from 48% during the previous month to 45% in June. Fuel oil imports for the first half of 2008 also declined by 13% from the same period last year, averaging about 436,000 b/d. South Korea was China's top fuel oil supplier in June, followed by Taiwan and Japan. China imported about 363,000 metric tonnes of asphalt in June, up by 6,000 metric tonnes from the previous month. Average asphalt imports during the first half of 2008 were 283,000 metric tonnes, down 14% from the same period last year. Altogether, China imported an average of 1.0 mb/d of products in the first half of 2008, indicating an annual growth of 8% over the same period last year.

Graph 33: China's exports of petroleum products



On the export side, China's crude oil exports in June were 150,000 b/d, the highest rate since January 2008. 49% of China's crude oil exports in June were destined to Japan, and about 22% to South Korea and also to the USA. Average crude oil exports for the first half of 2008 were 63,000 b/d, 14% lower than in the same period last year.

China's product exports in June were 0.41 mb/d, 13% lower than in the previous month and 7% lower than in June 2007. Exports of gasoline, naphtha and gasoil were almost steady compared to the previous month, while fuel oil exports dropped. Average product exports for the first half of 2008 were about 0.39 mb/d, 3% lower than in the same period last year. Fuel oil exports in June were 128,000 b/d, 30% lower than in the previous month, while average fuel oil exports for the first half of 2008 were 114% higher than in the same period last year. Main destinations for China's fuel oil exports in June were Panama and Hong Kong. Jet fuel exports in June were about 125,000 b/d, up 6% over the previous month, while average jet fuel exports for January-June 2008 were 22% higher than in the same period last year. Some 53% of China's jet fuel exports in June headed to Hong Kong and 11% to the USA. Gasoline exports in June were 44,000 b/d, almost unchanged from the previous month, yet average gasoline exports in the first half of 2008 were 77% lower than in the same period last year. Once again, China was a net gasoline importer in June of 36,000 b/d, down from 50,000 b/d in June. Some 43% of China's gasoline exports in June headed to Singapore, 34% to Indonesia and 19% to Vietnam. There were no gasoline exports to the USA. China's naphtha exports in June were about 37,000 b/d, down from 40,000 b/d in the previous month, but average naphtha exports for the first half of 2008 were a substantial 67% higher than in the same period last year. China sent 56% of its naphtha exports to Japan in June and the rest to South Korea. Gasoil exports were 9,000 b/d, down from 10,000 b/d in the previous month, with average January-June 2008 exports down by 34% compared to the same period last year.

With net crude oil imports at 3.41 mb/d, and net product imports at 0.68 mb/d, China's net oil imports in June were 4.09 mb/d. Net oil imports in June were 551,000 b/d or 12% lower than in the previous month, but 4% higher than a year earlier. Lower net oil imports in June brought China's average net oil imports for the first half of 2008 to about 4.22 mb/d, 12% higher than in the same period last year.

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

	Apr 08	May 08	Jun 08	Change Jun/May
Crude oil	3,424	3,795	3,410	-385
Total products	699	844	677	-166
Total crude and products	**4,123**	**4,639**	**4,087**	**-551**

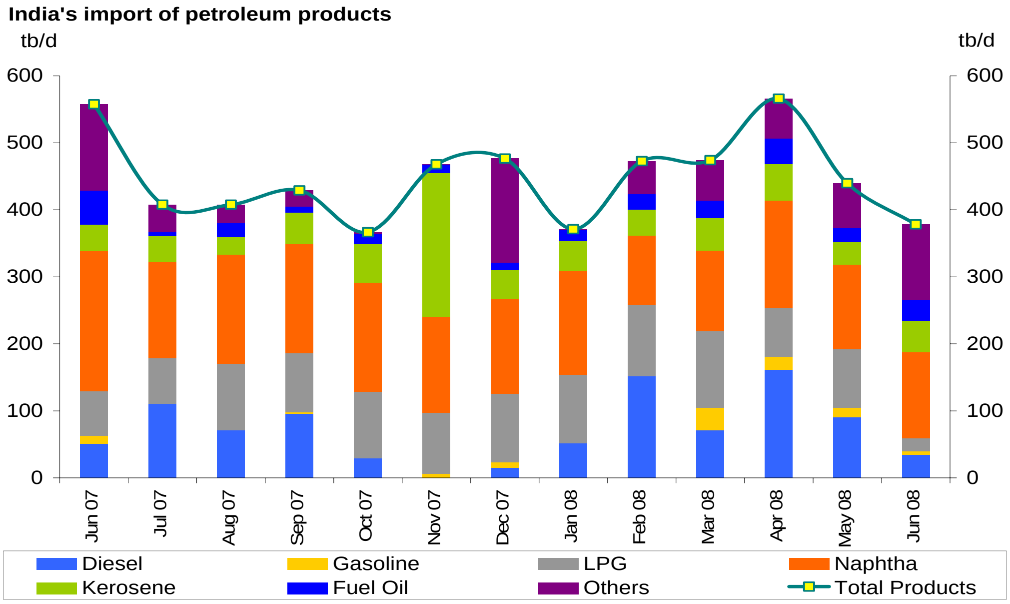
Saudi Arabia was China's top crude oil supplier in June with a share of 21%, up from 20.2% in the previous month. Angola supplied 18% of China's crude oil imports in June, down from 19.6% in the previous month, followed by Oman with 8.6%. Altogether, OPEC Member Countries supplied 63.5% of China's crude oil imports in June, down from 58.8% in the previous month. In addition to Oman, top non-OPEC suppliers in June include Sudan with 6.4% and Russia with 5.9%. Preliminary estimates show that OPEC Member Countries supplied about 12.2% of China's total product imports in June, down from 29% in the previous month. Venezuela supplied 7.3%, down from 14.1% in the previous month. Kuwait supplied 2% and the UAE 3.3%. Top non-OPEC product suppliers in June include South Korea with 28%, Japan with 15.5% and Singapore with 12.6%.

India

India's net oil imports were supported by higher crude oil imports and higher net product exports

According to preliminary data, **India's crude oil imports rebounded in June, increasing by 197,000 b/d or 8% compared to the previous month to reach about 2.59 mb/d, indicating a y-o-y increase of almost the same percentage in the same month last year.** India's average crude oil imports in the first half of 2008 were about 2.5 mb/d, 3.7% or 90,000 b/d higher than in the same period of last year, supported by a growing economy that grew at an annual pace of 8.8% in the first quarter of this year, with the industrial sector growing at a higher pace of 7.0% over the same period.

India's product imports declined in June for the second continuous month, averaging about 0.38 mb/d, the lowest level since February. India's total product imports in June were 61,000 b/d or 14% lower than in the previous month, and less than 1% lower than a year earlier. The biggest drop in June's product imports was in gasoil, whose imports peaked in April at 161,000 b/d, then dropped to 90,000 b/d in May and declined further in June to 34,000 b/d. Gasoline imports were about 6,000 b/d in June, down from 14,000 b/d in the previous month. Gasoil and gasoline sales in India dropped also in June by 15% and 23% respectively compared to the previous month, as dealers had stocked heavily in May before the government raised prices by around 10% early in June.

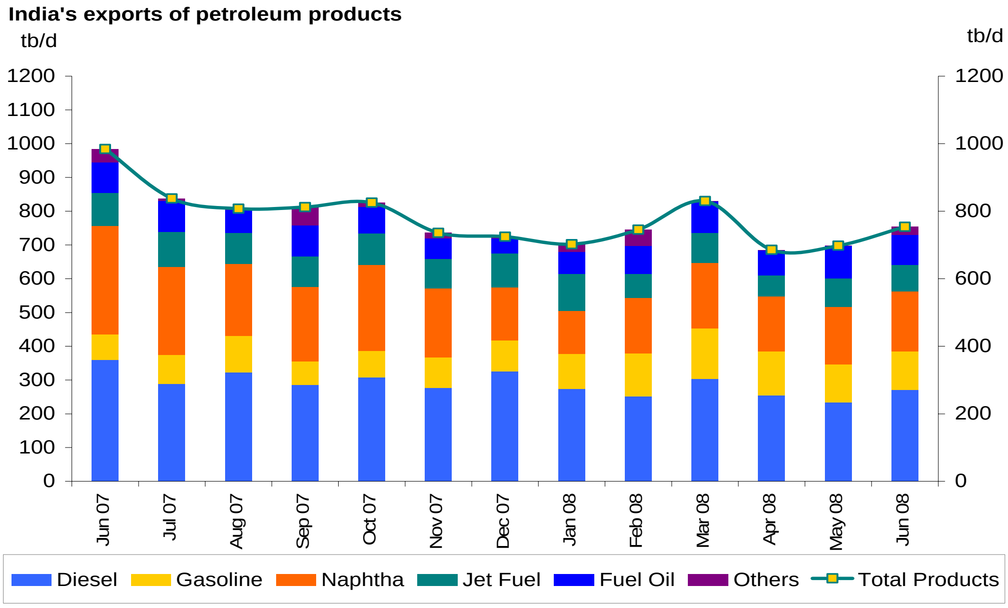


LPG imports declined also in June from 88,000 b/d in May to 19,000 b/d. LPG imports in June were 71% lower than a year earlier. Domestic LPG sales declined also in June by 9% over the same period. However, imports of kerosene, naphtha and fuel oil increased marginally in June but were not enough to offset the declines in gasoil, gasoline and LPG imports. India's domestic product sales, a proxy of domestic demand, declined in June on average by 10 % compared to the previous month, yet were displaying a marginal increase of 0.4% compared to a year earlier, the slowest pace of a y-o-y growth in 2008. Despite the month-to-month product import decline in June, India's average January-June 2008 product imports were 450,000 mb/d, representing a gain of 18% over the same period last year.

Table 26: India's Crude and Product Net Imports/(Exports), tb/d

	Apr 08	May 08	Jun 08	Change Jun/May
Crude oil	2,697	2,393	2,590	197
Total products	-112	-243	-376	-132
Total crude and products	**2,586**	**2,150**	**2,214**	**65**

On the export side, India's total product exports of 754,000 b/d increased by 10% in June over the previous month, yet were 9% lower than a year earlier. In the first half of 2008, India's product exports averaged 731,000 b/d, a decline of 8% or 65,000 b/d from the same period last year. Fuel oil exports declined by 6,400 b/d or 6.7% compared to the previous month to average 89,000 b/d. Jet fuel exports of 78,000 b/d also fell by 5,200 b/d in June compared to May and were 21% lower than their level a year earlier. Exports of gasoil, gasoline and naphtha increased in June compared to the previous month, with gasoil displaying the biggest gain both in volume and percentage. Gasoil exports averaged 271,000 b/d, an increase of 16% or 37,000 b/d over the previous month, yet were 25% lower than in the same month last year. Gasoline exports were 114,000 b/d, an increase of 3% or 3,000 b/d over May and 51% higher than a year earlier. Naphtha exports were 178,000 b/d, an increase of 3% or 6,000 b/d over the previous month, but 48%% lower than in June 2007.



As a result, India's net oil imports averaged 2.21 mb/d in June, displaying an increase of 3% or 65,000 b/d compared to the previous month, but were 14% higher than a year earlier. For the first half of 2008, India's net oil imports averaged 2.22 mb/d, 11% higher that in the first half of 2007. The increase in June's net oil imports is attributed to a 197,000 b/d increase in net crude oil imports and a 132,000 b/d increase in net product exports.

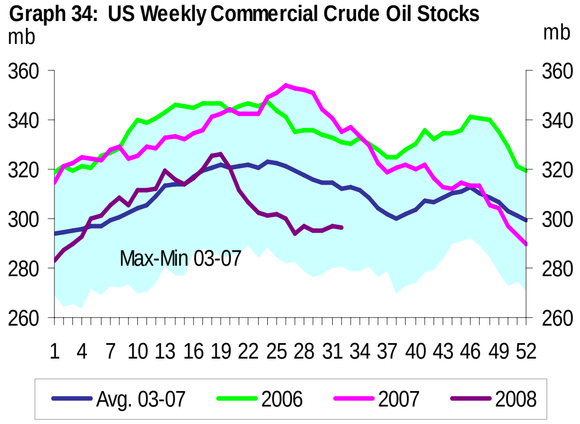
Stock Movements

US commercial stocks continued to build but crude remained low; product inventories are comfortable after gasoline stocks witnessed a contra-seasonal build and distillate stocks increased for the third consecutive month.

USA

In July, **US total commercial oil stocks continued their upward trend and increased a further 13.2 mb, which corresponds to almost double the typical seasonal build. However, despite this increase, commercial oil inventories remained 28 mb or 2.7% below the average of the previous five years.** This was due to the fact that the builds in May and June were low compared to the typical seasonal builds. Once again, the build was driven by distillates.

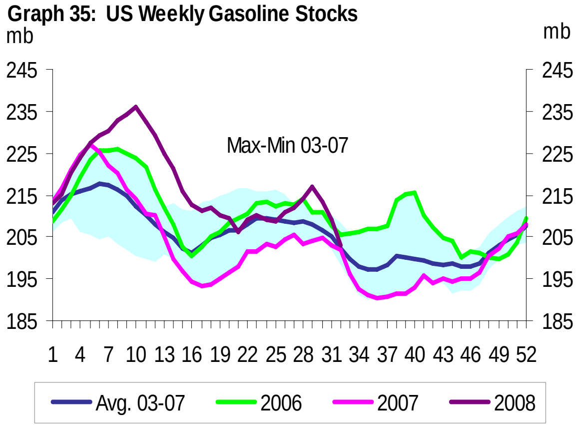
Graph 34: US Weekly Commercial Crude Oil Stocks



However, after strong drops of 16 mb and 6.5 mb in May and June respectively, crude oil stocks stopped falling and inched up 0.5 mb to stand at slightly below 297 mb narrowing the deficit with the five-year average to 16 mb from more than 25 mb a month earlier. The moderate increase in crude oil stocks is driven by a recovery in imports combined with a drop in refinery runs.

Product inventories increased 12.7 mb with distillates accounting for 11.6 mb or 90%. This build of 11.6 mb came on top of the builds of 8.9 mb and 6.7 mb witnessed in June and May, respectively. The cumulative build of more than 27 mb over three months pushed distillate stocks above 133 mb for the first time so far this year and even higher compared to last year. At 133.3 mb, distillate stocks were above the five-year average and were heading towards the top of the five-year range. This comfortable level of distillate inventories is supported by record production as refiners boosted distillates yields despite a drop in refinery throughputs. Following the same trend, gasoline stocks increased for the second consecutive month, adding a further 2.7 mb, despite the fact that the month usually sees an average draw of 4 mb due to high seasonal demand during the driving season. This contra-seasonal build increased gasoline stocks to around 214 mb and brought them again on the top of the five-year range for the fourth time this year after January, February and March. They were also at the highest level for the end-July period since 2002. The build in gasoline stocks came on the back of an increase in production, but was mainly driven by weaker demand. Residual fuel oil stocks fell 3.1 mb to 36.5 mb but remained within the range whereas jet fuel stocks rose 2.3 mb to stand above 41 mb at the upper end of the five-year range.

Graph 35: US Weekly Gasoline Stocks



The Strategic Petroleum Reserve (SPR) increased almost 1 mb in July to hit a new record of 706.8 mb, which corresponds to more than 97% of SPR capacity. Sweet crude accounted for 40% and heavy sour crude for the remaining 60%. This build is supposed to be the last one before any new decision will be taken. In early July President Bush agreed to sign a bill initiated by the Democrats to halt the filling of the SPR. However, the Democrats on 24 July failed to pass a bill at the US House of Representatives, which would have ordered a swap of 70 mb of light sweet crude oil from the SPR and to be replaced with sour crude. The Republicans continue to refuse to use SPR to alleviate prices arguing that SPR is an emergency reserve to be used only in case of supply disruptions and not to regulate prices. The Democrats are of the view that the SPR should be used to tackle $4/gallon gasoline.

Recent weekly data show that US commercial crude oil stocks fell for the first time in a month to stand at nearly 983 mb in the week-ending 8 August, implying a deficit of 20 mb with the five-year average. Crude oil stocks inched down 0.3 mb and remained below the five-year average (*see* ***Graph 34***). However, the draw of 5.4 mb on total stocks is attributed, essentially to gasoline which lost more than 6 mb to stand at the five-year average (*see* ***Graph 35***). Distillates stocks also dropped 1.7 mb. It was the first decline after 13 consecutive builds, but distillates remain at comfortable levels. Both crude oil and gasoline stocks are at the five-year average in terms of days of forward cover at 19.7 and 21.5 days respectively, while distillate stocks correspond to 31.1 days, almost one day less than the five-year average.

Table 27: US onland commercial petroleum stocks, mb

	May 08	Jun 08	Jul 08	Change Jul 08 /Jun 08	Jul 07	08 Aug 08 *
Crude oil	302.8	296.4	296.9	0.5	336.7	296.5
Gasoline	207.4	210.9	213.6	2.7	205.1	202.8
Distillate fuel	112.8	121.7	133.3	11.6	130.3	131.6
Residual fuel oil	40.6	39.6	36.5	-3.1	39.7	36.4
Jet fuel	40.2	39.1	41.4	2.3	42.0	40.8
Total	**969.1**	**975.1**	**988.3**	**13.2**	**1,043.2**	**982.9**
SPR	704.3	705.9	706.8	0.9	690.3	707.2

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

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

Western Europe

EU-16 total stocks remained comfortable with crude oil hitting their fourteen-month high amid increasing supply

EU-16 (EU-15 plus Norway) total oil stocks rose 3.8 mb in July to stand at 1,120 mb and remained comfortable, above the average of the previous five years, and moved even above the level of the corresponding month of last year for the first time so far this year.

Supported by higher supplies following increasing arrivals from the Middle East and fewer opportunities for transatlantic arbitrage, crude oil stocks rose a significant 9 mb, the highest since last January and hit their fourteenth- month high of 483.8 mb.

Table 28: Western Europe's oil stocks, mb

	May 08	Jun 08	Jul 08	Change Jul 08/Jun 08	Jul 07
Crude oil	482.8	474.9	483.8	9.0	483.0
Mogas	134.1	136.9	128.2	-8.7	121.1
Naphtha	29.0	29.5	29.9	0.4	25.7
Middle distillates	355.2	356.3	358.7	2.5	377.2
Fuel oils	121.9	119.2	119.8	0.6	110.6
Total products	640.2	641.8	636.6	-5.2	634.6
Total	**1,122.9**	**1,116.7**	**1,120.5**	**3.8**	**1,117.6**

Source: Argus, Euroilstock.

In contrast, low seasonal refinery runs resulted in product inventory draws of around 5 mb although they remained comfortable at 2 mb above last year and the five-year average. The drop was driven by gasoline stocks which, due to a cut in refinery yields, fell almost 8 mb to around 128 mb, the lowest level since last January and slightly below the five-year average but well above the year-ago level. In contrast, due to the maximization of distillate yields on the back of strong crack spreads, distillate stocks continued to increase steadily, adding 2.5 mb to come close to 359 mb, which corresponds to 10 mb or 3% below the average of the previous five years. Closed arbitrage to Asia-Pacific over most of the period helped residual fuel oil inventories to increase 0.6 mb to stand at almost 120 mb, up 10 mb from year earlier. Following the same trend, naphtha stocks gained 0.4 mb, the same amount as in June, to stand at nearly 30 mb, 4 mb or 17% better than a year ago.

Japan's commercial stocks reversed their upward trend, falling 6.7 mb in June before surging in July to move within the seasonal range; however, crude oil stocks remained low according to preliminary data

Japan

After three consecutive builds totaling nearly 20 mb, **Japan's total commercial oil stocks moved against their seasonal trend and fell 6.7 mb in June** widening the deficit with the average of the previous five years by 10 mb to hit 14 mb or 8%, the highest level since last February.

Crude oil stocks were the main contributor to the draw, accounting for 4.6 mb or more than two-thirds. At 101 mb, crude oil inventories moved again below the bottom of the five-year range and expanded the deficit with the average to more than 16 mb or 14%. The decline of 4.6 mb was driven, essentially, by a strong drop of more than 14% in crude oil imports. In addition, the cut in refinery runs also pressured stocks.

The continuous decline in refinery runs during the second quarter continued to constrain product stocks but despite a draw of around 2 mb, inventories remained within the range. Both gasoline and distillate were comfortable. Gasoline stocks dropped 1.2 mb but remained above 13 mb while distillate inventories continued to build steadily, adding 0.2 mb to stand at 28.4 mb. Residual fuel oil stocks inched down 0.2 mb to move below 19 mb, but remained unchanged from a year earlier. Naphtha inventories fell a further 0.5 mb to 10 mb, the lowest level since early 2007. The drop in naphtha stocks was due to lower production from refineries and lower imports.

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

	Apr 08	May 08	Jun 08	Change Jun 08/May 08	Jun 07
Crude oil	97.7	105.7	101.1	-4.6	110.2
Gasoline	13.4	14.8	13.2	-1.6	12.3
Naphtha	11.4	10.5	10.0	-0.6	12.8
Middle distillates	27.6	28.1	28.4	0.2	31.4
Residual fuel oil	19.0	19.1	18.9	-0.3	19.0
Total products	71.4	72.6	70.4	-2.2	75.5
Total**	**169.1**	**178.3**	**171.6**	**-6.8**	**185.6**

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

However, according to preliminary data, Japanese commercial oil stocks more than offset the draw of June after a surge of around 14 mb in July, the highest increase so far this year. With this substantial build, Japan's commercial stocks are at comfortable levels within the range but slightly – just 5 mb – below the five-year average compared to 14 mb a month earlier. More than 50% of the build is attributed to middle distillates and around 40% to crude oil. The increase of more than 7 mb in distillate stocks was almost twice as much as the seasonal build and left distillate inventories at 36 mb, the second-highest level so far this year after January's level. However, it is worth mentioning that, despite a build of more than 5 mb, crude oil stocks remained well below the lower end of the five-year range following a contra-seasonal draw from the previous month.

Balance of Supply and Demand

Demand for OPEC crude in 2008 is expected to decline by 110,000 b/d

Estimate for 2008

Demand for OPEC crude in 2008 is expected to average 32.05 mb/d, a decline of 110 tb/d over the previous year. On a quarterly basis, demand for OPEC crude is estimated to average 32.43 mb/d and 31.23 mb/d in the first and second quarters, while in the third and fourth quarters required OPEC crude is expected at 32.09 mb/d and 32.44 mb/d respectively.

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

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.90**	**86.65**	**85.66**	**86.82**	**88.47**	**86.90**
Non-OPEC Supply	49.42	49.60	49.60	49.81	50.99	50.00
OPEC NGLs and non-conventionals	4.32	4.62	4.82	4.92	5.04	4.85
(b) Total Supply excluding OPEC Crude	**53.74**	**54.22**	**54.42**	**54.73**	**56.03**	**54.85**
Difference (a-b)	**32.16**	**32.43**	**31.23**	**32.09**	**32.44**	**32.05**
OPEC crude oil production (1)	30.97	32.07	32.13			
Balance	-1.19	-0.36	0.90			

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

In 2009, demand for OPEC crude is forecast to decline by 720,000 b/d

Forecast for 2009

The required OPEC crude in 2009 is projected to average 31.33 mb/d, a decline of 720 tb/d from the current year. On a quarterly basis, demand for OPEC crude is expected to average 31.14 mb/d, 30.30 mb/d, 31.40 mb/d and 32.48 mb/d.

Table 31: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**86.90**	**87.62**	**86.47**	**87.67**	**89.41**	**87.80**
Non-OPEC Supply	50.00	51.27	50.77	50.63	51.15	50.95
OPEC NGLs and non-conventionals	4.85	5.22	5.41	5.64	5.77	5.51
(b) Total Supply excluding OPEC Crude	**54.85**	**56.48**	**56.17**	**56.27**	**56.93**	**56.46**
Difference (a-b)	**32.05**	**31.14**	**30.30**	**31.40**	**32.48**	**31.33**

Graph 36: Balance of supply and demand

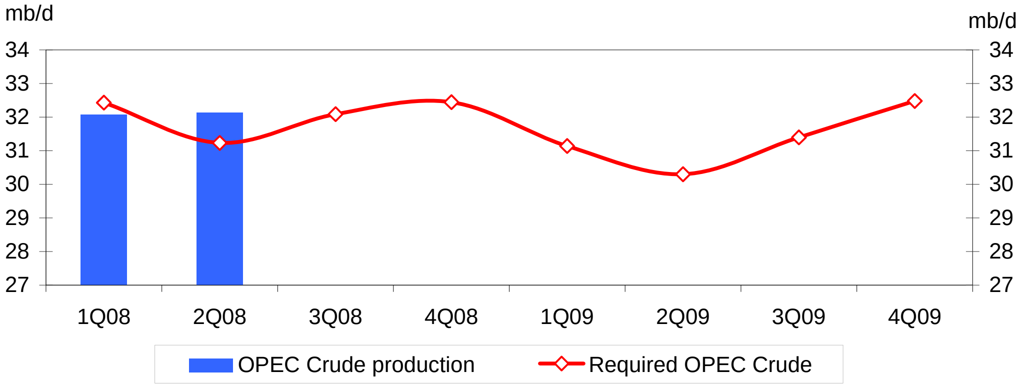


Table 32: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	49.4	49.8	49.6	49.2	48.9	47.7	48.7	50.2	48.9	48.7	47.3	48.3	50.0	48.6
North America	25.4	25.6	25.4	25.5	24.8	24.8	25.5	25.7	25.2	24.6	24.5	25.2	25.5	25.0
Western Europe	15.5	15.7	15.7	15.3	15.2	15.0	15.4	15.7	15.3	15.2	15.0	15.3	15.8	15.3
Pacific	8.5	8.6	8.5	8.3	8.9	7.9	7.8	8.7	8.3	8.9	7.8	7.8	8.7	8.3
DCs	21.8	22.6	23.3	24.2	24.8	25.0	25.0	25.2	25.0	25.4	25.7	25.6	25.8	25.6
FSU	3.8	3.9	3.9	4.0	4.0	3.8	4.1	4.4	4.1	4.0	3.9	4.1	4.5	4.1
Other Europe	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	1.0	1.1	1.0	0.9	0.9	1.0
China	6.5	6.7	7.2	7.6	8.0	8.2	8.2	7.8	8.0	8.4	8.6	8.6	8.2	8.4
(a) Total world demand	82.5	83.9	84.9	85.9	86.7	85.7	86.8	88.5	86.9	87.6	86.5	87.7	89.4	87.8
Non-OPEC supply														
OECD	21.3	20.5	20.2	20.1	20.0	20.0	19.6	20.3	20.0	20.4	19.8	19.7	20.0	20.0
North America	14.6	14.1	14.2	14.3	14.2	14.3	14.2	14.6	14.3	14.6	14.3	14.4	14.6	14.5
Western Europe	6.2	5.7	5.4	5.2	5.2	5.0	4.6	4.9	4.9	4.9	4.7	4.4	4.7	4.7
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
DCs	10.5	10.8	10.9	10.9	11.1	11.0	11.5	11.6	11.3	11.7	11.6	11.8	11.8	11.7
FSU	11.1	11.5	12.0	12.5	12.6	12.7	12.8	13.1	12.8	13.2	13.2	13.1	13.3	13.2
Other Europe	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	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	48.4	48.5	48.9	49.4	49.6	49.6	49.8	51.0	50.0	51.3	50.8	50.6	51.2	51.0
OPEC NGLs + non-conventional oils	4.0	4.1	4.1	4.3	4.6	4.8	4.9	5.0	4.9	5.2	5.4	5.6	5.8	5.5
(b) Total non-OPEC supply and OPEC NGLs	52.4	52.6	53.0	53.7	54.2	54.4	54.7	56.0	54.9	56.5	56.2	56.3	56.9	56.5
OPEC crude oil production (secondary sources)	30.6	31.6	31.4	31.0	32.1	32.1								
Total supply	83.0	84.2	84.4	84.7	86.3	86.6								
Balance (stock change and miscellaneous)	0.5	0.4	-0.5	-1.2	-0.4	0.9								
OECD closing stock levels (*mb*)														
Commercial	2538	2586	2668	2584	2576	2579								
SPR	1450	1487	1499	1524	1530	1530								
Total	3988	4072	4166	4108	4106	4109								
Oil-on-water	905	958	916	945	935	n.a.								
Days of forward consumption in OECD														
Commercial onland stocks	51	52	54	53	54	53								
SPR	29	30	30	31	32	31								
Total	80	82	85	84	86	84								
Memo items														
FSU net exports	7.3	7.7	8.1	8.5	8.6	8.8	8.7	8.7	8.7	9.2	9.3	9.0	8.8	9.1
(a) - (b)	30.0	31.3	31.9	32.2	32.4	31.2	32.1	32.4	32.0	31.1	30.3	31.4	32.5	31.3

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

n.a. Not available.

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

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	0.1	0.2	0.2	0.1	0.2	-0.2	0.2	-	-	0.2	-0.2	0.2	-	-
North America	-	0.1	0.1	-	0.1	-0.3	0.1	-	-	0.1	-0.3	0.1	-	-
Western Europe	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1
DCs	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	0.1	0.2	0.3	0.1	0.2	-0.1	0.2	0.1	0.1	0.2	-0.1	0.2	0.1	0.1
World demand growth	*0.03*	*0.09*	*0.11*	*-0.16*	*0.03*	*-0.23*	*0.04*	*0.04*	*-0.03*	*-*	*-*	*-*	*-*	*-*
Non-OPEC supply														
OECD	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-0.1	0.1	0.1	0.1	-	-	-	-	-	-
Western Europe	-	-	-	-	0.1	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	*-*	*-*	*-*	*-0.01*	*-0.10*	*0.03*	*-0.03*	*0.09*	*-*	*0.12*	*-0.01*	*-0.02*	*-0.03*	*0.01*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-								
Total supply	-	-	-	-	-0.1	0.1								
Balance (stock change and miscellaneous)	-0.1	-0.1	-0.2	-0.1	-0.3	0.2								
OECD closing stock levels (*mb*)														
Commercial	-	-	-	4	3	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	4	3	-								
Oil-on-water	-	-	-	-	5	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.1
(a) - (b)	0.1	0.1	0.2	0.1	0.3	-0.2	0.2	0.1	0.1	0.2	-0.2	0.3	0.1	0.1

† This compares Table 32 in this issue of the MOMR with Table 31 in the July 2008 issue.
This table shows only where changes have occurred.

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

	2003	2004	2005	2006	2007	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
Closing stock levels *mb*																							
OECD onland commercial	2,511	2,538	2,586	2,668	2,584	2,458	2,538	2,572	2,538	2,533	2,612	2,627	2,586	2,585	2,648	2,758	2,668	2,597	2,660	2,661	2,584	2,576	2,579
North America	1,161	1,193	1,257	1,277	1,241	1,145	1,193	1,206	1,193	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,295	1,291	1,241	1,224	1,253
Western Europe	915	915	934	963	938	913	925	936	915	942	915	942	934	937	935	948	963	943	940	941	938	960	934
OECD Pacific	435	430	395	428	404	400	420	430	430	389	422	432	395	409	436	459	428	417	426	429	404	392	393
OECD SPR	1,411	1,450	1,487	1,499	1,524	1,423	1,429	1,435	1,450	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,530	1,530
North America	640	678	687	691	699	654	664	672	678	690	698	696	687	688	690	690	691	691	692	695	699	702	708
Western Europe	374	377	407	412	421	371	366	367	377	376	401	405	407	407	411	412	412	415	413	423	421	424	418
OECD Pacific	396	396	393	396	404	398	398	396	396	396	395	393	393	392	393	393	396	401	401	403	404	404	404
OECD total	3,921	3,988	4,072	4,166	4,108	3,881	3,967	4,006	3,988	3,995	4,106	4,121	4,072	4,072	4,141	4,252	4,166	4,104	4,167	4,181	4,108	4,106	4,109
Oil-on-water	882	905	958	916	945	906	891	894	905	934	931	926	958	962	972	971	916	914	909	934	945	935	n.a.
Days of forward consumption in OECD																							
OECD onland commercial	51	51	52	54	53	51	52	51	50	52	53	52	51	53	54	55	54	54	54	53	53	54	53
North America	46	47	49	50	49	46	47	47	47	47	50	49	50	49	50	53	50	49	51	51	50	49	49
Western Europe	59	58	60	63	61	60	60	59	58	61	58	60	58	61	60	60	63	63	61	60	62	64	61
OECD Pacific	51	50	47	51	49	51	51	49	45	48	52	49	42	52	55	52	48	53	54	49	45	50	50
OECD SPR	29	29	30	30	31	30	29	28	28	30	30	30	29	31	30	30	30	31	31	31	31	32	31
North America	25	27	27	27	28	26	26	26	26	27	27	27	27	27	27	27	27	27	27	27	28	28	28
Western Europe	24	24	26	27	27	25	24	23	24	25	26	26	25	27	26	26	27	28	27	27	28	28	27
OECD Pacific	46	46	46	47	48	50	49	45	42	49	49	45	42	50	49	45	44	51	51	46	45	51	52
OECD total	79	80	82	85	84	81	81	79	78	82	83	82	80	84	84	85	84	85	85	84	84	86	84

n.a. Not available.

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

	2004	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
USA	7.65	7.34	7.36	0.02	7.46	7.58	7.41	7.54	7.50	0.14	7.64	7.73	7.69	7.86	7.73	0.23	7.89	7.83	7.86	8.01	7.90	0.17
Canada	3.07	3.03	3.20	0.17	3.34	3.24	3.36	3.34	3.32	0.12	3.31	3.42	3.34	3.47	3.39	0.07	3.56	3.45	3.46	3.55	3.50	0.12
Mexico	3.83	3.77	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.29	3.18	3.20	3.24	3.23	-0.26	3.18	3.05	3.06	3.00	3.07	-0.15
North America	14.56	14.14	14.24	0.11	14.38	14.41	14.22	14.20	14.30	0.06	14.23	14.33	14.23	14.57	14.34	0.04	14.63	14.32	14.38	14.56	14.47	0.13
Norway	3.19	2.97	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.51	2.41	2.23	2.45	2.40	-0.16	2.40	2.30	2.15	2.34	2.30	-0.10
UK	2.10	1.89	1.71	-0.18	1.79	1.75	1.49	1.72	1.69	-0.02	1.69	1.57	1.38	1.45	1.52	-0.17	1.47	1.41	1.33	1.32	1.38	-0.14
Denmark	0.39	0.38	0.34	-0.04	0.32	0.31	0.32	0.31	0.31	-0.03	0.29	0.30	0.26	0.29	0.28	-0.03	0.28	0.27	0.24	0.26	0.26	-0.02
Other Western Europe	0.50	0.51	0.54	0.03	0.68	0.69	0.69	0.68	0.68	0.15	0.72	0.72	0.71	0.71	0.72	0.03	0.73	0.73	0.73	0.73	0.73	0.01
Western Europe	6.18	5.74	5.37	-0.37	5.51	5.20	4.97	5.28	5.24	-0.13	5.21	4.99	4.59	4.90	4.92	-0.32	4.88	4.71	4.45	4.65	4.67	-0.25
Australia	0.52	0.53	0.51	-0.02	0.51	0.54	0.54	0.51	0.53	0.02	0.47	0.52	0.65	0.70	0.58	0.06	0.69	0.67	0.69	0.68	0.68	0.10
Other Pacific	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.11	0.08	0.03	0.11	0.11	0.13	0.14	0.12	0.05	0.14	0.14	0.14	0.14	0.14	0.02
OECD Pacific	0.57	0.58	0.56	-0.02	0.57	0.61	0.63	0.61	0.60	0.04	0.58	0.63	0.77	0.84	0.71	0.10	0.83	0.81	0.84	0.82	0.83	0.12
Total OECD	21.31	20.45	20.17	-0.28	20.46	20.22	19.81	20.10	20.15	-0.02	20.02	19.96	19.60	20.31	19.97	-0.17	20.35	19.85	19.67	20.04	19.97	0.00
Brunei	0.21	0.21	0.22	0.01	0.20	0.18	0.17	0.17	0.18	-0.04	0.18	0.18	0.18	0.18	0.18	0.00	0.18	0.18	0.18	0.18	0.18	0.00
India	0.79	0.76	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.81	0.82	0.82	0.82	0.00	0.82	0.80	0.83	0.84	0.82	0.00
Malaysia	0.79	0.77	0.76	-0.01	0.75	0.75	0.76	0.80	0.76	0.01	0.78	0.77	0.83	0.86	0.81	0.05	0.86	0.83	0.83	0.82	0.83	0.02
Thailand	0.25	0.30	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.02	0.34	0.35	0.35	0.35	0.35	0.01	0.36	0.36	0.36	0.36	0.36	0.01
Vietnam	0.42	0.39	0.37	-0.02	0.36	0.35	0.34	0.35	0.35	-0.02	0.34	0.31	0.39	0.43	0.37	0.02	0.42	0.42	0.45	0.46	0.44	0.07
Asia others	0.18	0.26	0.26	0.01	0.27	0.27	0.27	0.26	0.27	0.00	0.28	0.28	0.29	0.29	0.29	0.02	0.29	0.29	0.29	0.29	0.29	0.01
Other Asia	2.66	2.68	2.72	0.04	2.73	2.68	2.69	2.74	2.71	-0.01	2.75	2.70	2.85	2.94	2.81	0.10	2.93	2.88	2.95	2.95	2.92	0.11
Argentina	0.80	0.78	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.76	0.69	0.74	0.73	0.73	-0.03	0.72	0.71	0.70	0.69	0.71	-0.02
Brazil	1.80	1.98	2.11	0.12	2.15	2.15	2.16	2.14	2.15	0.04	2.23	2.28	2.45	2.47	2.36	0.21	2.56	2.61	2.69	2.68	2.64	0.28
Colombia	0.54	0.53	0.54	0.01	0.53	0.53	0.54	0.55	0.54	0.00	0.57	0.57	0.59	0.60	0.58	0.04	0.61	0.61	0.61	0.61	0.61	0.03
Trinidad & Tobago	0.16	0.18	0.18	0.00	0.16	0.16	0.16	0.16	0.16	-0.02	0.16	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
L. America others	0.26	0.30	0.26	-0.03	0.26	0.27	0.27	0.28	0.27	0.00	0.28	0.28	0.28	0.28	0.28	0.01	0.28	0.28	0.28	0.28	0.28	0.00
Latin America	3.55	3.77	3.86	0.09	3.88	3.88	3.88	3.88	3.88	0.02	3.99	3.97	4.22	4.23	4.10	0.22	4.32	4.36	4.43	4.41	4.38	0.28
Bahrain	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	-0.03	0.73	0.72	0.71	0.70	0.71	-0.03	0.72	0.72	0.76	0.78	0.75	0.03	0.79	0.80	0.80	0.81	0.80	0.05
Syria	0.49	0.45	0.42	-0.03	0.41	0.40	0.40	0.39	0.40	-0.02	0.39	0.38	0.38	0.38	0.38	-0.02	0.37	0.37	0.37	0.37	0.37	-0.01
Yemen	0.41	0.41	0.37	-0.03	0.35	0.34	0.33	0.33	0.34	-0.04	0.31	0.31	0.30	0.29	0.30	-0.03	0.29	0.28	0.27	0.27	0.28	-0.03
Middle East	1.90	1.85	1.75	-0.10	1.69	1.67	1.65	1.63	1.66	-0.09	1.63	1.62	1.65	1.66	1.64	-0.02	1.65	1.66	1.66	1.66	1.66	0.01
Chad	0.16	0.18	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.14	0.14	0.14	-0.01	0.13	0.13	0.12	0.12	0.12	-0.02
Congo	0.24	0.24	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.27	0.29	0.27	0.03	0.30	0.32	0.35	0.37	0.33	0.06
Egypt	0.71	0.70	0.67	-0.02	0.64	0.63	0.63	0.63	0.63	-0.04	0.62	0.61	0.64	0.63	0.63	-0.01	0.62	0.61	0.61	0.60	0.61	-0.02
Equatorial Guinea	0.30	0.36	0.37	0.01	0.36	0.37	0.37	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.38	0.37	0.37	0.36	0.37	-0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.26	0.24	-0.01	0.26	0.27	0.27	0.27	0.27	0.02
South Africa	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.16	0.16	0.16	0.16	0.16	-0.01
Sudan	0.30	0.34	0.40	0.06	0.50	0.50	0.48	0.51	0.50	0.10	0.52	0.52	0.51	0.50	0.51	0.01	0.50	0.50	0.51	0.51	0.50	-0.01
Africa other	0.21	0.25	0.32	0.07	0.34	0.34	0.34	0.37	0.35	0.03	0.38	0.38	0.39	0.39	0.38	0.04	0.40	0.39	0.40	0.43	0.41	0.02
Africa	2.36	2.52	2.60	0.09	2.68	2.66	2.64	2.71	2.67	0.07	2.71	2.71	2.75	2.75	2.73	0.06	2.75	2.74	2.78	2.81	2.77	0.04
Total DCs	10.48	10.82	10.94	0.12	10.96	10.89	10.86	10.96	10.92	-0.02	11.08	11.01	11.46	11.58	11.28	0.37	11.65	11.64	11.81	11.83	11.73	0.45
FSU	11.14	11.55	12.02	0.47	12.51	12.45	12.50	12.62	12.52	0.50	12.60	12.67	12.79	13.10	12.79	0.27	13.23	13.24	13.13	13.28	13.22	0.43
Russia	9.19	9.44	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.76	9.77	9.95	10.04	9.88	0.01	10.08	10.07	10.05	10.04	10.06	0.18
Kazakhstan	1.18	1.23	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.43	1.37	1.50	1.43	0.08	1.56	1.57	1.47	1.58	1.55	0.12
Azerbaijan	0.31	0.44	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	0.96	1.01	1.00	1.09	1.02	0.15	1.11	1.14	1.13	1.19	1.14	0.13
FSU others	0.47	0.44	0.42	-0.02	0.44	0.42	0.45	0.46	0.44	0.02	0.46	0.47	0.47	0.47	0.47	0.02	0.47	0.47	0.47	0.47	0.47	0.01
Other Europe	0.17	0.16	0.15	-0.01	0.15	0.15	0.15	0.14	0.15	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.50	3.64	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.81	3.87	3.88	3.91	3.87	0.10	3.91	3.91	3.90	3.88	3.90	0.03
Non-OPEC production	46.60	46.61	46.98	0.36	47.86	47.53	47.05	47.57	47.50	0.52	47.65	47.65	47.87	49.04	48.06	0.56	49.28	48.78	48.65	49.17	48.97	0.91
Processing gains	1.83	1.86	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.95	1.94	1.95	1.95	0.02	1.98	1.98	1.98	1.98	1.98	0.04
Non-OPEC supply	48.43	48.48	48.88	0.40	49.78	49.45	48.97	49.50	49.42	0.55	49.60	49.60	49.81	50.99	50.00	0.58	51.27	50.77	50.63	51.15	50.95	0.95
OPEC NGL	3.85	3.98	3.94	-0.03	4.02	4.23	4.32	4.36	4.23	0.29	4.51	4.71	4.81	4.93	4.74	0.51	5.11	5.30	5.46	5.59	5.37	0.62
OPEC Non-conventional	0.17	0.16	0.14	-0.02	0.08	0.08	0.09	0.10	0.09	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.18	0.18	0.14	0.04
OPEC (NGL+NCF)	4.02	4.13	4.08	-0.05	4.10	4.32	4.41	4.45	4.32	0.24	4.62	4.82	4.92	5.04	4.85	0.53	5.22	5.41	5.64	5.77	5.51	0.66
Non-OPEC & OPEC (NGL+NCF)	52.45	52.61	52.96	0.35	53.88	53.76	53.38	53.95	53.74	0.78	54.22	54.42	54.73	56.03	54.85	1.11	56.48	56.17	56.27	56.93	56.46	1.61

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

Table 36: World Rig Count

	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	1Q 08	Jun08	2Q 08	Jul08	Change Jul/Jun
USA	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,770	1,901	1,864	1,932	31
Canada	369	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	507	266	169	412	146
Mexico	110	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	96	112	106	102	-10
North America	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,373	2,279	2,139	2,446	167
Norway	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	17	23	21	25	2
UK	16	21	5	29	27	26	15	24	3	25	29	27	22	26	2	19	23	21	26	3
Western Europe	65	65	0	77	78	73	65	73	8	72	78	76	73	75	2	71	79	78	89	10
OECD Pacific	22	25	3	25	28	25	28	27	2	24	30	32	30	29	2	32	39	39	38	-1
Total OECD	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,476	2,397	2,256	2,573	176
Other Asia	126	142	16	153	150	156	152	153	11	158	157	151	150	154	1	149	159	154	155	-4
Latin America	116	129	13	137	151	153	153	149	20	183	178	173	181	178	29	181	192	181	184	-8
Middle East	70	72	2	72	79	82	85	80	8	82	85	87	86	85	5	89	93	91	93	0
Africa	51	54	3	59	62	68	77	67	13	75	80	88	88	83	16	84	89	90	89	0
Total DCs	363	397	34	421	442	459	472	449	52	510	510	509	515	511	62	512	533	520	521	-12
Non-OPEC Rig Count	2,120	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	3,006	2,948	2,795	3,112	164
Algeria	19	21	2	21	21	28	27	24	3	25	26	28	28	27	3	26	24	27	23	-1
Angola	3	3	0	4	4	4	4	4	1	5	4	3	5	4	0	5	7	6	5	-2
Ecuador	10	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	10	9	10	0
Indonesia	49	54	5	55	43	46	52	49	-5	49	56	60	64	57	8	64	68	67	71	3
Iran	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	50	50	50	51	1
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	10	12	2	12	13	14	15	14	2	14	13	13	11	12	-2	12	11	11	11	0
Libya	10	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	14	15	15	15	0
Nigeria	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	9	5	8	8	3
Qatar	9	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	11	12	12	1
Saudi Arabia	32	36	4	54	60	70	76	65	29	76	76	78	77	77	12	78	77	77	76	-1
UAE	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	12	12	12	12	0
Venezuela	55	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	82	84	81	83	-1
OPEC Rig Count	262	291	29	325	324	352	355	339	48	354	362	371	368	362	23	372	374	375	373	-1
Worldwid Rig Count*	2,382	2,756	374	3,119	2,873	3,202	3,161	3,090	334	3,304	2,955	3,213	3,218	3,170	80	3,378	3,322	3,170	3,485	163
of which:																				
Oil	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,374	1,408	1,320	1,423	-88
Gas	1,486	1,777	291	2,035	1,802	2,016	1,983	1,959	182	2,017	1,782	1,934	1,906	1,910	-49	1,970	1,884	1,819	2,030	-65
Others	20	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	34	30	31	32	1

**/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

August 2008

OPEC Basket average price

US$ per barrel

up 2.89 in July

July 2008	**131.22**
June 2008	128.33
Year-to-date	109.15

July OPEC production

in million barrels per day, according to secondary sources

Algeria	1.41	SP Libyan AJ	1.71
Angola	1.90	Nigeria	1.92
Ecuador	0.50	Qatar	0.86
Indonesia	0.86	Saudi Arabia	9.51
IR Iran	3.90	UAE	2.64
Iraq	2.51	Venezuela	2.32
Kuwait	2.61	**TOTAL**	**32.64**

Supply and demand

in million barrels per day

2008		**2009**	
World demand	86.9	World demand	87.8
Non-OPEC supply	54.9	Non-OPEC supply	56.5
Difference	**32.0**	**Difference**	**31.3**

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

Stocks

OECD commercial oil stocks fell 15 mb in June; however, preliminary data show a build of more than 30 mb in July, which would imply forward demand cover of more than 53 days.

World economy

World GDP growth revised down to 3.9% in 2008 and to 3.8% in 2009.

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