OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

March 2004

Feature Article:

The potential for further incremental oil demand in 2004

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Oil Market Highlights

- World GDP is estimated to have grown by 3.7% in 2003, a rise of 0.1% above last month's estimate. This slight increase is due to a significant upwards revision of estimates for Japan and slight downwards revisions for Germany and Italy. The Japanese data for the final quarter of 2003 showed strong growth in investment spending and exports. Personal consumption also experienced significant growth, maintaining the improvements recorded earlier in 2003.

- The major problem in the US economy remains employment growth and the fact that policymakers have little monetary or fiscal ammunition left to boost the labour market. The increase in non-farm payrolls in February was only 21,000 and there were no special factors to explain such a result. Retail sales (excluding automobiles) were flat in February providing the first indication of weakness in consumer confidence. The US trade deficit widened further in January, reaching $43.1 billion.

- The 2004 forecast for the OECD region was increased by 0.1% and GDP is expected to grow by 3.2%. This revision is entirely due to an upwards adjustment of the Japanese growth forecast from 1.8% to 2.6%. The forecast for China is unchanged at 8.3%. Demands on the Chinese economy are growing at a faster rate but rising inflation and shortage of capacity may raise problems later in 2004. This forecast assumes that the rate of growth of China will slow in the second half of the year. The forecasts for Africa, Latin America, Asia (excluding Japan) and Developing Countries as a whole are largely unchanged. The world economy is forecast to grow by 4.4% in 2004, which is 0.1% higher than last month's forecast.

- Following the $4/b recovery that started early in the fourth quarter of 2003 and extended to January of this year, the OPEC Reference Basket finally lost some ground. In February the Basket dropped 77¢/b or 2.54% to average $29.56/b. The year-to-date average, which stood a few cents-per-barrel below the $30/b mark ($29.94/b) at the end of February, was exactly $1/b lower when compared to the same period of 2003 when prices shot upwards on 19 March 2003 in anticipation of the invasion of Iraq. In early March, the weekly Basket average soared by another 4% or $1.26/b to $31.87/b, followed by another 38¢/b rise to $32.25/b in the week ending 11 March. The recent strength in crude oil prices rests mainly on the position of non-commercials, geopolitical concerns and a perceived tightening in the US gasoline market.

- With the exception of gasoline in the Atlantic basin markets, average product prices fell in February in all three main world refining centres. Refining margins, however, converged at healthy levels, driven largely by the prevailing strength in gasoline prices in the US and European markets, and despite recent sharp falls in major Asian product prices.

- The tanker market displayed divergent trends in February, as crude oil freight rates headed south and product freight rates soared skywards. Most of the crude oil tanker sector lost the previous month's momentum, especially Suezmax and Aframax where losses were remarkable. Tight tonnage availability on most main product routes was the main reason behind the upward trend in product freight rates. OPEC area spot fixtures gave up 10% from last month's gain of 35% on the back of slightly lower oil production and weak demand due to refinery maintenance.

- The world oil demand estimate for 2003 has been revised down by 0.21 mb/d to stand at 78.30 mb/d, an increase of 1.29 mb/d from 2002. This is mainly due to the downward revision in the actual historical apparent demand in the FSU in the fourth quarter. The world oil demand forecast for 2004 has been adjusted downward by 0.08 mb/d to 79.75 mb/d, while incremental growth has been revised up by 0.13 mb/d or 1.45 mb/d due to the upward revision in the economic growth. The volume growth in the Other Region group is forecast at 0.57 mb/d, followed by Developing Countries with 0.51 mb/d and the OECD group with 0.37 mb/d.

- OPEC crude oil production in February, based on secondary sources, is estimated at 28.14 mb/d, almost unchanged from the January figure. Non-OPEC oil supply for 2003 is estimated at 48.66 mb/d, which is 0.90 mb/d over the 47.76 mb/d estimated for 2002. Non-OPEC supply in 2004 is expected to reach 50.01 mb/d, an increase of 1.35 mb/d over the 2003 estimate. Net FSU exports for 2002 and 2003 are estimated at 5.56 mb/d and 6.55 mb/d respectively and are expected to rise to 7.20 mb/d in 2004.

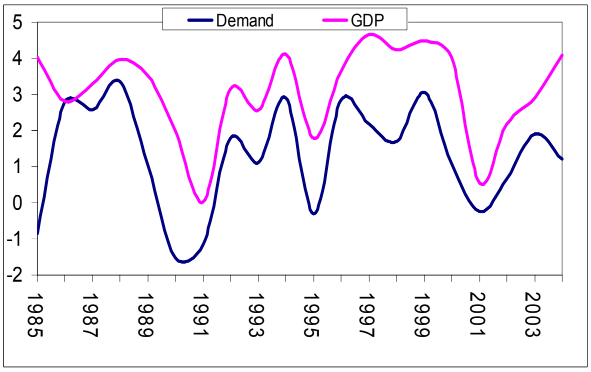
- US commercial onland stocks continued to show a considerable seasonal draw of 13.9 mb at a rate of 0.46 mb/d to 896.6 mb during the period 30 January–28 February 2004, although the y-o-y surplus remained at a comfortable level of 35.2 mb or 4.1%. Latest US weekly stock data of 12 March shows a further build in crude oil inventories, while gasoline stocks, which are close to last year's level, should increase steadily ahead of the driving season. Total oil stocks in EU-16 (EU plus Norway) reversed the trend observed last month, decreasing by 11.1 mb or 0.38 mb/d to 1,060.9 mb, due to a large draw on middle distillates. Despite this considerable draw, the y-o-y surplus remained at 44.0 mb or 4.3%. Total commercial onland stocks in Japan reversed the previous month's pattern decreasing by 3.4 mb or 0.11 mb to 179.3 mb, but the y-o-y surplus remained at a comfortable level of 13.7 mb or 8.3%

The potential for further incremental oil demand in 2004

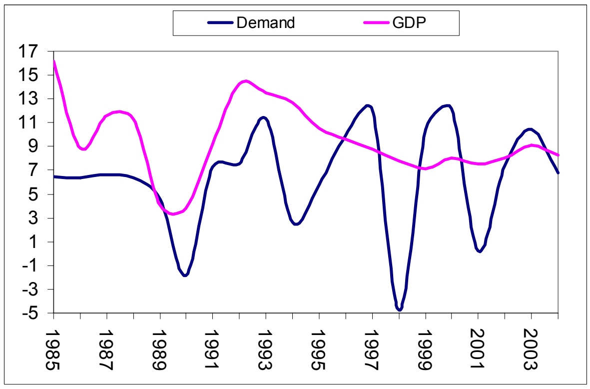
- The oil market has recently emerged from a period of declining oil demand growth. Between 1999 and 2002, demand growth dropped from 2.16 mb/d to 0.40 mb/d, before rebounding to 1.29 mb/d in 2003. The reasons behind this change in direction was the higher economic growth observed in China and the USA, as well as one-off events such as colder than expected weather in the Northern Hemisphere and fuel substitution in Japan on nuclear rector outages. Following exceptional oil demand growth in 2003 compared to recent years, the current forecast expects continued growth in 2004 to 1.45 mb/d, even though not all of the factors that drove 2003 growth will be present to the same extent. Winter in the Northern Hemisphere was relatively moderate this year and Japan has begun to bring its nuclear reactors back on line. Instead, the major factor driving the continued rise in oil demand in 2004 is the expected acceleration in the global economy, which began in the second half of last year. Since GDP growth is the main driver of oil demand growth in 2004, it is important to examine the relationship between these two factors, particularly in the main consuming regions.

- The largest demand growth in 2004 is expected to be seen in North America (primarily the USA) and China, which accounted for as much as 77% of the demand growth increment in 2003. A look at North America's GDP and oil demand growth rates for the period 1985-2002 reveals a mixed picture (*see graph 1*). In some periods, growth in GDP and in oil demand show a correlation, while at other times there is a correlation but with a varying time lag. However, despite this fluctuation, the historical record indicates a fairly stable relationship between GDP growth and the rise in oil demand for the mature economies of North America.

Graph 1: North America, Demand Growth vs. GDP (% chg.)



Graph 2: China, Demand Growth vs. GDP (% chg.)



- The historical moving average of the ratio of oil demand growth to GDP growth for North America demonstrates a clear upward trend during the period 1991-99 before declining to reach an average of 0.4 for the period 1985-2002. The 2003 estimate of the ratio is an exceptionally high 0.6. The demand forecast for North America in 2004, listed in this report as 24.9 mb/d, is based on the historical average of 0.4 after adjusting the base year of 2003 by removing growth due to exceptional factors such as colder than normal weather and fuel substitution. However, given the current strength in US gasoline demand, there could be potential for further upward revision to North America's 2004 oil demand.

- While the data for North America shows a relatively stable correlation between GDP growth and the increase in oil demand, a review of the data for China over the same period shows that not only is there no clear correlation but also the difference between the growth ratios changes dramatically from one year to the next (*see graph 2*). For example, the 8.8% rise in GDP growth in 1997 was substantially lower than the 12% increase in oil demand for the year. However, only one year later, GDP grew by a robust 7.8% while oil demand dropped by 4.5%. This volatile demand growth is to be expected in an expanding economy such as China.

- The historical moving average of the ratio of oil demand growth to GDP growth for China demonstrates a clear upward trend, with an average of 0.6. The 2003 estimate of this ratio is an exceptionally high 1.2, indicating that the oil demand is seen to have grown nearly 20% higher than GDP. This was due to a surge in demand for transportation fuel and power generation. However, the ratio for 2004 is expected to be closer to the historical average. Considering the current forecast of a GDP growth rate of 8.3% for China for this year, which is down from 9.1% in 2003, the incremental oil demand for 2004 is unlikely to exceed that of the previous year.

- This analysis focuses on the relationship between GDP growth and incremental oil demand in North America and China. Of course, other factors have not been taken into account and unexpected events could affect oil demand in either direction. However, as far as GDP growth is concerned, any potential upward revision to incremental oil demand would remain within the range of uncertainty and would not lead to any significant change to the current forecast for world oil demand in 2004.

Highlights of the World Economy

Economic growth rates 2003-2004

%

	World	G-7	USA	Japan	Euro-zone
2003	**3.7**	**2.2**	**3.1**	**2.7**	**0.4**
2004	**4.4**	**3.1**	**4.2**	**2.6**	**1.9**

Industrialised countries

United States of America

Industrial sector is strong thanks to capital spending while the consumer sector is showing signs of weakness

Although the overall growth of the US economy is likely to remain strong in the first half of this year, there have been some signs that consumer sentiment may be weakening. US consumer confidence fell sharply in February as a result of deteriorating expectations while sales of new and existing homes fell in January. Indicators of business sentiment also were lower in February. The ISM (Institute of Supply Managers) indicators for Chicago, Milwaukee and North Eastern States fell in February as did US vehicle sales. The ISM activity index for the US as a whole showed declines for both manufacturing and service sectors. Despite the slight fall in February, the manufacturing index remains high by historical standards and is consistent with annual GDP growth of about 5%. The services index fell to 60.8 following January's record high of 65.7. It appears that the weakness in many of these indicators can be traced back to the continuing lack of job growth in the US economy. The very small increase in non-farm payrolls of 21,000 in February was a major disappointment as an increase of well over 100,000 had been anticipated. Private payroll growth was actually zero and the previous two month's payrolls estimates were revised down. However, these trends may not halt the expansion in consumer spending in the first half of the year as tax refunds will boost real disposable income by about 4-5% in this period. Still, the retail sales data for February showed an increase only in car sales while the value of non-auto retail sales was exactly same as in January. Consumers may hold back if they fear a tougher second half and without an improvement in hiring trends real incomes in the second half may struggle to rise by more than 2%. Certain sectors of US manufacturing continue to be optimistic. There is strength in the cyclical sectors such as consumer discretionary and technology whilst advance bookings look healthy especially for capital goods. Many companies plan to increase capital spending and non-defence capital goods orders rose by 3.6% in January whilst capital goods shipments rose by 16% at an annualised rate above the levels of the previous quarter. Recent weeks have seen a recovery in the value of the dollar although the trade data for January suggested that US exports are not yet competitive. Exports of goods fell by $1.1 billion from December whilst exports of services were constant. The trade deficit widened to $43.1 billion, an increase of $3.1 billion from January of the previous year. Inflation remains under control although the "prices paid" component of the ISM manufacturing survey showed a sharp rise which was indicative of commodity price pressures ahead. Fourth quarter data showed a surprise increase in the annualised rate of wage compensation to 2.2%, although the depressed state of the US labour market should keep wage growth subdued.

Japan

Japan's economic growth looks more sustainable and its jobless rate fell to 4.9% in December 2003

Japan's real GDP growth for the last quarter of 2003 was revised down to 6.4% from the preliminary estimate of 7.0%, but still at the fastest pace in 13 years, fuelled largely by exports to the USA and China as total Japanese exports rose for the third consecutive month in January**. This helped the trade surplus, holding at a four-year high, to widen to 507.1 billion yen from 102.8 billion yen in the previous year.** Exports rose 11%, led by audio and visual equipment, semiconductors and electrical machinery. Japanese retail sales also had their biggest gain in almost seven years in January and rose 4.5%, seasonally adjusted. However, machinery orders fell 12.2% in the same month, the biggest drop in more than three years, reinforcing economists' predictions that the pace of growth in the world's second-largest economy is slowing. **Generally, the Japanese economy is performing better than in recent years. Not only has GDP growth been unusually strong by Japanese standards, but some of this growth has come from domestic investment**, rather than solely from exports, as was the case in the initial stage of the recovery in early 2002. This paved the way for an improvement in employment and a subsequent rise in consumer confidence. **The Government predicted GDP will rise 1.8% in the fiscal year 2004, but an economist's poll of forecasters predicts 2.6% growth for the same year.** Policy makers are also doing whatever is needed to prevent a jump in the yen, which may erode the confidence of business and stifle the economic recovery. In February, the Bank of Japan sold over three trillion yen to curb that currency's rise.

Euro-zone

Euro-zone consumers are reluctant to spend. Italy and Germany show particular weakness.

Following the disappointing performance of the Euro-zone in the final quarter of 2003 there are signs that a recovery in industrial activity is taking place despite subdued consumer activity. In Germany the IFO assessment of business conditions improved in January and stabilised in February. Manufacturing production increased by 0.7% in January while capital spending slowed although this followed a strong fourth quarter. Private consumption at long last showed some recovery in January as retail sales in Germany rose by 1.5% in January following two months of decline. The weakness of German consumption may be explained by sluggish growth in real incomes as a result of the depressed labour market. As employment conditions improve in 2004, consumption should see a gradual recovery. In contrast, consumption in France began to improve in 2003, rising at an annual rate of about 1.5% in the second half and continue to pick up into this year. Conditions in Italy appear to have worsened significantly, as consumers and businesses lack confidence and the trend is deteriorating, leading to a reduced forecast for GDP growth in 2004, down 1.4%. Italian industrial production is weak and car sales probably fell by about 5% below the levels seen in the final quarter of 2003. European exporters may benefit if the recent recovery of the dollar is sustained and export expectations remain strong in business surveys. Clearly momentum from the growth in world trade has a greater impact than the rise of the euro, although the fastest period of G7 growth is probably behind us. For the first half of 2004 growth in the Euro-zone will depend mainly on private investment amid fading export growth and the possibility that consumption will become more significant towards the end of the year. Although the underlying financial conditions of consumers and businesses are able to support GDP growth of over 2%, the forecast for 2004 is just 1.9%. But given weakness in Germany and Italy, achieving even this low rate of growth rate will require the continued strength of France and Spain.

Former Soviet Union

Russian economy continued its strong growth rate in January, while the basic index of goods and services rose by 7.6%

The continuation of high prices for crude oil exports and favourable global demand for other products allowed the trade balance of the FSU's economies to record a surplus, despite rapid investment-driven economic growth that resulted in a substantial surge in capital good imports. **In Russia, gross activity indicators for January show that GDP continued to grow rapidly at the beginning of 2004, after a good performance in 2003.** Construction activity continued to set the pace, rising 13.3% y-o-y. The index of output for basic goods and services was up 7.6%. Retail sales figures were also impressive. Compared with growth in real retail trade turnover of 8.0% in 2003, retail sales grew 9.9% in January. Industrial output growth was also above the 2003 level, up by 7.5% and consumers' wages and income rose sharply relative to a year earlier, supporting the ongoing boom in household consumption. Year-on-year consumer price inflation sank lower in January, reaching 11.3% compared with 12.0% in December 2003. Moreover, the Russian external account indicates some improvement as well. The foreign trade surplus in December, at $5,585 million, brought the cumulative 2003 trade surplus to $59,985 million. **Energy and metals continued to play an overwhelming role in Russia's exports. These two categories accounted for a combined 71.6% of the total last year, compared with 69.5% in 2001 and 69.7% in 2002**. Russia's foreign exchange reserves have continued to grow. The world market remained strong and the value of crude oil exports in 2003 reached $36.86 billion, an increase of 34.3% relative to a year earlier, while the physical quantity hit 208.6 million metric tons (4.17 mb/d), up 19.7% y-o-y. Having ended 2003 with $76.9 billion official foreign exchange reserves, despite the more than $17 billion due in debt service last year, Russia piled up another $7.1 billion in January 2004 alone to hit $84 billion.

Eastern Europe

EUROSTAT decision will raise Polish fiscal deficit to 7-8% of GDP in 2004

Polish GDP continues to accelerate and a growth rate of over 5% is possible for the first quarter of this year. Exports are the driving force and may expand by 8-10% this year although investment spending should also grow by at least 4%. The currency remains undervalued reflecting concerns of market participants regarding the fiscal deficit. The Polish government will propose plans for spending cuts to the Sejm but success in this parliamentary process is not guaranteed. The deficit situation was worsened, at least in accounting terms, by the surprise decision of the European Statistics Office to classify certain pension payments as government spending. This decision will raise the Polish deficit to about 7.5% of GDP in 2004. Hungary also has fiscal problems. Moreover, inflation is at a high 6.6% y-o-y in January; interest rates are 12.5% and the balance of payments outlook is worrisome. The Hungarian economy has been dependent on consumer spending and moves to slow domestic demand may keep the growth rate for 2004 down to 3%. The Czech Republic is expected to achieve a similar rate of growth in 2004 with the export sector in the lead. Very low inflation and a weaker currency should help exports although since 70% of Czech exports go to EU markets the prospects for rapid growth depend on progress in gaining market share. Investments also depend to some extent on the EU outlook since many projects are financed by the foreign direct investment from EU parent companies.

OPEC Member Countries

Some OPEC Member Country economies enhanced by a good harvest, public spending and a rise in exports

Algeria, like other OPEC Members, is expected to curb its production in the low demand season, although the average output for the year is still forecast to rise by 7%. Moderate rates of public consumption growth are anticipated as the government is forced to address acute levels of unemployment by creating public jobs and generating wage growth. Consumer confidence will be fragile amid widespread poverty and unemployment. However, following a good harvest in 2003 consumption growth is apparently to show some acceleration. This year, GDP growth is forecast to slow to 4.0% from 6.0% in 2003 due to relatively weak macro-economic indicators. In Indonesia, the strong growth in exports and public as well as private consumption has resulted in a pick up of GDP growth in 2003 to 4.0%, the fastest pace since 2000. The economy was firm, particularly in the fourth quarter, edging up by 4.4% y-o-y, indicating to a considerable momentum that will continue into 2004. The economic expansion will be further enhanced by election-related spending this year, and also by a rise in export demand resulting from active growth in China and rising domestic demand in the OECD. Thus, the GDP growth rate is forecast this year to pick up to 4.7%. The latest indicators of the Central Bank of Venezuela showed that real GDP shrank by 9.2% last year, which was the worst economic performance since the 1950s. Real GDP per capita last year fell on average by 4.8%, which was the lowest level since 1989. However, a statistical rebound will take place in fiscal 2004-2005, with strong growth in the first half of 2004, fuelled by fiscal spending and helped by a low base of comparison. However, the second half of the year will be relatively weaker as fiscal spending is restrained and the base of comparison becomes more challenging, which should reduce momentum going into 2005. Several years of relatively firm growth rates would be necessary to avoid widespread poverty and inequity. Thus, the GDP growth rate is forecast at 6.0% in 2004, following the contraction to 9.2% in 2003.

Developing Countries

Asia signed bilateral trade deals, Brazil saw fragile signs of recovery, and Sub-Saharan Africa continued to suffer from the “commodity trap”

Talks on a free trade agreement between China and Australia, initiated in February, are likely to be stepped up in March, as China has a chronic shortage in commodities, crude oil, copper, iron and natural gas to fuel its perilously rapid expansion. The Asian giant has apparently become less concerned about the potential risks of trade deals as cheap imports have caused fewer disruptions than expected. Geopolitics are also driving China to embrace trade talks as the country has a desire to be a responsible regional power and integrate itself economically with ASEAN in a way that gives it a clear advantage. China also hopes for the emergence of an Asian Economic Block that might negotiate more effectively with the USA and EU. Such a trade offensive should not only increase its regional influence, but also boost its GDP growth, which is forecast at 8.3% in 2004 sliding slightly from the 9.1% of last year. This was in line with the government’s intention to gradually cool the economy to avoid an investment bubble in 2004. In Brazil, despite a GDP growth forecast of 3.5% for 2004, so far the country has only show hesitant signs of an economic recovery. Unemployment in January remained unchanged from December at 19.1%, which was the highest level for that month in two decades. The Central Bank is concerned about inflationary pressure, raising the prospect that it could continue its tight monetary policy and delay an expected economic recovery this year. Investors fear that keeping interest rates steady for another month could erode the willingness of consumers and companies to spend. Last but not least, Sub-Saharan Africa continues to suffer from a “commodity trap” where long term price declines for commodities had obstructed savings and investment, set back development and led to persistently high levels of debt in commodity-dependant economies, according to a UNCTAD report released February. Part of the blame is due to farm subsidies in rich industrial countries that have led to structural oversupply and falling world prices for commodities such as cotton, sugar and groundnuts. The report highlighted the stark contradiction between the subsidies that industrialized countries give their own farmers and the advice they give to developing nations to liberalize their markets.

US dollar extended its downward trend against other major currencies in February with the exception of the Swiss franc, eroding the value of the OPEC Reference Basket

Oil price, US dollar and inflation

The US dollar fell against other major currencies in February with the exception of the Swiss Franc. On average it lost 0.28% versus the euro, 3.76% against the British pound and 1.21% against the Japanese yen, but it gained 1.85% versus the Swiss franc. **The currency market was very volatile in February 2004.** At the beginning of the month, the main risk was the outcome of the G-7 Finance Ministers' meeting in Boca Raton, Florida, as the previous meeting in Dubai last September had led to an important adjustment in the foreign exchange market. The market worried as to how Europe would react to the concern about the gains in the euro. **The bearish dollar sentiment accelerated after the meeting, as G-7 Finance Ministers failed to agree to put a floor for the dollar versus the euro**, and they even renewed calls for currency flexibility, while issuing a vague warning about excess currency volatility at the same time. The US currency also came under increasing pressure against other major currencies after the Federal Reserve Chairman said that the gradual dollar depreciation had not hurt the US capital market and should eventually help to contain the US current account deficit. Therefore, the Fed is not under pressure to push the short-term interest rate higher. On 17 February, the dollar dropped to a record-low trading at $1.2858 versus the euro**. Later on, encouraging data about declining unemployment claims in the USA and a sell-off of the euro for profit-taking, together with the French President's call for exchange rates stability and the German Chancellor request for an interest rate cut by the ECB,** shifted market sentiment, and the dollar partially recovered its earlier sharp losses. Meanwhile, the yen climbed against the dollar after government reports showed that Japanese manufacturers increased production in January and consumer spending rose by 4.2%, but the Bank of Japan sold 3.342 trillion yen on the foreign exchange market in February to fight the currency's rise that same month.

The OPEC Reference Basket declined by $0.77/b or 2.94% to $29.56/b from $30.33/b in January. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price dropped by 2.97% to $21.26/b from $21.91/b, as the fall of the dollar against other rival currencies also eroded the actual price level as well. The dollar fell 0.4% as measured by the import-weighted modified Geneva I +US dollar basket*.

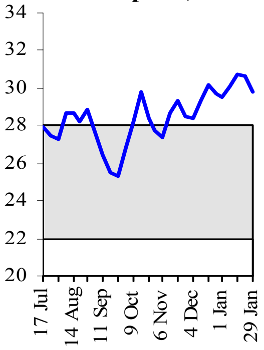
* *The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movements

The OPEC Reference Basket declined by 77¢/b in February to average $29.56/b

Following the $4/b recovery that started early in the fourth quarter of 2003 and extended to January of this year, the OPEC Reference Basket finally lost some ground in February when it dropped 77¢/b or 2.54% to average $29.56/b. The year-to-date average, which stood a few cents-per-barrel below the $30/b mark ($29.94/b) at the end of the month, was exactly $1/b lower when compared to the same period of 2003 when prices shot skywards on 19 March 2003 in anticipation of the invasion of Iraq.

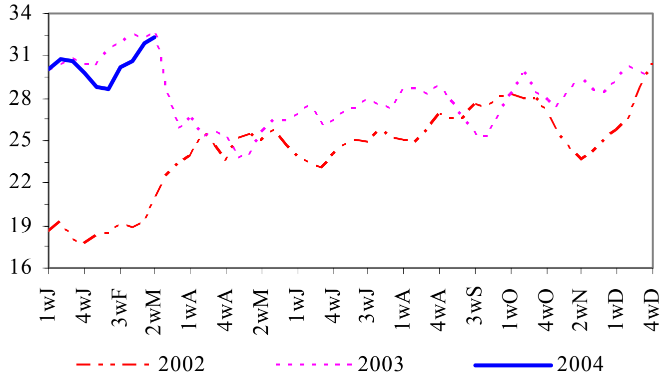
Weekly average Basket price, 2003



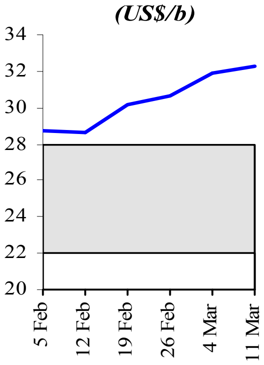
The monthly chronology shows that the Basket retreated more than 3.5% or $1.07/b to average $28.75/b during the first week of February, followed by another lesser fall of 8¢/b to $28.67/b. In the week ending 19 February the Basket made a sharp upturn recovering all the ground lost in the previous two weeks, with a surge of $1.53/b or 5.3% for a weekly average of $30.20/b. The upward movement extended past the last week of the month when the Basket gained another 41¢/b to $30.61/b. In early March, the weekly Basket average soared by another 4% or $1.26/b to $31.87/b, followed by another 38¢/b rise to $32.25/b in the week ending 11 March.

Graph 1

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



Feb - Mar 04
(US$/b)



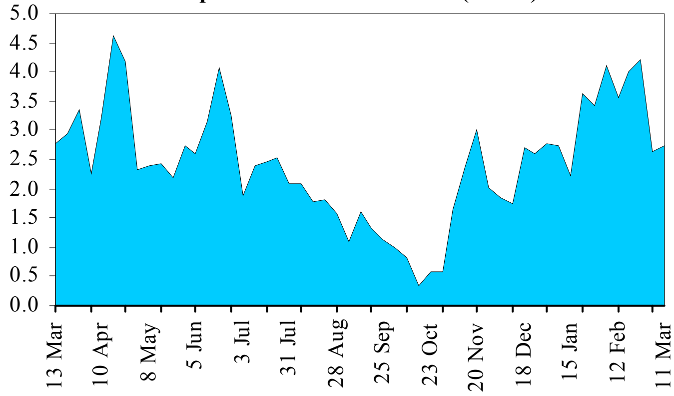
A tight gasoline market and perceived low crude stocks drove the market upward

At this time of year, all eyes in the petroleum market turn to **gasoline**, particularly the **US** gasoline market**,** which is **facing potential problems. Not only is the market more fragmented than ever with increasingly stringent specifications, but also it must bear further pressure from a combination of special blending requirements, seasonal turnarounds and stagnant refinery capacity in an already tight market.** If this were not enough, the healthy demand for products in Asia Pacific and **tighter sulphur specifications** that can only be met by Taiwanese, Japanese and South Korean refiners will cap that region's ability to export gasoline to the USA, leaving Europe and perhaps Latin America as the only possible suppliers of the US market. The further one digs into the US gasoline market the more troublesome it appears. **Reformulated gasoline inventories in the USA at the end of February stood at 27.2 mb, almost 23% lower than the 35.2 mb seen at the end of the same month last year.** Apparent demand for gasoline has been on the rise in the past few weeks approaching 9 mb/d, which was higher than the level of the last two years. This, together with the **perception of low crude stocks amid a buoyant economy, has kept crude oil markets on edge.** US sweet benchmark crude jumped by nearly $2/b early in February, closing at $34.98/b on 2 February and topping $36/b two weeks later on 19 February. Brent crude futures on the IPE in London followed suit closing just a notch below the $31/b mark on 18 February before surging to $32.23/b on the last trading day of the month. European refiners have benefited from the windfall as the spread between gasoline and BFO (Brent, Forcados and Oseberg) has come close to $10/b, which is three times higher than the typical average for the first quarter of the year. This in turn has resulted in the shipment of considerable volumes of gasoline to the thirsty US market. Meanwhile, **in view of an expected considerable excess in supply during the seasonally-low demand second quarter, OPEC decided at its 129th (Extraordinary) Meeting in Algiers on 10 February that a supply response was needed.** The result was a new output ceiling of 23.5 mb/d to be implemented as of 1 April and a call for strict OPEC-10 compliance with the current production ceiling of 24.5 mb/d.

Refinery maintenance capped US crude oil demand despite workable arbitrage

US and European markets

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

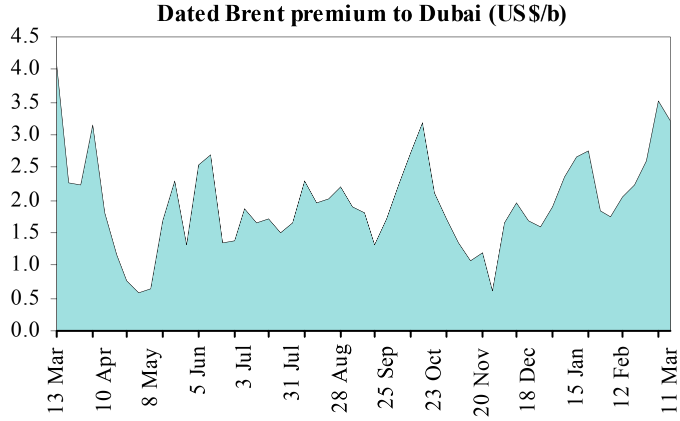


The transatlantic arbitrage from the North Sea and West Africa to the US East and Gulf Coasts was wide open for the entire month of February at around $4/b with subsiding freight rates favouring the westward flow of crude. Nevertheless, **demand in the USA was timid as refiners were engaged in maintenance programmes which will extend into March.** According to API statistics, refinery runs fell below 15 mb/d in January and stabilized around 14.5 mb/d in the following month yet remained well above the levels for the same periods in 2002 and 2003. **Sour grades were particularly distressed with Basrah Light's discount to WTI nearing $5/b** and some West Coast-bound Latin American grades (Oriente) and Alaskan North Slope coming under increasing pressure by refinery shut-downs and rising foreign competition to the region. **In Europe the North Sea market was supported by healthy demand from regional refiners that cleared almost all availabilities until the end of March.** Healthy gasoline crack of $8-10/b induced refiners to step up buying. Russian Urals benefited from OPEC's latest February output agreement as most of the cut will be on sour type crudes. The stronger official selling price of Iraqi Basrah Light to Europe also supported Urals and will make it easier to allocate the record 825,000 b/d March loading programme from Primorsk.

The wide Brent/Dubai spread shut down the arbitrage window, supported by OPEC's latest output curb

Far East market

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



The premium of dated Brent to Dubai widened from $1.75/b early in February to $3.50/b by the end of the month, thus shutting down the arbitrage window and making it increasingly difficult for West African and North Sea crudes to head east. The lack of out-of-the-region competition underpinned regional grades, with light sweet grades trading at near record premiums to their bench-marks at the beginning of the month. Medium crudes strengthened with respect to Minas, as demand from Japan surged again on delays in restarting some of the country's nuclear reactors. Trading for April deliveries, which started early in February, began on a weak note especially for medium sour Oman, as regional consumers assessed the market in light of the OPEC Meeting in Algiers. Middle East grades for April delivery cleared at the end of the month although at weaker levels. However, support seems to be on the rise as some regional producers reduced their term volumes by approximately 10% in line with the last OPEC output cut agreement. Nigeria's preliminary loading programme for April volumes also showed a 10% reduction from the March allocation indicating the implementation of OPEC's Algiers decision.

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

	Jan 04	Feb 04	Year-to-date average Feb 03	Year-to-date average Feb 04
Reference Basket	30.33	**29.56**	30.94	**29.94**
Arabian Light	29.83	**29.18**	30.10	29.50
Dubai	28.93	**28.49**	28.98	28.71
Bonny Light	30.94	**30.47**	31.55	30.70
Saharan Blend	31.29	**30.57**	31.86	30.93
Minas	30.27	**29.38**	32.10	29.82
Tia Juana Light	29.28	**28.17**	30.68	28.73
Isthmus	31.78	**30.64**	31.32	31.21
Other crudes				
Brent	31.33	**30.65**	31.93	30.99
WTI	34.33	**34.62**	34.36	34.48
Differentials				
WTI/Brent	3.00	**3.97**	2.43	3.49
Brent/Dubai	2.40	**2.16**	2.95	2.28

Product Markets and Refinery Operations

With the exception of gasoline in the Atlantic basin markets, average product prices fell in February in all three main world refining centres. Refining margins, however, converged at healthy levels, driven largely by the prevailing strength in gasoline prices in the US and European markets, and despite recent sharp falls in major Asian product prices.

US Gulf market

Emerging moderate gasoline demand, together with prevailing robust distillate demand, were the key factors for the US product markets in February. Refining margins remained strong in the US Gulf Coast. The US refinery utilization rate stood at 91%, a clear indication of ongoing maintenance turnarounds.

Product prices displayed divergent trends in the US Gulf market in February. On average, the gasoline price faired the best, rising 4%, while the price of gasoil fell the most, declining by 7%, and HSFO (high sulphur fuel oil) slid 2%, thereby shrugging off a moderate increase of less than 1% in the marker crude, WTI, over the same period. Nevertheless, the preliminary four-week average published by the Energy Information Agency, representing the bulk of US February refinery and product activities, shed light on the following developments. Although the retail gasoline price saw a gradual increase during the course of the month to reach on average $1.70/US gal, US gasoline demand rose during the month by 0.3 mb/d or 3.6% to register on average 8.8 mb/d, which translated into y-o-y growth of 4.5%. Although these two reference periods were considered historically weak, the increase in US gasoline demand in February seemed to reflect strong growth in the US economy and, most importantly, might indicate that consumers are getting used to high pump prices. US refiners had no choice but to enhance gasoline output to nearly 8.4 mb/d, representing an increase of 2.5% and 4.5% above last month’s and the preceding year’s volume respectively. US refiners’ emphasis on gasoline production, together with a 10% or 0.68 mb/d rise in gasoline imports, reduced gasoline stock-draws to only 3.6 mb over the month. However, US gasoline imports fell 6% below February of last year, reflecting essentially the impact of stringent new gasoline specifications in key US markets since the beginning of the year. US distillate demand remained robust, increasing by nearly 1% to 4.3 mb/d over the month, but still 1.3% below the strong level of the same time last year. Distillate demand was driven by rising heating oil consumption, together with an agricultural buying spree for diesel in the last decade of the month. Meanwhile, refinery’s distillate production was curtailed by 3.7% to almost 3.5 mb/d, owing to refiners favouring gasoline production, and imports surged by 26% to touch last year’s strong level of 0.52 mb/d. However, residue fuel oil demand dropped by nearly 2% from the previous month and 7% y-o-y to 0.87 mb/d.

February’s average refining margin of WTI was close to $4/b in the US Gulf Coast. Prevailing healthy refinery economics was largely attributed to the heavy surge in gasoline prices, the main US refined product, which outpaced a moderate increase in crude cost and offset the price slide for the remaining products.

However, the prevailing strength in refining margins had little impact on US refinery throughput, which remained almost unchanged at 25,000 b/d to register an average of 15.19 mb/d in February. This suggested that January refinery maintenance was prolonged to February. The corresponding utilization rate remained almost stable at around 91%, a rise of nearly 2% above the preceding year’s level.

Rotterdam market

Rising gasoline prices outpaced the falls in other products in Rotterdam in February. Refinery margins advanced further, pushing the refinery utilization rate for Eur-16 to just below 90%.

Despite a 2% fall in Brent’s average price in February, the gasoline price held firm, surging by 2% on average. However, the average gasoil price plunged 7% and the counterpart HSFO decreased 2% below the previous month’s corresponding values. A number of fundamentals contributed to the shaping of the European product markets. Despite continuously rising freight rates, the transatlantic gasoline arbitrage was higher than the preceding month, as strong US gasoline prices eclipsed the increase in shipping costs. Europe sent more than 1.8 million tonnes of gasoline in February to US markets, indicating 0.2 mt more than January’s level. Lack of purchase from Europe’s main heating oil consuming country, Germany, which was linked to relatively adequate end-user inventories, depressed the European distillate market, resulting in subdued barge markets. Distillate cargoes were actively shipped to the US East Coast and demand held steady in the Eastern Mediterranean region. Both grades of residue fuel oil, HSFO and LSFO (light sulphur fuel oil) were amply supplied as steady Russian fuel oil cargoes continued to face receding regional demand. However, recent shipping to the Asian market should help absorb surplus quantities of European fuel oil.

The relative weakness of Brent, compared with other marker crudes, coupled with a strong gasoline price, led to enhanced refining profits. Indeed, the average Brent margin in Rotterdam was more than $3/ in February.

Prompted by healthy refining margins, refinery throughput in the Eur-16 rose to average 12.38 mb/d, representing 63,000 b/d above the previous month's level. The equivalent utilization rate was slightly below 90%, or 1% above year-ago runs.

Singapore market

Developments in China largely shaped Asian product markets in February. Refinery margins remained healthy in Singapore.

After several months of continuous rises, average spot product prices fell in Singapore in February. Gasoline lost a hefty 10%, followed by a 6% plunge in the gasoil price. The average HSFO price remained relatively unchanged amid a 1.5% fall in Dubai's counterpart compared to the preceding month's value. Nevertheless, with the exception of the naphtha market, the remaining Asian product fundamentals continued to be more or less shaped by developments in China. Prevailing strong profits in the Asian ethylene industry continued to support the price of its key feedstock, naphtha, although below last month's high level. After a sharp reduction in January, China resumed gasoline exports in February, when more than 0.5 mt were shipped. This weighed on the Asian gasoline prices, despite active transpacific gasoline arbitrage to the US West Coast, totaling 12 cargoes. The Asian distillate market was essentially driven by the strong pace of demand in China, which approached 2 mb/d, and thus, forced the country to turn to imports in January. Asian distillate fundamentals look firm in the near future with the expectation of even higher demand from the agricultural sector in China and peak demand during the spring season in India amid refinery maintenance. However, the Asian residue fuel oil supply remained abundant, with its Singapore stocks swelling to more than 11 mb during most of the month on continued weakness in Chinese purchases, combined with an influx of foreign cargoes.

Dubai's average cracking refining margins in Singapore fell from the historical high set in January, dropping around $2/b in February, but still at a healthy level close to $4/b. The 7% decline in gross product worth, steeper than Dubai's 1.5% loss, was the underlying factor behind falling refining margins.

In Japan, average refinery throughput rose 90,000 b/d to 4.41 mb/d in February. Despite a 2% increase to 92.6%, the utilization rate fell an impressive 5% compared to last year's runs, which were induced by fuel switching in the electrical utilities on the unplanned outage of nuclear power generators.

Table 2
Refined product prices
US$/b

		Dec 03	Jan 04	**Feb 04**	**Change Jan/Dec**
US Gulf					
Regular gasoline	*(unleaded)*	35.97	41.57	**43.37**	+1.80
Gasoil	*(0.2% S)*	35.72	39.84	**36.88**	–2.96
Fuel oil	*(3.0% S)*	22.35	22.64	**22.08**	–0.56
Rotterdam					
Premium gasoline	*(unleaded)*	33.84	37.33	**38.56**	+0.83
Gasoil	*(0.2% S)*	35.02	36.58	**34.16**	–2.42
Fuel oil	*(3.5% S)*	19.55	20.75	**20.32**	–0.43
Singapore					
Premium gasoline	*(unleaded)*	39.52	44.25	**39.87**	–4.38
Gasoil	*(0.5% S)*	36.67	41.42	**38.81**	–2.61
Fuel oil	*(380 cst)*	23.79	24.98	**24.90**	–0.08

Table 3
Refinery operations in selected OECD countries

	Refinery throughput mb/d			Refinery utilization* %		
	Dec 03	Jan 04	**Feb 04**	Dec 03	Jan 04	**Feb 04**
USA	15.54	15.21	**15.19**	93.5	91.1	**91.0**
France	1.84	1.79 R	**1.84**	96.5	91.7 R	**94.2**
Germany	2.22	2.22 R	**2.24**	98.1	97.2 R	**97.8**
Italy	1.79	1.79 R	**1.84**	77.8	77.4 R	**79.4**
UK	1.58	1.58 R	**1.54**	88.2	86.8 R	**84.5**
Eur-16	12.27	12.32 R	**12.38**	89.3	89.3 R	**89.7**
Japan	4.30	4.32 R	**4.41**	90.3	90.6 R	**92.6**

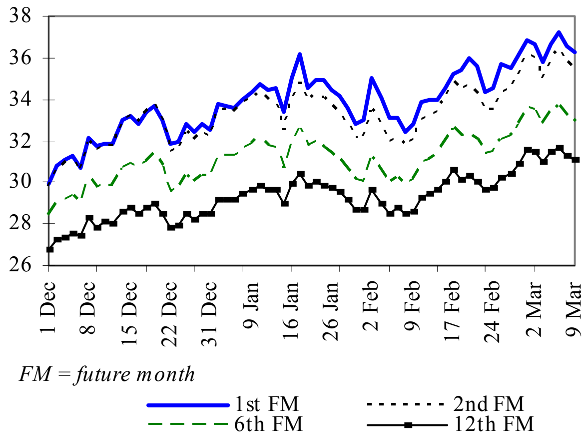
* *Refinery capacities used are in barrels per calendar day*
R *Revised since last issue*
Sources: *OPEC Statistics, Argus, Euroilstock Inventory Report/IEA*

The Oil Futures Market

Non-commercials continued to build their longs for a net-long position close to the 18-year high

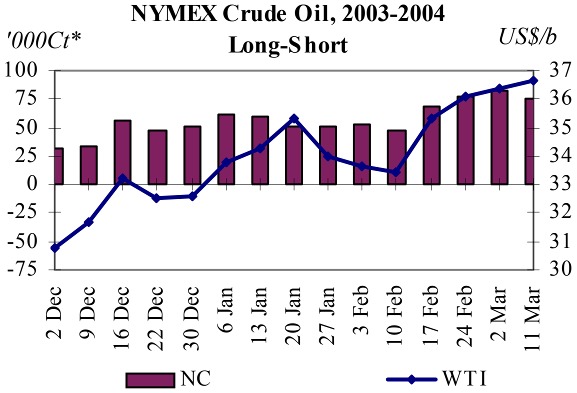
The relentless bullish trend that started late last September has continued with more impetus during the winter season. Bears as they normally do in winter time remained in hibernation. It is hard to make the case that the market can drop in light of the abundant bullish signals cropping up everywhere. **The crude oil market seemed dominated by the bullish perception of tight US crude oil stocks** that stood below the considered 270-mb minimum operational level early in February. This perception has continued even though crude levels have been rising to close at 279.5 mb in the week ending 6 March, according to the latest EIA report, which was almost 10% higher than in 2003. **A tight gasoline market has also underpinned the exuberant bullishness of speculators.** Although total commercial gasoline stocks showed a draw with respect to last year, the latest EIA figure of 200.4 mb is just 1.6% lower than in 2003 and 7.7% versus the last five-year average. However, closer scrutiny of the gasoline market reveals that reformulated gasoline inventories of 26.8 mb are 8% below last year and 13% lower compared to the five-year average. **To all of these bullish trends, one might also add healthy US demand and surging Chinese consumption.** Futures markets also factored in the fact that the US government is poised to hike the Strategic Petroleum Reserve (SPR) by as much as 12 mb in the next two months. Therefore, it should not come as a surprise that non-commercials (speculators) have amassed an enormous long position.

Graph 4
NYMEX WTI futures contracts, 2003-2004



According to the Commodity Futures Trading Commission's Commitment of Traders' report for the week ending 2 March, non-commercials held 162,442 long contracts with a net-long position of 82,451 lots, just a notch below the 18-year record high of 82,683 lots. **The increased length has all the characteristics of a "bull trap" in our view. A similar situation was already seen twice last year: once before the start of the invasion of Iraq and again following the end of the US driving season.** As noted in the last *MOMR*, it is anybody's guess what might trigger a price plunge. But when it happens it might mean a rapid correction of several dollars-per-barrel. It is important to remember that the low demand season is about to begin and the latest information calls for a more rapid return of Iraqi exports as several outlet options are now possible. However, as a final consideration, the Nymex WTI futures forward contract on 9 March showed a spread of slightly more than $5/b between the first and the twelfth forward months implying that the market today values crude for delivery in early 2005 at around $31/b. **Thus, one might conclude that, although a considerable dip might occur in the immediate future, crude prices are poised to remain firm coming into the summer and autumn seasons.**

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



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

The Tanker Market

OPEC area spot fixtures declined by 1.48 mb/d in February

OPEC area spot fixtures gave up 10% from last month's gain of 35% on the back of slightly lower oil production and weak demand due to refinery maintenance. **Spot fixtures declined by 1.48 mb/d to 14.64 mb/d, which was 1.48 mb/d or about 11% higher than the level registered a year ago**. In contrast, non-OPEC spot-chartering edged up by 0.49 mb/d to stand at 9.23 mb/d, which was 0.46 mb/d or about 5% above last year's figure, lifting non-OPEC's share of global spot fixtures by 4% to about 39%, nearly to last year's level. **Consequently, global spot-chartering displayed a slight fall of 0.99 mb/d to 23.88 mb/d, an increase of 1.95 mb/d compared with the same month in 2003**. OPEC area's share of global spot fixtures fell by 4% to stand at about 61%, which was marginally above the same month last year. The decline in OPEC area spot fixtures was mostly concentrated on the Middle East westbound long-haul route, which lost 0.75 mb/d to 2.22 mb/d. This resulted in a drop in market share of about 3%, taking the routes' share of OPEC area spot fixtures down to about 15%. Spot fixtures on the Middle East eastbound long-haul route showed a contrary trend with a marginal rise of 0.20 mb/d to 6.10 mb/d, leading to a 5% increase in the eastbound share of OPEC area spot fixtures, taking them up to about 42%. Together, these two routes accounted for about 57% of total chartering in the OPEC area, an increase of 1% from the previous month and about 3% higher than in the same period in 2003. According to preliminary estimates, sailings from the OPEC area in February witnessed an increase of 0.70 mb/d for a monthly average of 25.59 mb/d. Most of the improvement happened in non-Middle East sailings, while sailings from the Middle East moved upward slightly by 0.03 mb/d to 16.87 mb/d, pushing their share of total OPEC sailings down by about 2% to 66%. According to preliminary estimates, long-haul arrivals rose on all main routes, registering the highest rise of 0.88 mb/d to 11.09 mb/d in the US Gulf Coast, US East Coast and Caribbean, while the lowest increment was in Japan, which added just 0.02 mb/d to 4.39 mb/d. In NW Europe and Euromed, arrivals saw a moderate increase of 0.20 mb/d to 7.46 mb/d and 0.42 mb/d to 4.35 mb/d respectively.

Crude freight rates headed south on a dearth of activity in February

The tanker market displayed divergent trends in February with crude oil freight rates heading south and product freight rates soaring skyward. Most of the crude oil tanker sector lost the previous month's momentum, especially Suezmax and Aframax where losses were remarkable. A dearth of activity was the main reason behind the huge setback as many refiners began spring maintenance. **In the VLCC sector, the slow-down was larger on the Middle East westbound route where freight rates fell by 24 points to a monthly average of WS104**. Rates touched WS90 at the end of the month on the back of low trade. **A five-point increase in the monthly average to WS135 on the Middle East eastbound route did not reflect what was going on in the market as the route also suffered from a lack of activity**. The main reason for rates finishing with such a high average was the lofty start at the beginning of the month where rates hovered near WS170. These elevated levels shed more than 60 points at the end of the month to stand at WS110. Suezmax freight rates on the West Africa/US Gulf Coast route experienced huge losses, falling by 97 points to a monthly average of WS167 due to very weak demand. The slowdown on the NW Europe/US East and Gulf Coast routes was less than that on the previous route, with freight rates dropping by 61 points to WS198. The behaviour of the Aframax sector was similar to the Suezmax in terms of losses, especially on the Mediterranean/NW Europe route which saw a fall of 147 points to stand at a monthly average of WS125 due to the sluggish Baltic market, particularly at the end of the month. Within the Mediterranean basin, rates also lost a hefty 97 points to register a monthly average of WS275 on the back of accumulating available tonnage due to a lull in demand. In the Caribbean, Aframax freight rates suffered from a month of volatility, resulting in a moderate loss of 49 points for a monthly average of WS279. The only route which showed some increase was Indonesia/US West Coast where rates gained 24 points for a monthly average of WS207 on healthy demand.

Product freight rates soared on tight tonnage availability in February

Tight tonnage availability on most main product routes pushed freight rates higher in February, especially in the east. **Tankers of 50,000 tons from the Middle East moving eastward secured the highest rise, adding 48 points for a monthly average of WS255 as imports, particularly to China, continued to drive up rates**. Also increasing imports from Japan forced charterers to pay more to secure suitable 30,000 ton tankers on the Singapore/East route. This situation succeeded in lifting rates by 77 points for a monthly average of WS294. Within the Mediterranean and from there to NW Europe, product freight rates managed to finish the month with moderate gains, increasing by 11 points to WS338 on the former route and 10 points to WS370 on the latter. Strong activity also boosted rates along the Caribbean/US Gulf Coast route by 50 points to stand at a monthly average of WS383.

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

	Dec 03	Jan 04	Feb 04	Change Feb/Jan
Chartering				
All areas	17.77	24.87	23.88	–0.99
OPEC	10.93	16.12	14.64	–1.48
Middle East/east	4.06	5.90	6.10	0.20
Middle East/west	1.73	2.98	2.22	–0.75
Sailings				
OPEC	21.34	24.89	25.59	0.70
Middle East	15.88	16.84	16.87	0.03
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.70	10.20	11.09	0.88
North West Europe	7.26	7.26	7.46	0.20
Euromed	4.11	3.93	4.35	0.42
Japan	4.50	4.37	4.39	0.02

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Dec 03	Jan 04	Feb 04	Change Feb/Jan
Crude					
Middle East/east	200–300	153	130	13.5	5
Middle East/west	200–300	129	128	104	-24
West Africa/US Gulf	100–160	180	264	167	-97
North-West Europe/US East Coast	100–160	194	259	198	-61
Indonesia/US West Coast	70–100	171	183	207	24
Caribbean/US East Coast	40–70	258	328	279	-49
Mediterranean/Mediterranean	40–70	273	372	275	-97
Mediterranean/North-West Europe	70–100	235	272	125	-147
Products					
Middle East/east	30–50	176	207	255	48
Singapore/east	25–30	241	217	294	77
Caribbean/US Gulf Coast	25–30	327	333	383	50
North-West Europe/US East Coast	25–30	268	297	318	21
Mediterranean/Mediterranean	25–30	258	327	338	11
Mediterranean/North-West Europe	25–30	308	360	370	10

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

World Oil Demand

World demand for 2003 revised down by 0.21 mb/d to 78.30 mb/d, 1.29 mb/d higher than in 2002

Estimates for 2003

World

Compared with the 78.51 mb/d presented in the last *MOMR*, **our average 2003 demand estimate has been revised down by 0.21 mb/d to 78.30 mb/d** due to downward revisions in the actual historical consumption data of 0.07 mb/d in the first quarter estimates, 0.11 mb/d in the second and **0.68 mb/d in the fourth**. The bulk of the downward revision is due to the unexpectedly lower apparent demand in the FSU. The final consumption data is expected to change sideways, possibly substantially, as further evidence on actual demand becomes available. A slightly higher than expected consumption in North America, more than offset by lower than expected consumption in both OECD Europe and Pacific, has also resulted in a minor downward revision in OECD demand. As a result, the yearly increment, i.e. the difference between the 2002 and the 2003 averages, has likewise been adjusted downwards by 0.23 mb/d to read 1.29 mb/d as there has been a marginal 0.02 mb/d upward adjustment to the average 2002 consumption. Quarterly and regional details are given in Table 6.

On a regional basis, demand for 2003 is estimated to have risen by 0.72 mb/d or 1.50% in the OECD following a minor fall of 0.07 mb/d in 2002. Only a moderate 0.11 mb/d or 0.58% rise in consumption is forecast in 2003 in Developing Countries, following a much higher 0.18 mb/d growth in 2002. **Apparent demand in Other Regions is estimated to have grown a considerable 0.46 mb/d or 4.84%, more than doubling the volume and growth rate of 0.21 mb/d or 2.21% seen in 2002.**

Table 6
World oil demand in 2003
mb/d

							Change 2003/02	
	2002	1Q03	2Q03	3Q03	4Q03	**2003**	Volume	%
North America	24.16	24.56	24.16	24.89	24.89	24.63	0.46	1.92
Western Europe	15.09	15.20	14.99	15.26	15.39	15.21	0.12	0.80
OECD Pacific	8.50	9.61	8.04	7.88	9.00	8.63	0.13	1.57
Total OECD	**47.75**	**49.37**	**47.19**	**48.03**	**49.28**	**48.46**	**0.72**	**1.50**
Other Asia	7.47	7.53	7.54	7.62	7.97	7.66	0.19	2.52
Latin America	4.75	4.48	4.62	4.71	4.75	4.64	–0.11	–2.27
Middle East	4.95	4.89	4.77	5.15	4.98	4.95	0.00	0.02
Africa	2.53	2.55	2.55	2.53	2.62	2.56	0.03	1.30
Total DCs	**19.70**	**19.44**	**19.47**	**20.01**	**20.32**	**19.81**	**0.11**	**0.58**
FSU	3.78	4.01	3.35	3.71	3.82	3.72	–0.06	–1.58
Other Europe	0.74	0.77	0.74	0.70	0.74	0.74	0.00	–0.67
China	5.03	5.41	5.46	5.76	5.60	5.56	0.53	10.48
Total "Other Regions"	**9.56**	**10.20**	**9.54**	**10.17**	**10.16**	**10.02**	**0.46**	**4.84**
Total world	**77.00**	**79.01**	**76.20**	**78.21**	**79.76**	**78.30**	**1.29**	**1.68**
Previous estimate	76.99	79.08	76.31	78.19	80.44	78.51	1.52	1.97
Revision	0.02	–0.07	–0.11	0.02	–0.68	–0.21	–0.23	–0.29

Totals may not add due to independent rounding.

With the substantial reduction in the fourth quarter estimate, the increment for that quarter has reached the same level as in the second quarter. Compared with the exceptionally weak first quarter of 2002, world demand is estimated to have grown a significant 2.87% or 2.20 mb/d to average 79.01 mb/d in the first quarter of 2003. This is the net effect of the much colder than normal weather in most parts of the northern hemisphere, fuel substitution in Japan on nuclear power reactor maintenance, stockpiling ahead of the anticipated Iraq war, and record high natural gas prices in the USA. Second quarter 2003 consumption is estimated to have risen 1.27% or 0.96 mb/d compared to the exceptionally weak second quarter 2002 due to robust economic growth in China and the continued fuel substitution in Japan. Third quarter consumption is assumed to have grown slightly more by 1.09 mb/d or 1.42%. The fourth quarter increment is estimated at 0.94 mb/d or 1.19%, similar to that in the second quarter. Detailed quarterly comparisons for all quarters are presented in Tables 7 and 8.

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

			Change 2003/02				Change 2003/02	
	1Q02	1Q03	Volume	%	2Q02	2Q03	Volume	%
North America	23.93	24.56	0.63	2.64	24.02	24.16	0.14	0.57
Western Europe	15.16	15.20	0.04	0.24	14.64	14.99	0.34	2.35
OECD Pacific	9.06	9.61	0.55	6.04	7.64	8.04	0.41	5.33
Total OECD	**48.15**	**49.37**	**1.22**	**2.53**	**46.30**	**47.19**	**0.89**	**1.92**
Other Asia	7.29	7.53	0.24	3.23	7.50	7.54	0.04	0.51
Latin America	4.70	4.48	–0.22	–4.66	4.78	4.62	–0.17	–3.50
Middle East	4.83	4.89	0.05	1.13	4.91	4.77	–0.15	–3.01
Africa	2.55	2.55	0.00	–0.10	2.51	2.55	0.04	1.68
Total DCs	**19.38**	**19.44**	**0.07**	**0.35**	**19.70**	**19.47**	**–0.23**	**–1.19**
FSU	3.77	4.01	0.24	6.43	3.39	3.35	–0.04	–1.31
Other Europe	0.77	0.77	0.00	0.07	0.73	0.74	0.01	1.10
China	4.74	5.41	0.67	14.23	5.12	5.46	0.34	6.65
Total "Other Regions"	**9.28**	**10.20**	**0.92**	**9.88**	**9.24**	**9.54**	**0.30**	**3.29**
Total world	**76.80**	**79.01**	**2.20**	**2.87**	**75.25**	**76.20**	**0.96**	**1.27**

Totals may not add due to independent rounding.

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

			Change 2003/02				Change 2003/02	
	3Q02	3Q03	Volume	%	4Q02	4Q03	Volume	%
North America	24.34	24.89	0.54	2.23	24.35	24.89	0.54	2.23
Western Europe	15.19	15.26	0.07	0.47	15.36	15.39	0.03	0.19
OECD Pacific	8.03	7.88	–0.15	–1.87	9.26	9.00	–0.26	–2.80
Total OECD	**47.56**	**48.03**	**0.46**	**0.98**	**48.97**	**49.28**	**0.31**	**0.64**
	0.00							
Other Asia	7.47	7.62	0.15	2.04	7.64	7.97	0.33	4.27
Latin America	4.81	4.71	–0.10	–2.11	4.69	4.75	0.05	1.14
Middle East	5.10	5.15	0.05	0.91	4.93	4.98	0.05	1.04
Africa	2.50	2.53	0.03	1.35	2.56	2.62	0.06	2.24
Total DCs	**19.88**	**20.01**	**0.13**	**0.66**	**19.83**	**20.32**	**0.49**	**2.47**
FSU	3.67	3.71	0.03	0.87	4.28	3.82	–0.46	–10.79
Other Europe	0.73	0.70	–0.03	–3.78	0.74	0.74	0.00	–0.07
China	5.27	5.76	0.49	9.36	5.00	5.60	0.60	12.05
Total "Other Regions"	**9.67**	**10.17**	**0.50**	**5.14**	**10.02**	**10.16**	**0.14**	**1.39**
Total world	**77.12**	**78.21**	**1.09**	**1.42**	**78.82**	**79.76**	**0.94**	**1.19**

Totals may not add due to independent rounding.

OECD

The actual data shows OECD consumption stands at 48.46 mb/d, which constitutes 62% of the total world demand in 2003 as indicated in the previous *MOMR*. Out of the forecast 1.29 mb/d world oil consumption increment in 2003, about 0.72 mb/d or nearly 55% is expected to initiate in the OECD. Within the group, North America ranks first in forecast demand growth with 0.46 mb/d, encompassing 64% of the group demand increment. OECD Pacific ranks second with 0.13 mb/d or 19% and Western Europe ranks third with 0.12 mb/d or 17%.

On the product side, gasoil/diesel registered the steepest gain during 2003, as data became available for the whole year. Gasoil/diesel consumption in total OECD increased by 0.31 mb/d or 2.65%, with the bulk of this rise coming from the USA and Europe due to fuel switching. Naphtha also registered a gain of 0.08 mb/d or 2.82% due to health margins in the petrochemical sector. **Direct-use experienced exceptionally high growth of 43% due to the nuclear reactor outage in Japan.** The only product whose consumption lost ground was LPG, which shed 0.02 mb/d or 0.51% due mostly to sustained high prices and a subsequent decline in consumption in the USA.

DCs

Oil demand for Developing Countries is estimated to have grown by 0.11 mb/d or 0.58% to 19.81 mb/d unchanged from the previous *MOMR*. However, Other Asia saw an increase of 0.19 mb/d or 2.56% to 7.66 mb/d, up by 0.04 mb/d compared to the previous month due to an improvement in economic growth. In contrast, Latin America's oil demand contracted a further 0.11 mb/d or 2.27% to 4.64 mb/d due to persistent economic and financial problems. Middle East oil consumption remained unchanged at 4.65 mb/d, the same level as observed in the year 2002. Africa's oil demand experienced a slight increase of 0.03 mb/d or 1.3% to 2.56 mb/d.

Other Regions

Apparent demand in the "Other Regions" group of countries is estimated to have grown by 0.46 mb or 4.8% to 10.02 mb/d, a drop of 0.20 mb/d from the level mentioned in the last *MOMR*. **This downward revision came as actual statistical data on trade and production has become available for the entire year 2003**, and showed a contraction of 0.46 mb/d in apparent demand for the fourth quarter 2003 compared with the 0.26 mb/d gain forecast in the previous *MOMR.* Due to a downward revision in the forth quarter, FSU's apparent demand is estimated to have dropped, resulting in an average yearly decline of 0.06 mb/d or 1.58 % to 3.72 mb/d. In contrast, **Chinese apparent demand is anticipated to have undergone healthy growth of 0.53 mb/d or 10.48% to 5.56 mb/d.** This remarkable estimated growth rate is more than 40% of the estimated average rise in world oil demand. The share of Other Regions in the world oil consumption declined to 12% from 13% in the previous *MOMR.*

Forecast for 2004

World demand for 2004 revised down a slight 0.08 mb/d to 79.75 mb, an increase of 1.45 mb from 2003

The world oil demand forecast for 2004 has been adjusted downward by 0.08 mb/d to 79.75 mb/d from 79.83 mb/d due to a revision to the base figure for the year 2003. However, **incremental growth has been revised up by 0.13 mb/d equivalent to 1.45 mb/d or 1.86%** from the earlier *MOMR*. This increase is due mainly to an upward revision in economic growth. All quarterly averages have been revised up, with the exception of the fourth quarter, which has been significantly reduced by 0.55 mb/d to reflect the downward revision in the corresponding period.

All three major groups of countries are forecast to register healthy demand growth. The Other Regions group is forecast to rank first in demand volume growth with 0.57 mb or 5.69%. At 0.51 mb or 2.59%, the rise in Developing Countries demand is expected to be the second highest in incremental volume. The OECD group is forecast to follow with 0.37 mb/d or 0.76% after strong gains in 2003.

Within the group of OECD countries, North America ranks first in estimated oil demand with 0.30 mb/d or 1.21% to 24.92 mb/d, almost 0.16 mb/d less than the incremental growth registered last year. This is due mainly to the moderate winter this year compared to the colder winter last year. Western Europe ranks second with 0.11 mb/d or 0.71% to 15.32 mb/d more or less the same growth as in the year 2003. In contrast, OECD Pacific oil demand is expected to fall by 0.04 mb/d or 0.42% to 8.59 mb/d reversing the exceptional trend which occurred last year as Japan has begun to bring its nuclear reactors back on line.

In the group of Developing Countries, Other Asia's oil consumption is expected to have the highest volume and percentage growth of 0.27 mb/d or 3.53% to 7.93 mb/d. This growth surpassed that of last year due to higher prospects for economic growth during this year in this region. Oil demand growth in Latin America and the Middle East turned positive rising 0.09 mb/d or 1.81 % to 4.73 mb/d and 0.10 mb/d or 2.10 % to 5.05 mb/d respectively due to an improvement in economic growth. Africa's demand is forecast to grow by 0.05 mb/d or 2.03% to 2.61 mb/d, slightly higher than the growth observed last year.

The group of Other Regions is projected to see positive growth in the FSU of 0.17 mb/d or 4.54% to 3.89 mb/d after the contraction registered last year, while Chinese demand continued the upward growth trend of last year, but at a slow pace mainly due the current forecast for economic growth of 8.3%, down from 9.1% in the year 2003. China's apparent demand is expected to increase by 0.38 mb/d or 6.38% to 5.94 mb/d.

Every single quarter of 2004 is forecast to experience oil demand growth. The first quarter is expected to account for the lowest growth rate of 1.13 mb/d or 1.43%. The second and the third quarters are forecast to enjoy a much higher increase of 1.56 mb/d or 2.05% and 1.50 mb/d or 1.92% respectively, while the highest growth of 1.62 mb/d or 2.03% is expected in the fourth quarter.

Table 9
World oil demand forecast for 2004
mb/d

							Change 2004/03	
	2003	1Q04	2Q04	3Q04	4Q04	**2004**	Volume	%
North America	24.63	24.76	24.40	25.20	25.33	24.92	0.30	1.21
Western Europe	15.21	15.25	15.10	15.38	15.53	15.32	0.11	0.71
OECD Pacific	8.63	9.58	8.04	7.87	8.90	8.59	–0.04	–0.42
Total OECD	**48.46**	**49.59**	**47.55**	**48.45**	**49.75**	**48.83**	**0.37**	**0.76**
Other Asia	7.66	7.72	7.85	7.91	8.25	7.93	0.27	3.53
Latin America	4.64	4.57	4.70	4.80	4.83	4.73	0.09	1.89
Middle East	4.95	4.97	4.88	5.25	5.10	5.05	0.10	2.10
Africa	2.56	2.61	2.63	2.55	2.67	2.61	0.05	2.03
Total DCs	**19.81**	**19.87**	**20.06**	**20.51**	**20.86**	**20.33**	**0.51**	**2.59**
FSU	3.72	4.11	3.53	3.90	4.02	3.89	0.17	4.54
Other Europe	0.74	0.79	0.79	0.71	0.74	0.76	0.02	2.92
China	5.56	5.78	5.84	6.14	6.00	5.94	0.38	6.83
Total "Other Regions"	**10.02**	**10.68**	**10.16**	**10.74**	**10.76**	**10.59**	**0.57**	**5.69**
Total world	**78.30**	**80.14**	**77.76**	**79.71**	**81.37**	**79.75**	**1.45**	**1.86**
Previous estimate	78.51	80.08	77.74	79.56	81.93	79.83	1.33	1.69
Revision	–0.21	0.06	0.02	0.15	–0.55	–0.08	0.13	0.17

Totals may not add due to independent rounding.

Table 10
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	24.56	24.76	0.19	0.78	24.16	24.40	0.24	1.01
Western Europe	15.20	15.25	0.06	0.37	14.99	15.10	0.11	0.77
OECD Pacific	9.61	9.58	–0.03	–0.26	8.04	8.04	0.00	–0.06
Total OECD	**49.37**	**49.59**	**0.22**	**0.45**	**47.19**	**47.55**	**0.36**	**0.75**
Other Asia	7.53	7.72	0.19	2.55	7.54	7.85	0.31	4.17
Latin America	4.48	4.57	0.09	2.03	4.62	4.70	0.08	1.82
Middle East	4.89	4.97	0.08	1.63	4.77	4.88	0.11	2.40
Africa	2.55	2.61	0.06	2.34	2.55	2.63	0.08	2.96
Total DCs	**19.44**	**19.87**	**0.42**	**2.17**	**19.47**	**20.06**	**0.59**	**3.02**
FSU	4.01	4.11	0.10	2.39	3.35	3.53	0.19	5.61
Other Europe	0.77	0.79	0.02	2.61	0.74	0.79	0.05	7.04
China	5.41	5.78	0.37	6.84	5.46	5.84	0.38	6.93
Total "Other Regions"	**10.20**	**10.68**	**0.49**	**4.77**	**9.54**	**10.16**	**0.62**	**6.48**
Total world	**79.01**	**80.14**	**1.13**	**1.43**	**76.20**	**77.76**	**1.56**	**2.05**

Totals may not add due to independent rounding.

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

	3Q03	3Q04	Change 2004/03 Volume	Change 2004/03 %	4Q03	4Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.89	25.20	0.32	1.27	24.89	25.33	0.44	1.76
Western Europe	15.26	15.38	0.12	0.76	15.39	15.53	0.14	0.91
OECD Pacific	7.88	7.87	–0.01	–0.11	9.00	8.90	–0.10	–1.16
Total OECD	**48.03**	**48.45**	**0.42**	**0.88**	**49.28**	**49.75**	**0.47**	**0.96**
Other Asia	7.62	7.91	0.29	3.77	7.97	8.25	0.29	3.60
Latin America	4.71	4.80	0.09	1.93	4.75	4.83	0.09	1.79
Middle East	5.15	5.25	0.10	1.95	4.98	5.10	0.12	2.43
Africa	2.53	2.55	0.02	0.93	2.62	2.67	0.05	1.90
Total DCs	**20.01**	**20.51**	**0.50**	**2.51**	**20.32**	**20.86**	**0.54**	**2.67**
FSU	3.71	3.90	0.19	5.16	3.82	4.02	0.20	5.22
Other Europe	0.70	0.71	0.01	0.89	0.74	0.74	0.01	1.09
China	5.76	6.14	0.38	6.52	5.60	6.00	0.39	7.04
Total "Other Regions"	**10.17**	**10.74**	**0.57**	**5.63**	**10.16**	**10.76**	**0.60**	**5.92**
Total world	**78.21**	**79.71**	**1.50**	**1.92**	**79.76**	**81.37**	**1.62**	**2.03**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2003

Non-OPEC supply for 2003 revised up to 48.66 mb/d in February, an increase of 0.90 mb/d over the figure for 2002

The 2003 non-OPEC supply figure was revised up to 48.66 mb/d. **Downward revisions were made to the quarterly distribution for the USA and Canada, which were offset by upward revisions made to the UK, thus leaving the total OECD yearly average almost unchanged. Minor upward revisions were made to Argentina, Brazil and Oman resulting in an upward revision of 0.04 mb/d to the yearly average for Developing Countries.** The quarterly distribution now stands at 48.62 mb/d, 47.90 mb/d, 48.61 mb/d and 49.52 mb/d respectively. The yearly average increase moved up slightly to 0.90 mb/d, compared with the upwardly revised 2002 figure.

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

	2002	1Q03	2Q03	3Q03	4Q03	**2003**	**Change 03/02**
North America	14.48	14.70	14.41	14.70	14.79	14.65	0.17
Western Europe	6.65	6.78	6.23	6.09	6.48	6.40	–0.26
OECD Pacific	0.76	0.67	0.65	0.68	0.58	0.65	–0.11
Total OECD	**21.89**	**22.15**	**21.29**	**21.47**	**21.85**	**21.69**	**–0.20**
Other Asia	2.27	2.37	2.36	2.37	2.42	2.38	0.11
Latin America	3.87	3.90	3.82	3.96	3.96	3.91	0.04
Middle East	2.06	2.04	2.00	1.97	1.98	2.00	–0.07
Africa	3.03	2.90	2.96	3.07	3.23	3.04	0.02
Total DCs	**11.23**	**11.21**	**11.14**	**11.37**	**11.59**	**11.33**	**0.10**
FSU	9.34	9.88	10.09	10.43	10.68	10.27	0.93
Other Europe	0.18	0.17	0.18	0.17	0.17	0.17	0.00
China	3.39	3.40	3.44	3.38	3.40	3.41	0.01
Total "Other regions"	**12.91**	**13.46**	**13.71**	**13.98**	**14.25**	**13.85**	**0.94**
Total non-OPEC production	**46.03**	**46.81**	**46.14**	**46.82**	**47.70**	**46.87**	**0.84**
Processing gains	1.73	1.81	1.77	1.79	1.82	1.80	0.06
Total non-OPEC supply	**47.76**	**48.62**	**47.90**	**48.61**	**49.52**	**48.66**	**0.90**
Previous estimate	47.74	48.55	47.82	48.62	49.51	48.63	0.89
Revision	**0.02**	**0.07**	**0.08**	**–0.01**	**0.01**	**0.04**	**0.01**

Totals may not add due to independent rounding.

Non-OPEC supply for 2004 forecast at 50.01 mb/d, an increase of 1.35 mb/d above 2003

Forecast for 2004

Non-OPEC supply for 2004 is forecast to rise 1.35 mb/d. **Russia is expected to be the main contributor with around 0.71 mb/d, followed by Chad with 0.19 mb/d, Kazakhstan with 0.11 mb/d and Angola with 0.09 mb/d. Colombia is also expected to add 0.03 mb/d.** The quarterly distribution now stands at 49.93 mb/d, 49.22 mb/d, 50.02 mb/d and 50.99 mb/d respectively. The yearly average is forecast at 50.01 mb/d.

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**
North America	14.65	14.83	14.55	14.85	14.94	14.79	0.14
Western Europe	6.40	6.57	6.04	5.91	6.29	6.20	–0.19
OECD Pacific	0.65	0.63	0.60	0.63	0.54	0.60	–0.05
Total OECD	**21.69**	**22.02**	**21.19**	**21.39**	**21.78**	**21.59**	**–0.09**
Other Asia	2.38	2.42	2.40	2.42	2.47	2.43	0.05
Latin America	3.91	4.03	3.94	4.10	4.14	4.05	0.14
Middle East	2.00	1.95	1.94	1.92	1.91	1.93	–0.07
Africa	3.04	3.32	3.43	3.54	3.72	3.50	0.46
Total DCs	**11.33**	**11.72**	**11.71**	**11.98**	**12.24**	**11.91**	**0.58**
FSU	10.27	10.67	10.90	11.26	11.53	11.09	0.82
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.40	3.44	3.38	3.40	3.41	0.00
Total "Other regions"	**13.85**	**14.24**	**14.51**	**14.81**	**15.10**	**14.67**	**0.82**
Total non-OPEC production	**46.87**	**47.98**	**47.41**	**48.18**	**49.12**	**48.17**	**1.31**
Processing gains	1.80	1.85	1.81	1.83	1.87	1.84	0.04
Total non-OPEC supply	**48.66**	**49.83**	**49.22**	**50.02**	**50.99**	**50.01**	**1.35**
Previous estimate	48.63	49.78	49.11	49.99	50.90	49.95	1.32
Revision	**0.04**	**0.05**	**0.10**	**0.03**	**0.08**	**0.07**	**0.03**

Totals may not add due to independent rounding.

Net FSU oil export forecast at 7.20 mb/d for 2004, estimated at 6.55 mb/d for 2003

The FSU net oil exports for 2004 are expected at 7.20 mb/d. The 2003 figure was revised up a significant 0.18 mb/d to 6.55 mb/d due to a substantial downward revision to the fourth quarter apparent demand (also applied to 2004), while figures for 2000-2002 remain almost unchanged from the last *MOMR*.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	**Year**
2000	3.97	4.13	4.47	4.01	**4.14**
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.76	5.85	5.49	**5.56**
2003 (estimate)	5.87	6.75	6.72	6.86	**6.55**
2004 (forecast)	6.56	7.37	7.36	7.51	**7.20**

OPEC natural gas liquids and non-conventional oils

OPEC NGL for 2004 forecast at 3.80 mb/d, an increase of 0.22 mb/d over 2003

The OPEC NGL+NCO figure for 2004 has been revised up significantly to 3.80 mb/d — mainly from NGLs contributed by Saudi Arabia, IR Iran, Algeria, Nigeria and UAE — for an increase of 0.22 mb/d over 2003. Figures for 2000–2003 remain unchanged at 3.34 mb/d, 3.58 mb/d, 3.62 mb/d and 3.58 mb/d respectively, compared with the figures in the last *MOMR*.

OPEC NGL production — 2000–2004
mb/d

2000	**2001**	**2002**	1Q03	2Q03	3Q03	4Q03	**2003**	**Change 03/02**	**2004**	**Change 04/03**
3.34	**3.58**	**3.62**	3.44	3.59	3.64	3.64	**3.58**	-0.04	**3.80**	0.22

Available secondary sources put OPEC February production at 28.14 mb/d

OPEC crude oil production

Available secondary sources indicate that OPEC's output for February was 28.14 mb/d, almost unchanged from the revised January 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	3Q03	4Q03	2003	Jan 04*	**Feb 04***	Feb-Jan
Algeria	864	1,160	1,178	1,134	1,172	1,173	2
Indonesia	1,120	1,011	1,000	1,027	986	982	–5
IR Iran	3,416	3,784	3,861	3,759	3,897	3,917	20
Iraq	2,000	1,046	1,845	1,313	2,040	1,947	–93
Kuwait	1,885	2,130	2,201	2,173	2,244	2,283	39
SP Libyan AJ	1,314	1,425	1,446	1,422	1,456	1,458	3
Nigeria	1,969	2,182	2,272	2,131	2,321	2,297	–24
Qatar	648	740	751	746	758	757	–2
Saudi Arabia	7,535	8,533	8,413	8,709	8,490	8,567	77
UAE	1,988	2,261	2,212	2,243	2,257	2,287	30
Venezuela	2,586	2,565	2,548	2,290	2,529	2,469	–60
Total OPEC	**25,323**	**26,839**	**27,728**	**26,946**	**28,149**	**28,136**	**–13**

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

Rig Count

Non-OPEC rig count up 108 in January

Non-OPEC

Rig activity rose in February. North America gained 27 rigs, compared with the January figure, as US rig activity rose 18 rigs to 1,119 and Canada's increased 14 rigs to 568, while Mexico dropped 5 rigs to 105. Western Europe added 4 rigs to 68, mainly contributed by Norway, up 3 rigs to 19, and Denmark, up 2 rigs to 5. Other Asia declined by 6 rigs to 116 led by Malaysia's loss of 5 rigs, while Africa witnessed a rise of 6 rigs to 52.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	Jan 04	Feb 04	Change Feb/Jan
North America	1,162	1496	333	1765	1792	27
Western Europe	85	78	–7	64	68	4
OECD Pacific	17	18	1	19	21	2
OECD	**1,264**	**1,592**	**328**	**1,848**	**1,881**	**33**
Other Asia	111	117	7	122	116	–6
Latin America	106	116	10	111	112	1
Middle East	62	70	7	71	70	–1
Africa	43	48	5	46	52	6
DCs	**322**	**350**	**28**	**350**	**350**	**0**
FSU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Europe	2	2	0	2	2	0
China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other regions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total non-OPEC	**1,588**	**1,944**	**356**	**2,200**	**2,233**	**33**

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

OPEC rig count down by 14 in February

OPEC

OPEC's rig count was 230 in February, a decline of 14 rigs compared with January. Kuwait and Indonesia were the major contributors to the decline, with respective losses of 5 rigs to 4 and 4 rigs to 45 from last month's figures.

Table 17
OPEC rig count

	2002	2003	Change 03/02	Jan 04	Feb 04	Change Feb/Jan
Algeria	20	20	0	20	17	–3
Indonesia	46	45	–1	49	45	–4
IR Iran	34	35	1	39	37	–2
Iraq	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	6	5	–1	9	4	–5
SP Libyan AJ	10	10	0	10	10	0
Nigeria	12	10	–2	7	7	0
Qatar	13	8	–5	8	8	0
Saudi Arabia	32	32	0	34	33	–1
UAE	16	16	0	16	17	1
Venezuela	42	37	–6	52	52	0
Total OPEC	**231**	**217**	**–14**	**244**	**230**	**–14**

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

Stock Movements

A further draw of 0.46 mb/d in USA at the end of February

USA

US commercial onland stocks continued to show a considerable seasonal draw of 13.9 mb at a rate of 0.46 mb/d to 896.6 mb during the period 30 January–28 February 2004, although the y-o-y surplus remained at a comfortable level of 35.2 mb or 4.1%. Commercial crude oil stocks experienced an increase of 4.2 mb to 275.8 mb, which was 5.2 mb or 1.9 % above a year ago. The last two weeks of February have seen a gradual rise in stocks after a draw-down in 2003, which may signify the start of a crude oil build. During February crude oil imports averaged 9.4 mb/d or 0.17 mb/d below the same period in January, but by the end February, US crude oil imports moved up strongly to reach 9.8 mb/d, an increase of 0.83 mb/d from the week before. Crude oil refinery inputs registered only a slight decrease of 0.07 mb/d to 14.72 mb/d during February to capture a strong crack spread on gasoline. Even with high crude oil imports and some refinery maintenance, it will be hard to rapidly build commercial crude inventories as the US government plans to put as much as 12 mb into the SPR during March and April 2004. On the product side, with the approaching end of the winter season, market focus shifted to gasoline products, where gasoline stocks registered a draw of 3.6 mb to 205.6 mb, which was 1.8 mb or 0.9% less than a year earlier. Gasoline inventories remained tight as imports continued to fall, partially due to the US Tier 2 sulphur restrictions and the MTBE ban in California, Connecticut and New York. In the coming weeks, gasoline production should increase to a record level due to lack of imports from traditional suppliers. At the same time, gasoline demand is growing rapidly, almost reaching 8.8 mb during February or 2.8% over the same period last year. Middle distillates moved down a considerable 12.9 mb, with a large decrease seen in both low-sulphur (diesel) and high-sulphur (heating oil) distillate fuel stocks. At 111.3 mb, distillate fuel inventories are still a healthy 13.1 mb or 13.3% ahead of the same time last year. Compared to the previous week, distillate stocks remained more or less flat and have broken the significant draw-trend of the last six consecutives weeks. Heating oil registered a build for the first time in seven weeks, suggesting that the winter season is approaching its end as warmer weather in the US Northeast reduced demand for heating oil. Higher refinery throughput following the end of maintenance should increase distillate inventories in the coming weeks.

During the same period, the US SPR witnessed another increase of 5.5 mb to reach a new record level of 646.6 mb as the US government continued to fill the SPR under the “royalty-in-kind” programme. The SPR is now around 47.4 mb above the same time last year.

During the week ending 5 March 2004, overall commercial oil stocks in the USA showed a further increase for the second consecutives week of 6.9 mb to 905.5 mb, expanding the y-o-y surplus to about 43.5 mb or 5.0%. Crude oil stocks rose 3.7 mb to 279.5 mb lifting them around 8 mb or 2.9% above the same period last year. This build came despite a rise of 0.08 mb/d to 14.7 mb/d in refinery throughput from the previous week’s level. Crude oil imports fell a slight 0.05 mb/d, but stood at a steady level of 9.8 mb/d. **Crude oil inventories are currently about 11 mb than at the beginning of this year** due to the improvement in crude oil imports and reduced refinery runs during the maintenance period. This trend could continue for the next two to three weeks before refiners will need to increase their runs to build gasoline for the summer period. In line with the seasonal pattern, gasoline stocks declined by 1.6 mb to 204.4 mb and are now 2.4 mb or 1.2% less than last year at the same time. This draw occurred despite a strong increase in gasoline imports of 0.4 mb/d to reach more than 1.0 mb/d, which is due to robust transatlantic arbitrage shipments from Europe and weakening freight rates. Gasoline demand was around 9.0 mb/d, almost unchanged from the previous week. Distillate fuel inventories rose by 1.4 mb to 112.7 mb, with a drop in low sulphur distillate stocks, which was more than offset by an increase in high sulphur distillates inventories. This left distillate fuel at a comfortable level of 15.4 mb or 15.8 % higher than in the same period last year, which came on the back of an increase in imports and a fall in apparent demand.

In the first week of March, which ended 5 March, the SPR continued its upward trend displaying a further increase of 0.9 mb to 647.5 mb, leaving the y-o-y surplus at 48.3 mb or 8.1 %.

Table 18
US onland commercial petroleum stocks*
mb

	2 Jan 04	30 Jan 04	27 Feb 04	Change Feb/Jan	02/27/03	5 Mar 04**
Crude oil (excl. SPR)	269.0	271.6	275.8	4.20	270.6	279.5
Gasoline	206.3	205.6	202.0	–3.60	203.8	200.4
Distillate fuel	135.5	124.2	111.3	–12.90	98.2	112.7
Residual fuel oil	38.8	37.1	38.5	1.40	30.8	40.4
Jet fuel	38.1	39.2	37.0	–2.20	38.6	35.2
Unfinished oils	76.1	82.0	88.9	6.90	83.2	90.8
Other oils	168.1	152.9	145.1	–7.80	138.0	146.5
Total	**931.9**	**912.5**	**898.6**	**–13.90**	**863.4**	905.5
SPR	638.2	641.1	646.6	5.50	599.2	647.5

* *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

Western Europe

EUR-16 oil stocks dropped 0.38 mb/d in February

Total oil stocks in EU-16 (EU plus Norway) reversed the trend observed last month, decreasing by 11.1 mb or 0.38 mb/d to 1,060.9 mb, due to a large draw on middle distillates. Despite this considerable draw, the y-o-y surplus remained at 44.0 mb or 4.3%. Crude oil stocks saw a build of 4.5 mb to 433.6 mb, even though crude throughputs rose at a high rate of 0.76 mb/d to 12.38 mb/d compared to February last year. High refinery throughput absorbed almost all of the increase in Russian exports. European crude oil stocks stood around 10.7 mb or 2.5 % above last year level at this time. On the refined product side, middle distillates saw a large draw of 14.3 mb despite a higher refinery output and relatively mild weather. Most of this draw occurred in France, where distillate inventories fell by about 11 mb. Even with this significant draw, European middle distillates remained at a healthy level indicating a y-o-y surplus of 23.3 mb or 7.4%. Gasoline stocks rose by 0.8 mb to 149.9 mb, the highest level since March 2002. This build was due mainly to higher refinery runs and partially to lower US-bound volumes. Gasoline stocks ended the month of February at 5.3 mb or 3.6% above a year ago. Fuel oil stocks experienced a draw of 1.3 mb to 113.2 mb and were still slightly up by 2.7 mb or 2.4% compared to this period last year.

Table 19
Western Europe's oil stocks*
mb

	Dec 03	Jan 04	Feb 04	Change Feb 04/Jan 04	Feb 03
Crude oil	436.2	429.1	433.6	4.5	423.0
Mogas	143.1	149.2	149.9	0.8	144.7
Naphtha	25.5	26.4	25.5	**–0.9**	23.5
Middle distillates	343.9	352.9	338.6	**–14.3**	315.3
Fuel oils	113.6	114.5	113.2	**–1.3**	110.5
Total products	626.1	642.9	627.3	**–5.7**	594.0
Overall total	**1,062.3**	**1,072.0**	**1,060.9**	**–11.1**	**1,016.9**

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

Japan

Japan' s commercial oil stocks shed 3.4 mb at the end of January

Total commercial onland stocks in Japan reversed the previous month's pattern decreasing by 3.4 mb or 0.11 mb to 179.3 mb, but the y-o-y surplus remained at a comfortable level of 13.7 mb or 8.3%. Middle distillate stocks, which bore the bulk of the draw, moved down by 6.8 mb to 33.7 mb, while crude oil and gasoline stocks softened losses with increases of 2.7 mb to 111.1 mb and by 1.2 mb to 13.7 mb respectively. In distillate stocks, kerosene fell on the back of increased domestic sales, while gasoil also saw a decrease due to a rise in exports to China. Despite the large draw, distillate inventories remained at 2.5 mb or 7.8% higher than last year at this time. After a strong build in December 2003, crude oil stocks registered a moderate build despite robust refinery activity, which was 8.5 mb or 8.3% more than in the previous year. Fuel oil stocks experienced a marginal draw of 0.5 mb to 20.7 mb, with a large draw on fuel oil A, to stand at 2.3 mb or 12.5 % above a year ago.

Table 20
Japan's commercial oil stocks*
mb

	Nov 03	Dec 03	Jan 04	Change Jan 04/Dec 03	Jan 03
Crude oil	97.2	108.4	111.1	2.7	102.6
Gasoline	13.3	12.5	13.7	1.2	13.3
Middle distillates	48.0	40.6	33.7	**–6.8**	31.3
Residual fuel oil	20.7	21.2	20.7	**–0.5**	18.4
Total products	82.0	74.3	68.2	**–6.1**	63.0
Overall total**	179.2	**182.6**	**179.3**	**–3.4**	**165.6**

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

Balance of Supply and Demand

2003 supply/demand difference revised down to 26.05 mb/d in February

The summarized supply/demand balance table for 2003 shows an upward revision to total non-OPEC supply of 0.04 mb/d to 52.24 mb/d and a downward one to the world oil demand of 0.21 mb/d to 78.30 mb/d, resulting in an estimated annual difference of around 26.05 mb/d. This represents a significant decline of 0.25 mb/d from the last *MOMR* figure, with a quarterly distribution of 26.95 mb/d, 24.72 mb/d, 25.96 mb/d and 26.60 mb/d respectively. Accordingly, downward revisions were made to the quarterly balance by 0.15 mb/d, 0.19 mb/d, –0.03mb/d and 0.71 mb/d respectively; the quarterly balance figures now stand at –0.20 mb/d, 1.75 mb/d and 0.88 mb/d and 1.13 mb/d respectively. The annual average balance stands at 0.89 mb/d.

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

	2002	1Q03	2Q03	3Q03	4Q03	2003
(a) World oil demand	77.00	79.01	76.20	78.21	79.76	78.30
(b) Non-OPEC supply[(1)]	51.38	52.06	51.49	52.25	53.16	52.24
Difference (a – b)	**25.62**	**26.95**	**24.72**	**25.96**	**26.60**	**26.05**
OPEC crude oil production[(2)]	25.32	26.74	26.46	26.84	27.73	26.95
Balance	**–0.30**	**–0.20**	**1.75**	**0.88**	**1.13**	**0.89**

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

2004 supply/demand difference expected at 25.94 mb/d

The summarized supply/demand balance table for 2004 shows world oil demand expected at 79.75 mb/d and total non-OPEC supply expected at 53.81 mb/d. This has resulted in a difference of around 25.94 mb/d, with a quarterly distribution of 26.61 mb/d, 24.76 mb/d, 25.85 mb/d and 26.52 mb/d respectively.

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

	2003	1Q04	2Q04	3Q04	4Q04	2004
(a) World oil demand	78.30	80.14	77.76	79.71	81.37	79.75
(b) Non-OPEC supply[(1)]	52.24	53.52	53.01	53.85	54.85	53.81
Difference (a – b)	**26.05**	**26.61**	**24.76**	**25.85**	**26.52**	**25.94**
OPEC crude oil production[(2)]	26.95					
Balance	**0.89**					

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

Table 23
World oil demand/supply balance
mb/d

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	47.7	47.8	47.8	47.7	49.4	47.2	48.0	49.3	48.5	49.6	47.5	48.5	49.8	48.8
North America	23.8	24.1	24.0	24.2	24.6	24.2	24.9	24.9	24.6	24.8	24.4	25.2	25.3	24.9
Western Europe	15.2	15.1	15.3	15.1	15.2	15.0	15.3	15.4	15.2	15.3	15.1	15.4	15.5	15.3
Pacific	8.7	8.6	8.5	8.5	9.6	8.0	7.9	9.0	8.6	9.6	8.0	7.9	8.9	8.6
DCs	18.9	19.2	19.5	19.7	19.4	19.5	20.0	20.3	19.8	19.9	20.1	20.5	20.9	20.3
FSU	4.0	3.8	3.9	3.8	4.0	3.3	3.7	3.8	3.7	4.1	3.5	3.9	4.0	3.9
Other Europe	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.8	0.7	0.7	0.8
China	4.2	4.7	4.7	5.0	5.4	5.5	5.8	5.6	5.6	5.8	5.8	6.1	6.0	5.9
(a) Total world demand	75.5	76.2	76.6	77.0	79.0	76.2	78.2	79.8	78.3	80.1	77.8	79.7	81.4	79.7
Non-OPEC supply														
OECD	21.3	21.9	21.8	21.9	22.1	21.3	21.5	21.9	21.7	22.0	21.2	21.4	21.8	21.6
North America	14.0	14.2	14.3	14.5	14.7	14.4	14.7	14.8	14.6	14.8	14.5	14.8	14.9	14.8
Western Europe	6.6	6.8	6.7	6.7	6.8	6.2	6.1	6.5	6.4	6.6	6.0	5.9	6.3	6.2
Pacific	0.7	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.6
DCs	10.7	10.7	10.9	11.2	11.2	11.1	11.4	11.6	11.3	11.7	11.7	12.0	12.2	11.9
FSU	7.5	7.9	8.5	9.3	9.9	10.1	10.4	10.7	10.3	10.7	10.9	11.3	11.5	11.1
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	44.5	45.6	46.4	47.8	48.6	47.9	48.6	49.5	48.7	49.8	49.2	50.0	51.0	50.0
OPEC NGLs + non-conventional oils	3.2	3.3	3.6	3.6	3.4	3.6	3.6	3.6	3.6	3.7	3.8	3.8	3.9	3.8
(b) Total non-OPEC supply and OPEC NGLs	47.7	48.9	50.0	51.4	52.1	51.5	52.3	53.2	52.2	53.5	53.0	53.9	54.9	53.8
OPEC crude oil production (secondary sources)	26.5	28.0	27.2	25.3	26.7	26.5	26.8	27.7	26.9					
Total supply	74.2	76.9	77.2	76.7	78.8	77.9	79.1	80.9	79.2					
Balance (stock change and miscellaneous)	-1.4	0.7	0.5	-0.3	-0.2	1.7	0.9	1.1	0.9					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2446	2530	2622	2465	2408	2526	2569	2515						
OECD SPR	1284	1268	1284	1343	1357	1361	1379	1405						
OECD total	3730	3798	3906	3808	3765	3887	3948	3921						
Other onland	997	1016	1045	1018	1007	1039	1056	1049						
Oil-on-water	808	876	831	816	857	886	874	900						
Total stock	5535	5690	5781	5642	5629	5812	5878	5869						
Days of forward consumption in OECD														
Commercial onland stocks	51	53	55	51	51	53	52	51						
SPR	27	27	27	28	29	28	28	28						
Total	78	79	82	79	80	81	80	79						
Memo items														
FSU net exports	3.4	4.1	4.6	5.6	5.9	6.7	6.7	6.9	6.6	6.6	7.4	7.4	7.5	7.2
(a) - (b)	27.9	27.3	26.7	25.6	26.9	24.7	26.0	26.6	26.1	26.6	24.8	25.9	26.5	25.9

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

	1999	2000	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
World demand														
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	0.2	-	-	-	-	0.2	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-
DCs	-	-	-	-	-0.1	-0.1	-	0.2	-	-0.1	-0.1	-	0.2	-
FSU	-	-	-	-	-	-	-	-0.7	-0.2	-	-	-	-0.7	-0.2
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-	0.1	0.1	0.1	-	0.1
(a) Total world demand	-	-	-	-	-0.1	-0.1	-	-0.7	-0.2	-	-	0.1	-0.6	-0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.2	-0.2
North America	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-0.1	-	-	-	-	-	-	-	-0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	0.2	0.2	0.2	0.2	0.2
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-0.2	-	-	0.1	0.1	-	-	-	-	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	-	-0.2	-	-	0.1	0.1	-	-	-	0.1	0.2	0.1	0.2	0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-						
Total supply	-	-0.2	-	-	0.1	0.1	-	-						
Balance (stock change and miscellaneous)	-	-0.2	-	-	0.2	0.2	-	0.7						
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	0.7	-	-	1.1	6.4	-5.2						
OECD SPR	-	-	-1.0	0.6	-	-	-	9.7						
OECD total	-	-	-	-	-	1.1	6.4	4.5						
Other onland	-	-	-	-	-	-	1.7	1.2						
Oil on water	-	-	-	-	-	-	-	24.7						
Total stock	-	-	-	0.6	-	1.3	8.2	30.4						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Memo items														
FSU net exports	-	-	-	-	-	-	-	0.7	0.2	0.2	0.2	0.2	0.9	0.4
(a) - (b)	-	0.2	-	-	-0.1	-0.2	-	-0.7	-0.2	-	-0.2	-	-0.8	-0.2

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

This table shows only where changes have occurred.

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

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Closing stock level *mb*																		
OECD onland commercial	2,615	2,698	2,446	2,530	2,622	2,465	2,524	2,597	2,660	2,622	2,598	2,648	2,567	2,465	2,408	2,526	2,569	2,515
North America	1,211	1,283	1,127	1,146	1,263	1,172	1,159	1,231	1,269	1,263	1,235	1,262	1,216	1,172	1,098	1,179	1,201	1,161
Western Europe	912	963	881	930	916	882	918	909	918	916	927	940	911	882	896	895	908	919
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435
OECD SPR	1,254	1,302	1,284	1,268	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	1,405
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640
Western Europe	329	362	346	354	352	353	352	348	343	352	352	348	345	353	363	358	360	369
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396
OECD total	**3,869**	**4,000**	**3,730**	**3,798**	**3,906**	**3,808**	**3,794**	**3,864**	**3,925**	**3,906**	**3,900**	**3,962**	**3,886**	**3,808**	**3,765**	**3,887**	**3,948**	**3,921**
Other onland	1,035	1,070	997	1,016	1,045	1,018	1,015	1,033	1,050	1,045	1,043	1,060	1,039	1,018	1,007	1,039	1,056	1,049
Oil-on-water	812	859	808	876	831	816	903	829	870	831	797	807	804	816	857	886	874	900
Total stock	**5,715**	**5,929**	**5,535**	**5,690**	**5,781**	**5,642**	**5,712**	**5,727**	**5,845**	**5,781**	**5,740**	**5,828**	**5,730**	**5,642**	**5,629**	**5,812**	**5,878**	**5,869**
Days of forward consumption in OECD																		
OECD onland commercial	56	57	51	53	55	51	54	55	55	54	56	56	52	50	51	53	52	51
North America	52	54	47	48	52	48	49	51	53	53	51	52	50	48	45	47	49	47
Western Europe	60	63	58	61	61	58	62	59	59	60	63	62	59	58	60	59	59	60
OECD Pacific	58	52	51	53	52	47	56	57	54	49	57	56	47	43	51	57	50	45
OECD SPR	27	27	27	27	27	28	27	27	26	27	28	28	27	27	29	28	28	28
North America	24	24	24	23	23	24	23	23	23	23	23	24	24	24	25	25	25	26
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24
OECD Pacific	43	42	43	43	45	45	47	47	43	42	51	48	42	41	49	50	43	41
OECD total	**83**	**84**	**78**	**79**	**82**	**79**	**81**	**81**	**82**	**81**	**84**	**83**	**79**	**77**	**80**	**81**	**80**	**79**
Days of global forward consumption	**88**	**89**	**83**	**85**	**86**	**83**	**86**	**85**	**86**	**86**	**87**	**86**	**83**	**82**	**84**	**85**	**85**	**84**

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

	1999	2000	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03
USA	8.11	8.11	8.05	8.04	-0.01	8.07	7.81	7.80	7.83	7.88	-0.17	7.90	7.64	7.64	7.66	7.71	-0.16
Canada	2.59	2.68	2.73	2.84	0.12	2.88	2.85	3.06	3.11	2.98	0.13	3.13	3.10	3.32	3.38	3.23	0.26
Mexico	3.35	3.45	3.57	3.59	0.03	3.75	3.75	3.84	3.85	3.80	0.20	3.80	3.80	3.89	3.90	3.85	0.05
North America	**14.04**	**14.25**	**14.34**	**14.48**	**0.13**	**14.70**	**14.41**	**14.70**	**14.79**	**14.65**	**0.17**	**14.83**	**14.55**	**14.85**	**14.94**	**14.79**	**0.14**
Norway	3.06	3.32	3.42	3.33	-0.09	3.40	3.16	3.12	3.37	3.26	-0.07	3.39	3.16	3.12	3.36	3.26	-0.01
UK	2.84	2.69	2.54	2.52	-0.01	2.56	2.28	2.18	2.29	2.32	-0.20	2.35	2.09	1.99	2.10	2.13	-0.19
Denmark	0.30	0.36	0.35	0.37	0.02	0.38	0.36	0.36	0.37	0.37	0.00	0.39	0.37	0.36	0.38	0.38	0.01
Other Western Europe	0.43	0.41	0.40	0.43	0.03	0.44	0.43	0.44	0.45	0.44	0.01	0.44	0.43	0.44	0.45	0.44	0.00
Western Europe	**6.63**	**6.79**	**6.70**	**6.65**	**-0.05**	**6.78**	**6.23**	**6.09**	**6.48**	**6.40**	**-0.26**	**6.57**	**6.04**	**5.91**	**6.29**	**6.20**	**-0.19**
Australia	0.59	0.77	0.71	0.70	0.00	0.62	0.60	0.63	0.54	0.60	-0.10	0.57	0.55	0.58	0.49	0.55	-0.05
Other Pacific	0.07	0.06	0.06	0.05	-0.01	0.05	0.05	0.05	0.04	0.05	-0.01	0.06	0.05	0.05	0.05	0.05	0.00
OECD Pacific	**0.66**	**0.83**	**0.77**	**0.76**	**-0.01**	**0.67**	**0.65**	**0.68**	**0.58**	**0.65**	**-0.11**	**0.63**	**0.60**	**0.63**	**0.54**	**0.60**	**-0.05**
Total OECD	**21.33**	**21.87**	**21.81**	**21.89**	**0.08**	**22.15**	**21.29**	**21.47**	**21.85**	**21.69**	**-0.20**	**22.02**	**21.19**	**21.39**	**21.78**	**21.59**	**-0.09**
Brunei	0.18	0.19	0.20	0.20	0.01	0.20	0.21	0.21	0.22	0.21	0.01	0.22	0.22	0.22	0.23	0.22	0.01
India	0.75	0.74	0.73	0.75	0.01	0.75	0.72	0.76	0.79	0.76	0.01	0.76	0.74	0.78	0.81	0.77	0.01
Malaysia	0.70	0.69	0.68	0.71	0.03	0.74	0.77	0.77	0.78	0.77	0.06	0.78	0.81	0.81	0.82	0.80	0.04
Vietnam	0.26	0.31	0.34	0.34	0.00	0.36	0.36	0.33	0.34	0.35	0.00	0.36	0.35	0.33	0.34	0.35	0.00
Asia others	0.24	0.25	0.25	0.26	0.01	0.31	0.29	0.29	0.29	0.30	0.03	0.30	0.28	0.28	0.28	0.29	-0.01
Other Asia	**2.13**	**2.18**	**2.20**	**2.27**	**0.07**	**2.37**	**2.36**	**2.37**	**2.42**	**2.38**	**0.11**	**2.42**	**2.40**	**2.42**	**2.47**	**2.43**	**0.05**
Argentina	0.84	0.80	0.82	0.80	-0.02	0.78	0.79	0.79	0.77	0.78	-0.02	0.77	0.77	0.77	0.77	0.77	-0.01
Brazil	1.35	1.35	1.56	1.72	0.16	1.79	1.74	1.80	1.76	1.77	0.05	1.78	1.72	1.78	1.75	1.76	-0.02
Colombia	0.82	0.70	0.61	0.58	-0.03	0.56	0.55	0.55	0.54	0.55	-0.03	0.59	0.57	0.58	0.57	0.58	0.03
Ecuador	0.38	0.40	0.41	0.40	-0.01	0.39	0.37	0.43	0.50	0.42	0.02	0.50	0.47	0.56	0.64	0.54	0.12
Trinidad & Tobago	0.14	0.14	0.13	0.15	0.02	0.15	0.16	0.17	0.17	0.16	0.01	0.17	0.18	0.19	0.19	0.18	0.02
L. America others	0.22	0.22	0.23	0.22	-0.01	0.22	0.22	0.22	0.22	0.22	0.00	0.22	0.22	0.22	0.22	0.22	0.00
Latin America	**3.76**	**3.61**	**3.76**	**3.87**	**0.12**	**3.90**	**3.82**	**3.96**	**3.96**	**3.91**	**0.04**	**4.03**	**3.94**	**4.10**	**4.14**	**4.05**	**0.14**
Bahrain	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	-0.01	0.19	0.19	0.19	0.19	0.19	0.00
Oman	0.91	0.95	0.95	0.90	-0.05	0.85	0.83	0.81	0.83	0.83	-0.07	0.81	0.81	0.81	0.81	0.81	-0.02
Syria	0.55	0.52	0.52	0.51	-0.01	0.55	0.54	0.53	0.53	0.54	0.03	0.52	0.52	0.51	0.50	0.51	-0.02
Yemen	0.42	0.45	0.47	0.46	-0.01	0.46	0.45	0.44	0.44	0.44	-0.02	0.43	0.42	0.42	0.41	0.42	-0.02
Middle East	**2.06**	**2.12**	**2.12**	**2.06**	**-0.06**	**2.04**	**2.00**	**1.97**	**1.98**	**2.00**	**-0.07**	**1.95**	**1.94**	**1.92**	**1.91**	**1.93**	**-0.07**
Angola	0.76	0.75	0.74	0.89	0.15	0.83	0.88	0.88	0.90	0.87	-0.02	0.93	0.97	0.97	1.00	0.97	0.09
Chad	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.06	0.02	0.02	0.17	0.22	0.23	0.23	0.21	0.19
Congo	0.27	0.27	0.27	0.25	-0.01	0.24	0.24	0.24	0.24	0.24	-0.01	0.24	0.24	0.24	0.24	0.24	0.00
Egypt	0.83	0.80	0.76	0.75	-0.01	0.76	0.76	0.74	0.74	0.75	0.00	0.73	0.73	0.71	0.71	0.72	-0.03
Equatorial Guinea	0.09	0.11	0.14	0.20	0.06	0.20	0.19	0.25	0.32	0.24	0.04	0.28	0.27	0.35	0.45	0.34	0.10
Gabon	0.36	0.34	0.31	0.30	-0.01	0.23	0.25	0.25	0.25	0.25	-0.06	0.25	0.26	0.26	0.27	0.26	0.02
South Africa	0.17	0.18	0.18	0.19	0.01	0.19	0.19	0.20	0.23	0.20	0.01	0.23	0.23	0.24	0.28	0.25	0.04
Sudan	0.06	0.18	0.21	0.24	0.03	0.25	0.25	0.28	0.28	0.27	0.03	0.29	0.29	0.32	0.32	0.30	0.04
Africa other	0.23	0.22	0.20	0.20	0.00	0.19	0.20	0.20	0.20	0.20	0.00	0.20	0.21	0.22	0.22	0.21	0.02
Africa	**2.78**	**2.84**	**2.80**	**3.03**	**0.23**	**2.90**	**2.96**	**3.07**	**3.23**	**3.04**	**0.02**	**3.32**	**3.43**	**3.54**	**3.72**	**3.50**	**0.46**
Total DCs	**10.72**	**10.75**	**10.88**	**11.23**	**0.35**	**11.21**	**11.14**	**11.37**	**11.59**	**11.33**	**0.10**	**11.72**	**11.71**	**11.98**	**12.24**	**11.91**	**0.58**
FSU	**7.47**	**7.91**	**8.53**	**9.34**	**0.82**	**9.88**	**10.09**	**10.43**	**10.68**	**10.27**	**0.93**	**10.67**	**10.90**	**11.26**	**11.53**	**11.09**	**0.82**
Russia	6.14	6.49	6.99	7.64	0.65	8.10	8.31	8.65	8.78	8.46	0.82	8.78	9.00	9.37	9.52	9.17	0.71
Kazakhstan	0.61	0.71	0.79	0.94	0.15	1.01	1.02	0.99	1.09	1.03	0.09	1.12	1.13	1.09	1.21	1.14	0.11
Azerbaijan	0.28	0.27	0.30	0.32	0.02	0.32	0.31	0.32	0.32	0.32	0.00	0.32	0.30	0.32	0.31	0.31	0.00
FSU Others	0.44	0.44	0.44	0.45	0.01	0.45	0.46	0.47	0.48	0.47	0.02	0.46	0.47	0.47	0.49	0.47	0.01
Other Europe	**0.18**	**0.18**	**0.18**	**0.18**	**-0.01**	**0.17**	**0.18**	**0.17**	**0.17**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**
China	**3.21**	**3.23**	**3.30**	**3.39**	**0.10**	**3.40**	**3.44**	**3.38**	**3.40**	**3.41**	**0.01**	**3.40**	**3.44**	**3.38**	**3.40**	**3.41**	**0.00**
Non-OPEC production	**42.92**	**43.93**	**44.69**	**46.03**	**1.34**	**46.81**	**46.14**	**46.82**	**47.70**	**46.87**	**0.84**	**47.98**	**47.41**	**48.18**	**49.12**	**48.17**	**1.31**
Processing gains	1.58	1.65	1.69	1.73	0.04	1.81	1.77	1.79	1.82	1.80	0.06	1.85	1.81	1.83	1.87	1.84	0.04
Non-OPEC supply	**44.49**	**45.58**	**46.38**	**47.76**	**1.38**	**48.62**	**47.90**	**48.61**	**49.52**	**48.66**	**0.90**	**49.83**	**49.22**	**50.02**	**50.99**	**50.01**	**1.35**
OPEC NGL	3.02	3.18	3.40	3.42	0.01	3.34	3.43	3.49	3.49	3.44	0.03	3.50	3.54	3.59	3.62	3.56	0.12
Non-conventional oils	0.15	0.17	0.18	0.20	0.02	0.10	0.15	0.15	0.15	0.14	-0.06	0.20	0.25	0.25	0.25	0.24	0.10
OPEC NGLs + non-conventional oils	**3.16**	**3.34**	**3.58**	**3.62**	**0.03**	**3.44**	**3.59**	**3.64**	**3.64**	**3.58**	**-0.04**	**3.70**	**3.79**	**3.84**	**3.87**	**3.80**	**0.22**
Total Non-OPEC and OPEC NGLs	**47.66**	**48.92**	**49.97**	**51.38**	**1.41**	**52.06**	**51.49**	**52.25**	**53.16**	**52.24**	**0.86**	**53.53**	**53.01**	**53.86**	**54.85**	**53.81**	**1.57**

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	Jan04	Feb04	Change Feb04-Jan04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	200	1,101	1,119	18
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	554	568	14
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	110	105	-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**	**333**	**1,765**	**1,792**	**27**
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	16	19	3
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-7	15	13	-2
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	-1	3	5	2
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	30	31	1
Western Europe	**125**	**95**	**-30**	**92**	**91**	**76**	**81**	**85**	**-10**	**77**	**78**	**83**	**75**	**78**	**-7**	**64**	**68**	**4**
Australia	10	10	0	9	9	9	9	9	-2	10	10	11	13	11	2	13	13	0
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	6	8	2
OECD Pacific	**17**	**20**	**3**	**17**	**16**	**16**	**19**	**17**	**-3**	**18**	**17**	**18**	**19**	**18**	**1**	**19**	**21**	**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**	**1,848**	**1,881**	**33**
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	3	2	-1
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	6	62	65	3
Malaysia	7	11	4	12	13	15	14	14	2	14	13	16	15	14	1	17	12	-5
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	3	0
Vietnam	8	8	0	8	8	9	10	9	0	9	9	10	8	9	0	9	8	-1
Asia others	16	22	5	26	29	33	32	30	8	31	28	26	30	29	-1	28	26	-2
Other Asia	**83**	**95**	**12**	**100**	**109**	**116**	**117**	**111**	**16**	**117**	**115**	**119**	**118**	**117**	**7**	**122**	**116**	**-6**
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	63	-1
Brazil	23	28	5	27	27	27	26	27	-2	27	27	27	25	26	0	22	25	3
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	-1	9	8	-1
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	6	7	1
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	1	-1
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	2	-1
L. America others	12	7	-4	4	4	4	5	5	-3	3	4	4	5	4	-1	5	6	1
Latin America	**120**	**141**	**20**	**110**	**103**	**104**	**107**	**106**	**-35**	**113**	**121**	**114**	**114**	**116**	**10**	**111**	**112**	**1**
Bahrain		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	5	33	34	36	36	35	5	37	37	0
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	25	25	0
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	8	7	-1
Middle East	**45**	**50**	**5**	**57**	**60**	**64**	**69**	**62**	**12**	**70**	**68**	**72**	**68**	**70**	**7**	**71**	**70**	**-1**
Angola	6	5	0	5	6	6	5	5	0	3	4	3	6	4	-1	4	4	0
Cameroon		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Congo	3	1	-1	1	1	1	1	1	0	0	1	1	2	1	0	2	2	0
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	4	26	28	2
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	2	0
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	0	0	0	0
Africa other	5	4	0	11	12	12	12	12	7	12	14	12	14	13	2	12	16	4
Africa	**34**	**36**	**2**	**41**	**45**	**44**	**43**	**43**	**7**	**45**	**50**	**44**	**51**	**48**	**5**	**46**	**52**	**6**
Total DCs	**282**	**321**	**40**	**307**	**317**	**328**	**336**	**322**	**1**	**346**	**354**	**350**	**350**	**350**	**28**	**350**	**350**	**0**
FSU																		**0**
Other Europe	**3**	**3**	**0**	**2**	**2**	**2**	**2**	**2**	**-1**	**2**	**2**	**2**	**2**	**2**	**0**	**2**	**2**	**0**
China																		**0**
Non-OPEC Rig count	**1,732**	**1,991**	**260**	**1,682**	**1,440**	**1,587**	**1,644**	**1,588**	**-403**	**1,919**	**1,767**	**2,021**	**2,071**	**1,944**	**356**	**2,200**	**2,233**	**33**

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

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Data Summary March 2004

OPEC Basket average price

US$ per barrel

↓ *down 0.77 in February*	***February 2004***	***29.56***
	January 2004	*30.33*
	Year-to-date	*29.94*

February OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.17*	*Kuwait*	*2.28*	*Saudi Arabia*	*8.57*
Indonesia	*0.98*	*SP Libyan AJ*	*1.46*	*UAE*	*2.28*
IR Iran	*3.92*	*Nigeria*	*2.29*	*Venezuela*	*2.50*
Iraq	*1.94*	*Qatar*	*0.75*	***TOTAL***	***28.14***

Supply and demand

in million barrels per day

2003		**2004**	
World demand	*78.29*	*World demand*	*79.75*
Non-OPEC supply	*52.24*	*Non-OPEC supply*	*53.81*
Difference	***26.05***	***Difference***	***25.94***

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

Stocks

Commercial oil stocks registered a considerable draw of 13.9 mb in USA in February

World economy

World GDP growth revised up to 3.7% for 2003 and up to 4.4% for 2004

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Next report to be issued on 16 April 2004

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