OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

December 2004

Feature Article:

Oil market outlook for 2005: Convergence towards fundamentals?

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Oil Market Highlights

- The divergence in economic performance between the fast growing economies of the USA and China and the rest of the world has widened in the second half of 2004. Strong consumer spending should ensure that growth in the US economy is close to 4% in the final quarter of this year whilst China continues to defy expectations of slowdown. In contrast, the weakness of the Euro-zone economies is spreading to affect Central Europe. Meanwhile Japan, together with other Asian economies is suffering from slower growth in world trade, particularly in information technology and related industries. The world economy is expected to grow by 4.8% this year, a reduction of 0.1% on the previous forecast.

- A consequence of this divergence is that any improvement in trade imbalances will probably be limited despite the fall in the dollar against the euro. The changes in the exchange rate of the dollar against currencies other than the euro have been small and further adjustment in global consumption and production patterns may follow in the medium term. A major uncertainty is the effect of dollar weakness on the willingness of overseas investors to hold US assets. A change in investor preferences could lead to volatile currency and interest rate markets in 2005.

- The Euro-zone growth forecast for 2005 has been cut to 1.7% as the further appreciation of the euro will reduce European exports. The forecast for Japan is unchanged at 1.6%. The US economy is expected to benefit from the strong economic momentum from 2004 and as a result the growth forecast for 2005 has been raised by 0.1 % to 3.2%. The growth rate forecast for China is unchanged at 7.6% for 2005. China is currently growing at a faster rate but further restrictive measures are anticipated in 2005 to reduce inflationary pressures. Such action is expected to reduce the growth of fixed investment and construction activity. The forecast growth rate for the world economy in 2005 is unchanged at 4%

- Prices in the industry trended down in November on easing concern over winter fuels despite a potential strike in Nigeria which threatened to halt supplies and continuing developments in the Yukos case. On a monthly basis, the OPEC Reference Basket slipped heavily from October’s record peak, sliding $6.41 or 14% to end at $38.96/b. The moderating trend in prices was due in large part to record high output by OPEC Members. The revival in crude oil production in the Gulf of Mexico following Hurricane Ivan also helped to boost US oil stocks, supporting the bearish sentiment in the marketplace. The disruption in North Sea oil supplies at the end of the month added some bullishness, which was countered by the expectation that OPEC would keep the production ceiling unchanged in its December Meeting in Cairo. By the end of the month, the year-to-date average stood at $36.07/b, which was $8.12 or 29% above last year’s level. In the first two weeks of December, the Basket experienced further falls, reaching $34.72/b on 14 December with the month-to-date average at $34.21/b and year-to-date drifting further down to $35.97/b.

- Mild weather across the globe and contra-seasonal middle distillate stock-builds over the last two weeks eased earlier concern about a possible shortage of heating oil in the winter. This situation has triggered a bearish sentiment since early December, which is still weighing on the market. Despite these developments and a dramatic drop in prices for all products, the middle of the barrel remained the major market driver, and a cold spell may recuperate part of the recent losses in heating oil prices.

- In November, OPEC area spot chartering erased the previous month’s gain of 15%, dropping to 13.19 mb/d for a loss of 1.93 mb/d compared to October and 1.68 mb/d below last year. Crude oil freight rates continued to head upward for the third consecutive month, touching all-time highs on all main routes. Product freight rates remained firm for the fourth consecutive month in November, fueled by very healthy demand along all main routes, especially within the Mediterranean and from there to North-West Europe.

- As the end of 2004 approaches, the latest projections indicate that total world oil demand will grow by 3.17% which in volume terms represents a y-o-y gain of 2.51 mb/d — a level not seen since 1977. In absolute terms, world oil demand is estimated to average 81.77 mb/d for the year. Average world oil demand in 2005 is projected at 83.28 mb/d, implying a gain of 1.51 mb/d or 1.85% over total 2004 consumption.

- OPEC crude oil production in November, based on secondary sources, is estimated at 29.76 mb/d, or 0.42 mb/d below the revised October figure. Non-OPEC oil supply for 2004 is estimated at 49.76 mb/d, which is 1.17 mb/d higher than estimated 2003 figure of 48.59 mb/d. Non-OPEC supply in 2005 is expected to reach 50.98 mb/d, an increase of 1.22 mb/d over the 2004 estimate. Net FSU exports for 2002 and 2003 are estimated at 5.58 mb/d and 6.49 mb/d respectively, and expected to rise to 7.26 mb/d and 7.72 mb/d in 2004 and 2005 respectively.

- Crude oil stocks have shown builds in the three main consuming regions as the extra OPEC crude oil production reached refineries. Crude stocks at the end of November rose in the USA and EUR-16 by 4.2 mb and 9.3 mb respectively, while Japanese inventories rose 12.6 mb at the end of October. Higher production and yields have led to a build in distillate stocks. However, the winter weather trends will remain a crucial factor in the coming weeks.

OPEC Monthly Oil Market Report
Publishing Schedule for 2005

Friday	21	January
Wednesday	16	February
Thursday	17	March
Friday	15	April
Tuesday	17	May
Thursday	16	June
Monday	18	July
Wednesday	17	August
Thursday	15	September
Monday	17	October
Wednesday	16	November
Friday	16	December

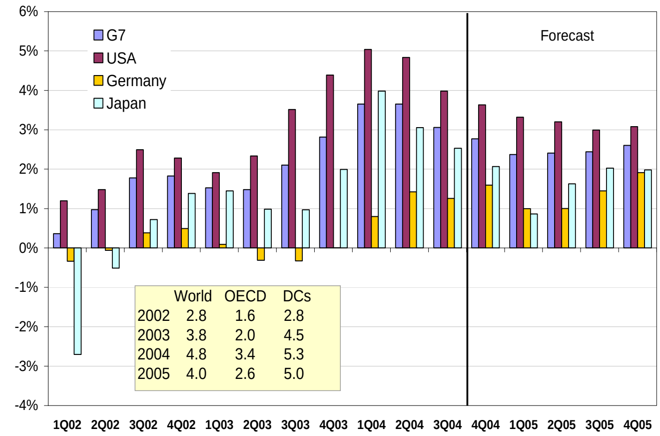
Oil market outlook for 2005: Convergence towards fundamentals?

- The period since mid-2003 has seen the highest rates of global economic growth for over twenty years. The expansion in North America coincided with the trade and investment driven boom in China and other Asian economies to boost global growth by close to 5% in 2004. The unanticipated strength of the expansion in economic activity led to sharp increases in oil and commodity prices, although markets have begun to return to more normal levels in recent weeks.

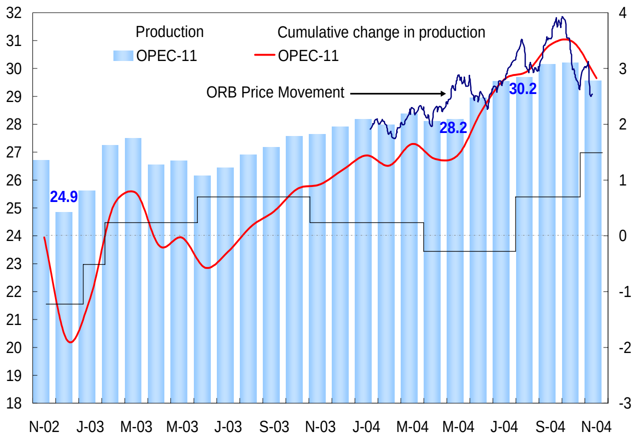
- The typical pattern of economic cycles indicates that most regions of the world are likely to see lower growth in 2005 (see **Graph 1**) and the growth rate of the world economy will drop to 4%. To this less robust outlook must be added the prospect of currency instability. The US dollar has fallen by 6% in trade-weighted terms since end-August. This reduction has had a major impact on the value of global assets located in the USA, notably those held by Asian investors. It has also diminished the purchasing power of oil revenues earned by OPEC Member Countries. From October to November the fall in the dollar reduced the real value of the barrel by 2.8%.

- A consensus appears to have formed that a weaker dollar is a necessary but not sufficient component of the adjustment process to bring the world economy imbalances back to equilibrium. However the likely impact of the policy changes to improve the US current account deficit is likely to result in a moderation of US consumption growth, implying lower industrial production growth in China and developing Asia. This development introduces a potential risk to the outlook for world oil demand in 2005 and beyond.

Graph 1: World economic growth rates in 2005 by region



Graph 2: OPEC production versus ORB price



- Lower economic growth in 2005 is expected to lead to an easing of incremental demand from the high rates seen in 2004. The latest projections for 2004 indicate that total world oil demand will grow by 3.2% for a year-on-year gain of 2.5 mb/d, a level of demand growth not seen since 1977. In 2004 and the previous year, 85% of the increase in world oil demand came from North America, China and developing countries. Given that the economies of these regions are expected to see lower growth rates, the demand for 2005 is expected to slow to a still respectable increase of 1.5 mb/d. While below the level of 2004, this figure is still higher than the average demand growth rates of the last 10 years.

- On the supply side, the results of OPEC efforts to stabilize this year's volatile market will continue to be felt in 2005. In response to the high demand growth seen in 2004, OPEC increased supply in three stages for a total rise of 3.5 mb/d. At the same time, actual OPEC production has remained strong throughout the year, with output reaching more than 2 mb/d above the production ceiling in October, declining to around 1 mb/d as a result of an increase of the quota as of November. These efforts not only accommodated the sudden surge in demand but also led to a steady rise in OECD stocks to stand at 2,616 mb at the end of October, the highest level since August 2002, with expectations of further builds in the coming months.

- The record high OPEC output levels were a part of a deliberate effort by Member Countries to boost supply to ease exceptionally high prices that have been well above the level justified by fundamentals. As a consequence of these actions, crude oil prices receded from record highs, with the OPEC Reference Basket plunging almost $13/b, from $46.61/b on 21 October to below $34/b, with prices on 8 December at $33.78/b (see ***Graph 2***).

- For the fourth quarter of 2004, the current level of OPEC production and the estimated level of demand imply a surplus to the balance of around 1 mb/d, which would result in a contra-seasonal stock build to high levels well above the five-year average, as has begun to be reflected in recent OECD data. At the same time, the perceived risk premium in the oil price has eased following accelerated production capacity expansion in OPEC Member Countries. Combined, these developments have helped crude prices to reflect a convergence towards market fundamentals.

- With stocks back to the five year average, prices moderating ahead of winter and non-OPEC supply at steady levels, OPEC decided at its recent 133rd Extraordinary Meeting of the Conference to collectively reduce over-production by 1 mb/d from current actual output, effective 1 January 2005. In doing so, Members agreed to remove their excess production that had been placed on the market as part of OPEC’s supply response to meet additional demand needs over the course of 2004. Having met this need, Members have taken steps to return to the agreed production ceiling levels to minimize the risk that in the first quarter a strong contra-seasonal stock build to levels above normal would trigger an excessive fall in prices and to prepare for the slow down in demand that traditionally takes place in the second quarter of the year. It is important to note that these cuts in excess production will only come into effect as of 1 January, and therefore, due to long shipping times, will not be felt in the market during the peak winter demand months in the northern hemisphere, which implies that ample supply for winter is already on the way.
- However, as the current volatile situation calls for close monitoring to prevent any deterioration in the market balance, OPEC Ministers have scheduled a Meeting at the end of January to review developments and take all necessary measures to avoid any excessive volatility in the market. The decision can be seen as part of OPEC’s continuing efforts to enhance market stability at reasonable price levels, especially in the current environment of underlying uncertainties both on the demand and supply side.

133rd (Extraordinary) Meeting of the OPEC Conference

Cairo, Egypt, 10 December 2004

The 133rd (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Cairo, Egypt, on 10 December 2004, under the Chairmanship of its President, HE Dr. Purnomo Yusgiantoro, Minister of Energy & Mineral Resources of Indonesia and Head of its Delegation, and its Alternate President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait and Head of its Delegation.

The Conference extended its condolences to the Government and people of the United Arab Emirates on the recent passing away of His Highness Sheikh Zayed Bin Sultan Al-Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi.

The Conference expressed its warmest congratulations to HE Mohamed Bin Dhaen Al-Hamli, Minister of Energy of the United Arab Emirates, and paid tribute to the outstanding contribution made to the Organization by his predecessor in office, HE Obaid bin Saif Al-Nasseri.

The Conference welcomed the presence of the Minister of Petroleum of Angola, the Minister of Petroleum of Egypt, the Minister of Energy & Mining of Sudan, the Minister of Petroleum & Mineral Resources of Syria, the Undersecretary of Oil & Gas of Oman, and the Vice Minister of Industry & Energy of the Russian Federation, whose presence in the Meeting again highlights the importance these countries attach to constructive dialogue and co-operation with OPEC and its Member Countries.

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

Having reviewed the oil market outlook, including the overall demand/supply expectations for the year 2005, in particular the first and second quarters, as well as the outlook for the oil market in the medium term, the Conference observed that crude oil prices have receded from their record highs as a consequence of the actions taken by the Organization to ensure that the market remains well supplied, the adequacy of supply evidenced by the continued replenishment and build-up of commercial oil stocks. Indeed, the Conference noted that current crude oil prices reflect convergence towards market fundamentals.

With stocks back to normal and prices having moderated ahead of the winter season, when inventories are normally withdrawn, the Conference decided to maintain the currently agreed ceiling and individual production levels. Without prejudice to the above, and while reiterating the Organization's commitment to ensuring adequate supplies of petroleum to consuming nations, and in order to prevent crude oil prices continuing to deteriorate to undesirably low levels, Member Countries, which have responded to the market need for additional supply over the course of this year by producing above their allocations, have agreed to collectively reduce the over-production by 1.0 mb/d from their current actual output, effective 1 January 2005.

Further, taking into consideration the market outlook for 2005, in particular the seasonally, lower-demand second quarter, when oil prices are expected to come under growing pressure, the Conference reaffirmed its determination to take all measures deemed necessary to keep market stability and maintain prices at reasonable levels, for the benefit of producers and consumers alike. With this in mind, the Conference decided to convene an Extraordinary Meeting in Vienna, Austria, on 30 January 2005 to review market developments. The Conference reiterated that its next Ordinary Meeting will be held on 16 March 2005, in Isfahan, I.R. Iran.

The issue of the appointment of the Secretary General having been deferred until the next Meeting of the Conference, the incoming President of the Conference, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Oil of the State of Kuwait, will assume the responsibilities of the Secretary General from 1 January 2005, in accordance with the provisions of Resolution No. 128.406.

The Conference paid tribute to the services of its outgoing President, HE Dr. Purnomo Yusgiantoro, Minister of Energy & Mineral Resources of Indonesia, expressing particular appreciation of his also shouldering the responsibilities of Secretary General of the Organization during the year 2004, and thanked Dr. Maizar Rahman, the Governor for the Indonesia, for his excellent conduct of the day-to-day affairs of the Secretariat during the same period.

The Conference approved the Budget of the Organization for the year 2005.

The Conference welcomed a proposal (as a follow-up to the 9th International Energy Forum (IEF) held in Amsterdam in May 2004) received from the European Union (EU) to establish an OPEC-EU Dialogue aimed at furthering constructive co-operation between oil producers and consumers.

The Conference expressed its sincere gratitude to HE Mohammed Hosni Mubarak, President of the Arab Republic of Egypt, as well as the Government and people of the Arab Republic of Egypt for having hosted the Meeting and for the friendly welcome extended to the Conference and all Delegates. In addition, the Conference recorded its special thanks to HE Amin Sameh Fahmy, Minister of Petroleum of Egypt, and his Staff for their warm hospitality and the excellent arrangements made for the Meeting.

The Conference passed Resolutions that will be published on 10 January 2005, after ratification by Member Countries.

Highlights of the World Economy

Economic growth rates 2004-2005
%

	World	G-7	USA	Japan	Euro-zone
2004	**4.8**	**3.3**	**4.4**	**2.9**	**1.8**
2005	**4.0**	**2.5**	**3.2**	**1.6**	**1.7**

Industrialised countries

United States of America

US economy ends year on strong note. Trade deficit in October 33% above year ago levels.

Third-quarter GDP growth was revised up to 3.9% from 3.7% as a result of healthy trends in consumption, investment and net exports. Final domestic demand was very strong, rising by nearly 5%. Retail sales data for November were also better than expected. Spending on discretionary items was firm and the October results were revised up. The US economy in the fourth quarter looks set to achieve growth in consumption of well over 3% and holiday sales could push the growth rate close to 4%. Employment data for November was slightly disappointing as the rise in jobs was only 112,000. Trade data for October continued to reflect the strong growth in US demand. Imports were $5.1 billion more than in September and the goods and services deficit deteriorated to $55.5 billion, up from $41.5 billion in October 2003. The Federal Reserve saw no reason to depart from the process of gradually raising US interest rates to more normal levels and increased the Federal Funds rate to 2.25% on 14 December. The statement of the Federal Open Markets Committee noted the continued strength of the economy despite the earlier rise in energy prices. **Overall it seems that 2004 will be a successful year for the American economy but 2005 may be more difficult. In the third year of a recovery it is normal to expect cyclical downturns in productivity, profits growth and capital spending but the extraordinary levels of budget and trade imbalances will impose additional strains.** Consumers expenditure will be held back by the need to rebuild savings whilst higher interest rates and lower profit growth will impact capital spending. The best of the productivity cycle is past as businesses have started to raise permanent employment. The trade accounts might see some improvement in 2005 following the lower trend of the dollar. **Nevertheless the gap between exports and imports is so wide that export growth has to be 50% faster than import growth just to hold the trade deficit constant.** A significant improvement is more likely to come from slower import growth since in comparison to the 1980s — when the dollar was also weak — the US export sector is smaller in relation to world trade flows and low cost competitors in Asia have established solid market shares. If the trade accounts do not improve a major concern is that a sharp fall in the dollar might impact US financial markets and reduce external confidence in American bonds and equities. The result would be higher US real interest rates which would also serve to reduce domestic demand and imports. Much of the weakness in the dollar in the period since 2002 has taken place against the euro. It now seems more likely that emerging market currencies will strengthen against the dollar and in this situation Asian central banks may be less enthusiastic purchasers of American Treasury bonds at current yields. Moreover there is no sign of any improvement in the longterm budgetary outlook since no progress has been made in controlling entitlement spending. Financial markets currently anticipate gradually higher interest rates in 2005 but significant interest rate volatility would affect business and consumer confidence. The housing market will probably be less buoyant in 2005 which will also restrict consumer spending.

Japan

Japanese authorities accept yen strength. The outlook for China is a major uncertainty.

Major revisions to the national accounts of the Japanese economy have resulted in much lower estimates of growth in real economic activity in 2003 and 2004. The changes did not greatly affect nominal GDP data but rather lowered previous estimates of the rate of decline in Japanese prices. The higher inflation indices had the effect of reducing the rate of growth of real GDP in 2003 from 2.4% to 1.3% and reducing the forecast for 2004 from 4.3% to 2.9%. The revisions to the quarterly data raised the growth estimate for the first quarter of 2004 to 1.7% and this quarter was evidently the peak of the current growth cycle. The second and third quarters saw much slower growth, of -0.6% and 0.2%, thanks to weakness in domestic demand – particularly consumption, both private and public. The outlook for 2005 is for reasonable growth, however, since demand from the USA and China should continue to expand, at least for the first half of the year. There is some concern at the weakness of the IT sector but recent cutbacks may simply reflect inventory adjustments. The key longer term issue concerns domestic demand and the growing confidence of consumers and businesses that deflation in Japan is coming to an end. Improving consumer confidence, lower savings and gains in personal income should support consumption in 2005. The yen appreciated by nearly 4% against the dollar in November and there has been no sign of currency intervention. Although the yen has strengthened against the dollar it has fallen by over 1% against the euro in 2004. In fact the effective exchange rate of the yen has hardly changed since January and in real terms has fallen by 3% during 2004. Provided that any further currency appreciation is gradual, it seems likely that the authorities will tolerate a higher level of the yen since Japanese corporate earnings have become much more resilient to appreciation in recent years. The outlook for Chinese imports is particularly significant for Japanese exporters. November import data suggest that growth is no longer accelerating although there are no signs of a slowdown in Chinese demand. Thus far it appears that the tightening of credit and other administrative actions has had limited success in achieving deceleration from the unsustainable pace of the first quarter of this year. Monetary growth was high in November and it seems likely that Chinese interest rates will be raised further in the New Year. The authorities have stated that the main factor influencing monetary policy is inflation but recent trends are unclear. The rate of consumer price increase in China steadied in November but producer prices of equipment and raw materials continued to rise at a rate of nearly 11%. **Control of such a large and fast-growing economy is not straightforward — Japan and other linked Asian economies should be prepared for volatility in export demand if the slowdown in China requires further restrictive action.**

Euro-zone

Euro-zone exposed to stronger euro, weaker world trade growth in 2005.

Forecasts of economic growth for the Euro-zone for 2005 have been revised down below the already disappointing growth rate expected for 2004. In 2005 growth in the Euro-zone is forecast to be only 1.7%. The growth rate of the Euro-zone began 2004 strongly at 2.8% in the first quarter but growth weakened in the second quarter, falling to 2%. Data for the third quarter of 2004 showed a further decline, as the growth rate was only 1.2%. Survey evidence would suggest that activity has continued to slow through the fourth quarter and leading indicators predict a sluggish start to 2005. Manufacturers' assessment of Euro-zone demand is currently pessimistic and suggests that production growth will slow to about 1%. The slowdown in business conditions is more pronounced in Germany and Italy. The prospect of further cuts in employment levels in 2005 may explain the depressed level of consumer confidence in Europe. Although October retail sales data did suggest some improvement in fourth quarter demand in France and Germany, the weakness of labour markets and falling business confidence will reinforce the reluctance of European consumers to spend. Trade estimates for the third quarter of 2004 confirm the deterioration in the current account balance of the Euro zone. A quarterly surplus of €13 billion in the first quarter of the year had fallen to €6 billion by the third quarter. The outlook for next year has been improved by the fall in oil prices but a far more significant event for the Euro-zone has been the appreciation of the currency. At the beginning of 2004 the strong growth in world demand meant that the previous appreciation of the euro could be absorbed. **Now that the cycle in world trade has turned, the Euro-zone is more exposed and a further trade-weighted appreciation of 5% could reduce growth by up to 0.5% in the following year.** The ECB has also turned less optimistic on the progress of the recovery next year and the Bank's central estimate of GDP growth is now 1.9%. The Bank remains cautious, however, since high oil prices earlier this year together with some tax increases may keep the Euro-zone rate of inflation above 2% in 2005. On the basis of the ECB forecasts it appears unlikely that there will be any change in European interest rates in the first half of 2005 but the Bank assumes a constant exchange rate of $1.29 for 2005. A higher exchange rate would force further restructuring in European companies and tighter wage restraint. Domestic demand would be reduced and investment plans scaled back. In the event of further euro appreciation to $1.40 or higher, it thus seems possible that interest rates will be reduced in 2005 although the ECB may attempt intervention in the currency markets before resorting to rate cuts.

Former Soviet Union

Growth slows as uncertainty affects capital spending. Non-energy producers affected by rising real value of rouble

Recent data suggests that the impressive momentum of the Russia economy slowed markedly in the third quarter, mainly as a result of slower growth in exports and agricultural production. Real GDP growth slowed to about 5.5% in the third quarter from 7.4% in the first half of the year. The slowdown continued in the fourth quarter and the total output of goods and services in October was only 3.8% higher than the level of 2003. Construction activity was depressed by the banking problems earlier in the year which restricted the availability of credit. Growth in capital spending slowed and this reduced the growth in investment goods output to below 8%. The decline in the growth momentum was widespread but light industry suffered the worst as output was 3% below the levels of October 2003. The explanation for the slowdown lies probably in the higher rate of growth of imports in the second quarter of the year. Exports, in turn, have been affected by the rather depressed performance of the European economy in 2004, higher Russian inflation and the rising real value of the rouble. **In November the rouble appreciated by 2% against the dollar and in real effective terms the currency was 4% above the levels of December 2003.** Inflation in Russia remained at over 11% in October and it seems unlikely that inflation will fall below the target rate of 10% before the end of this year. Although export growth has slowed recently, the level of the trade surplus remains very high. The surplus for the first three quarters of 2004 was $62.5 billion, a 40% increase on the performance in 2003 and the increase in the level of foreign exchange reserves in October alone was over $12 billion. **The dilemma facing the Russian Central Bank illustrates the problems of monetary authorities which try to manage both the inflation rate and the exchange rate at the same time. The only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to appreciate.** Looking forward to 2005, GDP is likely to grow by no more than 6%. Fears of higher taxation and uncertainty about the outcome of the Yukos affair will restrain business investment. Domestic incomes will continue to grow strongly but rising import penetration will hold back local producers.

Eastern Europe

Third-quarter growth affected by Euro-zone weakness

The general signs of weakness in the Europe in the third quarter of this year seem to be moderating the strong growth of the Polish economy. GDP grew by 4.8% in the third quarter and industrial confidence indicators are cautious for the remainder of the year as companies have reported declines in new orders. Total industrial output in October was 8.6% above year-ago levels. Although inflation rose slightly to 4.5% in October, declining demand pressures should permit lower inflation by the end of the year. The National Bank of Poland expects that consumer price inflation will fall to 2.5% by the middle of next year. **The main problem facing the Polish authorities has been the budgetary outlook and 2004 has seen considerable progress.** Stronger-than-expected tax revenues and transfer payments from the EU means that the overall deficit for 2004 may be less than 6% of GDP. A further improvement is expected in 2005. The growth rate of the Czech Republic in the third quarter was 3.5% - this was below expectations thanks to slow growth in household spending and cuts in government expenditure. Growth in capital expenditure remained strong, rising by nearly 10% over 2003 levels and the performance of net exports also improved. In line with the performance of other economies in the region the Hungarian economy decelerated in the third quarter. The growth rate was 3.7% - slightly lower than the first half of the year. **The main problem lay in the weakness of the Euro-zone which depressed the rate of growth of Hungarian exports to only 10% in this period**. Investment spending continued to grow at a healthy rate of nearly 13% whilst consumer spending rose by 3.9%. As expected, the National Bank of Hungary cut interest rates by 0.5% in November. The Bank responded to the appreciation of the forint and the reduction in the rate of inflation. The move took the headline interest rate down to 10%. Further reductions in rates will depend upon the progress of the authorities in reducing the fiscal deficit. The official government target for 2004 is between 5.0% and 5.3% of GDP but the National Bank anticipates a deficit of at least 5.6% with little improvement expected for 2005.

OPEC Member Countries

OPEC Member Country economies to remain robust on strong oil exports and robust oil prices

Like most oil economies, OPEC Member Countries largely rely on the oil industry to serve as the main engine for economic growth. Hence, the continuing strong oil export levels are likely to keep economic growth and promote an increase in the overall export of goods and services. Together with the relative surge in oil prices, this will lead to a large increase in fiscal revenues, resulting in higher government spending as well as a continued increase in private consumption. Gross fixed investment will also benefit from the large oil receipts. However, this gain will be offset to some degree by further expansion in imports in some Member Countries, such as IR Iran. On average, growth in Member Countries in 2005 is expected to rise to 6%.

A giant step towards a greater common market in Asia, vigorous economic recovery in Brazil, and booming trade in Africa

Developing Countries

The 10th ASEAN summit held on 29-30 November resulted in the signing of a free trade agreement (FTA) between China and ASEAN countries in addition to 33 agreements and studies that were signed or adopted. This trend towards regional trade liberalization is likely to have some strong positive consequences, particularly in helping lower tariffs on traded goods and services. If all of the proposed FTAs go ahead as planned, the move to form partnership within China and ASEAN countries is a potentially extraordinary situation as it would turn the whole Asia into a tariff-free zone. It is claimed that the China-ASEAN pact alone will create the world's largest common market by 2010, as the group boasts a combined population of 1.9 billion and a total GDP of $2.4 trillion. Asia is expected to grow by 5.7% this year. The vigorous economic recovery in Brazil continued into the third quarter. GDP expanded by a rapid 6.1% pace, the best y-o-y performance in the last decade, boosting economic growth for the year to 3.7%. The healthy performance is attributed to continued strong export growth, along with lower domestic interest rates that have sparked a recovery in both investment and consumption. Exports posted a new record in the third quarter at $25 bn, as Brazil sold more commodities such as soybeans, iron ore and steel. Real GDP growth in Sub-Saharan Africa is expected to continue at a steady pace, rising from 4.6% in 2004 and 2005 to 5.2% in 2006. This relatively good performance is attributed to increased exports and commodity prices. Although full data for the year has not yet been released, optimists believe that African exports could match or even exceed their 23% surge of last year.

Sharp fall in US dollar as markets observe growing trade deficit.

Oil prices, the US dollar and inflation

The US dollar fell sharply in November as markets considered the exchange rate policy of the second Bush administration. Although the economic data continued to confirm the healthy fundamental performance of the US economy, markets were concerned by the continued deterioration in US net trade. **Certainly the economic data from Europe did not justify any improvement in the value of the euro and the statement from the President of the ECB confirmed that 'recent moves are unwelcome'.** In November the US dollar fell by 4% against the euro and the yen, 5% against the Swiss franc and by 3% against the British pound.

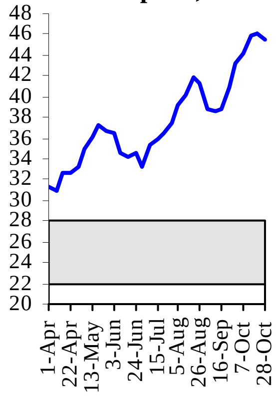
In November the OPEC Reference Basket fell to $38.96/b from $45.37/b in October. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 16.6% to $27.21/b from $32.63/b, as the impact of inflation and dollar weakness compounded the decrease in the Reference Basket price. The dollar fell by 2.8% 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.*

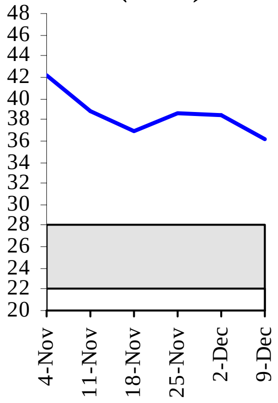
Crude Oil Price Movements

Continued high OPEC output sustained the downward price movement, as the monthly OPEC Reference Basket price slipped to $38.96/b in November

Weekly average Basket price, 2004



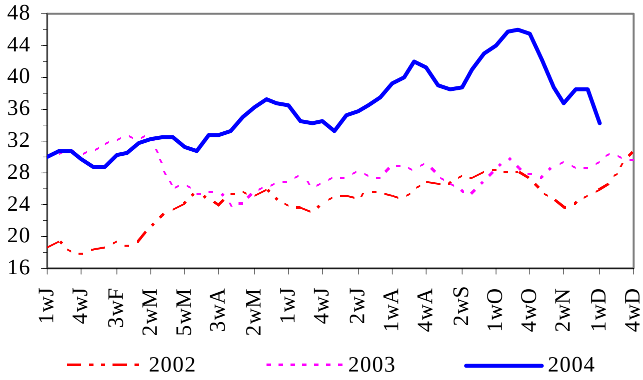
Nov-Dec 04
(US$/b)



OPEC Reference Basket

Prices in the industry trended down in November on easing concern over winter fuels despite a potential strike in Nigeria which threatened to halt supplies and continuing developments in the Yukos case. In the first week of November, the market awaited the results of the US election. The OPEC Reference Basket (ORB) slipped from a high of $43.31/b on 1 November to end the week at $38.56/b, for a weekly average at $42.14/b amid a hefty rise in the US crude oil stocks. The perception that supplies were ample ahead of winter added a bearish tone to the market, as did increased OPEC production amid a return of Iraqi northern output. As the threatened strike in Nigeria was called off, **prices slipped further, with the ORB average dropping to $38.81/b in the second week. Downward price movement continued in the third week as ample supplies of Mideast crudes, healthy refining margins for sour grades and recovering output from the US Gulf Coast kept the bears intact.** Although previously considered a bullish factor, high freight rates turned bearish as they trapped crudes in their regional markets. OPEC expectation of lower demand amid a surge in stockpiling kept the market calm. Despite revived concerns over winter heating fuels in the third week, the Basket's weekly average continued to drop, settling at $36.83/b. Disruption to Iraq's oil supplies amid restored fear of tight winter fuels in the Eastern and Northern hemisphere triggered a price surge, putting an end to three weeks of downward price movement. The Basket jumped $1.69 to $38.52/b in the fourth week of November. In the final two days of the month, the price surged momentarily on an interruption of around 200,000 b/d of North Sea production amid continued high freight rates limiting the outflow of arbitrage barrels.

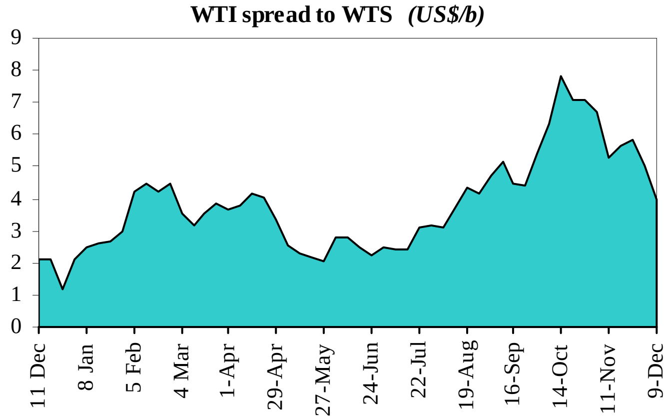
Graph 1
OPEC Reference Basket - weekly spot crude prices *(US$/b)*



OPEC Reference Basket stood at $38.96/b in November, down 14% or $6.41 from the month before, the lowest monthly average since last July. **While the previous month saw the sharpest increase, November now holds the record for the deepest price drop.** Ample supplies of Mideast crude amid healthy refining margins and the closure of arbitrage opportunities keep the market bears overall.

However, as of month's end, the Basket's yearly average stood at $36.07/b, which was still $8.12 or 29% over the previous year's level. **Prices continued to deteriorate in December as the Basket dropped below the $34/b level.** As of 14 December, the Basket's year-to-date average remained a strong $35.97/b with the month-to-date average at $34.21/b.

Graph 2
WTI spread to WTS ***(US$/b)***



Ongoing stock builds in US crude oil amid ample supply of cheap Mideast crudes helped ease the market

US market

The month began with the US market distracted by US Presidential election. Concern over a threatened strike in Nigeria supported WTI strength amid tight supply of light sweet grades amid high freight rates. However, with the strike called off, **fears**

diminished over the winter fuel supply, which exerted pressure on the petroleum complex. Accordingly, WTI slipped from a high of $50.14/b. Ample supply of Mideast sour crude attracted refiner buying as the sweet/sour spread between WTI/WTS remained wide, but narrower from October to average at around $6.5/b during the first week of the month. Despite concern over tight winter fuel ahead of seasonal demand in the US northeast region, a hefty build in crude oil stocks of some 6.3 mb to approach 290 mb pressured prices and helped WTI to tumble around 4% in the first week to $49.58/b. The slide continued in the second week on the prospect that supplies were sufficient to meet needs during the US northeast winter. This bearish trend was furthered on another build in the US crude oil stocks. WTI lost another 4.3% for a drop of $4.26/b over a two week period and WTI/ WTS spread narrowed to $5/b.

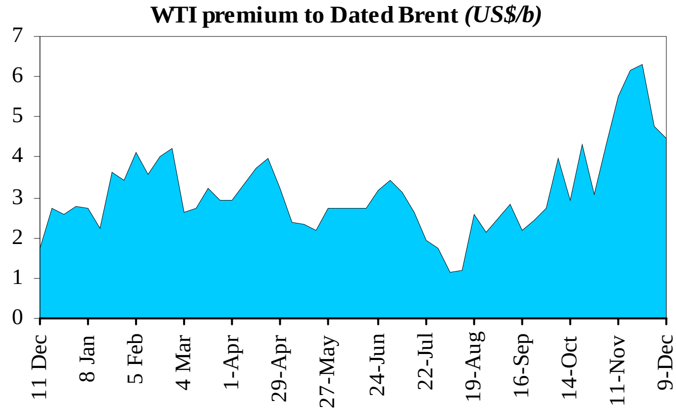
However, the market turned bullish on fears that **OPEC might scale back production at its upcoming Cairo Meeting.** A refinery outage in Venezuela at a time of falling distillate stocks sent WTI soaring nearly 3% in the third week. Accordingly, the sweet/sour spread for WTI/WTS widened to $5.70/b on fears of a shortage of light-end winter products. These concerns continued in the fourth week helping prices to rise with the premium of sweet to sour grades widening further to nearly $6/b while WTI hovered around the $50/b level towards month end. However, the bullish trend proved short-lived, as the bears returned driven by mild weather in the USA and building petroleum stocks. The market remained in contango throughout the month.

Plentiful North Sea supply amid persistently high freight rates pressured the differential to a six-year low. In the Mediterranean, healthy refining margins made sour grades attractive.

European market

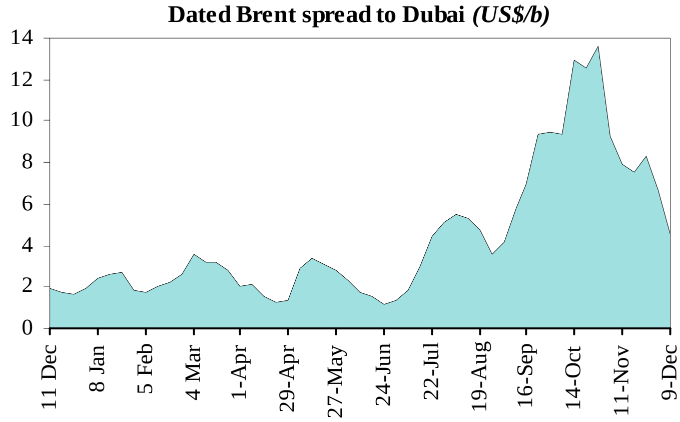
Ample supplies of North Sea crude amid aggressive selling pushed the differentials lower amid competing sour crudes. **Costly freight rates preventing shipment out of Europe and tax incentives to minimize year-end oil inventories supported the moderating price trend. This helped the market to flip into contango** in the first week of the month. However, a return of some refineries from turnaround amid ample supply further weakened the forward structure, and by the second week of November the contango incentive was so strong that it made sense to store crude. **Continued high freight rates amid ample supply of December barrels over the previous month pressured the North Sea crude to a discount**. In the second decade of the month, freight costs eased and the pressure came off of arbitrage sales of sour grade to Asia and the USA. Moreover, as the gasoil crack spread narrowed, prices fell further into discount. Nonetheless, an interruption in Statoil supply, caused by a gas leak on the *Snorre A* platform and the *Vigdis* satellite, helped differentials to firm towards the end of the month.

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



In the Mediterranean, Russia's Urals sour crude was under pressure from a slip in Mideast differentials. Conversely, delays at the Bosporus Strait amid high freight rates and healthy refining margins bolstered the grades in the first decade. **Differentials continued to firm on healthy buying interest in the second half as refiners continued to pick up lucrative sour grades.** Sentiment improved

Graph 4
Dated Brent spread to Dubai *(US$/b)*



on the outflow of some arbitrage cargoes eastward and westward. However, by the end of the month, sentiment turned somewhat bearish on ample supplies amid the new emerged December programme.

High freight rates suspended the eastward flow of Western crude and pressured prices of Middle Eastern sour grades

Far East market

The Mideast market began the month digesting Oman retroactive October OSP, which was hiked up $2.45/b or 96¢/b over Dubai, while Abu Dhabi raised its Murban to $5.26/b over Dubai. Hence, trade for these grades fetched lower premiums due to high freight rates. January Oman was discussed at a 2-9¢/b premium over MOG. Murban was assessed at 10-20¢/b premium to ADNOC's OSP in the first week amid limited interest for middle distillates. Despite high freight rates, the bearish sentiment remained for Mideast crudes on the inflow of western crude to the east. January Oman traded at a weaker premium of 2¢/b in the third week amid thin interest. **The continued outlook for warmer weather in the east amid high outright prices pushed the differential into discounts for Abu Dhabi Murban which for the first time in seven months traded at 15-18¢/b below the OSP**. In contrast, Oman was assessed at a 9¢/b premium.

Chinese buying of West African crudes exerted downward pressure on the high outright price of regional crudes. In Asian regional markets, activities were subdued for light sweet grades amid high absolute prices, which began to eat into Asian demand. Accordingly, **Malaysia's Petronas lowered its offer for December Penara Blend and Kidurong crude which sold at a premium of 50¢/b after an initial offer in the first week of 95¢/b to Tapis APPI as Chinese buying of West African crudes pressured the Asia/Pacific market once again.** Although price declines gave hope to sellers that they might achieve higher premiums amid robust freight rates, soaring flat prices maintained downward pressure, with Malaysia's Petronas offering January Tapis at a 10¢/b premium to Tapis APPI.

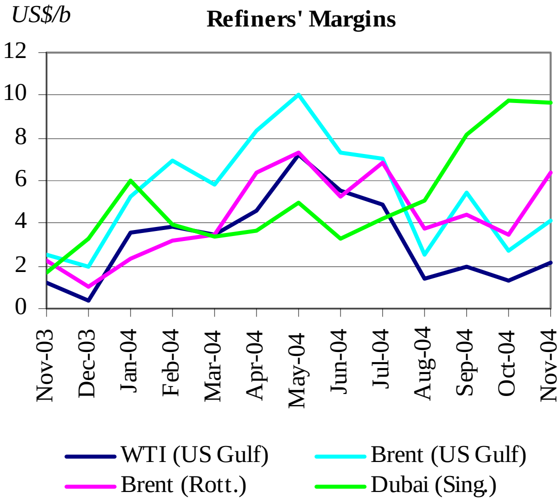
Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

			Year-to-date average	
	Oct 04	**Nov. 04**	2003	**2004**
Reference Basket	45.37	**38.96**	27.95	36.07
Arabian Light	39.00	**35.56**	27.53	34.52
Dubai	37.61	**34.87**	26.63	33.61
Bonny Light	49.91	**43.60**	28.67	38.20
Saharan Blend	50.48	**42.97**	28.62	38.24
Minas	49.68	**37.25**	29.25	37.02
Tia Juana Light	43.55	**37.37**	26.90	33.77
Isthmus	47.40	**41.10**	28.09	37.15
Other crudes				
Brent	49.74	**42.80**	28.70	38.13
WTI	53.32	**48.22**	30.97	41.30
Differentials				
WTI/Brent	3.58	**5.42**	2.27	3.17
Brent/Dubai	12.13	**7.93**	2.07	4.52

Product Markets and Refinery Operations

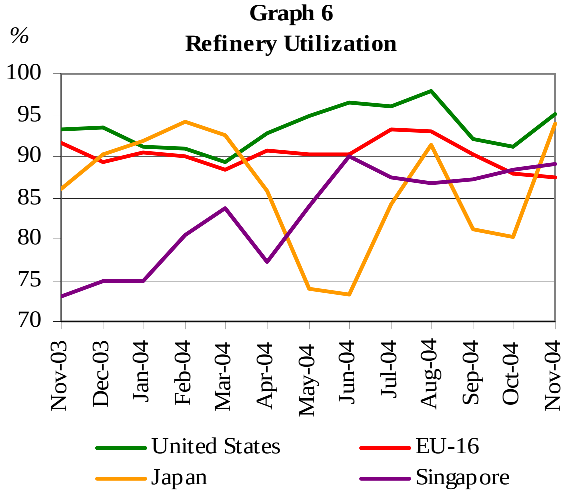
Mild weather across the globe and contra-seasonal middle distillate stock-builds over the last two weeks eased earlier concern about a possible shortage of heating oil in the winter. This situation has triggered a bearish sentiment since early December and is still weighing on the market. Despite these developments and a dramatic drop in prices for all products, the middle of the barrel remained the major market driver, and a cold spell may recuperate part of the recent losses in heating oil prices. **In November, the relative weakness of sweet benchmark crude oils, coupled with the strong performance of the light-medium products, resulted in a recovery in refinery margins in the Atlantic Basin from the previous month.** However, product cracks in early December tumbled along with crude prices, reversing the upward trend of refinery operating profits. Given the slowing demand for most products, refinery margins are expected to contract further by the end of December.

Graph 5
Refiners' Margins



Meanwhile, with the end of the refinery maintenance schedule, the refinery utilization rate increased in November compared to the previous month as refiners stepped up efforts to meet winter fuel demand and switched the middle distillate pool in favour of heating oil. **The refinery utilization rate in the USA increased to 95.20% in November, up 4% from the previous month.** At 87.40%, the refinery utilization rate in Europe was almost the same as in October. However, in an effort to build kerosene stocks, the refinery utilization rate in Japan soared to 93.90% from 80.30% in October.

Graph 6
Refinery Utilization



US market

Heating fuel dominated the US market, as a boost in output helped ease supply fears

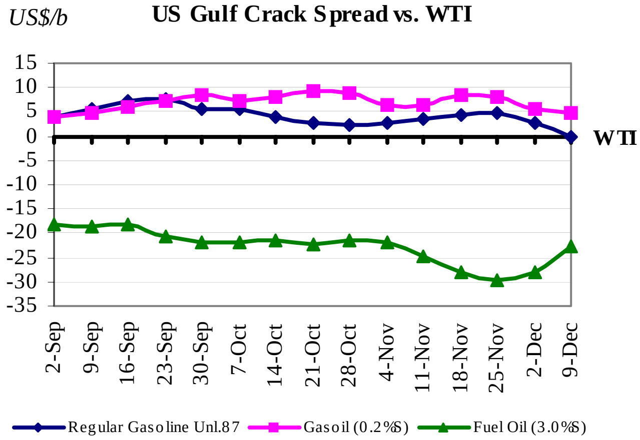
Concern over US heating fuel stocks outweighed other market developments and bolstered the premiums of middle distillates versus WTI in November. **As of 3 December 2004, the four-week average demand for middle distillates in the USA increased by nearly 6% compared with the same period last year. Similarly, production of middle distillates increased by 7%, easing winter supply fears, although distillate stocks for the entire USA were still 10% lower than in the same period last year.** Recent developments in distillate stocks have turned the short-term outlook for heating oil bearish. Nevertheless, demand was seasonally strong, and the potential for a bullish rebound remained high.

While demand for gasoline over the last four weeks was a slight 1% higher than in the same period last year, the gasoline crack made significant gains in November due to the decline in crude prices.

However, this situation has changed more recently due to higher gasoline output levels and imports, which have led to a stock-build and put pressure on gasoline prices and crack values.

Graph 7

US Gulf Crack Spread vs. WTI



Despite the good performance of the top and middle of the barrel in the US market, sentiment for fuel oil remains disappointing. Mild temperatures have undermined utility demand for low-sulphur fuel oil, causing PADDI (US East Coast) stocks to rise to over 16 mb, for a gain of nearly 2 mb in four weeks. Demand for high-sulphur fuel oil was also sluggish, and its discounted crack against WTI dropped nearly a substantial $10/b from late October, reaching minus $30/b.

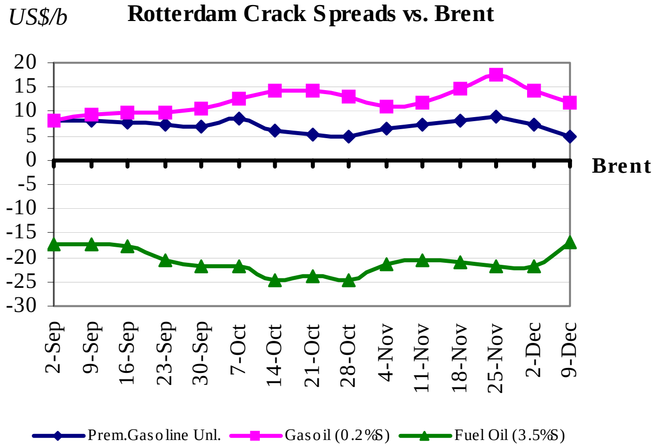
European market

Healthy demand ahead of stricter new specifications supported the gasoil crack in the European market in November

Robust demand ahead of the change in EU specifications along with refinery glitches in Europe boosted the gasoil crack spread against Brent to nearly $18/b in November. This situation changed in early December, driven mainly by rising US inventories, which caused refinery margins in both Europe and the rest of the world to plummet. The decrease in the diesel crack was especially spectacular.

Graph 8

Rotterdam Crack Spreads vs. Brent



European gasoline cracks were mixed in November, increasing in North-West Europe due to heavy buying from Statoil, but remained relatively constant from the previous month in the Mediterranean. However, due to unfavourable arbitrage to the US market and high regional supplies, gasoline market fundamentals remained weak in both North-West Europe and the Mediterranean.

The performance of naphtha in Europe was not as successful as that of other products in November. This was attributed to weak demand and poor arbitrage opportunities to both Asia and the USA in the face of high freight rates for shipping.

The sentiment for the jet market was also bearish because of sluggish seasonal demand, increased output following the end of maintenance and an influx of arbitrage cargoes from the Middle East. Despite improved performance in November, the fuel oil market continued to suffer from the high availability of prompt cargoes. The crack value for fuel oil stood at about minus $22/b compared with its corresponding Dated Brent benchmark crude.

Asian market

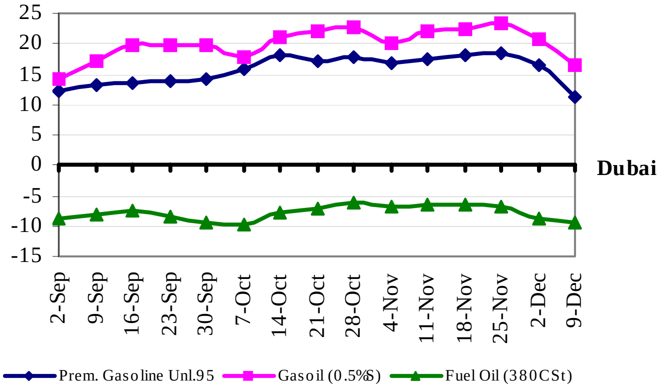
Middle distillates remained robust in Asia on strong Chinese demand

Middle distillate products extended their impressive performance versus Dubai crude in November before weakening in early December **In late November, the Asian gasoil crack spread against the Dubai benchmark crude oil reached $23.21/b compared to $22.76/b in late October 2004. The main driving force behind this good showing was Chinese demand, which rose to 450,000 tonnes in November from about 200,000 tonnes in October.** Despite the recent weakness, the outlook for the gasoil market over the next few months appears bullish. However, the forecast for mild weather in

North-Asia should help the sentiment for jet-kerosene to remain relatively bearish in the next months, despite Japanese kerosene stocks remaining at about 7% below last year's level.

In addition to middle distillates, naphtha's performance against the Dubai crude was excellent. The product received support from a drop in exports from India and strong Japanese demand. Due to the strength in naphtha prices versus gasoline prices, reforming margins narrowed in Asia. Moreover, strong demand for naphtha in Asia may encourage market players to divert unsold cargoes from Europe to Eastern markets.

Graph 9
Singapore Crack Spreads vs. Dubai



Meanwhile, the fuel oil price continued its late October recovery into the end of November before being dragged down by the influx of arbitrage cargoes and a sharp decline of crude oil prices on 2 December. The fuel oil crack spread versus Dubai widened a further $2/b compared to minus $6.77/b in late November.

Table 2
Refined product prices
US$/b

		Sept 04	Oct 04	Nov 04	Change Nov/Oct
US Gulf (Cargoes):					
Naphtha		51.33	56.86	52.19	–4.67
Premium gasoline	*(unleaded 93)*	55.59	58.45	53.16	–5.29
Regular gasoline	*(unleaded 87)*	52.25	56.89	52.29	–4.60
Jet/Kerosene		57.46	64.19	56.60	–7.59
Gasoil	*(0.2% S)*	52.38	61.54	55.61	–5.93
Fuel oil	*(1.0% S)*	29.63	34.51	31.19	–3.32
Fuel oil	*(3.0% S)*	26.07	31.47	21.80	–9.67
Rotterdam (Barges FoB):					
Naphtha		54.88	61.21	56.49	–4.72
Premium gasoline	*(unleaded 95)*	50.77	55.72	50.62	–5.10
Regular gasoline	*(unleaded)*	50.73	55.81	50.64	–5.17
Jet/Kerosene		58.49	65.91	60.31	–5.60
Gasoil	*(0.2% S)*	53.02	63.06	56.89	–6.17
Fuel oil	*(1.0% S)*	23.40	28.10	25.23	–2.87
Fuel oil	*(3.5% S)*	24.12	25.88	21.49	–4.39
Mediterranean (Cargoes):					
Naphtha		45.90	50.76	45.68	–5.08
Premium unleaded	*(0.15g/l)*	49.87	54.39	48.74	–5.65
Premium gasoline	*(unleaded 95)*	49.84	54.43	48.70	–5.73
Jet/Kerosene		56.28	62.82	57.18	–5.64
Gasoil	*(0.5% S)*	53.12	60.78	56.47	–4.31
Fuel oil	*(1.0% S)*	25.66	29.03	26.72	–2.31
Fuel oil	*(3.5% S)*	22.81	24.20	18.65	–5.55
Singapore (Cargoes):					
Naphtha		43.95	48.81	47.46	–1.35
Premium gasoline	*(unleaded 95)*	49.06	54.73	52.45	–2.28
Regular gasoline	*(unleaded 92)*	48.20	53.68	51.74	–1.94
Jet/Kerosene		55.30	61.25	57.64	–3.61
Gasoil	*(0.5% S)*	54.29	58.40	56.82	–1.58
Fuel oil	*(180 cst 2.0% S)*	27.84	30.96	29.40	–1.56
Fuel oil	*(380 cst 3.5% S)*	27.18	29.95	27.99	–1.96

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization* %			
	Sept 04	**Oct 04**	**Nov 04**	**Nov04/03**	**Sept 04**	**Oct 04**	**Nov 04**	**Nov 04/03**
USA	15.39	15.23	15.89	0.40	92.2	91.2	95.2	2.0
France	1.77 R	1.72	1.73	–0.13	90.7 R	88.1	88.6	–9.1
Germany	2.29 R	2.34 R	2.19	–0.15	100.0 R	102.3 R	95.7	–7.7
Italy	1.93 R	1.79	1.68	–0.26	83.6 R	77.4	72.6	–11.8
UK	1.66	1.66	1.66	0.06	91.1	91.3	91.1	1.9
Eur-16	12.46 R	12.15 R	12.06	–0.52	90.3 R	88.0 R	87.4	–4.2
Japan	3.82	3.77 R	4.41	0.32	81.2	80.3 R	93.9	7.9

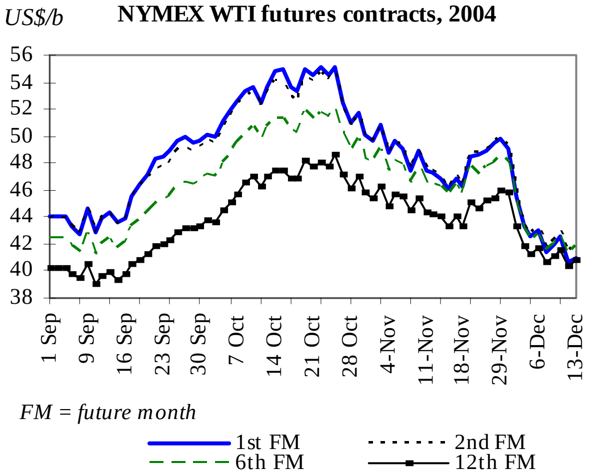
* *In barrels per calendar day.*
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA..*

The Oil Futures Market

Non-commercial funds net long positions declined in October from early in the month on continued crude oil stock builds in the USA

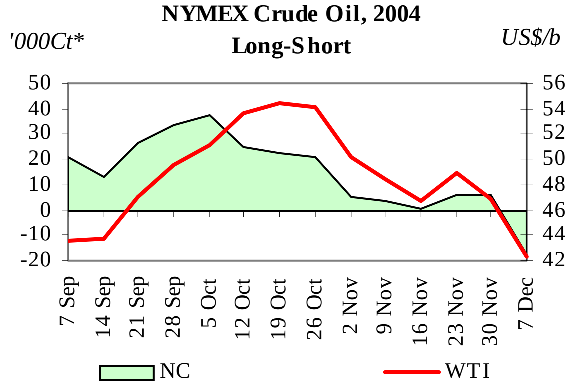
Crude oil futures fell in November from October highs on hefty selling by non-commercial speculative funds. In the first week of November, the net non-commercial long position was down some 16,000 contracts to 5,000 as speculators liquidated long positions. The Nymex WTI December contract slipped from $55.17/b on 26 October to $49.62/b on 2 November as concerns eased over heating oil supplies. **The slide continued in the third week on strong OPEC production amid a slowdown in demand growth which helped crude inventories to grow to comfortable levels ahead of the Northern Hemisphere winter. This encouraged speculative funds to move money out of the oil market on hefty funds sell-offs for profit-taking.**

Graph 10
NYMEX WTI futures contracts, 2004



The Nymex WTI contract slimmed further to $46.11/b on 16 November. Hence, the ratio of longs vs. shorts positions for non-commercials started to flatten with the contract moving toward equilibrium in the second and third week. However, winter fuel concerns revived ahead of the winter season, which helped crude oil futures to rise to $50/b in volatile trading in New York for the first time in three weeks. Still, the increase in net longs was mostly due to fund liquidating short positions at a higher pace than longs. Concern at month end on disrupted Norwegian platform added some nervousness to the market. However, this was balanced by a mild Thanksgiving Day holiday in the USA which triggered an early fund sell-off. Nonetheless, despite the continued sharp drop in speculation by non-commercial funds, **open interest remained high after falling from a peak of 715,000 lots early in November to 690,000 contracts at the end of the month as commercial increased long positions.**

Graph 11
Futures Commitment of Traders Report: NYMEX Crude Oil, 2004
Long-Short

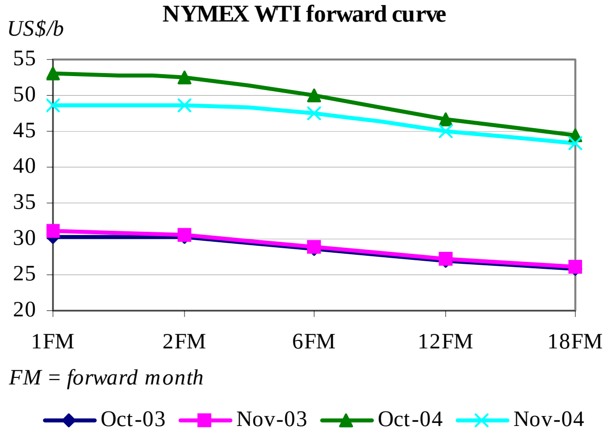


NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The forward curve remained in slight contango throughout November amid rising oil stocks in the USA

The forward curve flipped in slight contango for the 1st/2nd month spread on 4 November before steepening further while the 2nd/3rd month slipped into contango in the first decade. This was mainly due to a**mple supplies and rising crude oil stocks in the USA along with the easing of concerns over heating oil supplies ahead of the peak winter season. Cheaper oil prices for Mideast sour crude also**

Graph 12
NYMEX WTI forward curve



helped calm the market. Crude oil stocks saw a build of 3.6 mb to 293 mb between 29 October and 26 November and have increased **nearly 24 mb since 17 September, when oil inventories dropped** below the perceived minimum operational level due to supply disruption in the Gulf of Mexico due to Hurricane Ivan. Hence, the contango continued although the 1st/2nd month spread narrowed from peak of minus 45¢/b to a month average of minus 11¢/b amid persistent uncertainty over winter fuels.

The Tanker Market

OPEC area spot-chartering cancelled last month's 15% rise

In November, OPEC area spot chartering erased the previous month's gain of 15%, dropping to 13.19 mb/d for a loss of 1.93 mb/d compared to October and 1.68 mb/d below last year. This considerable decline in OPEC spot fixtures was due to a reported fall of about 420,000 b/d in OPEC oil production and also because of refiners' lack of interest in buying expensive barrels at a time when oil demand is starting to show some slowdown in the wake of mild weather in the north hemisphere. **OPEC's share of global spot chartering fell by about 3% to stand at 64.5% compared with the October level and slightly below last year's figure.** About 95% of the fall in OPEC spot fixtures occurred on the Middle East/East long-haul route which plunged by 1.84 mb/d to 4.42 mb/d due to the lower level of requirement for sour and heavy grades which are the main stream of this region. Middle East/West long-haul spot fixtures moved in different direction, increasing by 0.63 mb/d to 2.85 mb/d as relatively attractive price differentials attracted Atlantic Basin refineries to absorb more than their counterparts in the East. Compared with last year's level, eastbound long-haul spot fixtures were down 0.96 mb/d, while fixtures on the westbound long-haul route were up 0.54 mb/d. Together, **these routes accounted for about 55% of total spot-chartering in the OPEC area**, which was 1% less than last month's level, but 6% higher than that registered a year ago. **Non-OPEC spot fixtures remained almost unchanged at the previous month's level of 7.26 mb/d, which is 1.33 mb/d below last year's level.** Despite stable movement, the non-OPEC share rose to about 36% from 32% in October but remained at exactly the same level as last year. Therefore, **global spot fixtures retreated by 1.94 mb or 9% to 20.46 mb/d compared with last month, which was 3.78 mb/d or about 18% below the year-ago level**. According to preliminary estimates, sailings out of the OPEC area in November moved slightly down by 0.43 mb/d to a monthly average of 24.40 mb/d. Sailings out of the Middle East moved in the opposite direction, increasing a marginal 0.11 mb/d to a monthly average of 17.44 mb/d. This was equivalent to about 71% of total OPEC area sailings, or about 2% above last month's average. Preliminary estimates of arrivals in the Atlantic Basin area displayed small increases while the US Gulf and US East Coasts and the Caribbean area rose 0.47 mb/d to 11.24 mb/d and North-West Europe increased by 0.35 mb/d to 7.43 mb/d. Euro-med and Japan arrivals dropped, losing 0.02 mb/d to 4.53 mb/d and 0.74 mb/d to 4.12 mb/d respectively.

Crude oil freight rates remained at unprecedented high levels in November

Crude oil freight rates continued to head upward for the third consecutive month, touching all-time highs on all main routes. Ship-owners remained in a bullish mood for most of November as tonnage was tight and oil producers, especially within OPEC, continued to pump more barrels to abate very high oil prices. Estimated record volumes of oil in transit bolstered crude oil freight rates as charterers scrambled to make bookings amid little tonnage availability. **VLCC freight rates on the Middle East eastbound and westbound long-haul routes increased a further 30% and 28% respectively in November to stand at a monthly average of WS306 and WS210 for a rise of 92 and 59 points respectively**. VLCC rates touched their highest levels in the second week of November, hovering around WS340 eastbound and WS230 westbound before easing off in the second half due to lower activity because of some holidays in the main consuming regions. Suezmax freight rates secured an increase of about 15% on the West Africa/US Gulf Coast route and the NW Europe/US East-US Gulf Coast route, standing at a monthly average of WS336 and WS 342 for an increase of 49 and 53 points respectively. The Thanksgiving holiday in the USA had a noticeable impact on Suezmax rates, pulling them down from WS400 in the third week to close to their monthly average. Tight tonnage availability was the main driver behind the rise of about 26% in Aframax freight rates on the Indonesia/US West Coast route, lifting the monthly average to WS366 for an increase of 95 points over last month. In the Caribbean, Aframax freight rates managed to gain about 13% or 50 points to stand at a monthly average of WS387 in a fluctuating market where rates moved sharply up and down on barrel and tonnage availability. Aframax freight rates from the Mediterranean to NW Europe showed a slight rise of 6%, lifting the monthly average by 22 points to WS364 as activity supported rates during some time of the month while rates started to ease downward when slower demand forced owners to ask less by the end of the month. The only exception in crude oil freight rates was within the Mediterranean Basin where rates lost on average two points to stand at WS390 on the back of a drop in activity.

Product freight rates remained firm in November

Product freight rates remained firm for the fourth consecutive month in November, fueled by very healthy demand along all main routes, especially within the Mediterranean and from there to NW Europe. They registered a rise of 28% and 24% on these two routes, lifting the monthly average by 103 points to WS365 and 85 points to WS350 respectively. Tight tonnage availability and increasing demand especially for distillates encouraged owners to seek higher rates in a very tight market. Rates along NW Europe/US East-US Gulf Coast also gained heavily, rising by 24% or 92 points to stand at a monthly average of WS380 on the back of higher demand. In the Caribbean, rates followed the same trend, benefiting from strong demand for heating oil in the US market. They rose on average by about 16% or 56 points to WS351. In the East, freight rates along the Middle East/East and Singapore/East routes stayed high, rising a moderate 6% and 8% respectively on steady activity.

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

	Sept 04	Oct 04	Nov 04	Change Nov/Oct
Chartering				
All areas	21.74	22.39	20.46	–1.94
OPEC	13.58	15.12	13.19	–1.93
Middle East/east	5.22	6.26	4.42	–1.84
Middle East/west	2.22	2.22	2.85	0.63
Sailings				
OPEC	24.25	24.84	24.40	–0.43
Middle East	16.76	17.33	17.44	0.11
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.31	10.77	11.24	0.47
North West Europe	7.04	7.08	7.43	0.35
Euromed	4.26	4.54	4.53	–0.02
Japan	4.14	4.85	4.12	–0.74

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Sept 04	Oct 04	Nov 04	Change Nov/Oct
Crude					
Middle East/east	200–300	113	214	306	92
Middle East/west	200–300	100	151	210	59
West Africa/US Gulf	100–160	163	287	336	49
North-West Europe/US East Coast	100–160	169	289	342	53
Indonesia/US West Coast	70–100	185	271	366	95
Caribbean/US East Coast	40–70	197	337	387	50
Mediterranean/Mediterranean	40–70	200	392	390	–2
Mediterranean/North-West Europe	70–100	151	342	364	22
Products					
Middle East/east	30–50	214	368	390	22
Singapore/east	25–30	273	333	360	27
Caribbean/US Gulf Coast	25–30	241	295	351	56
North-West Europe/US East Coast	25–30	235	288	380	92
Mediterranean/Mediterranean	25–30	210	262	365	103
Mediterranean/North-West Europe	25–30	255	265	350	85

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

World Oil Demand

World oil demand growth is estimated at 2.51 mb/d or 3.17%, while the yearly average stands at 81.77 mb/d

Revision to historical figures (2002-2003)

World oil demand data for 2003 underwent a new marginal upward revision of 0.02 mb/d with the new yearly average at 79.26 mb/d. The adjustments were widespread among both non-OECD and OECD countries, with North America and Other Europe revised up by 0.01 mb/d and 0.04 mb/d, respectively. In contrast, two regions in the Developing Countries, namely the Middle East and Africa, were revised down by 0.01 mb/d and 0.03 mb/d respectively.

Forecast for 2004

World

As we approach the end of 2004, the latest projections indicate that total world oil demand will grow by 3.17% which in volume terms represents a y-o-y gain of 2.51 mb/d — a level not seen since 1977. In absolute terms, world oil demand is estimated to average 81.77 mb/d for the year. Although still subject to further minor adjustments, preliminary data for the first three quarters of 2004 indicates that demand rose 2.22% or 1.77 mb/d in the first quarter of 2004, followed by an astonishing 3.85 mb/d or 5% rise in the second quarter of the year. The latest demand figures for the third quarter, shown completed here for the first time, indicate that world oil demand grew by 3.13% or 2.47 mb/d. Fourth-quarter world oil demand is projected to rise 2.40% or 1.95 mb/d to average 83.11 mb/d.

Table 6
World oil demand forecast for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 2004/03 Volume	%
North America	24.58	25.03	24.85	25.19	25.30	25.09	0.52	2.10
Western Europe	15.39	15.71	15.33	15.66	15.81	15.63	0.24	1.54
OECD Pacific	8.78	9.38	8.00	8.25	8.99	8.65	–0.13	–1.42
Total OECD	**48.75**	**50.12**	**48.18**	**49.10**	**50.11**	**49.37**	**0.63**	**1.29**
Other Asia	7.86	8.09	8.36	8.14	8.53	8.28	0.43	5.42
Latin America	4.74	4.68	4.92	4.96	4.97	4.88	0.15	3.12
Middle East	5.06	5.23	5.27	5.41	5.46	5.34	0.28	5.48
Africa	2.62	2.63	2.66	2.65	2.74	2.67	0.05	2.05
Total DCs	**20.27**	**20.63**	**21.22**	**21.16**	**21.69**	**21.18**	**0.90**	**4.46**
FSU	3.78	3.61	3.78	3.99	4.22	3.90	0.12	3.30
Other Europe	0.90	0.98	0.94	0.90	1.05	0.97	0.06	7.12
China	5.56	6.26	6.77	6.34	6.04	6.35	0.79	14.21
Total "Other Regions"	**10.24**	**10.86**	**11.48**	**11.23**	**11.31**	**11.22**	**0.98**	**9.57**
Total world	**79.26**	**81.60**	**80.88**	**81.49**	**83.11**	**81.77**	**2.51**	**3.17**
Previous estimate	79.24	81.58	80.87	81.37	83.14	81.74	2.50	3.16
Revision	0.02	0.02	0.01	0.13	–0.03	0.03	0.01	0.01

Totals may not add due to independent rounding.

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

	1Q03	1Q04	Change 2004/03 Volume	Change 2004/03 %	2Q03	2Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.52	25.03	0.50	2.06	24.15	24.85	0.70	2.89
Western Europe	15.37	15.71	0.34	2.21	15.12	15.33	0.21	1.37
OECD Pacific	9.76	9.38	–0.38	–3.85	8.19	8.00	–0.20	–2.40
Total OECD	**49.65**	**50.12**	**0.47**	**0.94**	**47.47**	**48.18**	**0.71**	**1.49**
Other Asia	7.66	8.09	0.43	5.67	7.65	8.36	0.71	9.34
Latin America	4.53	4.68	0.15	3.24	4.72	4.92	0.19	4.09
Middle East	4.99	5.23	0.24	4.74	4.87	5.27	0.41	8.33
Africa	2.62	2.63	0.01	0.55	2.60	2.66	0.06	2.41
Total DCs	**19.80**	**20.63**	**0.83**	**4.20**	**19.84**	**21.22**	**1.38**	**6.93**
FSU	4.02	3.61	–0.41	–10.09	3.35	3.78	0.43	12.67
Other Europe	0.95	0.98	0.03	3.52	0.90	0.94	0.04	4.20
China	5.41	6.26	0.85	15.66	5.46	6.77	1.31	23.89
Total "Other Regions"	**10.38**	**10.86**	**0.48**	**4.58**	**9.72**	**11.48**	**1.77**	**18.20**
Total world	**79.83**	**81.60**	**1.77**	**2.22**	**77.03**	**80.88**	**3.85**	**5.00**

Totals may not add due to independent rounding.

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

	3Q03	3Q04	Change 2004/03 Volume	Change 2004/03 %	4Q03	4Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.76	25.19	0.43	1.73	24.86	25.30	0.44	1.76
Western Europe	15.40	15.66	0.26	1.71	15.68	15.81	0.14	0.88
OECD Pacific	8.03	8.25	0.22	2.79	9.15	8.99	–0.16	–1.72
Total OECD	**48.19**	**49.10**	**0.91**	**1.90**	**49.69**	**50.11**	**0.42**	**0.84**
Other Asia	7.86	8.14	0.27	3.48	8.24	8.53	0.28	3.45
Latin America	4.83	4.96	0.13	2.76	4.85	4.97	0.12	2.43
Middle East	5.26	5.41	0.15	2.82	5.14	5.46	0.32	6.23
Africa	2.59	2.65	0.06	2.44	2.66	2.74	0.07	2.77
Total DCs	**20.54**	**21.16**	**0.62**	**3.01**	**20.89**	**21.69**	**0.80**	**3.81**
FSU	3.68	3.99	0.31	8.33	4.05	4.22	0.16	4.05
Other Europe	0.85	0.90	0.05	5.93	0.92	1.05	0.13	14.71
China	5.76	6.34	0.58	10.14	5.61	6.04	0.43	7.70
Total "Other Regions"	**10.29**	**11.23**	**0.94**	**9.15**	**10.58**	**11.31**	**0.73**	**6.91**
Total world	**79.02**	**81.49**	**2.47**	**3.13**	**81.16**	**83.11**	**1.95**	**2.40**

Totals may not add due to independent rounding.

OECD

Total OECD demand has been revised upwardly a marginal 0.03 mb/d from the last *MOMR*. Latest projections call for a 0.63 mb/d or 1.29% growth in crude oil and petroleum product deliveries to average 49.37 mb/d. The lion's share of the rise in consumption originates in North America. However, Western European demand was also increased for the year as new data from the third quarter points to stronger consumption. OECD Pacific demand is expected to shrink by 0.13 mb/d or 1.42% to average 8.65 mb/d for the year. With preliminary data for the first tree quarters of the year indicating growth of 0.47 mb/d, 0.71 mb/d and 0.91 mb/d respectively, fourth-quarter projections call for a 0.41 mb/d rise. Latest figures show that US oil demand was up significantly in November following a meagre rise in October. In OECD Asia, Japan's consumption of crude oil and petroleum products appears to have recovered in November following a pronounced contraction in October. Despite mild temperatures so far this year, consumption growth in OECD countries seems to have arrested the drop in October with preliminary data showing a robust increase in November.

The breakdown of total OECD oil requirements by products for the period January-September 2004 shows that inland deliveries of gasoil/diesel, LPG and gasoline grew by 0.21 mb/d, 0.14 mb/d and 0.14 mb/d, with respect to the same period last year. In contrast, **residual fuel oil requirements continued to decline falling by almost 8.7% or 0.28 mb/d during the first 9 months of this year.** Total oil requirements registered a gain of 0.71 mb/d or 1.45% in the period January-September. A more detailed look shows that inland deliveries rose 0.51 mb/d or 1.14% while marine bunkers grew by 0.13 mb/d or 8.9%. The two other components, namely refinery own use and backflows, rose 0.04 mb/d or 1.62% and 0.05 mb/d or 9.76% respectively. Direct use of crude oil for burning in thermal plants fell 0.03 mb/d or 18.1% during the period.

Developing Countries

Oil demand in Developing Countries is projected to rise 0.9 mb/d or 4.5% to average 21.18 mb/d for the present year. Almost 50% of the growth will take place in "Other Asia" underpinned by the strength in demand for transportation fuel in India. Preliminary figures for the first three quarters of this year indicate that India's demand grew by 9.3%, 10.2% and 3% respectively. The income effect arising from record high oil prices, solid rates of economic growth currently estimated at 5.94%, and the heavily subsidized energy prices in the Middle East lead us to believe that consumption of petroleum products will increase by around 5.5% this year. In the other two regions, oil demand is projected to rise at a more moderate pace, with Latin America showing a 3.12% growth, while Africa's oil demand will rise by around 2%.

Other Regions

With three full quarters of preliminary data at hand, apparent demand in the group "Other Regions" is projected to rise by almost one million barrels per day, which translates into a y-o-y change of 9.6%. China will account for four fifths of the total rise in apparent demand with the remaining 20% split between FSU with 0.12 mb/d and Eastern European countries which added 0.06 mb/d. Production and trade data for China shows that apparent demand grew by 9.15% in the third quarter of the year. **Despite this still sizeable increase, preliminary indications show that apparent consumption of crude and petroleum products in China is starting to recede from astonishing rates early in the year of 15.7% in the first quarter and 23.9% in the second one.** The forecast for the last quarter of 2004 shows a further deceleration in the rate of demand growth to 0.73 mb/d or 6.9% versus the last quarter of 2003. All in all China's demand is projected to rise 0.79 mb/d, which translates into a y-o-y gain of 14.2% and represents one third of the total world demand rise. Apparent demand in the FSU is projected to rise 0.12 mb/d or 3.3% on the back of the faster growth in export volumes despite the rise in production levels.

Table 9
World oil demand forecast for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.09	25.19	25.12	25.33	25.67	25.33	0.24	0.94
Western Europe	15.63	15.77	15.36	15.71	15.85	15.67	0.04	0.28
OECD Pacific	8.65	9.31	7.85	8.22	8.93	8.58	–0.08	–0.89
Total OECD	**49.37**	**50.27**	**48.34**	**49.26**	**50.45**	**49.58**	**0.20**	**0.41**
Other Asia	8.28	8.23	8.41	8.44	8.83	8.48	0.20	2.42
Latin America	4.88	4.80	5.07	5.11	5.09	5.01	0.13	2.67
Middle East	5.34	5.57	5.65	5.78	5.80	5.70	0.36	6.74
Africa	2.67	2.75	2.76	2.68	2.79	2.75	0.07	2.79
Total DCs	**21.18**	**21.35**	**21.88**	**22.01**	**22.51**	**21.94**	**0.76**	**3.61**
FSU	3.90	3.91	3.86	4.07	4.29	4.04	0.14	3.47
Other Europe	0.97	1.01	0.88	0.92	1.08	0.97	0.00	0.29
China	6.35	6.74	7.20	6.67	6.43	6.76	0.40	6.37
Total "Other Regions"	**11.22**	**11.65**	**11.94**	**11.66**	**11.80**	**11.76**	**0.54**	**4.84**
Total world	**81.77**	**83.27**	**82.16**	**82.93**	**84.76**	**83.28**	**1.51**	**1.85**
Previous estimate	81.74	83.05	81.96	82.98	84.90	83.23	1.49	**1.82**
Revision	0.03	0.22	0.20	–0.06	–0.14	0.05	0.02	**0.03**

Totals may not add due to independent rounding.

Average world oil demand is projected to rise 1.51 mb/d or 1.85% to 83.28 mb/d

Forecast for 2005

The world oil demand forecast for the year 2005, first introduced in July of this year, has been further revised based on four assumptions. The first is that the world economy will continue to grow but at a slower pace than that seen in the present year. Thus, world economic expansion on a PPP basis is assumed at 4.05% for 2005, which is considerably lower than the 4.81% growth in world GDP expected for the present year. Secondly, temperatures are expected to return to normal conditions after the milder than average weather experienced this year, especially in the USA. Preliminary weather indications call for lower winter temperatures for the next weeks in the USA and winter season temperatures are expected to be below average. Thirdly, the Chinese economy, which has been the major engine behind the abnormally high growth in oil demand this year, is projected to expand in 2005, albeit at a slower pace. Finally, economic expansion in the USA, the other economy that has experienced a substantial growth in oil demand during the present year, is forecast to decelerate from the current 4.2% to a more moderate 3.2% in 2005.

Thus, average world oil demand is projected at 83.28 mb/d, implying a gain of 1.51 mb/d or 1.85% over total 2004 consumption. This preliminary assessment is indeed subject to further adjustment as new information becomes available on key factors such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events, and variations in crude and product prices.

Oil consumption is expected to grow in all major regions with the sole exception of the OECD Pacific where demand will contract by 0.9%. North America, especially the USA, will contribute the bulk of demand growth within the OECD countries, while China will make up more than one fourth of total world oil demand growth in 2005. **China represents a major risk to next year's demand forecast, with the main question being whether China's demand for crude and petroleum products will normalize in 2005. The average for the last nine-year marginal Chinese demand was 0.28 mb/d versus 2004's expected 0.8 mb/d.** Behind this year's astonishing growth in demand were the country's power deficit and strong economic growth. Nonetheless, diesel demand growth to feed back up generators is expected to ease as other non-oil generating sources gradually increase. On the economic arena, GDP growth next year is projected to decelerate to 7.6% from 9.1% in 2004. Early this year the Chinese central government implemented a series of administrative measures designed to slow down the overheated economic expansion. It appears that these measures did not have the desired effect. Therefore the government has been forced to make use of purely monetary policies in a new attempt to slow down economic growth. It is still too early to assess the effectiveness of the recent policies. However, the intentions of the Chinese government with regard to the economy are very clear. Thus, we should remain vigilant on the latest developments in China and their impact on consumption patterns.

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

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.03	25.19	0.17	0.67	24.85	25.12	0.27	1.09
Western Europe	15.71	15.77	0.06	0.36	15.33	15.36	0.03	0.21
OECD Pacific	9.38	9.31	–0.07	–0.77	8.00	7.85	–0.14	–1.77
Total OECD	**50.12**	**50.27**	**0.15**	**0.30**	**48.18**	**48.34**	**0.16**	**0.33**
Other Asia	8.09	8.23	0.14	1.72	8.36	8.41	0.05	0.59
Latin America	4.68	4.80	0.12	2.51	4.92	5.07	0.15	3.05
Middle East	5.23	5.57	0.34	6.58	5.27	5.65	0.37	7.09
Africa	2.63	2.75	0.12	4.53	2.66	2.76	0.09	3.43
Total DCs	**20.63**	**21.35**	**0.72**	**3.49**	**21.22**	**21.88**	**0.66**	**3.13**
FSU	3.61	3.91	0.30	8.28	3.78	3.86	0.08	2.20
Other Europe	0.98	1.01	0.02	2.22	0.94	0.88	–0.05	–5.72
China	6.26	6.74	0.48	7.64	6.77	7.20	0.43	6.34
Total "Other Regions"	**10.86**	**11.65**	**0.80**	**7.36**	**11.48**	**11.94**	**0.46**	**3.99**
Total world	**81.60**	**83.27**	**1.67**	**2.05**	**80.88**	**82.16**	**1.28**	**1.59**

Totals may not add due to independent rounding.

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

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.19	25.33	0.14	0.57	25.30	25.67	0.36	1.43
Western Europe	15.66	15.71	0.05	0.29	15.81	15.85	0.04	0.25
OECD Pacific	8.25	8.22	–0.03	–0.42	8.99	8.93	–0.06	–0.68
Total OECD	**49.10**	**49.26**	**0.15**	**0.31**	**50.11**	**50.45**	**0.34**	**0.68**
Other Asia	8.14	8.44	0.30	3.69	8.53	8.83	0.31	3.61
Latin America	4.96	5.11	0.14	2.84	4.97	5.09	0.11	2.26
Middle East	5.41	5.78	0.38	6.96	5.46	5.80	0.35	6.33
Africa	2.65	2.68	0.03	1.28	2.74	2.79	0.06	2.01
Total DCs	**21.16**	**22.01**	**0.85**	**4.03**	**21.69**	**22.51**	**0.82**	**3.78**
FSU	3.99	4.07	0.09	2.16	4.22	4.29	0.08	1.79
Other Europe	0.90	0.92	0.02	1.85	1.05	1.08	0.03	2.48
China	6.34	6.67	0.32	5.12	6.04	6.43	0.39	6.42
Total "Other Regions"	**11.23**	**11.66**	**0.43**	**3.81**	**11.31**	**11.80**	**0.49**	**4.33**
Total world	**81.49**	**82.93**	**1.43**	**1.76**	**83.11**	**84.76**	**1.65**	**1.99**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply for 2004 revised down to 49.76 mb/d in November, an increase of 1.17 mb/d over the 2003 figure

Non-OPEC

Forecast for 2004

Non-OPEC supply for 2004 has been revised down to 49.76 mb/d, with a quarterly distribution of 49.61 mb/d, 49.72 mb/d, 49.54 mb/d and 50.29 mb/d respectively. **Fourth-quarter projections were revised down significantly — for Canada by 0.21 mb/d due to technical problems in synthetic crude production, while Russian output was 0.22 mb/d less than expected in the last *MOM*R.** The yearly average increase stands at 1.17 mb/d compared with the 2003 figure.

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

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03
North America	14.59	14.80	14.72	14.39	14.71	14.66	0.07
Western Europe	6.39	6.39	6.26	5.83	6.12	6.15	–0.24
OECD Pacific	0.65	0.59	0.56	0.58	0.56	0.57	–0.08
Total OECD	**21.63**	**21.78**	**21.55**	**20.80**	**21.39**	**21.38**	**–0.25**
Other Asia	2.36	2.47	2.51	2.59	2.61	2.55	0.19
Latin America	3.91	3.89	3.91	3.97	3.95	3.93	0.02
Middle East	2.00	1.94	1.89	1.87	1.85	1.89	–0.11
Africa	3.05	3.30	3.35	3.46	3.57	3.42	0.37
Total DCs	**11.32**	**11.60**	**11.66**	**11.90**	**11.98**	**11.79**	**0.47**
FSU	10.27	10.78	11.06	11.33	11.47	11.16	0.90
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.43	3.47	3.54	3.43	3.43	0.03
Total "Other regions"	**13.85**	**14.38**	**14.70**	**15.03**	**15.07**	**14.77**	**0.92**
Total non-OPEC production	**46.79**	**47.76**	**47.91**	**47.73**	**48.44**	**47.93**	**1.14**
Processing gains	1.80	1.85	1.81	1.81	1.85	1.83	0.03
Total non-OPEC supply	**48.59**	**49.61**	**49.72**	**49.54**	**50.29**	**49.76**	**1.17**
Previous estimate	48.59	49.63	49.72	49.49	50.79	49.91	1.32
Revision	**0.00**	**–0.01**	**0.00**	**0.05**	**–0.51**	**–0.15**	**–0.15**

Totals may not add due to independent rounding.

Non-OPEC supply for 2005 forecast at 50.98 mb/d, an increase of 1.22 mb/d over 2004

Forecast for 2005

Non-OPEC supply for 2005 is forecast to increase 1.22 mb/d. **North America should witness a rise of 0.16 mb/d mainly from a 0.08 mb/d gain by Canada, partially offset by an expected 0.12 mb/d decline in both OECD Pacific and Western Europe where UK is forecast to dip 0.08 mb/d. Total OECD supply is likely to increase to 21.42 mb/d. Total DC supply is forecast to rise 0.57 mb/d, mainly contributed by Latin America, with Brazil adding 0.12 mb/d and Trinidad 0.05 mb/d, as well as Africa where Angola, Sudan and Chad should see increases of 0.19 mb/d, 0.06 mb/d and 0.04 mb/d respectively. FSU is expected to be the major contributor to the rise, mainly on Russia's gain of 0.47 mb/d, while Kazakhstan and Azerbaijan are expected to add 0.06 mb/d each.** Quarterly figures are redistributed at 50.85 mb/d, 50.91 mb/d, 50.74 mb/d and 51.53 mb/d respectively. The yearly average is forecast at 50.98 mb/d.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.66	14.96	14.89	14.55	14.87	14.82	0.16
Western Europe	6.15	6.30	6.17	5.74	6.03	6.06	–0.09
OECD Pacific	0.57	0.56	0.53	0.55	0.53	0.54	–0.03
Total OECD	**21.38**	**21.82**	**21.59**	**20.84**	**21.43**	**21.42**	**0.04**
Other Asia	2.55	2.47	2.51	2.60	2.61	2.55	0.00
Latin America	3.93	4.13	4.15	4.21	4.20	4.17	0.24
Middle East	1.89	1.91	1.89	1.88	1.86	1.89	0.00
Africa	3.42	3.70	3.67	3.75	3.88	3.75	0.33
Total DCs	**11.79**	**12.22**	**12.22**	**12.44**	**12.55**	**12.36**	**0.57**
FSU	11.16	11.35	11.65	11.93	12.08	11.75	0.59
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.43	3.44	3.49	3.55	3.45	3.45	0.02
Total "Other regions"	**14.77**	**14.96**	**15.30**	**15.65**	**15.70**	**15.37**	**0.61**
Total non-OPEC production	**47.93**	**49.00**	**49.10**	**48.93**	**49.68**	**49.15**	**1.22**
Processing gains	1.83	1.85	1.81	1.81	1.85	1.83	0.00
Total non-OPEC supply	**49.76**	**50.85**	**50.91**	**50.74**	**51.53**	**50.98**	**1.22**
Previous estimate	49.91	50.86	50.91	50.69	52.02	51.12	1.21
Revision	**–0.15**	**–0.02**	**0.00**	**0.05**	**–0.49**	**–0.15**	**0.00**

Totals may not add due to independent rounding

Net FSU oil export for 2005 forecast at 7.72 mb/d, an increase of 0.45 mb/d over 2004

The FSU net oil export for 2005 is expected at 7.72 mb/d, an increase of 0.45 mb/d over the 2004 figure of 7.26 mb/d.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.60**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004 (forecast)	7.17	7.28	7.34	7.26	**7.26**
2005 (forecast)	7.44	7.78	7.85	7.79	**7.72**

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

OPEC natural gas liquids and non-conventional oils

The 2005 forecast for OPEC NGL+NCO remains unchanged at 4.14 mb/d, an increase of 0.19 mb/d over the 2004 figure. Figures for 2001–2003 also remained unchanged at 3.58 mb/d, 3.62 mb/d and 3.71 mb/d respectively, compared with the figures in the last *MOMR*.

OPEC NGL production — 2001-2005
mb/d

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

Available secondary sources put OPEC's November production at 29.76 mb/d

OPEC crude oil production

Available secondary sources indicate that **OPEC's output for November was 29.76 mb/d, 0.42 mb/d less than the revised October figure.** Table 15 shows OPEC production as reported by selected secondary sources.

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

	2002	2003	2Q04	3Q04*	Oct04*	**Nov04***	Nov-Oct
Algeria	864	1,134	1,199	1,257	1,278	1,285	7
Indonesia	1,120	1,027	969	958	956	954	–2
IR Iran	3,416	3,757	3,903	3,940	3,949	3,925	–24
Iraq	2,000	1,323	2,009	1,990	2,258	1,826	–432
Kuwait	1,885	2,173	2,292	2,395	2,441	2,433	–8
SP Libyan AJ	1,314	1,422	1,499	1,577	1,600	1,600	0
Nigeria	1,969	2,131	2,342	2,365	2,307	2,358	50
Qatar	648	746	772	796	799	800	1
Saudi Arabia	7,535	8,709	8,637	9,406	9,480	9,475	–5
UAE	1,988	2,243	2,243	2,459	2,501	2,486	–15
Venezuela	2,584	2,291	2,547	2,605	2,611	2,620	9
Total OPEC	**25,322**	**26,955**	**28,412**	**29,748**	**30,180**	**29,761**	**–419**

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

Rig Count

Non-OPEC rig count up 109 in November

Non-OPEC

Non-OPEC rig activity was higher in November compared with the October figure. North America gained 97 rigs, mainly in Canada and the USA, while Western Europe was down 1 rig to total 64. Rig activity in Developing Countries was up by 13 rigs to 398, mainly in the Middle East and Latin America.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	Oct04	Nov04	Change Nov/Oct
North America	1,162	1,496	333	1,722	1,819	97
Western Europe	85	78	–7	65	64	–1
OECD Pacific	17	18	1	20	20	0
OECD	**1,264**	**1,592**	**328**	**1,807**	**1,903**	**96**
Other Asia	111	117	7	129	131	2
Latin America	106	116	10	132	136	4
Middle East	62	70	7	69	75	6
Africa	43	48	5	55	56	1
DCs	**322**	**350**	**28**	**385**	**398**	**13**
FSU	na	na	na	na	na	na
Other Europe	2	2	0	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,588**	**1,944**	**356**	**2,194**	**2,303**	**109**

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

OPEC added 21 rigs in November

OPEC

OPEC’s rig count was 267 in October, a rise of 21 rigs compared with the October figure. The gain in rig activity was mainly contributed by Venezuela and Indonesia.

Table 17
OPEC rig count

	2002	2003	Change 03/02	Oct04	Nov04	Change Nov/Oct
Algeria	20	20	0	19	**20**	1
Indonesia	46	45	–1	46	**51**	5
IR Iran	34	35	1	43	**41**	–2
Iraq	na	na	na	na	**na**	na
Kuwait	6	5	–1	14	**15**	1
SP Libyan AJ	10	10	0	10	**9**	–1
Nigeria	12	10	–2	7	**9**	2
Qatar	13	8	–5	8	**10**	2
Saudi Arabia	32	32	0	31	**28**	–3
UAE	16	16	0	14	**13**	–1
Venezuela	42	37	–6	54	**71**	17
Total OPEC	**231**	**217**	**–14**	**246**	**267**	**21**

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

Stock Movements

US commercial oil stocks at the end of November showed contra-seasonal build of 0.54 mb/d

USA

US commercial oil stocks continued the contra-seasonal build observed in the previous two months increasing by 15.0 mb at a rate of 0.54 mb/d to 978.7 mb during the period 29 October-3 December. The bulk of this build came from product inventories which increased by 10.8 mb, while crude oil stocks rose only 4.2 mb. This build widened the y-o-y surplus to 16.4 mb or 1.7%. Crude oil stocks have been rising steadily since the week ending 24 September adding more than 24 mb to now stand at 293.9 mb. This indicates that crude inventories are at a comfortable level. Indeed, crude oil stocks are 5% higher than a year ago and are in the middle of the average range for this time of the year. Crude oil inventories have been building as the extra crude produced by OPEC reaches refineries. While crude oil imports have averaged 10.3 mb/d over the last four weeks, they reached 10.9 mb/d in the week ending 3 December, an increase of 808,000 b/d from the previous week and the second highest weekly average ever. On the product side, gasoline stocks registered a build of 6.4 mb to 208.1 mb and are 7.6 mb or 4% above this time a year ago. This build came despite the strong implied demand of 9.15 mb/d, which is 2% above the same period last year. Gasoline imports averaged 1.1 mb/d in the week ending 3 December, which is the highest ever weekly average for either the month of November or December. Gasoline imports almost doubled when compared to the level of this time last year. Distillate stocks also rose 3.6 mb/d to 119.3 mb as refinery runs have resumed operating at 94% in the week ending 3 December, which corresponds to a crude oil input of 15.7 mb/d, but are still 12.8 mb or 10% below a year earlier at this period. Over the last four weeks, US distillate production has surged to 4.1 mb/d. Refinery distillate yields have averaged 26.3%, their highest rate since December 2002. Heating oil stocks saw a build of 1.5 mb to 50.0 mb. Mild weather on the US Atlantic Coast was behind the increase in heating oil inventories, which allowed prices to ease.

During the same period, the SPR reversed the temporarily downward trend observed last month when 500,000 barrels were released under a loan, increasing by 3.1 mb to 672.8 mb which was around 40 mb or 6% higher than the level at the same period last year.

Table 18
US onland commercial petroleum stocks*
mb

	1 Oct 04	29 Oct 04	3 Dec 04	Change Nov/Oct 04	3 Dec 03	12 Dec 04**
Crude oil (excl. SPR)	274.0	289.7	**293.9**	4.2	280.4	293.8
Gasoline	199.4	201.7	208.1	6.4	204.2	209.6
Distillate fuel	123.4	115.7	119.3	3.6	132.2	119.3
Residual fuel oil	33.5	35.6	42.7	7.1	36.0	41.4
Jet fuel	41.0	40.2	41.4	1.2	38.1	41.2
Total	**962.4**	**963.7**	**978.7**	**15.0**	**962.3**	**975.7**
SPR	670.2	669.7	672.8	3.1	633.9	673.2

* *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

EU-16 oil stocks increased 0.12 mb/d in November, mainly due to the build in crude stocks

Western Europe

After an upward revision of the October figures, total oil stocks in Eur-16 (EU plus Norway) continued their upward trend, increasing by 3.7 mb to 1,104.7 mb in November. The bulk of this build came from crude oil, which increased by 9.3 mb to 478.4 mb, while total product inventories offset this build by decreasing 5.6 mb to 626.3 mb. The build widened the y-o-y surplus to 11.8 mb or 1.1% and left crude oil stocks with a y-o-y surplus of around 18.0 mb or 4%. This higher crude stock-build came as refiners cut back crude intake by 90,000 b/d to just over 12 mb/d, the lowest figure since April, combined with the increase in Russian exports and high freight rates which cut arbitrage to the USA. Throughputs were almost 300,000 b/d below a year earlier at this time, which corresponds to a utilization rate of 92.1%, which was 0.6% lower than the downwardly revised 92.7% seen in October as regional refinery maintenance increased. Gasoline stocks fell a marginal 0.3 mb to 132.8 mb and are now 11.5 mb or 8% below last year's level at this time. Production of gasoline dropped as refiners changed yields to increase distillate stocks ahead of colder weather. Distillate stocks, which comprise heating oil, diesel and jet fuel, remained almost unchanged at 354.4 mb from the upwardly revised October figure and are now 6.6 mb or 2% higher than last year's November figure. Distillate stocks are at their highest end-November level since 1998. The slow-down in diesel demand as well as the sale of German heating oil were behind this increase. The inventory picture now appears adequate to meet the upcoming potentially cold winter. Analysts are carefully watching distillate inventories on both sides of the Atlantic as a barometer of oil demand. Fuel oil stocks fell around 1 mb to stand at 114.9 mb, in line with last year's level at this time, while naphtha dropped 4.4 mb to 24.2 mb, around 1 mb below a year ago level at this period.

Table 19
Western Europe's oil stocks*
mb

	Sept 04	Oct 04	Nov 04	Change Nov/Oct	Nov 03
Crude oil	466.2	469.2	478.4	9.3	460.5
Mogas	134.0	133.1	132.8	–0.3	144.3
Naphtha	24.6	28.6	24.2	–4.4	25.3
Middle distillates	359.5	354.2	354.4	0.1	347.8
Fuel oils	112.6	115.9	114.9	–1.0	115.1
Total products	630.7	631.8	626.3	–5.6	632.4
Overall total	**1,096.9**	**1,101.0**	**1,104.7**	**3.7**	**1,092.9**

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

Japan

Japanese inventories climbed 0.1 mb/d in October, mainly due to crude oil

At the end of October, Japanese commercial onland stocks experienced an increase of 3.0 mb or a rate of 0.1 mb/d to 194.8 mb, widening the y-o-y surplus to 11.4 mb or 6.2%. The main contributor to this build was crude oil, which increased by 12.6 mb to 124.5 mb, while total product inventories abated the build dropping 9.6 mb to 70.3 mb. The strong build in crude oil came on the back of the rise in crude oil imports for the fourth straight month. Indeed, crude oil imports rose by 2.2% in September and 14.3% from a year ago. Crude oil imports from the Middle East accounted for 88% of the total. UAE remained the largest crude supplier in October. Crude oil throughput fell 4.5% when compared to this time last year, but improved by 2.2% compared to the previous month. Crude oil stocks climbed 12.1 mb or 11% from a year earlier to stand at a comfortable level. On the product side, all major products registered a draw at the end of the October, with the bulk of the draw coming from distillate inventories. Distillate stocks saw a decrease of 6.2 mb to 39.8 mb, in line with last year's level at this time. However, kerosene stocks experienced a build of 6.5% on soft domestic demand due to the warmer than average winter, but were still 14.2% behind the level registered a year ago. Kerosene sales fell 8.4% from a year earlier, while kerosene output registered a strong rise of 10.7% from the same month last year or 11.5% over last month. Total fuel oil stocks dropped 3.1 mb to 17.9 mb, bringing them 2.6% below the same time last year. Gasoline stocks also saw a slight decline of 0.3 mb to 12.6 mb, and now display a y-o-y deficit of 1.6%. This draw occurred despite a 18% rise in gasoline output, mainly due to a 1.6% increase in gasoline sales.

Table 20
Japan's commercial oil stocks*
mb

	Aug 04	Sept 04	Oct 04	Change Oct/Sep	Oct 03
Crude oil	102.7	111.9	124.5	12.6	112.5
Gasoline	11.5	12.9	12.6	–0.3	12.8
Middle distillates	35.8	46.0	39.8	–6.2	39.8
Residual fuel oil	19.2	21.0	17.9	–3.1	18.3
Total products	66.5	79.9	70.3	–9.6	70.9
Overall total**	**169.2**	**191.8**	**194.8**	**3.0**	**183.4**

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

Balance of Supply and Demand

2004 demand/non-OPEC supply difference revised up to 28.07 mb/d

The summarized supply/demand balance table for 2004 shows a significant downward revision to total non-OPEC supply of 0.15 mb/d which now stands at 53.71 mb/d, while world oil demand has been raised 0.03 mb/d to 81.77 mb/d, resulting in an estimated annual difference of around 28.07 mb/d. The quarterly distribution stands at 28.11 mb/d, 27.26 mb/d, 27.98 mb/d and 28.78 mb/d respectively. The quarterly balance, which was revised downward by 0.04 mb/d, 0.01 mb/d and 0.12 mb/d, now stands at 0.08 mb/d, 1.15 mb/d and 1.77 mb/d respectively.

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	79.26	81.60	80.88	81.49	83.11	81.77
(b) Non-OPEC supply(1)	52.30	53.49	53.62	53.52	54.32	53.71
Difference (a – b)	**26.96**	**28.11**	**27.26**	**27.98**	**28.78**	**28.07**
OPEC crude oil production(2)	26.95	28.19	28.41	29.75		
Balance	**–0.01**	**0.08**	**1.15**	**1.77**		

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

2005 demand/non-OPEC supply difference expected at 28.17 mb/d

The summarized supply/demand balance table for 2005 shows world oil demand expected at 83.28 mb/d and total non-OPEC supply expected at 55.11 mb/d. This has resulted in an annual difference of around 28.17 mb/d, some 0.11 mb/d higher than the estimated 2004 level, with a quarterly distribution of 28.34 mb/d, 27.14 mb/d, 28.02 mb/d and 29.05 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	81.77	83.27	82.16	82.93	84.76	83.28
(b) Non-OPEC supply(1)	53.71	54.93	55.02	54.90	55.71	55.11
Difference (a – b)	28.07	28.34	27.14	28.02	29.05	28.17
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 23
World oil demand/supply balance
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	47.9	47.9	48.0	48.7	50.1	48.2	49.1	50.1	49.4	50.3	48.3	49.3	50.5	49.6
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.3	25.1	25.2	25.1	25.3	25.7	25.3
Western Europe	15.1	15.3	15.2	15.4	15.7	15.3	15.7	15.8	15.6	15.8	15.4	15.7	15.9	15.7
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	9.0	8.7	9.3	7.9	8.2	8.9	8.6
DCs	19.3	19.6	20.0	20.3	20.6	21.2	21.2	21.7	21.2	21.4	21.9	22.0	22.5	21.9
FSU	3.8	3.9	3.7	3.8	3.6	3.8	4.0	4.2	3.9	3.9	3.9	4.1	4.3	4.0
Other Europe	0.9	0.9	0.9	0.9	1.0	0.9	0.9	1.0	1.0	1.0	0.9	0.9	1.1	1.0
China	4.7	4.7	5.0	5.6	6.3	6.8	6.3	6.0	6.4	6.7	7.2	6.7	6.4	6.8
(a) Total world demand	76.5	77.1	77.7	79.3	81.6	80.9	81.5	83.1	81.8	83.3	82.2	82.9	84.8	83.3
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.5	20.8	21.4	21.4	21.8	21.6	20.8	21.4	21.4
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.7	14.7	15.0	14.9	14.5	14.9	14.8
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.8	6.1	6.1	6.3	6.2	5.7	6.0	6.1
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.5
DCs	10.9	10.9	11.2	11.3	11.6	11.7	11.9	12.0	11.8	12.2	12.2	12.4	12.6	12.4
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.5	11.2	11.4	11.6	11.9	12.1	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.4	3.4	3.4	3.5	3.6	3.4	3.4
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	45.7	46.4	47.7	48.6	49.6	49.7	49.5	50.3	49.8	50.8	50.9	50.7	51.5	51.0
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.1	4.2	4.2	4.1
(b) Total non-OPEC supply and OPEC NGLs	49.0	50.0	51.4	52.3	53.5	53.6	53.5	54.3	53.7	54.9	55.0	54.9	55.7	55.1
OPEC crude oil production (secondary sources)	28.0	27.2	25.3	27.0	28.2	28.4	29.7							
Total supply	77.0	77.2	76.7	79.3	81.7	82.0	83.3							
Balance (stock change and miscellaneous)	0.5	0.1	-1.0	0.0	0.1	1.2	1.8							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2530	2628	2476	2522	2467	2549	2597							
OECD SPR	1269	1284	1343	1406	1418	1424	1430							
OECD total	3799	3912	3819	3928	3885	3973	4027							
Oil-on-water	877	830	815	884	905	905	924							
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	52							
SPR	26	27	28	28	29	29	29							
Total	79	82	78	80	81	81	80							
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.3	7.3	7.3	7.4	7.8	7.9	7.8	7.7
(a) - (b)	27.4	27.1	26.3	27.0	28.1	27.3	28.0	28.8	28.1	28.3	27.1	28.0	29.0	28.2

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

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

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

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

This table shows only where changes have occurred.

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

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04
Closing stock level *mb*																					
OECD onland commercial	2,615	2,698	2,445	2,530	2,628	2,476	2,524	2,597	2,660	2,628	2,604	2,650	2,575	2,476	2,425	2,546	2,596	2,522	2,467	2,549	2,597
North America	1,211	1,283	1,127	1,146	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,214	1,166	1,145	1,203	1,231
Western Europe	912	963	881	930	923	892	918	909	918	923	932	942	917	892	909	908	922	921	921	926	936
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401	419	430
OECD SPR	1,254	1,302	1,285	1,269	1,284	1,343	1,270	1,268	1,265	1,284	1,302	1,314	1,319	1,343	1,357	1,361	1,379	1,406	1,418	1,424	1,430
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672
Western Europe	329	362	347	355	352	353	352	348	343	352	352	348	345	353	363	358	360	369	366	362	362
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396
OECD total	3,869	4,000	3,729	3,799	3,912	3,819	3,794	3,864	3,925	3,912	3,906	3,964	3,895	3,819	3,782	3,907	3,975	3,928	3,885	3,973	4,027
Oil-on-water	812	859	808	877	830	815	903	828	870	830	796	804	801	815	856	886	873	884	905	905	924
Days of forward consumption in OECD																					
OECD onland commercial	56	56	51	53	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	52
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	46	48	49
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	59	59
OECD Pacific	58	52	50	52	51	47	55	56	53	48	56	55	47	42	50	56	50	46	50	51	48
OECD SPR	27	27	27	26	27	28	27	27	26	27	28	28	27	27	29	28	28	28	29	29	29
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	26	26	27
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	23
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	50	48	44
OECD total	83	84	78	79	82	78	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80

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

	2000	2001	2002	Change 02/01	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
USA	8.11	8.05	8.04	-0.01	7.82	-0.22	7.85	7.73	7.52	7.65	7.69	-0.14	7.90	7.78	7.57	7.70	7.74	0.05
Canada	2.68	2.73	2.84	0.12	2.97	0.12	3.12	3.11	3.04	3.15	3.11	0.14	3.20	3.19	3.12	3.24	3.19	0.08
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.83	3.90	3.86	0.07	3.86	3.92	3.86	3.93	3.89	0.03
North America	14.25	14.34	14.48	0.13	14.59	0.11	14.80	14.72	14.39	14.71	14.66	0.07	14.96	14.89	14.55	14.87	14.82	0.16
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.35	3.25	2.97	3.23	3.20	-0.06	3.34	3.24	2.96	3.22	3.19	-0.01
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.20	2.15	2.02	2.05	2.10	-0.22	2.12	2.06	1.95	1.97	2.02	-0.08
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.40	0.39	0.39	0.39	0.02	0.37	0.40	0.39	0.39	0.39	0.00
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.47	0.46	0.45	0.44	0.46	0.03	0.47	0.46	0.45	0.44	0.46	0.00
Western Europe	6.77	6.68	6.64	-0.04	6.39	-0.25	6.39	6.26	5.83	6.12	6.15	-0.24	6.30	6.17	5.74	6.03	6.06	-0.09
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.53	0.51	0.53	0.50	0.52	-0.08	0.50	0.49	0.50	0.48	0.49	-0.03
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-0.01	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00
OECD Pacific	0.85	0.78	0.77	-0.01	0.65	-0.11	0.59	0.56	0.58	0.56	0.57	-0.08	0.56	0.53	0.55	0.53	0.54	-0.03
Total OECD	21.87	21.81	21.89	0.08	21.63	-0.25	21.78	21.55	20.80	21.39	21.38	-0.25	21.82	21.59	20.84	21.43	21.42	0.04
Brunei	0.19	0.20	0.20	0.01	0.21	0.01	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	0.74	0.73	0.75	0.01	0.74	0.00	0.76	0.77	0.78	0.78	0.77	0.03	0.74	0.75	0.76	0.76	0.75	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.75	0.04	0.79	0.78	0.83	0.84	0.81	0.06	0.81	0.80	0.85	0.86	0.83	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.01	0.39	0.40	0.40	0.40	0.40	0.05	0.38	0.39	0.39	0.39	0.39	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.38	0.38	0.36	0.06	0.33	0.36	0.39	0.39	0.37	0.01
Other Asia	2.18	2.20	2.27	0.07	2.36	0.09	2.47	2.51	2.59	2.61	2.55	0.19	2.47	2.51	2.60	2.61	2.55	0.00
Argentina	0.80	0.82	0.80	-0.02	0.78	-0.01	0.74	0.74	0.74	0.73	0.74	-0.05	0.74	0.74	0.74	0.74	0.74	0.00
Brazil	1.45	1.53	1.72	0.19	1.77	0.06	1.75	1.74	1.80	1.79	1.77	0.00	1.87	1.85	1.92	1.91	1.89	0.12
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.54	0.53	0.50	0.52	-0.03	0.54	0.56	0.55	0.52	0.54	0.02
Ecuador	0.40	0.41	0.40	-0.01	0.42	0.02	0.51	0.53	0.53	0.54	0.53	0.11	0.54	0.56	0.56	0.57	0.56	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.16	0.16	0.15	0.16	0.16	-0.01	0.22	0.21	0.20	0.21	0.21	0.05
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.22	0.22	0.22	0.23	0.22	0.00	0.24	0.24	0.24	0.25	0.24	0.02
Latin America	3.71	3.73	3.87	0.14	3.91	0.04	3.89	3.91	3.97	3.95	3.93	0.02	4.13	4.15	4.21	4.20	4.17	0.24
Bahrain	0.19	0.19	0.19	0.00	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.96	0.90	-0.06	0.82	-0.08	0.79	0.77	0.76	0.75	0.76	-0.06	0.76	0.76	0.76	0.76	0.76	0.00
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.48	0.50	-0.03	0.52	0.51	0.50	0.48	0.50	0.00
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.42	0.42	-0.02	0.43	0.42	0.42	0.42	0.42	0.00
Middle East	2.12	2.14	2.06	-0.07	2.00	-0.06	1.94	1.89	1.87	1.85	1.89	-0.11	1.91	1.89	1.88	1.86	1.89	0.00
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.93	0.92	0.99	1.09	0.98	0.11	1.11	1.10	1.18	1.30	1.17	0.19
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.22	0.22	0.22	0.23	-0.01	0.24	0.22	0.22	0.22	0.23	0.00
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.71	0.71	-0.04	0.74	0.72	0.72	0.72	0.72	0.01
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.34	0.34	0.34	0.10	0.37	0.37	0.37	0.38	0.37	0.03
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.24	0.24	0.24	0.24	-0.01	0.25	0.24	0.24	0.24	0.24	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.23	0.23	0.23	0.02	0.23	0.23	0.23	0.23	0.23	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.30	0.31	0.31	0.30	0.04	0.34	0.35	0.37	0.37	0.36	0.06
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.19	0.21	0.21	0.21	0.20	0.01	0.19	0.21	0.21	0.21	0.20	0.00
Africa	2.84	2.80	3.03	0.23	3.05	0.02	3.30	3.35	3.46	3.57	3.42	0.37	3.70	3.67	3.75	3.88	3.75	0.33
Total DCs	10.86	10.86	11.23	0.37	11.32	0.09	11.60	11.66	11.90	11.98	11.79	0.47	12.22	12.22	12.44	12.55	12.36	0.57
FSU	7.91	8.53	9.33	0.79	10.27	0.94	10.78	11.06	11.33	11.47	11.16	0.90	11.35	11.65	11.93	12.08	11.75	0.59
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.37	9.43	9.20	0.74	9.35	9.58	9.84	9.91	9.67	0.47
Kazakhstan	0.71	0.80	0.94	0.15	1.03	0.09	1.12	1.15	1.19	1.25	1.18	0.15	1.17	1.20	1.25	1.31	1.24	0.06
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.31	0.32	0.31	0.00	0.36	0.37	0.36	0.38	0.37	0.06
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.49	0.47	0.47	0.47	0.01	0.47	0.49	0.47	0.47	0.47	0.00
Other Europe	0.18	0.18	0.18	-0.01	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
China	3.23	3.30	3.39	0.10	3.41	0.01	3.43	3.47	3.54	3.43	3.43	0.03	3.44	3.49	3.55	3.45	3.45	0.02
Non-OPEC production	44.05	44.68	46.01	1.33	46.79	0.79	47.76	47.91	47.73	48.44	47.93	1.14	49.00	49.10	48.93	49.68	49.15	1.22
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.85	1.83	0.03	1.85	1.81	1.81	1.85	1.83	0.00
Non-OPEC supply	45.70	46.37	47.74	1.37	48.59	0.85	49.61	49.72	49.54	50.29	49.76	1.17	50.85	50.91	50.74	51.53	50.98	1.22
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.71	3.78	3.70	0.13	3.78	3.80	3.82	3.84	3.81	0.11
Non-conventional oils	0.17	0.18	0.20	0.02	0.14	-0.06	0.23	0.23	0.26	0.26	0.25	0.11	0.31	0.31	0.34	0.34	0.33	0.08
OPEC NGLs + non-conventional oils	3.34	3.58	3.62	0.03	3.71	0.09	3.88	3.89	3.97	4.04	3.95	0.24	4.09	4.11	4.16	4.18	4.14	0.19
Total Non-OPEC and OPEC NGLs	49.04	49.95	51.36	1.40	52.30	0.94	53.49	53.62	53.52	54.32	53.71	1.41	54.93	55.02	54.90	55.71	55.11	1.40

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

Table 27
Non-OPEC Rig Count

	2000	2001	Change 01/00	1Q02	2Q02	3Q02	4Q02	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	Oct04	Nov04	Change Nov04- Oct04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,164	1229	1240	1262	22
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	528	202	326	372	447	75
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	107	113	111	110	110	0
North America	1,305	1,552	247	1,264	1,014	1,165	1,206	1,162	-390	1,476	1,315	1,567	1,624	1,496	334	1,754	1,479	1665	1722	1819	97
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	19	18	14	16	19	3
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-6	15	19	14	15	15	0
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	0	4	4	3	4	4	0
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	31	30	27	30	26	-4
Western Europe	125	95	-30	92	91	76	81	85	-10	77	78	83	75	78	-7	69	70	57	65	64	-1
Australia	10	10	0	9	9	9	9	9	-1	10	10	11	13	11	2	12	13	18	13	15	2
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	7	8	9	7	5	-2
OECD Pacific	17	20	3	17	16	16	19	17	-3	18	17	18	19	18	1	19	22	26	20	20	0
Total OECD*	1,447	1,667	220	1,373	1,121	1,257	1,306	1,264	-403	1,571	1,411	1,669	1,719	1,592	328	1,842	1,570	1749	1807	1903	96
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	2	3	3	2	2	0
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	5	64	68	71	75	78	3
Malaysia	7	11	4	12	13	15	14	14	3	14	13	16	15	14	0	15	15	13	14	14	0
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	2	0	1	1	0
Vietnam	8	8	0	8	8	9	10	9	1	9	9	10	8	9	0	8	9	8	8	6	-2
Asia others	16	22	6	26	29	33	32	30	8	31	28	26	30	29	-1	27	31	31	29	30	1
Other Asia	83	95	12	100	109	116	117	111	16	117	115	119	118	117	6	119	128	127	129	131	2
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	73	73	72	75	3
Brazil	23	28	5	27	27	27	26	27	-1	27	27	27	25	26	-1	24	26	26	27	26	-1
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	0	8	9	9	9	11	2
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	7	9	12	12	13	1
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	2	3	3	3	0
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	4	4	5	4	-1
L. America others	12	7	-5	4	4	4	5	5	-2	3	4	4	5	4	-1	6	6	3	4	4	0
Latin America	120	141	21	110	103	104	107	106	-35	113	121	114	114	116	10	114	127	129	132	136	4
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	1	27	29	30	32	29	4	33	34	36	36	35	6	36	35	34	35	36	1
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	24	24	23	22	24	2
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	7	8	9	10	11	1
Middle East	45	50	5	57	60	64	69	62	12	70	68	72	68	70	8	69	68	69	69	75	6
Angola	6	5	-1	5	6	6	5	5	0	3	4	3	6	4	-1	4	3	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	0
Congo	3	1	-2	1	1	1	1	1	0	0	1	1	2	1	0	2	2	3	2	2	0
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	3	27	28	29	26	28	2
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	2	2	1	2	1
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	-1	0	0	0	0	0	0
Africa other	5	4	-1	11	12	12	12	12	8	12	14	12	14	13	1	15	18	20	22	21	-1
Africa	34	36	2	41	45	44	43	43	7	45	50	44	51	48	5	48	53	56	55	56	1
Total DCs	282	322	40	307	317	328	336	322	0	346	354	350	350	350	28	350	376	381	385	398	13
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	0	2	2	2	2	2	-1	2	2	2	2	2	0	2	2	2	2	2	0
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1,732	1,992	260	1,682	1,440	1,587	1,644	1,588	-404	1,919	1,767	2,021	2,071	1,944	356	2,194	1,949	2,132	2,194	2,303	109

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

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Data is provided by Data Services Department.

Data Summary December 2004

OPEC Basket average price

US$ per barrel

⬇ *down 6.41 in November*

November 2004	***38.96***
October 2004	*45.37*
Year-to-date	*36.07*

November OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.28*	*Kuwait*	*2.43*	*Saudi Arabia*	*9.47*
Indonesia	*0.95*	*SP Libyan AJ*	*1.60*	*UAE*	*2.49*
IR Iran	*3.93*	*Nigeria*	*2.36*	*Venezuela*	*2.62*
Iraq	*1.83*	*Qatar*	*0.80*	***TOTAL***	***29.76***

Supply and demand

in million barrels per day

2004		**2005**	
World demand	*81.77*	*World demand*	*83.28*
Non-OPEC supply	*53.70*	*Non-OPEC supply*	*55.11*
Difference	***28.07***	***Difference***	***28.17***

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

Stocks

US commercial oil stocks displayed a contra-seasonal build of 0.54 mb/d in November

World economy

World GDP growth was revised down to 4.8% for 2004 and remains unchanged at 4.0% for 2005

Issued 16 December 2004
Next report to be issued on 21 January 2005

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