OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

The impact of Hurricane Katrina on the oil market

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Oil Market Highlights

- The impact of Hurricane Katrina on the world economy will be felt through the reduction in the economic activity of the USA and the rise in the global price of petroleum products. The direct effect on the growth rate of the US economy in 2005 is expected to be a reduction of about 0.2% although next year will see substantial spending on rebuilding which will boost growth in the South East. The US GDP growth forecast for 2005 has been reduced to 3.4%. Despite higher expenditures on reconstruction, US growth is expected to be lower at 3% in 2006 as a result of the impact of higher interest rates and inflation on the housing market and consumer spending.
- Prior to Hurricane Katrina, high gasoline prices appeared to have started to impact some Asian economies. Those countries which subsidize fuel prices face rising fiscal deficits and a number of governments have announced plans to reduce subsidies or increase retail prices, which will reduce consumer spending power and the growth forecast for the Asia Pacific region. The latest forecast for the Asia Pacific region has been reduced to 3.9% for 2006. Additionally, these countries may also be affected by slower growth in the USA and China in 2006.
- Second quarter data confirmed that the Japanese economy is performing very well. Japan is forecast to grow by 1.7% in 2005 and this forecast will probably be revised up. Further steady growth of 1.7% is expected in 2006. The Euro-zone is expected to grow by 1.1% in 2005. An improvement is expected in 2006 although the forecast growth rate of 1.5% remains below trend. The estimated growth rate for the world economy in 2005 is unchanged at 4.1% despite the downward US adjustment since projections for commodity producers such as Australia and Canada have been increased. Lower world growth of 3.9% is forecast for 2006 mainly as a result of deceleration in developing countries.
- The price of the OPEC Reference Basket jumped 5% in the first week in August following a series of refinery outages of nearly 2 mb/d. The upward trend was furthered by the unplanned shut down of an oil production facility in the North Sea as well as a strike in Ecuador which halted crude oil output. However, Hurricane Katrina topped it all by disrupting a significant volume of refining capacity and upstream production in the Gulf of Mexico. The August monthly average closed at $57.82/b for a gain of $4.69 or almost 9%. Nevertheless, the emergency response from IEA member countries as well as assurances from OPEC of its commitment to meet any supply shortfall have helped to overcome fears of a crude supply shortage. Consequently, the oil price dropped 9% from its highest level of $61.37/b on 1 September to $56.28/b on 14 September.
- Product markets have undergone two phases over the last couple of weeks. In the first phase, gasoline stocks in the Atlantic Basin were running low and demand for gasoline in the USA was high, while in Asia the market looked relatively overbalanced for middle distillates and more promising for gasoline due to lower exports from China, Taiwan and India. During phase two, which followed the impact of Hurricane Katrina, product sentiment saw significant gains and various product prices, particularly gasoline, rose sharply. The initial impact of the hurricane fully or partially affected the operations of about 3 mb/d of refining capacity in the USA. Currently, some 2 mb/d of this capacity have returned to normal operations, while the remaining 0.9 mb/d is expected to be offline for weeks, if not months. This situation will tighten the refining industry further, which has already suffered from shortage of capacity and should support crude and product prices over the next few months.
- OPEC total spot chartering remained close to the previous month's level at 13.4 m/d. Middle East fixtures dropped by 0.3 mb/d, corresponding to a decline of around 0.5 mb/d in westbound fixtures and a growth of 0.1 mb/d in eastbound. Sailings from the OPEC area increased for the second consecutive month to 25.3 mb/d, with Middle East accounting for the total growth. Due to a surplus of available tonnage, the tanker market weakened with freight rates declining on most routes, except on the Indonesia/US East Coast and Mediterranean/North-West Europe routes. The product tanker market saw mixed trends, with freight rates continuing to improve for the second month in the east and sliding significantly in the west.
- Estimated total world oil demand in 2005 has been revised down from last month's projection to reflect weak apparent demand growth in the first half of the year, record pump prices for transportation fuels, and negative retail margins as well as the change in subsidy policies. Thus, total world oil demand in 2005 is projected to grow by 1.4 mb/d or 1.7% to average 83.5 mb/d. As for the year 2006 and based on the estimated healthy rate of world economic expansion, oil demand is projected to rise by 1.5 mb/d or 1.8% to an annual average of 85.0 mb/d.
- Non-OPEC production in 2005 is expected to average 50.4 mb/d, representing an increase of 0.6 mb/d over the previous year, following a downward revision of 0.1 mb/d to last month's figures. On a quarterly basis, production for the second, third, and fourth quarters has been revised down by 47 tb/d, 257 tb/d and 173 tb/d respectively. Revisions to US production account for the bulk of the adjustments in the third and fourth quarters of 2005, but given the uncertainties related to the recovery of US production post Hurricane Katrina, this forecast is likely to be revised again in the coming months. For 2006, non-OPEC oil production is expected to average 51.5 mb/d, an increase of approximately 1 mb/d over 2005, while OPEC NGLs including non-conventional oils are expected to increase 0.3 mb/d. In August, OPEC production average 30.2 mb/d, maintaining the high level of the previous month.

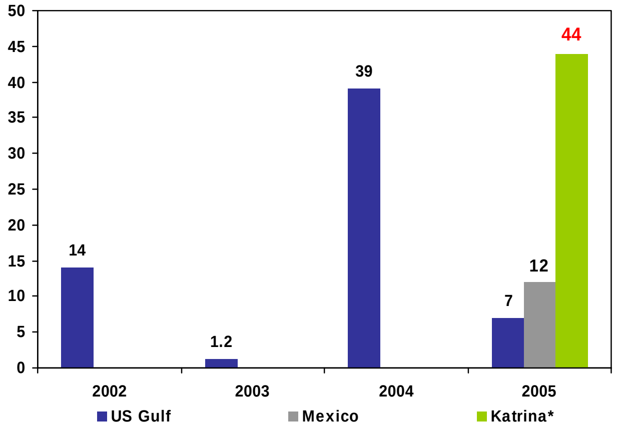
- At the end of July 2005, OECD stocks continued their upward trend, rising 25 mb over the previous month and around 100 mb over the same time last year. This corresponded to a comfortable level of 54 day of forward cover. During the period 29 July-2 September, US commercial oil stocks witnessed a draw of 11.9 mb with gasoline being the main contribute to this loss. The latest information for the week ending 9 September shows a further stock withdraw in crude and middle distillates, while gasoline stocks saw an increase of 1.9 mb against general expectations. Total oil stocks in Eur-16 (EU plus Norway) in August declined a slight 1.4 mb to stand at 1,124.4 mb. This minor draw came from crude oil stocks which decreased moderately while product inventories continued to head up except for gasoline which moved down marginally. Total commercial oil stocks in Japan regained the previous month's losses in July, building by 4.9 mb to stand at 186.7 mb.

- The oil supply/demand balance has been revised leading to slightly lower requirements for OPEC crude in the fourth quarter of 2005, and for the whole of 2005 and 2006. The demand for OPEC crude in 2005 (a-b) is forecast at 28.9 mb/d, an increase of 0.6 mb/d from 2004, but slightly lower than the 29.0 mb/d projected earlier. On a quarterly basis, the demand for OPEC crude is estimated at 28.7 mb/d and 30.3 mb/d for the third and fourth quarters respectively. For 2006, the demand for OPEC crude is expected to average 29.0 mb/d, an increase of 100,000 b/d from 2005.

The impact of Hurricane Katrina on the oil market

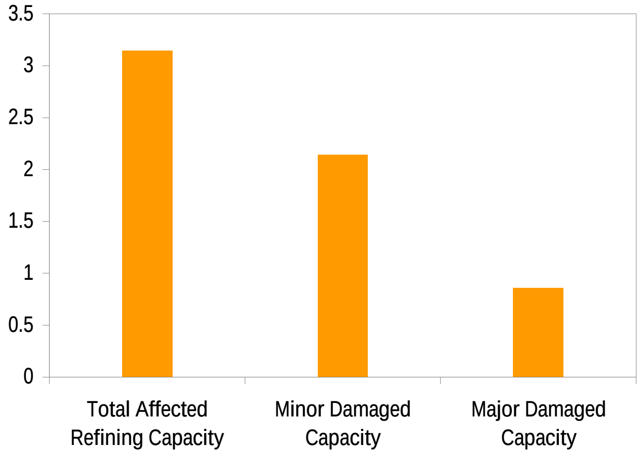
- Almost three weeks have passed since Hurricane Katrina struck the US Gulf Coast. In addition to the tragic loss of life and the damage to this unique and beautiful region, the hurricane also led to a substantial disruption in the US energy complex. While there has been some recovery, as much as 844 tb/d of production remains shut in, representing 57% of crude oil output in the Gulf of Mexico (see **Graph 1**). Even more damaging, around 1.3 mb/d of US refinery capacity is currently out of operation, including four refineries which have sustained major damage and are not expected to return for a number of months (see **Graph 2**).
- The negative effect on the economy of the US southeast will be felt for some months although the worst affected area accounts for less than 0.5% of the economy of the USA. The American economy had been performing well before Hurricane Katrina and GDP growth for the third quarter is likely to exceed 3% despite the regional weakness. Fourth-quarter growth may be significantly lower as consumer spending nationally may be affected by high gasoline prices. There also may be some indirect impact on the European economy as consumer confidence may be sensitive to the increase in fuel costs in the Atlantic basin. Elsewhere, some economies in Asia had already begun to anticipate lower economic growth in 2006 as a result of the need to adjust fuel subsidies. The overall effect of Hurricane Katrina on economic growth will depend on the persistence of higher gasoline prices. If prices remain high into the fourth quarter it seems likely that 2006 will begin on a weaker note.

Graph 1: Impact of hurricanes on Gulf of Mexico crude production in mb (2002-2005)



** projected to the end of 2005 based on current assumptions*

Graph 2: Impact of Hurricane Katrina on US refineries (mb/d)



- Partially as a result of Hurricane Katrina, the forecast for US supply has been revised down by 250 tb/d in the third and fourth quarters. However, revisions to the base in other non-OPEC countries have resulted in a negative revision for total non-OPEC of 120 tb/d for the full year. Because of this, the growth in 2005 over the previous year has been revised down to 0.6 mb/d (including processing gains and OPEC NGLs at 0.8 mb/d). This figure is likely to be subject to revision in the coming weeks given the considerable uncertainties.
- On the demand side, global consumption has been revised down by 0.4 mb/d in the third and fourth quarters of 2005. The outlook for 2006 is not yet clear as there are both positive and negative implications for the US economy. At a global level, oil demand growth has also been revised down by 0.1 mb/d to 1.5 mb/d to reflect the latest trends. As with supply, this figure is likely to be subject to revision in the coming weeks given the considerable uncertainties.
- In the refining sector, US refiners are expected to maximize gasoline output to mitigate any shortfall. However, this may have to come at the expense of distillate products, thus impacting distillate inventory levels. As a result, the usual seasonal shift to heating oil stocks could be delayed, increasing concerns for the winter season. At the same time, the USA was already suffering from low gasoline stocks due to the high demand for motor fuels. The large disruption caused by Hurricane Katrina has further amplified the tightness in a product market that was already sensitive to even minor outages. Between 60-80 mb in products is expected to be lost to the market up to the end of the year.
- In its emergency response to the expected shortfall, the IEA released crude mainly from the US SPR and products stocks from Europe. Additionally, the US government implemented a number measures including a SPR loan to refiners, easing shipping restrictions and suspending some environmental specifications on gasoline and diesel to allow greater imports. Despite these measures, product inventories are still expected to fall. As diesel stocks are currently at comfortable levels, any draw should be manageable. However, gasoline inventories are currently near 20-year lows and could even fall further if refinery capacity losses are prolonged and the expected higher imports do not materialize. In contrast, crude oil stocks levels are not seen to be a problem as US crude oil inventories were already above the seasonal norm, even before the 30-mb SPR release and loans of 12.5 mb to US refiners. By the end of the year, this might even add further to the already comfortable stock level, assuming imports remain strong.

- The consultations and actions by OPEC Member Countries and consumer nations in response to the crisis is a dramatic illustration of the willingness of all sides to work together. This has shown the resilience of the oil market and the greater stability that has been achieved through cooperation.
- OPEC's policy has been and continues to be to ensure that supply is at or above demand, especially in a tight market, and to accelerate production expansion to prepare for future consumption as well as allow for a supply cushion to meet any sharp upturn in demand. As always, OPEC stands ready to supply additional oil to the market when necessary, a fact which is widely recognized both within and outside the market, including most recently in the statement by EU finance ministers.
- High OPEC production has resulted in strong builds in global crude oil stocks to levels above the five year average both in volumetric terms and in days of forward cover. These high stock levels are an important reason that the crude side of the market has been in a good position to recover swiftly from the impact of Hurricane Katrina. In addition, the emergency response of IEA member countries as well as assurances from OPEC of its commitment to meet any supply shortfall has helped to overcome fears of a crude supply shortage. Individually, Member Countries have offered further contributions. The Kingdom of Saudi Arabia said it is ready to boost production up to 11 mb/d to meet market needs, while a recent cut in prices has made it more attractive to refineries to buy and process the sour and heavy supplies. Other Members have also offered additional crude and product supplies. Collectively, at the next Ministerial Meeting on 19-20 September, OPEC Member Countries will be discussing further proposals to ensure the market is well-supplied over the coming months, including consideration of increasing its production to cover any shortage.

31 August 2005

OPEC President sends US Energy Secretary condolences and assurance in the aftermath of Katrina

OPEC Conference President has today sent a message of condolence to the Government and people of the United States of America following the devastating hurricane which struck parts of the Southern States of the country earlier this week, causing enormous loss of life and property. ”Our deepest sympathy goes out to the families and friends of all those who lost their lives or who have been injured in this natural catastrophe of unimaginable dimensions’’ the statement signed by the Organization’s President and Kuwait’s Minister of Energy, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah said.

In the message addressed to the US Secretary of Energy, Samuel W. Bodman, Al-Sabah assured the US that “OPEC Member Countries will continue their ongoing efforts to ensure that the oil market is well supplied with the crude oil it requires and stand ready to consider whatever other ways they might be able to assist.’’

He added that “the OPEC Conference will be discussing, at its forthcoming Meeting in September 2005, additional measures that may be taken by the Organization, within its means, in this direction to ensure, to the extent possible, stability in world energy markets, particularly oil market stability which is so important to sustained economic growth and the advancement of global prosperity.’’

Al-Sabah further reiterated the commitment of OPEC and the readiness of those of its Member Countries with sizeable remaining spare production capacity to further boost production levels to fill any supply shortfall resulting from the effects of Hurricane Katrina, to customers that call for it, adding that “OPEC stands ready to assume its responsibility and to work with others for the stability and security of the oil market.’’

2 September 2005

OPEC considers further measures to help ease problems caused by Hurricane Katrina

OPEC is considering what other measures it can take to help ease the severe problems caused by Hurricane Katrina, which had devastating consequences for the south-east of the United States of America earlier this week.

Such measures would be in addition to the offers of extra crude supplies to customers that have already been made by Member Countries with remaining, sizeable spare capacity.

The President of the OPEC Conference and Secretary General, His Excellency Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, who is also Kuwait's Minister of Energy, announced today that he was in consultations with OPEC's other Ministers of Oil and Energy identifying what additional measures could be taken.

HE Sheikh Al-Sabah said that such an action would be in the spirit of cooperation between producers and consumers in the interests of oil market stability, at a time when a natural disaster of great magnitude has caused a significant reduction in energy supplies in the United States, a major oil-consuming nation, with implications for the global energy market.

He added that he was also in touch with the US authorities and the International Energy Agency, with a view to determining more precisely the nature of the country's needs and any additional measures producers may be able to take.

Speaking as Kuwait's Minister of Energy, HE Sheikh Al-Sabah said that the Kuwait Petroleum Corporation was looking into what could be done in terms of contributing supplies of crude and products, to ease the fuel shortages faced by the United States.

On 31 August 2005, shortly after the hurricane struck the southern states of the USA, the OPEC President sent a message, on behalf of OPEC, to the US Secretary of Energy, Samuel W. Bodman, expressing the condolences of the Organization to the Government and the people of the USA, and reassuring him that OPEC Member Countries would continue their ongoing efforts to ensure that the oil market remained well-supplied with the crude oil it required and that these countries stood ready to consider whatever other ways they might be able to assist.

OPEC will give all these matters further serious consideration at the forthcoming Meeting of its Conference in Vienna, Austria, on 19 September 2005.

4 September 2005

OPEC Member Country Kuwait pledges US $500m aid package to USA, in wake of Hurricane Katrina

OPEC Member Country Kuwait has pledged an aid package of US $500 million to the United States of America, in the wake of the devastation caused by Hurricane Katrina last week.

The emergency aid will include both humanitarian and petroleum supplies, in particular, gasoline, and a special session of the country's Parliament, now in summer recess, will be convened to approve the package.

Kuwait's Energy Minister, who is also President of the OPEC Conference, His Excellency Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, confirmed today that this action was in line with his statement on Friday (2 September) that he was in consultations with his counterparts in other Member Countries, to identify what additional measures could be taken to help ease the severe problems caused by the hurricane.

He added that, in his capacity as Kuwait's Energy Minister, he was in touch with the US authorities to determine how best their needs could be met.

He expressed the hope that such actions by producers, as well as by other nations, would make an important contribution towards relieving the human suffering and towards easing the severe problems created by the hurricane to production and refining facilities, which had led to shortages of supplies in the region, with repercussions further afield in the international energy sector.

Other OPEC Member Countries have also made offers of assistance to the USA. They include Qatar, which today pledged $100m of humanitarian assistance, as well as Indonesia, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela.

Moreover, it will be recalled that the Saudi Arabian Minister of Petroleum and Mineral Resources, HE Ali I. Naimi, last week said that, "to the extent that markets are concerned about the impact of Hurricane Katrina on the availability of crude oil supply, Saudi Arabia stands ready to increase oil production immediately to 11 million barrels a day and sustain that level to replace any shortages in the crude oil market."

Highlights of the World Economy

Economic growth rates 2005-2006, %					
	World	G-7	USA	Japan	Euro-zone
2005	4.1	2.3	3.4	1.7	1.1
2006	3.9	2.3	3.0	1.7	1.5

Industrialised countries

United States of America

Higher inflation the hidden risk of Hurricane Katrina

Prior to the impact of Hurricane Katrina, data for the US economy showed a mixed picture. The official estimate of second quarter growth was revised down to 3.3% and August auto and retail sales results were rather weak. On the other hand survey data for August was optimistic and the labour market also showed signs of improvement. **Pre-Katrina it appeared that consumers were prepared to spend despite the July and August increases in fuel costs and this strength reflected a steady improvement in labour incomes during 2005.** This economic momentum means that those parts of the United States which were not directly affected by the hurricane should be in a good position to overcome what may be a temporary rise in fuel costs although much will depend on whether households feel confident to spend to the limits of their income. The three states of Louisiana, Alabama and Mississippi will be affected for some months. These states account for about 3% of US GDP and perhaps 15-20% of their economic activity will not resume until some time in 2006. In addition higher gasoline prices will affect national consumer spending. If retail gasoline prices maintain a level of $3/gallon, total consumer spending on other goods and services may be reduced by about $40 billion at an annual rate – this would reduce the ongoing GDP growth rate by 0.3%. **For 2005 as a whole these two effects might reduce the growth rate of US GDP by about 0.2-0.3%.** The rebuilding effort will boost the growth rate of the economy in 2006. The repair of homes and infrastructure should be in full swing by the second quarter and higher government expenditure will also add to domestic demand. Early estimates of hurricane-related spending have been as high as $100 billion although this amount may be spread over a two-year period. The impact of this additional spending in 2006 will push the US economy closer to the full utilization of resources and will increase inflation risks. Apart from the direct effect of higher energy costs, core inflation and inflation expectations may be affected – especially if the rise in pump prices is sustained. These trends will be closely watched by the US Federal Reserve which meets to consider interest rate policy on September 20. Since growth is expected to rebound rapidly next year and given existing concerns regarding energy costs, it seems most likely that there will be no change in the gradual policy of the US central bank. The injection of higher fiscal spending may even postpone any pause in the rate increase process until well into 2006 by which time short term interest rates may be close to 5%.

The danger facing the US economy is that the higher short term inflation rates may find their way into faster wage and unit cost growth – especially if labour and commodity markets are tightened by the Katrina reconstruction effort. It follows that higher interest rates will be needed to counteract this inflationary pressure. **The housing market will absorb some of the impact of monetary tightening and will lead consumer spending lower especially in the second half of 2006.** For the year as a whole US GDP is likely to grow by about 3% as continued growth in corporate outlays and higher government consumption will support growth despite the weakness in the household sector. The slower growth of world trade in 2006 and the good performance of the US dollar in 2005 may restrict export growth and net trade is unlikely to make a positive contribution to economic activity next year. In July the US trade deficit stabilized at $57.9 billion but the subsequent increase in the oil price is expected to push the August deficit to a much higher level.

Japan

Japan was the G7 growth leader in the first half of 2005

The sharp revision to the second quarter national accounts data for the Japanese economy confirmed that Japan is now the growth leader in the G7. In the first half of 2005 the economy grew at an annualized rate of 4.5% as a result of strong growth in domestic demand. Consumer spending continued the good performance of the first quarter and business investment generated further substantial growth in fixed investment. The corporate sector remains confident that growth will continue and the capital investment of manufacturing companies is particularly strong. Investment is supported by good growth in corporate profits and a recovery in cash flow as operating margins remained healthy in the second quarter.

Following a flat first quarter exports recovered in the second quarter although imports also rose and the change in the net trade balance had little impact on GDP growth. The co-incidence of this strong GDP performance and the re-election of the Koizumi government has provided investors in Japan with further evidence that the economy may have finally emerged from the long period of decline which began in 1990. In particular it is now likely that the 2005 growth forecast will be revised up to at least 2%. **Taken together with the 2.6% growth recorded in 2004, this near 5% expansion in two years should herald the end of deflationary forces in the Japanese economy.**

A further period of growth in the third quarter together with the rise in the oil price should increase the rate of inflation in Japan before the end of the year. In the first quarter of 2006 the Bank of Japan may respond to these developments with a change to monetary policy. At present monetary policy attempts to control the size of the monetary aggregates in Japan but a movement towards interest rate targeting is likely next year. Later in 2006 this may imply some tightening in policy but at least in the first half of next year interest rates will be close to zero in nominal terms and negative in real terms – this will add some further stimulus to economic growth. Bank lending has already showed signs of a rebound – rising in August for the first time in many years. Lending is expected to accelerate gradually in 2005 amid the considerable progress in debt reduction by companies. Company debt as a percentage of sales turnover fell to below 3% in the second quarter and this is the lowest ratio for nearly twenty years.

Despite the revival of domestic demand in Japan the economy would suffer from any downward adjustment in the US or Chinese economies in 2006. Higher oil prices are not likely to have a large impact, however, since the effect has been cushioned by the strength of the yen. The Japanese economy is also highly energy efficient and may also benefit from the recycling of oil revenues.

Euro-zone

The Euro-zone slowed further in the second quarter. Elections in Germany may stimulate reforms.

The Euro-zone grew at an annualized rate of only 1.2% in the second quarter – below the rate of the first quarter. **The year-on-year rate fell to 1.1% which represents a continuation of the decline in the Euro-zone growth rate which began in the third quarter of 2004.** Spain was the only exception to a generally poor performance. The Spanish economy grew at an annualized rate of 3.6% in the quarter maintaining the steady momentum of earlier in the year. German GDP was unchanged versus the result of the first quarter. Consumers' expenditure continued to decline slowly although investment showed a slight improvement. Net trade had a negative effect on GDP as higher energy costs led to a sharp increase in imports. The French economy continues to disappoint. Annualized growth was only 0.5% in the quarter as a result of a decline in consumer spending. Investment outlays also declined in the quarter and only a rise in inventories and government consumption kept the growth of domestic demand in positive territory. As in the case of Germany, imports grew strongly in this quarter. There was an unexpected boost to Italian growth in this quarter but the result may reflect a statistical adjustment. Overall the performance of the Euro-zone economy was poor in this period. The main problem is that consumers lack confidence in the outlook for the labour market and as a result household spending actually declined slightly. Investment spending in the Euro-zone showed a slight improvement but the overall trend in domestic demand is worrisome. The external balance continues to make a positive contribution to Euro-zone GDP but this contribution is likely to weaken in the third quarter as higher energy costs and the lower euro impact the trade accounts.

Looking forward, surveys indicated some improvement in business confidence as the third quarter began but the impact of Hurricane Katrina on energy prices may further depress the region. Previously these surveys suggested that GDP growth might rise to about 1.5% in the third quarter. Hopes for higher growth rest mainly on the German economy. **The gradual process of restructuring has been underway for some years and German exports may reap the fruits of the resulting improvement in competitiveness.** New industrial orders increased sharply in July, helped by foreign orders, and this was reflected in a strong rise in German industrial production in the month. Orders for consumer goods have also risen suggesting future strength in retail sales but the data for July was again disappointing as retail sales were 3% below the level of July 2004. On September 18 Germany will hold a general election which may change the course of economic policy. If either party wins a clear majority the chance of further reform should increase. If the election produces a coalition government the resulting increase in uncertainty might further delay the economic recovery.

Former Soviet Union

Economic growth higher in June and July

Data for June and July indicated a further gradual improvement in the performance of the Russian economy although it is mainly the consumer sector which is showing the fastest growth. In the second quarter of the year GDP rose by 6.1%, following a 5.1% rise in the first quarter. During the first six months of the year growth in both the extractive and manufacturing stalled – indeed manufacturing activity fell to levels below those of 2004 during the first quarter. The strength of the rouble and rising input costs meant that imports were increasingly competitive. In June, however, industrial output rose by a robust 6.9% over 2004 levels – taking the overall growth rate of industrial production for the first half of 2005 to 4% - still well below the 7.3% growth rate achieved in 2004. **The year-on-year rate of growth in July was a less impressive 4.9% as output struggled to achieve the June level.** Nevertheless the performance of the natural resources sector did show some improvement – production increased substantially over June levels to match the production of July 2004. Manufacturing production fell back in July, however, and the year-on-year growth rate for the first seven months of 2005 was only 7.2%. Gross expenditures on fixed capital investment in June were up sharply, by 20.0% month-on-month on top of an 11.0% increase in May, putting growth in capital spending at 9.4% in the first half of 2005 as business confidence recovered from the doldrums early this year. July saw a slight reduction from these high levels but recorded an 11% growth rate over the same period in 2004. Retail trade turnover has continued to surge. In real terms, retail sales were 12.5% higher year-on-year in June and 11.3% higher in the first six months of the year, only a shade off the 11.3% mark for the first half of 2004. Reported increases in real disposable income are behind the continued boom in household consumption. **The Russian government has slightly increased its expectations of near-term economic growth and the forecast growth rate for 2005 has been increased to 5.7%. The outlook for 2006 is also rather muted as GDP is expected to grow by only 5.3%.** A better performance is possible depending on a recovery in oil and gas production and an improved competitive situation for manufacturing businesses in Russia. The authorities are aware of pressures on industry created by the appreciation of the rouble as the currency has already risen by 8.2% in real effective terms in the first eight months of 2005. On the other hand the only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to rise yet further.

Eastern Europe

Czech Republic and Hungary both overtake Polish growth rate

Polish GDP actually contracted slightly in the second quarter as the result of a sharp slowdown in investment spending. A rise in consumption was not sufficient to push the rate of growth of domestic demand into positive territory and only a good performance from exports allowed GDP to rise by 2.8% year-on-year. As in the case of Russia, a disappointing first five months was followed by encouraging data for the Polish economy in June. Industrial output was volatile in the second quarter. A good result in April was followed by a 4.8% setback in May and this month also saw deterioration in consumer and manufacturing sentiment. Industrial production rose by 6.8% in June, but this bounce was followed by growth of only 2.6% in July. **For the first seven months of the year Polish industrial production rose by only 1.6%.** Overall GDP growth in 2005 and 2006 is likely remain below 4% although the National Bank of Poland has responded to this weakness and reduced interest rates – most recently by 0.25% at the end of August. In contrast, the Czech economy saw 5.1% growth in the second quarter as a result of strong export and investment spending. Household consumption rose by 2.1% in the quarter and government consumption stabilized. The growth of investment spending was disappointing at only 2.3%. Exports, however, grew by 7.6% whilst the rather moderate growth in consumption kept demand for imports at the level of 2004. After a very strong performance in 2004, Hungarian exports weakened in the first quarter of 2005 and pulled down the overall GDP growth rate to 2.9%. The second quarter saw a sharp improvement, however, and a very good performance from the external sector, together with strong investment growth, boosted the rate of growth of GDP to 4.1%. Hungarian industrial production expanded in July by 8.4%. Solid growth should continue in the second half of the year supported by lower interest rates.

OPEC Member Countries

The economic growth in OPEC Member Countries will be driven largely by the strength of oil earnings

OPEC countries are forecast to grow by 6.8% in 2005 and by 6.6% in 2006. The growth of the economy will be driven largely by the strength of oil earnings. A significant proportion of these funds will feed through into domestic economies by way of higher government spending, providing further stimulus to those areas dependent on public contracts and enhancing private sector confidence. Following this expansion, inflation is rising, which may require policy to be adjusted.

A number of OPEC countries have also embarked on the painful and unpopular process of reducing governmental subsidies on energy use. Nigeria has raised the pump price of petrol from N50/lit to N65/lit (around $0.38/lit to $0.4/lit). In May the Libyan authorities announced cuts in subsidies, which have resulted in a 30% rise in the cost of fuel and a 6% hike in the retail price of diesel. Similarly, petrol and diesel prices went up on average by 31.2% throughout the UAE at the beginning of this month.

Developing Countries

China's revaluation of the yuan might hurt other developing countries that benefited from booming Chinese demand for commodities. Some DC governments are pushing forward with a possibly unpopular policy of reducing energy subsidies

The growth of developing countries is forecast to continue sliding this year compared to 2004 from 6.1% to 5.2%. Most indicators reveal a satisfactory performance for most of the developing countries this year albeit weaker than a year ago. The strong domestic consumption in markets of India, Mexico and South Korea has caused a sharp rise in their stock indices in recent weeks. Attractiveness of company valuations contributed to such rise.

In Latin America, political concerns in Brazil have not prevented Brazilian stocks from nearing record levels, as it seems that investors are concentrating on the country's robust economic indicators. Inflation fears in Argentina are on the rise. The government is targeting growth in the consumer price index of 9.2% for 2006, departing from the expectations of the central bank, which set itself a target of 5-8%. The central bank has conceded that meeting its 2005 target will be difficult and it is expected to step into line with the federal government's forecasts for 2006.

The revaluation of the yuan might hurt other developing countries that benefited from booming Chinese demand for their commodities. The UNCTAD concluded in its last report *Trade and Development Report, 2005* that to cut imbalances, notably the huge US current account deficit, efforts should aim at stimulating growth in Japan and Germany, which together account for $268bn, or about 30% of the global current account surplus instead of putting pressure on China to further revalue its currency. Economies across Asia are moving to adjust to the impact of Hurricane Katrina on oil prices and some governments are pushing forward with a possibly unpopular policy of reducing energy subsidies. They are reviewing their energy policy in response to high world prices for gasoline and diesel. India announced that it would cut subsidies by allowing state-owned oil companies to raise retail gasoline and diesel prices by 7% immediately. China, Taiwan and Indonesia are all studying plans to cut subsidies and raise domestic prices for gasoline and diesel, while Pakistan went ahead and raised domestic prices in early September.

Oil prices, the US dollar and inflation

Hurricane Katrina put the dollar under pressure

The dollar was slightly weaker in August as signs of economic stabilization in Europe, a better economic performance in Japan and the July 2.1% revaluation of the Chinese currency affected sentiment. In the last days of August the dollar was further put under pressure as markets considered the economic impacts of Hurricane Katrina. The dollar fell by 2.1% against the euro, 2.4% against the British pound and 2.3% against the Swiss franc. The dollar also fell by 1.1% against the yen.

In August the OPEC Reference Basket rose to $57.82/b from $53.13/b in July. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 6.99% to $41.17/b from $38.48/b, as the effect of the weaker dollar offset a small part of the 8.83% rise in the Reference Basket price. The dollar fell by 1.48% 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.*

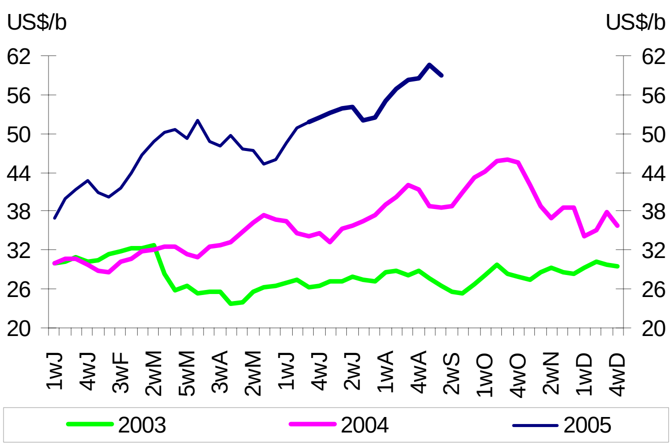
Crude Oil Price Movements

The OPEC Reference Basket surged to an all-time high of over $61/b in August to close the month for a rally of nearly 9% to settle at $57/.82/b on a spate of refinery outages in the USA

OPEC Reference Basket

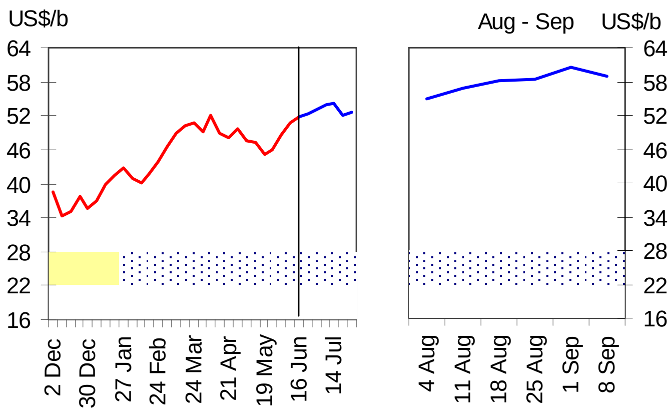
The month of August started on a bullish tone in the geopolitical arena in the Middle East due to the passing away of King of Saudi Arabia and tensions concerning Iran's nuclear programme boosted by refinery snags in the USA. A revised forecast for this year's hurricane season in the Gulf of Mexico furthered concern over tight gasoline supply. The first weekly average price for the OPEC Reference Basket stood $2.48/b or nearly 5% higher at $54.99/b. Moreover, tight supply of light sweet grades in the North Sea due to the prolonged repair at BP's Schiehallion North Sea oilfield amid a fall in planned September Brent and Statfjord loadings sparked buyers to snap up some remaining August BFO cargoes. This was furthered by market's concern over a string of outages at seven refineries beginning in the last decade of July to mid-August with a processing capacity of 1.7 mb/d which kept oil prices on the rise. Hence, the Basket's second weekly average price rallied $1.79/b or 3.3% to close at $56.78/b. Continued concern over sustained refining capacity, which was exacerbated by the outage of a fluid catalytic cracking unit at ExxonMobil's 363,000 b/d Beaumont, Texas, refinery, kept the bulls intact. However, concern over high product prices, which were perceived as denting demand amid the widened light/heavy crude spread, prevented prices from escalating further as the Basket in the last two days of the third weekly period plunged by $2.38/b. Thus, the Basket gained 1.48¢ or 2.6% to close at $58.26/b in the third week.

Graph 1: OPEC Reference Basket - weekly spot crude prices



The volatility was resumed in the fourth week on concern over tight supply amid a halt of production from Ecuador of some 200,000 b/d that heightened market bullishness strengthened by healthy refining margins in Europe. Moreover, prolonged fear over a storm in the US Gulf of Mexico only kept prices on the rise. However, indisposed prompt cargoes in the Mediterranean balanced the bulls. The Basket inched up 23¢ to settle at $58.49/b in the fourth week. The bulls strengthened further on an early precautionary evacuation of oil operators from non-essential rig platforms in the Gulf of Mexico due to an impending storm and improved sour margins in the Mediterranean. In the final weekly period, the market eased in the east as most October spot procurements were fulfilled which helped to moderate the prices, while demand for light sweet grades inspired buying interest in the west. **The disastrous impact of Hurricane Katrina not only tragically devastated New Orleans, but also damaged the oil infrastructure in the Gulf of Mexico as well as the US Gulf Coast**. As a result, the Basket rose well over the $61/b level and registered a record-high weekly average of $60.58/b for a rise of $2.09/b or 3.5%. Nevertheless, in the wake of Hurricane Katrina, the oil market saw concerted efforts by producers and consumers to calm a jittery market as early assessments shaved massive outages in both the upstream and

Graph 2: Weekly average Basket price, 2004-2005



Note: Price band temporarily suspended as of 31 January 2005

Following the decision taken by the 136th (Extraordinary) Meeting of the Conference, the new OPEC Reference Basket has been implemented

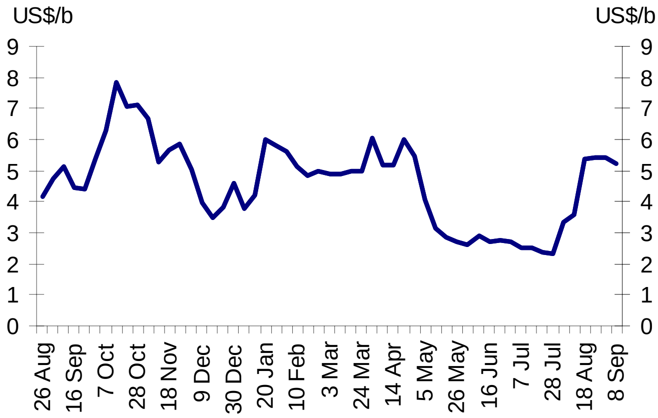
downstream production. Hence the US DoE, the EIA and OPEC together worked out a strategy to put more crude and product supplies in the market. The Basket eased in the first week of September to $58.98/b. This downward trend continued during the second week of September when the Basket decreased to $55.82/b on 13 September, the lowest level since 8 August 2005.

On a monthly basis, the Basket remained bullish. Continued concern over refinery outages in the USA amid a spate of hurricane threats pushed prices to record-highs. August's monthly average closed at $57.82/b for a gain of $4.69/b or almost 9%. **During August an accumulated outage of nearly 2 mb/d of refining capacity revived the fear of a shortfall of refined product supply** ahead of the end of the driving season. The strike in Ecuador added to the pressure on the marketplace. By month-end, while the market was digesting the all-time record-high oil prices, Hurricane Katrina topped it all by disrupting a significant volume of refining capacity and upstream production in the Gulf of Mexico. Nevertheless, cooperation between producers and consumers helped the market to ease along with the IEA's announcement of the release of crude and refined products from the SPR.

US market

Healthy demand for sweet grades amid outages at sweet grade facilities in the North Sea widened the sweet/sour spread by $2.20 to $4.63/b

Graph 3: WTI spread to WTS



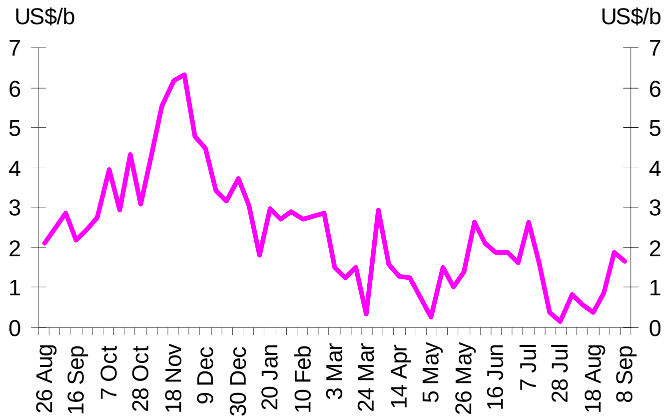
The oil market in the USA reversed the bearish momentum of the final days of July and prices saw a gain following outages at BP's Texas refinery. Hence the WTI/WTS spread widened in the first week to average $3.36/b for a gain of $1.04/b amid continued draws on gasoline stocks. WTI closed the first week at $61.22/b for a rally of over 5%. A series of refinery outages amid fear of tight supply kept alertness in the marketplace. Concern over continued refinery outages with accumulated capacity of 1.7 mb/d or some 10% of total US capacity drove energy prices higher. Hence refinery profits improved sending the sweet/sour crude differential to a higher level. The WTI/WTS spread widened a further 22¢ to $3.58/b. WTI cash crude's weekly average closed at $63.94/b for a gain of 4.5% or $2.72/b in the second week. Moreover, the switch from sour to sweet at BP's massive refinery in Texas boosted the differential further. Despite production **outages of heavy crude from Ecuador, a spate of refinery outages indicated healthy demand for sweet grades. Hence, the WTI/WTS weekly average spread widened in the third week by a healthy $1.78/b to $5.36/b,** while the WTI/Cushing spread surged another 2% to close at $65.19/b. Nevertheless, with the ongoing strike in Ecuador triggering fear of supply outages, the sweet/sour spread widened but at a slower pace, poised by a fire at Venezuela's Paraguana refining complex at the time of production outages in the North Sea, India and Nigeria. WTI closed the fourth week at an average of $66.15/b for another rally of 1.5% with the WTI/WTS spread widening a slight 7¢. In the final week, prices were pushed upward by the damages caused by Hurricane Katrina. While US domestic crude was trading the first day against the October futures contract, the spread widened to a record high of $6.47/b. However, the **outages at Shell's Mars platform in the Gulf of Mexico revived fear of a supply shortfall. Hence the WTI/WTS spread started to narrow** closing in the final week some 2¢ lower at an average of $5.41/b. WTI's monthly August average was $64.96 for a gain of $6.30/b or nearly 11% over July, with the month average spread at $4.63/b for a gain of nearly 100%.

European market

Outages at BP's Schiellion field amid market thirst for light crude kept the North Sea crude differential firm, thereby pressuring the heavy end grades

The European market moved higher in the wake of the shut-down of BP's 120,000 b/d Schiellion field and Statoil's unplanned maintenance in the North Sea. Hence, differentials firmed during the first week of August. Dated Brent also followed suit on concern over refinery outages in the USA to close the first week with an average of $60.41/b representing a surge of $2.37/b or 4%. The sentiment firmed further in the second week on a glitch at Shell's North Sea Bravo platform which exacerbated the already tight August market. Dated Brent closed the second week at $63.39/b for another surge of some 5%. The rising stride continued into the third week amid a curtailed September loading programme. However, volatility in the futures market kept Brent under pressure as it rose just over 2% to $64.83/b. The sentiment furthered rising refining margins. However, high outright prices amid the earlier than expected return of BP's Schieallion field pushed differentials lower for the North Sea crudes. Yet Dated Brent's fourth weekly average edged up a marginal 46¢ to close at $65.29/b. The weak sentiment continued into the final week as a spate of new loading programmes for September cargoes were on offer pressuring the differential lower. However, as the market awaited news of the damage in the US Gulf Coast, differentials were prevented from slipping further. **Dated Brent's monthly average in August stood at $64.06/b for a gain of $6.59/b or nearly 12%.**

Graph 4: WTI premium to Dated Brent



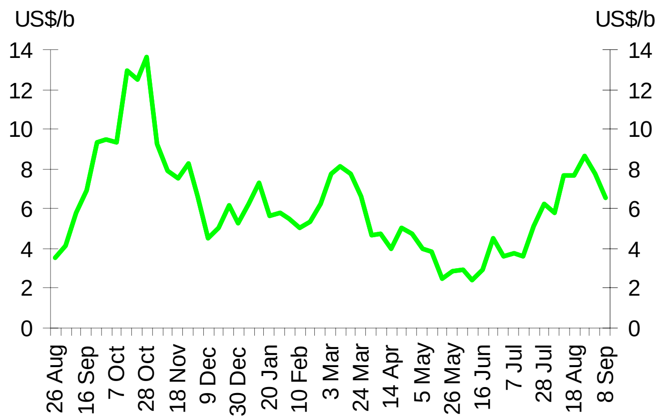
The market in the Mediterranean weakened in late July. **Poor refining margins amid tight light barrels depressed differentials. The Brent/Urals spread widened from $2.47/b in the last week of July to $4.28/b in the first week of August.** The expansive spread was also inspired by the announced wide Mideast price differentials for medium and heavy grades. The sentiment weakened further as buyers stayed away from the market pressuring the differentials further as refining margins slipped deeper into the red. The Brent/Urals spread expanded in the second week to $4.64/b. The sentiment continued into the second week amid unsold barrels with Urals spread under Brent at $5.66/b. Moreover, **buyers cut prices to move cargoes ahead of the release of the September programme. Hence, the spread between Urals widened to $6.63/b in the fourth week, the lowest level so far this year.** This move attracted many buyers back into the market clearing most of the lingering barrels. Hence, in the final week the spread narrowed slightly to $5.88/b.

Far East market

The widened Brent/Dubai spread kept rival western crude from bounding eastward supporting the Mideast crude to trade at firmer levels

The market for Mideast crude emerged on a weak note from late July with September Oman trading at 50¢b below MOG. The disappointing performance of the fuel oil market maintained the pressure. The emerged October Oman was also under pressure trading at a firmer level of a discount of around 15¢/b to MOG as Chinese demand for fuel oil has yet to make a strong recovery. The weak sentiment was also enhanced by the narrowing of the Brent/Dubai spread by 44¢/b to $5.78/b on the possibility of an opening of the arbitrage opportunity for rival western crude to flow eastward. The pressure on Oman continued as refiners in Japan and South Korea were boosting imports for middle distillate-rich crude for October loading to build heating fuels before winter. Hence, while October Murban was assessed at a 4-9¢/b discount to OSP, firmer than the week before at a discount of 10-20¢/b, Oman was trading at 23-27¢/b to MOG. Nevertheless, as the Brent/Dubai Exchange of Futures for Swaps (EFS) widened, the pressure on the Mideast crude eased implying more expensive light sweet crude. **The spread was the widest since late March. The Brent/Dubai spread widened to $7.67/b.** Hence, October Oman traded at a firmer level of 18-19¢/b with Abu Dhabi Murban trading at a 15¢/b premium. The improved fuel oil crack spread supported October Oman to firm further late in the third decade of the month. However, demand for winter fuel-rich crude kept Oman under pressure while Abu Dhabi

Graph 5: Dated Brent spread to Dubai



Murban firmed further to a 29¢/b premium to the OSP, yet additional Mideast barrels kept the differential from sustaining the rise. Oman was trading at a 38¢/b discount with Murban at a premium of 15¢/b. As most October loading programmes are fulfilled, the Mideast crude were heading towards narrow differentials late in the month despite the wide Brent/Dubai spread at $8.65/b. October Oman traded at a 40¢/b discount with Murban at a 5-¢/b premium amid ample supply.

Production problems at India's Bombay high field pressured a market thirsty for light sweet grades

Asian market

The market on the Asian/Pacific Rim was inspired by the outage at the Bombay high field that lost production of 123,000 b/d spurred by the Indian Oil Corp (IOC)'s prompt buy-tender. The sentiment was also furthered by healthy demand from China and Indonesia amid emerging Asian naphtha demand. Hence, Duri was assessed at a premium to the ICP as high as $1.60/b. Tight supply amid high demand for light sweet crude kept the sweet/sour spread to widen amid high outright prices with Petronas offering October Tapis at $1.10/b to the APPI, 5¢ lower than its September sale. **The strengthened demand for naphtha and gasoline continued to support the light sweet grades** as Tapis approached the $70/b level in the wake of hurricane Katrina.

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

			Year-to-date average	
	Jul 05	**Aug 05**	**2004**	**2005**
OPEC Reference	**53.13**	**57.82**	**34.11**	**49.03**
Arab Light[1]	53.46	58.24	33.63	48.36
Basrah Light	52.24	57.10	35.48	47.09
BCF-17	44.07	46.15	n.a.	37.56
Bonny Light[1]	58.40	65.49	35.48	53.49
Es Sider	55.71	60.27	34.39	50.24
Iran Heavy	51.07	55.69	31.57	46.23
Kuwait Export	51.31	55.18	32.95	47.31
Marine	53.57	57.49	32.83	48.11
Minas[1]	56.17	61.07	34.71	52.73
Murban	57.05	61.78	35.08	51.84
Saharan Blend[1]	57.30	63.67	35.52	52.54
Other Crudes				
Dubai[1]	52.78	56.55	32.76	47.24
Isthmus[1]	53.85	59.66	34.92	48.20
T.J. Light[1]	49.10	54.22	31.75	44.26
Brent	57.47	64.06	35.54	52.56
W Texas Intermediate	58.66	64.96	38.40	54.21
Differentials				
WTI/Brent	1.19	0.90	2.86	1.65
Brent/Dubai	4.69	7.51	2.78	5.32

Note: As of the third week of June 2005, the price is calculated according to the current Basket methodology that came into effect on 16 June 2005. BCF-17 data is available Only as of March 1, 2005.

[1] Old Basket Components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T.J. Light

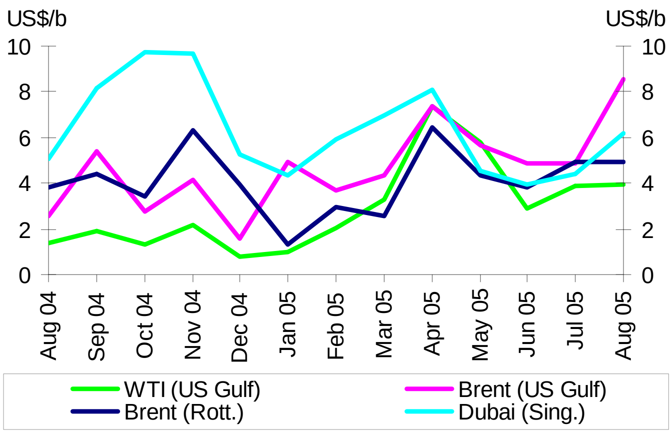
Source: Platt's, direct communication and Secretariat's assessments.

Product Markets and Refinery Operations

Crude and product prices received a boost from Hurricane Katrina

Product market developments have undergone two phases over the last couple of weeks. In the first phase, gasoline stocks in the Atlantic Basin were running low and demand for gasoline in the USA was high, while in Asia the market looked relatively overbalanced for middle distillates but more promising for gasoline due to lower exports from China, Taiwan and India. During phase two, which followed the impact of Hurricane Katrina, product sentiment gained significantly, and various product prices, particularly gasoline, rose sharply.

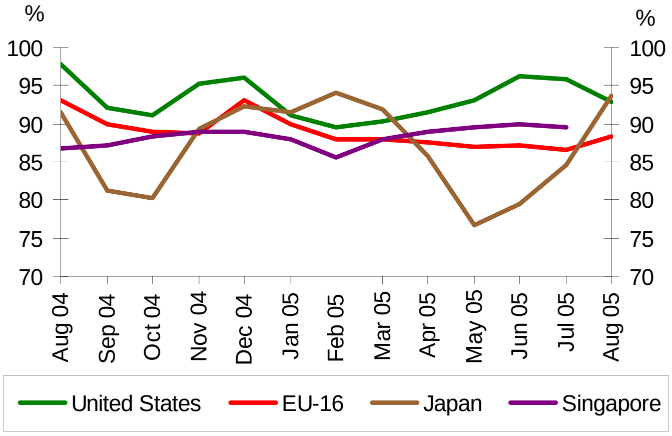
Graph 6: Refiners' margins



At the initial stage of Hurricane Katrina, the operations of about 3 mb/d of refining capacity in the USA has been either fully or partially affected, but 2 mb have returned to normal operations, and the remaining could be offline for weeks, if not months. This situation will further tighten the refining industry, which has already suffered from a shortage of capacity and should support crude and product prices over the next few months.

In the first phase, product prices in the USA and Europe were unable to outpace their corresponding benchmark crudes WTI for the USA and Brent for Europe, and refinery margins in the Atlantic Basin rose only marginally (see Graph 6) compared to the previous month. But in Asia, the major parts of the barrel complex, with the exception of fuel oil, performed better than Dubai benchmark crude, and refinery margins in Singapore rose by \$1.90/b compared to last month. With the tightening of US operational refining capacity and the boosting of arbitrage opportunities from Europe to the USA, product prices should keep their recent strength versus their benchmark crudes in Europe and the USA and are likely to bolster refining margins in the Atlantic Basin in September.

Graph 7: Refinery utilization



Refining utilization rate may decline further in the USA in September

The refining utilization rates rose across the world, with the exception of the USA in August. As Graph 7 shows, in the USA, utilization rates declined by 2.9% to 92.9% from 95.8% in July, due to tropical storms, particularly Hurricane Katrina late last month. In Japan, utilization rates surged sharply by 9% compared to the previous month to stand at 93.7%. In the EU and Norway, they rose a marginal 1.9% from 86.5% in July.

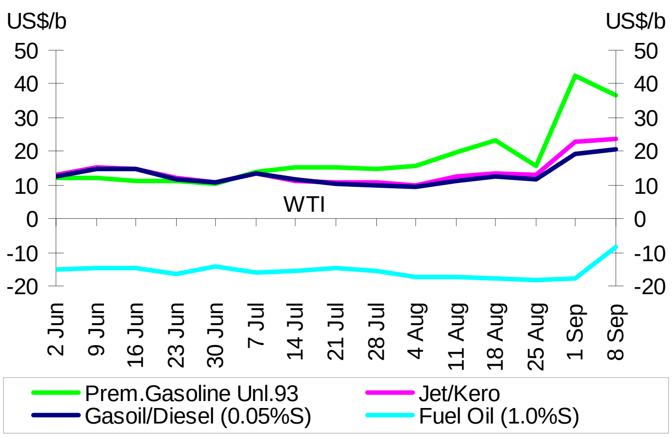
US gasoline prices tested a new record high

US market

Hurricane Katrina cut US refinery throughput by about 10% and significantly boosted the bullish market sentiment which, in turn, raised product prices, particularly gasoline. On 1 September, the US Gulf Coast gasoline price reached $110.64/b. Over the last few days due to the restart of several partially damaged refineries, the release of SPR by the IEA, relaxing shipping and environmental regulations in the USA as well as the flow of over 30 arbitrage cargoes from Europe, light product prices have lost part of earlier gains.

As Graph 8 reflects, the crack spread of gasoline against WTI benchmark is still about $37/b. This situation should encourage refiners to shift their refinery operation mode in favour of gasoline at the expenses of gasoil and jet/kero. However, this raises the risk of a possible decline in heating oil stocks ahead of the winter. This condition could be exacerbated if about 1 mb/d capacity remaining offline as result of Hurricane Katrina would stay out of the market for an extended period.

Graph 8: US Gulf crack spread vs. WTI



With regard to fuel oil, due to shut-in natural gas production in the US Gulf Coast as well as higher than normal temperatures in the US East Coast, the market for low-sulphur fuel oil should be strong, but high-sulphur fuel oil is likely to remain lacklustre.

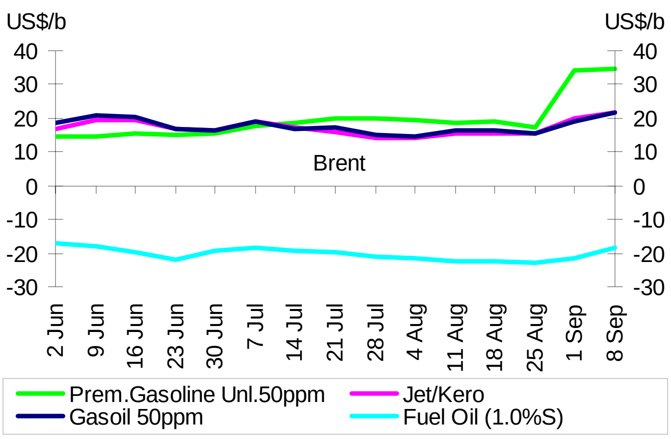
Arbitrage opportunities to the USA boosted European product market

European market

Hurricane Katrina's impact was immediately reflected in the futures market and the physical activities of European crude and product markets. Before Katrina, the arbitrage opportunity for gasoline to the USA was very weak, but this situation has changed significantly, and more than 35 vessels were fixed over the last few days to ship different light products, particularly gasoline, to the USA.

The gasoline price in the USA has lost some of the sharp gains made just after Hurricane Katrina, but most probably will remain strong in the future in order to absorb arbitrage cargoes, and this will keep the European market for light products strong as well. However, as Graph 9 shows, due to relatively comfortable distillate stocks, the recent developments of the US market have not resulted in a sharp rebounding of distillate prices, and the crack spread of gasoil in Rotterdam against the Brent benchmark rose very moderately compared to early August.

Graph 9: Rotterdam crack spreads vs. Brent



These developments also affected the Mediterranean area, and most of the overhang of light product cargoes have moved to the USA. It is worth noting that, due to high margins, European refiners may postpone their maintenance schedule to export more cargoes to the USA.

Despite the bullish sentiment for light products, the European market for high-sulphur fuel remained under pressure due to ample supply, and it may become worse due to higher output, but low-sulphur fuel oil prices may rise due to export opportunities to the USA.

Asian market

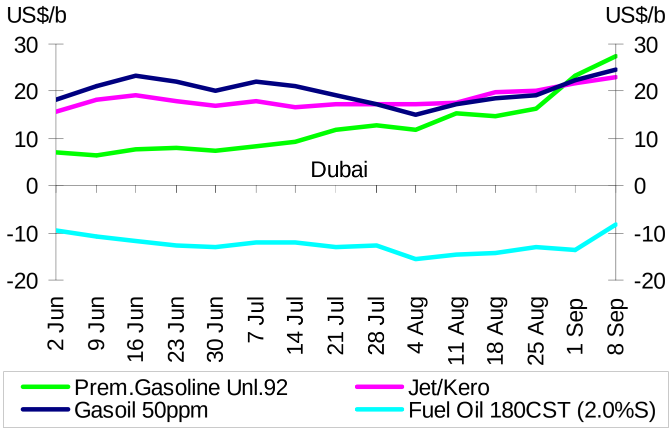
Naphtha prices recovered due to higher Chinese demand

Over the last months, the Asian market has been suffering from ample supply and lack of buyers of naphtha, but in August market sentiment changed somewhat, as China entered the spot market to buy naphtha cargoes which thus lifted naphtha prices. However, many market players believe that this situation will not last long**. Similarly, the Asian market for gasoline, which had not been very lucrative in the last few months, rebounded in August amid lower exports by China, Taiwan and Korea, as well as the recent export opportunities to the USA.**

Following the gasoline shortage in Southern China, the Chinese government suspended the 11 percentage point refund on the 17% VAT for gasoline exports and stopped the approval of any new crude processing contracts intended for product exports. These decisions will most probably reduce gasoline exports by China and support gasoline prices.

Furthermore, prices for middle distillates, particularly for gasoil which has been falling over the last two months, may rise again, as the harvest season in China is approaching and export possibilities to the USA, together with higher demand by Indonesia in September, could lend some support to middle distillate product prices in the next months.

Graph 10: Singapore crack spreads vs. Dubai



As far as fuel oil is concerned, the Asian market improved moderately due to less arbitrage cargoes. As Graph 10 indicates, the high-sulphur fuel oil crack spread versus Dubai benchmark crude rose by $1.91/b to minus $13.53/b in early September from minus $15.44/b in the previous month, and later on it increased further.

Table 2: Refined product prices, US$/b

		Jun 05	Jul 05	Aug 05	Change Aug/Jul
US Gulf (Cargoes):					
Naphtha		58.74	63.31	75.76	12.45
Premium gasoline	*(unleaded 93)*	67.61	73.56	87.24	13.68
Regular gasoline	*(unleaded 87)*	64.21	67.54	81.71	14.17
Jet/Kerosene		69.69	69.97	78.89	8.92
Gasoil	*(0.05% S)*	69.49	69.66	77.41	7.75
Fuel oil	*(1.0% S)*	41.40	43.12	47.06	3.94
Fuel oil	*(3.0% S)*	37.41	37.73	39.58	1.85
Rotterdam (Barges FoB):					
Naphtha		57.23	61.22	69.12	7.90
Premium gasoline	*(unleaded 50 ppm)*	69.54	76.54	84.28	7.74
Premium gasoline	*(unleaded 95)*	62.17	68.33	75.64	7.31
Jet/Kerosene		72.32	74.02	79.78	5.76
Gasoil/Diesel	*(50 ppm)*	73.02	74.60	80.15	5.55
Fuel oil	*(1.0% S)*	35.01	37.74	41.7	3.96
Fuel oil	*(3.5% S)*	34.86	36.71	39.25	2.54
Mediterranean (Cargoes):					
Naphtha		46.94	50.79	58.32	7.53
Premium gasoline	*(unleaded 95)*	68.85	72.99	83.45	10.46
Jet/Kerosene		69.74	71.79	78.44	6.65
Gasoil/Diesel	*(50 ppm)*	73.65	74.14	80.97	6.83
Fuel oil	*(1.0% S)*	38.33	41.03	43.55	2.52
Fuel oil	*(3.5% S)*	33.59	35.08	37.73	2.65
Singapore (Cargoes):					
Naphtha		45.71	49.62	58.17	8.55
Premium gasoline	*(unleaded 95)*	59.65	64.70	73.19	8.49
Regular gasoline	*(unleaded 92)*	58.38	63.43	72.52	9.09
Jet/Kerosene		68.93	70.07	75.84	5.77
Gasoil/Diesel	*(50 ppm)*	72.42	72.48	74.92	2.44
Fuel oil	*(180 cst 2.0% S)*	39.34	40.27	42.39	2.12
Fuel oil	*(380 cst 3.5% S)*	38.11	38.76	41.35	2.59

Table 3: Refinery operations in selected OECD countries

	Refinery throughput, *mb/d*				**Refinery utilization,** *%*			
	Jun 05	**Jul 05**	**Aug 5**	**Aug/Jul**	**Jun 05**	**Jul 05**	**Aug 05**	**Aug/Jul**
USA	16.14	16.07	15.59	-0.48	96.2	95.8	95.8	92.9
France	1.62 R	1.70	1.72	0.02	83.1 R	86.9	86.9	88.1
Germany	2.30 R	2.24	2.36	0.12	99.0 R	96.3	96.3	101.4
Italy	1.90 R	1.88	1.84	-0.04	82.1 R	81.2	81.2	79.1
UK	1.59 R	1.58	1.58	0.00	87.3 R	86.4	86.4	86.4
Eur-16	12.10 R	12.01	12.04	0.03	87.2 R	86.6	86.6	87.2
Japan	3.74	3.99 R	4.41	0.42	79.5	84.7 R	84.6	93.7

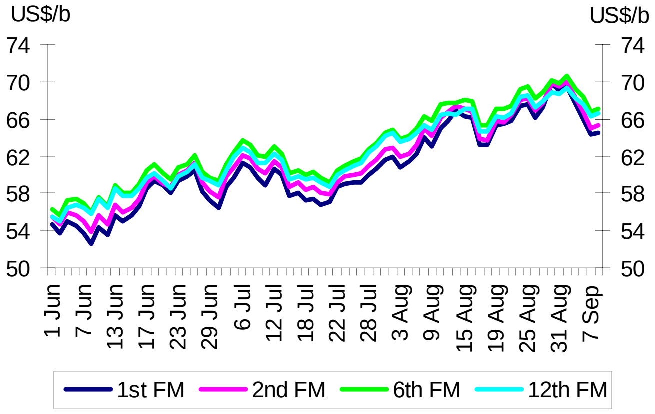
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

WTI's surge near the $70/b mark triggered profit-taking which was balanced by the devastation of Hurricane Katrina

The futures market began August on a bullish note after a bearish late July. Persistent concern over tight downstream capacity continued to dominate the market direction. In the first week of the month, non-commercials increased longs by a hefty 15,000 contracts to 121,000, boosting net longs by some 26,000 lots. **Market sentiment was inspired by the revised hurricane forecast which revived concern over supply shortfalls similar to last year**. Nymex WTI closed the first week at $61.89/b or $2.69 higher than the previous week. Open interest rose 38,000 lots to 840,000 with commercials reducing longs and increasing the shorts at a slower pace.

Graph 11: Nymex WTI futures contracts, 2005

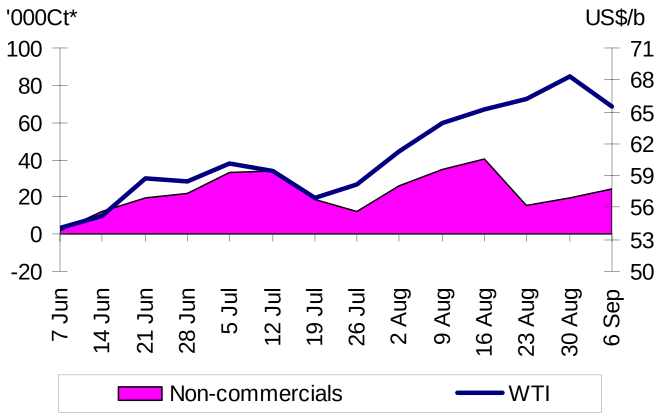


FM = future month

The second weekly period saw a similar move, although a statement by the OPEC President calmed the market as traders took profit. Yet, non-commercials continued to increase longs by 18,000 contracts to 139,000. Open interest also surged by a hefty 47,000 lots to 888,000 with the commercials raising shorts at a faster rate than longs. Nymex WTI front-month closed at $63.07/b for a gain of $1.18 from the previous week.

The stride continued in the third week on refinery outages, which pushed WTI prices to $66.08/b for a gain of $3.01 or nearly 5%. Hence non-commercials increased longs by a further 15,000 lots to close at 154,000, the highest level since April. **Open interest peaked at an all-time record of 958,000 after a hefty build of 70,000 lots** with commercials increasing longs at a slower pace than shorts to close at 553,000 and 579,000 lots respectively. The fourth week saw liquidation for profit-taking as prices eased. Nymex WTI prompt-month closed at $65.71/b. Non-commercials depleted longs by a hefty 14,000 contracts while increasing their shorts. The net long position narrowed by a hefty 25,000 lots to 16,000. In the final weekly period, in the wake of Hurricane Katrina, the market saw a slight build by non-commercials with net longs widening to 19,000 lots and open interest remaining at around 898,000 lots. A 20% surge in gasoline futures pushed Nymex WTI to close 4% higher at $68.91/b in the final weekly period.

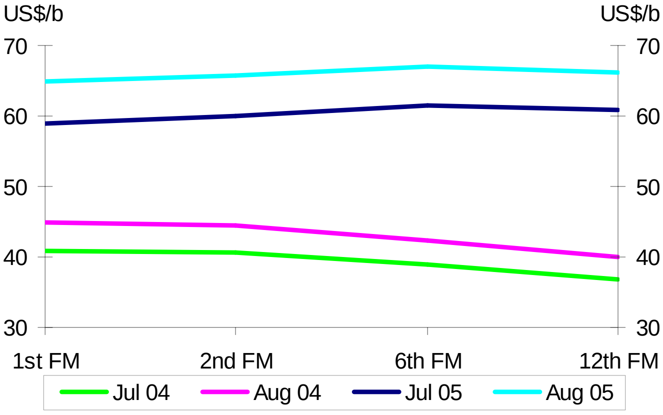
Graph 12: Futures Commitment of traders report: Nymex crude oil, 2005



The contango eased in August amid sustained comfortable US crude oil stocks as prices were pressured by the continued draw on gasoline stocks

The forward curve in the futures market remained in contango during August, although at a narrower spread. The 1st/2nd month spread narrowed to 73¢ from 97¢/b in July. Continued healthy level of crude oil stocks kept the market structure in contango. However, a sustained draw on gasoline stocks kept the near month at a lower spread relative to the forward month. **Most of this occurred during the second half of the month inspired by refinery outages and several unplanned production shut-downs and the impending impact of Hurricane Katrina.** The 1st/6th month spread also narrowed to $2/b compared to $2.49/b the month before, with the 1st/18th month spread leveling at plus 2¢ compared to minus $1.11/b in the previous period.

Graph 13: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures remained almost stable at 13.43 mb/d in August

In August, OPEC area spot fixtures remained close to the previous month's level at 13.43 mb/d, reflecting no growth in OPEC's crude oil production. This represents a minor growth of 0.5% against an August 2004 level despite a y-o-y production increase of more than 0.5 mb/d. The limited rise in spot fixtures compared to 2004 can be explained by the slowdown in crude oil trade and in the level of the spot share, which has been constantly lower this year. Nevertheless, given the same level of spot fixtures from the previous month, **OPEC's share of total spot fixtures moved up from 62% in July to 65%,** the highest level since March 2005. **Middle Eastern fixtures showed a mixed pattern, with eastbound long-haul fixtures increasing by 0.13 mb/d or 2.5% to 5.25 mb/d whilst westbound fixtures slid sharply by almost 0.5 mb/d or 23% to 1.5 mb/d,** which led to a global decline of 0.32 mb/d in Middle East spot fixtures. Due to the significant decline in westbound fixtures, the Middle East/eastbound and westbound shares in OPEC fixtures fell from 52% to 50% in August, the lowest level so far in 2005, but were 0.8 mb/d or 10% lower than the August 2004 level, confirming the decline in the share of spot fixtures. In contrast, the remaining OPEC countries increased spot fixtures by 0.28 mb/d or 4% to 6.67 mb/d, pushing their share in OPEC spot fixtures to 50% compared to 47% a month earlier and 44% a year earlier. Non-OPEC spot fixtures dropped significantly by 0.75 mb/d or 9% to hit 7.35 mb/d, the lowest level in the last five months.

Non-OPEC spot fixtures were also lower than the August 2004 level, when they accounted for more than 7.7 mb/d. Following the month-to-month decline, Non-OPEC share in total spot fixtures moved down from 38% in July to 35% in August 2005, which was similar to the previous year's level**.** **Estimated sailings from the OPEC area increased for the second consecutive month, reaching 25.26 mb/d,** which corresponds to a growth of 0.63 mb/d or 2.6%. **Compared to the level of the same period of 2004, OPEC's sailings were up by 2.4 mb/d.** Middle East countries, which represent three-fourths of OPEC sailings, were the sole contributor to the growth in OPEC's sailings. **Sailings from the Middle East reached a record of nearly 18.8 m/d.** Preliminary estimates of arrivals showed declines in most of the regions, except in North-West Europe, which displayed a significant growth of nearly 0.5 mb/d or 6.2% to reach 8 mb/d, the highest level since March 2005. However, arrivals in the US East Coast, the US Gulf Coast and the Caribbean fell by 0.16 mb/d or 1.5% to average 10.9 mb/d from a record high of more than 11 mb/d in July 2005, but were 1.1 mb/d higher compared to a year earlier. Similarly, the Euromed region saw arrivals decline by 0.2 mb/d to 4.55 mb/d, while in Japan arrivals dropped by 0.28 mb/d to 3.85 mb/d, reversing the growth showed in the previous month.

Table 4: Tanker chartering, sailings and arrivals, mb/d

	Jun 05	Jul 05	Aug 05	Change Aug/Jul
Spot Chartering				
All areas	21.83	21.57	20.78	-0.79
OPEC	13.93	13.47	13.43	-0.04
Middle East/east	5.15	5.13	5.25	0.13
Middle East/west	1.92	1.96	1.51	-0.45
Sailings				
OPEC	23.91	24.62	25.26	0.63
Middle East	18.57	18.13	18.77	0.64
Arrivals				
US Gulf Coast, US East Coast, Caribbean	10.07	11.07	10.91	-0.16
North West Europe	7.61	7.54	8.00	0.47
Euromed	4.20	4.74	4.55	-0.20
Japan	3.89	4.14	3.85	-0.28

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

Surplus of available vessels put further pressure on crude oil freight rates in August

Plenty of tonnage, giving more confidence to the charterers, continued to push crude oil spot freight rates down further on all the segments. **Oversupply in the VLCC sector pushed charterers to hold back on cargoes, putting pressure on owners to accept levels below WS70.** Freight rates for the Middle East eastbound long-haul route lost 16 points or 20% to average WS69 in August, while westbound rates dropped by 10 points or 14% to stand at WS63. Both routes began the month with higher freight rates of WS90 and WS80 respectively before declining steadily. Losses on these two routes in August were equivalent to 50% of July gains. In the Suezmax sector, freight rates also dropped, but at a lower pace of 3-5%. On the West

Africa/US Gulf Coast route, freight rates moved down by 5 points for a monthly average of WS106, while **on the North-West Europe/US East Coast and US Gulf Coast routes, freight rates continued to decline for the third consecutive month to average WS101, the lowest level in 24 months** due to lack of activity. It is worth noting that freight rates showed continuous improvements during the last week of the month following an increase in bookings. In contrast, the Aframax sector displayed mixed patterns with freight rates for tankers moving from the Caribbean to the US East Coast and across the Mediterranean showing significant declines amid a surplus of tonnage in combination with a lack of activity. Freight rates on all other routes rose a slight 2-5%. **Following Hurricane Katrina, freight rates from the Caribbean to the US East Coast surged sharply in the end of the month, gaining more than 40 points in two days.** This huge increase was specific for the Caribbean/US East Coast route and a result of the jump in bookings supported by the short distance between the US East Coast and the Caribbean compared to other routes. On the Indonesia/US West Coast route, freight rates continued to increase steadily for the third consecutive month to reach an average of WS141, a gain of 7 points over the previous month. Continuing activity on the Mediterranean/North-West Europe route put an end to the pronounced downward trend displayed during the previous two months and pushed freight rates up by a slight 2 points to average WS130. **Freight rates for all sectors were lower than their August 2004 levels, but were expected to firm in the coming months due to Hurricane Katrina.**

Table 5: Spot tanker freight rates, Worldscale

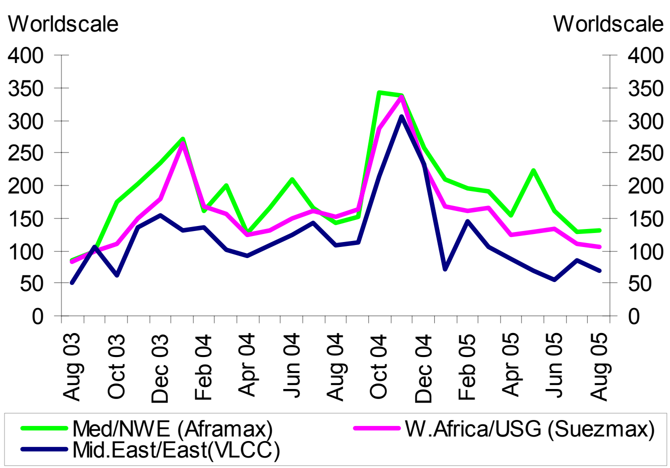
	Size *1,000 DWT*	Jun 05	Jul 05	Aug 05	Change Aug/Jul
Crude					
Middle East/east	200–300	56	85	69	–16
Middle East/west	200–300	53	73	63	–10
West Africa/US Gulf Coast	100–160	133	111	106	–5
NW Europe/USEC - USGC	100–160	127	104	101	–3
Indonesia/US West Coast	70–100	127	134	141	7
Caribbean/US East Coast	40–70	268	242	184	–58
Mediterranean/Mediterranean	40–70	231	213	184	–29
Mediterranean/North-West Europe	70–100	161	128	130	2
Products					
Middle East/east	30–50	215	249	280	31
Singapore/east	25–30	253	300	319	19
Caribbean/US Gulf Coast	25–30	240	255	203	-52
NW Europe/USEC - USGC	25–30	258	252	216	-36
Mediterranean/Mediterranean	25–30	276	259	188	-71
Mediterranean/North-West Europe	25–30	320	285	195	-90

R Revised since last issue.
Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

Product freight rates continued to improve in the east, but remained weak in the west

The product tanker market displayed mixed trends with freight rates in the East continuing to improve for the second consecutive month, whilst displaying significant losses in the east ranging from 36 to 90 points. Steady activity in the east pushed freight rates to their highest level since April 2005. Rates for tankers carrying 30,000-50,000 dwt on the Middle East/east route gained 31 points or 12% to average WS280. Similarly ship-owners trading on the Singapore/east route experienced a strong market, with freight rates increasing by 19 points to stand at a monthly average of WS319. If steady activity helped freight rates to

Graph 14: Monthly averages of crude oil spot freight rates



improve further in the east, huge tonnage in combination with limited activity put downward pressure on vessels trading in the west, especially in the Mediterranean. The very slow market between the Caribbean and the US Gulf Coast undermined freight rates on this route by an average of 52 points or 20% to settle at WS203 in August, after increasing by 15 points in the previous month. At the same time, **freight rates on the North-West Europe to the US East Coast and US Gulf Coast route continued to decline for the fifth consecutive month to average WS216** due to the presence of many ships and a lack of inquiries. The market was very weak in the Mediterranean with ship-owners facing very low rates. **Freight rates across the Mediterranean basin dropped for the fifth consecutive month and plunged by 71 points to hit an average of WS188, the lowest level since late 2002.** However, the decline was more pronounced on the Mediterranean/North-West Europe route, where rates lost one-third or 90 points to stand at an average of WS195, a 20-month low. Compared to same month of last year, freight rates were lower on all routes, except for ships trading east.

Product freight rates increased significantly at the end of the month, especially for ships moving to the USA, following Hurricane Katrina. Freight rates on the North-West Europe/US East Coast and US Gulf Coast routes increased by almost 60 points during the last two days of the month. However, the impact of Hurricane Katrina is expected to boost freight rates along all segments in September.

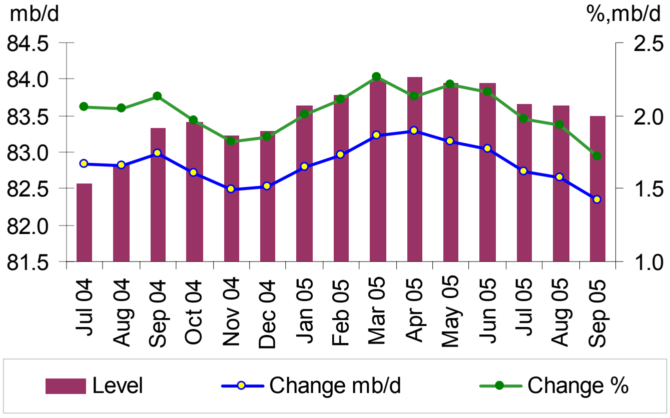
World Oil Demand

Oil demand expected to rise by 1.42 mb/d or 1.73% in 2005 to an annual average of 83.49 mb/d

Forecast for 2005

World oil demand growth this month has been revised down for the fifth consecutive time after peaking in April of this year **(see Graph 15)**. Despite the constant revisions, world oil demand growth estimates have been relatively stable in comparison with other years oscillating within the 1.45-1.75 mb/d range. This month's downward revision is, in part, the result of the latest data coming in from major consuming countries which shows low growth demand rates for the first half of the year, especially from USA and China. The initial effects of Hurricane Katrina have also been factored in; nonetheless it is important to emphasize that the revisions to demand growth are driven by factors such as high oil prices, higher domestic product prices in several developing nations as well as changes in policy being implemented in several Asian nations. It is yet too early to attempt to assess the impact of Hurricane Katrina on oil demand; however, the initial effects of loss in consumption are estimated at around 0.1-0.2 mb/d for the current as well as the coming month, but the expected massive reconstruction process that will follow might quickly reverse or at least diminish the initial consumption loss. On the economic side, with the economy of the two most affected states (Louisiana and Mississippi) accounting for approximately 3% of total US GDP, the impact on the US economy and the spill over effect to the demand for oil and petroleum products should not be significant.

Graph 15: OPEC revisions to world oil demand forecast 2005

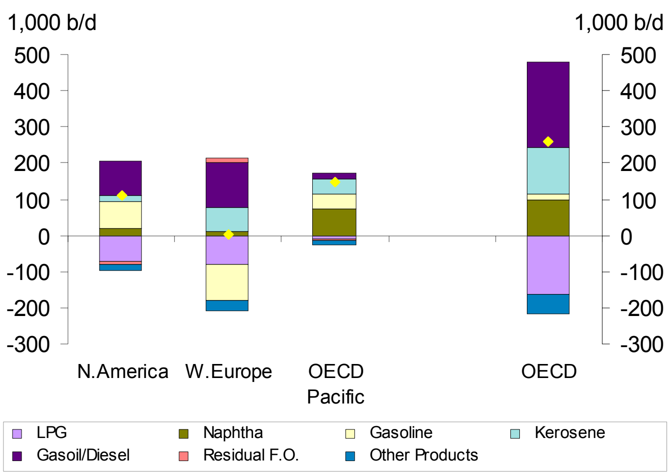


Therefore, total world oil demand in 2005 is projected to grow by 1.42 mb/d or 1.73% to average 83.49 mb/d. On a regional basis OECD oil demand is estimated to increase by 0.32 mb/d or 0.65% to average 49.79 mb/d, with the major share of the growth originating in the North American region. Oil demand growth is projected to suffer a minor contraction in Western Europe while OECD Pacific countries demand will rise by 1% y-o-y. Oil demand growth in Developing Countries is estimated to increase by 0.74 mb/d or 3.47% to average 22.13 mb/d, which makes up more than 50% of total world oil demand growth for the year. China's consumption growth has once again been revised down and now stands at 0.30 mb/d or 4.6% to average 6.82 mb/d for the whole of 2005. Oil demand in the FSU and other Central European nations is projected to rise by 0.07 mb/d and 0.02 mb/d respectively.

OECD

Oil demand in the OECD region is forecast to rise by 0.65% or 0.32 mb/d to an annual average of 49.79 mb/d for the present year. Inland delivery of petroleum products for the period January-June shows a disappointing 0.57% or 0.26 mb/d to average 45.79 mb/d **(see Graph 16)**. All major product categories with the exception of LPG and residual fuel oil showed gains. Inland consumption of gasoil/diesel rose by 1.9%, while kerosene and naphtha deliveries increased by 3.04% and 3.27% during the six-month period. Gasoline showed a very marginal 0.11% rise while residual fuel oil and other products contracted by 0.06% and 1.7%. In the North American region inland deliveries

Graph 16: OECD - Growth of total requirements by component, January - June 2005



of petroleum products rose by only 0.46% over the first half of the year. The consumption of naphtha increased by 3.85% while gasoil/diesel and gasoline deliveries rose by 1.96% and 0.73%, respectively. Latest figures released by the EIA for the period January-August 2005 indicate a marginal 0.18% growth in total petroleum product supply, a far lower rate than originally estimated **(see Graph 17)**. In Western Europe consumption shows no growth for the six-month period as increases in gasoil/diesel and kerosene were offset by the sizeable decline in gasoline and LPG deliveries. Surprisingly, delivery of petroleum products in OECD Pacific countries rose by 1.82% or 0.15 mb/d for the first six months of 2005. Naphtha and kerosene deliveries rose by 4.69% and 3.71% respectively while gasoline consumption grew by 2.72%.

Graph 17: US total petroleum products demand Jan-Aug 2005

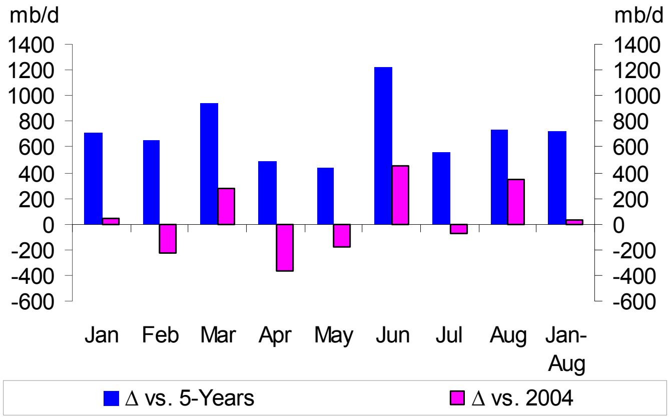


Table 6: World oil demand forecast for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.34	25.53	25.30	25.60	26.02	25.61	0.27	1.06
Western Europe	15.59	15.54	15.28	15.53	15.89	15.56	-0.03	-0.20
OECD Pacific	8.53	9.49	8.09	8.10	8.78	8.61	0.08	0.99
Total OECD	**49.47**	**50.56**	**48.68**	**49.23**	**50.69**	**49.79**	**0.32**	**0.65**
Other Asia	8.36	8.56	8.69	8.55	8.88	8.67	0.31	3.72
Latin America	4.90	4.80	4.99	5.09	5.06	4.99	0.09	1.85
Middle East	5.44	5.61	5.68	5.83	5.71	5.71	0.27	4.96
Africa	2.69	2.75	2.80	2.70	2.81	2.76	0.07	2.61
Total DCs	**21.38**	**21.72**	**22.16**	**22.16**	**22.46**	**22.13**	**0.74**	**3.47**
FSU	3.85	3.90	3.70	3.94	4.13	3.92	0.07	1.88
Other Europe	0.86	0.93	0.87	0.83	0.86	0.87	0.02	2.24
China	6.52	6.51	6.57	6.84	7.20	6.78	0.26	4.02
Total Other Regions	**11.22**	**11.35**	**11.14**	**11.60**	**12.19**	**11.57**	**0.35**	**3.15**
Total World	**82.07**	**83.63**	**81.97**	**83.00**	**85.34**	**83.49**	**1.42**	**1.73**
Previous estimate	82.06	83.63	81.86	83.35	85.71	83.64	1.58	1.93
Revision	0.01	0.00	0.11	-0.36	-0.37	-0.16	-0.16	-0.20

Totals may not add due to independent rounding.

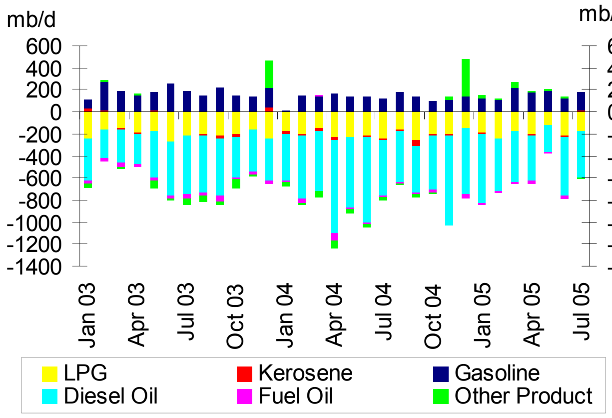
Developing Countries

Developing Countries oil demand is forecast to rise by 0.74 mb/d or 3.47% to average 22.13 mb/d for the whole of 2005. This month's forecast demand growth has been revised down to reflect projected lower demand growth in Asia Pacific for the rest of the year. The economic impact of sustained high international oil prices on these countries has prompted the implementation of a series of measures designed to alleviate the negative effect of oil prices on their trade balances as well as their national budgets. Countries in Asia have recently started to lower or totally phase-out subsidies, which resulted in a hike in domestic retail product prices as well as encouraged fuel substitution. It is yet too early to assess the full impact of such measures on the consumption of oil and petroleum products in these countries due to the time-lag between implementation and impact. Nevertheless, we believe that consumption will be dampened towards the last month of the present year and the real impact of these measures will be felt during 2006. We reiterate once more the increasing risk that developing countries pose to any demand assessment due to the quality, availability and timeliness of the data. Extreme caution must be exercised as 0.74 mb/d, or more than half of the total 1.46 mb/d global consumption growth for 2005, is projected to originate in this group. Very preliminary figures for the first and second quarter of 2005, which show a 4.24% and 3.16% y-o-y growth, seem to substantiate the projections for the whole year.

Other Regions

Other Region's apparent demand growth for the present year is projected to rise by 0.35 mb/d or 3.15% to average 11.64 mb/d – significantly lower than the 0.53 mb/d growth estimate given two months ago. The considerably lower projected consumption is entirely due to a hefty 0.07 mb/d downward revision to Chinese apparent demand growth. Latest figures on trade — one of the components of apparent demand — point to a sharp reduction in imports of petroleum products for the first seven months of 2005. For the period January-July, imports of petroleum products in China fell by around 30% or 0.22 mb/d **(see Graph 18)**. While crude imports for the same period rose by 4.4% or 0.10 mb/d, China's total net trade of crude and petroleum products shows a decline of nearly 3% for the period. With indigenous crude production fairly flat during the first half of 2005, apparent demand for the first six months of the year shows a negligible 0.1% increase with respect to the same period of last year **(see Graph 19)**. It is important to reiterate that China's apparent demand growth for the first half of 2004 was exuberant (20% y-o-y) and that it was not likely to see such high growth rates during the first half of this year; nonetheless, we still expect to see vigorous growth rates during the second half of this year based on healthy rates of economic growth and possibly the diminished use of inventories.

Graph 18: Crude oil products net trade



Graph 19: Y-on-Y changes in Chinese apparent oil demand

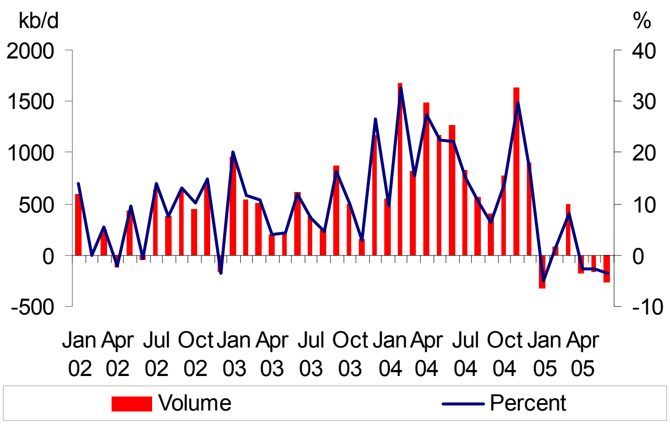


Table 7: First and second quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.23	25.53	0.31	1.21	25.05	25.30	0.25	1.01
Western Europe	15.63	15.54	-0.09	-0.56	15.18	15.28	0.10	0.65
OECD Pacific	9.28	9.49	0.20	2.19	7.90	8.09	0.19	2.39
Total OECD	**50.14**	**50.56**	**0.42**	**0.84**	**48.13**	**48.68**	**0.54**	**1.13**
Other Asia	8.17	8.56	0.39	4.72	8.48	8.69	0.21	2.45
Latin America	4.69	4.80	0.12	2.52	4.92	4.99	0.07	1.43
Middle East	5.32	5.61	0.29	5.35	5.39	5.68	0.29	5.33
Africa	2.66	2.75	0.09	3.52	2.69	2.80	0.11	4.21
Total DCs	**20.84**	**21.72**	**0.88**	**4.24**	**21.48**	**22.16**	**0.68**	**3.16**
FSU	3.61	3.90	0.29	8.07	3.76	3.70	-0.06	-1.59
Other Europe	0.91	0.93	0.03	3.14	0.86	0.87	0.02	2.11
China	6.23	6.51	0.28	4.58	6.77	6.57	-0.20	-2.95
Total Other Regions	**10.75**	**11.35**	**0.61**	**5.63**	**11.38**	**11.14**	**-0.24**	**-2.12**
Total World	**81.72**	**83.63**	**1.91**	**2.34**	**80.99**	**81.97**	**0.98**	**1.21**

Totals may not add due to independent rounding.

Table 8: Third and fourth quarter world oil demand comparison for 2005, mb/d

	3Q04	3Q05	Change 2005/04 Volume	%	4Q04	4Q05	Change 2005/04 Volume	%
North America	25.41	25.60	0.19	0.74	25.69	26.02	0.33	1.30
Western Europe	15.57	15.53	-0.04	-0.26	15.99	15.89	-0.10	-0.60
OECD Pacific	8.16	8.10	-0.06	-0.69	8.77	8.78	0.01	0.08
Total OECD	**49.14**	**49.23**	**0.09**	**0.18**	**50.45**	**50.69**	**0.24**	**0.48**
Other Asia	8.23	8.55	0.32	3.92	8.55	8.88	0.33	3.82
Latin America	5.02	5.09	0.06	1.28	4.95	5.06	0.11	2.22
Middle East	5.58	5.83	0.25	4.47	5.45	5.71	0.26	4.74
Africa	2.67	2.70	0.03	1.02	2.76	2.81	0.05	1.75
Total DCs	**21.50**	**22.16**	**0.66**	**3.09**	**21.71**	**22.46**	**0.74**	**3.42**
FSU	3.94	3.94	0.00	0.01	4.07	4.13	0.06	1.48
Other Europe	0.82	0.83	0.01	1.28	0.84	0.86	0.02	2.36
China	6.36	6.84	0.47	7.42	6.71	7.20	0.49	7.25
Total Other Regions	**11.12**	**11.60**	**0.48**	**4.34**	**11.62**	**12.19**	**0.57**	**4.88**
Total World	**81.76**	**83.00**	**1.24**	**1.51**	**83.79**	**85.34**	**1.55**	**1.85**

Totals may not add due to independent rounding.

World oil demand is projected to average 85 mb/d in 2006, rising by 1.52 mb/d or 1.8% over 2005

Forecast for 2006

Average world oil demand is forecast to grow by 1.52 mb/d or 1.82% to average 85 mb/d for 2006, a marginally lower estimate than that presented last month. The downward revision is due to a more pessimistic view of the world economy for the coming year. World GDP growth is now projected to rise by 3.9% next year with OECD Pacific, some developing economies and China showing lower than previously estimated rates of economic growth.

Oil demand is forecast to grow in all regions, except for Other Europe, where demand is expected to remain flat compared to last year. OECD countries oil demand is projected to rise by 0.46 mb/d or 0.92% to average 50.25 mb/d for the whole of 2006. As usual North America will account for around 80% of the total gain in demand with the remaining increase expected to originate in Western Europe and OECD Pacific, where growth rates are projected at 0.4% for both regions. Following estimated growth of nearly 1 mb/d in 2004 and 0.74 mb/d in 2005, oil demand for Developing Countries is forecast to rise by 0.65 mb/d or nearly 3% to average 22.78 mb/d. Two regions (Asia and Middle East) will account for nearly 80% of the total group's projected growth, with Latin America and Africa adding the remaining 20%. Finally, China and the FSU projections call for a 0.35 mb/d and 0.05 mb/d growth in consumption next year.

Table 9: World oil demand forecast for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 2006/05 Volume	%
North America	25.61	25.96	25.68	25.98	26.27	25.97	0.36	1.41
Western Europe	15.56	15.63	15.34	15.64	15.89	15.63	0.06	0.40
OECD Pacific	8.61	9.38	8.16	8.13	8.92	8.65	0.03	0.38
Total OECD	49.79	50.97	49.18	49.76	51.08	50.25	0.46	0.92
Other Asia	8.67	8.83	8.88	8.91	9.15	8.94	0.28	3.17
Latin America	4.99	4.93	5.07	5.15	5.08	5.06	0.07	1.42
Middle East	5.71	5.82	5.90	6.08	5.97	5.94	0.23	4.11
Africa	2.76	2.84	2.87	2.77	2.86	2.83	0.07	2.54
Total DCs	22.13	22.41	22.72	22.92	23.06	22.78	0.65	2.94
FSU	3.92	4.01	3.62	3.91	4.34	3.97	0.05	1.39
Other Europe	0.87	0.92	0.92	0.80	0.85	0.87	0.00	-0.05
China	6.78	6.98	6.95	7.06	7.55	7.13	0.35	5.22
Total Other Regions	11.57	11.91	11.49	11.77	12.74	11.98	0.41	3.53
Total World	83.49	85.28	83.39	84.45	86.88	85.00	1.52	1.82
Previous estimate	83.64	85.33	83.33	84.86	87.31	85.21	1.57	1.88
Revision	-0.16	-0.05	0.06	-0.41	-0.43	-0.21	-0.05	-0.06

Totals may not add due to independent rounding.

Table 10: First and second quarter world oil demand comparison for 2006, mb/d

	1Q05	1Q06	Change 2006/05 Volume	Change 2006/05 %	2Q05	2Q06	Change 2006/05 Volume	Change 2006/05 %
North America	25.53	25.96	0.43	1.69	25.30	25.68	0.38	1.50
Western Europe	15.54	15.63	0.09	0.57	15.28	15.34	0.06	0.37
OECD Pacific	9.49	9.38	-0.11	-1.17	8.09	8.16	0.06	0.80
Total OECD	**50.56**	**50.97**	**0.41**	**0.81**	**48.68**	**49.18**	**0.50**	**1.03**
Other Asia	8.56	8.83	0.27	3.14	8.69	8.88	0.19	2.21
Latin America	4.80	4.93	0.12	2.53	4.99	5.07	0.08	1.60
Middle East	5.61	5.82	0.21	3.69	5.68	5.90	0.22	3.89
Africa	2.75	2.84	0.09	3.23	2.80	2.87	0.07	2.45
Total DCs	**21.72**	**22.41**	**0.69**	**3.16**	**22.16**	**22.72**	**0.56**	**2.54**
FSU	3.90	4.01	0.11	2.71	3.70	3.62	-0.07	-1.98
Other Europe	0.93	0.92	-0.01	-1.33	0.87	0.92	0.05	5.22
China	6.51	6.98	0.46	7.10	6.57	6.95	0.38	5.78
Total Other Regions	**11.35**	**11.91**	**0.56**	**4.90**	**11.14**	**11.49**	**0.35**	**3.16**
Total World	**83.63**	**85.28**	**1.65**	**1.97**	**81.97**	**83.39**	**1.42**	**1.73**

Totals may not add due to independent rounding.

Table 11: Third and fourth quarter world oil demand comparison for 2006, mb/d

	3Q05	3Q06	Change 2006/05 Volume	Change 2006/05 %	4Q05	4Q06	Change 2006/05 Volume	Change 2006/05 %
North America	25.60	25.98	0.39	1.51	26.02	26.27	0.25	0.96
Western Europe	15.53	15.64	0.11	0.72	15.89	15.89	0.00	-0.02
OECD Pacific	8.10	8.13	0.03	0.37	8.78	8.92	0.14	1.64
Total OECD	49.23	49.76	0.53	1.07	50.69	51.08	0.39	0.77
Other Asia	8.55	8.91	0.37	4.27	8.88	9.15	0.27	3.08
Latin America	5.09	5.15	0.07	1.33	5.06	5.08	0.02	0.30
Middle East	5.83	6.08	0.25	4.26	5.71	5.97	0.26	4.57
Africa	2.70	2.77	0.07	2.69	2.81	2.86	0.05	1.81
Total DCs	22.16	22.92	0.75	3.40	22.46	23.06	0.60	2.67
FSU	3.94	3.91	-0.03	-0.81	4.13	4.34	0.22	5.24
Other Europe	0.83	0.80	-0.02	-2.88	0.86	0.85	-0.01	-1.28
China	6.84	7.06	0.23	3.31	7.20	7.55	0.35	4.87
Total Other Regions	11.60	11.77	0.17	1.47	12.19	12.74	0.56	4.56
Total world	83.00	84.45	1.45	1.75	85.34	86.88	1.54	1.81

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply growth has been revised down following significant revisions to the outlook for the USA

Non-OPEC

Forecast for 2005

Non-OPEC supply in 2005 is expected to average 50.41 mb/d, representing an increase of 0.61 mb/d over the previous year, following a downward revision of 0.12 mb/d to last month's figures. Non OPEC supply (including OPEC NGLs and non-conventional oils) is expected to average increase of 0.8 mb/d over 2004. On a quarterly basis production for the second, third, and fourth quarters have been revised down by 47,000 b/d, 257,000 b/d and 173,000 b/d respectively; revisions to US production account for the bulk of the adjustments in the third and fourth quarter of 2005, but given the uncertainties related to the recovery of US Gulf of Mexico production post Katrina, this forecast is likely to be revised again in the coming months.

Table 12: Non-OPEC oil supply in 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.57	14.49	14.67	14.08	14.14	14.34	-0.23
Western Europe	6.14	5.98	5.75	5.67	5.97	5.84	-0.30
OECD Pacific	0.57	0.54	0.55	0.57	0.53	0.55	-0.03
Total OECD	**21.28**	**21.00**	**20.97**	**20.32**	**20.63**	**20.73**	**-0.55**
Other Asia	2.58	2.70	2.71	2.69	2.74	2.71	0.13
Latin America	4.00	4.11	4.31	4.21	4.30	4.23	0.23
Middle East	1.89	1.82	1.81	1.77	1.74	1.78	-0.10
Africa	3.43	3.61	3.66	3.85	4.00	3.78	0.35
Total DCs	**11.90**	**12.25**	**12.48**	**12.52**	**12.78**	**12.51**	**0.61**
FSU	11.15	11.39	11.43	11.63	11.68	11.53	0.38
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.60	3.62	3.64	3.62	0.14
Total Other Regions	**14.79**	**15.18**	**15.19**	**15.41**	**15.47**	**15.31**	**0.52**
Total non-OPEC production	**47.98**	**48.43**	**48.64**	**48.25**	**48.88**	**48.55**	**0.57**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total non-OPEC supply	**49.81**	**50.31**	**50.49**	**50.09**	**50.76**	**50.41**	**0.61**
Previous estimate	49.81	50.32	50.54	50.34	50.94	50.54	0.73
Revision	**0.00**	**0.00**	**-0.05**	**-0.26**	**-0.17**	**-0.12**	**-0.12**

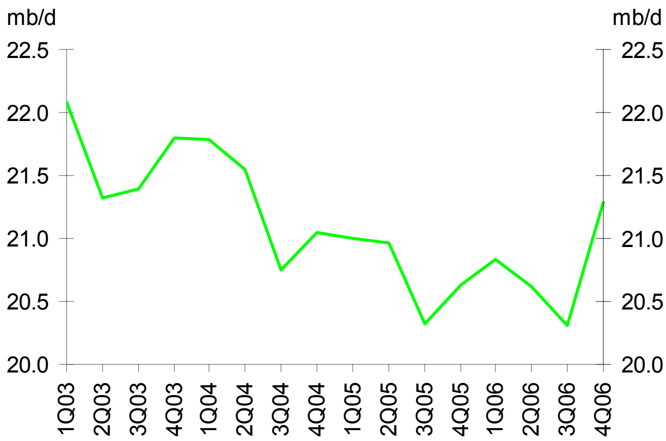
Totals may not add due to independent rounding.

Total OECD production is expected to drop 550,000 b/d in 2005, mainly due to a combination of unplanned shut-downs and production restrictions

OECD

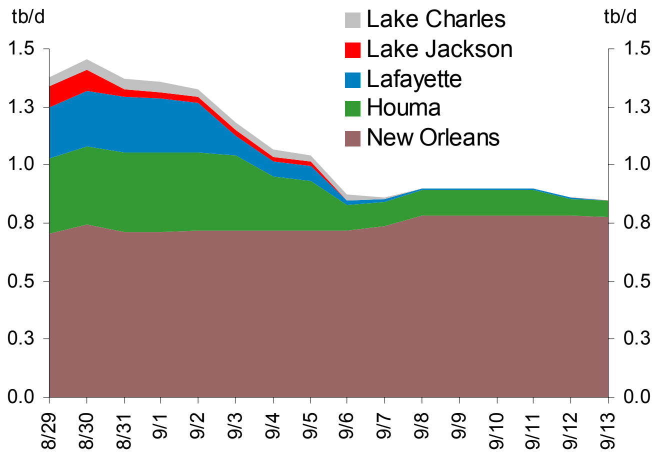
The outlook for the OECD has been revised down on the back of significant revisions to the outlook for the USA. OECD oil production is estimated to average 20.73 mb/d, which represents a decline of 0.55 mb/d versus the previous year and a downward revision of 158,000 b/d. Production losses due to unplanned maintenance in Norway and, the impact of weather-related shutdowns in the USA, have contributed to significant production losses in the OECD. In our last report, we said that expected OECD losses at the time represented a record, but given the latest revision, that record has already been broken.

Graph 20: OECD's quarterly production



US production is expected to drop 140,00 b/d in 2005 versus the previous year, but could fall even further

Graph 21: Gulf of Mexico, production shutdowns



The production and outlook for the USA has been affected by Hurricane Katrina. Before Katrina the USA was expected to show a modest drop of 20,000 b/d in 2005 versus 2004. Now US production is seen to drop by 140,000 b/d, but could fall even further. US production is now expected to average 7.52 mb/d in 2005, and on a quarterly basis is expected to be 7.71 mb/d in the first quarter of 2005, 7.77 mb/d in the second, 7.36 mb/d in the third and 7.25 mb/d in the fourth. This represents a downward revision of 13,000 b/d in the first quarter of 2005, up 18,000 b/d in the second quarter and down 250,000 b/d in the third and fourth quarters versus earlier expectations. Katrina-related losses are assumed to average 750,000 b/d in September, 350,000 b/d in October, 200,000 b/d in November and 150,000 b/d in December. The only material damage reported to date is Mars (150,000 b/d) which is assumed to remain offline until the second quarter of 2006. Under this assumption, total crude losses could reach 45 mb by the end of the year.

It is important to keep in mind, that most of the oil production outside of the Louisiana offshore production area has been restored. At present some 840,000 b/d remain shut, 90% of which is in the Louisiana offshore production area which was hit the hardest by the path of Katrina. Several deepwater fields account for the bulk of the shutdowns (Mars, Ursa, Marlin, Nakika, Pompano, King, Horn, Medusa, Mica and others accounting for some approximately 500,000 b/d of crude). However, it has been reported that a number of operators are looking for options to restart production in several facilities in the Louisiana offshore area, pending further assessment of the connecting pipeline infrastructure for oil and gas from the platforms to the onshore. So far no material damage to the pipelines has been reported, but it is too early to tell, but the fact that operators have reported that several fields could come back to production subject to options indicates limited physical damage to these production platforms.

The recovery of production depends on many factors and remains largely unknown. In addition, it should not be forgotten that the hurricane season is not yet over — the last forecast by the US National Weather Centre (August) calls for a total of 18 to 21 tropical storms, of which 9 to 11 may become hurricanes compared to earlier expectations for just 5 to 7 hurricanes. So far we have seen only two bad ones — Emily and Katrina.

The supply forecast for Mexico remains broadly unchanged despite the underperformance of crude oil production in July when output was reduced 80% for a few days as a precautionary measure ahead of Hurricane Emily. However, July data shows that output averaged around 400,000 b/d less than in the previous month (June), and this has resulted in a downward revision of 34,000 b/d to the third quarter of 2005 and a revision of 8,000 b/d to the full year. Mexican oil supply is now expected to average 3.77 mb/d in 2005, which represents a decline of 70,000 b/d versus the previous year. The outlook for Canada remains unchanged; oil supply is expected to average 3.05 mb/d, a decline of 20,000 b/d versus 2004.

The outlook for Norway has been revised down

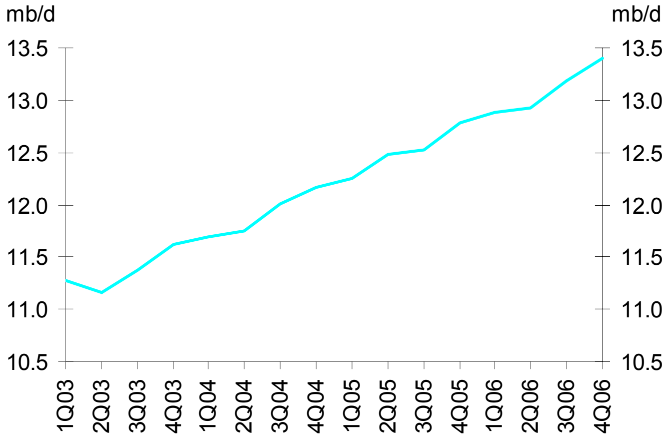
Total oil supply in OECD Europe is now expected to average 5.84 mb/d, which represents a decline of 300,000 b/d versus last year and a negative adjustment of 23,000 b/d. Oil supply in Norway is expected to average 3.06 mb/d, a decline of 120,000 b/d versus 2004 and a revision of 23,000 b/d. Year-to-date, Norwegian production has averaged approximately 300,000 b/d less than in the same period last year, and was down almost 0.8 mb/d in June. Unplanned shut-downs, early maintenance and production restrictions in several facilities have led to a poor performance but the impact of these is expected to disappear in the third and fourth quarter of 2005. UK oil supply is expected to average 1.92 mb/d, which represents a decline of 170,000 b/d versus 2004. Elsewhere in the OECD, oil supply in the Pacific region is expected to average 550,000 b/d, which represents a decline of 30,000 b/d.

Developing Countries continue to show better than expected performance

Developing Countries

The outlook for the Developing Countries (DCs) has been revised up slightly. Oil supply is estimated to average 12.51 mb/d in 2005, which represents an increase of 0.61 mb/d versus 2004, and an upward adjustment of just 9,000 b/d.

Graph 22: Developing Countries' quarterly production



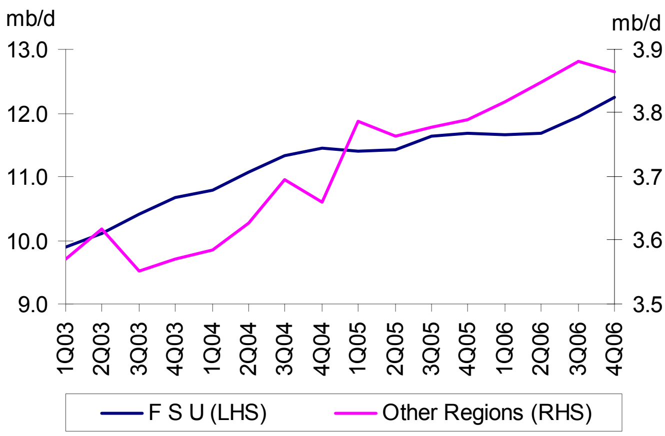
The base and outlook for Colombia has been revised slightly up and this accounts for the upward revision within this group. Colombian production is now expected to average 520,000 b/d in 2005, which represents a decline of 20,000 b/d versus 2004 and a positive revision of 18,000 b/d. However, 3Q05 production data for Ecuador has been revised down to reflect production losses during the strike. Crude oil production was brought to a halt in August following disruption to the infrastructure. Assuming a full recovery from September, production is now expected to average 520,000 b/d, unchanged from 2004 and a revision of 10,000 b/d.

The project Baobab in Ivory Coast has started producing. The field is pumping close to 50,000 b/d and it is expected to reach peak of 65,000 b/d by early 2006. In India, the operator of the damaged Bombay High complex has been able to restore some of the 100,000 b/d lost during the accident. About 70% of the lost production is expected to restored by late September and the rest in the coming months. Therefore the outlook for India remains unchanged from our August revised figure. In Chad, production at the country's only oil project is reported to be averaging 180,000 b/d versus capacity of 225,000 b/d. We will assess the situation in the coming weeks, with a view of evaluating the future production prospects of the country.

Other Regions

The outlook for the FSU has been revised slightly up. FSU production is now expected to average 11.55 mb/d, an increase of 380,000 b/d versus 2004 and an upward revision of 28,000 b/d. The forecast for Other Regions (Other Europe and China) remains unchanged. Total oil production is estimated to average 3.78 mb/d in 2005, which represents an increase of 140,000 b/d from 2004.

Graph 23: FSU and other regions' quarterly production



The outlook for Russia remains broadly unchanged, with virtually no growth expected for the rest of the year

The outlook for Russia remains broadly unchanged. Russian oil supply is expected to average 9.39 mb/d, an increase of 200,000 b/d versus 2004 and a positive revision of 30,000 b/d versus earlier expectations. Preliminary data for the month of July and August indicates that production was 9.45 mb/d and 9.49 mb/d respectively, slightly higher than our expectations for the period of 9.4 mb/d on average. We have adjusted the production base for the rest of the year to account for this slightly higher level of production but we expect virtually no incremental growth from the third to the fourth quarter of 2005. Export tariffs are expected to increase again from 1 October to a new record of $24.6/b and this combined with expected losses at Yukos and other producers should result in nearly flat production during the seasonally low growth period of the fourth quarter of 2005.

Azeri production performance slightly better than expectations

In the Caspian region, the outlook for Azerbaijan has been revised up slightly, but has been revised down for Kazakhstan following lower than expected production (preliminary data) in July and August. Data for the first two months of the third quarter of 2005 shows that Azerbaijan production performed slightly better than expected. As a result the estimate for the third quarter of 2005 has been revised up by 20,000 b/d and the full year by 5,000 b/d. In Kazakhstan, the lower than expected performance is related to temporary production shutdowns due to gas flaring restrictions and a reduction of production at some of the large fields (Karachaganak) due to technical issues; Kazak oil production is expected to average 1.29 mb/d in 2005 or 80,000 barrels more than last year.

Forecast for 2006

Non-OPEC supply growth forecast for 2006 estimated at 0.97 mb/d; including OPEC NGLs, total growth is estimated at 1.4 mb/d

Non-OPEC oil supply in 2006 is expected to average 51.48 mb/d, an increase of approximately 1 mb/d over 2005, and a downward revision of 29,000 b/d from last month's report. Non OPEC supply (including OPEC NGLs and non-conventional oils) is expected to average 56.01 mb/d, an increase of 1.4 mb/d over 2005. The adjustment reflects primarily the impact of Hurricane Katrina on US production and lower expected production in Norway, partially offset by slightly better expectations in Latin America and FSU.

On a regional basis, the largest contributor is expected to be the African region at 0.44 mb/d, followed by the FSU at 0.35 mb/d, Latin America at 0.17 mb/d and North America at 110,000 b/d, whilst OECD Europe and Pacific and the Middle East are expected to show a net decline of approximately 30,000 b/d, 20,000 b/d and 110,000 b/d, respectively. Oil production growth is underpinned by the start-up of several projects in deepwater, bitumen extraction and syncrude projects, as well as the continuing expansion of the Caspian region. Deepwater alone is expected to account for approximately 60% of net growth.

Graph 24: Year-on-year regional Non-OPEC supply growth

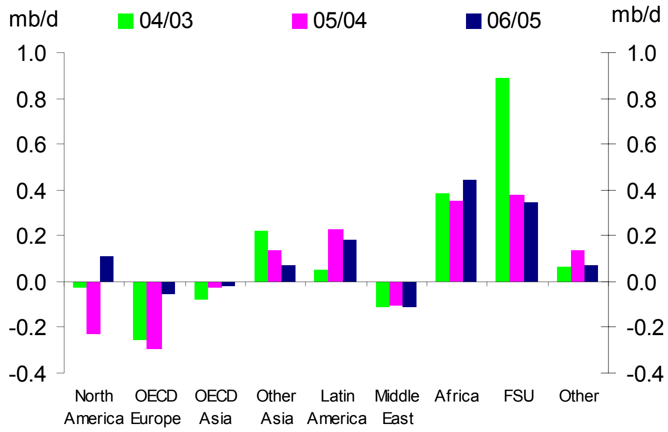


Table 13: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.34	14.34	14.33	14.38	14.75	14.45	0.11
Western Europe	5.84	5.99	5.82	5.42	5.92	5.79	-0.05
OECD Pacific	0.55	0.50	0.47	0.51	0.62	0.53	-0.02
Total OECD	**20.73**	**20.83**	**20.62**	**20.31**	**21.29**	**20.76**	**0.03**
Other Asia	2.71	2.77	2.77	2.82	2.78	2.78	0.07
Latin America	4.23	4.34	4.30	4.50	4.53	4.42	0.18
Middle East	1.78	1.71	1.69	1.66	1.63	1.67	-0.11
Africa	3.78	4.06	4.16	4.21	4.47	4.22	0.44
Total DCs	**12.51**	**12.88**	**12.92**	**13.18**	**13.40**	**13.10**	**0.59**
FSU	11.53	11.65	11.68	11.93	12.25	11.88	0.35
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.62	3.66	3.69	3.73	3.71	3.70	0.07
Total Other Regions	**15.31**	**15.47**	**15.53**	**15.81**	**16.11**	**15.73**	**0.42**
Total non-OPEC production	**48.55**	**49.18**	**49.07**	**49.31**	**50.80**	**49.59**	**1.04**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total non-OPEC supply	**50.41**	**51.06**	**50.94**	**51.18**	**52.73**	**51.48**	**1.07**
Previous estimate	50.54	51.16	50.94	51.24	52.68	51.51	0.97
Revision	**-0.12**	**-0.10**	**0.00**	**-0.06**	**0.04**	**-0.03**	**0.09**

Totals may not add due to independent rounding.

Revisions to the 2006 forecast

On a quarterly basis, the forecast for non-OPEC supply has been revised down by 100,000 b/d for the first quarter and by 63,000 b/d for the third quarter and revised up 44,000 b/d in fourth quarter resulting in a full year adjustment of 29,000 b/d. The outlook for the USA has been revised down primarily based on the assumption that Mars production platform will not be back on until the third quarter of 2006. Reports suggest that the platform was producing 150,000 b/d prior to Katrina from the main field and other satellites. We have assumed that some of this production will be restored progressively, but it will take time given the damage caused to the drilling unit of the platform. In addition, at least 20,000 b/d may have been permanently lost as many small production units along the Louisiana area have disappeared, but we have not yet fully incorporated this in our forecast. As a consequence of this, plus other minor adjustments to the profile, the outlook for the USA has been revised down in the first and third quarter of 2006.

The production for Norway has also been revised down a slight 50,000 b/d, based on the significant year-to-date underperformance. However, production is still expected to edge higher in 2006 versus 2005 to average 3.1 mb/d, an increase of 50,000 b/d. As a result, the growth rate remains unchanged. This report also incorporates the expected contribution from a new project to come on-stream in the Philippines in the third quarter of 2006. In Colombia, revisions to the base in 2005 have also been carried through to 2006 resulting in a positive adjustment of 20,000 b/d. Finally, the production base for Russia has been revised up slightly to reflect 2005 production but the expected growth rate of 80,000-100,000 b/d in 2006 versus 2005 remains unchanged.

FSU net oil export (crude and products)

FSU net oil exports in 2005 are expected to average 7.62 mb/d, an increase of 0.3 mb/d over 2004

In 2005, FSU net oil exports are expected to average 7.62 mb/d. On a quarterly basis, net oil exports are expected to average 7.49 mb/d in the first quarter of this year, 7.69 mb/d in the second, 7.69 mb/d in the third and 7.56 mb/d in the fourth. This represents a y-o-y increase of 300,000 b/d versus 2005. The latest available data (July) shows Russian net oil exports averaging 6.3 mb/d, which represents a y-o-y increase of 0.2 mb/d based on data available for rail and pipeline exports. We would highlight that rail exports have been reduced significantly since March 2005, from 700,000 b/d to just 291,000 b/d in July, mainly as a result of high export tariffs and high operating costs for rail exporters.

The forecast for 2006 shows FSU net oil exports averaging 7.91 mb/d, which represents an increase of 300,000 b/d over 2005 and a positive revision of 10,000 b/d versus last month's report. Next year we expect the bulk of the increase to come from Caspian producers, notably Azerbaijan.

Table 14: FSU net oil exports, mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.3	4.71	4.89	4.47	**4.59**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004	7.17	7.3	7.38	7.37	**7.31**
2005 (estimate)	**7.49**	**7.73**	**7.69**	**7.56**	**7.62**
2006 (forecast)	**7.64**	**8.05**	**8.02**	**7.90**	**7.91**

OPEC natural gas liquids and non-conventional oils

The forecast for OPEC NGL production for 2005 remains unchanged

The forecast for 2005 remains unchanged at 4.21 mb/d, representing an increase of 0.21 mb/d over 2004. In, 2006, OPEC NGLs production is expected to average 4.53 mb/d, an increase of 0.33 mb/d over 2005. The forecasts for NGL in 2005 and 2006 are likely to be revised up to reflect a higher production level in some OPEC countries.

Table 15: OPEC NGL + non-conventionals — 2002-2006, mb/d

2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	2006	Change 06/05
3.62	**3.71**	**3.99**	4.13	4.18	4.23	4.28	**4.21**	0.21	**4.53**	0.33

OPEC output averaged 30.2 mb/d in August

OPEC crude oil production

Total OPEC crude production averaged 30.2 mb/d in August, unchanged from last month, according to secondary sources. Production increased primarily in Saudi Arabia, Kuwait and UAE. Iraqi oil production averaged 1.9 mb/d. The production for Iraq is taken by some secondary sources as net of re-injection.

Table 16: OPEC crude oil production based on secondary sources

	2003	2004	4Q04	1Q05	2Q05	Jun05	Jul05	Aug05	*Aug/ Jul*
Algeria	1,134	1,228	1,285	1,313	1,342	1,353	1,365	1,360	*-5.0*
Indonesia	1,027	968	963	951	945	939	937	934	*-3.3*
IR Iran	3,757	3,920	3,947	3,900	3,946	3,969	3,987	3,994	*6.8*
Iraq	1,322	2,015	1,960	1,834	1,837	1,838	1,938	1,913	*-24.7*
Kuwait	2,172	2,344	2,448	2,438	2,506	2,502	2,509	2,525	*15.8*
SP Libyan AJ	1,422	1,537	1,608	1,613	1,634	1,640	1,649	1,646	*-2.6*
Nigeria	2,131	2,352	2,344	2,332	2,423	2,455	2,478	2,442	*-36.2*
Qatar	743	778	792	784	794	797	800	798	*-2.7*
Saudi Arabia	8,709	8,982	9,450	9,220	9,456	9,456	9,473	9,513	*39.2*
UAE	2,243	2,360	2,486	2,396	2,399	2,369	2,448	2,450	*2.5*
Venezuela	2,305	2,577	2,605	2,699	2,636	2,634	2,627	2,623	*-4.1*
OPEC-10	**25,644**	**27,045**	**27,929**	**27,647**	**28,082**	**28,114**	**28,273**	**28,283**	***10.5***
Total OPEC	**26,965**	**29,060**	**29,889**	**29,481**	**29,919**	**29,951**	**30,210**	**30,196**	***-14.2***

Totals may not add due to independent rounding.

Rig Count

Non OPEC rig activity stood at 2,600, an increase of 77 rigs over the previous month

Non-OPEC

Non-OPEC rig count stood at 2,600 rigs, which represents an increase of 71 rigs compared to the previous month from a revised figure. Of the total, 292 rigs were operating offshore and 2,308 onshore. In terms of the oil and gas split, there were 786 oil rigs and 1,792 gas rigs. The number of oil rigs increased by 38 over the previous month. Regionally, North America gained 72 rigs versus last month, while Western Europe lost 4 rigs and OECD Pacific gained 2 rigs. The Middle East, Africa, Latin America and rest of Asia gained 1 rig.

Table 17: Non-OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Jul05	Aug05	Change Aug/Jul
North America	1,496	1,669	173	2,012	2,084	72
Western Europe	78	65	-13	74	70	-4
OECD Pacific	18	22	4	26	28	2
OECD	**1,592**	**1,755**	**163**	**2,112**	**2,182**	**70**
Other Asia	117	126	9	143	148	5
Latin America	116	126	10	146	139	-7
Middle East	70	70	0	71	73	2
Africa	48	54	6	54	55	1
DCs	**350**	**376**	**26**	**414**	**415**	**1**
FSU	0	0	0	0	0	0
Other Europe	2	2	0	3	3	0
China	0	0	0	0	0	0
Other regions	0	0	0	0	0	0
Total non-OPEC	**1,944**	**2,132**	**188**	**2,529**	**2,600**	**71**

** The oil and gas split now includes Canada*
Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International;

OPEC rig count stood at 277 in August

OPEC

OPEC rig count was 277 in August which represents an increase of 7 rigs from last month. Increases took place in Algeria (5), Indonesia (1), Kuwait (3), Nigeria, (1), Qatar (1), and UAE (1). These gains were partly offset by declines in other OPEC Countries. Of the total, 211 rigs were operating onshore and 66 rigs offshore and in terms of oil and gas split, there were 221 oil rigs whilst the remainder was gas and other rigs.

Table 18: OPEC rig count 2003-2005

	2003	2004	Change 04/03	Jul05	Aug05	Change Aug/Jul
Algeria	20	19	-1	19	24	5
Indonesia	45	49	4	54	55	1
IR Iran	35	41	6	40	38	-2
Iraq	na	na	na	na	na	na
Kuwait	5	10	5	9	12	3
SP Libyan AJ	10	10	0	9	8	-1
Nigeria	10	8	-2	8	9	1
Qatar	8	9	1	11	12	1
Saudi Arabia	32	32	0	37	37	0
UAE	16	16	0	15	16	1
Venezuela	37	55	18	68	66	-2
Total OPEC	**218**	**249**	**31**	**270**	**277**	**7**

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

Stock Movements

USA

US commercial oil stocks plunged massively, with a loss of 0.34 mb/d in August

US commercial oil stock data for August, representing total crude oil and petroleum product inventories but excluding SPR, reflected part of the losses resulting from Hurricane Katrina's devastating damage to oil facilities in the Gulf of Mexico at the end of August and in early September. US commercial oil stocks witnessed the highest draw this year and the biggest since last December, plunging a massive 11.9 mb or 0.34 mb/d to 1,009.60 mb. The main contributor to this draw was gasoline inventories which fell a dramatic 15.1 mb or 0.43 mb/d to 190.1 mb, a level not seen since mid-November 2000. Crude oil and residual fuel oil inventories added to the draw, while distillates continued to build, recovering some losses.

Despite the massive 10% drop in refinery runs, crude inventories failed to rise as oil production and imports fell rapidly due to the impact of Hurricane Katrina. US crude oil production was 0.79 mb/d lower to stand at 4.36 mb/d, while imports fell 1.43 mb/d to 9.53 mb/d at the end of the reporting period (2 September 2005). The draw on crude oil stocks had little effect on the y-o-y and five-year average surplus, which widened to 10% and 8% from 6% and 7% respectively. The days of forward cover at the end of this period showed that crude oil stocks remained at a comfortable level of 0.2 days higher than last month and 2.5 days above the previous year. It was also 1.3 days or 7% above the five-year average.

Gasoline stocks observed the most significant change in August as a direct result of the drop in refinery runs where the shut-down of several refineries along the US Gulf Coast caused a 0.60 mb/d to 8.06 mb/d fall in gasoline production compared with the previous period. Not only production but also imports were considerably lower due to Hurricane Katrina, falling by 0.15 mb/d to stand at 0.86 mb/d. Stagnant implied demand which slowed by 0.56 mb/d to 9.03 mb/d prevented further losses in gasoline inventories. The huge draw on gasoline stocks widened the shortage over last year and the five-year average to about 7% and 4% from only 2% last month. Days of forward cover stood at 20.6 days or 1.3 days below last year and 1.4 days less than the five-year average.

Slower implied demand which fell by 0.14 mb/d to 4.00 mb/d — as well as higher imports especially prior to Hurricane Katrina which gained 0.07 mb/d to 0.28 mb/d — helped distillates to rise by 7.1 mb to stand at 134.4 mb. This persistent build in distillates improved the y-o-y surplus by 1% to 6% and doubled the five-year average excess to 10%. Days of forward demand rose by 1.1 days to 1.9 days or 6% over last year and 1 day or 3% over the five-year average.

During August 2005, the Strategic Petroleum Reserve (SPR) reached its full capacity, standing at 700.5 mb, after a gain of 2.3 mb. This level is expected to see a drawdown of 30 mb during next month as part of a rescue plan announced by the IEA to compensate for barrels lost to Hurricane Katrina. The draw could be higher if US refiners take part in a loan programme of about 10 mb which was announced by the US administration on the wake of hurricane damages.
further to 6% and 7% respectively compared with end-July levels.

Table 19: US onland commercial petroleum stocks, mb*

	1 Jul 05	29 Jul 05	2 Sep 05	Change August/July	2 Sep 04	9 Sep 05**
Crude oil (excl. SPR)	324.9	318.0	315.0	**-3.0**	278.5	308.4
Gasoline	215.3	205.2	190.1	**-15.1**	208.1	192.0
Distillate fuel	117.2	127.3	134.4	7.1	130.5	133.3
Residual fuel oil	37.5	36.2	32.3	**-3.9**	37.1	32.3
Jet fuel	41.2	40.1	39.4	**-0.7**	41.8	39.2
Total	**1,015.5**	**1,021.50**	**1,009.60**	**-11.9**	**984.7**	**1,005.5**
SPR	696.3	698.2	700.5	2.3	669.0	699.2

* *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

Eur-16 oil stocks fell a marginal 0.05 mb/d to 1,124.4 mb in August

Western Europe

Total oil stocks in Eur-16 (EU plus Norway) in August declined a slight 1.4 mb or 0.05 mb/d to stand at 1,124.4 mb. This minor draw came from crude oil inventories which decreased moderately while product inventories continued to head up except for gasoline which moved marginally down. Despite this marginal draw, the y-o-y surplus narrowed further by 1% to stand at 2% or 23.5 mb.

Higher refinery runs and slowdown of North Sea crude oil production due to seasonal shut-ins were responsible for a draw of 3.4 mb or 0.11 mb/d to 486.8 mb. A slight drop in crude oil inventories did not affect the y-o-y surplus that much as it remained at a very comfortable level of 32.2 mb or 7%. IEA's announcement on 2 September to release 60 mb of which about more than 50% are crude oil and planned shout-downs of several refineries are expected to lift crude oil stocks in the next months.

Despite healthy seasonal demand, gasoline inventories managed not to fall massively, but marginally, losing 0.5 mb or about 0.02 mb/d to stand at 140.9 mb. This level was 4.7 mb or about 3% higher than that registered a year ago. Due to the severe shortage of gasoline in the USA after Hurricane Katrina, EUR-16 gasoline inventories are projected to decrease noticeably in the next months especially if planned maintenance in some refineries will last longer than expected.

Distillate stocks behaved contrary to crude oil and gasoline inventories, building by 1.8 mb or 0.06 mb/d to stand at 360.7 mb. The flow of materials from Russia and even from Asia as high prices attracted traders to ship more gasoil to Europe in an expectation that local consumers are about to fill their tanks especially in Germany ahead of the winter season. The y-o-y deficit widened to about 3% after only 1% in July.

Table 20: Western Europe's oil stocks, mb*

	Jun 05	Jul 05	Aug 05	Change August/July	Aug 04
Crude oil	485.0	490.3	486.8	**-3.4**	454.6
Mogas	144.3	141.4	140.9	**-0.5**	136.2
Naphtha	26.8	25.5	25.5	**0.0**	25.1
Middle distillates	351.8	358.9	360.7	1.8	370.0
Fuel oils	108.2	109.8	110.5	0.7	114.9
Total products	631.1	635.6	637.6	2.0	646.3
Overall total	**1,116.1**	**1,125.8**	**1,124.4**	**-1.4**	**1,100.9**

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

Commercial oil inventories in Japan regained the previous month's losses, building 0.16 mb/d in July

Japan

Total commercial oil stocks in Japan regained the previous month's losses in July, building by 4.9 mb or 0.16 mb/d to stand at 186.7 mb. All builds occurred on product inventories, mainly distillates, while crude oil stocks saw a marginal decline. Despite this stock-build, the y-o-y surplus remained mostly unchanged at the previous month's level of 8%.

High refinery runs during July which rose by 5.1% to 84.6% were behind the slight draw on crude oil stocks of 1.6 mb or 0.05 mb/d to 120.2 mb. An increase in imports, which moved up about 9% in July, managed to mitigate the draw. The slight draw on crude oil stocks narrowed the y-o-y surplus to about 1% from the 9% observed in the previous report.

Product inventories benefited from higher refinery runs as refinery throughput rose by 0.24 mb/d to 3.98 mb/d in July with middle distillates benefiting the most from the increase. Middle distillate inventories rose by 5.7 mb or 0.19 mb/d to stand at 32.8 mb, a level not seen since last January. This significant rise helped the y-o-y surplus to regain the previous month's losses, rising to 8% from 1% for the previous month. Gasoline stocks improved slightly due to higher production and despite relatively healthy demand, showing an increase of 0.3 mb to 13.1 mb or 11% above last year's level. Residual fuel oil followed the same trend, adding 0.5 mb to 20.6 mb for a gain of 14% over last year.. Despite this marginal draw, the y-o-y surplus narrowed significantly by 5% to just 1%.

Table 21: Japan's commercial oil stocks, mb*

	May 05	Jun 05	Jul 05	Change July/June	Jul 04
Crude oil	121.3	121.8	120.2	**-1.6**	118.7
Gasoline	14.5	12.8	13.1	0.3	11.8
Middle distillates	27.7	27.1	32.8	5.7	30.4
Residual fuel oil	21.3	20.1	20.6	0.5	18.1
Total products	63.5	60.0	66.5	6.5	60.3
Overall total**	**184.7**	**181.8**	**186.7**	4.9	**179.0**

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

Balance of Supply and Demand

The required OPEC crude production for 2005 has been revised slightly down

Forecast for 2005

The supply/demand balance for 2005 has been revised down slightly to reflect lower demand and lower supply expectations. The demand for OPEC crude in 2005 (a-b) is forecast at 28.9 mb/d, an increase of 0.6 mb/d from 2004 but slightly lower than the 29 mb/d projected earlier. On a quarterly basis the demand for OPEC crude is estimated at 29.2 mb/d, 27.3 mb/d, 28.7 mb/d and 30.3 mb/d for the first, second, third, and fourth quarters respectively.

OPEC crude production averaged 29.5 mb/d in the first quarter of this year, 29.9 mb/d in the second, and 30.2 mb/d in the first two months of the third, according to secondary sources. Current production levels have translated into crude inventory builds in the OECD, particularly in the USA where total oil stocks (commercial + SPR) are at record highs, allowing forward cover to improve to stand close to the last five-year average. Despite the uncertainty regarding potential production losses in the Gulf of Mexico, the combination of high current stock levels, the emergency responses to date by the IEA and stock releases from the US SPR appear to be sufficient to maintain US inventories at healthy levels in 2005.

In terms of OPEC capacity, taking into account the supply/demand balance, the resulting required OPEC crude production levels and projected production capacity, OPEC's spare capacity is estimated to average around 7% in the second half of 2005, compared to 4.9% in the same period of 2004.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World oil demand	82.07	83.63	81.97	83.00	85.34	83.49
(b) Non-OPEC supply(1)	53.80	54.45	54.67	54.32	55.04	54.62
Difference (a – b)	28.27	29.18	27.30	28.68	30.30	28.87
OPEC crude oil production(2)	29.06	29.48	29.92			
Balance	0.79	0.30	2.62			

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

The estimated demand for OPEC crude in 2006 is 29 mb/d

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 29.0 mb/d, an increase of 100,000 b/d from 2005 but a revision of around 200,000 b/d versus the figure in last month's report. The quarterly distribution shows that demand for OPEC crude is now expected to be 29.8 mb/d in the first quarter, 28.0 mb/d in the second, 28.7 mb/d in the third and 29.5 mb/d in the fourth. The quarterly revisions are distributed as follows: up 0.1 mb/d in the second quarter of 2005, and down 0.3 mb/d in the third and 0.5 mb/d in the fourth.

In terms of OPEC capacity, in 2006 OPEC capacity is expected to average around 33.4 mb/d, representing an average increase of 0.7 mb/d from 2005. Taking into account the supply/demand balance for 2006, the resulting required OPEC crude production levels and the projected production capacity, OPEC's spare capacity in 2006 is estimated to average around 10% assuming there is no significant improvement in output from Iraq.

Table 23: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World oil demand	83.49	85.28	83.39	84.45	86.88	85.00
(b) Non-OPEC supply(1)	54.62	55.45	55.43	55.76	57.39	56.01
Difference (a – b)	28.87	29.83	27.95	28.69	29.50	28.99
OPEC crude oil production(2)						
Balance						

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

Table 24: World oil demand/supply balance, mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	48.0	48.0	48.6	49.5	50.6	48.7	49.2	50.7	49.8	51.0	49.2	49.8	51.1	50.2
North America	24.0	24.1	24.5	25.3	25.5	25.3	25.6	26.0	25.6	26.0	25.7	26.0	26.3	26.0
Western Europe	15.3	15.3	15.4	15.6	15.5	15.3	15.5	15.9	15.6	15.6	15.3	15.6	15.9	15.6
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.8	8.6	9.4	8.2	8.1	8.9	8.6
DCs	19.7	20.2	20.4	21.4	21.7	22.2	22.2	22.5	22.1	22.4	22.7	22.9	23.1	22.8
FSU	3.9	3.7	3.8	3.8	3.9	3.7	3.9	4.1	3.9	4.0	3.6	3.9	4.3	4.0
Other Europe	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.9	0.9
China	4.7	5.0	5.6	6.5	6.5	6.6	6.8	7.2	6.8	7.0	6.9	7.1	7.5	7.1
(a) Total world demand	77.1	77.7	79.2	82.1	83.6	82.0	83.0	85.3	83.5	85.3	83.4	84.4	86.9	85.0
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	21.0	21.0	20.3	20.6	20.7	20.8	20.6	20.3	21.3	20.8
North America	14.3	14.5	14.6	14.6	14.5	14.7	14.1	14.1	14.3	14.3	14.3	14.4	14.7	14.4
Western Europe	6.7	6.6	6.4	6.1	6.0	5.8	5.7	6.0	5.8	6.0	5.8	5.4	5.9	5.8
Pacific	0.8	0.8	0.7	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5
DCs	10.9	11.2	11.3	11.9	12.3	12.5	12.5	12.8	12.5	12.9	12.9	13.2	13.4	13.1
FSU	8.5	9.3	10.3	11.2	11.4	11.4	11.6	11.7	11.5	11.7	11.7	11.9	12.2	11.9
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	46.4	47.7	48.6	49.8	50.3	50.5	50.1	50.8	50.4	51.1	50.9	51.2	52.7	51.5
OPEC NGLs + non-conventional oils	3.6	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.2	4.4	4.5	4.6	4.7	4.5
(b) Total non-OPEC supply and OPEC NGLs	50.0	51.4	52.3	53.8	54.4	54.7	54.3	55.0	54.6	55.5	55.4	55.8	57.4	56.0
OPEC crude oil production (secondary sources)	27.2	25.4	27.0	29.1	29.5	29.9								
Total supply	77.2	76.7	79.3	82.9	83.9	84.6								
Balance (stock change and miscellaneous)	0.1	-1.0	0.1	0.8	0.3	2.6								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2517	2563	2551	2653								
OECD SPR	1285	1345	1408	1444	1456	1466								
OECD total	3915	3821	3925	4007	4008	4118								
Oil-on-water	830	816	887	914	936	968								
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	52	54								
SPR	27	28	28	29	30	30								
Total	82	79	79	80	82	84								
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.7	7.7	7.6	7.6	7.6	8.1	8.0	7.9	7.9
(a) - (b)	27.1	26.4	26.9	28.3	29.2	27.3	28.7	30.3	28.9	29.8	28.0	28.7	29.5	29.0

n.a. Not available.

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

Table 25: World oil demand/supply balance: changes from last month's table †, mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	-	-	-	-	-	0.2	-0.1	-0.1	-	-	0.2	-0.1	-0.1	-
North America	-	-	-	-	-	0.1	-0.2	-0.1	-	-	0.2	-0.1	-0.1	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-0.1	-0.2	-0.1	-	-	-0.1	-0.2	-0.1
FSU	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-	-0.2	-0.1	-0.1	-0.1
(a) Total world demand	-	-	-	-	-	0.1	-0.4	-0.4	-0.2	-	0.1	-0.4	-0.4	-0.2
Non-OPEC supply														
OECD	-	-	-	-	-	-0.1	-0.3	-0.3	-0.2	-0.1	-	-0.2	-	-0.1
North America	-	-	-	-	-	-	-0.3	-0.3	-0.1	-0.1	-	-0.1	-	-
Western Europe	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
FSU	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-0.3	-0.2	-0.1	-0.1	-	-0.1	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-0.3	-0.2	-0.1	-0.1	-	-0.1	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-								
Total supply	-	-	-	-	-	-0.1								
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.2								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	1	7	2	-								
OECD SPR	-	-	-	-	-	-								
OECD total	-	-	1	7	2	-								
Oil on water	-	-	-	5	-	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	-0.1	0.1	0.1	-	-	-	-	0.1	-
(a) - (b)	-	-	-	-	-	0.2	-0.1	-0.2	-	-	0.1	-0.3	-0.5	-0.2

† *This compares Table 24 in this issue of the MOMR with Table 26 in August 2005 issue.*
This table shows only where changes have occurred.

Table 26: OECD oil stocks and oil on water at the end of period

	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05
Closing stock level *mb*																				
OECD onland commercial	2,630	2,476	2,529	2,602	2,664	2,630	2,606	2,651	2,577	2,476	2,428	2,551	2,600	2,517	2,466	2,546	2,586	2,563	2,551	2,653
North America	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,215	1,161	1,145	1,193	1,209	1,200	1,200	1,275
Western Europe	925	895	923	914	922	925	934	943	918	895	914	913	926	922	920	933	947	933	962	956
OECD Pacific	443	408	447	457	473	443	435	447	440	408	411	452	459	435	400	420	430	430	389	422
OECD SPR	1,285	1,345	1,271	1,269	1,266	1,285	1,304	1,316	1,321	1,345	1,359	1,362	1,380	1,408	1,421	1,426	1,432	1,444	1,456	1,466
North America	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	678	690	698
Western Europe	353	354	353	349	344	353	354	349	346	354	365	359	361	372	369	364	364	371	371	373
OECD Pacific	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396	396	395
OECD total	3,915	3,821	3,801	3,871	3,930	3,915	3,910	3,967	3,898	3,821	3,787	3,913	3,981	3,925	3,886	3,972	4,018	4,007	4,008	4,118
Oil-on-water	830	816	903	828	870	830	797	806	803	816	862	888	871	887	909	893	898	914	936	968
Days of forward consumption in OECD																				
OECD onland commercial	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51	53	54
North America	52	48	49	51	53	53	52	52	50	48	46	48	49	46	46	47	47	47	48	50
Western Europe	61	58	62	59	59	60	63	61	59	58	60	59	59	59	61	60	59	60	63	62
OECD Pacific	52	47	56	56	54	49	57	55	47	42	51	57	51	47	51	51	49	45	48	52
OECD SPR	27	28	27	27	26	27	28	28	27	27	29	28	28	28	30	29	28	29	30	30
North America	23	25	23	23	23	23	23	24	24	25	25	25	25	25	26	26	26	27	27	27
Western Europe	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	23	24	24	24
OECD Pacific	44	45	46	46	42	42	50	48	41	40	48	49	43	43	50	49	45	42	49	49
OECD total	82	79	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80	79	83	83

n.a. Not available.

Table 27: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2001	2002	2003	2004	04/03	1Q05	2Q05	3Q05	4Q05	2005	05/04	1Q06	2Q06	3Q06	4Q06	2006	06/05
USA	8.05	8.04	7.82	7.67	-0.16	7.71	7.77	7.36	7.25	7.52	-0.14	7.41	7.34	7.32	7.52	7.40	-0.12
Canada	2.73	2.84	2.98	3.07	0.09	3.02	3.01	3.00	3.17	3.05	-0.02	3.23	3.23	3.27	3.40	3.28	0.23
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.72	3.72	3.77	-0.07	3.70	3.76	3.78	3.83	3.77	0.00
North America	14.34	14.48	14.60	14.57	-0.03	14.49	14.67	14.08	14.14	14.34	-0.23	14.34	14.33	14.38	14.75	14.45	0.11
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	2.94	3.03	3.20	3.06	-0.12	3.23	3.15	2.95	3.12	3.11	0.05
UK	2.54	2.52	2.33	2.09	-0.24	2.02	1.95	1.79	1.91	1.92	-0.17	1.92	1.85	1.66	1.99	1.86	-0.06
Denmark	0.35	0.37	0.37	0.39	0.02	0.39	0.38	0.39	0.39	0.39	0.00	0.38	0.37	0.35	0.34	0.36	-0.03
Other Western Europe	0.38	0.42	0.43	0.47	0.04	0.48	0.48	0.46	0.46	0.47	0.00	0.46	0.45	0.46	0.48	0.46	-0.01
Western Europe	6.68	6.65	6.39	6.14	-0.26	5.98	5.75	5.67	5.96	5.84	-0.30	5.99	5.82	5.42	5.92	5.79	-0.05
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.49	0.52	0.47	0.49	-0.03	0.44	0.42	0.42	0.53	0.45	-0.04
Other Pacific	0.07	0.06	0.06	0.05	0.00	0.05	0.05	0.05	0.06	0.05	0.00	0.06	0.05	0.09	0.09	0.07	0.02
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.55	0.57	0.53	0.55	-0.03	0.50	0.47	0.51	0.62	0.53	-0.02
Total OECD	21.81	21.89	21.65	21.28	-0.37	21.00	20.97	20.32	20.63	20.73	-0.55	20.83	20.62	20.31	21.29	20.76	0.03
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
India	0.73	0.75	0.74	0.78	0.04	0.80	0.80	0.75	0.79	0.78	0.00	0.83	0.83	0.82	0.82	0.82	0.04
Malaysia	0.68	0.71	0.75	0.82	0.07	0.86	0.86	0.86	0.87	0.86	0.05	0.87	0.87	0.87	0.87	0.87	0.00
Vietnam	0.34	0.34	0.35	0.40	0.04	0.38	0.38	0.40	0.41	0.39	-0.01	0.39	0.39	0.40	0.36	0.38	-0.01
Asia others	0.25	0.26	0.30	0.37	0.07	0.46	0.47	0.47	0.48	0.47	0.09	0.48	0.48	0.52	0.52	0.50	0.03
Other Asia	2.20	2.27	2.36	2.58	0.22	2.70	2.71	2.69	2.74	2.71	0.13	2.77	2.77	2.82	2.78	2.78	0.07
Argentina	0.82	0.79	0.78	0.73	-0.04	0.72	0.73	0.71	0.72	0.72	-0.01	0.72	0.71	0.70	0.69	0.70	-0.02
Brazil	1.53	1.72	1.80	1.80	0.00	1.85	2.03	2.03	2.05	1.99	0.19	2.11	2.09	2.30	2.32	2.21	0.22
Colombia	0.62	0.59	0.55	0.53	-0.02	0.52	0.53	0.51	0.50	0.52	-0.02	0.49	0.48	0.47	0.46	0.48	-0.04
Ecuador	0.41	0.40	0.43	0.53	0.10	0.54	0.54	0.49	0.53	0.52	0.00	0.53	0.53	0.52	0.53	0.53	0.01
Trinidad & Tobago	0.13	0.15	0.16	0.16	-0.01	0.20	0.21	0.22	0.23	0.22	0.06	0.23	0.24	0.24	0.25	0.24	0.02
L. America others	0.23	0.22	0.22	0.25	0.02	0.27	0.28	0.25	0.26	0.26	0.01	0.26	0.26	0.26	0.27	0.26	0.00
Latin America	3.74	3.87	3.94	4.00	0.05	4.11	4.31	4.21	4.30	4.23	0.23	4.34	4.30	4.50	4.53	4.42	0.18
Bahrain	0.19	0.19	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.90	0.82	0.76	-0.06	0.73	0.72	0.71	0.70	0.72	-0.05	0.69	0.68	0.67	0.66	0.68	-0.04
Syria	0.52	0.51	0.54	0.51	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.46	0.45	0.44	0.43	0.44	-0.03
Yemen	0.47	0.46	0.44	0.42	-0.03	0.40	0.40	0.39	0.37	0.39	-0.03	0.37	0.36	0.36	0.34	0.36	-0.03
Middle East	2.14	2.06	2.00	1.89	-0.11	1.82	1.81	1.77	1.74	1.78	-0.10	1.71	1.69	1.66	1.63	1.67	-0.11
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.22	1.34	1.21	0.22	1.38	1.42	1.41	1.66	1.47	0.26
Chad	0.00	0.00	0.02	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04	0.23	0.23	0.23	0.23	0.23	0.00
Congo	0.27	0.25	0.24	0.24	0.00	0.23	0.23	0.23	0.23	0.23	-0.01	0.23	0.23	0.23	0.23	0.23	0.00
Egypt	0.76	0.75	0.75	0.71	-0.04	0.70	0.69	0.67	0.67	0.69	-0.02	0.67	0.65	0.64	0.59	0.64	-0.05
Equatorial Guinea	0.14	0.20	0.24	0.34	0.10	0.35	0.36	0.35	0.35	0.36	0.01	0.35	0.35	0.35	0.39	0.36	0.01
Gabon	0.31	0.30	0.25	0.24	-0.01	0.24	0.24	0.23	0.22	0.23	-0.01	0.22	0.22	0.21	0.20	0.21	-0.02
South Africa	0.18	0.19	0.20	0.22	0.02	0.21	0.20	0.20	0.19	0.20	-0.02	0.19	0.19	0.18	0.17	0.18	-0.02
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.47	0.50	0.40	0.10	0.49	0.52	0.59	0.62	0.56	0.15
Africa other	0.20	0.20	0.20	0.21	0.01	0.22	0.22	0.25	0.27	0.24	0.03	0.31	0.36	0.37	0.38	0.35	0.12
Africa	2.80	3.03	3.05	3.43	0.39	3.61	3.66	3.85	4.00	3.78	0.35	4.06	4.16	4.21	4.47	4.22	0.44
Total DCs	10.87	11.22	11.35	11.90	0.55	12.25	12.48	12.52	12.78	12.51	0.61	12.88	12.92	13.18	13.40	13.10	0.59
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.43	11.63	11.68	11.53	0.38	11.65	11.68	11.93	12.25	11.88	0.35
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.46	9.46	9.39	0.20	9.43	9.43	9.50	9.50	9.47	0.07
Kazakhstan	0.80	0.94	1.03	1.18	0.15	1.26	1.22	1.26	1.29	1.26	0.08	1.29	1.29	1.39	1.55	1.38	0.12
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.34	0.36	0.42	0.44	0.39	0.08	0.44	0.44	0.54	0.69	0.53	0.14
FSU others	0.45	0.45	0.47	0.47	0.01	0.48	0.51	0.49	0.49	0.49	0.02	0.49	0.52	0.50	0.51	0.50	0.01
Other Europe	0.18	0.18	0.17	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
China	3.30	3.39	3.41	3.48	0.08	3.63	3.60	3.62	3.64	3.62	0.14	3.66	3.69	3.73	3.71	3.70	0.07
Non-OPEC production	44.68	46.01	46.84	47.98	1.13	48.43	48.64	48.25	48.88	48.55	0.57	49.18	49.07	49.31	50.80	49.59	1.04
Processing gains	1.69	1.73	1.80	1.83	0.03	1.88	1.85	1.84	1.88	1.86	0.03	1.88	1.87	1.87	1.93	1.89	0.02
Non-OPEC supply	46.37	47.74	48.63	49.81	1.16	50.31	50.49	50.09	50.76	50.41	0.61	51.06	50.94	51.18	52.73	51.48	1.07
OPEC NGL	3.40	3.42	3.57	3.75	0.18	3.87	3.92	3.97	4.02	3.95	0.20	4.11	4.21	4.30	4.38	4.25	0.31
OPEC Non-conventional	0.18	0.20	0.14	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01	0.28	0.28	0.28	0.28	0.28	0.02
OPEC (NGL+NCF)	3.58	3.62	3.71	3.99	0.28	4.13	4.18	4.23	4.28	4.21	0.21	4.39	4.49	4.58	4.66	4.53	0.33
Non-OPEC & OPEC (NGL+NCF)	49.96	51.36	52.34	53.80	1.45	54.45	54.67	54.32	55.04	54.62	0.82	55.45	55.43	55.76	57.39	56.01	1.39

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

Table 28: Non-OPEC Rig Count

	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	Jun05	2Q05	Jul05	Aug05	Change Aug.05- Jul05
USA	1156	831	-325	901	1028	1088	1109	1032	201	1,119	1164	1229	1249	1190	158	1355	1336	1368	1436	68
Canada	342	266	-76	494	203	383	408	372	106	528	202	326	420	369	-3	293	241	540	545	5
Mexico	54	65	11	82	84	96	107	92	27	107	113	111	108	110	18	121	116	104	103	-1
North America	1552	1162	-390	1476	1315	1567	1624	1496	334	1,754	1479	1665	1777	1669	173	1769	1693	2012	2084	72
Norway	23	19	-4	18	19	20	18	19	0	19	18	14	16	17	-2	19	18	22	18	-4
UK	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	-4	25	22	26	22	-4
Denmark	4	4	0	3	5	3	4	4	0	4	4	3	4	4	0	3	3	1	3	2
Other Western Europe	44	36	-8	36	34	38	37	36	0	31	30	27	27	29	-7	26	24	25	27	2
Western Europe	95	85	-10	77	78	83	75	78	-7	69	70	57	62	65	-13	73	67	74	70	-4
Australia	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	3	14	15	16	18	2
Other Pacific	9	8	-1	8	7	8	6	7	-1	7	8	9	6	8	1	10	10	10	10	0
OECD Pacific	20	17	-3	18	17	18	19	18	1	19	22	26	20	22	4	24	25	26	28	2
Total OECD	1667	1264	-403	1571	1411	1669	1719	1592	328	1,842	1570	1749	1859	1755	163	1866	1785	2112	2182	70
Brunei	3	3	0	3	4	4	2	3	0	2	3	3	2	3	0	2	2	3	2	-1
India	50	55	5	59	60	61	62	60	5	64	68	71	76	70	10	79	76	78	82	4
Malaysia	11	14	3	14	13	16	15	14	0	15	15	13	13	14	0	15	14	14	15	1
Papua New Guinea	1	1	0	1	2	2	1	2	1	3	2	0	1	2	0	1	2	2	2	0
Vietnam	8	9	1	9	9	10	8	9	0	8	9	8	7	8	-1	10	10	10	9	-1
Asia others	22	30	8	31	28	26	30	29	-1	27	31	31	31	30	1	35	36	36	38	2
Other Asia	95	111	16	117	115	119	118	117	6	119	128	127	130	126	9	142	140	143	148	5
Argentina	71	49	-22	59	66	59	57	60	11	64	73	73	74	71	11	74	76	79	80	1
Brazil	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	0	27	27	29	28	-1
Colombia	15	11	-4	10	9	11	12	11	0	8	9	9	11	9	-2	13	12	15	16	1
Ecuador	10	9	-1	9	11	8	8	9	0	7	9	12	12	10	1	13	12	14	7	-7
Peru	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	-1	4	4	5	2	-3
Trinidad & Tobago	5	4	-1	3	3	3	3	3	-1	3	4	4	4	4	1	2	2	2	3	1
L. America others	7	5	-2	3	4	4	5	4	-1	6	6	3	4	5	1	4	4	2	3	1
Latin America	141	106	-35	113	121	114	114	116	10	114	127	129	134	126	10	137	138	146	139	-7
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	4	33	34	36	36	35	6	36	35	34	36	35	0	34	35	34	34	0
Syria	19	22	3	23	23	26	23	24	2	24	24	23	23	24	0	20	20	20	23	3
Yemen	6	9	3	11	10	9	7	9	0	7	8	9	11	9	0	13	11	12	12	0
Middle East	50	62	12	70	68	72	68	70	8	69	68	69	73	70	0	72	71	71	73	2
Angola	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	-1	4	3	4	3	-1
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	0	0	1	1	2	1	0	2	2	3	2	2	1	4	2	2	1	-1
Egypt	22	23	1	26	26	27	26	26	3	27	28	29	28	28	2	33	30	27	30	3
Gabon	2	2	0	3	4	1	3	3	1	2	2	2	2	2	-1	3	3	2	2	0
South Africa	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	8	12	14	12	14	13	1	15	18	20	22	19	6	19	21	19	19	0
Africa	36	43	7	45	50	44	51	48	5	48	53	56	57	54	6	63	58	54	55	1
Total DCs	322	322	0	346	354	350	350	350	28	350	376	381	394	376	26	414	407	414	415	1
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	0	2	2	3	3	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1992	1588	-404	1919	1767	2021	2071	1944	356	2,194	1949	2132	2255	2132	188	2282	2194	2529	2600	71

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

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Data is provided by Data Services Department.

Data Summary September 2005

OPEC Basket average price

US$ per barrel

↑ *up 4.69 in August*

August 2005	***57.82***
July 2005	*53.13*
Year-to-date	*49.03*

August OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.36*	*Kuwait*	*2.53*	*Saudi Arabia*	*9.51*
Indonesia	*0.94*	*SP Libyan AJ*	*1.65*	*UAE*	*2.45*
IR Iran	*3.99*	*Nigeria*	*2.44*	*Venezuela*	*2.62*
Iraq	*1.91*	*Qatar*	*0.80*	***TOTAL***	***30.20***

Supply and demand

in million barrels per day

2005		***2006***	
World demand	*83.5*	*World demand*	*85.0*
Non-OPEC supply	*54.6*	*Non-OPEC supply*	*56.0*
Difference	***28.9***	***Difference***	***29.0***

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

Stocks

US commercial oil stocks saw a draw of 11.9 mb in August

World economy

World GDP growth remains unchanged at 4.1% for 2005 and lowered to 3.9% for 2006

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Data covers period up to end of July 2005 unless otherwise stated