OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

September 2004

Feature Article:

The relation between the supply/demand balance and global stock change

Obere Donaustrasse 93, A-1020 Vienna, Austria

Tel: +43 1 21112   Fax: +43 1 2164320   E-mail: prid@opec.org   Web site: www.opec.org

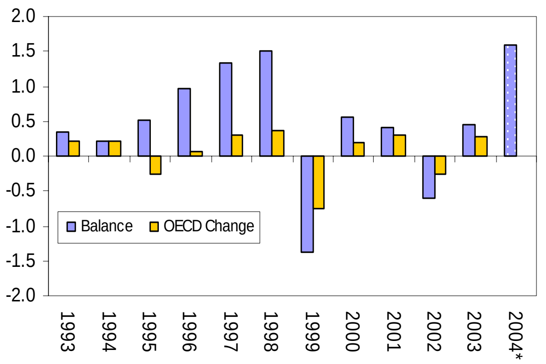
Oil Market Highlights

- Following the second quarter slowdown the world economy looks set for trend-like growth in the remainder of 2004. The balance of growth may be different from earlier in the year, with Europe set to improve and Asia under pressure from declining export growth. Latest data from China suggests that industrial activity has recovered rapidly from the investment-related weakness in the second quarter. Despite the restrictive measures, exports and domestic demand grew strongly in August and producer price inflation rose to 6.8%. If the authorities are forced to raise interest rates to cool the economy, the impact on Japan and other Asian suppliers of investment goods could be dramatic.
- Euro-zone activity has improved in recent months with France in the lead. Domestic demand in Germany has finally shown signs of improvement and the German GDP forecast for 2004 has been raised by 0.2%. The Japanese economy is expected to recover from a very weak second quarter as the outlook for corporate investment remains healthy. There are no changes to the US or Japanese GDP growth forecasts for 2004 or 2005.
- As a result of the revision to the German growth forecast, the Euro-zone estimate for 2004 has been increased to 2%. In turn this raises the overall OECD forecast to 3.6%. The forecast for Russia is held steady at 7% and the forecasts for Africa, Latin America, Asia (excluding Japan) and Developing Countries as a whole are also largely unchanged although the forecast for OPEC Member Countries is increased by 0.3%. The GDP growth forecast for the world economy is slightly higher at 4.8% for 2004.
- The forecasts for 2005 imply a return to more normal growth rates following the sharp economic recovery which began in 2003. The OECD region is expected to grow by 3% in 2005 with the US economy achieving 3.5%. The Euro-zone growth rate is forecast to increase to 2.2% in 2005 but the Japanese economy may slow, growing by only 2.1% as exports may be limited by lower Chinese and American demand. Developing economies are also expected to grow more slowly in 2005 and the world economy as a whole is forecast to grow by 4.3% in 2005.
- In August, all recent record-highs were obscured by the dramatic surge in the OPEC Reference Basket. On a monthly basis, the 11% rise of almost $4/b took the Basket average well above $40/b for the first time since the Organization adopted the price marker. The $41.94/b weekly average for the week ending 19 August constitutes another all-time record high, while the $43.16/b reached on 8 August set a new record daily average. The year-to-date average widened by more than 21% or $6/b compared to 2003. On a weekly basis, the month started with the Basket surging by 4.6% or $1.72/b to average $39.12/b. This was followed by further gains of $0.96/b and $1.86/b in the next two weeks. Then the Basket saw a downturn losing 61¢/b or almost 1.5% to average $41.33/b. The fall extended into the month of September with the Basket losing $2.44/b or close to 6% of its value in the week ending 2 September which took the average below the $40/b mark to $38.89/b. The Basket continued to fall in the following week, although at a slower pace, shedding 27¢/b to close at $38.62/b.
- With the end of the driving season, the market's focus has shifted from gasoline to middle distillates, which are now leading the product markets. In August, higher gasoline output and a lower-than-normal stock-draw undermined gasoline prices across the globe. This, coupled with the strong prices for light crude oil, resulted in a significant decline in refinery margins in the USA and Europe. In Asia, the performance of the product market outpaced the rise in the benchmark, while refinery margins in this area extended their previous upward trend. It is projected that, with the start of autumn refinery maintenance, the crack spread in the middle-of-the-barrel complex will remain strong.
- OPEC charterers refraining from fixing vessels given the very high freight rates, which touched unprecedented levels during the second half of July, pushed OPEC area spot chartering down during August. VLCC freight rates on the Middle East eastbound and westbound long-haul routes experienced large losses on lower spot fixtures due to slower tanker demand. The absence of most charterers because of summer vacations weighed on product freight rates which loosened along all main routes, especially within the Mediterranean basin.
- The 2004 and 2005 world oil demand forecasts have been revised up to 81.58 mb/d and 83.32 mb/d respectively, due to the exceptionally high demand growth seen in the second quarter of 2004 at 3.80 mb/d or 4.95%. This represents both the largest quarterly volume increment and the highest growth rate in any quarter since 1985. The previous high for the quarterly increment, which compares the quarter with corresponding one in the preceding year, was the 3.15 mb/d seen in the third quarter of 1997. The previous high for quarterly growth was the 4.69% registered in the fourth quarter of 1988.
- OPEC crude oil production in August, based on secondary sources, is estimated at 29.79 mb/d, 0.26 mb/d above the revised July figure. Non-OPEC oil supply for 2004 is estimated at 50.07 mb/d, which is 1.45 mb/d higher than the 48.62 mb/d estimated for 2003. Non-OPEC supply in 2005 is expected to reach 51.27 mb/d, an increase of 1.19 mb/d over the 2004 forecast. Net FSU exports for 2002 and 2003 are estimated at 5.55 mb/d and 6.46 mb/d respectively, and are expected to rise to 7.26 mb/d in 2004 and 7.78 mb/d in 2005.
- In August, total commercial oil stocks remained almost unchanged. The 12.9 mb draw on commercial crude oil stocks was offset by a build of the same amount in product inventories. Total commercial oil stocks are at comfortable levels registering a 23.5 mb or 2.5% y-o-y surplus. Total oil stocks in Europe displayed a build of 4.6 mb, with the large 9.6 mb increase in products abating the 5.0 mb draw on crude oil inventories. Despite this build, inventories were 9.6 mb or 1% below last year's level at this time. Japan's oil stocks rose a substantial 10.0 mb in July 2004, mainly due to a large increase of almost 7 mb in crude oil stocks, but still displayed a y-o-y shortage of 10.4%.

The relation between the supply/demand balance and global stock change

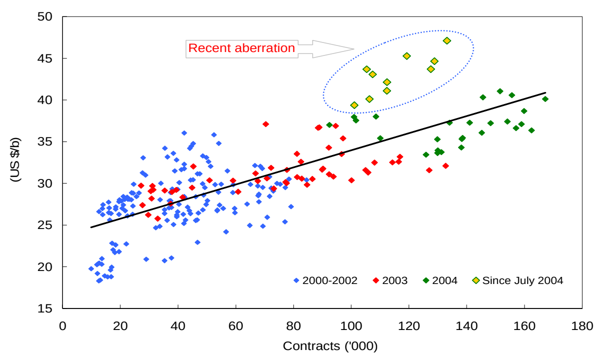
- World oil stocks, global oil supply and world oil demand are in theory linked through an identity, which is the change in total global oil stocks equals the amount of oil supplied to the world minus the level consumed. In determining this relationship, three pieces of information are available: the first two are demand and supply, which are arrived at according to a "bottom-up" approach, while the third, OECD stocks, is directly reported by the individual countries. The remaining information — non-OECD stocks and oil-on-water — is less certain as non-OECD stocks suffer from a lack of data and oil-on-water has to be estimated from trade sources.
- A further challenge in accurately determining the world oil balance is that the resultant number is a small difference between two rather large and approximately equal numbers, each of which carries its own uncertainty. As more data becomes available, these supply and demand numbers are typically subject to ongoing revisions. Such revisions usually decrease the uncertainty, but are never able to fully eliminate it. Given that the uncertainty for supply is around 300,000 b/d and that of demand is roughly 500,000 b/d, this would lead to an uncertainty for the balance at just over the uncertainty figure for demand. Consequently, any assessment based on a balance lower than this number can only be made with caution. However, when the balance is much larger than the uncertainty, this relation can serve as a useful tool to cross-check the part of the balance that is the difference between the stock change implied by the supply/demand balance with the stock change observed in the total OECD inventories.
- There are times, however, when the balance is both greater than the uncertainty but also larger than the actual oil inventories, leaving a number of barrels unaccounted for. At such times, it is important to determine the causes for these so-called "missing barrels," as they have the potential to increase price volatility. One likely explanation could be the limitations on the relative accuracy of oil data. First, data on oil demand and supply is of relatively limited accuracy, particularly in non-OECD countries. Second, data is not routinely collected on non-OECD stocks. Third, OECD countries stocks do not include secondary and tertiary inventories.

Graph 1: World oil balance vs. OECD stocks change (mb)



* estimated

Graph 2: Long position of non-commercial vs. WTI price



- Additionally, yearly historical data from 1999 to 2003 shows that the existence of a large amount of "missing barrels" in the balance usually indicates that the market is undergoing some kind of structural change. Hence, a large number of unaccounted for barrels can be seen in 1996, the year when the industry saw the adoption of just-in-time inventory management, as well as in 1997 and 1998 when the economic crisis in Asia led to a substantial collapse in demand (**Graph 1**).
- For this year, assuming that OPEC will continue to produce crude at the current high level, the year 2004 is also expected to see a considerable amount of excess supply. Of course, the bulk of this excess may not be the right crude to meet the needs of some markets for gasoline-rich sweet crudes. Still, with the yearly balance expected at well above 1 mb/d, the forecast level of excess crude may approach highs seen in 1997 and 1998. However, there is a fundamental difference in 2004 in that the year saw large demand growth of 2.5 mb/d, was preceded by substantial growth in 2003 of 1.5 mb/d and forecast to be followed by another strong demand increment of 1.7 mb/d in 2005.
- As has been mentioned, a large amount of missing barrels usually indicates a structural change in the market. In this case, the expected high level of unaccounted for barrels this year could be related to the recently observed changes that may have taken place in the market. One apparent change is the steeper inverse correlation between crude oil stocks and WTI prices, which has resulted in crude values and oil stocks rising in parallel. Another appears to have taken place in the futures market, where the relationship between the long positions of non-commercials and prices has recently resulted in a sharp upward trend away from the historical norm (**Graph 2**). However, it is not yet clear whether these changes are temporary or structural.

- The balance of 1.5 mb/d in 2Q04 is largely the result of OPEC's extensive efforts to maintain a sufficient supply of crude to the market in the face of the substantial and not fully anticipated surge in demand seen this year. However, despite the resulting rising of around 1.1 mb/d in OECD crude oil stocks to near normal levels in 2Q04, a number of factors have continued to maintain prices well beyond the levels justified by fundamentals, resulting in the previously mentioned aberrations from longstanding market trends. These factors include non-fundamentals, as well as bottlenecks in the downstream and concerns about the perceived tightness in spare production capacity, which is an understandable by-product of the higher output levels of OPEC Member Countries that are well above the "call on OPEC".
- Looking ahead to the likely impact of this projected level of excess crude on the oil market, one observes that in a normal balanced market and with the healthy stock levels seen recently — combined with continued robust economic and demand growth — excess supply of this magnitude for a reasonable and limited duration should exert only a moderating influence on prices. Secondly, once prices ease further to more reasonable levels, this excess supply will no longer be needed and would then revert back to being part of the spare capacity of OPEC Member Countries, thus removing one of the factors seen to be supporting high price levels. Together, these two moderating factors could be sufficient to return the market to normal trends and bring prices closer to the levels justified by fundamentals.
- The most recent OPEC decision to raise the production ceiling by 1 mb/d as of 1 November should be seen in light of the concerns listed above. It is also an effort by the Organization to bring prices down further to a more sustainable level, while ensuring that the increasing requirement for OPEC oil in the run up to the winter season is fully met. In moving ahead, however, close and continuous monitoring is necessary to ensure that any downward pressures do not become excessive.

132nd Meeting of the OPEC Conference
Vienna, Austria, 15 September 2004

The 132nd Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 15 September 2004, under the Chairmanship of its President, HE Dr Purnomo Yusgiantoro, Minister of Energy & Mineral Resources of Indonesia and Head of its Delegation, and its Alternate President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait and Head of its Delegation.

After warmly welcoming the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Energy & Mining of Sudan, the Minister of Petroleum & Mineral Resources of Syria, the Undersecretary for Hydrocarbons of Mexico and the Vice Minister of Industry & Energy of the Russian Federation, whose presence underlines the importance these countries attach to constructive dialogue and co-operation with OPEC and its Member Countries, the Conference again highlighted the importance of further strengthening effective co-operation with all non-OPEC producing countries in the interests of maintaining stability in the oil market with reasonable prices acceptable to both producers and consumers.

The Conference considered the Secretary General's report, the report of the Economic Commission Board, the report of the Ministerial Monitoring Sub-Committee (MMSC), chaired by HE Bijan Namdar Zangeneh, Minister of Petroleum of the Islamic Republic of Iran, whose Members the Conference again thanked for their continued efforts on the Organization’s behalf, and various administrative matters.

Having reviewed the current oil market, the Conference noted that higher crude oil prices are a result of such factors as the demand surge earlier in the year, especially in North America, China and Asian countries, geopolitical factors and concern about adequacy of spare capacity to meet possible supply disruptions, exacerbated by the significant impact of speculators and by tightness experienced in the downstream industry. It also observed that OPEC’s timely actions had been effective in ensuring that the market remains well supplied, resulting in commercial OECD stocks build-up to levels close to normal, thus succeeding in reversing the OPEC Reference Basket price trend down to levels around US$38/b.

In light of the foregoing, the Conference decided to raise the OPEC production ceiling (excluding Iraq) by 1.0 mb/d, to 27.0 mb/d, with effect from 1 November 2004, in order to bring prices down further to a more sustainable level, whilst, at the same time, vigilantly monitoring market developments. In taking this decision, the Organization reiterated its commitment to take action to stabilize the market at prices reasonable to both producers and consumers.

Taking into consideration the market outlook for 2005, with its concomitant uncertainties, especially in the first and second quarters, the Conference further decided to convene an Extraordinary Meeting in Cairo, Egypt, on 10 December 2004 to review market developments and take whatever measures are deemed appropriate at that time.

Taking this decision in recognition of the importance of maintaining oil market stability for the benefit of the world economy, as well as consumers and producers, the Conference expressed its expectation that non-OPEC oil producers will take concrete measures to actively share with the Organization the responsibility of maintaining price and market stability in 2005 and thereafter.

The Conference elected HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, as President of the Conference for one year, with effect from 1 January 2005, and HE Dr. Edmund M. Daukoru, Nigerian Presidential Adviser on Petroleum & Energy and Head of its Delegation, as Alternate President, for the same period.

The Conference appointed Mr. Hamid Dahmani, Governor for Algeria, as Chairman of the Board of Governors for the year 2005, and Dr. Maizar Rahman, Governor for Indonesia, as Alternate Chairman for the same period, with effect from 1 January 2005.

The Conference decided that its next Ordinary Meeting will convene in Mahmoud Abad, Islamic Republic of Iran, on 16 March 2005.

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

The Conference passed Resolutions that will be published on 15 October 2004, after ratification by Member Countries.

Highlights of the World Economy

Economic growth rates 2004-2005

%

	World	G-7	USA	Japan	Euro-zone
2004	4.8	3.5	4.3	4.3	2.0
2005	4.3	2.8	3.5	2.1	2.2

Industrialised countries

United States of America

Third quarter should see an improvement in US growth.
Poor second quarter current account data highlights ongoing risk of dollar weakness.

Approaching the end of the third quarter it appears that the US economy achieved reasonable growth of about 3-3.5% in this period on an annualized basis. Consumer spending improved after a poor spring and August retail sales were in line with expectations, falling back slightly from a very strong July. Consumer confidence data for August showed some improvement but the fundamental trend of the labour market is not yet clear. Initial jobless claims and payroll growth data remain volatile and the Florida hurricanes may have affected the reports for August. Business investment continues to grow thanks to healthy internal cash flow, rising orders and relatively low interest rates, and the commercial construction sector has started to expand after a long period of decline. The contribution of net exports to growth is always hard to predict but it is unlikely that the very poor trade performance of the second quarter will be repeated. In July the trade deficit narrowed slightly suggesting that the trade contribution to the third quarter as a whole may be neutral for GDP growth. Additions to inventories should also make a positive contribution to the growth rate and **US GDP should grow by about 4.3% in 2004. The outlook for 2005 is also good but the lower forecast of 3.5% reflects some consolidation of both consumer and investment spending**. August data showed that the prices of core commodities and materials continue to rise at high rates but confirmed that this cost inflation is not being passed through into the prices of finished consumer goods. This may reflect the lack of consumer demand in the second quarter. Overall the rate of consumer price inflation may rise towards 3% by the end of the year but the core rate (excluding food and energy) should stabilise at around 2%. Recent statements from members of the Federal Open Markets Committee indicate that there will be no change in the stance of monetary policy unless there is a surprise weakening in the economy. US short term interest rates will continue to rise slowly, probably in steps of 0.25%, and may reach 2% by the end of 2004. **A major uncertainty for 2005 is the outlook for the US dollar**. Despite the better July trade performance, the trend of the current account deficit is worrisome. **The second quarter deficit rose to $166 billion, a 13% increase on the first quarter and a 24% increase on the same quarter of 2003**. If the upward trend of US interest rates were to pause for any reason, overseas demand for the dollar might weaken especially in relation to the euro. The economic data from the Euro-zone showed a clear trend of improvement over the summer and the September bulletin of the European Central Bank was rather optimistic, expecting a stronger upswing during the course of 2005. Neverthelesss demand from Asia continues to provide strong support for the US dollar and thus far in 2004 the currency has performed well. In fact the volatility of all the major currencies has been remarkably low this year, which has probably contributed to the strength of the global economic recovery.

Japan

A 'soft landing' in China key to Japanese and Asian growth in 2005

Following the initial shock announcement of Japan's second quarter growth rate, most commentators had expected a significant upward revision. **In fact the second quarter growth performance was actually revised down to only 1.3% at an annualized rate**. The main revisions concerned investments in capital goods and inventory, although the estimates of public sector demand were also revised down. Japanese machinery orders fell sharply in July which also indicated that the fastest period of expansion in this economic cycle might have passed. The data for Japan has been exceptionally volatile in recent quarters as the economy has been driven by cycles in investment spending and exports. The outlook for the third quarter suggests a recovery since major customers, notably the USA and China, are continuing to grow although looking into 2005, Japan will need to depend more on domestic sources of demand. Next year, capital spending should benefit from the substantial improvements in corporate cash flow and hopes that deflationary pressures will ease. Consumer spending is a relatively stable component of GDP and the gradual decline in savings rates and the rise in non-manufacturing employment should keep the rate of growth of personal consumption in the region of 2% in 2005. The performance of exports in 2005 is hard to predict. **Growth in the USA and Europe will continue to support Japanese exports to some extent but the major uncertainty concerns China**. In the second quarter of

2004 the administrative measures of the Chinese authorities were successful in slowing the economy but preliminary data for the third quarter suggests that growth may be reaccelerating — especially in export sectors — and retail sales continue to grow at annual rates of well over 13%. The rate of consumer price inflation rose to 5.3% in August and corporate goods prices rose by 9.5% over 2003 levels. If the authorities find it necessary to raise interest rates and impose further restrictions on the availability of credit, the probability of a 'hard landing' would increase. **Japan, and many other Asian economies, would be badly affected if Chinese growth were to slow much below 8% in 2005**.

Euro-zone

Signs of recovery in German retail sector. ECB positive on growth prospects for 2005.

The detailed breakdown of second quarter GDP growth in the Euro-zone confirmed that only export growth provided any significant stimulus to the region's economy. Domestic demand rose by only 0.4% on an annualized basis whilst the growth rate of private consumption actually fell, from 2.4% in the first quarter to 1.2% in the second. Capital investment growth was sluggish, up by only 0.4% with weakness in Germany and the Netherlands offsetting growth recorded by France and Spain. Both exports and imports grew strongly and net exports contributed 1.2% out of total second quarter growth of 2%. Industrial activity benefitted from the rise in external demand, growing by about 4% at an annual rate over the three months to July. Although net trade will continue to make a positive contribution to European growth for the remainder of 2004 and 2005, the region requires this external stimulus to generate investment and employment in order to support sustained growth in domestic demand. Thus far in the recovery there has been substantial variation between countries. In the year to June 2004, domestic demand grew by over 4% in France, but declined by nearly 1% in Germany. In June and July there were some encouraging signs from Germany. Retail sales grew by 1.5%, month-on-month, in July and early estimates for the third quarter suggest that this quarter might see the first positive growth in German consumer spending for five quarters. **Taken together with better indications for industrial orders and exports, this data suggests that Germany had a strong start to the third quarter.** The major disappointment continues to be corporate spending. For almost four years business spending on machinery and equipment has contracted at an annual rate of 5% despite the low interest rates and the revival in overseas demand. Overall the European data are consistent with a moderate expansion of the economy, with some tentative signs of domestic demand taking over from exports. The European Central Bank (ECB) is optimistic for 2005. **The ECB forecasts that Euro-zone GDP will grow by 2.3% with personal consumption growing by 2.1% and exports rising by over 7%.** In so far as these forecasts are higher than the consensus growth forecast of 2.1%, the actual outcome may disappoint the bank. This suggests that the ECB is unlikely to rise interest rates until well into 2005. Much will depend on the extent to which higher energy prices feed through into Euro-zone inflation. The current outlook for inflation in the region is positive. Unit labour costs are rising at very low rates and it seems likely that inflation should fall to below 2% in 2005.

Former Soviet Union

Commodity and oil revenues continue to boost Russian finances

Although the Russian economy continues to grow at a healthy pace, there are signs of a slowdown in some industrial sectors. The index of output of basic goods and services grew by 6.3% in July year-on-year (y-o-y), down from the 7.9% growth achieved in the first half of the year, and investment spending is expected to weaken in the third quarter as the banking crisis in July led to reductions in individual and corporate lending. Growth of construction activity slowed dramatically in July and industrial output grew by only 6% y-o-y. In contrast to construction and industry, real growth in retail trade accelerated to over 12% y-o-y following strong growth in real disposable income. The domestic light industrial sector has been unable to take advantage of this strong growth in demand and output actually fell in the first seven months of the year as a result of aggressive competition from imported goods. The external accounts for the first half of 2004 illustrate the exposure of the Russian economy to global commodity markets. **Fuel and metals exports pushed the surplus to $36 billion for this period, which was a 25% improvement on the same period in 2003.** The share of metals in total export earnings increased to 18% compared with 14% in the first half of 2003 as average prices for both ferrous metals and copper were over 70% higher than 2003 levels. The federal budget surplus for August showed an improvement over July, largely as a result of lower spending since revenues were lower than expected. The year-to-date surplus is about 3.5% of GDP so the overall outcome for 2004 is likely to be higher than the Russian government's target of 3.6%. The draft budget for 2005 has been based on an oil price assumption of $28/b for Urals marker crude and the budgeted surplus is 1.5% of GDP. The authorities are aware that both commodity and oil markets will turn down at some stage and have continued to build up the Stabilization Fund which will be used to meet pension liabilities and reduce external debt.

Eastern Europe

Budget dilemmas require structural reforms.

The rate of growth of Polish GDP may have slowed slightly in the second quarter following the 6.9% growth achieved in the first quarter of the year but growth was probably over 6% as anticipation of EU entry in May increased consumer spending in April. The good growth performance has boosted tax revenues and the fiscal deficit for 2004 should be less than 7% of GDP, much better than had previously been expected. Inflation is now the main problem for Polish policymakers and interest rates have risen by 1.25% since June. **Activity has shown some signs of improvement in the Czech Republic as a result of higher fixed investment spending. Nevertheless second quarter growth is unlikely to be much more than 3.5%.** Retail demand has been growing slowly as result of rising inflation and the economy will probably rely on investments and exports to boost activity in 2005. The auto industry in particular should achieve much higher exports next year. Better growth should ease the fiscal problems of the new government in Prague but the economy still requires fundamental pensions and health service reform in order to control long-term expenditures. Budget problems also dominate the agenda of the new Hungarian Prime Minister. It seems likely that Hungary's fiscal targets for 2004 and 2005 will be revised up from 4.6% and 4.1% of GDP, respectively. Although the Hungarian economy has achieved respectable growth in 2004, this has not raised tax revenues as expected. The current account is also under pressure despite the good export performance in 2004. Investment and industrial production have both benefitted from steady external demand but the growth in imports has been higher and **the current account deficit may approach 9% of GDP this year**. Short term interest rates are 11% and may stay at this level at least until the end of the year.

OPEC Member Countries

Concurrent surge of oil production and prices the main driver for economic growth in all OPEC Member Countries

The relatively high oil prices are still fueling economic growth in OPEC Member Countries to varying degrees. The economic expansion of all OPEC Member Countries in the current year is generally driven by the similtaneous surge in both oil production and prices. The real GDP growth rate on average for this year is expected to climb to 5.5% from 3.4% last year and is forecast to see 5.1% in 2005. The economic outlook for most OPEC Member Countries remains positive, with industrial investment showing sustained expansion, and the prospects of FDI remaining good in the downstream sector, energy, water projects, telecommunications and tourism. Economic growth in OPEC Member Countries was also enhanced by liberalization, fiscal spending and election-related expenditures.

Developing Countries

Asian economies see vulnerabilities, real earnings recover in Brazil, and Sub-Saharan Africa scores poorly in HDI

While oil prices are expected to moderate in late 2004 and fall further in 2005, a number of Asian economies remain vulnerable. Many of the region's newly industrialized economies are highly oil-intensive, consuming relatively large amounts of oil for each unit of GDP produced. A prolonged period of high oil prices could also create, in some cases, unrest and political pressures as governments are forced to consider reducing costly, but politically expedient, local fuel subsidies. Although the y-o-y slowing of growth between April and June of this year may have been the result of statistical deceits, it is clear that on a quarter-by-quarter basis the economy is decelerating. Loan growth on a y-o-y basis has been weakening fairly consistently since August 2003 and dropped to 13.9% y-o-y in June, almost 5 percentage points below the 18.5% growth recorded in May. Investment has followed a similar pattern. Capital spending grew by just 20% in May-June. The giant Chinese economy registered slightly a lower growth rate of 9.6% in August compared to the 9.8% recorded in the first quarter of the current year. This comes in line with the recent Chinese policy of tightening credit and investment growth rates in order to cool down the overheated economy and avoid inflationary pressures. The main reason the Southern African Development Community (SADC) scores poorly in the Human Development Index (HDI) — the UNDP's chief development indicator — is because income distribution patterns are distorted and biased in favour of the elite. Thus, while incomes per head may be growing in Botswana, Namibia and South Africa, the benefits do not flow down to the poor, a fact reflected in the wide gap between rankings according to income per head and HDI in the SADC countries. In Brazil, despite a modest easing of constraints on public spending, the overall fiscal stance will remain tight. However, a decline in interest rates and improvement in confidence will stimulate an expansion of credit and an upturn in investment. After several years of decline, real earnings will also begin to recover.

Further strong growth in the Spot Reference Basket price.

Oil prices, the US dollar and inflation

In August the dollar recovered from weakness in July. The August US data was mixed but the consensus opinion was in line with that of the Federal Reserve, namely that the summer weakness was a temporary 'soft patch' and that third quarter growth would bounce back to over 3%. The data from the Euro-zone was also encouraging but had little effect on exchange rates, even the very poor US trade data for June could not dent the strength of the dollar. The dollar rose by 0.7% against the euro in August — following dollar strength in March and April the average dollar/euro exchange rate in August was 3.5% above the January level. The appreciation against the Swiss franc and British pound was greater and the dollar rose by more than 1% versus both currencies in August and by exactly 1% versus the Japanese yen.

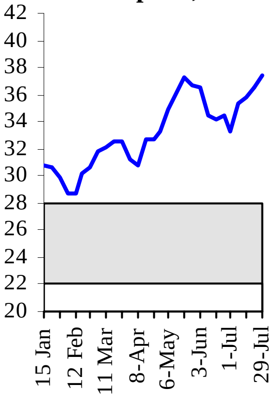
In August the OPEC Reference Basket rose by 10.99% to $40.27/b from $36.29/b in July. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 11.37% to $29.31/b from $26.32/b, as the rise in the dollar was greater than the effect of inflation. The dollar rose by 0.6% 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.*

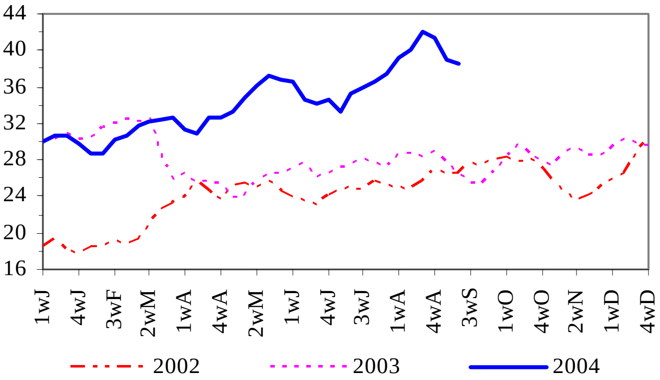
Crude Oil Price Movement

The OPEC Reference Basket rose $3.98/b in August to average $40.27/b

Weekly average Basket price, 2004

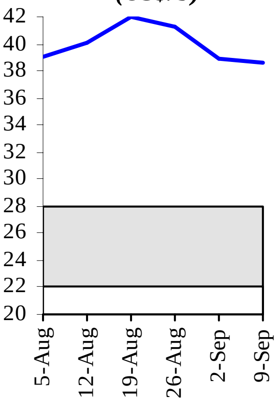


Graph 1
OPEC Reference Basket - weekly spot crude prices *(US$/b)*

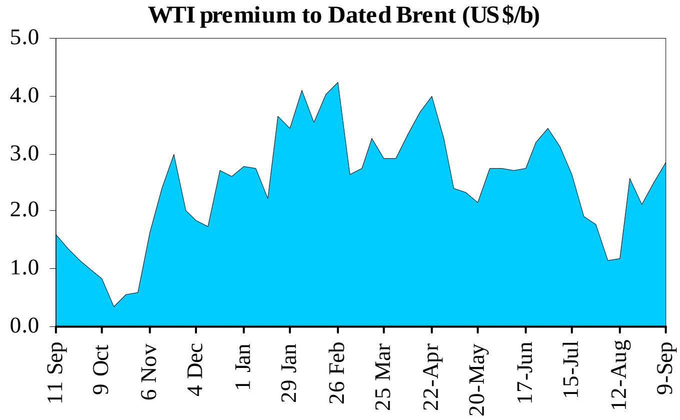


In August, all recent record-highs were obscured by the dramatic surge in the OPEC Reference Basket. On a monthly basis, the 11% rise of almost $4/b took the Basket average well above $40/b for the first time since the Organization adopted the price marker. The $41.94/b average for the week ending 19 August constitutes an all-time weekly high, while the $43.16/b reached on 8 August set a new record daily average. The year-to-date average widened by more than 21% or $6/b compared to 2003. On a weekly basis, the month started with the Basket surging 4.6% or $1.72/b to average $39.12/b followed by further gains of $0.96/b and $1.86/b in the next two weeks. Then the Basket saw a downturn losing 61¢ or almost 1.5% to average $41.33/b. The fall extended into the month of September with the Basket losing $2.44/b or close to 6% of its value in the week ending 2 September which took the average below the $40/b mark to $38.89/b. The Basket continued to fall in the following week, although at a slower pace, shedding another 27¢ to close at $38.62/b.

Aug- Sep 04
(US$/b)



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



The Atlantic basin benchmark traded at levels previously unthinkable. The Nymex front month September light sweet crude contract shot up to $49.40/b before its expiration date in intraday trade, while IPE Brent futures surged past the $45/b mark on 20 August. Fundamentals as well as non-fundamental factors combined in August to send crude prices to a new price zone. **On the demand side, relentless unpredicted demand continues to be revised up with growth now estimated at around 2.5 mb/d for the present year and more than 1.7 mb/d in 2005.** The spectacular hike in Chinese demand, now estimated at more than 0.8 mb/d, has the potential to rise even further in the remaining months of the year, which would mean new upward revisions might be expected as we head towards autumn. The latest estimates call for a rise of more than 2 mb/d in the fourth quarter to 83.05 mb/d and a further rise during the winter quarter to 83.32 mb/d. **On the supply side, the loss of Iraqi production on several occasions, including halt in total exports for prolonged periods, have raised speculation about when the country will return to the production level of 2.8 mb/d. Earlier in the year, Iraq was expected to return to previous levels late in the second or early in the third quarter of 2004. However, it appears that the Iraqi production so far has plateaued at the 2.35 mb/d seen in April of this year.** The other fundamental component, stocks, seems to be on the low side and a build would bring some comfort to the market. By the end of June, total OECD commercial stocks stood at the same level as in 2003 and towards the bottom of the last five-year average range. Commercial stocks in OECD, North America and Europe showed signs of recovery and are higher compared to end-June 2003. In contrast, OECD Pacific commercial stocks are well below last year's level at the lower limit of the five-year average range. **Geopolitics and**

Fundamentals as well as non-fundamental factors combined in August to send crude prices into a new price zone

increased fears that terrorist attacks might disrupt oil flows, especially from the sensitive Middle East region, also added to the bullish outlook. The ongoing Yukos' saga which threatened to stop production and exports of some 1.7 mb/d as well as the Venezuelan recall referendum of 15 August and escalating violence in Iraq fuelled crude and product prices in August. **The impact of supply disruption concerns, combined with a perception of shrinking global spare capacity, has been greatly amplified by futures speculators.** Our analysis suggests that despite the rise in demand expected for the last quarter of 2004 and the first quarter of 2005, world oil supply, which includes nearly 30 mb/d of OPEC production, is more than adequate to cope with demand and at the same time allows for seasonal stock change. In the short run, the supply/demand balance shows that OPEC's spare capacity will return to more normal levels as the Organization's maximum production capacity expands in 2005 to well above 32 mb/d and production slows to more moderate levels next year**. Despite the general belief that robust oil demand is absorbing incremental OPEC supplies, sour crudes are inundating the market, a fact reflected in the widening of the sweet/sour spread** especially in the Asia Pacific market where limited conversion and desulphurization capacity as well as large amounts of fuel oil are depressing sour crude prices.

US and European markets

High refinery runs have prevented the rise of crude oil stocks despite strong imports

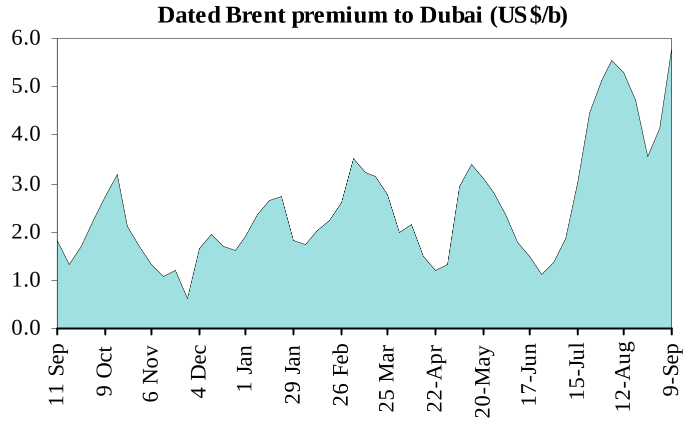
US commercial crude oil stocks fell from 300 mb late in July to a little less than 286 mb in the first week of September. Nevertheless, oil stocks remain higher compared to the 276 mb seen during the same period of last year. Crude oil imports, excluding SPR, have been running well above 10 mb/d and reached 10.7 mb/d early in September, which is more than 1 mb/d higher than the same period last year. Likewise, crude oil refinery input has also surged above 16 mb/d as refiners attempt to comply with the extremely high gasoline demand while at the same time building distillate (heating oil) stocks ahead of the winter season. Arbitrage opportunities for North Sea and West African crudes dwindled early in August on strong BFO prices, but widened to more than $2/b late in the month. **Sour crude discounts to WTI widened further because of depressed prices for heavier products.** Heavy sour Mexican Maya, with its formula linked to high-sulphur fuel oil, traded at a discount of more than $13/b. Strong buying interest for North Sea grades early in August subsided later in the month on the back of weakening refining margins in Europe and depressed demand with the approaching autumn refinery maintenance season.

Far East market

Sweet crudes benefited from good demand while sour grades are trading at deep discounts

Graph 3

Dated Brent premium to Dubai (US$/b)



Light regional Asian crude prices were underpinned by healthy margins for kerosene and gasoil. Malaysian and Australian light sweet crudes benefited from strong Japanese demand as refiners were keen to process lighter crudes to maximize kerosene yield and rebuild winter stocks. Light and medium sour grades such as Oman and Murban firmed as the wide BFO premium to Dubai gave Middle Eastern grades an advantage against Russian crudes in Asia-Pacific. Sweet grades are commanding huge premiums over sour crudes as refiners are increasingly reluctant to buy grades that yield high proportions of fuel oil. With refinery utilization running above 90 % — unusual for the Asian region — limited conversion and desulphurization capacity has prevented refiners from running heavier high-sulphur crudes.

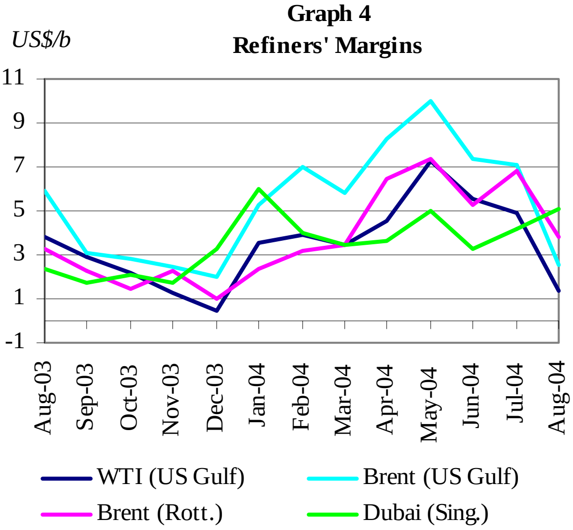
Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

			Year-to-date average	
	Jul 04	**Aug 04**	2003	**2004**
Reference Basket	36.29	**40.27**	28.07	34.11
Arabian Light	35.55	**38.93**	27.47	33.63
Dubai	34.70	**38.22**	26.58	32.76
Bonny Light	38.08	**42.55**	28.71	35.48
Saharan Blend	38.16	**42.67**	28.63	35.52
Minas	36.28	**41.79**	29.47	34.71
Tia Juana Light	33.81	**36.86**	27.30	31.75
Isthmus	37.41	**40.88**	28.32	34.92
Other crudes				
Brent	38.33	**42.87**	28.78	35.54
WTI	40.69	**44.77**	31.40	38.40
Differentials				
WTI/Brent	2.36	**1.90**	2.62	2.86
Brent/Dubai	3.63	**4.65**	2.20	2.78

Product Markets and Refinery Operations

With the end of the driving season, the market's focus has shifted from gasoline to middle distillates and distillates, which are now leading the product markets. In August, higher gasoline output and a lower-than-normal stock-draw under-mined gasoline prices across the globe. This, coupled with the strong light crude oil prices, resulted in a significant decline in refinery margins in the USA and Europe. But recently refinery margins in the Atlantic basin have improved on a combination of stronger product and weaker crude prices. In Asia, the performance of the product markets outpaced the rise in benchmark Dubai, and refinery margins in this area extended their previous upward trend. Due to lower gasoil stocks in Germany and higher demand for distillates from the Mediterranean area and the Asian market, it is projected that, with the start of autumn refinery maintenance, the crack spread in the middle of the barrel complex will remain strong. combination

Graph 4
Refiners' Margins

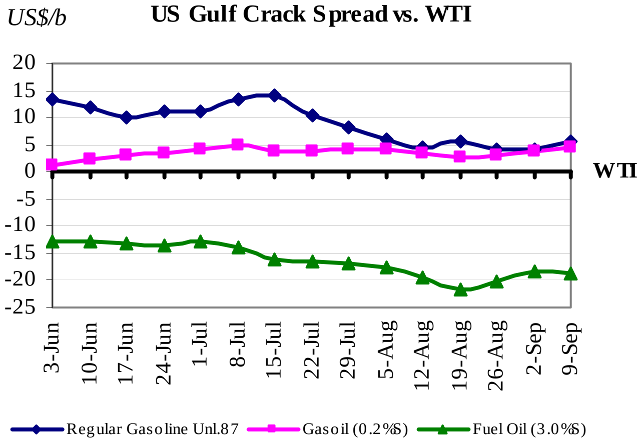


US market

Gasoline prices and crack spreads in the USA slid significantly against WTI benchmark crude

In August, average premium and regular gasoline prices in the US Gulf Coast fell by $1.16/b and $2.46/b respectively, while the WTI price rose $4.08/b. However, both demand and prices for distillate and jet fuel remained relatively strong. During the last four weeks up to 3 September 2004 average demand for distillate fuel increased by 6.8% compared to a year ago, while jet fuel demand displayed 8.4% growth on average for the same period. Distillate demand was supported by industrial consumption and by increasing demand of the agricultural sector. In September and October, this pace may rise further.

Graph 5
US Gulf Crack Spread vs. WTI



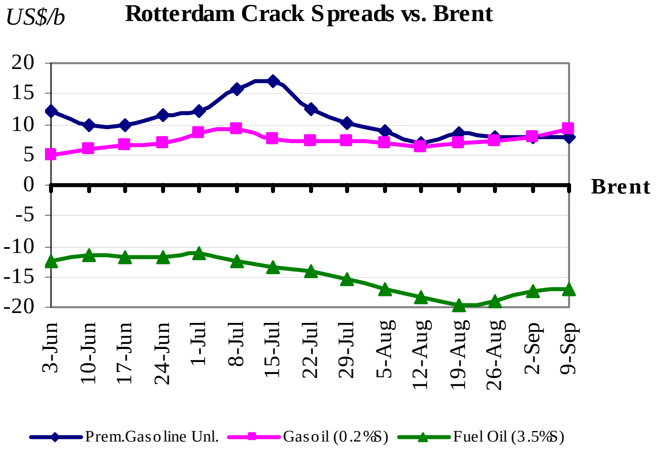
Meanwhile, the mild weather kept US demand for low-sulphur fuel oil in check. At the same time, continued high refinery output as well as scarce export opportunities put pressure on the US Gulf Coast high-sulphur fuel oil market, which may lead to a further discount against WTI. The slide in refinery margins did not discourage US refiners to reduce their throughput, but strong demand for premium products, especially distillate and jet fuel, prompted refiners to increase their utilization rate to a new record of 97.1% in August, up 1.8% versus July.

European market

Ample gasoline supply and fewer export opportunities to the USA contributed to a fall in the gasoline price in Europe

Healthy petrochemical margins supported the naphtha market and pushed its crack value against the Brent benchmark crude to a fresh high in August. Middle distillate also performed well. Despite refinery maximization for diesel output, supplies are expected to tighten in September due to the refinery maintenance schedule. The European market is still relatively strong for jet fuel, attracting many cargoes from the Middle East and the Caribbean area. The gasoil value also remained high, particularly in the Mediterranean, where demand was supported by solid buying from the Eastern Mediterranean countries.

Graph 6
Rotterdam Crack Spreads vs. Brent



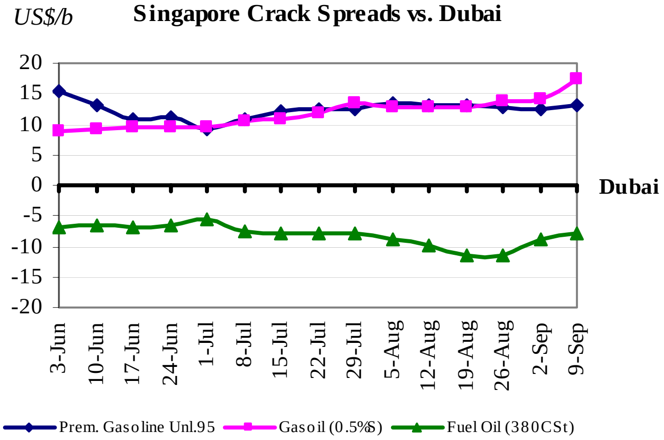
In Europe, as elsewhere, the fuel oil market remains depressed. A mild summer in northern Europe reduced utility demand and pushed the discount on high-sulphur fuel oil to Brent to about $20/b in August. Falling gasoline and fuel oil crack spreads against Brent crude squeezed European refinery margins, but an operating profit still existed for European refiners, encouraging them to run at a high utilization rate. In August, European refinery throughput showed a nominal slide to 90.9% from 91.1% in July.

Asian market

Strong performance of middle distillates and naphtha have overshadowed the weakness in the fuel market and underpinned Asian refinery margins in August

The Asian product market was driven by robust demand for middle distillates, especially gasoil. At the start of the Chinese harvest season, demand for gasoil looked to remain strong. The bullish sentiment in the gasoil market may be heightened by the preference of some refiners to change the gasoil slate to jet fuel and kerosene. The naphtha market was also supported by strong demand from petrochemical plants. However, with the approaching seasonal maintenance schedule and continued supply from the Middle East and India, this market may lose its bullishness.

Graph 7
Singapore Crack Spreads vs. Dubai



The crack spread for gasoline against benchmark Dubai decreased compared to last month. However, due to fewer Chinese exports, the price fell less than in the Atlantic basin market. Regional demand for straight-run fuel oil as a feedstock and bunker recently picked up. Asian demand for low-sulphur fuel oil remains firm, particularly from Japan to meet increased thermal power generation requirements, but demand for high sulphur fuel oil still remained quiet, and its crack spread versus the Dubai crude dropped to about -$11/b.

In Asia, the strong crack spread for light products, particularly gasoil, also encouraged refiners to run at higher levels compared to the previous month. In August, the Japanese refinery utilization rate jumped again to 91.3% from 84.1% in July.

Table 2
Refined product prices
US$/b

		Jun 04	Jul 04	Aug 04	Change Aug/Jul
US Gulf (Cargoes):					
Naphtha		44.68	46.68	48.42	1.74
Premium gasoline	*(unleaded 93)*	51.90	54.80	53.64	–1.16
Regular gasoline	*(unleaded 87)*	49.39	52.10	49.64	–2.46
Jet/Kerosene		43.53	48.37	51.74	3.37
Gasoil	*(0.2% S)*	40.88	44.97	48.25	3.28
Fuel oil	*(1.0% S)*	31.45	30.01	29.30	–0.71
Fuel oil	*(3.0% S)*	24.99	24.93	25.23	0.30
Rotterdam (Barges FoB):					
Naphtha		45.70	48.87	54.96	6.09
Premium gasoline	*(unleaded 95)*	45.85	52.03	51.06	–0.97
Regular gasoline	*(unleaded)*	45.79	52.01	51.06	–0.95
Jet/Kerosene		45.26	49.88	55.74	5.86
Gasoil	*(0.2% S)*	41.68	46.18	49.99	3.81
Fuel oil	*(1.0% S)*	24.21	24.28	23.73	–0.55
Fuel oil	*(3.5% S)*	23.39	24.44	24.62	0.18
Mediterranean (Cargoes):					
Naphtha		37.48	40.37	45.94	5.57
Premium unleaded	*(0.15g/l)*	44.74	49.40	48.80	–0.60
Premium gasoline	*(unleaded 95)*	44.64	49.37	48.76	–0.61
Jet/Kerosene		43.47	48.10	53.52	5.42
Gasoil	*(0.5% S)*	41.92	45.88	49.41	3.53
Fuel oil	*(1.0% S)*	26.54	26.47	25.47	–1.00
Fuel oil	*(3.5% S)*	21.07	23.03	23.59	0.56
Singapore (Cargoes):					
Naphtha		37.19	38.60	44.19	5.59
Premium gasoline	*(unleaded 95)*	45.19	46.52	51.50	4.98
Regular gasoline	*(unleaded 92)*	44.04	45.12	50.62	5.50
Jet/Kerosene		43.17	48.08	52.29	4.21
Gasoil	*(0.5% S)*	42.84	46.25	51.67	5.42
Fuel oil	*(180 cst 2.0% S)*	27.43	27.64	28.82	1.18
Fuel oil	*(380 cst 3.5% S)*	26.87	26.98	28.19	1.21

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*			Refinery utilization* *%*		
	Jun 04	**Jul 04**	**Aug 04**	Jun 04	**Jul 04**	**Aug 04**
USA	16.12	16.06	16.34	96.5	96.1	97.9
France	1.64 R	1.77	1.74	84.1 R	90.5	89.3
Germany	2.25 R	2.33	2.33	98.5 R	101.8	101.8
Italy	1.86 R	1.79	1.86	80.6 R	77.4	80.4
UK	1.60 R	1.70 R	1.65	87.8 R	93.3 R	90.7
Eur-16	12.48 R	12.52 R	12.50	90.4 R	90.7 R	90.6
Japan	3.45	3.96 R	4.29	73.3	84.1 R	91.3

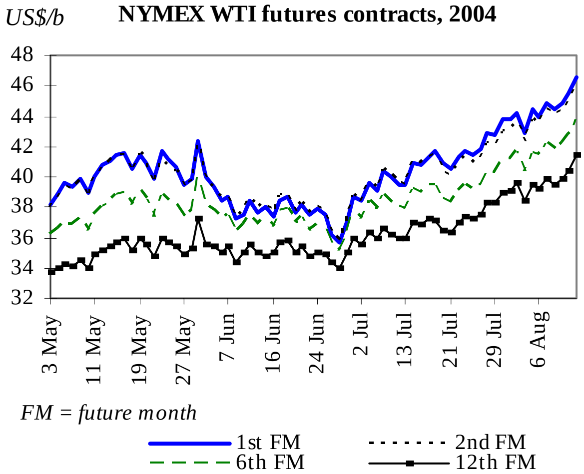
* *In barrels per calendar day.*
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Speculators added length to their long positions as supply concerns early in August pushed crude prices close to the unthinkable $50/b level

The build-up in non-commercials net long positions that started late in June extended well into August. However, speculators began to trim their net holdings following the peak reached in the week of 17 August. **The Yukos affair — which put in danger supply and export of some 1.7 mb/d — along with the recall referendum of 15 August in Venezuela and escalating violence in Iraq provided futures speculators with the right conditions to raise their positions considerably during the first half of the month pushing WTI front-month prices above $46/b by mid-month.** According to the Commitment of Traders reports, non-commercials added nearly 22,000 contracts to their long holdings between the weeks of 27 July and 17 August while the change in their shorts was just 6,500 contracts in the same period. The result was a rise in their net-long positions of 14,248 contracts to 47,949. Market depth as measured by open interest rose to 730,069 lots by the week ending 17 August, slightly lower than the all-time high of 735,377 lots seen on 1 June 2004.

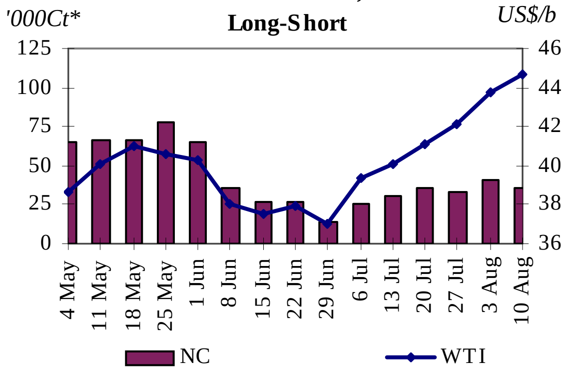
Graph 8
NYMEX WTI futures contracts, 2004



FM = future month

On expectations of easing geopolitical risk, following the outcome of the Venezuelan referendum and the perception that the Russian government does not want to see production and exports from Yukos interrupted, non-commercials sharply disposed of long positions while at the same time increasing their short side. According to the Commitment of Traders report for the week ending 24 August, speculators cut their longs by 13,906 lots to 199,236 while adding 2,609 lots to their short holdings. Net-long positions fell by 16,515 lots to 31,434, while open interest fell sharply by more than 50,000 lots to 679,123. Meanwhile the front-month WTI futures contract surged ahead of its expiration date to nearly $50/b on 20 August before falling sharply to $45.21/b on 24 August. Non-commercials continued to trim long positions in late August and early September while adding some length to their short side on a clear change in market perception. Crude futures dipped to $42/b by the end of August but regained some ground in September trading between $43-44.75/b. The forward curve structure remains in backwardation, nevertheless, on 15 September the spread between the October front-month contract to that of the second month was just 5¢/b while the twelve-month forward contract was assessed $4.40/b lower.

Graph 9
Futures Commitment of Traders Report:
NYMEX Crude Oil, 2004
Long-Short



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

The Tanker Market

OPEC spot fixtures declined a marginal 0.21 mb/d to 13.42 mb/d in August

Despite the persistent increase in OPEC oil production in August, **OPEC area spot fixtures declined a marginal 0.21 mb/d to 13.42 mb/d during August 2004, which is about 16% higher than the level registered a year ago.** Charterers refrained from fixing vessels given the very high freight rates, which touched unprecedented levels during the second half of July, pushing down spot chartering. Even the oil flow out of the OPEC area, especially from Middle Eastern producers, stood at a historical low of about 30 mb/d in August. **OPEC's share of global spot chartering remained close to the previous month's level of 63%, which is 2% higher than that observed last year**. The major contributor to this minor decline in OPEC area spot fixtures was the Non-Middle East area. Middle East spot fixtures remained nearly at the previous month's level, increasing by 0.05 mb/d to 5.30 mb/d on the Middle East/East long-haul route and by 0.08 mb/d to 2.28 mb/d on the Middle East/West route. Eastbound long-haul spot fixtures accounted for about 40% of OPEC spot fixtures, about 1% over last month's figure and about 5% over the same period in the previous year. Westbound long-haul spot chartering also rose 1% to stand at 17% of OPEC area spot fixtures which were 3% above last year's level. Together, they accounted for about 57% of total OPEC area spot fixtures or 8% above the August 2003 share. **Non-OPEC spot fixtures behaved contrary to the OPEC area trend, rising a marginal 0.03 mb/d to 7.76 mb/d, equivalent to a share in global fixtures of about 37%, which was an increase of 1% from a month ago. Global spot fixtures dropped by 0.19 mb/d or about 1% to 21.18 mb/d which is 13% higher than a year ago.** According to preliminary estimates, sailings from the OPEC area rose a marginal 0.34 mb/d to 28.75 mb/d. Middle Eastern sailings contributed 0.26 mb/d to this increase, standing at 18.52 mb/d or about 64% of total OPEC sailings, the same level as last month. All arrivals in the main consuming areas showed slight falls except in Japan which experienced a minor rise of 0.07 mb/d to 4.20 mb/d. Arrivals in the US Gulf, US East and Caribbean declined by 0.80 mb/d to 10.35 mb/d, while in NW Europe and Euro-Med, they fell by 0.43 mb/d to 6.36 mb/d and by 0.38 mb/d to 4.31 mb/d respectively.

Freight rates retreated on slower tanker demand in August

Lower spot fixtures due to slower tanker demand, as charterers were reluctant to book very expensive vessels, forced freight rates down in August after an unusual month of very high rates in July. Increasing tonnage availability added to the downward pressure, pushing freight rates down on most of the main routes. **VLCC freight rates on the Middle East eastbound and westbound long-haul routes experienced large losses, falling by 35 and 18 points to average monthly levels of WS107 and WS95 respectively**. Suezmax freight rates behaved similarly but the fall was much lower than that seen in the VLCC sector thanks to strong activity during the second half of the month following the slower first half. On average, Suezmax rates declined by 8 points to WS152 on the West Africa/US Gulf Coast route and by 4 points to WS159 on the NW Europe/US East-US Gulf Coast route. Aframax freight rates within the Mediterranean and from there to NW Europe followed the same downward trend, fallintg a significant 62 and 23 points to average monthly levels of WS192 and WS143 respectively. Freight rates on both routes managed to see some support from activity in the second half of the month in the Mediterranean and in the Baltic markets. The exception was on the Indonesia/US West Coast route where freight rates rose a considerable 26 points to a monthly average of WS192 on the back of increasing demand mainly for regional light and sweet grades. In the Caribbean, freight rates for crude oil tankers remained strong, gaining 5 points to a monthly average of WS194 thanks to high activity in the first half of the month which managed to lift rates up to WS215.

The product tanker market was very quiet in August

The product tanker market was very quiet during August along all main routes due to the absence of most charterers because of summer vacations. August losses ranged from 20 points to about 50 points on average. The most affected route was within the Mediterranean where freight rates lost 51 points to a monthly average of WS193. From the Mediterranean to the NW Europe, the trend was similar and rates gave up 33 points to WS238. On the NW Europe/US East-US Gulf Coast route, rates fell by 35 points to WS219. Stagnant tanker demand especially in the first half of the month resulted in lower freight rates along the Middle East/East route, which dropped to WS214, a loss of 20 points compared with the previous month. Along the Singapore/East routes, freight rates plunged by 34 points to stand at a monthly average of WS257.

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

	Jun 04	Jul 04	Aug 04	Change Aug/Jul
Chartering				
All areas	20.45	21.37	21.18	–0.19
OPEC	12.75	13.63	13.42	–0.21
Middle East/east	5.03	5.26	5.30	0.05
Middle East/west	1.77	2.21	2.28	0.08
Sailings				
OPEC	23.41	28.42	28.75	0.34
Middle East	16.36	18.26	18.52	0.26
Arrivals				
US Gulf Coast, US East Coast, Caribbean	10.14	11.15	10.35	–0.80
North West Europe	7.70	6.79	6.36	–0.43
Euromed	4.20	4.69	4.31	–0.38
Japan	3.48	4.12	4.20	0.07

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	June 04	Jul 04	Aug 04	Change Aug/Jul
Crude					
Middle East/east	200–300	125	142	107	–35
Middle East/west	200–300	104	113	95	–18
West Africa/US Gulf	100–160	149	160	152	–8
North-West Europe/US East Coast	100–160	148	163	159	–4
Indonesia/US West Coast	70–100	166	166	192	26
Caribbean/US East Coast	40–70	205	189	194	5
Mediterranean/Mediterranean	40–70	245	254	192	–62
Mediterranean/North-West Europe	70–100	210	166	143	–23
Products					
Middle East/east	30–50	220	234	214	–20
Singapore/east	25–30	264	291	257	–34
Caribbean/US Gulf Coast	25–30	300	280	243	–37
North-West Europe/US East Coast	25–30	308	254	219	–35
Mediterranean/Mediterranean	25–30	259	244	193	–51
Mediterranean/North-West Europe	25–30	289	271	238	–33

Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

World Oil Demand

Revision to historical figures (2002-2003)

For the year 2003 the latest figures indicate an upward revision of 0.09 mb/d, mostly due to higher than previously recorded consumption in the Developing Countries. Total world oil demand for the year is now estimated at 79.06 mb/d.

Forecast for 2004

World

World demand growth for 2004 revised up by 0.30 mb/d to 2.52 mb/d. Average demand is now estimated at 81.58 mb/d

Based on higher than anticipated consumption in the first and second quarters, continued strength in the world economy and persistent firmness in mostly non-OECD consumption, forecast world oil demand has once again been revised up, this time by 0.40 mb/d, to average 81.58 mb/d. Similarly, 2004 world oil demand growth has been revised up by 0.30 mb/d to 2.52 mb/d, taking into account the upward revision of 0.09 mb/d in the 2003 baseline average.

On a quarterly basis, preliminary actual consumption data indicates that first-quarter demand has grown by 1.94 mb/d or 2.43% compared with the corresponding quarter in 2003. **There are indications that demand growth in the second quarter has been exceptionally high at 3.80 mb/d or 4.95%, representing the largest quarterly volume increment and the highest growth rate in any quarter since 1985. The previous high for the quarterly increment, which compares the quarter with corresponding one in the preceding year, was the 3.15 mb/d seen in the third quarter of 1997. The previous high for quarterly growth was the 4.69% seen in the fourth quarter of 1988.** Significant strength is forecast for third- and fourth-quarter oil demand with increases of 2.32 mb/d and 2.00 mb/d respectively.

On a regional basis, “Other Regions” are expected to be the leading volume gainer with a 1.02 mb/d or 10.12% growth in demand. China is at the forefront with an astonishing 0.82 mb/d equivalent to 14.78%. Developing countries follow with 0.90 mb/d or 4.43%. The lowest volume and percentage growth of 0.59 mb/d or 1.22% is anticipated in the OECD.

Table 6
World oil demand forecast for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 2004/03 Volume	%
North America	24.56	25.03	24.86	25.15	25.28	25.08	0.51	2.09
Western Europe	15.33	15.66	15.31	15.50	15.71	15.54	0.22	1.43
OECD Pacific	8.78	9.38	7.99	8.10	9.09	8.64	–0.14	–1.59
Total OECD	**48.67**	**50.07**	**48.16**	**48.75**	**50.08**	**49.26**	**0.59**	**1.22**
Other Asia	7.79	8.02	8.25	8.08	8.42	8.19	0.41	5.24
Latin America	4.72	4.64	4.83	4.96	4.94	4.84	0.13	2.68
Middle East	5.12	5.27	5.37	5.60	5.47	5.43	0.31	6.00
Africa	2.64	2.66	2.70	2.66	2.75	2.69	0.06	2.10
Total DCs	**20.26**	**20.59**	**21.14**	**21.31**	**21.59**	**21.16**	**0.90**	**4.43**
FSU	3.80	3.68	3.77	3.91	4.38	3.94	0.13	3.50
Other Europe	0.76	0.88	0.88	0.75	0.82	0.83	0.07	9.10
China	5.56	6.33	6.68	6.35	6.18	6.38	0.82	14.78
Total "Other Regions"	**10.13**	**10.89**	**11.32**	**11.01**	**11.38**	**11.15**	**1.02**	**10.12**
Total world	**79.06**	**81.55**	**80.62**	**81.07**	**83.05**	**81.58**	**2.52**	**3.18**
Previous estimate	78.97	81.45	79.26	80.80	83.19	81.18	2.21	2.80
Revision	0.09	0.10	1.37	0.27	–0.15	0.40	0.30	0.38

Totals may not add due to independent rounding.

Table 7
First and second quarter world oil demand comparison for 2004
mb/d

			Change 2004/03				Change 2004/03	
	1Q03	1Q04	Volume	%	2Q03	2Q04	Volume	%
North America	24.52	25.03	0.50	2.06	24.14	24.86	0.71	2.96
Western Europe	15.30	15.66	0.36	2.33	15.06	15.31	0.24	1.63
OECD Pacific	9.76	9.38	–0.38	–3.85	8.19	7.99	–0.20	–2.44
Total OECD	**49.58**	**50.07**	**0.48**	**0.98**	**47.40**	**48.16**	**0.76**	**1.60**
Other Asia	7.64	8.02	0.38	4.92	7.62	8.25	0.62	8.19
Latin America	4.52	4.64	0.12	2.71	4.70	4.83	0.13	2.86
Middle East	5.03	5.27	0.25	4.92	4.93	5.37	0.44	8.91
Africa	2.65	2.66	0.02	0.62	2.61	2.70	0.09	3.39
Total DCs	**19.83**	**20.59**	**0.76**	**3.84**	**19.86**	**21.14**	**1.29**	**6.48**
FSU	4.02	3.68	-0.34	-8.46	3.35	3.77	0.41	12.36
Other Europe	0.77	0.88	0.11	14.11	0.75	0.88	0.13	16.81
China	5.41	6.33	0.92	17.02	5.46	6.68	1.21	22.22
Total "Other Regions"	**10.20**	**10.89**	**0.69**	**6.76**	**9.57**	**11.32**	**1.75**	**18.34**
Total world	**79.61**	**81.55**	**1.94**	**2.43**	**76.82**	**80.62**	**3.80**	**4.95**

Totals may not add due to independent rounding.

Table 8
Third and fourth quarter world oil demand comparison for 2004
mb/d

			Change 2004/03				Change 2004/03	
	3Q03	3Q04	Volume	%	4Q03	4Q04	Volume	%
North America	24.72	25.15	0.43	1.73	24.86	25.28	0.41	1.66
Western Europe	15.33	15.50	0.17	1.10	15.60	15.71	0.11	0.70
OECD Pacific	8.03	8.10	0.07	0.93	9.15	9.09	–0.06	–0.71
Total OECD	**48.08**	**48.75**	**0.67**	**1.39**	**49.62**	**50.08**	**0.46**	**0.92**
Other Asia	7.75	8.08	0.33	4.30	8.12	8.42	0.30	3.68
Latin America	4.82	4.96	0.14	2.93	4.83	4.94	0.11	2.24
Middle East	5.33	5.60	0.28	5.19	5.21	5.47	0.27	5.13
Africa	2.61	2.66	0.05	2.01	2.69	2.75	0.06	2.38
Total DCs	**20.50**	**21.31**	**0.80**	**3.92**	**20.85**	**21.59**	**0.74**	**3.54**
FSU	3.68	3.91	0.23	6.29	4.16	4.38	0.22	5.25
Other Europe	0.72	0.75	0.02	3.19	0.80	0.82	0.02	2.59
China	5.76	6.35	0.59	10.29	5.61	6.18	0.57	10.12
Total "Other Regions"	**10.16**	**11.01**	**0.85**	**8.33**	**10.58**	**11.38**	**0.81**	**7.63**
Total world	**78.75**	**81.07**	**2.32**	**2.95**	**81.04**	**83.05**	**2.00**	**2.47**

Totals may not add due to independent rounding.

OECD

The OECD countries continue to record a declining trend in energy intensity. With more than 60% of total world oil demand originating in the OECD, the expected share of growth of this group in total world oil demand is projected to reach at the very most just below one quarter of the total 2.52 mb/d. The forecast for OECD consumption implies a rate of growth of 1.22% or 0.59 mb/d in 2004, with the lion’s share coming from the North American region. As usual, and judging from the demand figures of the first half of the year, the USA will account for more than three quarters of the region’s total demand growth, with the remaining one quarter more or less equally divided between Mexico and Canada. **Oil demand growth in the energy-mature European market shows a rise of 1.43% or 0.22 mb/d while in the third sub-group, OECD Pacific, oil consumption will shrink by 1.59% or 0.14 mb/d, in part due to the restart of almost all the nuclear plants in Japan which were closed down for maintenance in 2003.**

For the period January–June 2004, OECD oil requirements increased by 0.63 mb/d or 1.12% versus January–June 2003. In terms of volume and rate, LPG demand recorded the highest growth amounting to 0.22 mb/d or 4.39%. **Gasoline demand followed with 0.21 mb/d or 1.42% growth. Residual fuel oil registered the largest consumption drop, falling by almost 9.09% or 0.29 mb/d within the first half of the year.** Crude oil consumption for direct burning — an almost exclusive Japanese occurrence and not part of inland consumption — decreased by 40.44% due to the restart of almost all the 17 TEPCO nuclear reactors.

DCs

Oil demand in Developing Countries is forecast to grow by 4.43% or 0.90 mb/d to average 21.16 mb/d, which is more than three times the growth registered during 2003. The transportation sector in India is emerging as a major consumer of diesel and gasoline thanks to improvements in the infrastructure. A significant increase in oil product consumption is also anticipated in oil producing nations in the Middle East on the back of higher revenues from strong oil prices and the strong subsidies to the domestic products market. Latin America is also expected to show some growth in demand after several years of contraction. **Almost 45% of total DC demand growth will come from the "Other Asia" group of countries where demand is forecast to rise by 0.41 mb/d or 5.24%, followed by the Middle East where demand is projected to increase by 0.31 mb/d or 6.00%. Latin American demand is expected to reverse the trend of the previous years to grow by 2.68% or 0.13 mb/d, while African demand will rise 2.10% or 0.06 mb/d.**

Other Regions

Apparent demand in the "Other Regions" is projected to grow by 10.12% or 1.02 mb/d to average 11.15 mb/d. Total apparent demand growth for this group will account for almost 41% of total world oil demand growth while the group's share of global demand is around 14%. **The major share of consumption growth will take place in China** where the continued astonishing rates of economic expansion **together with a surge in automobile sales have allowed oil demand to rise nearly 17% in the first quarter and more than 22% in the second quarter of this year**. For the whole year, Chinese apparent demand is projected to grow by 13.78% on average or 0.82 mb/d which represents more than one third of the global demand growth. FSU's apparent demand growth is forecast at 0.13 mb/d, as the contraction of more than 8.46% or 0.34 mb/d observed during the first quarter is estimated to have been more than offset by a significant 0.41 mb/d or 12.36% growth in the second quarter.

Table 9
World oil demand forecast for 2005
mb/d

							Change 2005/04	
	2004	1Q05	2Q05	3Q05	4Q05	2005	Volume	%
North America	25.08	25.23	25.17	25.33	25.68	25.35	0.27	1.09
Western Europe	15.54	15.84	15.37	15.65	15.98	15.71	0.17	1.09
OECD Pacific	8.64	9.28	7.82	8.17	9.13	8.60	–0.04	–0.47
Total OECD	**49.26**	**50.35**	**48.35**	**49.16**	**50.79**	**49.66**	**0.40**	**0.82**
Other Asia	8.19	8.40	8.48	8.62	9.01	8.63	0.44	5.32
Latin America	4.84	4.65	4.88	4.99	4.95	4.87	0.02	0.50
Middle East	5.43	5.47	5.59	5.83	5.67	5.64	0.21	3.92
Africa	2.69	2.72	2.72	2.63	2.74	2.70	0.01	0.29
Total DCs	**21.16**	**21.23**	**21.68**	**22.08**	**22.37**	**21.84**	**0.68**	**3.22**
FSU	3.94	4.00	3.71	3.86	4.42	4.00	0.06	1.54
Other Europe	0.83	0.93	0.86	0.80	0.88	0.87	0.04	4.21
China	6.38	6.81	7.22	6.99	6.76	6.95	0.56	8.82
Total "Other Regions"	**11.15**	**11.74**	**11.79**	**11.64**	**12.06**	**11.81**	**0.66**	**5.91**
Total world	**81.58**	**83.32**	**81.82**	**82.88**	**85.22**	**83.32**	**1.74**	**2.13**
Previous estimate	81.18	83.17	80.93	82.40	84.86	82.84	1.66	2.05
Revision	0.40	0.15	0.90	0.48	0.36	0.48	0.08	0.09

Totals may not add due to independent rounding.

Forecast for 2005

World demand in 2005 is forecast to

Due to an upward revision by 0.40 mb/d to our 2004 average world oil demand and 0.08 mb/d to the 2005 increment, the average 2005 forecast has been revised up by 0.48 mb/d to 83.32 mb/d

average 83.32 mb/d, growth of 1.74 mb/d

compared with the 82.84 mb/d presented in the last *MOMR*. The forecast 2005 oil demand increment now reads 1.74 mb/d or 2.13%. Out of this, China alone is expected to account for 0.56 mb/d, equivalent to 32% of the global oil demand growth.

On a quarterly basis, all of the four quarters are anticipated to register healthy growth with the fourth quarter leading with 2.17 mb/d or 2.62%. The third quarter is forecast to follow with a 1.81 mb/d or 2.23% rise in oil demand. The lowest growth in demand of 1.20 mb/d equivalent to 1.49% is anticipated in the second quarter. A significant demand rise at 1.78 mb/d or 2.18% will characterize the first quarter.

All three main groups of countries are forecast to register healthy oil demand growth, the largest volume gainer being the Developing Countries with 0.68 mb/d or 3.22%. Other regions, mostly thanks to China, will follow with 0.66 mb/d or 5.91%. OECD is expected to register the lowest growth in demand of 0.40 mb/d or 0.82%.

Table 10
First and second quarter world oil demand comparison for 2005
mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.03	25.23	0.20	0.82	24.86	25.17	0.31	1.24
Western Europe	15.66	15.84	0.18	1.17	15.31	15.37	0.07	0.44
OECD Pacific	9.38	9.28	–0.11	–1.13	7.99	7.82	–0.17	–2.19
Total OECD	**50.07**	**50.35**	**0.28**	**0.56**	**48.16**	**48.35**	**0.20**	**0.41**
Other Asia	8.02	8.40	0.38	4.71	8.25	8.48	0.24	2.88
Latin America	4.64	4.65	0.01	0.25	4.83	4.88	0.04	0.90
Middle East	5.27	5.47	0.20	3.73	5.37	5.59	0.23	4.23
Africa	2.66	2.72	0.05	1.97	2.70	2.72	0.02	0.91
Total DCs	**20.59**	**21.23**	**0.64**	**3.10**	**21.14**	**21.68**	**0.53**	**2.52**
FSU	3.68	4.00	0.32	8.70	3.77	3.71	–0.06	–1.49
Other Europe	0.88	0.93	0.05	6.17	0.88	0.86	–0.02	–2.44
China	6.33	6.81	0.48	7.62	6.68	7.22	0.55	8.19
Total "Other Regions"	**10.89**	**11.74**	**0.86**	**7.87**	**11.32**	**11.79**	**0.47**	**4.14**
Total world	**81.55**	**83.32**	**1.78**	**2.18**	**80.62**	**81.82**	**1.20**	**1.49**

Totals may not add due to independent rounding.

Table 11
Third and fourth quarter world oil demand comparison for 2005
mb/d

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.15	25.33	0.18	0.72	25.28	25.68	0.40	1.59
Western Europe	15.50	15.65	0.16	1.00	15.71	15.98	0.27	1.72
OECD Pacific	8.10	8.17	0.07	0.88	9.09	9.13	0.04	0.49
Total OECD	**48.75**	**49.16**	**0.41**	**0.84**	**50.08**	**50.79**	**0.72**	**1.43**
Other Asia	8.08	8.62	0.54	6.67	8.42	9.01	0.59	6.97
Latin America	4.96	4.99	0.03	0.70	4.94	4.95	0.01	0.13
Middle East	5.60	5.83	0.23	4.10	5.47	5.67	0.20	3.62
Africa	2.66	2.63	–0.03	–1.23	2.75	2.74	–0.01	–0.43
Total DCs	**21.31**	**22.08**	**0.77**	**3.62**	**21.59**	**22.37**	**0.78**	**3.61**
FSU	3.91	3.86	–0.05	–1.36	4.38	4.42	0.04	0.83
Other Europe	0.75	0.80	0.05	6.55	0.82	0.88	0.06	7.08
China	6.35	6.99	0.64	10.00	6.18	6.76	0.59	9.48
Total "Other Regions"	**11.01**	**11.64**	**0.63**	**5.73**	**11.38**	**12.06**	**0.68**	**5.97**
Total world	**81.07**	**82.88**	**1.81**	**2.23**	**83.05**	**85.22**	**2.17**	**2.62**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply for 2004 revised up to 50.07 mb/d in August, an increase of 1.45 mb/d over the 2003 figure

Non-OPEC

Forecast for 2004

2004 non-OPEC supply has been revised up to 50.07 mb/d. The quarterly figures stand at 49.68 mb/d, 49.80 mb/d, 49.90 mb/d and 50.90 mb/d respectively. The yearly average increase stands at 1.45 mb/d, compared with the 2003 figure. Minor upward revisions were made to the second quarter figures, mainly on China, while the third quarter has been revised downward due to the availability of more data.

Table 12
Non-OPEC oil supply in 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**
North America	14.59	14.80	14.71	14.57	14.95	14.76	0.17
Western Europe	6.39	6.37	6.27	6.03	6.12	6.20	–0.19
OECD Pacific	0.65	0.59	0.56	0.58	0.50	0.56	–0.10
Total OECD	**21.63**	**21.76**	**21.54**	**21.17**	**21.57**	**21.51**	**–0.11**
Other Asia	2.39	2.54	2.59	2.64	2.62	2.60	0.20
Latin America	3.91	3.90	3.91	3.99	4.01	3.95	0.04
Middle East	2.00	1.94	1.89	1.87	1.90	1.90	–0.10
Africa	3.05	3.31	3.37	3.47	3.69	3.46	0.42
Total DCs	**11.35**	**11.69**	**11.76**	**11.97**	**12.22**	**11.91**	**0.56**
FSU	10.27	10.78	11.05	11.30	11.63	11.19	0.93
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.43	3.47	3.47	3.43	3.45	0.04
Total "Other regions"	**13.85**	**14.38**	**14.69**	**14.94**	**15.23**	**14.81**	**0.97**
Total non-OPEC production	**46.82**	**47.83**	**47.99**	**48.09**	**49.03**	**48.24**	**1.41**
Processing gains	1.80	1.85	1.81	1.81	1.87	1.83	0.04
Total non-OPEC supply	**48.62**	**49.68**	**49.80**	**49.90**	**50.90**	**50.07**	**1.45**
Previous estimate	48.62	49.67	49.74	49.95	50.90	50.07	1.44
Revision	**0.00**	**0.01**	**0.07**	**–0.06**	**0.00**	**0.01**	**0.01**

Totals may not add due to independent rounding.

Non-OPEC supply for 2005 is forecast at 51.27 mb/d, an increase of 1.19 mb/d above 2004

Forecast for 2005

Non-OPEC supply for 2005 is forecast to rise 1.19 mb/d. **North America is expected to witness an increase of 0.16 mb/d mainly from a 0.08 mb/d gain in Canada, which is expected to be almost totally offset by the 0.09 mb/d decline in both Western Europe, where UK is expected to shed 0.08 mb/d, and OECD Pacific. Total OECD is expected to stay almost unchanged at 21.5 mb/d. Total DCs are expected to rise 0.57 mb/d, mainly contributed by Latin America, where Brazil increased 0.12 mb/d and Trinidad gained 0.0 mb/d, as well as by Africa where Angola, Sudan and Chad increased 0.19 mb/d, 0.06 mb/d and 0.04 mb/d respectively. FSU is expected to be the major contributor to the rise mainly on Russia's increase of 0.45 mb/d along with Kazakhstan's and Azerbaijan's rise of 0.06 mb/d each.** Quarterly figures have been redistributed at 50.89 mb/d, 50.98 mb/d, 51.08 mb/d and 52.09 mb/d respectively. The yearly average is forecast at 51.27 mb/d.

Table 13
Non-OPEC oil supply in 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	**2005**	**Change 05/04**
North America	14.76	14.96	14.87	14.72	15.11	14.92	0.16
Western Europe	6.20	6.28	6.17	5.94	6.04	6.11	–0.09
OECD Pacific	0.56	0.55	0.53	0.55	0.48	0.53	–0.03
Total OECD	**21.51**	**21.80**	**21.58**	**21.21**	**21.63**	**21.55**	**0.04**
Other Asia	2.60	2.54	2.59	2.64	2.61	2.60	0.00
Latin America	3.95	4.13	4.15	4.23	4.25	4.19	0.24
Middle East	1.90	1.92	1.91	1.89	1.89	1.90	0.00
Africa	3.46	3.71	3.69	3.76	4.00	3.79	0.33
Total DCs	**11.91**	**12.30**	**12.32**	**12.53**	**12.76**	**12.48**	**0.57**
FSU	11.19	11.33	11.62	11.88	12.22	11.76	0.57
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.45	3.44	3.49	3.49	3.45	3.46	0.02
Total "Other regions"	**14.81**	**14.94**	**15.27**	**15.53**	**15.84**	**15.40**	**0.59**
Total non-OPEC production	**48.24**	**49.04**	**49.17**	**49.27**	**50.23**	**49.43**	**1.19**
Processing gains	1.83	1.85	1.81	1.81	1.87	1.83	0.00
Total non-OPEC supply	**50.07**	**50.89**	**50.98**	**51.08**	**52.09**	**51.27**	**1.19**
Previous estimate	50.07	50.89	50.92	51.13	52.10	51.26	1.19
Revision	**0.01**	**0.01**	**0.07**	**–0.05**	**0.00**	**0.01**	**0.00**

Totals may not add due to independent rounding.

2005 net FSU oil exports forecast at 7.78 mb/d, 0.52 mb/d above 2004

FSU net oil exports for 2005 are expected at 7.78 mb/d, an increase of 0.52 mb/d over the 2004 downwardly revised figure of 7.26 mb/d.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	**Year**
2001	4.30	4.71	4.89	4.47	**4.60**
2002	5.13	5.74	5.83	5.47	**5.55**
2003	5.87	6.75	6.72	6.50	**6.46**
2004 (forecast)	7.10	7.29	7.40	7.24	**7.26**
2005 (forecast)	7.40	7.77	8.07	7.88	**7.78**

OPEC NGL for 2005 forecast at 4.14 mb/d, 0.19 mb/d over 2004

OPEC natural gas liquids and non-conventional oils

The OPEC NGL+NCO forecast for 2005 has been revised up by 0.06 mb/d and now stands at 4.14 mb/d, an increase of 0.19 mb/d over the 2004 figure. Figures for 2001-2003 remain unchanged since the last *MOMR* at 3.58 mb/d, 3.62 mb/d and 3.71 mb/d respectively.

OPEC NGL production — 2000–2004
mb/d

2001	**2002**	**2003**	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**	**2005**	**Change 05/04**
3.58	**3.62**	**3.71**	3.88	3.89	3.97	4.04	**3.95**	**0.24**	**4.14**	**0.19**

Available secondary sources put OPEC's August production at 29.78 mb/d

OPEC crude oil production

Available secondary sources indicate that OPEC's **August output was 29.78 mb/d, 0.26 mb/d higher than the revised July figure.** Table 15 shows OPEC production as reported by selected secondary sources.

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

	2002	2003	1Q04	2Q04	Jul 04	**Aug 04***	Aug-Jul
Algeria	864	1,134	1,171	1,198	1,247	**1,254**	7
Indonesia	1,120	1,027	981	970	958	**954**	–4
IR Iran	3,416	3,757	3,889	3,903	3,933	**3,940**	8
Iraq	2,000	1,323	2,113	2,009	1,936	**1,833**	–103
Kuwait	1,885	2,173	2,237	2,292	2,373	**2,396**	24
SP Libyan AJ	1,314	1,422	1,461	1,496	1,548	**1,586**	38
Nigeria	1,969	2,131	2,343	2,354	2,398	**2,424**	27
Qatar	648	746	758	772	805	**807**	2
Saudi Arabia	7,535	8,709	8,426	8,634	9,310	**9,501**	191
UAE	1,988	2,243	2,252	2,246	2,428	**2,476**	48
Venezuela	2,586	2,291	2,557	2,547	2,591	**2,614**	22
Total OPEC	**25,323**	**26,955**	**28,188**	**28,421**	**29,526**	**29,785**	**259**

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

Rig Count

Non-OPEC rig count up 51 in August

Non-OPEC

Rig activity was higher in August compared with the July figures. North America gained 28 rigs mainly in the USA, while Western Europe added 7 rigs to record 60. Rig activity in DCs also increased by 14 rigs to 385.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	Jul 04	Aug 04	Change Aug/ Jul
North America	1,162	1,496	333	1,671	1,699	28
Western Europe	85	78	–7	53	60	7
OECD Pacific	17	18	1	24	26	2
OECD	**1,264**	**1,592**	**328**	**1,748**	**1,785**	**37**
Other Asia	111	117	7	123	129	6
Latin America	106	116	10	128	131	3
Middle East	62	70	7	66	71	5
Africa	43	48	5	54	54	0
DCs	**322**	**350**	**28**	**371**	**385**	**14**
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**	**2,121**	**2,172**	**51**

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

OPEC adds 11 rigs for the month

OPEC

OPEC’s rig count was 257 in August, a rise of 11 rigs compared with the July figure. IR Iran and Qatar were the main contributors to this gain.

Table 17
OPEC rig count

	2002	2003	Change 03/02	Jul 04	Aug 04	Change Aug/Jul
Algeria	20	20	0	20	20	0
Indonesia	46	45	–1	53	54	1
IR Iran	34	35	1	40	42	2
Iraq	na	na	na	na	na	na
Kuwait	6	5	–1	9	10	1
SP Libyan AJ	10	10	0	9	9	0
Nigeria	12	10	–2	9	9	0
Qatar	13	8	–5	8	13	5
Saudi Arabia	32	32	0	31	32	1
UAE	16	16	0	16	16	0
Venezuela	42	37	–6	51	52	1
Total OPEC	**231**	**217**	**–14**	**246**	**257**	**11**

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

Stock Movements

US commercial oil stocks remained almost unchanged at the end of August

USA

Total commercial oil stocks remained almost unchanged at a level of 978.5 mb during the period 30 July–3 September 2004. The 12.9 mb draw on commercial oil stocks was offset by a build of the same amount in product inventories. Although the stock level was unchanged, total commercial oil stocks are at a comfortable level, registering a y-o-y surplus of 23.5 mb or 2.5%.

Standing at 285.7 mb, the lowest US crude supply level since mid-March, crude oil stocks fell for the sixth straight week as refiners continued to run near capacity to boost output of petroleum products. Throughout the summer, US refineries have been running full tilt, benefiting from high product demand, especially for gasoline, distillate fuel and jet fuel. Crude oil inputs averaged 16.1 mb/d during the week ending 3 September, up 402,000 b/d from the previous week's average, and the fourth highest weekly average ever. Refineries operated at 96.5% of their operable capacity, an increase of 0.8% from the previous week. The drop in commercial crude stocks occurred even though crude imports remained strong. Indeed, in the week ending 3 September, imports registered an increase of 190,000 b/d to 10.7 mb/d, the third highest weekly average ever. Over the last four weeks, crude oil imports averaged nearly 10.5 mb/d. Preliminary data shows that one reason for the recent high imports is the increase in Iraqi output. Despite the slide in the US crude oil inventories, crude oil stocks remained at 5.7 mb or 2% above this time last year, but still 9.2 mb or 3% below the recent five-year average. On the product side, gasoline stocks continued their seasonal draw, sliding 6.0 mb to 204.1 mb due to strong demand for an average of 9.4 mb/d over the last four weeks, an increase of 0.4% over the same period last year. At the end of the week ending 3 September, US gasoline stocks fell 2.5 mb, more than most analysts anticipated, as implied demand for gasoline in particular rose ahead of the Labor Day weekend, which traditionally marks the last gasp of the summer driving season. Implied demand showed an increase of 190,000 b/d to 9.45 mb/d, almost 0.6 mb/d more than a year ago. Even with this draw, US gasoline stocks remained at a healthy 5.4% y-o-y surplus and at the upper end of the last five-year average. Ahead of the winter season, the focus should turn mainly to distillate stocks and especially heating oil inventories. With the heating season starting on 1 October, four weeks remain to build stocks before the draw-down usually begins. During the period 30 July–3 September 2004, distillate stocks saw a build of 5.4 mb to 126.6 mb, or almost the same level as the year before, despite a strong 6.8% rise in apparent demand compared to last year. In the week ending 3 September, heating oil stocks saw a rise of 0.7 mb to 51.35 mb, an increase of 3% over this time the previous year, but have failed to catch up with the five-year average, registering a y-o-y deficit of 9%.

During the same period, the SPR continued its upward trend, increasing by 4.5 mb to reach a new record of 669.0 mb, widening the y-o-y surplus to more than 50 mb.

Table 18
US onland commercial petroleum stocks*
mb

	2 Jul 04	30 Jul 04	3 Sep 04	Change Aug/Jul	3 Sep 03	10 Sep 04**
Crude oil (excl. SPR)	305.0	298.6	**285.7**	–12.9	280.0	278.6
Gasoline	206.1	210.1	204.1	–6.0	193.7	202.5
Distillate fuel	114.0	121.2	126.6	5.4	126.8	128.3
Residual fuel oil	37.0	32.9	34.7	1.8	30.2	35.7
Jet fuel	38.2	39.4	39.4	0.0	38.7	40.7
Unfinished oils	88.9	88.3	87.3	–1.0	85.2	87.4
Other oils	177.2	187.9	200.7	12.8	200.4	201.7
Total	**966.4**	**978.4**	**978.5**	**0.1**	**955.0**	**974.9**
SPR	662.4	664.5	669.0	4.5	618.7	669.3

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

Moderate seasonal stock-build of 0.15 mb/d in August

Western Europe

Total oil stocks in EUR-16 (EU plus Norway) recaptured the previous month's overall loss, increasing a seasonal 4.6 mb at a rate of 0.15 mb/d to 1,082.9 mb. The bulk of this build came from product inventories which rose 9.6 mb, while crude oil stocks abated the increase with a decline of 5.0 mb. Despite the build, inventories were 9.6 mb or 1% below last year's level at this time.

At 457.7 mb, a draw on crude oil stocks took place for the fourth consecutive month as refineries continued to operate at full tilt. In fact, crude runs were at a four-year high of 12.5 mb/d, an increase of 300,000 b/d over August last year as refinery margins remained healthy. The refinery capacity utilization rate stood at 95.45%, slightly below the July rate of 95.53%, but well above the 90.62% of August last year. The utilization rate is expected to decline in September as European refiners go into a heavy round of autumn maintenance. Crude oil inventories are now 4.6 mb or 1% lower than in the same month last year. Gasoline stocks rose 1.0 mb to 137.8 mb and are 2.3 mb or 1.7% higher than last August. This build came as limited arbitrage opportunities to the USA have kept motor fuel in the region. Refiners have also been building stocks to keep up with demand during the forthcoming refinery shutdowns. Distillate stocks experienced a build of 7.0 mb to 351.2 mb, but are still 11.1 mb or 3.1% lower than this time last year. This build occurred as refiners boosted yields to meet strong demand that had pushed jet and diesel prices to new highs. At 111.5 mb, fuel oil stocks rose a marginal 0.7 mb to 111.5 mb or 4.4% above the same time last year on a decline in demand combined with the rise in output due to high refinery runs.

Table 19
Western Europe's oil stocks*
mb

	Jun 04	Jul 04	Aug 04	Change Aug/Jul 04	Aug 03
Crude oil	474.2	462.8	**457.7**	–5.0	462.3
Mogas	133.8	136.8	137.8	1.0	135.5
Naphtha	24.2	23.8	24.6	0.9	25.6
Middle distillates	343.4	344.3	351.2	7.0	362.3
Fuel oils	109.9	110.8	111.5	0.7	106.8
Total products	611.4	615.6	625.2	9.6	630.2
Overall total	**1,085.6**	**1,078.4**	**1,082.9**	**4.6**	**1,092.5**

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

Considerable stock-build of 0.32 mb/d in Japan in July

Japan

At the end of July 2004, total commercial oil stocks in Japan showed a considerable build of 10.0 mb or 0.32 mb/d to 179.0 mb. Despite this build, the July figure still represents a y-o-y deficit of 20.8 mb or 10.4%. Crude oil stocks were the main contributor to the build, increasing 6.7 mb, followed by product inventories which rose 3.3 mb.

The substantial build in crude oil stocks came as Japan's crude oil imports rose 9.1% from a year earlier to 4.34 mb/d, but were an impressive 23.9% higher than the June figure. The United Arab Emirates remained the top crude supplier to Japan, followed by Saudi Arabia and IR Iran. At the same time, crude throughput was 3.95 mb/d in July compared with 3.45 mb/d in June. This increase came as Japanese refiners returned in force after completing scheduled maintenance closures. During July, refineries were running at 84% of their capacity. Middle distillates saw a build of 3.6 mb to 30.4 mb, but remained 6.9 mb or 18.5% below a year ago. Kerosene, a middle distillate used for home heating in Japan, increased by 22.7% from a historically low level in May, but stocks are still down 25.9% from a year earlier. Oil companies typically start building kerosene stocks in summer in preparation of the peak in winter demand. However, this year, stock building has been considerably delayed. Gasoline stocks declined a slight 0.6 mb to 11.8 mb and are 2.7 mb below a year earlier. This level came on the back of the rise in gasoline sales, which increased by 19% from June and were the highest since August 2002. Typically, gasoline demand in August is higher than in July. Gasoline output also rose 2.9% from the year earlier, but was almost 20% below the June figure.

Table 20
Japan's commercial oil stocks*
mb

	May 04	Jun 04	Jul 04	Change Jul/Jun 04	Jul 03
Crude oil	110.8	112.0	**118.7**	6.7	126.0
Gasoline	12.6	12.4	11.8	–0.6	14.5
Middle distillates	26.2	26.8	30.4	3.6	37.3
Residual fuel oil	18.8	17.7	18.1	0.3	21.9
Total products	57.6	57.0	60.3	3.3	73.7
Overall total**	**168.4**	**168.9**	**179.0**	**10.0**	**199.8**

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

Balance of Supply and Demand

2004 supply/demand difference revised up to 27.56 mb/d

The summarized supply/demand balance table for 2004 shows a rise in total non-OPEC supply of 0.14 mb/d to 54.02 mb/d and a significant upward revision to the world oil demand of 0.40 mb/d to 81.58 mb/d, resulting in an estimated annual difference of around 27.56 mb/d. The quarterly distribution stands at 27.99 mb/d, 26.92 mb/d, 27.20 mb/d and 28.11 mb/d respectively. The balance for the first quarter 2004 was revised downward by 0.04 mb/d to stand at 0.20 mb/d, while the second quarter saw a significant downward revision of 1.29 mb/d to 1.50 mb/d.

Table 21
Summarized supply/demand balance for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	79.06	81.55	80.62	81.07	83.05	81.58
(b) Non-OPEC supply(1)	52.33	53.56	53.70	53.87	54.94	54.02
Difference (a – b)	**26.73**	**27.99**	**26.92**	**27.20**	**28.11**	**27.56**
OPEC crude oil production(2)	26.95	28.19	28.42			
Balance	**0.22**	**0.20**	**1.50**			

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

2005 supply/demand difference expected at 27.92 mb/d

The summarized supply/demand balance table for 2005 shows world oil demand expected at 83.32 mb/d while total non-OPEC supply was forecast to reach 55.40 mb/d. This has resulted in a difference of around 27.92 mb/d, with a quarterly distribution of 28.34 mb/d, 26.74 mb/d, 27.63 mb/d and 28.94 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	81.58	83.32	81.82	82.88	85.22	83.32
(b) Non-OPEC supply(1)	54.02	54.98	55.09	55.25	56.28	55.40
Difference (a – b)	**27.56**	**28.34**	**26.74**	**27.63**	**28.94**	**27.92**

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

Table 23
World oil demand/supply balance
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	47.9	47.9	48.0	48.7	50.1	48.2	48.8	50.1	49.3	50.3	48.4	49.2	50.8	49.7
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.3	25.1	25.2	25.2	25.3	25.7	25.4
Western Europe	15.1	15.3	15.2	15.3	15.7	15.3	15.5	15.7	15.5	15.8	15.4	15.7	16.0	15.7
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.1	9.1	8.6	9.3	7.8	8.2	9.1	8.6
DCs	19.2	19.5	20.0	20.3	20.6	21.1	21.3	21.6	21.2	21.2	21.7	22.1	22.4	21.8
FSU	3.8	3.9	3.8	3.8	3.7	3.8	3.9	4.4	3.9	4.0	3.7	3.9	4.4	4.0
Other Europe	0.7	0.7	0.7	0.8	0.9	0.9	0.7	0.8	0.8	0.9	0.9	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.3	6.7	6.4	6.2	6.4	6.8	7.2	7.0	6.8	6.9
(a) Total world demand	76.3	76.8	77.5	79.1	81.5	80.6	81.1	83.0	81.6	83.3	81.8	82.9	85.2	83.3
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.5	21.2	21.6	21.5	21.8	21.6	21.2	21.6	21.6
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.6	14.9	14.8	15.0	14.9	14.7	15.1	14.9
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	6.0	6.1	6.2	6.3	6.2	5.9	6.0	6.1
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.5
DCs	10.7	10.9	11.2	11.4	11.7	11.8	12.0	12.2	11.9	12.3	12.3	12.5	12.8	12.5
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.6	11.2	11.3	11.6	11.9	12.2	11.8
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	3.3	3.4	3.4	3.4	3.5	3.5	3.4	3.4	3.4	3.5	3.5	3.4	3.5
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	45.5	46.4	47.7	48.6	49.7	49.8	49.9	50.9	50.1	50.9	51.0	51.1	52.1	51.3
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.1	4.2	4.2	4.1
(b) Total non-OPEC supply and OPEC NGLs	48.9	49.9	51.4	52.3	53.6	53.7	53.9	54.9	54.0	55.0	55.1	55.2	56.3	55.4
OPEC crude oil production (secondary sources)	28.0	27.2	25.3	27.0	28.2	28.4								
Total supply	76.9	77.2	76.7	79.3	81.7	82.1								
Balance (stock change and miscellaneous)	0.5	0.4	-0.8	0.2	0.2	1.5								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2530	2628	2475	2522	2468	2561								
OECD SPR	1269	1284	1343	1406	1418	1424								
OECD total	3799	3912	3818	3928	3886	3985								
Oil-on-water	877	831	816	885	906	918								
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	53								
SPR	26	27	28	29	29	29								
Total	79	82	78	80	81	82								
Memo items														
FSU net exports	4.1	4.6	5.5	6.5	7.1	7.3	7.4	7.3	7.3	7.3	7.9	8.0	7.8	7.8
(a) - (b)	27.4	26.9	26.2	26.7	28.0	26.9	27.2	28.1	27.6	28.3	26.7	27.6	28.9	27.9

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

Table 24
World oil demand/supply balance: changes from last month's table †
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	-	-	-	-	-	0.2	0.1	-0.1	-	-	0.2	-	-	0.1
North America	-	-	-	-	-	0.2	-	-0.1	-	-	0.3	-	-	0.1
Western Europe	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
Pacific	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-	-	-
DCs	-	-	0.1	0.1	0.1	0.6	0.2	-	0.2	0.1	0.3	0.3	0.2	0.2
FSU	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
China	-	-	-	-	-	0.3	-	-	0.1	-	0.3	0.2	0.1	0.2
(a) Total world demand	-	-	0.1	0.1	0.1	1.4	0.3	-0.1	0.4	0.1	0.9	0.5	0.4	0.5
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
Western Europe	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	0.1	-0.1	-	-	-	0.1	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	-	0.1
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	0.1	-0.1	-	-	0.1	0.2	-	-	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-								
Total supply	-	-	-	-	0.1	0.1								
Balance (stock change and miscellaneous)	-	-	-0.1	-0.1	-	-1.3								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	7	7	27								
OECD SPR	-	-	-	-	1	-2								
OECD total	-	-	-	7	8	26								
Oil on water	-	-	-	-	-	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	-0.2	-	-	-0.1	-	-	-	-	-
(a) - (b)	-	-	0.1	0.1	0.1	1.3	0.3	-0.1	0.4	0.1	0.7	0.5	0.4	0.4

† *This compares Table 23 in this issue of the MOMR with Table 23 in the August 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	1Q04	2Q04
Closing stock level *mb*																				
OECD onland commercial	2,615	2,698	2,445	2,530	2,628	2,475	2,524	2,597	2,660	2,628	2,604	2,650	2,575	2,475	2,424	2,543	2,598	2,522	2,468	2,561
North America	1,211	1,283	1,127	1,146	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,183	1,214	1,166	1,146	1,208
Western Europe	912	963	881	930	923	891	918	909	918	923	932	942	917	891	908	907	924	921	921	933
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401	421
OECD SPR	1,254	1,302	1,285	1,269	1,284	1,343	1,270	1,268	1,265	1,284	1,302	1,314	1,319	1,343	1,357	1,361	1,379	1,406	1,418	1,424
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664
Western Europe	329	362	347	355	352	353	352	348	343	352	352	348	345	353	363	358	360	369	366	362
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398
OECD total	3,869	4,000	3,729	3,799	3,912	3,818	3,794	3,864	3,925	3,912	3,906	3,964	3,895	3,818	3,781	3,904	3,977	3,928	3,886	3,985
Oil-on-water	812	859	808	877	831	816	903	829	870	831	798	805	802	816	857	886	873	885	906	918
Days of forward consumption in OECD																				
OECD onland commercial	56	56	51	53	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	53
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	46	48
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	60
OECD Pacific	58	52	50	52	51	47	55	56	53	48	56	55	47	42	50	56	50	46	50	52
OECD SPR	27	27	27	26	27	28	27	27	26	27	28	28	27	27	29	28	28	28	29	29
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	26	26
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	50	49
OECD total	83	84	78	79	82	78	81	81	81	81	84	83	79	77	80	81	80	78	81	82

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

	2000	2001	2002	Change 02/01	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
USA	8.11	8.05	8.04	-0.01	7.82	-0.22	7.85	7.73	7.62	7.65	7.71	-0.11	7.90	7.78	7.67	7.70	7.76	0.05
Canada	2.68	2.73	2.84	0.12	2.97	0.12	3.12	3.09	3.10	3.36	3.17	0.20	3.20	3.17	3.18	3.45	3.25	0.08
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.85	3.93	3.88	0.08	3.86	3.92	3.88	3.96	3.91	0.03
North America	14.25	14.34	14.48	0.13	14.59	0.11	14.80	14.71	14.57	14.95	14.76	0.17	14.96	14.87	14.72	15.11	14.92	0.16
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.34	3.24	3.11	3.30	3.25	-0.01	3.33	3.23	3.10	3.29	3.24	-0.01
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.20	2.17	2.05	1.97	2.10	-0.23	2.11	2.09	1.97	1.89	2.02	-0.08
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.40	0.40	0.36	0.38	0.01	0.37	0.40	0.40	0.36	0.38	0.00
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.47	0.46	0.47	0.49	0.48	0.04	0.47	0.46	0.47	0.49	0.48	0.00
Western Europe	6.77	6.68	6.64	-0.04	6.39	-0.26	6.37	6.27	6.03	6.12	6.20	-0.19	6.28	6.17	5.94	6.04	6.11	-0.09
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.53	0.51	0.53	0.46	0.51	-0.09	0.50	0.48	0.50	0.44	0.48	-0.03
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-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	0.85	0.78	0.77	-0.01	0.65	-0.11	0.59	0.56	0.58	0.50	0.56	-0.10	0.55	0.53	0.55	0.48	0.53	-0.03
Total OECD	21.87	21.81	21.89	0.08	21.63	-0.26	21.76	21.54	21.17	21.57	21.51	-0.11	21.80	21.58	21.21	21.63	21.55	0.04
Brunei	0.19	0.20	0.20	0.01	0.21	0.01	0.22	0.22	0.22	0.23	0.22	0.01	0.22	0.22	0.22	0.23	0.22	0.00
India	0.74	0.73	0.75	0.01	0.76	0.01	0.80	0.81	0.81	0.86	0.82	0.06	0.79	0.79	0.79	0.84	0.80	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.77	0.06	0.81	0.81	0.83	0.86	0.82	0.05	0.82	0.82	0.85	0.88	0.84	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.00	0.39	0.40	0.41	0.37	0.39	0.04	0.38	0.39	0.40	0.36	0.38	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.38	0.30	0.34	0.04	0.33	0.36	0.39	0.31	0.35	0.01
Other Asia	2.18	2.20	2.27	0.07	2.39	0.13	2.54	2.59	2.64	2.62	2.60	0.20	2.54	2.59	2.64	2.61	2.60	0.00
Argentina	0.80	0.82	0.80	-0.02	0.78	-0.01	0.74	0.73	0.73	0.74	0.73	-0.05	0.73	0.73	0.73	0.73	0.73	0.00
Brazil	1.31	1.53	1.72	0.19	1.77	0.06	1.75	1.74	1.81	1.72	1.75	-0.02	1.87	1.86	1.94	1.84	1.87	0.12
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.53	0.53	0.50	0.52	-0.03	0.54	0.55	0.55	0.52	0.54	0.02
Ecuador	0.40	0.41	0.40	-0.01	0.42	0.02	0.51	0.53	0.53	0.65	0.55	0.13	0.54	0.55	0.56	0.68	0.58	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.17	0.17	0.16	0.19	0.17	0.01	0.22	0.21	0.21	0.24	0.22	0.05
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.21	0.22	0.22	0.22	0.22	0.00	0.23	0.24	0.24	0.24	0.24	0.02
Latin America	3.57	3.73	3.87	0.14	3.91	0.04	3.90	3.91	3.99	4.01	3.95	0.04	4.13	4.15	4.23	4.25	4.19	0.24
Bahrain	0.19	0.19	0.19	0.00	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.95	0.95	0.90	-0.05	0.82	-0.08	0.79	0.77	0.75	0.79	0.78	-0.05	0.78	0.78	0.78	0.78	0.78	0.00
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.50	0.51	-0.03	0.52	0.51	0.50	0.50	0.51	0.00
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.41	0.42	-0.02	0.43	0.42	0.42	0.41	0.42	0.00
Middle East	2.12	2.12	2.06	-0.06	2.00	-0.06	1.94	1.89	1.87	1.90	1.90	-0.10	1.92	1.91	1.89	1.89	1.90	0.00
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.94	0.93	0.97	1.03	0.97	0.09	1.13	1.11	1.16	1.23	1.16	0.19
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.19	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.22	0.22	0.24	0.23	-0.01	0.24	0.22	0.22	0.24	0.23	0.00
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.71	0.71	-0.04	0.74	0.72	0.72	0.72	0.72	0.01
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.34	0.44	0.36	0.12	0.37	0.37	0.37	0.48	0.39	0.03
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.24	0.24	0.25	0.24	-0.01	0.25	0.24	0.24	0.25	0.24	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.23	0.28	0.24	0.04	0.23	0.23	0.23	0.28	0.24	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.31	0.34	0.32	0.31	0.05	0.34	0.37	0.40	0.38	0.37	0.06
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.19	0.21	0.21	0.20	0.20	0.01	0.19	0.21	0.21	0.20	0.20	0.00
Africa	2.84	2.80	3.03	0.23	3.05	0.02	3.31	3.37	3.47	3.69	3.46	0.42	3.71	3.69	3.76	4.00	3.79	0.33
Total DCs	10.70	10.85	11.23	0.38	11.35	0.12	11.69	11.76	11.97	12.22	11.91	0.56	12.30	12.32	12.53	12.76	12.48	0.57
FSU	7.91	8.53	9.33	0.79	10.27	0.94	10.78	11.05	11.30	11.63	11.19	0.93	11.33	11.62	11.88	12.22	11.76	0.57
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.32	9.65	9.25	0.78	9.33	9.56	9.77	10.12	9.70	0.45
Kazakhstan	0.71	0.80	0.94	0.14	1.03	0.09	1.12	1.15	1.21	1.21	1.17	0.14	1.17	1.21	1.27	1.27	1.23	0.06
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.30	0.29	0.30	-0.01	0.37	0.37	0.36	0.35	0.36	0.06
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.48	0.48	0.49	0.48	0.01	0.47	0.48	0.48	0.49	0.48	0.00
Other Europe	0.18	0.18	0.18	-0.01	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
China	3.23	3.30	3.39	0.10	3.41	0.01	3.43	3.47	3.47	3.43	3.45	0.04	3.44	3.49	3.49	3.45	3.46	0.02
Non-OPEC production	43.90	44.67	46.01	1.34	46.82	0.81	47.83	47.99	48.09	49.03	48.24	1.41	49.04	49.17	49.27	50.23	49.43	1.19
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.87	1.83	0.04	1.85	1.81	1.81	1.87	1.83	0.00
Non-OPEC supply	45.55	46.36	47.74	1.38	48.62	0.88	49.68	49.80	49.90	50.90	50.07	1.45	50.89	50.98	51.08	52.09	51.27	1.19
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.71	3.78	3.70	0.13	3.78	3.80	3.82	3.84	3.81	0.11
Non-conventional oils	0.17	0.18	0.20	0.02	0.14	-0.06	0.23	0.23	0.26	0.26	0.25	0.11	0.31	0.31	0.34	0.34	0.33	0.08
OPEC NGLs + non-conventional oils	3.34	3.58	3.62	0.03	3.71	0.09	3.88	3.89	3.97	4.04	3.95	0.24	4.09	4.11	4.16	4.18	4.14	0.19
Total Non-OPEC and OPEC NGLs	48.89	49.94	51.36	1.42	52.33	0.97	53.56	53.70	53.87	54.94	54.02	1.69	54.98	55.09	55.25	56.28	55.40	1.38

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

Table 27
Non-OPEC Rig Count

	2000	2001	Change 01/00	1Q02	2Q02	3Q02	4Q02	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	Jul04	Aug04	Change Aug04- Jul04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,164	1,213	1,234	21
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	528	202	351	353	2
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	107	113	107	112	5
North America	1,305	1,552	247	1,264	1,014	1,165	1,206	1,162	-390	1,476	1,315	1,567	1,624	1,496	334	1,754	1,479	1,671	1,699	28
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	19	18	15	13	-2
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-6	15	19	11	15	4
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	0	4	4	4	3	-1
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	31	30	23	29	6
Western Europe	125	95	-30	92	91	76	81	85	-10	77	78	83	75	78	-7	69	70	53	60	7
Australia	10	10	0	9	9	9	9	9	-1	10	10	11	13	11	2	12	13	17	16	-1
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	7	8	7	10	3
OECD Pacific	17	20	3	17	16	16	19	17	-3	18	17	18	19	18	1	19	22	24	26	2
Total OECD*	1,447	1,667	220	1,373	1,121	1,257	1,306	1,264	-403	1,571	1,411	1,669	1,719	1,592	328	1,842	1,570	1,748	1,785	37
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	2	3	3	3	0
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	5	64	68	69	71	2
Malaysia	7	11	4	12	13	15	14	14	3	14	13	16	15	14	0	15	15	13	14	1
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	2	1	0	-1
Vietnam	8	8	0	8	8	9	10	9	1	9	9	10	8	9	0	8	9	6	10	4
Asia others	16	22	6	26	29	33	32	30	8	31	28	26	30	29	-1	27	31	31	31	0
Other Asia	83	95	12	100	109	116	117	111	16	117	115	119	118	117	6	119	128	123	129	6
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	73	74	73	-1
Brazil	23	28	5	27	27	27	26	27	-1	27	27	27	25	26	-1	24	26	26	26	0
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	0	8	9	8	9	1
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	7	9	11	12	1
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	2	2	3	1
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	4	4	4	0
L. America others	12	7	-5	4	4	4	5	5	-2	3	4	4	5	4	-1	6	6	3	4	1
Latin America	120	141	21	110	103	104	107	106	-35	113	121	114	114	116	10	114	127	128	131	3
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	1	27	29	30	32	29	4	33	34	36	36	35	6	36	35	34	34	0
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	24	24	23	24	1
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	7	8	8	10	2
Middle East	45	50	5	57	60	64	69	62	12	70	68	72	68	70	8	69	68	66	71	5
Angola	6	5	-1	5	6	6	5	5	0	3	4	3	6	4	-1	4	3	3	2	-1
Cameroon	0	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	0	0	1	1	2	1	0	2	2	3	2	-1
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	3	27	28	26	27	1
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	2	3	2	-1
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	-1	0	0	0	0	0
Africa other	5	4	-1	11	12	12	12	12	8	12	14	12	14	13	1	15	18	19	21	2
Africa	34	36	2	41	45	44	43	43	7	45	50	44	51	48	5	48	53	54	54	0
Total DCs	282	322	40	307	317	328	336	322	0	346	354	350	350	350	28	350	376	371	385	14
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	0	2	2	2	2	2	-1	2	2	2	2	2	0	2	2	2	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1,732	1,992	260	1,682	1,440	1,587	1,644	1,588	-404	1,919	1,767	2,021	2,071	1,944	356	2,194	1,949	2,121	2,172	51

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

Main Contributors to Monthly Oil Market Report

WORLD ECONOMY	Mr. M. Behzad e-mail: mbehzad@opec.org Mr. G. Skipper e-mail: gskipper@opec.org
CRUDE OIL PRICES	Mr. O. Salas e-mail: osalas@opec.org Mr. F. Al Nassar e-mail: fal-nassar@opec.org
PRODUCTS AND REFINERY OPERATIONS	Mr. S. Keramati e-mail: skeramati@opec.org
THE TANKER MARKET	Mr. J. Bahelil e-mail: jbahelil@opec.org
WORLD OIL DEMAND	Dr. M.R. Jazayeri e-mail: sjazayeri@opec.org
WORLD OIL SUPPLY	Mr. Z. Mohammad e-mail: zmohammad@opec.org
STOCK MOVEMENTS	Dr. A. Yahyai e-mail: ayahyai@opec.org
COORDINATORS	Mr. M. Alipour-Jeddi Head, Petroleum Market Analysis Dept. e-mail: majeddi@opec.org Dr. A. Yahyai e-mail: ayahyai@opec.org

Data is provided by Data Services Department.

Data Summary September 2004

OPEC Basket average price

US$ per barrel

⬆ *up 3.98 in August*

August 2004	***40.27***
July 2004	*36.29*
Year-to-date	*34.11*

August OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.25*	*Kuwait*	*2.40*	*Saudi Arabia*	*9.50*
Indonesia	*0.96*	*SP Libyan AJ*	*1.59*	*UAE*	*2.48*
IR Iran	*3.94*	*Nigeria*	*2.42*	*Venezuela*	*2.61*
Iraq	*1.83*	*Qatar*	*0.81*	***TOTAL***	***29.79***

Supply and demand

in million barrels per day

2004		**2005**	
World demand	*81.58*	*World demand*	*83.32*
Non-OPEC supply	*54.02*	*Non-OPEC supply*	*55.40*
Difference	***27.56***	***Difference***	***27.92***

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

Stocks

Commercial oil stocks almost unchanged in USA in August

World economy

World GDP growth revised up to 4.8% for 2004 and unchanged at 4.3% for 2005

Issued 16 September 2004 *Data covers period up to end of August 2004 unless otherwise stated*
Next report to be issued on 18 October 2004