OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

February 2004

Feature Article:

Fundamentals point the way for the outlook for 2004

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Oil Market Highlights

- World GDP is estimated to have grown by 3.6% in 2003, a rise of 0.1% above last month's estimate. This slight increase is due to an upward revision of estimates for China and Russia. Otherwise growth estimates for 2003 are unchanged. The latest data confirms that the economic expansion of the Euro-zone region has begun, although the results for the last quarter of 2003 were disappointing. Only France and Spain performed in line with expectations, while the results for Germany and Italy were particularly poor.

- The US data for fourth quarter GDP growth was exactly in line with expectations. The major problem in the US economy remains employment growth, especially given that policymakers have little monetary or fiscal ammunition left to boost the labour market. In this situation interest rates will remain low for the foreseeable future. Japan continues to see strong growth as a result of exports and capital expenditure. Annualized fourth quarter growth in 2003 was well above expectations at 7% as a result of high growth in capital spending and exports.

- The 2004 forecast for the OECD region is unchanged. GDP is expected to grow 3.1%. The forecast for Asia Pacific has been increased by 0.2% to 5.4% but the growth forecast for China is unchanged at 8.3%. Demands on the Chinese economy are growing at a faster rate but rising inflation and shortage of capacity may raise problems later in 2004. The higher projections for Latin America benefit from the strong outlook for the USA. The forecast for Developing Countries as a whole is slightly higher, reflecting increases in Asia and Latin America. The world economy is forecast to grow by 4.3% in 2004, which is 0.1% higher than last month's forecast.

- The OPEC Reference Basket started 2004 on a firm footing, with an average of $30.33/b in January. The Basket gained 89¢/b over the previous month but dropped 1¢/b lower compared to the same month for 2003. On a weekly count, the Basket put in a strong performance early in the month gaining 55¢/b or 1.9% during the first week, followed by another rise of 67¢/b or 2.2% in the second. Then the Basket made a downturn losing 8¢/b to average $30.67/b in the third week, followed by a hefty loss of 85¢/b at the end of January for an average of $29.82/b. The fall extended to the first half of February when the Basket shed a substantial 3.9% of its value, averaging $28.67/b in the second week of the month, yet remained comfortably above the upper limit of the OPEC price band.

- Most product gains overwhelmed the price rises of their underlying crudes in January in all three major product markets. These gains reflected two main factors: strong weather-related demand in the USA and tight product supply amid a sharp rise in demand from Asian countries. Thus, refinery margins were healthy in the US Gulf, increasingly profitable in Rotterdam and at historical highs in Singapore.

- OPEC area spot-chartering regained last month's hefty losses, increasing by 35% or 5.80 mb/d to stand at an all-time high of 16.73 mb/d in January, which was a substantial 4.80 mb/d over the level registered a year ago. OPEC's share of global spot fixtures rose 3% to stand at 64% or 10% above the same time in 2003. The only significant drop came from the VLCC freight rate monthly average, especially on the Middle East eastbound long-haul route, which sank 23 points to an average of WS130, while the quiet period at month's end pushed rates down further.

- The world oil demand estimate for 2003 has been revised up by 0.10 mb/d. This is mostly due to a 0.30 mb/d increase in the fourth quarter demand average, for a total of 80.44 mb/d, brought on by upward revisions to GDP growth rates in China and the FSU. The world oil demand forecast for 2004 has again been revised up by 0.17 mb/d to 79.83 mb/d to reflect both the simultaneous upward revision in the 2003 average and prospects of higher economic growth in China, other Asian economies and the FSU.

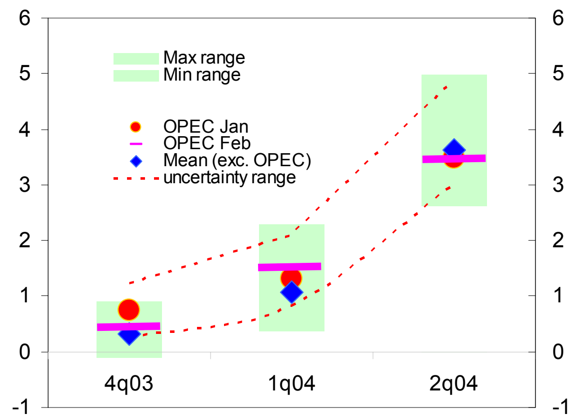
- OPEC crude oil production in January, based on secondary sources, is estimated at 28.10 mb/d, a rise of 0.21 mb compared with the December figure. Non-OPEC oil supply for 2003 is estimated at 48.63 mb/d, a rise of 0.89 mb/d over the 47.74 mb/d estimated for 2002. Non-OPEC supply in 2004 is expected to reach 49.95 mb/d, an increase of 1.32 mb/d over the 2003 estimate. Net FSU exports for 2002 and 2003 are estimated at 5.56 mb/d and 6.37 mb/d respectively, and should rise to 6.81 mb/d in 2004.

- US commercial oil stocks continued the previous month's trend in January, decreasing 19.4 mb to 912.5 mb for a year-on-year surplus (y-o-y) at around 0.5%. At the same time, the SPR continued to move upward reaching 641.1 mb for an increase of 42 mb over the previous year. Eur-16 displayed a considerable build of 10.1 mb to 1,068.0 mb in January on a large increase in products. The y-o-y surplus now stands at 2.7%. In Japan, oil stocks regained the previous month's losses in December, increasing 3.5 mb on a massive rise in crude oil inventories to register a comfortable y-o-y surplus of 10.2%.

Fundamentals point the way for the outlook for 2004

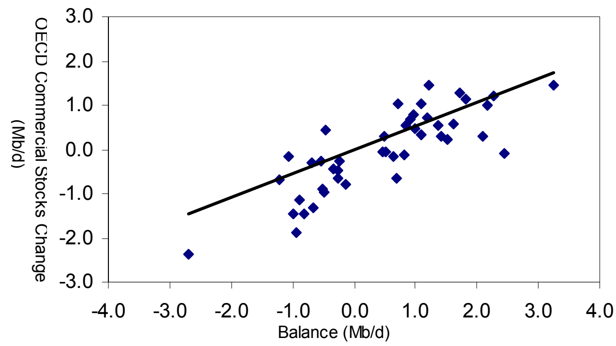
- The global oil supply/demand balance is subject to three main factors that contribute significantly to the uncertainty of any forecast. The first has to do with time. The longer the time horizon of the forecast, the greater the magnitude of uncertainty, as forecasts for the near month involve a lesser degree of uncertainty than forecasts for the next year. A second factor influencing uncertainty has to do with methodology. Different sources of assessments approach the market with different perspectives, assumptions and definitions, which leads to varying forecasts. Graph 1 demonstrates that a group of selected sources show a wider range of difference in their forecasts the longer the time period under consideration. In addition, the third source of uncertainty is that certain variables tend to have more revisions than others. Historical data shows that forecasts for demand have a greater range of uncertainty than supply forecasts. Uncertainties can also compound one another.
- Notwithstanding these uncertainties, the balance of oil supply and demand has proved to be a good indication of the state of the market and oil stock levels, which in turn influence the behaviour of prices. The inventory variable is an explicit measure of the balance between production and demand as it impacts price. By looking at the historical relation for the last ten years between the supply/demand balance and the change in OECD commercial stocks, a linear regression shows that the impact of a change in the supply/demand balance on OECD commercial stocks is about half. In other words, a change of 1 mb/d in the forecast supply/demand balance would correspond to a change in actual OECD commercial stocks of around 500,000 b/d (see graph 2).
- As graph 3 shows, a correlation exists between OECD commercial stocks and prices over the last ten years. The three data points (noted in green) outside the overall trend are mainly due to their occurrence prior to the adoption of the just-in-time management approach at the start of 1996. For this reason, the correlation becomes even stronger by focusing on data from the last five years (shown in purple). The graph also indicates that in periods where the stock level falls within a certain range, currently between ~2,450 and ~2,650 mb, the range of prices are larger than when stock levels are very high or very low. In both of these extremes, prices are prone to rapid movements, either upwards in the case of very low stocks or downward in the case of very high stocks, thus undermining market stability. Currently, OECD commercial stocks in December, while slightly below normal because of US levels, fall in a region where oil prices over time are broadly distributed, indicating that other factors, in addition to the fundamental factor of stock levels, do influence prices at certain times and contribute to fluctuations in the market as can be seen in the current prices.
- The forecast for 2Q 2004 estimates demand at 77.7 mb/d, while non-OPEC supply is projected to be around 52.8 mb/d. If OPEC-10 continues to produce at the level observed in January 2004 of 26.1 mb/d and Iraqi production averages 2.3 mb/d during 2Q, this would leave a balance of about 3.4 mb/d, which exceeds by some 2.0 mb/d the normal 1.4 mb/d build for that quarter. Even if one were to disregard the revisions made in this *MOMR* to the supply/demand balance, this would have little effect on the final figure given the short time horizon, as the resulting balance would be roughly the same at 3.5 mb/d. Either figure, on top of expected (implied) counter-seasonal stock-build of 1.5mb/d in 1Q, would increase OECD commercial stocks to around 2,700 mb by the end of 2Q. It is evident then, given the correlation between inventory levels and prices, that such a build in OECD commercial stocks would lead to a price level far below the lower end of the OPEC price band, even when uncertainty is taken into consideration, as graph 3 clearly shows.
- Therefore, despite the uncertainties inherent in any forecast of the supply/demand balance, the range of opinion among regularly published oil market reports points to the inevitability of a higher-than-normal build in stocks in the 2Q of this year to minimum 2.7 mb/d with a mean of 3.6 mb/d, close to OPEC's February figure of 3.4 mb/d. Moreover, no reasonable further upward revision in demand or a drop in non-OPEC supply is likely to change the consensus on the balance for 2Q 2004. If this surplus is not handled in a timely and effective manner, there is likely to be excessive downward pressure on prices. Such a development cannot be left unattended, as it would lead to a protracted spell of volatility in the market, something that is in no one's interest.

Graph 1: The range of global oil balance

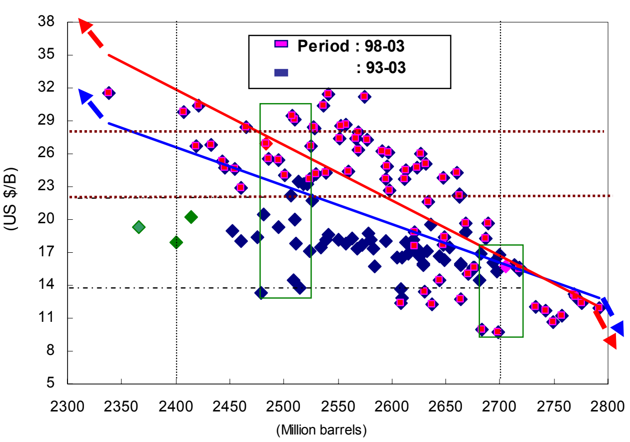


Note: Max-min range is based on 9 other sources. For 1Q04-2Q04, assuming OPEC-10 production level as given by each source, and 2.1 mb/d & 2.3 mb/d for Iraq

Graph 2: OECD commercial stock change vs. balance



Graph 3: ORB vs. OECD commercial stocks



129th (Extraordinary) Meeting of the OPEC Conference
Algiers, Algeria, 10 February 2004

The 129th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Algiers, Algeria, on 10 February 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources of Indonesia and Head of its Delegation.

The Conference extended its deepest condolences to the Government and people of the Islamic Republic of Iran for the terrible loss they have suffered as a consequence of the disastrous earthquake that struck the country some weeks previously.

The Conference also expressed its sadness at the recent demise of Dr Fuad Rouhani, who served as the Organization's first Secretary General and Chairman of the OPEC Board of Governors from 1961 to 1964.

The Conference welcomed the Minister of Petroleum of the Republic of Angola and senior officials from the Secretariat of Energy of Mexico and the Ministry of Oil and Gas of the Sultanate of Oman, whose presence at the Meeting is seen as evidence of these countries' willingness to enter into concrete and constructive dialogue with the Organization. In this regard, the Conference emphasized the value of continued co-operation from all oil producers in ensuring market stability.

The Conference considered the report of the Ministerial Monitoring Sub-Committee and, once again, thanked the Sub-Committee Members for their untiring efforts on behalf of OPEC and its Member Countries.

The Conference reviewed oil market developments and the outlook and noted that, despite the increased demand observed in 2003, especially in the fourth quarter, OPEC production ensured that the market remained well supplied throughout 2003 and in the first quarter 2004, aiming to maintain prices within the target range of the OPEC Reference Basket.

However, in view of the projected significant supply surplus in the seasonally low demand second quarter, the Conference decided that remedial supply responses are needed to maintain market balance and avert downward pressure on oil prices. To this end, the Conference decided to maintain the OPEC production ceiling (excluding Iraq) at 24.5 mb/d until the end of March 2004, with a strong commitment from Member Countries to comply with the agreed production levels.

Furthermore, whilst reaffirming its pledge to guarantee adequate supplies to consumers, as consistently shown in the past, the Conference decided to reduce the 24.5 mb/d ceiling by 1 mb/d, to 23.5 mb/d, effective 1 April 2004, distributed pro rata.

The Conference reiterated that its next Ordinary Meeting will convene in Vienna, Austria, on Wednesday, 31 March 2004 and that an Extraordinary Meeting will take place in Beirut, Lebanon, on Thursday, 3 June 2004.

The Conference expressed its sincere gratitude to His Excellency Abdelaziz Bouteflika, the President of the Republic, the Government and the People of Algeria for the warm hospitality extended to the Conference participants and for the excellent arrangements made for the Meeting.

Production in tb/d (effective 1 April 2004)

	Old production	New production	Decrease
Algeria	782	750	32
Indonesia	1,270	1,218	52
IR Iran	3,597	3,450	147
Kuwait	1,966	1,886	80
SP Libyan AJ	1,312	1,258	54
Nigeria	2,018	1,936	82
Qatar	635	609	26
Saudi Arabia	7,963	7,638	325
United Arab Emirates	2,138	2,051	87
Venezuela	2,819	2,704	115
TOTAL	**24,500**	**23,500**	**1,000**

Highlights of the World Economy

Economic growth rates 2003-2004

%

	World	G-7	USA	Japan	Euro-zone
2003	**3.6**	**2.1**	**3.1**	**2.2**	**0.5**
2004	**4.3**	**3.0**	**4.2**	**1.8**	**2.0**

Industrialised countries

United States of America

Second half growth will depend on better progress in creating jobs

After a remarkable third quarter, growth in the US economy slowed to a more sustainable annualized rate of 4% in the final quarter of 2003. Consumer spending growth was only 2.6% but investment growth and increases in inventory kept the economy buoyant. Net trade was also a very positive influence on growth with exports rising by over 19% at an annual rate. The major weakness in the US performance remains the very slow increase in employment. Payroll growth continues to be poor – flat over the past year and up only 70,000 on average over the past three months. Labour participation is low relative to recent history at only 66.1%. It seems safe to say that fewer US workers are losing their jobs but new hiring has not begun to turn up. Strong structural productivity growth is part of the explanation although some commentators point to the increasing use of outsourcing by US companies particularly in the service sector. The weakness in employment growth means that the momentum of consumer spending growth may slow dramatically in the second half of 2004 as the tax stimulus fades. For this reason the forecast for US growth for 2004 as a whole is below consensus at 4.2%. US monetary policy can scarcely be eased any further and there is no scope to loosen fiscal policy – indeed the fiscal thrust is expected to slow in FY2005. If the President's budget assumptions are realized, the US deficit would shrink to 3% of GDP, down from 4.5% of GDP in FY2004. From this perspective it seems likely that the US dollar will continue to weaken in order to keep the economy moving. The Federal Reserve will not take any chances when it comes to removing monetary stimulus indeed the Humphrey-Hawkins testimony of Chairman Greenspan confirmed that the Federal Reserve is comfortable with the current stance of monetary policy. Low interest rates in the US are not causing excesses, according to Chairman Greenspan, although he noted that "the real federal funds rate will eventually need to rise to a more neutral level". The weaker US dollar is not a threat to US inflation – the key risks to the outlook, according to the Federal Reserve, are the chronic budget deficit which is seen as a structural rather than a cyclical problem, higher energy prices and trade protectionism. The Boca Raton meeting of the G7 did little to halt the decline in the US dollar. The closing statement noted that "Excess volatility and disorderly movements in exchange rates are undesirable for economic growth" but this fell far short of any commitment to take action. European leaders are clearly resistant to any further euro strength but the initiative remains with the markets and their response to fundamentals, particularly the performance of the US current account deficit.

Japan

Japan's economic growth appeared more sustainable, while the jobless rate fell to 4.9% in December

Following six successive quarters of above-trend growth, a relatively sustainable recovery seems to be underway in Japan. **While Japanese industrial output declined by 1% in December month-on-month, the year-on-year measure continued to show healthy gains, rising by 4.6%.** Industrial output is expected to increase at a similar rate in 2004. Japanese machinery orders also rose 8.1% in December bolstering most predictions that growing business investment is fueling growth in the world's second largest economy. **Moreover, the jobless rate fell to its lowest level in over two years in December, dropping to 4.9% from 5.2% in November.** This recovery is expected to support consumer confidence and the nominal positive growth of private consumption. Japanese policy-makers are also doing whatever is necessary to prevent a jump in the yen, which may erode the confidence of business and slow economic recovery. In January, the **Bank of Japan** sold a record 7.16 trillion yen to curb the currency's rise. **The Bank of Japan also eased monetary policy further, which included adopting the outstanding balance of the current account held by banks as the main operating target. This target was raised to 30-35 trillion yen in mid-January 2004, from 5 trillion yen in March 2001.** The Bank of Japan has sent strong signals that it will keep monetary policy exceptionally loose until price stability returns. Meanwhile, the Japanese current-account surplus narrowed in December to 1.23 trillion yen from 1.48 trillion yen in November. However, this should widen later, as the global economic recovery fuels demand for exports.

Euro-zone

Euro-zone growth has little momentum following a poor final quarter of 2003

Fourth quarter data confirmed that the Euro-zone economy began to recover in the second half of 2003 but that this recovery remains weak – certainly in comparison with the performance of the Japanese or US economies. Euro-zone GDP grew by only 1.2% annualized in the fourth quarter. The best performing economies were those of France and Spain which grew by about 2%. Germany, in contrast, managed less than 1% annualized, while the Italian economy stagnated in the final quarter after having achieved growth of 2% in the third. Growth in the Netherlands was about 1%. The poor German performance was due mainly to a high level of imports which had a negative impact on growth, also private consumption failed to rebound after two consecutive quarters of decline. According to monthly retail sales data, consumption in the final quarter remained static at best. This may reflect concerns about ongoing German reforms or be a reaction to the increase in health care costs at the beginning of the year. The outlook for the first quarter of 2004 is better since exports should benefit from the continuing revival in world economic activity - despite the strong euro. Evidence from business surveys and industrial production data in Germany remains positive and the performance of other European economies, notably the UK, which grew by nearly 4% annualized in the fourth quarter, indicates that the potential for recovery exists. The weak performers in the Euro-zone, notably Italy, have been held back by falling consumer confidence. Italian consumers are concerned by the Parmalat scandal and slow growth in real incomes. Italian industrial production was probably flat in the fourth quarter and the economy faces disruption from labour disputes during 2004 contract negotiations. Throughout the Euro-zone the slow recovery in activity has held back any improvement in unemployment rates. Euro-zone unemployment has been stuck at 8.8% for ten months and GDP growth may need to approach 2% before the labour markets feel any benefit. Fears of further job cuts may lie behind the reluctance of European consumers to spend – in December, the EU Commission survey of household spending intentions was particularly negative, reaching a level that has never been seen in the 19-year history of the series.

Former Soviet Union

FSU's economy a success in 2003, while the Russian economy rose 7.3% in the same year

The FSU's economy was successful in generating growth in 2003, despite the relatively weak state of the global economic. Strength stemmed from a combination of booming exports, particularly in the oil sector, and solid consumer spending supported by real wage growth. **In Russia, GDP rose 7.3% last year as construction, transportation and industrial output did well in 2003**. The same pattern of economic development is expected to continue in 2004, but at a slower pace. The energy sector still accounts for a huge proportion of Russia's GDP, dominating export earnings. In 2003 exports of oil, petroleum products and natural gas made up 55% of total good exports and some 17% of GDP. Meanwhile, **a rapid rise in incomes has shifted consumer demand to foreign goods with better quality,** forcing domestic manufacturers throughout the market to produce better products in order to compete. As a result, investment activity in 2003 rose across the board, not just in the oil and gas sector as has previously been the case. **Capital spending was 14.5% higher y-o-y in December, and up 12.5% for 2003 as a whole**. Furthermore, the Central Bank of Russia has estimated that the current account surplus rose 32.5% y-o-y in 2003 to $39.1 billion, as the foreign trade surplus increased by 28.6%. Russia's foreign exchange reserves also jumped by $26.2 billion, to reach $76.9 billion at the end of December. Russia's fiscal position was just as strong in 2003. **According to the Finance Ministry the budget surplus reached $7.6 billion or 1.6% of GDP, up from 1.4% the year before. The Finance Ministry now expects oil prices to average closer to $26/b in 2004 rather than the $20-22/b range used in budget projections, which could lead to considerable fiscal loosening in 2004.** However, the y-o-y increase in overall consumer prices was reported at 12%, the year-end target for 2003 in the budget legislation. After successive months of rapid growth in monetary aggregates, and the impact of late and disappointing harvest, this figure should be higher.

Eastern Europe

Exports continue to drive East European economies despite weakness in Euro-zone markets

The Polish economy ended 2003 on a strong note, recording GDP growth of 3.7%. An acceleration to 4.7% is expected for 2004 thanks mainly to rapidly growth in exports, helped by the weak zloty and strong productivity growth. The Polish current account has improved from a deficit of 3.6% in 2002 to close to balance. One downside to the strong growth and weak zloty is that inflation may rise in 2004. Fiscal policy is expansionary and it will be hard for the government to persuade minority parties to agree to spending cuts. Negotiations concerning the "Hausner Plan" may take much of March. The President of the National Bank of Poland has noted that the only threat to the zloty at present is concern at the state of public finances. The

Czech economy is growing at a slower pace, mainly because household consumption appeared to pause towards the end of last year. Exports are continuing to grow and the trade deficit is stable. Economic growth meant that the state budget deficit for 2003 was lower than had been expected but the government will continue to push for a package of fiscal reforms which aims to bring the fiscal deficit to below 4% of GDP in 2006. Hungarian growth is expected to be only 3% in 2004 as a result of depressed consumer spending. One positive development is that the National Bank of Hungary has abandoned the attempt to target exchange rates when setting monetary policy and this change should lead to much lower interest rates.

OPEC Member Countries

Despite an anticipated slowdown in some OPEC Member Countries, the economic outlook is still positive

The outlook for OPEC Member Countries in the Gulf Cooperation Council (GCC) remains positive, with industrial investment showing sustained expansion, although the real GDP growth rates are expected to slow this year to 2.2%, 6.0%, 2.4% and 4.4% in Kuwait, Qatar, Saudi Arabia and the UAE respectively, from 4.4%, 8.0%, 5.0% and 5.2% in 2003. Growth in 2004 is expected to benefit from foreign investments in the gas resources in some of these countries, particularly Qatar and Saudi Arabia, where the prospects for FDI remain good in downstream energy and water projects. The telecommunications sector should also witness some foreign investment, while the non-oil private sector is likely to strengthen further, owing partly to the expected increase in both public and private investment. Inflation will remain low over the current forecast year, although price pressures might increase, due to the weak US dollar and rising non-oil commodity prices, which will add some upward pressure to the local currency of many imported goods and services on which the region depends. This is in contrast to Nigeria, where the GDP growth rate is forecast to edge up to 3.7% this year from 3.5% in 2003, following large governmental expenditure, reasonable growth in agriculture and a gradual pick up in oil production. Over the current year, economic performance is expected to be affected by government endeavours to reduce the fiscal deficit. However, expansion on offshore oil production and gas investments are expected to continue. Nigeria's economic policy is anticipated to improve slightly, political uncertainty to diminish and reasonably robust growth should be seen in agriculture and services. Although some concerns remain, the overall outlook for Nigerian growth appears relatively positive.

Developing countries

Asia to expand slightly and Brazil to see improving growth (despite the odds), while Africa enjoys an enhanced economic environment

Asia including Oceania is forecast to expand slightly in 2004. The GDP growth rate is anticipated to edge up to 5.5% from 5.2% in the previous year owing to a resurgence in the global economy led by the USA, with good performances by Japanese and Chinese economies in 2003 setting the stage. Tax cuts in the USA, which have fed through to spur consumer demand for Asian imports, are also seen to have contributed to the expected acceleration in GDP growth in most of Asia. However, the region's largely export-oriented economies are expected to experience only single digit growth as Asian exports will be pressured by the weak dollar. Still, recovering demand in the OECD and an expanding economy in China will help boost world trade to 5.5% this year from 2% in 2003. According to the National Bureau of Statistics, China's economy grew a strong 9.9% y-o-y in the fourth quarter of 2003, resulting in an annual growth rate of 9.1%, the highest since 1997. China's rapid growth for the year 2003 was brought on by a surge in merchandise exports, which grew by an estimated 31.5% in real terms for the year. The upturn in OECD demand and further relocation of manufacturing capacity from higher cost locations also gave a boost. Exports of goods will continue to grow at double digit rates in China over the coming two years, while investment — the major engine of growth in 2003 — will slow sharply in 2004-2005, dragged down by a tightening of credit growth by the Central Bank. In Brazil, following the marginally positive growth of last year, the government will once again restrict public spending growth to meet this year's fiscal targets. However, further cuts in interest rates and a return of consumer confidence should stimulate a gradual recovery of private consumption and investment. These plus continued modest export growth will permit Brazil's GDP growth rate to rise to 3.4% in 2004 from only 0.2% in the previous year. In the sub-Saharan region, eleven Central and West African states have announced the setting up of a free trade by the end of 2007, which will boast a population of more than 100 million and nominal GDP of more than $51 bn. This move represents an effort to promote the economic revitalization of the Community of Central African States. Africa as a whole is expected to see improved economic growth at 4% this year from 3.2% in 2003, as world demand expands and commodity prices rise.

US dollar extended its downward trend against other major currencies in December, which has led to a partial erosion of the OPEC Reference Basket for the month

Oil price, US dollar and inflation

The US dollar extended its downward trend against other major currencies in January 2004. On average the dollar lost 2.54% versus the euro, 3.76% against the British pound, 1.85% versus the Swiss franc, and 1.21% against the Japanese yen. **In early January, the dollar tumbled against other currencies,** after the Federal Reserve Chairman said that the chances of a dollar crisis are quite low and that interest rates will likely stay at low levels for some time. **This trend only accelerated on comments by the ECB president that the 22% euro gain last year would not prevent an increase in exports from the region**. However, after the euro climbed to more than 1.28 versus the dollar, European officials began to react, with the French Prime Minister calling the appreciation of the euro "a great concern" and the ECB President changing his previous stance to express worry about "brutal" currency movements. **Later on, the dollar gained momentum against the euro** with the release of the University of Michigan's consumer sentiment index, which jumped to 103.2 from 92.5 in December. Further support came from US Treasury data indicating that international portfolio flows into the USA had increased sharply, more than doubling in November to $74 billion from $31 billion in October. **Despite market expectations, the dollar did not depreciate significantly versus the Japanese yen in January**. This was mainly due to aggressive intervention by the Bank of Japan in the currency market. Japan's monetary authorities spent 7.1 trillion yen on the global foreign exchange market last month to stop the yen from strengthening.

In the same month, the OPEC Reference Basket increased by $0.89/b or 3.04% to $30.33/b from $29.44/b in December. **In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price improved by 1.07% to $21.88/b from $21.65/b,** as the dollar's decline against other currencies partially eroded the actual price improvement. The dollar fell 1.82% as measured by the import-weighted modified Geneva I+ US dollar basket

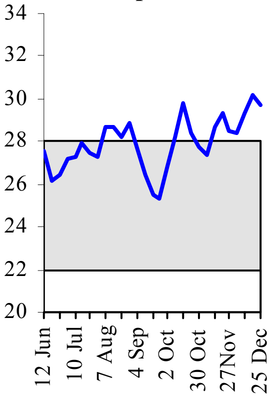
* *The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movements

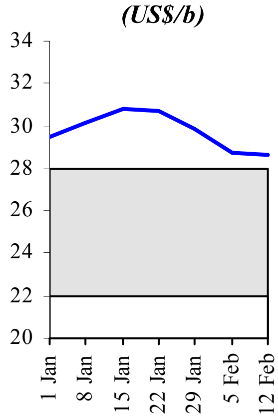
The OPEC Reference Basket added another 89¢/b in January to average $30.33/b

The OPEC Reference Basket started 2004 on a firm footing with an average of $30.33/b in January. The Basket gained 89¢/b on the previous month and averaged 1¢/b lower than in January 2003. On a weekly count, the Basket put in a strong performance early in the month gaining 55¢/b or 1.9% during the first week, followed by another rise of 67¢/b or 2.2% in the second. Then it made a downturn losing 8¢/b to average $30.67/b in the third week, followed by a hefty 85¢/b loss at the end of January when the Basket averaged $29.82/b. The fall extended into the first week of February when the Basket shed another hefty 3.5% of its value to average $28.76/b, yet remained still comfortably above the upper limit of the price band mechanism.

Weekly average Basket price, 2003



Jan - Feb 04 ***(US$/b)***

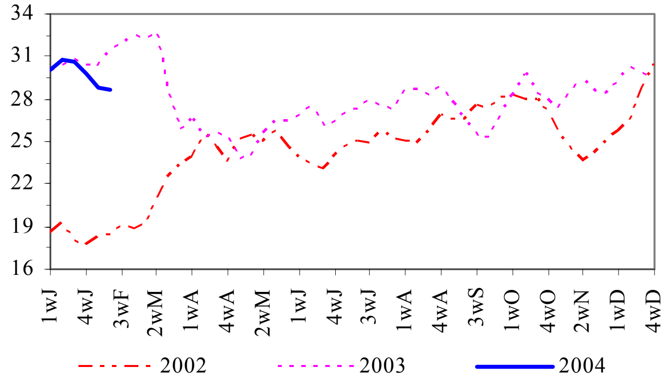


US crude prices rose supported by falling inventories. Firm gasoline prices and refining margins underpinned crude prices in Europe.

Crude oil prices surged continuously in January, with the US benchmark WTI topping $36/b, as stocks in the USA fell to their lowest levels in three decades. Crude oil inventories dipped to 264 mb at mid-month, or 6 mb below the minimum operational level established in 1998. **Prices were also boosted by a cold snap that hit the US East Coast in early January.** Despite the wide spread between WTI and BFO (Brent, Forcados and Oseberg), West African and North Sea crudes did not flow into the US market as sky-high freight rates ate into arbitrage economics. VLCC rates from the Middle East and West Africa were at record 30-year highs in January due to rising supply and weather disruptions that delayed vessels going through the Bosporus Strait. Crude markets cooled down towards the end of the month as the Northern Hemisphere approached mid-winter and interest for heating oil receded while the inventory situation in the USA seemed more relaxed. Arbitrage movements from the African West coast improved as the unusually wide WTI spread to BFO neighboured $4/b and buying interest by US refiners for distillate-rich sweet grades improved. Despite low crude oil stocks and the decline in refinery runs due to maintenance, refiners kept distillate output high, which in turn reduced output of other products and might prevent the normal replenishment of gasoline ahead of the driving season and of diesel fuel for agricultural use ahead of spring. Nonetheless, the large premiums on forward prices compared to prompt deliveries seen in the Nymex gasoline contract late in January (contango), along with the change in specification, began to encourage refiners to shift from a high distillate output to gasoline mode. **In Europe, refining margins were supported by firm gasoline prices amid strong US demand which kept the transatlantic arbitrage wide open.** On the crude side Urals came under pressure late in January on confirmed ample February availability and the fall in fuel oil demand in Northwest Europe. Increased flows of Basrah Light have also undermined demand for Russian Urals in the Mediterranean market. In the Asia-Pacific region, demand for eastbound shipments was reduced on the fall in Chinese buying interest, firm naphtha demand and strong sour-benchmark Dubai prices that have narrowed the BFO/Dubai spread.

Graph 1

OPEC Reference Basket - weekly spot crude prices *(US$/b)*

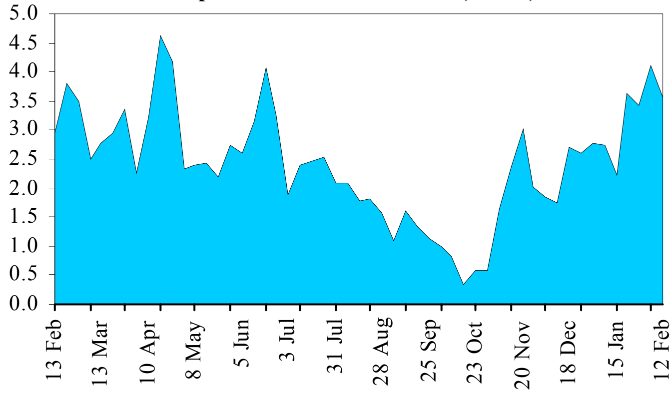


US and European markets

Falling crude stocks underpinned prices, while high freight rates prevented arbitrage movements. Refiners' interest lulled and they appeared comfortable with the actual stock levels.

US crude oil inventories were at the forefront of the market during January. Crude prices surged as evidence of declining crude stocks trickled out throughout the month. According to the API weekly statistics, crude stocks broke through the psychological minimum level of 270 mb in the last week of December and continued to fall to a 30-year low of 264.6 mb at mid-month. Other factors underpinning crude prices were the low temperatures and snow storms that hit the Northeast region of the US early in the month. Nonetheless, forecast of milder temperatures later in January and the recovery of crude oil inventories prompted a price decline. Despite wide WTI/BFO arbitrage, which reached more than $3/b at mid-month, westbound movement of North Sea grades was curtailed by extremely high freight rates. Late in January, West African crudes began to move to the US Gulf Coast as gasoline margins induced refiners to step up their buying. In contrast, the switch to lower-sulphur gasoline specifications and the fall in fuel oil demand weakened demand for heavier-sour crudes with Colombian Vasconia and Ecuador's Oriente grades selling at deep discounts. High freight rates also distorted regular trade in the US West Coast. Lack of Latin American exports together with declining cargoes from the Pacific on unworkable freight rates prompted demand for the only available substitute, Alaska North Slope (ANS) cargoes. **North Sea grades remained within the region as healthy demand from European refiners absorbed most available volumes.** Strength in gasoline demand spurred premiums of light-sweet Forties over the BFO benchmark, while heavier sour grades came under pressure from competing volumes of Russian Urals and the weakness in fuel oil demand.

Graph 2
WTI premium to Dated Brent (US$/b)



Far East market

Strong demand for local products gasoil, gasoline and naphtha supported Middle Eastern and local crude prices. However, medium sour grades were under pressure.

Healthy refining margins on the back of strong product prices stimulated demand for regional as well as Atlantic Basin crudes. **Strong gasoil and gasoline demand out of China and firm buying interest for naphtha from Japan, South Korea and China boosted premiums** of Australian light-sweet grades to the regional marker crude, Tapis. Middle Eastern medium sour grades like Murban were supported by strong Asia-Pacific naphtha demand but heavier sour Oman was under pressure by falling demand and high Official Selling Prices. Dubai's differential to BFO widened enough in several instances during January to discourage inflows of West African crudes but neither this nor the prevailing high freight rates prevented cargoes from moving into the region. Later in the month, the start of March trade gave a boost to light sweet regional grades. Tighter crude availabilities, high freight rates and competition for West African crudes from the USA reduced inflows from the Atlantic Basin providing further support to regional and Middle Eastern crudes.

Graph 3
Dated Brent premium to Dubai (US$/b)

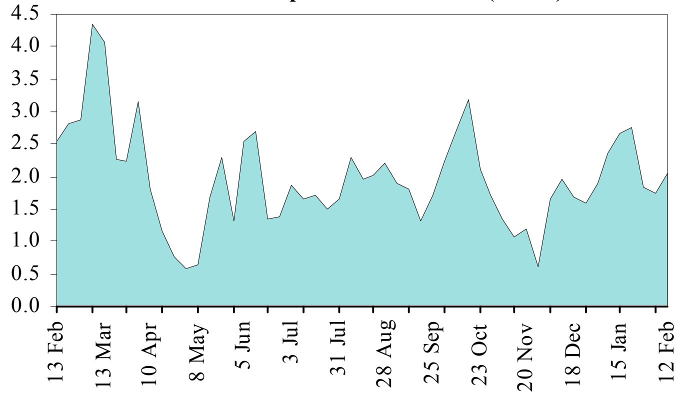


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Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

			Year-to-date average	
	Dec 03	**Jan 04**	Jan 03	**Jan 04**
Reference Basket	29.44	**30.33**	30.34	**30.33**
Arabian Light	29.20	**29.83**	29.10	29.83
Dubai	28.06	**28.93**	28.02	28.93
Bonny Light	29.64	**30.94**	30.78	30.94
Saharan Blend	29.77	**31.29**	31.29	31.29
Minas	32.09	**30.27**	32.32	30.27
Tia Juana Light	27.60	**29.28**	30.14	29.28
Isthmus	29.71	**31.78**	30.74	31.78
Other crudes				
Brent	29.82	**31.33**	31.31	31.33
WTI	32.15	**34.33**	33.08	34.33
Differentials				
WTI/Brent	2.33	**3.00**	1.77	3.00
Brent/Dubai	1.76	**2.40**	3.29	2.40

Product Markets and Refinery Operations

Most product gains overwhelmed the price rises of their underlying crudes in January in all three major product markets, which reflected two main factors: strong weather-related demand in the USA and tight product supply amid a sharp rise in Asian demand. Thus, refinery margins were healthy in the US Gulf, increasingly profitable in Rotterdam and at historical highs in Singapore.

US Gulf market

Despite continuously falling demand, the gasoline price soared on tight supply linked to lower imports and refiners' policies favouring distillate products. Strong weather-related demand provided considerable support to gasoil prices in the US Gulf in January. These trends led to healthy refining margins, although the US refinery utilization rate moved down to 91.1%.

Average spot product prices rose in the US Gulf market in January. Gasoline led the gain, with a massive 15% increase in the average price, while gasoil also saw a surge of 12%. Both outperformed the 7% hike in the marker crude, WTI. However, the average price for high sulphur fuel oil (HSFO) lagged behind, showing a marginal increase of only 1% for the same period. The preliminary four-week average, representing the bulk of US January refinery and product activities, as published by the Energy Information Agency, indicated the following developments. US gasoline demand declined for the third consecutive month, falling a further 0.4 mb or 5% to stand close to 8.5 mb/d for a loss of 1% from the corresponding month last year. The sharp decline in gasoline demand could be explained by the twin effects of freezing weather and very high retail prices, which trimmed motorist activity. Two major driving forces were behind this jump in prices at a time of continuously falling demand. One was the start of implementation of new stringent gasoline specifications, which mainly mandate lowering sulphur content to 150 ppm in New York and Connecticut. This hampered gasoline imports already suffering from high freight costs causing them to fall 18% to an average of 0.62 mb/d for the month. The second driving force for spiking gasoline prices was the market perception that heating oil stocks were adequate to cover the remaining heating season, while US gasoline stocks of nearly 206 mb at end-January were low, lagging behind both last year's level and the five-year average. Jet fuel demand also declined 4% y-o-y and plunged 8% below the preceding month to hover close to 1.52 mb/d. Nevertheless, falling gasoline and jet fuel demand were offset by the take-off in demand for other products, essentially driven by the Arctic weather, which covered the Northeast and the Midwest regions throughout most of January. Distillate demand, for instance, surged by 11% to reach last year's robust level of nearly 4.3 mb/d. More remarkably, fuel oil rose more than 20% above last year's level, which also represented strong growth of 40% compared to the previous month's level.

Average refining margins of WTI in the US Gulf Coast in January exceeded $4/b, underpinned by a strong increase of the gross product worth over the month, as a result of significant rises in gasoline and distillate product prices.

US refinery throughput fell by roughly 330,000 b/d to close at 15.21 mb/d in January, in tandem with the start of the maintenance season. Despite a decline of 2.4% to 91.1% on the month, the utilization rate increased 2% above the previous year's level.

Rotterdam market

European products were amply supplied during January, though gasoline and naphtha prices rose on strong shipping activity. Refinery margins improved further, while the refinery utilization rate stood just below 90%.

The average spot gasoline price led Rotterdam product price rises in January, improving a hefty 11%. This overwhelmed the 4% and 6% increases in gasoil and HSFO respectively, amid a 5% hike in the average price of the marker crude, Brent, over the previous month. Nevertheless, the European product market was mainly shaped by the following developments. Supply was better than in the previous month, due to rising regional refinery throughput, which translated into an inventory build of 6 mb for gasoline and 4.5 mb for distillates. Transatlantic gasoline arbitrage was hindered by stringent new US gasoline specifications, although the eastbound movement of gasoline and naphtha cargoes to the more lucrative Asian market contributed to the strengthening of their respective prices. Increased European refinery runs boosted their main product, distillates, at a time of sufficient heating oil stocks in the USA, together with persistent high freight costs, which subdued westward movements of both Russian and European distillate cargoes, and consequently, resulted in abundant supply. Continuously strong Russian fuel oil exports constituted the main factor in the prevailing excess fuel oil supply amid slowing fuel oil shipments to the Far East, hampered by soaring freight rates and the absence of Chinese activity.

Brent's average refining margins advanced further into positive territory to reach close to $1.50/b in Rotterdam, largely reflecting soaring gasoline and naphtha prices.

Refinery throughput in the Eur-16 countries averaged 12.29 mb/d in January, edging up 30,000 b/d over the previous month. The corresponding refinery utilization rate of 89% represented a 1.3% increase over the previous year.

Singapore market

Product prices in Singapore enjoyed sharp rises in January, which led to historical peaks in refining margins

Driven by a combination of curtailed product supply and prevailing robust regional demand, average spot product prices in Singapore in January registered new highs that had not been seen since the fourth quarter of 1990. As result, Singapore's average monthly product values kept their premiums over the two above-mentioned markets for the third consecutive month. The sharp rise in product prices offset soaring freight rates and tempted regional refiners to boost throughput, helping the Asian market to become a magnet for crude and product cargoes from the Middle East, Mediterranean and Europe. Compared to an increase of 3% in the average marker crude Dubai, the gasoline and gasoil counterparts faired best, with a 12% and 13% surge respectively, followed by a 5% rise in the average HSFO price over the previous month. Nonetheless, an overall analysis of Asian product fundamentals shed light on the following developments. On the supply side, product output was sharply reduced by a spate of planned and unplanned refinery outages in a number of countries, including Kuwait, Saudi Arabia, UAE, India, Indonesia and Taiwan, with particular severity at the light and middle ends of the barrel, i.e., naphtha, gasoline and gasoil. At the same time, operating refineries tried hard to compensate for these product shortfalls, with Chinese refinery runs hitting a new record of 5.25 mb/d in December, and refineries in Singapore exceeding 1 mb/d, the highest January level in six years. On the demand side, prevailing robust gasoline consumption in China, linked to booming car sales, pushing domestic gasoline demand to almost 2 mb/d in 2003, a rise of 75% over the previous year. This scaled back gasoline exports from China, Asia's largest exporting country. Meanwhile, a glitch in a gasoline producing unit at its Balongan refinery forced Indonesia to import one million barrels. Gasoline gained additional strength from robust demand in Australia during the country's driving season, which saw increased consumption over the previous year. Sustainable gasoil demand forced China to turn to imports to meet increased domestic requirements, although record-high refinery runs are expected to alleviate tightness in the distillate supply in the near future. Naphtha demand also remained robust amid record intakes by the petrochemical sector in Japan and South Korea. Asian fuel oil is anticipated to embark upon strong demand, driven by two main factors: imminent renewal of Chinese imports and the increased processing of straight-run fuel oil into much needed diesel product, which is now being widely used as petrochemical feedstock instead of the more expensive naphtha.

As result of the strengthened gross product worth, which was driven by robust price rises, the average refining margin for Dubai peaked in Singapore in January at over $4/b in the hydroskimming refineries.

In Japan, average refinery throughput crept higher by 30,000 b/d to register 4.33 mb/d in January to meet increased heating requirements amid extremely cold weather. The equivalent utilization rate was nearly 91%, representing a drop of 3.3% from the previous year.

Table 2
Refined product prices
US$/b

		Nov 03	Dec 03	**Jan 04**	**Change Jan/Dec**
US Gulf					
Regular gasoline	*(unleaded)*	34.71	35.97	**41.57**	+5.60
Gasoil	*(0.2% S)*	34.10	35.72	**39.84**	+4.12
Fuel oil	*(3.0% S)*	24.00	22.35	**22.64**	+0.29
Rotterdam					
Premium gasoline	*(unleaded)*	33.54	33.84	**37.33**	+3.89
Gasoil	*(0.2% S)*	34.21	35.02	**36.58**	+1.56
Fuel oil	*(3.5% S)*	22.56	19.55	**20.75**	+1.20
Singapore					
Premium gasoline	*(unleaded)*	35.78	39.52	**44.25**	+4.73
Gasoil	*(0.5% S)*	35.08	36.67	**41.42**	+4.75
Fuel oil	*(380 cst)*	24.02	23.79	**24.98**	+1.19

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*			**Refinery utilization*** *%*		
	Nov 03	Dec 03	**Jan 04**	Nov 03	Dec 03	**Jan 04**
USA	15.49	15.54	**15.21**	93.2	93.5	**91.1**
France	1.84	1.84	**1.76**	96.5	96.5	**90.5**
Germany	2.29	2.22[R]	**2.24**	100.9	98.1[R]	**97.7**
Italy	1.87	1.79	**1.81**	81.4	77.8	**78.4**
UK	1.58	1.58	**1.55**	88.5	88.2	**85.5**
Eur-16	12.41	12.27[R]	**12.29**	90.4	89.3[R]	**89.0**
Japan	4.10	4.30	**4.33**	86.0[R]	90.3[R]	**91.0**

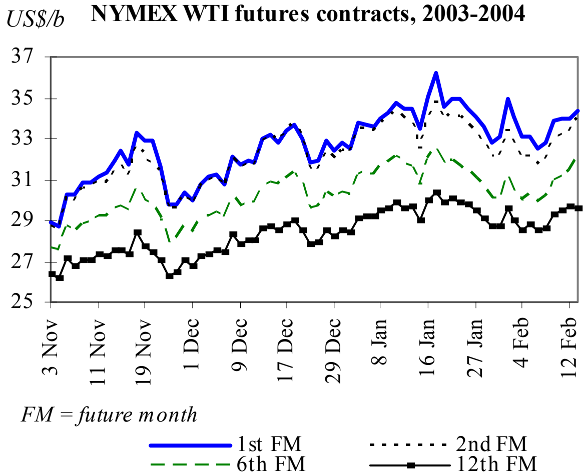
* *Refinery capacities used are in barrels per calendar day*
R *Revised since last issue*
Sources: *OPEC Statistics, Argus, Euroilstock Inventory Report/IEA*

The Oil Futures Market

Disposition of massive long position holding by speculators could trigger a price fall

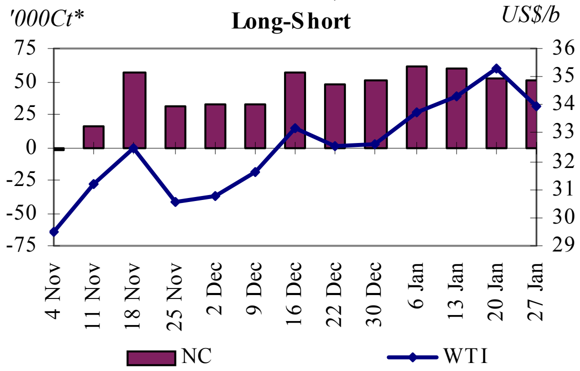
Non-commercials continued to build up their long positions holding throughout the month of January, with only pausing in the week of 20 January, but the decline was most likely the result of the expiration of the February WTI contract. Speculators began to build their long positions back in September of last year from around 30,000 lots to just below 140,000 lots by the second week of January. Meantime open interest – an indication of market's depth –has risen to an all time high of 663,890 lots on 3 February 2004. Last year there were two episodes when non-commercials disposed of their large long positions holding: the first occurred following the start of the Iraq conflict and the second after the end of the Labor Day weekend in the USA which signaled the end of the high gasoline demand season. In both cases WTI futures fell drastically – more than $7/b in the former and around $5/b in the latter.

Graph 4
NYMEX WTI futures contracts, 2003-2004



Thus, judging from the recent past it is evident that there is an imminent danger by the size of the long positions in the hands of speculators. **It was also *suspicious* surprise to observe the shy reaction of non-commercials to two recent events: the latest OPEC production agreement and US weekly stock figures.** Therefore we believe that speculators convictions' to hold such massive long positions is losing momentum and **there is the danger that an event (stock build up, rising supply or a fall in demand) could trigger a massive liquidation pushing crude prices down by several dollars-per-barrel.** OPEC's decision to curb output by 1 mb/d as of 1 April might have prevented or at best delayed speculators from triggering a sell-off but at some point they have to start reducing their longs and take profit. When it might take place is any body's guess; however, the drop in seasonal demand as we approach the spring, which usually begins to show in the second half of February, might become the precursor for the sell of. Finally, because non-commercials have the ability to create prices on a marginal trade, the reversion of their positions has enormous repercussions on the price levels. Thus, **a massive unwinding in WTI futures could trigger a fall of several dollars per barrel within a relatively short period of time. We also believe that sound market fundamentals will put a cap to any short-term fall in crude prices.**

Graph 5
Futures Commitment of Traders Report:
NYMEX Crude Oil, 2003-2004
Long-Short



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

OPEC's latest actions to call on its members to fully comply with the Organization's production ceiling of 24.5 mb/d and further reduce output to 23.5 mb/d effective 1 April are steps in the right direction.

The Tanker Market

OPEC area spot-chartering rose by about 35% in January

OPEC area spot-chartering regained last month's hefty losses, rising by about 35% or 5.80 mb/d to stand at an all-time high of 16.73 mb/d in January, for a substantial 4.80 mb/d increase over a year ago. The return of charterers to the market from their long year-end holidays resulted in a jump in chartering activity, with both Middle East eastbound and westbound long-haul fixtures contributing to this rise. Most of the bookings happened in the second half of the month where a large part of February and some of March fixtures were made to avoid anticipated high freight rates. **OPEC's share of global spot fixtures rose 3% to stand at 64% or 10% above the same time in 2003**. Middle East westbound fixtures rose 46% or 1.45 mb/d to 3.18 mb/d, which was just over previous high of July 2003. Middle East eastbound long-haul fixtures increased by 34% or 2.06 mb/d to 6.12 mb/d, the highest level seen since June 2000. Together, these routes accounted for about 56% of total OPEC chartering in the OPEC area, or an increase of 3% over last month and about 6% above the year-ago level. **Non-OPEC spot chartering also displayed some improvement, recovering by 26% or 2.38 mb/d to 9.22 mb/d**. This brought non-OPEC's share of global spot fixtures to 36%, a drop of 6% from the month before. **Accordingly, global spot fixtures surged a considerable 32% or 8.18 mb/d to 25.95 mb/d, which is a little higher than that registered in March 2001. Estimated sailings from the OPEC area in January 2004 lost nearly half of last month's increment, declining by 0.64 mb/d to stand at 24.23 mb/d.** For the second consecutive month, sailings out of the Middle East behaved contrary to general movement in the OPEC area, showing an increase of 0.92 mb/d to 17.09 mb/d, which placed their share of OPEC area sailings at about 71%, down 6% from the previous month. Arrivals in the US Gulf, East and the Caribbean and in NW Europe rose 1.12 mb/d to 11.14 mb/d and 0.31 mb/d to 7.42 mb/d respectively. Arrivals in the Euromed and Japan fell by 0.65 mb/d to 3.69 mb/d and 0.08 mb/d to 4.27 mb/d respectively.

Crude freight rates displayed mixed trends in January

Crude oil freight rates had a mixed month, falling at the start of the year especially in the first week before reviving on increasing activity and the return of charterers from their long Christmas holiday. **The only significant drop came from the monthly average level of VLCC freight rates especially on the Middle East eastbound long-haul route, which sank 23 points to an average of WS130, while the quiet period at month's end pushed rates further down**. On the Middle East westbound long-haul route, rates held firmer as the monthly average declined by just one point to an average of WS128. High activity brought about by strong demand, especially from the USA, and decreased 30-day availability of VLCCS, helped rates along the westbound long-haul route to maintain the high levels at the start of the year. **Suezmax freight rates managed to finish the month with hefty gains, increasing by 84 point to stand at a monthly average of WS264 along the West Africa/US Gulf Coast route**. This massive rise was due to a buoyant period in the middle of the month, where rates touched the level of WS300 before easing on slow activity in the last week of January. A similar rise was registered on the NW Europe/US East-Gulf Coast route, with rates moving up 65 points to WS259. The **Aframax sector fluctuated strongly, except within the Mediterranean, where rates rose steadily to a monthly average of WS372, which was 99 points higher than the month before**. From the Caribbean to the US Gulf Coast, freight rates enjoyed high gains rising 70 points to stand at a monthly average of WS328 despite a drop at the end of the month on lower activity. On the route from the Mediterranean to NW Europe, Aframax freight rates rose 37 points to WS272 as activity was less than in other areas such as the Baltic Sea. Along the Indonesia/US West Coast route, the increase was lower than that seen along other Aframax routes, rising only by 12 points to average WS183.

Clean freight rates continued the upward trend on almost all main routes in January

The product tanker market enjoyed high freight rates along almost all routes except from Singapore to the East where rates lost 24 points to stand at a monthly average of WS217. The highest gains occurred within the Mediterranean and from there to NW Europe where freight rates jumped by 69 and 52 points to a monthly average of WS327 and WS360 respectively. **Freight rates of clean medium-range tankers along the Middle East/Far East route also managed to rise 31 points to a monthly average of WS207 on strong demand especially from China**. Freight rates along the NW Europe/US East-Gulf Coast route benefited from the continued opened arbitrage due to high US product prices, rising 29 points to a monthly average of WS297. A small gain of 6 points lifted the monthly average of rates along the Caribbean/US Gulf route to WS333 on the back of healthy demand from US buyers.

Table 4
Spot tanker chartering: sailings and arrivals
mb/d

	Nov 03	Dec 03	Jan 04	Change Jan/Dec
Chartering				
All areas	24.24	17.77	25.95	8.18
OPEC	14.87	10.93	16.73	5.80
Middle East/east	5.35	4.06	6.12	2.06
Middle East/west	2.42	1.73	3.18	1.45
Sailings				
OPEC	22.13	24.86	24.23	–0.64
Middle East	16.03	16.17	17.09	0.92
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.44	10.02	11.14	1.12
North West Europe	7.26	7.11	7.42	0.31
Euromed	3.85	4.34	3.69	–0.65
Japan	3.90	4.35	4.27	–0.08

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Nov 03	Dec 03	Jan 04	Change Jan/Dec
Crude					
Middle East/east	200–300	135	153	130	–23
Middle East/west	200–300	119	129	128	–1
West Africa/US Gulf	100–160	149	180	264	84
North-West Europe/US East Coast	100–160	141	194	259	65
Indonesia/US West Coast	70–100	152	171	183	12
Caribbean/US East Coast	40–70	218	258	328	70
Mediterranean/Mediterranean	40–70	266	273	372	99
Mediterranean/North-West Europe	70–100	203	235	272	37
Products					
Middle East/east	30–50	156	176	207	31
Singapore/east	25–30	216	241	217	–24
Caribbean/US Gulf Coast	25–30	294	327	333	6
North-West Europe/US East Coast	25–30	239	268	297	29
Mediterranean/Mediterranean	25–30	214	258	327	69
Mediterranean/North-West Europe	25–30	273	308	360	52

Source: Gailbraith Tanker Market Report as well as other relevant industry publications.

World Oil Demand

World demand for 2003 revised up a slight 0.10 mb/d to 78.51 mb/d, a rise of 1.52 mb/d over 2002

Estimates for 2003

World

The average demand estimate for 2003 has been revised up by 0.10 mb/d to 78.51 mb/d compared with the 78.41 mb/d presented in the last *MOMR* due to upward revisions of 0.07 mb/d in the third and 0.30 mb/d in the fourth quarter estimates. This is mainly on higher than expected consumption in North America in the third quarter as well as upward revisions in the FSU's and China's economic growth rate estimates. These latter revisions have resulted in higher apparent fourth quarter demand estimates for those countries of 0.08 mb/d and 0.21 mb/d respectively. Further evidence also points to a slightly higher than expected fourth quarter consumption in Developing Countries. As a result, the yearly increment — or the difference between the 2002 and the 2003 averages — has likewise been adjusted upwards by 0.10 mb/d to read 1.52 mb/d as there has been no adjustments to the average consumption for 2002. Quarterly and regional details are given in Table 6.

On a regional basis, OECD demand for 2003 is estimated to have risen 0.74 mb/d or 1.56% following a minor fall of 0.07 mb/d in 2002. Only a moderate 0.11 mb/d or 0.55% rise in consumption is forecast in 2003 in Developing Countries, following a much higher 0.18 mb/d growth in 2002. **Apparent demand in the former CPEs is estimated to have increased a considerable 0.67 mb/d or 7.00%, more than triple in volume and growth rate compared with the 0.21 mb/d or 2.21% rise seen in 2002.**

Table 6
World oil demand in 2003
mb/d

	2002	1Q03	2Q03	3Q03	4Q03	**2003**	Change 2003/02 Volume	%
North America	24.16	24.56	24.16	24.88	24.70	24.58	0.42	1.72
Western Europe	15.08	15.20	14.99	15.26	15.44	15.22	0.15	0.97
OECD Pacific	8.50	9.61	8.04	7.88	9.19	8.68	0.18	2.13
Total OECD	**47.73**	**49.37**	**47.19**	**48.03**	**49.33**	**48.48**	**0.74**	**1.56**
Other Asia	7.47	7.54	7.58	7.54	7.79	7.61	0.14	1.82
Latin America	4.75	4.54	4.69	4.78	4.68	4.67	–0.08	–1.58
Middle East	4.95	4.89	4.77	5.15	5.08	4.97	0.02	0.50
Africa	2.53	2.55	2.54	2.53	2.58	2.55	0.02	0.88
Total DCs	**19.70**	**19.52**	**19.58**	**19.99**	**20.13**	**19.81**	**0.11**	**0.55**
FSU	3.78	4.01	3.35	3.71	4.54	3.90	0.12	3.21
Other Europe	0.74	0.77	0.73	0.70	0.76	0.74	0.00	–0.02
China	5.03	5.41	5.46	5.76	5.69	5.58	0.55	10.89
Total "Other Regions"	**9.56**	**10.20**	**9.54**	**10.17**	**10.99**	**10.22**	**0.67**	**7.00**
Total world	**76.99**	**79.08**	**76.31**	**78.19**	**80.44**	**78.51**	**1.52**	**1.97**
Previous estimate	76.99	79.08	76.30	78.12	80.13	78.41	1.42	1.85
Revision	0.00	0.00	0.01	0.07	0.30	0.10	0.10	0.13

Totals may not add due to independent rounding.

With the revised third quarter estimate, the quarterly increment has reached the same level as that of the second quarter. A substantial upward revision in the fourth quarter estimate elevated the growth rate to a robust 2.07%. Compared with the exceptionally weak first quarter 2002, world demand is estimated to have grown significantly by 2.97% or 2.28 mb/d to average 79.08 mb/d in the first quarter of 2003. This is the net effect of much colder than normal weather in most parts of the northern hemisphere, fuel substitution in Japan brought on by nuclear power reactors maintenance, stockpiling ahead of the anticipated Iraq war, and record high natural gas prices in the USA. Second quarter 2003 consumption is estimated to have risen 1.45% or 1.09 mb/d compared to the exceptionally weak second quarter of 2002 due to robust economic growth in China and the continuation of fuel substitution in Japan. Third quarter consumption is assumed to have grown similarly by 1.09 mb/d or 1.41%, while the fourth is expected to undergo a much higher growth of 1.63 mb/d or 2.07%. Detailed quarterly comparisons for all quarters are presented in Tables 7 and 8.

Table 7
First and second quarter world oil demand comparison for 2003
mb/d

			Change 2003/02				**Change 2003/02**	
	1Q02	**1Q03**	Volume	%	**2Q02**	**2Q03**	Volume	%
North America	23.93	24.56	0.63	2.64	24.02	24.16	0.14	0.59
Western Europe	15.15	15.20	0.05	0.33	14.63	14.99	0.36	2.48
OECD Pacific	9.06	9.61	0.55	6.04	7.64	8.04	0.41	5.33
Total OECD	**48.14**	**49.37**	**1.23**	**2.55**	**46.28**	**47.19**	**0.91**	**1.97**
Other Asia	7.29	7.54	0.25	3.40	7.50	7.58	0.08	1.06
Latin America	4.70	4.54	-0.16	-3.50	4.78	4.69	–0.09	–1.95
Middle East	4.83	4.89	0.05	1.13	4.91	4.77	–0.15	–3.02
Africa	2.56	2.55	0.00	-0.09	2.50	2.54	0.05	1.83
Total DCs	**19.38**	**19.52**	**0.14**	**0.70**	**19.69**	**19.58**	**–0.12**	**–0.59**
FSU	3.77	4.01	0.24	6.43	3.39	3.35	—0.04	–1.31
Other Europe	0.77	0.77	0.00	0.09	0.73	0.73	0.00	0.60
China	4.74	5.41	0.67	14.23	5.12	5.46	0.34	6.65
Total "Other Regions"	**9.28**	**10.20**	**0.92**	**9.89**	**9.24**	**9.54**	**0.30**	**3.25**
Total world	**76.80**	**79.08**	**2.28**	**2.97**	**75.22**	**76.31**	**1.09**	**1.45**

Totals may not add due to independent rounding.

Table 8
Third and fourth quarter world oil demand comparison for 2003
mb/d

			Change 2003/02				**Change 2003/02**	
	3Q02	**3Q03**	Volume	%	**4Q02**	**4Q03**	Volume	%
North America	24.34	24.88	0.54	2.22	24.35	24.70	0.35	1.45
Western Europe	15.18	15.26	0.08	0.55	15.35	15.44	0.09	0.58
OECD Pacific	8.03	7.88	–0.15	–1.87	9.26	9.19	–0.07	–0.75
Total OECD	**47.55**	**48.03**	**0.47**	**1.00**	**48.95**	**49.33**	**0.37**	**0.76**
	0.00							
Other Asia	7.47	7.54	0.07	0.91	7.64	7.79	0.15	1.96
Latin America	4.81	4.78	–0.03	–0.72	4.69	4.68	–0.01	–0.22
Middle East	5.10	5.15	0.05	0.92	4.93	5.08	0.15	2.95
Africa	2.49	2.53	0.04	1.48	2.57	2.58	0.01	0.33
Total DCs	**19.88**	**19.99**	**0.12**	**0.59**	**19.83**	**20.13**	**0.29**	**1.48**
FSU	3.67	3.71	0.03	0.87	4.28	4.54	0.26	5.98
Other Europe	0.73	0.70	–0.03	–3.78	0.74	0.76	0.02	2.98
China	5.27	5.76	0.49	9.36	5.00	5.69	0.69	13.70
Total "Other Regions"	**9.67**	**10.17**	**0.50**	**5.14**	**10.02**	**10.99**	**0.96**	**9.61**
Total world	**77.10**	**78.19**	**1.09**	**1.41**	**78.81**	**80.44**	**1.63**	**2.07**

Totals may not add due to independent rounding.

OECD

The OECD consumption estimate of 48.48 mb/d constitutes 62% of the total world demand in 2003, a repeat from the previous *MOMR*. Out of the forecast 1.52 mb/d world oil consumption increment for 2003, about 0.74 mb/d or nearly 49% is expected to initiate in the OECD. Within the group, **North America ranks first in forecast demand growth with 0.42 mb/d, close to 56% of the group demand increment.** OECD Pacific ranks second with 0.18 mb/d, or 24% and Western Europe ranks third with 0.15 mb/d, nearly 20%.

Actual consumption data suggests that OECD January-November oil requirements were 0.71 mb/d higher compared to the corresponding 2002 period. As in the January-October period reported in the last *MOMR*, the leading volume gainer product was gasoil/diesel with a 0.33 mb/d or 2.76% rise in consumption. This is because of fuel switching in the USA and throughout Europe. The second volume and first percentage gainer product was naphtha which experienced a 0.09 mb/d or 2.96% growth thanks to healthy margins in the petrochemical sector. **Direct use also underwent exceptionally high growth of 82.35% due to nuclear reactor maintenance in Japan. The only product to lose was LPG, which dropped 0.05 mb/d or 0.98%, due mostly to sustained high prices which led to a decline in consumption in the USA.**

DCs

In developing countries, oil demand is estimated to have grown by 0.11 mb/d or 0.55% to 19.81 mb/d. The consumption in Latin America is estimated to have contracted by 0.08 mb/d or 1.58% to average 4.67 mb/d, indicating a relative improvement over the last year when the demand weakened by 0.12 mb/d due to persistent economic and financial problems. Other Asia is estimated to have registered the highest volume and percentage growth of 0.14 mb/d or 1.82%, followed by Africa and the Middle East with 0.02 mb/d or 0.88% and 0.02 mb/d or 0.50% respectively.

Other Regions

Apparent demand in the former CPEs in 2003 is now forecast at 10.22 mb/d, an increase of almost 0.07 mb/d from the last *MOMR*, although its share of world oil consumption remains unchanged at 13%. Due to another in an ongoing series of upward revisions in forecast consumption for China, demand growth estimate now stands at 0.55 mb/d or 10.89%, equivalent to 36% of the total world demand increment, and more than double the country's consumption growth in 2002. Within the group, **China is forecast to register the highest volume and percentage growth with apparent demand rising to 5.58 mb/d**. The FSU, with an average 3.90 mb/d, is expected to experience the second highest demand increase of 0.12 mb/d or 3.21%. Apparent demand in Other Europe is expected to experience a negligible change.

Forecast for 2004

World demand for 2004 revised up 0.17 mb/d to 79.83 mb/d, an increase of 1.33 mb/d over 2003

Based on slightly higher prospects for economic growth, **the average world oil demand forecast for 2004 has been revised up 0.17 mb/d to 79.83 mb/d,** compared with the 79.66 mb/d presented in the last *MOMR*. However, anticipated oil demand growth for 2004 only saw an upward revision of 0.07 mb/d to 1.33 mb/d, reflecting the simultaneous increase in the average 2003 oil demand forecast. **All of the quarterly averages have been revised up, with those of the third and the fourth quarters mainly due to the upward revisions in their 2003 quarterly averages. The fourth quarter forecast has been significantly raised by 0.37 mb/d, mostly to reflect the upward revision in the corresponding 2003 period and also to account for higher consumption prospects in China and the FSU.** Regional and quarterly details are given in Table 9.

On a regional basis, oil demand is forecast to register solid growth in all three major country groups. Demand in the OECD is now expected to grow at the lowest rate of 0.72% or 0.35 mb/d, due to lower consumption prospects in the OECD Pacific. Demand growth in the Developing Countries is forecast to rank first with 0.50 mb/d or 2.54% growth, equivalent to 38% of the total world demand increment. The highest percentage growth of 4.62% is attributable to the former CPEs, which rank second in volume and share of the world demand growth at 0.47 mb/d equivalent to 36% of the world increment.

Every single quarter of 2004 is forecast to share in oil demand growth. The first quarter is expected to account for the lowest growth rate of 1.00 mb/d or 1.27%, the second and the third quarters are forecast to enjoy much higher increases of 1.43 mb/d and 1.37 mb/d respectively. **The highest growth of 1.49 mb/d or 1.85% is expected in the fourth quarter.** Tables 10 and 11 provide quarterly comparison between 2003 and 2004.

Table 9
World oil demand forecast for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**	Change 2004/03 Volume	Change 2004/03 %
North America	24.58	24.75	24.40	25.20	25.13	24.87	0.30	1.20
Western Europe	15.22	15.26	15.11	15.38	15.58	15.33	0.11	0.72
OECD Pacific	8.68	9.56	8.02	7.85	9.07	8.62	–-0.05	–0.63
Total OECD	**48.48**	**49.57**	**47.53**	**48.43**	**49.78**	**48.83**	**0.35**	**0.72**
Other Asia	7.61	7.73	7.89	7.82	8.07	7.88	0.27	3.50
Latin America	4.67	4.62	4.77	4.86	4.76	4.76	0.08	1.77
Middle East	4.97	4.97	4.88	5.25	5.20	5.08	0.10	2.11
Africa	2.55	2.61	2.61	2.55	2.62	2.60	0.05	1.88
Total DCs	**19.81**	**19.93**	**20.15**	**20.48**	**20.66**	**20.31**	**0.50**	**2.54**
FSU	3.90	4.11	3.54	3.90	4.74	4.07	0.17	4.40
Other Europe	0.74	0.79	0.79	0.71	0.77	0.76	0.02	2.91
China	5.58	5.68	5.74	6.04	5.98	5.86	0.28	5.01
Total "Other Regions"	**10.22**	**10.58**	**10.06**	**10.65**	**11.49**	**10.70**	**0.47**	**4.62**
Total world	**78.51**	**80.08**	**77.74**	**79.56**	**81.93**	**79.83**	**1.33**	**1.69**
Previous estimate	78.41	80.01	77.66	79.41	81.55	79.66	1.25	1.60
Revision	0.10	0.07	0.08	0.14	0.37	0.17	0.07	0.09

Totals may not add due to independent rounding.

Table 10
First and second quarter world oil demand comparison for 2004
mb/d

	1Q03	**1Q04**	Change 2004/03 Volume	Change 2004/03 %	**2Q03**	**2Q04**	Change 2004/03 Volume	Change 2004/03 %
North America	24.56	24.75	0.19	0.77	24.16	24.40	0.24	1.00
Western Europe	15.20	15.26	0.06	0.39	14.99	15.11	0.12	0.79
OECD Pacific	9.61	9.56	–0.04	–0.46	8.04	8.02	–0.02	–0.29
Total OECD	**49.37**	**49.57**	**0.20**	**0.41**	**47.19**	**47.53**	**0.34**	**0.71**
Other Asia	7.54	7.73	0.19	2.50	7.58	7.89	0.31	4.10
Latin America	4.54	4.62	0.09	1.89	4.69	4.77	0.08	1.68
Middle East	4.89	4.97	0.08	1.65	4.77	4.88	0.12	2.42
Africa	2.55	2.61	0.06	2.18	2.54	2.61	0.07	2.81
Total DCs	**19.52**	**19.93**	**0.41**	**2.10**	**19.58**	**20.15**	**0.58**	**2.94**
FSU	4.01	4.11	0.10	2.46	3.35	3.54	0.19	5.69
Other Europe	0.77	0.79	0.02	2.62	0.73	0.79	0.05	7.09
China	5.41	5.68	0.27	4.99	5.46	5.74	0.28	5.09
Total "Other Regions"	**10.20**	**10.58**	**0.39**	**3.81**	**9.54**	**10.06**	**0.52**	**5.46**
Total world	**79.08**	**80.08**	**1.00**	**1.27**	**76.31**	**77.74**	**1.43**	**1.88**

Totals may not add due to independent rounding.

Table 11
Third and fourth quarter world oil demand comparison for 2004
mb/d

	3Q03	3Q04	Change 2004/03 Volume	Change 2004/03 %	4Q03	4Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.88	25.20	0.31	1.26	24.70	25.13	0.43	1.76
Western Europe	15.26	15.38	0.12	0.78	15.44	15.58	0.14	0.93
OECD Pacific	7.88	7.85	–0.03	–0.35	9.19	9.07	–0.12	–1.35
Total OECD	**48.03**	**48.43**	**0.40**	**0.84**	**49.33**	**49.78**	**0.45**	**0.92**
Other Asia	7.54	7.82	0.28	3.76	7.79	8.07	0.28	3.63
Latin America	4.78	4.86	0.09	1.80	4.68	4.76	0.08	1.71
Middle East	5.15	5.25	0.10	1.97	5.08	5.20	0.12	2.40
Africa	2.53	2.55	0.02	0.77	2.58	2.62	0.05	1.77
Total DCs	**19.99**	**20.48**	**0.49**	**2.45**	**20.13**	**20.66**	**0.53**	**2.64**
FSU	3.71	3.90	0.19	5.23	4.54	4.74	0.20	4.45
Other Europe	0.70	0.71	0.01	0.91	0.76	0.77	0.01	1.07
China	5.76	6.04	0.28	4.78	5.69	5.98	0.29	5.18
Total "Other Regions"	**10.17**	**10.65**	**0.48**	**4.68**	**10.99**	**11.49**	**0.50**	**4.59**
Total world	**78.19**	**79.56**	**1.37**	**1.75**	**80.44**	**81.93**	**1.49**	**1.85**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2003

Non-OPEC supply for 2003 revised down to 48.63 mb/d in January, still 0.89 mb/d over the figure for 2002

The 2003 non-OPEC supply figure was revised down to 48.63 mb/d. **The downward revisions made to the first three quarters were mainly contributed by Canada, following data revisions by the source itself. The significant downward revision in the fourth quarter was mainly contributed by the UK (down 0.13 mb/d), Australia (0.04 mb/d) and Yemen (0.03 mb/d), partially offset by upward revisions made to the USA (0.08 mb/d) and Ecuador (0.05 mb/d).** Minor revisions also took place in other countries. The quarterly distribution now stands at 48.55 mb/d, 47.82 mb/d, 48.62 mb/d and 49.51 mb/d respectively. The yearly average increase stands at 0.89 mb/d, compared with the 2002 figure.

Table 12
Non-OPEC oil supply in 2003
mb/d

	2002	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02
North America	14.48	14.69	14.41	14.74	14.85	14.67	0.20
Western Europe	6.63	6.73	6.19	6.10	6.45	6.37	–0.26
OECD Pacific	0.76	0.67	0.65	0.68	0.58	0.64	–0.11
Total OECD	**21.86**	**22.10**	**21.24**	**21.52**	**21.87**	**21.68**	**–0.18**
Other Asia	2.27	2.37	2.36	2.37	2.41	2.38	0.11
Latin America	3.87	3.87	3.79	3.91	3.95	3.88	0.01
Middle East	2.06	2.04	2.00	1.97	1.97	2.00	–0.07
Africa	3.03	2.90	2.96	3.07	3.23	3.04	0.02
Total DCs	**11.23**	**11.18**	**11.10**	**11.33**	**11.56**	**11.29**	**0.06**
FSU	9.34	9.88	10.09	10.43	10.67	10.27	0.93
Other Europe	0.18	0.17	0.18	0.17	0.17	0.17	0.00
China	3.39	3.40	3.44	3.38	3.40	3.41	0.01
Total "Other regions"	**12.91**	**13.46**	**13.71**	**13.98**	**14.24**	**13.85**	**0.94**
Total non-OPEC production	**46.01**	**46.74**	**46.06**	**46.83**	**47.68**	**46.83**	**0.82**
Processing gains	1.73	1.81	1.77	1.79	1.83	1.80	0.07
Total non-OPEC supply	**47.74**	**48.55**	**47.82**	**48.62**	**49.51**	**48.63**	**0.89**
Previous estimate	47.74	48.62	47.98	48.68	49.61	48.73	0.99
Revision	**0.00**	**–0.07**	**–0.15**	**–0.07**	**–0.11**	**–0.10**	**–0.10**

Totals may not add due to independent rounding.

Non-OPEC supply for 2004 forecast at 49.95 mb/d, an increase of 1.32 mb/d over 2003

Forecast for 2004

Non-OPEC supply for 2004 is forecast to rise 1.32 mb/d. **Russia is expected to be the main contributor with around 0.54 mb/d, followed by Chad with 0.20 mb/d, Angola with 0.11 mb/d, Kazakhstan with 0.07 mb/d and Colombia adding 0.07 mb/d.** The quarterly distribution now stands at 49.78 mb/d, 49.11 mb/d, 49.99 mb/d and 50.90 mb/d respectively. The yearly average is forecast at 49.95 mb/d.

Table 13
Non-OPEC oil supply in 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**
North America	14.67	14.90	14.61	14.96	15.07	14.89	0.21
Western Europe	6.37	6.65	6.11	6.03	6.37	6.29	–0.08
OECD Pacific	0.64	0.62	0.59	0.63	0.53	0.59	–0.05
Total OECD	**21.68**	**22.17**	**21.32**	**21.62**	**21.98**	**21.77**	**0.09**
Other Asia	2.38	2.43	2.41	2.43	2.47	2.43	0.06
Latin America	3.88	4.02	3.94	4.10	4.14	4.05	0.17
Middle East	2.00	1.94	1.92	1.91	1.90	1.91	–0.08
Africa	3.04	3.39	3.45	3.56	3.72	3.53	0.49
Total DCs	**11.29**	**11.77**	**11.73**	**11.99**	**12.22**	**11.93**	**0.64**
FSU	10.27	10.47	10.70	11.05	11.31	10.88	0.61
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.38	3.42	3.36	3.38	3.39	–0.02
Total "Other regions"	**13.85**	**14.02**	**14.29**	**14.58**	**14.86**	**14.44**	**0.59**
Total non-OPEC production	**46.83**	**47.96**	**47.34**	**48.19**	**49.06**	**48.14**	**1.31**
Processing gains	1.80	1.82	1.77	1.80	1.84	1.81	0.01
Total non-OPEC supply	**48.63**	**49.78**	**49.11**	**49.99**	**50.90**	**49.95**	**1.32**
Previous estimate	48.73	49.70	49.11	49.84	50.79	49.87	1.14
Revision	**-0.10**	**0.07**	**0.00**	**0.14**	**0.11**	**0.08**	**0.18**

Totals may not add due to independent rounding.

Net FSU oil exports estimated at 6.37 mb/d for 2003, forecast at 6.81 mb/d for 2004

The FSU's net oil exports for 2004 are expected at 6.81 mb/d. The 2003 figure was revised down 0.01 mb/d to 6.37 mb/d, while figures for 2000-2002 remain almost unchanged from the last *MOMR*.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	**Year**
2000	3.97	4.13	4.47	4.01	**4.14**
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.76	5.85	5.49	**5.56**
2003 (estimate)	5.87	6.75	6.72	6.13	**6.37**
2004 (forecast)	6.36	7.16	7.15	6.57	**6.81**

OPEC natural gas liquids

OPEC NGL for 2004 forecast at 3.71 mb/d, an increase of 0.13 mb/d over 2003

The OPEC NGL figure for 2004 is forecast at 3.71 mb/d, an increase of 0.13 mb/d over the 2003 figure of 3.58 mb/d. Figures for 2000–2002 remain unchanged at 3.34 mb/d, 3.58 mb/d and 3.62 mb/d respectively, compared with the figures in the last *MOMR*.

OPEC NGL production — 2000–2004
mb/d

2000	**2001**	**2002**	1Q03	2Q03	3Q03	4Q03	**2003**	**Change 03/02**	**2004**	**Change 04/03**
3.34	**3.58**	**3.62**	3.44	3.59	3.64	3.64	**3.58**	-0.04	**3.71**	0.13

Available secondary sources put OPEC's January production at 28.10 mb/d

OPEC crude oil production

Available secondary sources indicate that OPEC output for January was 28.10 mb/d, an increase of 0.21 mb/d from the revised December figure of 27.88 mb/d. Table 15 shows OPEC production as reported by selected secondary sources. OPEC fourth-quarter production averaged 27.71 mb/d, and the 2003 yearly average stands at 26.94 mb/d.

Table 15
OPEC crude oil production based on secondary sources
1,000 b/d

	2002	3Q03	**Dec 03**	4Q03	2003	**Jan 04***	Jan-Dec
Algeria	864	1,160	1,183	1,178	1,134	**1,176**	–7
Indonesia	1,120	1,011	990	1,000	1,027	**984**	–6
IR Iran	3,416	3,784	3,870	3,856	3,757	**3,860**	–10
Iraq	2,000	1,046	1,960	1,845	1,311	**2,048**	88
Kuwait	1,885	2,130	2,202	2,195	2,171	**2,217**	15
SP Libyan AJ	1,314	1,425	1,447	1,445	1,422	**1,453**	6
Nigeria	1,969	2,182	2,288	2,271	2,130	**2,323**	36
Qatar	648	740	756	751	746	**758**	3
Saudi Arabia	7,535	8,533	8,410	8,409	8,708	**8,487**	77
UAE	1,988	2,261	2,246	2,210	2,243	**2,266**	20
Venezuela	2,586	2,565	2,535	2,548	2,290	**2,527**	–8
Total OPEC	**25,323**	**26,839**	**27,885**	**27,708**	**26,939**	**28,099**	**214**

Totals may not add due to independent rounding.
** Not all sources available.*

Rig Count

Non-OPEC rig count up 108 in January

Non-OPEC

Rig activity rose in January. North America gained 127 rigs, compared with the December figure. Canada's rig activity increased by 137 rigs to 554, Mexico added 2 rigs to 110, and the USA dropped 13 rigs to 1,101. Western Europe's rig activity declined by 14 rigs to 64, mainly on the UK's loss of 6 rigs to stand at 15 and Other West Europe shedding the same amount to total 30 rigs. Africa witnessed a decline of 10 rigs to 46.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	Dec 03	Jan 04	Change Dec03/Nov03
North America	1,162	1,496	333	1638	1,765	127
Western Europe	85	78	-7	78	64	–14
OECD Pacific	17	18	1	19	19	0
OECD	**1,264**	**1592**	**328**	**1735**	**1848**	**113**
Other Asia	111	117	7	118	122	4
Latin America	106	116	10	112	111	–1
Middle East	62	70	7	69	71	2
Africa	43	48	5	56	46	-10
DCs	**322**	**350**	**28**	**355**	**350**	**–5**
FSU	na	na	na	na	na	na
Other Europe	2	2	0	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,588**	**1,944**	**356**	**2,092**	**2,200**	**108**

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

OPEC rig count up 15 in January

OPEC

OPEC's rig count was 244 in January, an increase of 15 rigs compared to the December figure. Indonesia and Venezuela were the major contributors, each gaining 7 rigs over the month before to stand at 49 and 52 respectively, over last month's figures.

Table 17
OPEC rig count

	2002	2003	Change 03/02	Dec 03	Jan 04	Change Jan/ Dec
Algeria	20	20	0	20	20	0
Indonesia	46	45	–1	42	49	7
IR Iran	34	35	1	39	39	0
Iraq	na	na	na	na	na	na
Kuwait	6	5	–1	8	9	1
SP Libyan AJ	10	10	0	11	10	–1
Nigeria	12	10	–2	9	7	–2
Qatar	13	8	–5	8	8	0
Saudi Arabia	32	32	0	31	34	3
UAE	16	16	0	16	16	0
Venezuela	42	37	–6	45	52	7
Total OPEC	**231**	**217**	**–14**	**229**	**244**	**15**

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

Stock Movements

US commercial stocks saw a massive draw of 0.65 mb/d at the end of January

USA

Commercial oil stocks continued the downward trend observed last month, decreasing by 19.4 mb or a rate of 0.65 mb/d during the period 2–30 January 2004. The main contributors to this decline were distillate fuel and other oils. Despite this draw, commercial oil stocks remained at 4.8 mb or 0.5% above the same period last year. Crude oil stocks registered a build of 2.6 mb to 271.6 mb in January, recovering from a low of 264.0 mb in the week ending 9 January. Crude oil imports registered a slight increase of 40,000 b/d to 9.47 mb/d, while crude oil refinery inputs decreased by 0.51 mb/d to average 14.81 mb/d at the start of the heavy maintenance season. With the expected decline in crude runs, crude inventories may see a significant build at the end of February. Distillate fuel inventories fell 11.3 mb to 124.2 mb, with a large decrease seen in both low-sulphur (diesel fuel) distillate fuel and high-sulphur (heating oil) distillate fuel. Despite this seasonal draw, distillates remained at a comfortable level of 10.6 mb or 9.3% above a year ago, which was still within their seasonal range. Apparent demand saw a growth of about 0.43 mb/d to 4.30 mb/d confirming cold weather, while imports also increased by 0.13 mb/d to average 0.41 mb/d. Gasoline stocks showed a slight contra-seasonal draw of 0.7 mb to 205.6 mb. This was 2.7% or 5.8 mb below a year earlier due to lower imports which declined by 17.6% to 0.62 mb/d, mainly on the restraint of Venezuelan gasoline exports to the USA, as PDVSA shut the 77,000 b/d fluid catalytic cracker and 54,000 b/d reformer at its 305,000 b/d Cardon refinery for repairs. Gasoline demand registered a decline of around 4.6% to average 8.47 mb/d, which was 1.25% below this time last year.

During this period, the Strategic Petroleum Reserve (SPR) continued its upward trend, increasing by 2.9 mb to 641.1 mb, widening the y-o-y surplus to about 42 mb.

Table 18
US onland commercial petroleum stocks*
mb

	28 Nov 03	2 Jan 04	30 Jan 04	Jan/Dec	30 Jan 03	6 Feb 04 **
Crude oil (excl. SPR)	284.3	269.0	271.6	2.60	273.3	268.9
Gasoline	197.1	206.3	205.6	–0.70	211.4	204.4
Distillate fuel	131.1	135.5	124.2	–11.30	113.6	118.3
Residual fuel oil	35.3	38.8	37.1	–1.70	31.3	37.2
Jet fuel	37.8	38.1	39.2	1.10	40.5	39.2
Unfinished oils	84.0	76.1	82.0	5.90	80.0	83.9
Other oils	184.3	168.1	152.9	–15.20	157.6	150.4
Total	**953.8**	**931.9**	**912.5**	**–19.40**	**907.7**	**902.2**
SPR	633.4	638.2	641.1	2.90	599.2	641.9

* *At end of month, unless otherwise stated*
** *Latest available data at time of report's release*
Source: US Department of Energy's Energy Information Administration

During the week ending 6 February, total commercial oil stocks registered a draw of 10.3 mb to 902.2 mb, but still held a y-o-y surplus of 5.3 mb. Commercial crude oil stocks fell by 2.7 mb to 268.9 mb mainly due to a sharp drop in imports combined with a surprise increase in refinery inputs. Indeed, crude oil imports showed a loss of 1.0 mb/d to 8.4 mb/d in the previous week. Crude oil imports in the Gulf Coast (PADD III) were at 4.5 mb, the lowest level since the week ending 7 February 2003. Crude runs averaged 14.8 mb/d for a rise of 0.32 mb/d, the first weekly increase since the week ending 2 January 2004, which corresponded to a utilization rate of 90.3%. The repeated fall of commercial crude oil stocks below the mark set in 1998 by the US National Petroleum Council as the minimum for smooth domestic refinery operations indicates that the actual minimum number may be lower than 270 mb as several mergers and acquisitions have increased efficiencies and reduced the need for refiners to hold such high commercial crude stocks. Traders, however, seem yet to have to figure this out. As expected, distillate fuel stocks saw a draw of 5.9 mb to 118.3 mb due to colder weather, but remained 8.8 mb or 8% above last year's level at the same time. Gasoline stocks continued to counter the seasonal decline, decreasing by 1.2 mb to 204.4 mb to stand at 5.7 mb or 2.7% below a year ago.

The SPR registered a slight increase of 0.8 mb to 641.9 mb, leaving the y-o-y surplus at 42.7 mb.

Western Europe

Significant build of 0.34 mb/d in EU-16 at the end of January

Total stocks in EU-16 (EU plus Norway) reversed the trend observed last month, increasing by 10.1 mb or 0.34 mb/d to 1,068.0 mb, mainly due to a large build in products. Product stocks registered an increase of 11.4 mb to 633.1 mb, their highest level since May 2002. Crude oil stocks showed a draw of 1.3 mb to 434.9 mb for the third successive month but remained at a comfortable level of 5.2 mb or 1.2% above last year at the same time. This decline was mainly due to a rise in crude runs which increased by 30,000 b/d to 12.29 mb to stand 0.45 mb/d over last year's level. Gasoline stocks increased seasonally by 6.1 mb to 145.8 mb on the back of healthy demand and high freight rates which restricted transatlantic trade. Gasoline inventories were 1.6 mb or 1.1% above the same time last year. Distillate stocks showed a contra-seasonal build of 4.5 mb to 348.4 mb, placing them at a comfortable 15.3 mb or 4.6% over the previous year and at the highest January level since 1999. This build was mainly due to the unusual warmer climate as well as the rise in Russian exports. Residual fuel oil stocks remained almost unchanged at 112.5 mb, which was roughly 2.4 mb or 2.2% above last year at the same time.

Table 19
Western Europe's oil stocks*
mb

	Nov 03	Dec 03	Jan 04	Change Jan04/Dec03	Jan 03
Crude oil	441.3	436.2	434.9	**-1.3**	429.7
Mogas	138.8	139.7	145.8	6.1	144.2
Naphtha	25.5	25.5	26.4	0.9	23.1
Middle distillates	345.8	343.9	348.4	4.5	333.1
Fuel oils	112.9	112.7	112.5	**-0.1**	110.1
Total products	623.1	621.7	633.1	11.4	610.5
Overall total	**1,064.4**	**1,057.9**	**1,068.0**	10.1	**1,040.2**

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

Japan

Oil stocks in Japan reversed the previous trend to add 3.5 mb in December

At the end of December 2003, Japan's commercial oil stocks recuperated the previous month's loss increasing by 3.5 mb or 0.12 mb/d to 182.6 mb, which was a healthy 17.0 mb or 10.2% compared to the end of 2003. Crude oil stocks registered a huge build of 11.2 mb to 108.4 mb compared to the low level observed in November. This build came on the back of strong crude imports which outpaced a rise in crude inputs to refineries. Indeed, crude oil imports increased by more than 1 mb/d to 4.78 mb/d, mainly from Iran and the UAE, while crude runs registered only a slight rise of 0.3 mb/d to 4.31 mb/d. Crude oil inventories were 5.5 mb or 5.3% higher than last year's level at the same time. Distillate stocks experienced a considerable draw of 7.4 mb to 40.6 mb, but despite this draw the y-o-y surplus remained at 7.9 mb or 24%. The distillate component, kerosene, which is used for heating oil in Asia, declined a significant 24%, but was still about 35% above last year's level on the back of healthy demand, indicating that kerosene stocks were sufficient to meet winter demand. The other component of distillate fuel, gasoil, showed a build of 5% on weak demand or around 17% on the previous year. Gasoline stocks fell a slight 0.8 mb to 12.5 mb on rising domestic sales, despite the increase in gasoline imports.

Table 20
Japan's commercial oil stocks*
mb

	Oct 03	Nov 03	Dec 03	Change Dec/Nov	Dec 02
Crude oil	111.9	97.2	108.4	11.2	102.9
Gasoline	12.9	13.3	12.5	–0.8	12.4
Middle distillates	46.0	48.0	40.6	–7.4	32.7
Residual fuel oil	21.0	20.7	21.2	0.5	17.7
Total products	79.9	82.0	74.3	–7.7	62.8
Overall total**	**191.8**	**179.2**	**182.6**	**3.5**	**165.7**

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

Balance of Supply and Demand

2003 supply/demand difference revised up to 26.30 mb/d in January

The summarized supply/demand balance table for 2003 shows a downward revision to total non-OPEC supply of 0.10 mb/d to 52.20 mb/d and an upward revision to world oil demand of 0.10 mb/d to 78.51 mb/d, resulting in an estimated annual difference of around 26.30 mb/d. This represents a significant increase of 0.20 mb/d from the last *MOMR* figure, with a quarterly distribution of 27.09 mb/d, 24.90 mb/d, 25.93 mb/d and 27.29 mb/d respectively. Accordingly, downward revisions were made to the quarterly balance of 0.10 mb/d, 0.17 mb/d, 0.12 mb/d and 0.33 mb/d respectively. The quarterly balance figures now standing at -0.35 mb/d, 1.56 mb/d and 0.91 mb/d and 0.42 mb/d respectively.

Table 21
Summarized supply/demand balance for 2003
mb/d

	2002	1Q03	2Q03	3Q03	4Q03	**2003**
(a) World oil demand	76.99	79.08	76.31	78.19	80.44	78.51
(b) Non-OPEC supply$^{(1)}$	51.35	51.99	51.41	52.26	53.15	52.20
Difference (a – b)	**25.63**	**27.09**	**24.90**	**25.93**	**27.29**	**26.30**
OPEC crude oil production$^{(2)}$	25.32	26.74	26.46	26.84	27.71	26.94
Balance	**–0.31**	**–0.35**	**1.56**	**0.91**	**0.42**	**0.64**

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

2004 supply/demand difference expected at 26.18 mb/d

The summarized supply/demand balance table for 2004 shows world oil demand expected at 79.83 mb/d and total non-OPEC supply expected at 53.65 mb/d. This has resulted in a difference of around 26.18 mb/d, with a quarterly distribution of 26.65 mb/d, 24.95 mb/d, 25.83 mb/d and 27.28 mb/d respectively.

Table 22
Summarized supply/demand balance for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	78.51	80.08	77.74	79.56	81.93	79.83
(b) Non-OPEC supply$^{(1)}$	52.20	53.43	52.80	53.73	54.64	53.65
Difference (a – b)	**26.30**	**26.65**	**24.95**	**25.83**	**27.28**	**26.18**
OPEC crude oil production$^{(2)}$	26.94					
Balance	**0.64**					

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

Table 23
World oil demand/supply balance

mb/d

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	47.7	47.8	47.8	47.7	49.4	47.2	48.0	49.3	48.5	49.6	47.5	48.4	49.8	48.8
North America	23.8	24.1	24.0	24.2	24.6	24.2	24.9	24.7	24.6	24.8	24.4	25.2	25.1	24.9
Western Europe	15.2	15.1	15.3	15.1	15.2	15.0	15.3	15.4	15.2	15.3	15.1	15.4	15.6	15.3
Pacific	8.7	8.6	8.5	8.5	9.6	8.0	7.9	9.2	8.7	9.6	8.0	7.9	9.1	8.6
DCs	18.9	19.2	19.5	19.7	19.5	19.6	20.0	20.1	19.8	19.9	20.2	20.5	20.7	20.3
FSU	4.0	3.8	3.9	3.8	4.0	3.3	3.7	4.5	3.9	4.1	3.5	3.9	4.7	4.1
Other Europe	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.8	0.8	0.7	0.8	0.8
China	4.2	4.7	4.7	5.0	5.4	5.5	5.8	5.7	5.6	5.7	5.7	6.0	6.0	5.9
(a) Total world demand	75.5	76.2	76.7	77.0	79.1	76.3	78.2	80.4	78.5	80.1	77.7	79.6	81.9	79.8
Non-OPEC supply														
OECD	21.3	21.9	21.8	21.9	22.1	21.2	21.5	21.9	21.7	22.2	21.3	21.6	22.0	21.8
North America	14.0	14.2	14.3	14.5	14.7	14.4	14.7	14.8	14.7	14.9	14.6	15.0	15.1	14.9
Western Europe	6.6	6.8	6.7	6.6	6.7	6.2	6.1	6.4	6.4	6.6	6.1	6.0	6.4	6.3
Pacific	0.7	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6
DCs	10.7	10.9	10.9	11.2	11.2	11.1	11.3	11.6	11.3	11.8	11.7	12.0	12.2	11.9
FSU	7.5	7.9	8.5	9.3	9.9	10.1	10.4	10.7	10.3	10.5	10.7	11.0	11.3	10.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total non-OPEC supply	44.5	45.7	46.4	47.7	48.5	47.8	48.6	49.5	48.6	49.8	49.1	50.0	50.9	49.9
OPEC NGLs + non-conventional oils	3.2	3.3	3.6	3.6	3.4	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
(b) Total non-OPEC supply and OPEC NGLs	47.7	49.1	50.0	51.4	52.0	51.4	52.3	53.1	52.2	53.4	52.8	53.7	54.6	53.7
OPEC crude oil production (secondary sources)	26.5	28.0	27.2	25.3	26.7	26.5	26.8	27.7	26.9					
Total supply	74.2	77.1	77.2	76.7	78.7	77.9	79.1	80.9	79.1					
Balance (stock change and miscellaneous)	-1.4	0.9	0.5	-0.3	-0.4	1.6	0.9	0.4	0.6					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2446	2530	2621	2465	2407	2525	2563	2521						
OECD SPR	1284	1268	1285	1343	1357	1361	1379	1396						
OECD total	3730	3798	3906	3807	3764	3886	3942	3916						
Other onland	997	1016	1045	1018	1007	1039	1054	1047						
Oil-on-water	808	876	831	815	857	886	874	875 e)						
Total stock	5535	5690	5782	5641	5629	5811	5870	5839						
Days of forward consumption in OECD														
Commercial onland stocks	51	53	55	51	51	53	52	51						
SPR	27	27	27	28	29	28	28	28						
Total	78	79	82	79	80	81	80	79						
Memo items														
FSU net exports	3.4	4.1	4.6	5.6	5.9	6.7	6.7	6.1	6.4	6.4	7.2	7.2	6.6	6.8
(a) - (b)	27.9	27.1	26.7	25.6	27.1	24.9	25.9	27.3	26.3	26.7	24.9	25.8	27.3	26.2

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

e = Estimated

Table 24

World oil demand/supply balance: changes from last month's table †

mb/d

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
North America	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.2	-	-	-	-	0.2	-
(a) Total world demand	-	-	-	-	-	-	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.2
Non-OPEC supply														
OECD	-	-	-	-	-0.1	-0.1	-	-0.1	-0.1	-0.1	-0.2	-	-0.1	-0.1
North America	-	-	-	-	-0.1	-0.1	-	0.1	-	-	-	0.1	0.2	0.1
Western Europe	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.3	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1
DCs	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.2	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	0.1	-	0.1	0.1	0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.1	-0.1
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-0.1	-0.2	-0.1	-0.1	-0.1	0.1	-0.1	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	0.1						
Total supply	-	-	-	-	-0.1	-0.2	-	-						
Balance (stock change and miscellaneous)	-	-	-	-	-0.1	-0.2	-0.1	-0.3						
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-	-	-	-6.5	-						
OECD SPR	-	-	-	-	-	-	-	-						
OECD total	-	-	-	-	-	-	-6.4	-						
Other onland	-	-	-	-	-	-	-1.7	-						
Oil on water	-	-	-	-	-	-	1.4	-						
Total stock	-	-	-	-	-	-	-6.8	-						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Memo items														
FSU net exports	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
(a) - (b)	-	-	-	-	0.1	0.2	0.1	0.4	0.2	-	0.2	0.1	0.4	0.2

† *This compares Table 23 in this issue of the MOMR with Table 23 in the January 2004 issue.*

This table shows only where changes have occurred.

Table 25
World oil stocks (excluding former CPEs) at end of period

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Closing stock level *mb*																		
OECD onland commercial	2,615	2,698	2,446	2,530	2,621	2,465	2,525	2,597	2,661	2,621	2,598	2,648	2,567	2,465	2,407	2,525	2,563	2,521
North America	1,211	1,283	1,127	1,146	1,263	1,172	1,159	1,231	1,269	1,263	1,235	1,262	1,216	1,172	1,098	1,178	1,195	1,176
Western Europe	912	963	881	930	915	883	918	909	918	915	927	939	912	883	896	895	908	917
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	428
OECD SPR	1,254	1,302	1,284	1,268	1,285	1,343	1,269	1,267	1,267	1,285	1,303	1,314	1,319	1,343	1,357	1,361	1,379	1,396
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640
Western Europe	329	362	346	354	353	352	351	347	345	353	353	348	344	352	363	358	360	362
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	393
OECD total	**3,869**	**4,000**	**3,730**	**3,798**	**3,906**	**3,807**	**3,794**	**3,864**	**3,928**	**3,906**	**3,901**	**3,962**	**3,886**	**3,807**	**3,764**	**3,886**	**3,942**	**3,916**
Other onland	1,035	1,070	997	1,016	1,045	1,018	1,015	1,033	1,050	1,045	1,043	1,060	1,039	1,018	1,007	1,039	1,054	1,047
Oil-on-water	812	859	808	876	831	815	903	829	870	831	797	806	804	815	857	886	874	875 e)
Total stock	**5,715**	**5,929**	**5,535**	**5,690**	**5,782**	**5,641**	**5,712**	**5,726**	**5,848**	**5,782**	**5,740**	**5,828**	**5,729**	**5,641**	**5,629**	**5,811**	**5,870**	**5,839**
Days of forward consumption in OECD																		
OECD onland commercial	56	57	51	53	55	51	54	55	55	54	56	56	52	50	51	53	52	51
North America	52	54	47	48	52	48	49	51	53	53	51	52	50	48	45	47	48	47
Western Europe	60	63	58	61	61	58	62	59	59	60	63	62	59	58	60	59	59	60
OECD Pacific	58	52	51	53	52	47	56	57	54	49	57	56	47	43	51	57	50	45
OECD SPR	27	27	27	27	27	28	27	27	26	27	28	28	27	27	29	28	28	28
North America	24	24	24	23	23	24	23	23	23	23	23	24	24	24	25	25	25	26
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24
OECD Pacific	43	42	43	43	45	45	47	47	43	42	51	48	42	41	49	50	43	41
OECD total	**83**	**84**	**78**	**79**	**82**	**79**	**81**	**81**	**82**	**81**	**84**	**83**	**79**	**77**	**80**	**81**	**80**	**79**
Days of global forward consumption	**88**	**89**	**83**	**84**	**86**	**83**	**86**	**85**	**86**	**86**	**87**	**86**	**83**	**82**	**84**	**85**	**85**	**84**

e = Estimated

Table 26
Non-OPEC supply and OPEC natural gas liquids
mb/d

	1999	2000	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03
USA	8.11	8.11	8.05	8.04	-0.01	8.07	7.81	7.80	7.88	7.89	-0.15	8.05	7.79	7.79	7.86	7.87	-0.02
Canada	2.59	2.68	2.73	2.84	0.12	2.88	2.85	3.10	3.12	2.99	0.15	3.10	3.08	3.34	3.36	3.22	0.23
Mexico	3.35	3.45	3.57	3.59	0.03	3.75	3.75	3.84	3.85	3.80	0.20	3.75	3.75	3.84	3.85	3.80	0.00
North America	**14.04**	**14.25**	**14.34**	**14.48**	**0.13**	**14.69**	**14.41**	**14.74**	**14.85**	**14.67**	**0.20**	**14.90**	**14.61**	**14.96**	**15.07**	**14.89**	**0.21**
Norway	3.06	3.32	3.42	3.33	-0.09	3.40	3.16	3.12	3.37	3.26	-0.07	3.40	3.16	3.12	3.37	3.26	0.00
UK	2.84	2.70	2.53	2.50	-0.03	2.52	2.23	2.18	2.25	2.29	-0.21	2.40	2.13	2.08	2.14	2.19	-0.11
Denmark	0.30	0.36	0.35	0.37	0.02	0.38	0.36	0.36	0.38	0.37	0.00	0.39	0.37	0.37	0.39	0.38	0.01
Other Western Europe	0.43	0.41	0.40	0.43	0.03	0.44	0.43	0.44	0.45	0.44	0.01	0.46	0.45	0.46	0.47	0.46	0.02
Western Europe	**6.63**	**6.80**	**6.70**	**6.63**	**-0.07**	**6.73**	**6.19**	**6.10**	**6.45**	**6.37**	**-0.26**	**6.65**	**6.11**	**6.03**	**6.37**	**6.29**	**-0.08**
Australia	0.59	0.77	0.71	0.70	0.00	0.62	0.60	0.63	0.54	0.60	-0.10	0.57	0.55	0.58	0.49	0.55	-0.05
Other Pacific	0.07	0.06	0.06	0.05	-0.01	0.05	0.05	0.05	0.04	0.05	-0.01	0.05	0.05	0.05	0.04	0.05	0.00
OECD Pacific	**0.66**	**0.83**	**0.77**	**0.76**	**-0.01**	**0.67**	**0.65**	**0.68**	**0.58**	**0.64**	**-0.11**	**0.62**	**0.59**	**0.63**	**0.53**	**0.59**	**-0.05**
Total OECD*	**21.33**	**21.89**	**21.81**	**21.86**	**0.05**	**22.10**	**21.24**	**21.52**	**21.87**	**21.68**	**-0.18**	**22.17**	**21.32**	**21.62**	**21.98**	**21.77**	**0.09**
Brunei	0.18	0.19	0.20	0.20	0.01	0.20	0.21	0.21	0.22	0.21	0.01	0.21	0.22	0.22	0.22	0.22	0.01
India	0.75	0.74	0.73	0.75	0.01	0.75	0.72	0.76	0.79	0.76	0.01	0.76	0.74	0.78	0.81	0.77	0.01
Malaysia	0.70	0.69	0.68	0.71	0.03	0.74	0.77	0.77	0.77	0.76	0.05	0.76	0.79	0.79	0.78	0.78	0.02
Vietnam	0.26	0.31	0.34	0.34	0.00	0.36	0.36	0.33	0.34	0.35	0.00	0.36	0.36	0.33	0.34	0.35	0.00
Asia others	0.24	0.25	0.25	0.26	0.01	0.31	0.29	0.29	0.29	0.30	0.03	0.33	0.31	0.31	0.31	0.32	0.02
Other Asia	**2.13**	**2.18**	**2.20**	**2.27**	**0.07**	**2.37**	**2.36**	**2.37**	**2.41**	**2.38**	**0.11**	**2.43**	**2.41**	**2.43**	**2.47**	**2.43**	**0.06**
Argentina	0.84	0.80	0.82	0.80	-0.02	0.78	0.77	0.75	0.76	0.77	-0.03	0.77	0.77	0.77	0.77	0.77	0.00
Brazil	1.36	1.49	1.56	1.72	0.16	1.77	1.72	1.79	1.76	1.76	0.04	1.78	1.74	1.80	1.77	1.77	0.01
Colombia	0.82	0.70	0.61	0.58	-0.03	0.56	0.55	0.55	0.54	0.55	-0.03	0.60	0.58	0.59	0.58	0.59	0.04
Ecuador	0.38	0.40	0.41	0.40	-0.01	0.39	0.37	0.43	0.50	0.42	0.02	0.45	0.42	0.50	0.58	0.49	0.07
Trinidad & Tobago	0.14	0.14	0.13	0.15	0.02	0.15	0.16	0.17	0.17	0.16	0.01	0.19	0.20	0.21	0.21	0.20	0.04
L. America others	0.22	0.22	0.23	0.22	-0.01	0.22	0.22	0.22	0.22	0.22	0.00	0.23	0.23	0.23	0.23	0.23	0.01
Latin America	**3.76**	**3.75**	**3.76**	**3.87**	**0.11**	**3.87**	**3.79**	**3.91**	**3.95**	**3.88**	**0.01**	**4.02**	**3.94**	**4.10**	**4.14**	**4.05**	**0.17**
Bahrain	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	-0.01	0.19	0.19	0.19	0.19	0.19	0.00
Oman	0.91	0.95	0.95	0.90	-0.05	0.85	0.83	0.81	0.82	0.83	-0.08	0.79	0.79	0.79	0.79	0.79	-0.04
Syria	0.55	0.52	0.52	0.51	-0.01	0.55	0.54	0.53	0.52	0.54	0.03	0.52	0.51	0.50	0.50	0.51	-0.03
Yemen	0.42	0.45	0.47	0.46	-0.01	0.46	0.45	0.44	0.44	0.45	-0.02	0.44	0.43	0.43	0.42	0.43	-0.01
Middle East	**2.06**	**2.12**	**2.12**	**2.06**	**-0.06**	**2.04**	**2.00**	**1.97**	**1.97**	**2.00**	**-0.07**	**1.94**	**1.92**	**1.91**	**1.90**	**1.91**	**-0.08**
Angola	0.76	0.75	0.74	0.89	0.15	0.83	0.88	0.88	0.90	0.87	-0.02	0.94	0.99	0.98	1.01	0.98	0.11
Chad	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.06	0.02	0.02	0.22	0.22	0.23	0.23	0.23	0.20
Congo	0.27	0.27	0.27	0.25	-0.01	0.24	0.24	0.24	0.24	0.24	-0.01	0.24	0.24	0.24	0.24	0.24	0.00
Egypt**	0.83	0.80	0.76	0.75	-0.01	0.76	0.76	0.74	0.74	0.75	0.00	0.76	0.76	0.74	0.74	0.75	0.00
Equatorial Guinea**	0.09	0.11	0.14	0.20	0.06	0.20	0.19	0.25	0.32	0.24	0.04	0.26	0.25	0.32	0.42	0.31	0.07
Gabon	0.36	0.34	0.31	0.30	-0.01	0.23	0.25	0.25	0.25	0.25	-0.06	0.25	0.27	0.27	0.27	0.26	0.02
South Africa	0.17	0.18	0.18	0.19	0.01	0.19	0.19	0.20	0.23	0.20	0.01	0.21	0.21	0.22	0.25	0.22	0.02
Sudan	0.06	0.18	0.21	0.24	0.03	0.25	0.25	0.28	0.28	0.27	0.03	0.27	0.27	0.30	0.30	0.29	0.02
Africa other	0.23	0.22	0.20	0.20	0.00	0.19	0.20	0.20	0.20	0.20	0.00	0.24	0.25	0.25	0.26	0.25	0.05
Africa	**2.78**	**2.84**	**2.80**	**3.03**	**0.23**	**2.90**	**2.96**	**3.07**	**3.23**	**3.04**	**0.02**	**3.39**	**3.45**	**3.56**	**3.72**	**3.53**	**0.49**
Total DCs	**10.73**	**10.89**	**10.88**	**11.23**	**0.35**	**11.18**	**11.10**	**11.33**	**11.56**	**11.29**	**0.06**	**11.77**	**11.73**	**11.99**	**12.22**	**11.93**	**0.64**
FSU	**7.47**	**7.91**	**8.53**	**9.34**	**0.82**	**9.88**	**10.09**	**10.43**	**10.67**	**10.27**	**0.93**	**10.47**	**10.70**	**11.05**	**11.31**	**10.88**	**0.61**
Russia	6.14	6.49	6.99	7.64	0.65	8.10	8.31	8.65	8.78	8.46	0.82	8.62	8.84	9.20	9.35	9.00	0.54
Kazakhstan	0.61	0.71	0.79	0.94	0.15	1.01	1.02	0.99	1.10	1.03	0.09	1.08	1.09	1.06	1.18	1.10	0.07
Azerbaijan	0.28	0.27	0.30	0.32	0.02	0.32	0.31	0.32	0.32	0.32	0.00	0.32	0.31	0.32	0.32	0.32	0.00
FSU Others	0.44	0.44	0.44	0.45	0.01	0.45	0.46	0.47	0.47	0.46	0.02	0.45	0.46	0.47	0.47	0.46	0.00
Other Europe	**0.18**	**0.18**	**0.18**	**0.18**	**-0.01**	**0.17**	**0.18**	**0.17**	**0.17**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**
China	**3.21**	**3.23**	**3.30**	**3.39**	**0.10**	**3.40**	**3.44**	**3.38**	**3.40**	**3.41**	**0.01**	**3.38**	**3.42**	**3.36**	**3.38**	**3.39**	**-0.02**
Non-OPEC production	**42.92**	**44.09**	**44.70**	**46.01**	**1.31**	**46.74**	**46.06**	**46.83**	**47.68**	**46.83**	**0.82**	**47.96**	**47.34**	**48.19**	**49.06**	**48.14**	**1.31**
Processing gains	1.58	1.65	1.69	1.73	0.04	1.81	1.77	1.79	1.83	1.80	0.07	1.82	1.77	1.80	1.84	1.81	0.01
Non-OPEC supply	**44.50**	**45.74**	**46.39**	**47.74**	**1.35**	**48.55**	**47.82**	**48.62**	**49.51**	**48.63**	**0.89**	**49.78**	**49.11**	**49.99**	**50.90**	**49.95**	**1.32**
OPEC NGL	3.02	3.18	3.40	3.42	0.01	3.34	3.43	3.49	3.49	3.44	0.03	3.40	3.43	3.49	3.49	3.46	0.02
Non-conventional oils	0.15	0.17	0.18	0.20	0.02	0.10	0.15	0.15	0.15	0.14	-0.06	0.25	0.25	0.25	0.25	0.25	0.11
OPEC NGLs + non-conventional oils	**3.16**	**3.34**	**3.58**	**3.62**	**0.03**	**3.44**	**3.59**	**3.64**	**3.64**	**3.58**	**-0.04**	**3.65**	**3.68**	**3.74**	**3.74**	**3.71**	**0.13**
Total Non-OPEC and OPEC NGLs	**47.66**	**49.09**	**49.97**	**51.35**	**1.38**	**51.99**	**51.41**	**52.26**	**53.15**	**52.20**	**0.85**	**53.43**	**52.80**	**53.73**	**54.64**	**53.65**	**1.45**

Note: Totals may not add up due to independent rounding.
** Former East Germany is included in the OECD.*
*** Please note Egypt and Equatorial Guinea have now been listed in alphabetical order.*

Table 27
Non-OPEC Rig Count

	2000	1Q01	2Q01	3Q01	4Q01	2001	Change 01/00	1Q02	2Q02	3Q02	4Q02	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Jan04	Change Jan04-Dec03
USA	916	1,141	1,239	1,231	1,004	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	1,101	-13
Canada	344	515	252	320	278	342	-2	383	147	250	283	266	-76	494	203	383	408	372	554	137
Mexico	44	50	48	56	62	54	10	63	61	62	76	65	11	82	84	96	107	92	110	3
North America	**1,305**	**1,706**	**1,539**	**1,607**	**1,344**	**1,552**	**247**	**1,264**	**1,014**	**1,165**	**1,206**	**1,162**	**-390**	**1,476**	**1,315**	**1,567**	**1,624**	**1,496**	**1,765**	**127**
Norway	22	24	22	22	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	16	-1
UK	18	18	25	28	26	24	6	28	30	24	23	26	2	19	21	22	16	20	15	-6
Denmark	3	4	5	4	5	4	1	5	4	3	5	4	0	3	5	3	4	4	3	-1
Other Western Europe	82	43	44	42	47	44	-38	39	38	33	34	36	-8	36	34	38	37	36	30	-6
Western Europe	**125**	**89**	**95**	**96**	**100**	**95**	**-30**	**92**	**91**	**76**	**81**	**85**	**-10**	**77**	**78**	**83**	**75**	**78**	**64**	**-14**
Australia	10	11	11	10	10	10	0	9	9	9	9	9	-2	10	10	11	13	11	13	0
Other Pacific	7	10	9	8	10	9	2	8	7	7	10	8	-1	8	7	8	6	7	6	0
OECD Pacific	**17**	**20**	**20**	**18**	**20**	**20**	**3**	**17**	**16**	**16**	**19**	**17**	**-3**	**18**	**17**	**18**	**19**	**18**	**19**	**0**
Total OECD*	**1,447**	**1,815**	**1,655**	**1,721**	**1,464**	**1,667**	**220**	**1,373**	**1,121**	**1,257**	**1,306**	**1,264**	**-403**	**1,571**	**1,411**	**1,669**	**1,719**	**1,592**	**1,848**	**113**
Brunei	2	3	3	2	2	3	1	2	3	3	3	3	0	3	4	4	2	3	3	1
India	49	51	48	50	50	50	1	52	54	55	57	55	5	59	60	61	62	60	62	0
Malaysia	7	10	11	13	12	11	4	12	13	15	14	14	2	14	13	16	15	14	17	3
Papua New Guinea	0	0	1	2	1	1	1	1	1	1	1	1	0	1	2	2	1	2	3	2
Vietnam	8	9	8	8	8	8	0	8	8	9	10	9	0	9	9	10	8	9	9	0
Asia others	16	22	23	24	18	22	5	26	29	33	32	30	8	31	28	26	30	29	28	-2
Other Asia	**83**	**96**	**95**	**98**	**90**	**95**	**12**	**100**	**109**	**116**	**117**	**111**	**16**	**117**	**115**	**119**	**118**	**117**	**122**	**4**
Argentina	57	69	74	77	64	71	14	49	45	49	54	49	-22	59	66	59	57	60	64	4
Brazil	23	28	30	29	26	28	5	27	27	27	26	27	-2	27	27	27	25	26	22	-2
Colombia	14	15	16	14	16	15	1	13	13	10	9	11	-4	10	9	11	12	11	9	-2
Ecuador	7	9	10	10	11	10	3	10	9	8	8	9	-1	9	11	8	8	9	6	-1
Peru	4	4	4	3	3	4	0	2	2	2	1	2	-2	2	2	3	3	3	2	0
Trinidad & Tobago	4	6	5	4	5	5	1	5	4	4	4	4	-1	3	3	3	3	3	3	0
L. America others	12	9	8	6	6	7	-4	4	4	4	5	5	-3	3	4	4	5	4	5	0
Latin America	**120**	**141**	**147**	**144**	**130**	**141**	**20**	**110**	**103**	**104**	**107**	**106**	**-35**	**113**	**121**	**114**	**114**	**116**	**111**	**-1**
Bahrain		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	24	24	25	26	25	1	27	29	30	32	29	5	33	34	36	36	35	37	0
Syria	14	19	19	20	19	19	5	20	21	23	24	22	3	23	23	26	23	24	25	1
Yemen	6	6	6	5	6	6	0	8	9	9	11	9	3	11	10	9	7	9	8	1
Middle East	**45**	**49**	**49**	**49**	**51**	**50**	**5**	**57**	**60**	**64**	**69**	**62**	**12**	**70**	**68**	**72**	**68**	**70**	**71**	**2**
Angola	6	6	5	4	6	5	0	5	6	6	5	5	0	3	4	3	6	4	4	-3
Cameroon		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	2	1	1	1	-1	1	1	1	1	1	0	0	1	1	2	1	2	-2
Egypt	18	21	22	22	23	22	4	22	23	22	23	23	1	26	26	27	26	26	26	-1
Gabon	2	2	4	1	1	2	0	1	2	2	2	2	0	3	4	1	3	3	2	-1
South Africa	1	2	1	0	1	1	0	1	1	1	0	1	0	0	1	0	1	0	0	-1
Africa other	5	4	5	5	3	4	0	11	12	12	12	12	7	12	14	12	14	13	12	-2
Africa	**34**	**36**	**40**	**34**	**35**	**36**	**2**	**41**	**45**	**44**	**43**	**43**	**7**	**45**	**50**	**44**	**51**	**48**	**46**	**-10**
Total DCs	**282**	**322**	**330**	**325**	**307**	**321**	**40**	**307**	**317**	**328**	**336**	**322**	**1**	**346**	**354**	**350**	**350**	**350**	**350**	**-5**
FSU																				
Other Europe	**3**	**3**	**3**	**3**	**4**	**3**	**0**	**2**	**2**	**2**	**2**	**2**	**-1**	**2**	**2**	**2**	**2**	**2**	**2**	**0**
China																				
Non-OPEC Rig count	**1,732**	**2,140**	**1,988**	**2,049**	**1,774**	**1,991**	**260**	**1,682**	**1,440**	**1,587**	**1,644**	**1,588**	**-403**	**1,919**	**1,767**	**2,021**	**2,071**	**1,944**	**2,200**	**108**

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

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Data is provided by Data Services Department.
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Data Summary February 2004

OPEC Basket average price

US$ per barrel

⬆ *up 0.89 in January*

January 2004	***30.33***
December 2003	*29.44*
Year-to-date	*30.33*

January OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.17*	*Kuwait*	*2.22*	*Saudi Arabia*	*8.49*
Indonesia	*0.98*	*SP Libyan AJ*	*1.45*	*UAE*	*2.27*
IR Iran	*3.86*	*Nigeria*	*2.32*	*Venezuela*	*2.53*
Iraq	*2.05*	*Qatar*	*0.76*	***TOTAL***	***28.10***

Supply and demand

in million barrels per day

2003		**2004**	
World demand	*78.50*	*World demand*	*79.83*
Non-OPEC supply	*52.20*	*Non-OPEC supply*	*53.65*
Difference	***26.30***	***Difference***	***26.18***

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

Stocks

Commercial oil stocks registered a massive draw of 0.65 mb/d in USA in January

World economy

World GDP growth revised up to 3.6% for 2003 and up to 4.3% for 2004

Issued 18 Febuary 2004
Next report to be issued on 18 March 2004

Data covers period up to end of January 2004 unless otherwise stated