OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

August 2004

Feature Article:

Revisiting the interdependence between economic growth and the world oil market

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Oil Market Highlights

- The rate of growth of China's industrial production fell to 15.5% year-on-year in July with the slowdown affected most sectors. Production of key consumer goods increased at lower rates and it appears that the tightening policies of the Chinese government are working. The rate of inflation rose to 5.3% in July showing that inflationary pressures remain strong. The forecast growth rate of the Chinese economy has been reduced to 8.5% for 2004.
- The US GDP growth forecast for 2004 has been reduced as a result of weaker consumer spending in the second quarter. The Euro-zone recovery has consolidated in recent months with France in the lead. The German economy is also growing but remains dependent on external demand. In contrast, the Japanese economy is experiencing a balanced recovery supported by both domestic and export demand. Second quarter data showed very weak investment growth in Japan but this data is very volatile and subject to revision.
- The 2004 forecast for the OECD region is unchanged and GDP is expected to grow by 3.5%. While the forecast for the USA is lower at 4.3%, the Japanese forecast now stands at 4.3%, an increase of 0.3%, and the forecast for Euro-zone up slightly to 1.9%. The forecast for Russia has held steady at 7%, while the forecasts for Africa, Latin America, Asia (excluding Japan) and Developing Countries as a whole are largely unchanged. The GDP growth forecast for the world economy is slightly lower at 4.7% for 2004.
- The forecasts for 2005 imply a return to more normal growth rates following the sharp economic recovery which began in 2003. The OECD region is expected to grow by 3% in 2005 with the US economy achieving 3.5%. The Euro-zone growth rate is forecast to increase to 2.2% in 2005 but the Japanese economy may slow, growing by only 2.1% as exports may be limited by lower Chinese and American demand. Developing economies are also expected to grow more slowly in 2005 and the world economy as a whole is forecast to grow by 4.3% in 2005, a lower rate than the estimate for 2004 but substantially above the twenty-year average of about 3.3%.
- No matter in which time-frame is considered — monthly, weekly, daily — the OPEC Reference Basket in July and early August broke records all across the board. On a monthly basis, the rise of $1.68/b in July brought the monthly average to an unprecedented level of $36.29/b. Besides the previous monthly high of $36.27/b reached in May this year, the Basket has never been above $34/b since October 1990. On a weekly basis, the $37.40/b average for the week ending 29 July constitutes an all-time weekly high, while the daily average of $40.08/b on 11 August now holds the Basket's daily record.
- Earlier worries about a products shortfall in the winter season were eased by the broader strength of crude prices and a counter-seasonal build in US gasoline inventories in July, as well as by the prospect that distillate fuel inventories will be restored to relatively comfortable levels by the start of the next heating oil season. This, in turn, undermined refinery margins, particularly in the USA. However, refinery glitches in Europe and Asia and strong demand for distillate products have provided a cushion for refineries in those regions, but the disappointing performance of fuel oil in all major markets threatened the refinery margins from the bottom of the barrel, and it may have caused the light/heavy sour crude spread to widen further.
- OPEC area spot chartering in July rose about 9% or 1.26 mb/d to stand at 14.01 mb/d. The VLCC market enjoyed the highest freight rates, especially after OPEC decided to pump more oil to meet the fast growing oil demand, particularly from China and USA. Freight rates on the Middle East eastbound long-haul route gained 17 points to a monthly average of WS142, while on the westbound route, they moved up by 9 points to average WS113. The product tanker market in July was split into two different pictures. The rosy one was in the East where freight rates showed moderate gains, while the gloomy side was in the West as rates fell sharply, especially for Atlantic cargoes.
- Historical 2002 and 2003 consumption data have undergone upward revisions, although not as substantially as reported by some other sources. The 2004 demand volume and increment forecasts have been revised up to 81.18 mb/d and 2.21 mb/d respectively due to stronger-than-expected consumption in the first quarter and continued strength in the world economy. The demand volume for 2005 has been adjusted to 82.84 mb/d to reflect the higher 2004 baseline.
- OPEC crude oil production in July, based on secondary sources, is estimated at 29.57 mb/d, which is 0.60 mb/d above the revised June figure. Non-OPEC oil supply for 2004 is estimated at 50.07 mb/d, which is 1.44 mb/d higher than the estimated 2003 figure of 48.62 mb/d. Non-OPEC supply in 2005 is expected to reach 51.26 mb/d, an increase of 1.19 mb/d over the 2004 forecast. Net FSU exports for 2002 and 2003 are estimated at 5.55 mb/d and 6.46 mb/d, and are expected to rise to 7.32 mb/d and 7.78 mb/d in 2004 and 2005.
- US commercial onland oil stocks continued their seasonal build which was observed in the previous month increasing by 12.0 mb at a rate of 0.43 mb/d to 978.4 mb during the period 2–30 July. Total commercial oil stocks are now around 15.3 mb or 1.6% above this time a year ago. At the end of July, total oil stocks in the EU-16 (Europe plus Norway) saw a slight decline of 1.3 mb to 1,073.3 mb, with a 6.4 mb draw on crude oil stocks offsetting the 5.0 mb build in total product inventories. At the end of June, Japanese commercial onland stocks experienced a slight increase of 0.5 mb to 168.9 mb, but remained at 27.3 mb or 13.9% below last year's figure at this time.

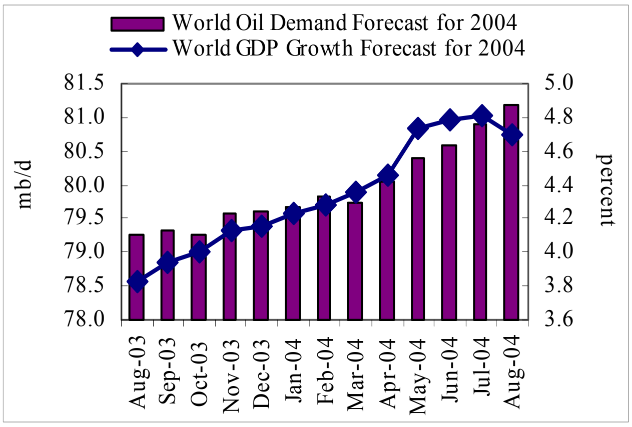
Revisiting the interdependence between economic growth and the world oil market

- The issue of interdependence between economic growth and the oil market has been a longstanding focus of discussion, one that has gone through many changes in the course of the last decades. Despite the significant reduction in the oil intensity of the developed economies, the rapid growth of the newly-industrialized world, particularly China and emerging Asia, means that a sustained period of strong global expansion needs a stable oil market able to provide adequate supplies at reasonable prices. Given that the investment plans of the oil producers are, in turn, based on steady demand growth, it is clear that the stability established over the last few years, through the efforts of OPEC and other market participants, needs to be maintained.

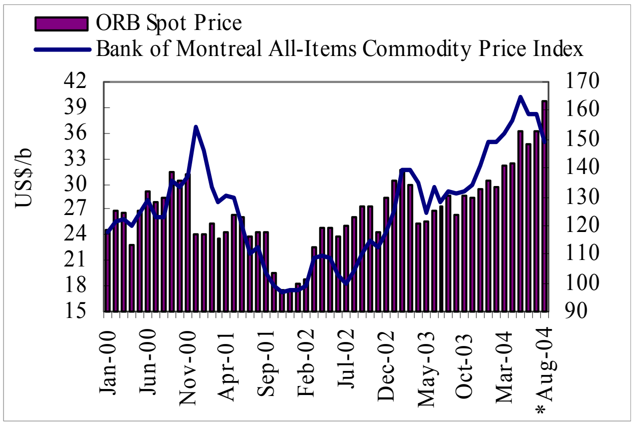
- This is well illustrated by the latest cycle in the world economy which has undergone a remarkable acceleration since the third quarter of 2003. Forecasters were surprised by the strength of economic growth in the USA and Asian region, particularly Japan. In the year to June 2004, world GDP rose by nearly 5%, well above the annual growth of productive potential (ca. 3.5%). In September 2003 the IMF forecast for 2004 world growth was 4.1%, a figure that by April 2004 had been revised up to 4.6%. Forecasts of oil demand followed the same pattern. In July 2003 the OPEC forecast for total oil demand for 2004 was 79.1 mb/d. By August 2004, this figure had been revised up by 2.1 mb/d to 81.2 mb/d with some forecasts revising up their figure by more than 3 mb/d.

- The high rates of economic growth and oil demand shown in **Graph 1** were not fully anticipated and thus put extreme pressure on all industrial commodity markets, creating cyclical increases in prices as shown in **Graph 2**. Oil prices were additionally affected by fears of supply disruption as a result of geopolitical uncertainty (e.g. the ongoing conflict in Iraq), as well as downstream bottlenecks and the high level of speculation in the crude futures market. Perhaps $10-15/b of the recent rise in the oil price was caused by these exceptional factors. Nevertheless OPEC Member Countries continued to provide adequate supplies to the market to meet the record-breaking levels of demand and at no stage was the upturn in the world economy threatened by supply shortages.

Graph 1: Revisions to 2004 world GDP growth and oil demand since July 2003



Graph 2: Commodity and oil prices since 2000



* ORB Spot Price up to second week August
August Commodity Price Index based on Secretariat estimate

- Recent economic data has raised concerns of a premature end to the current recovery. GDP in the USA and Japan grew by below expected rates in the second quarter of 2004, while Chinese second quarter GDP may have fallen below first quarter levels. But some pause in the growth of the world economy should surely have been anticipated following the remarkable acceleration since the third quarter of 2003. Normal adjustment factors explain most of the setback to world growth in the second quarter. The cyclical rise in inflation was unexpected, in the US tax rates were no longer falling and consumers had rebuilt stocks of durables, while in Japan investment had been rising at very rapid rates since early 2003.

- The direct contribution of the concern-driven rise in oil prices to the economic slowdown in 2004 has been very small. Going forward much will depend on how long the price of the OPEC Reference Basket (ORB) remains above $35/b. Between January and July 2004, the increase in the ORB price was 20%, from $30.3/b to $36.3/b. A recent study[1] suggests that if such an increase were to be maintained for two years, then it may reduce economic growth in the USA and Europe by about 0.2% in 2004. The effect would be greater in 2005, particularly in the USA where growth would be cut by up to 0.4%. However, the indirect effect of volatility in the oil market on consumer and business confidence is harder to judge, especially since these fluctuations are linked to wider geopolitical uncertainties which are not all likely to be resolved in the foreseeable future, and could potentially lead prices even higher. The impact on the developing world would be greatest in the large trading economies of South East Asia, although the emerging economies of Eastern Europe would also be badly affected.

[1] ‘Oil Prices and the World Economy’, National Institute for Economic and Social Research, London, July 2004

- On balance the world economy seems set to grow by over 4% in 2005 which is lower than the expected outcome of 4.7% for this year but above the average long-term growth rate of about 3.5%. The cyclical impetus behind the global economic recovery is strong and is unlikely to be derailed if oil prices fall below $35/b before the end of 2004. Central banks are not likely to hike interest rates further as a result of the 'first round' impact on consumer prices but will rather wait to assess if wage settlements are affected. G7 fiscal policy remains broadly stimulative and short-term interest rates adjusted for inflation are currently negative in the USA and the Euro-zone.

- It is in the interest of all participants that oil prices return as soon as possible to levels which bear a closer relation to market fundamentals. Higher OPEC oil production in 2004 has already made a substantial contribution to restoring stability by reassuring the market of more than adequate supplies, and the Organization will continue in its efforts to try to ease the situation. OPEC production in August is expected to reach 30 mb/d and may increase further to 30.5 mb/d in September. These levels of production are well above OPEC estimates for the difference between demand and non-OPEC supply[2] for the third quarter of 26.8 mb/d and also above the IEA estimate for the same period of 27.0 mb/d. On current trends OPEC production will be more than adequate to meet demand in the remainder of 2004 and 2005.

- The recent surge in global oil demand due to rapid economic growth in China and India, as well as the world economy in general, has made some, albeit very limited, contribution to the price increase but does not warrant the current high price levels. Nonetheless, this sharp rise in demand has heightened the perception of the risk that a significant interruption in supply could push prices further upward. For this reason, steady investment in the upstream sectors in the major oil producing countries is needed to further expand production capacity in order to reduce this risk and ease high prices. However, to encourage the required investment, it is essential that every effort is made to reduce prevailing tensions currently affecting some of the oil producing regions and countries of the world.

- One positive development from the current high prices is that they provide a much needed opportunity to encourage downstream investment to help clear the bottlenecks that have long plagued this sector and in turn become a cause for market instability and price volatility. With refinery capacity operating at or near full utilization, there is little room for additional supply to be processed to meet the expected rise in demand. Therefore, parallel efforts are also needed in the downstream sector to meet the expected growth in demand while maintaining prices at a level reasonable to both producers and consumers.

[2] Referred to in the literature as 'call on OPEC'.

4 August 2004

Statement by HE Dr Purnomo Yusgiantoro Minister of Energy & Mineral Resources of Indonesia and President of the OPEC Conference

The Organization of Petroleum Exporting Countries has been monitoring with concern the continued rise in crude oil prices on the global markets. OPEC continues in its efforts to ensure that the market is adequately supplied with crude oil at prices acceptable to both producers and consumers.

Since the Beirut Meeting of the Conference, which decided a further increase to the production ceiling to 25.5 mb/d in July and to 26 mb/d in August, OPEC-10 production has continued to follow an upward trend to meet the larger than expected growth in demand. According to initial reports, total OPEC output reached well above 29 mb/d in July, with OPEC-10 production reported at around 27.5 mb/d, which is about 2 mb/d above the July ceiling. OPEC-10 production is expected to rise further in August, with total OPEC production, including Iraq, approaching 30 mb/d. OPEC Member Countries are currently in close and ongoing consultations to consider what additional measures are needed, if any, and the Organization reiterates, at the same time, the Conference's expressed readiness to take the decisions that may be required, at any time.

In this regard, OPEC continues to hold, at present, a spare production capacity of around 1–1.5 mb/d, which would allow for an immediate additional increase in production. Furthermore, in response to expected future demand growth in the coming years, Member Countries have plans in place to further increase production capacity by around 1 mb/d towards the end of this year and in 2005. In addition, plans for additional capacity expansion are available and could be enacted soon. However, this capacity would, typically, become available around 18 months after commencement.

The Organization, once again, wishes to reiterate its commitment to maintaining market stability and ensuring a timely response to the supply needs of the market.

Highlights of the World Economy

Economic growth rates 2004-2005
%

	World	G-7	USA	Japan	Euro-zone
2004	**4.7**	**3.5**	**4.3**	**4.3**	**1.9**
2005	**4.3**	**2.8**	**3.5**	**2.1**	**2.2**

Industrialised countries

United States of America

Weak consumer spending data lead to reduction in growth forecasts. Poor June trade data highlight ongoing risk of dollar weakness.

Second quarter GDP data raised fears of a premature end to the economic recovery in the US. The economy grew at an annual rate of only 3% and consumer spending was particularly weak – growing by only 1% at an annual rate. Other components of GDP performed well – notably investment spending and exports. Nevertheless the US economy is driven by personal consumption and the rise in inflation together with the still weak recovery of employment levels raised questions about the strength of the economy in the remainder of 2004 and next year. The main factors holding back consumption were probably the declining impact of lower tax rates and the end of cheap-rate mortgage refinancing. The retail sales report for July was more optimistic as the previous report for June was revised upwards. **Nevertheless it seems likely that consumer spending will grow at rates closer to 3% in the forseeable future in contrast to the 4.2% achieved between the first quarters of 2003 and 2004.** According to the University of Michigan consumer sentiment survey, expectations worsened slightly in August following improvements in June and July. Rising inflation may have begun to affect consumer confidence although the increase has been gradual. Over the past six months the annual rate of increase of the core consumption price index has risen to 2.2%. Given the somewhat slower pace of mid-year consumer spending, an acceleration in corporate investment outlays in the second half will be required to keep the US growth rate above 4% but the first intentions survey for August indicated that the weakness in consumer spending may be affecting business confidence. The business conditions index of the Federal Reserve Survey of New York manufacturers fell sharply from 35.8 to 12.6, indicating a deceleration in activity. The forward-looking indices remained positive although at lower levels than previously in the year. Current trends in nationwide orders of capital goods shows ongoing strength in investment demand and, for 2004 as a whole, growth of investment spending in real terms should approach 10% following rapid growth in corporate profits. Additions to inventories should also make a positive contribution to the growth rate and **US GDP should grow by about 4.3% in 2004. The outlook for 2005 is also good but the lower forecast of 3.5% reflects some consolidation of both consumer and investment spending**. A major uncertainty for 2005 is the outlook for the US dollar. The June US trade deficit report was very poor – indeed the monthly deterioration in the trade balance was the worst on record. The deficit reached $56billion in June – at least $8billion above expectations – as exports fell and imports surged. Since the speed at which US interest rates rise may now be lower than the market had previously expected – overseas demand for the dollar may weaken – especially in relation to the euro since at long last the euro-zone region seems to be showing signs of clear recovery.

Japan

Second quarter growth of only 1.7% a major shock

Japan's real GDP grew by a disappointing 1.7% annualized in the second quarter following an exceptionally strong 6.6% in the first quarter. Private consumption rose by 2.5% while private investment remained flat. It is possible that the investment data will be revised upwards since the second quarter result is hardly consistent with the very strong growth of corporate earnings expected for 2004. The June data for machinery orders were very positive which suggest that, at least in export sectors such as autos and technology, investment will recover in the third quarter. Public investment in the second quarter fell by over 20% at an annualized rate reflecting financial constraints in local government. Real GDP excluding public demand rose by nearly 3% in this period which confirms that the economic expansion is not dependent on fiscal stimulus. The second quarter saw no improvement in the GDP price level which fell by 2.6% year-on-year and GDP growth in nominal terms turned negative for the first time in five quarters. **It seems clear that this data (together with the data from key customers the USA and China) marks the end of the upward phase in this business cycle. In the first half of 2004, the year-on-year growth rate was nearly 5% and rates of 2-3% are more likely in the second half of 2004 and next year.** Although slower, growth will be supported by a solid export performance, continued growth in capital spending financed by steady corporate earnings and an ongoing recovery in consumer spending which has been helped by both the improvements in consumer confidence and also the downwards trend in the savings rate. The July report of the Cabinet Office Consumer Confidence Index was positive and confirms the encouraging momentum of domestic demand. Overall GDP growth at a rate of over 2% will continue the shrink the gap between actual and potential output in the Japanese economy. This should result in a gradual easing of the decline in the price level of GDP. Expectations of deflation in Japan are changing but it is a slow process. Money supply and bank lending data for July restored a trend of gradual improvement but it may be some time before total net lending provides a significant stimulus to the economic recovery.

Euro-zone

Euro-zone on track for steady 2% growth

The Eurostat flash estimate for second quarter GDP growth of the Euro-zone confirmed that the region's economy is growing at an annual rate of 2%. Large discrepancies emerged across countries as France and Belgium outperformed the rest of Europe. Annualised growth in France exceeded 3% for the second quarter running whilst Spanish growth was steady at 2.5%. The French economy has performed particularly well in 2004. Exports have grown strongly and remain on a firm upward trend. Consumer spending growth has reached 7% on an annualized basis supported by good growth in housing starts. Business investment is also improving and the service sector also showed excellent results in the second quarter. In contrast German growth showed only a slight increase to 2% and as in previous quarters all the growth in demand had its origins in the export sector. In Italy specific factors have prevented the recovery from gaining hold and growth weakened. The Dutch economy actually contracted in the second quarter as capital expenditure and construction spending fell. Looking at the region as a whole it is clear that personal consumption is growing slowly – the only exception is France where the year-on-year growth in personal consumption is estimated to be over 3%. Government consumption was probably stable in the second quarter but capital investment remains weak. Construction spending was particularly depressed in Germany. There was a positive contribution from net trade to the growth of the Euro-zone. The industrial production data for June confirmed this assessment of moderate growth. **Thanks mainly to a 2% fall in Germany, Euro-zone industrial production fell by 0.4% below May levels but the year-on-year growth rate was a respectable 2.7% and on a year-on-year basis only Italy performed poorly.** Industrial production in Italy in June was 0.1% below the comparable level in 2003. Overall Euro-zone inflation was running at about 2.4% in July but the core rate (which excludes food and energy costs) was nearer 2%. The ECB did not change their assessment of the European economy in August and is not concerned (as yet) by the risks of higher inflation. It seems very unlikely that the Bank will raise Euro-zone interest rates this year unless there is an unexpected recovery in domestic demand – particularly in Germany. Such a recovery may gather strength in the second half of 2004 if the labour market responds to the better growth of the earlier part of the year and unemployment begins to stabilize. As yet there is little sign of any improvement in European employment levels with the exception of France where non-farm payrolls rose slightly in the second quarter.

Former Soviet Union

Economic growth continues at a high rate. Institutional weaknesses raise some concerns.

First quarter Russian GDP grew by 7.4% year-on-year with the construction sector in the lead – achieving a growth rate of 13.7%. Goods production grew by 7.7% and services also showed a healthy increase of 7% - with transport and communication services showing the fastest growth. Household consumption rose by 12% in the first quarter and business investment increased by 14%. A slight slowdown is anticipated in July and industrial production growth may fall to only 5-6%. According to a preliminary estimate by the Ministry of Industry and Energy, oil production growth was also weaker – falling to 9% year-on-year in July. The annual inflation rate rose to 10.5% in July but most of the increase was due to higher food prices. **The financial balances of the Russian economy are expected to continue to improve.** The budget surplus may be about 4% of GDP in July bringing the year-to-date surplus to 3.4% of GDP – much higher than the government target of 2.4%. High oil prices are also helping the trade balance and the surplus should improve from the $5.9billion recorded in May to approach $7billion in June. **Despite the excellent economic fundamentals the second half outlook may be clouded by the crisis at Yukos and the systemic problems of Russian banks.** The threat of bankruptcy hanging over Yukos may affect oil production directly but of greater significance may be the impact on overseas confidence in the Russian government and its relations with business. Long term investment plans may be reduced if concerns over property rights in Russia are not addressed. The problems of two Russian banks followed disruption in the Russian interbank market. The Central Bank dealt with the immediate crisis but the event was symptomatic of an insufficiently regulated sector with poor supervision and an uncertain application of the rule of law.

Eastern Europe

EU entry boosts Polish inflation

Following a strong performance in the first quarter of 2004 the Polish economy continued to grow strongly in April and May. GDP growth was 6.9% in the first quarter and second quarter growth was probably not much lower at about 6%. Industrial production growth peaked at 24% in March and growth was slower in the second quarter – settling at a year-on-year rate of 16% in June. Indicators of confidence in the manufacturing sector were slightly weaker in May although there was a marked improvement in the construction industry. The Polish current account continues to improve as a result of rising EU demand for services such as transport and construction. **One negative surprise was a sharp rise in inflation in May which took the year-on-year inflation rate to 3.4%. In response the National Bank of Poland increased interest rates by 0.5% in June and 0.25% in July but inflation continued to worsen, reaching 4.6% in July**. In contrast growth in the Czech Republic continues to be weak by the standards of central Europe and the 2004 GDP growth forecast of the Czech National Bank has been reduced to 3.6-4%. Exporters seem to be unable to take full advantage of the gradual rise in Euro-zone demand and investment spending has been the only sector to show much growth. Czech GDP rose by 3.1%, year-on-year in the first quarter and industrial production grew by 10% in the first six months of the year. The performance of the Hungarian economy was better as sharply higher investment spending boosted the growth of GDP to 4.2% in the first quarter. The manufacturing sector performed well – particularly those industries with high export sales such as electrical and transport equipment- and industrial production grew by 13% in June over 2003 levels.

OPEC Member Countries

A host of factors such as the spontaneous surge in both oil production and prices is driving the positive outlook in OPEC Member Countries

Strong GDP growth is expected to continue in OPEC Member Countries as a whole in 2004 and into 2005. This growth is driven by increased oil production to near full capacity at a time when oil price are at 15-year highs. Firm GDP growth was also supported by other factors such as the coming-on-line of gas projects, strong rates of public consumption growth, governmental efforts to create public sector jobs and increase wages, rising investment expenditures enhanced by domestic demand and foreign investment, sustained private consumption and increased tourism as well as expanding hydrocarbon investments. In Algeria, for instance, the strong GDP growth will be supported by a 14% increase in crude output this year and by the coming-on-line of the In Amenas gas project, which will produce around 9 bcm./y of gas bound for Spain and Italy, as well as some 60,000 b/d of liquids. The only negative risk to the export performance comes from the possibility of a weaker-than-expected recovery in Europe's economy, which might have some impact on demand for Algerian gas. The average real GDP growth rate for OPEC Member Countries for the current year is anticipated at 5.5%, which is higher than the last 5 years. This trend is expected to continue in 2005 but at a relatively lower pace of 5.2%.

Developing Countries

Continuing firm expansion in Beijing and New Delhi, a recovery in industrial output and FDI levels in Brazil, and modest growth in Sub-Saharan Africa

China recorded a trade deficit of US$ 8.7 bn in the first half of 2004, compared with a small surplus in the first half of 2003. This deficit resulted from stronger than expected import demand that was boosted by continued rapid GDP growth and China's trade diplomacy. China's imports from the USA rose by nearly 37% in January-May compared to the year-earlier period. The trade balance is expected to move into surplus later this year and into 2005 as the slowing domestic economy dampens import demand. Nevertheless, the current account surplus is expected to narrow in the next two years, from $45.9 bn (3.2% of GDP in 2003) to US$ 33 bn (1.7% of GDP) in 2005, as the income and service deficits widen. In general, India's economic growth has been robust and, for the time being, the rapidly expanding economy will prove a fiscal leeway for New Delhi. A large trade deficit will continue to be offset by surpluses in the services and transfer balances. Sub-Saharan Africa is expected to grow by 3.3% in 2004, driven by economic reforms, firmer commodity prices and increased import demand in Europe. Brazil's industrial output has been recovering steadily, driven by external demand and by recovering domestic investment and consumption on the back of improved confidence and credit availability. Industrial output will expand by 4.0% in 2004 and 4.5% in 2005. Foreign Direct Investment (FDI) will grow to $13 bn in 2004 from $10 bn last year on strong outlays in farming, utilities and transportation infrastructure. As confidence recovers further in 2005, annual total outlays will be $13.5 bn for that year.

Spot Reference Basket price recovered to May levels in July

Oil prices, the US dollar and inflation

In July the dollar was weaker. US economic data indicated that GDP growth in the second quarter was lower than that recorded in the first quarter. It became clearer that the Euro-zone region was growing at a steady rate of about 2% and the relatively high rate of inflation in the Euro-zone raised the possibility of higher euro interest rates in the medium term. As a result the dollar fell by 1% against the euro in July – following dollar strength in March and April the average dollar/euro exchange rate in July was still 2.8% above the January level. The depreciation against the Swiss franc and British pound was less and the dollar fell by less than 1% versus both currencies in July. There was no change in the exchange rate of the dollar versus the yen.

In July the OPEC Reference Basket rose by 4.83% to $36.29/b from $34.61/b in June. In real terms (base July 1990=100), after accounting for inflation and c urrency fluctuations, the Basket price rose by 3.87% to $26.32/b from $25.34/b, as the weaker dollar and the effect of inflation reduced the real value of the barrel. The dollar fell by 0.6% as measured by the import-weighted modified Geneva I +US dollar basket*.

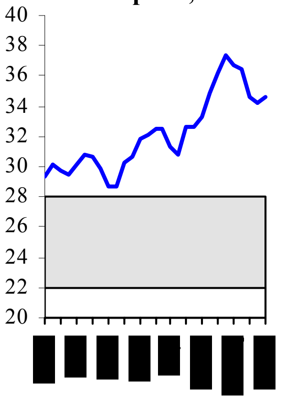
* *The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movement

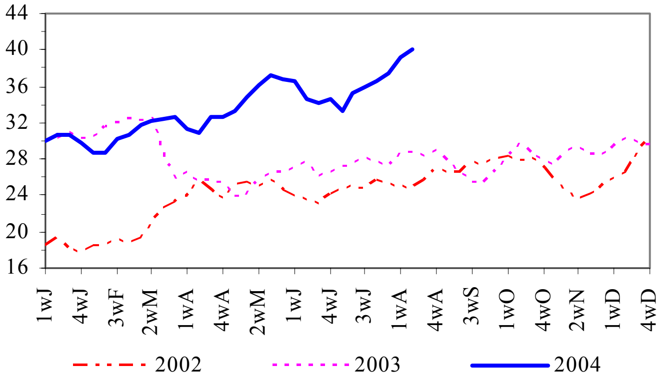
The OPEC Reference Basket rose $1.68/b in July to average $36.29/b

No matter in which time-frame we look at it — monthly, weekly, daily — the OPEC Reference Basket in July and early August broke records all across the board. On a monthly basis, the rise of $1.68/b in July brought the monthly average to the unprecedented level of $36.29/b. Besides the previous monthly high of $36.27/b reached in May this year, the Basket has never been above $34/b since October 1990. On a weekly basis, the $37.40/b average for the week ending 29 July constitutes an all-time weekly high, while the daily average of $40.08/b on 11 August now holds the Basket's daily record. Therefore, it should not come as a surprise to see that the year-to-date average for the current year of $33.45/b is more than $5/b or almost 18% higher than in the year 2003. These statistics highlight the fact that oil has moved into a new economic zone. After all, as the name itself implies, the OPEC Reference Basket is just an arithmetic calculation taken from the prices of a basket of crudes. Thus it is only a barometer, a consequence of market forces acting on their own rather than a cause. These price levels are as much of a concern to OPEC as they are to consuming nations. The forces underpinning these price levels appear to be more of a structural nature, therefore it will take the coordinated efforts of global energy institutions and governments to defuse them. The problem is that the world might be running out of time. In economic terms, going from a boom to an explosion sometimes does not take much. In the energy industry it might be a refinery mishap, a terrorist act or a cold winter.

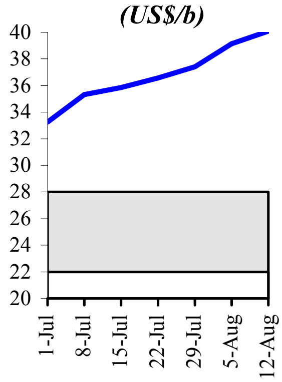
Weekly average Basket price, 03-04



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



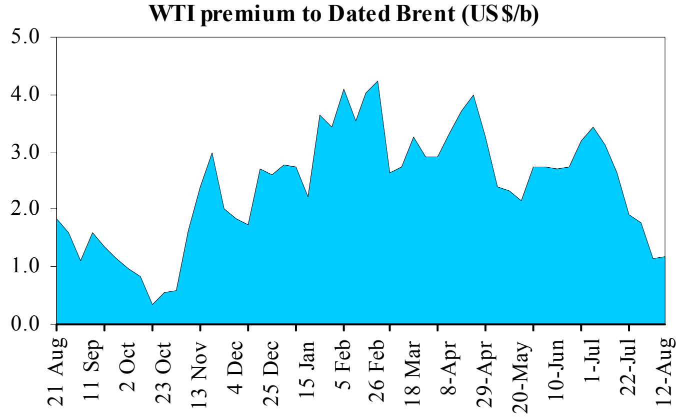
Jul - Aug 04
(US$/b)



Demand for light sweet crudes remains firm. However, medium and heavy sweet grades went unsold as sour crudes came under increasing selling pressure.

Tightness in the upstream? Maybe. Tightness in the down-stream? Almost certain. But regard-less of whether this tightness is real or more of a product of market perception, it is still the main reason behind soaring crude oil prices, which have recently moved into unchartered territory. While a big fuss was made in early June over Nymex crude oil futures hitting record highs of $42.33/b, which was probably due to the world never having seen such prices before, this has not been the case lately even though prices have surged to nearly $45/b. The general perception that there is a scarcity of crude supply to meet run-away demand might be misleading and if left unchecked could bring further complications to an already turbulent market. It is true that light sweet crudes, especially from West Africa and the North Sea, have been scarce in a period when refiners all over the globe have been rushing to secure adequate feedstocks to cope with the rampant demand for light products such as gasoline, jet and jet kerosene, while at the same time trying to use whatever refining capacity is left to produce much-needed heating oil stocks ahead of the winter season. **Nevertheless, it is also true that sour crudes are inundating the market, which has been reflected in the widening of the sweet/sour spread. For example, heavy-sour Mexican Maya fell to a discount of some $11/b to WTI late in July because of the weak demand for high-sulphur fuel oil.** The latest preliminary reports estimate that OPEC

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



production reached more than 29.5 mb/d in July, of which almost all incremental volumes are in terms of sour crude. OPEC exports have started to arrive at refining centres where bottlenecks in upgrading units, together with the undesired heavy by-products (fuel oil) at a time when refiners are scrambling to hike light product yields, have further undermined sour crude prices. Refinery runs have been high for months but the global refining system is operating near full capacity. According to the latest EIA weekly figures, refinery runs in the USA came close to 97% with the 4-week average at almost 96%. In Europe refinery utilization has reached 96% to cope with the strong demand for gasoline while at the same time produce much needed heating oil to replenish stocks ahead of the winter season, especially in Germany. Asia Pacific refiners have also been working flat out to meet surging regional gasoil demand, especially from China. **It seems that the market has entered a new reality, one where tightness in upstream spare capacity due to lack of capacity expansion and surprisingly robust oil demand growth promises to set the scene for a new market dynamic,** at least in the foreseeable future. The upward shifting of the futures curve, where forward prices (12 months) remain wrapped around $40/b, and wide product margins are indications of much needed investment in the upstream as well as the downstream. Failing to properly address these realities will only exacerbate price volatility and leave the industry lurching from one crisis to the next.

US and European markets

Strong gasoline and distillate production supported demand for light sweet grades. Heavy sour crudes are trading at considerable discounts due to poor demand.

Strong demand for gasoline as the USA passes through the peak of the gasoline season, the simultaneous replenishment of distillate stocks ahead of the heating oil season, and strong refining margins have resulted in persistent strength in the demand for light sweet crudes in the USA. According to EIA figures by the end of July refiners were running their plants at almost 97% of name plate capacity with crude oil imports hitting a record-high of 11.32 mb/d in the third week of July. Product demand appears to be so strong that stocks of major products have only shown insignificant builds. Gasoline inventories of 210.11 mb did recover slightly, but remained just 2% higher compared to the latest 5-year average. In contrast, reformulated gasoline remains 28% below last year (end July) and 4% lower versus the five-year average. Distillate stocks also showed a minor 2% y-o-y recovery, but when compared to the five-year average of 121.15 mb, distillate stocks are 3% lower. **The situation is drastically different when it comes to heavier sweet and sour grades which remain significantly out of favour in the US market.** There are considerable volumes of West African grades stored in the LOOP and the sweet/sour spread continues to widen to more than $3/b. In Europe, North Sea crudes surged to record-highs on the back of lower but still respectable refining margins, strong demand and dwindling supplies as field maintenance cut into availabilities.

Far East market

Refiners are hiking runs to replenish low kerosene and gasoil stocks

As in other major consuming centres, light sweet grades in the Asia Pacific region were supported by good refining margins on strong gasoil and kerosene crack spreads. Japanese winter stock-builds of pre-seasonally low heating oil inventories prompted demand for regional as well as Middle Eastern grades. Abu Dhabi Murban was trading at hefty premiums to its OSP underpinned by the need to raise tight gasoil and kerosene availability. Light sweet regional grades were also supported by the wide BFO/Dubai premium which made competing West African crudes expensive. **The spread between light and heavy regional grades was evident by the premium that Tapis commanded to Minas, which reached around $4/b towards the last week of July**. But heavier grades like Arab Medium and Oman remain under selling pressure due to ample availability, a lull in buying interest and the weak fuel oil market.

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

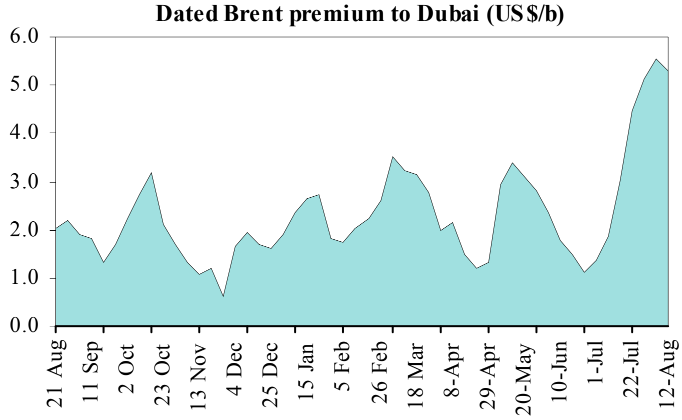


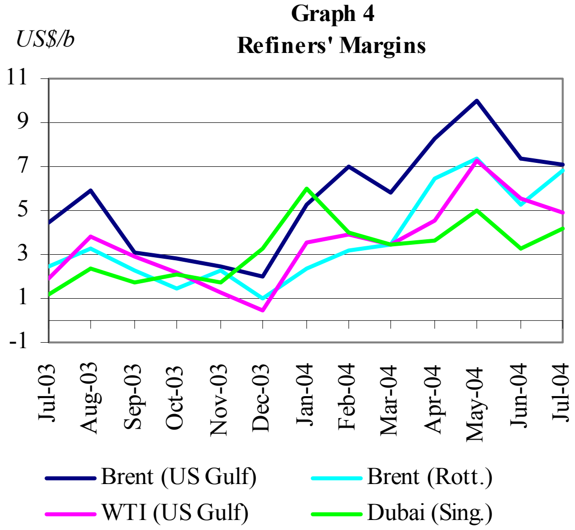
Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

			Year-to-date average	
	Jun 04	**Jul 04**	2003	**2004**
Reference Basket	34.61	**36.29**	28.02	33.08
Arabian Light	34.70	**35.55**	27.37	32.74
Dubai	33.58	**34.70**	26.43	31.85
Bonny Light	35.60	**38.08**	28.57	34.30
Saharan Blend	35.14	**38.16**	28.51	34.32
Minas	36.75	**36.28**	29.70	33.53
Tia Juana Light	31.67	**33.81**	27.30	30.89
Isthmus	34.85	**37.41**	28.25	33.93
Other crudes				
Brent	35.21	**38.33**	28.66	34.32
WTI	38.18	**40.69**	31.41	37.34
Differentials				
WTI/Brent	2.97	**2.36**	2.75	3.02
Brent/Dubai	1.63	**3.63**	2.23	2.47

Product Markets and Refinery Operations

The broader strength of crude prices and a counter-seasonal build of US gasoline inventories in July, as well as the prospect that distillate fuel inventories will be restocked to relatively comfortable levels by the start of the next heating oil season, have eased earlier worries about a short-fall of these products in the winter season which, in turn, has undermined refinery margins, particularly in the USA. However, refinery glitches in Europe and Asia and strong demand for distillate products have provided a cushion for refineries in both markets, but the disappointing performance of fuel oil across the board threatened refinery margins from the bottom of the barrel and might have caused the spread between the light and heavy sour crudes to widen further.

Graph 4
Refiners' Margins

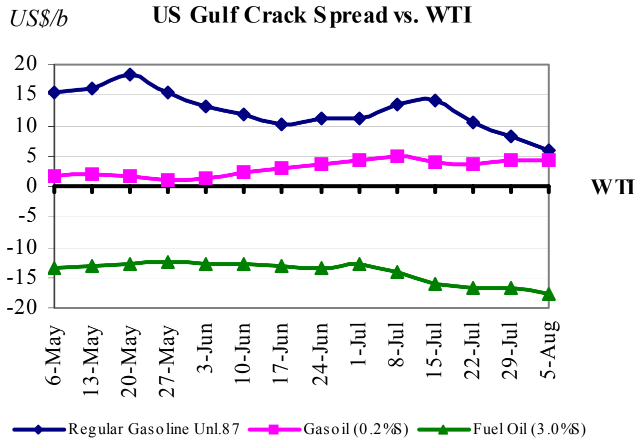


US market

The bullish sentiment of the US product market has changed since the beginning of July due to untypical gasoline stock builds, easing concern about distillate inventories and the poor performance of the bottom of the barrel, which have undermined US refinery margins in July.

On 6 August 2004, gasoline stocks were 208.3 mb, which was 2 mb higher than in early July and 10.2 mb above the same date of last year. The latest four-week average figure on 6 August also showed that demand for gasoline decreased by more than 1% compared to the same period last year, while imports showed an increase of 26%. This situation has negatively affected the gasoline and naphtha product spread versus the benchmark crude oil WTI. The spread between WTI and distillates has also softened somewhat due to healthy stock builds and higher production. Refinery distillate yields have increased from 24% in June to 25% in July. However, US refiners have benefited from the strong distillate market in Europe and protected their distillate margins.

Graph 5
US Gulf Crack Spread vs. WTI



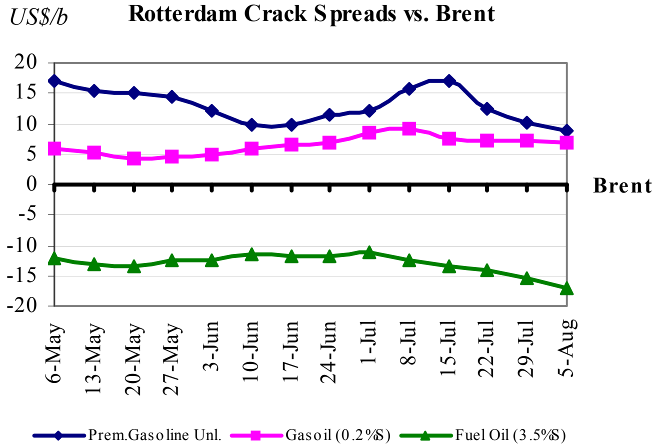
The fuel oil market in the USA was very mute due to sluggish demand and ample supply. The fuel crack discount against WTI dropped to a historical low after a loss of more than \$17/b. Meanwhile, despite the softening of refinery margins in July, the light spread versus WTI was still very attractive for the refiners, which are running at maximum level. Although the US refinery utilization rate in July slipped a marginal 0.4% against June, it was still above 96%.

The European product market in July, especially for distillates, was stronger than the US market, while refiners have enjoyed better refinery margins.

European market

Earlier in the month, heavy loading for contractual exports to the USA, coupled with refinery production problems in North-West Europe, pushed barges to trade at record level and supported the gasoline crack spread against the benchmark crude Brent. Later on, the arbitrage economics to the USA became unfavourable, but the outage of refineries in Norway and Germany supported gasoline prices to some extent. Naphtha prices were also supported by a delay in the restarting of Algeria's Skikda refinery and the bullish sentiment in the Singapore market.

Graph 6
Rotterdam Crack Spreads vs. Brent



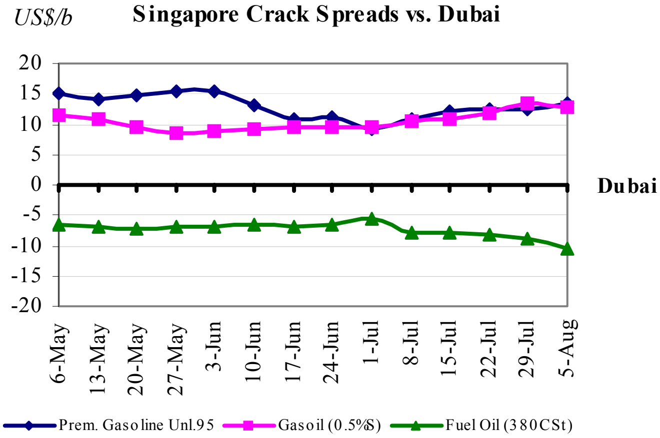
The market for distillates, in particular for diesel oil, was strong due to high demand both in the North-West European and the Mediterranean markets. Refinery glitches in North-West Europe were compounded by Yukos asset sales and the reduction of Russian gasoil exports, where, in turn, the distillate crack spread outpaced the performance of Brent crude oil. Meanwhile, the increase in distillate inventories in July was relatively good, but due to the refinery maintenance schedule in Europe in September and October, especially in the Mediterranean area, the distillate market sentiment for the area looks bullish for the next few months. However, due to weak demand of utility plants running medium sour crude oil, particularly in the Mediterranean area, and unfavourable arbitrage economics for exporting high sulphur fuel oil to the East market, the sentiment for the fuel oil market in Europe is still very bearish, and the crack spread versus Brent has widened further. Following the completion of refinery turnarounds in North-West Europe, refinery throughput in Europe as a whole has increased by over 2.1% compared to June, reaching 90.3% in July.

Labour unrest at the LG-Calten refinery, strong demand for middle distillates and increasing demand for naphtha from the petrochemical complex have supported the Asian petroleum products in July, and refinery margins of this region have improved compared to last month.

Asian market

The price of light distillates rallied on the back of the cancellation of a few export cargoes by LG-Calten and emerging fresh demand from South-East Asia. However, the naphtha market was mixed. While demand from petrochemical units was strong, continued supplies from Indian refineries weighed on the market and pressured the naphtha crack spread versus Dubai crude oil. As mentioned earlier, demand for jet/kerosene and gasoil was very strong as well, as a strike in South Korea's second largest refinery boosted sentiment in an already tight market. The gasoil crack versus Dubai was also underpinned by Hong-Kong buyers returning to the market after the expiry of the fishing ban in South China. With respect to the fuel oil market, hot weather in Japan bolstered utility plants' needs for low sulphur fuel oil, while the demand for high sulphur fuel oil is very weak as Chinese consumption has not yet rebounded. This has left the market oversupplied, which caused the fuel oil/Dubai crack to slip to its lowest level of below $7/b with no recovery in sight.

Graph 7
Singapore Crack Spreads vs. Dubai



In Asia, refineries are running with higher throughput compared to last year. Japanese refineries, which were running at lower capacity compared to the others, boosted their runs sharply in July to begin pre-winter stockpiling. The Japanese refinery utilization rate jumped from 73.3% in June to 83.8% in July

Table 2
Refined product prices
US$/b

		May 04	Jun 04	**Jul 04**	**Change Jul/Jun**
US Gulf (Cargoes):					
Naphtha		48.50	44.68	46.68	2.00
Premium gasoline	*(unleaded 93)*	60.06	51.90	54.80	2.90
Regular gasoline	*(unleaded 87)*	56.45	49.39	52.10	2.71
Jet/Kerosene		46.08	43.53	48.37	4.84
Gasoil	*(0.2% S)*	41.76	40.88	44.97	4.09
Fuel oil	*(1.0% S)*	31.99	31.45	30.01	–1.44
Fuel oil	*(3.0% S)*	27.28	24.99	24.93	–0.06
Rotterdam (Barges FoB):					
Naphtha		48.99	45.70	48.87	3.17
Premium gasoline	*(unleaded 95)*	53.11	45.85	52.03	6.18
Regular gasoline	*(unleaded)*	53.08	45.79	52.28	6.49
Jet/Kerosene		47.81	45.26	49.88	4.62
Gasoil	*(0.2% S)*	42.83	41.68	46.19	4.51
Fuel oil	*(1.0% S)*	25.70	24.21	24.28	0.07
Fuel oil	*(3.5% S)*	25.10	23.39	24.44	1.05
Mediterranean (Cargoes):					
Naphtha		40.52	37.48	40.37	2.89
Premium unleaded	*(0.15g/l)*	52.15	44.74	49.40	4.66
Premium gasoline	*(unleaded 95)*	52.16	44.64	49.37	4.73
Jet/Kerosene		46.73	43.47	48.10	4.63
Gasoil	*(0.5% S)*	43.41	41.92	45.96	4.04
Fuel oil	*(1.0% S)*	27.66	26.54	26.47	–0.07
Fuel oil	*(3.5% S)*	23.69	21.07	23.03	1.96
Singapore (Cargoes):					
Naphtha		39.69	37.19	38.60	1.41
Premium gasoline	*(unleaded 95)*	49.71	45.19	46.52	1.33
Regular gasoline	*(unleaded 92)*	48.41	44.04	45.12	1.08
Jet/Kerosene		45.71	43.17	48.08	4.91
Gasoil	*(0.5% S)*	44.62	42.84	46.25	3.41
Fuel oil	*(180 cst 2.0% S)*	28.28	27.43	27.64	0.21
Fuel oil	*(380 cst 3.5% S)*	27.83	26.87	26.98	0.11

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*			**Refinery utilization*** *%*		
	May 04	Jun 04	**Jul 04**	May 04	Jun 04	**Jul 04**
USA	15.86	16.12	16.06	95.0	96.5	96.1
France	1.63	1.62	1.77	83.5 R	82.9	90.5
Germany	2.28 R	2.19 R	2.33	99.7	95.7 R	101.8
Italy	1.83 R	1.81 R	1.79	79.0 R	78.4 R	77.4
UK	1.68 R	1.58 R	1.67	92.6 R	87.0 R	92.0
Eur-16	12.43 R	12.18 R	12.46	90.0 R	88.2 R	90.3
Japan	3.47	3.45 R	3.94	73.9	73.3 R	83.8

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

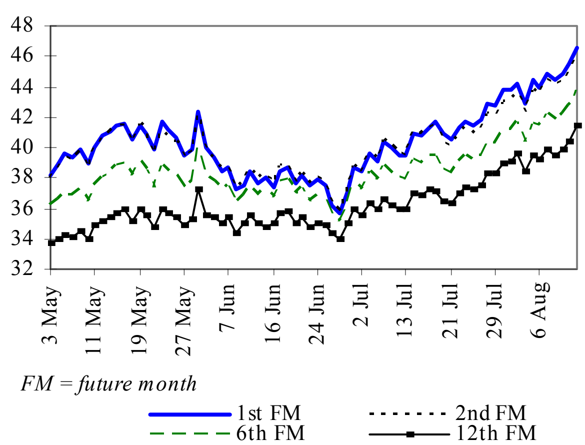
The Oil Futures Market

After a pause in June, non-commercials resumed building long positions

The sell-off that began in late May and intensified in early June, following OPEC's decision to hike output by 2.5 mb/d in two trenches, came to a complete halt by the end of June. Non-commercials heavily disposed of their long positions on the assumption that prices would drop, bringing their net-longs from more than 77,000 lots to less than 15,000 on 29 June. At the same time, WTI futures shed more than $3/b falling to as low as $35.66/b on 29 June. **Speculators sentiment changed to a more bullish mode as they refocused on strong world oil demand figures, robust gasoline and heating oil consumption in the USA and EU, and a more structural aspect that has to do with the shrinking of the spare upstream and downstream capacities**. Markets are increasingly worried about the volatile cocktail that could result from diminishing worldwide spare production capacity at a time of high demand and a possible dramatic disruption in the flow of oil from a major exporter. The oil workers' strike in Venezuela late in 2002, disruptions in Nigerian production due to labour disputes, the Iraqi war and the recent terrorist attacks on oil facilities in a major oil producing nation remain very vivid in speculators' minds. We believe that until the issue of spare capacity both in the upstream and downstream are dealt with, markets through the work of speculators will be subject to a great deal of volatility. Proof of this can be seen in the increase of more than $5/b from late June to early August when WTI front-month prices closed at an all-time high of $44.41/b on 5 August, before rising to $44.77/b in intra-day trading the following day. **The latest rally was fuelled by the Yukos' saga which could cripple the normal flow of crude from Russia's second largest producer, which accounts for one-fifth of total production.**

Graph 8

NYMEX WTI futures contracts, 2004



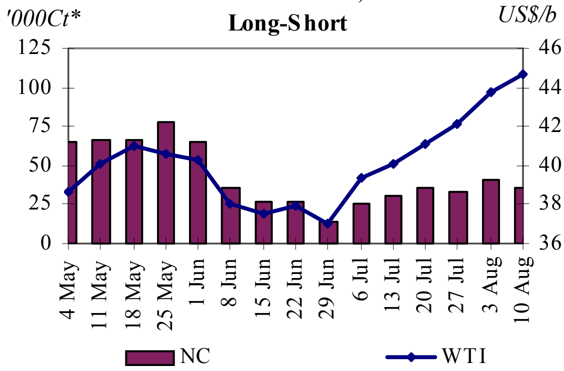
But, is the market not overreacting to every piece of news? In the case of Yukos total production is 1.7 mb/d and the Russian government has repeated to exhaustion that it does not want to see the company's production affected by the legal procedures. As mentioned above, in December 2002, Venezuela's 3.0 mb/d production came close to a complete halt while Nigeria lost 800,000 b/d almost simultaneously. Following the start of the war, Iraq's production went from 2.5 mb/d in February 2003 to only 150,000 b/d in April. Thus, the world lost approximately 5 mb/d in a period of four months but prices for WTI never went above $38/b. The difference between the first quarter of 2003 and now is that back then OPEC was producing at 26.7 mb/d and had enough spare capacity to compensate for the lost volumes. Today, the Organization is pumping close to 30 mb/d, making its bravest effort to mitigate runaway oil prices, but with only limited upside potential to respond to a supply shock. Speculators, aware that the market is in a precarious situation, are trying to benefit from it, although with pertinent pauses every now and then to assess market dynamics. Non-commercials have been building their net-long positions during July, with the latest Commodity Futures Trading Commission's Commitment of Traders report for the week ending 10 August showing a net long of 40,299 lots and open interest at 725,884, which is very close to the all-time high of 735,377 lots reached on 1 June 2004.

Graph 9

Futures Commitment of Traders Report:

NYMEX Crude Oil, 2004

Long-Short



NC = Non-commercials: funds, investments and banks.

Ct = *Each contract is 1,000 barrels.

The Tanker Market

OPEC area spot-chartering in July rose on increasing oil production

OPEC area spot chartering in July rose about 9% or 1.26 mb/d to stand at 14.01 mb/d. The rise in OPEC oil production during June, which did not show up in June OPEC area spot fixtures, finally emerged in July as spot cargoes were only increased after oil producers had first boosted allocations to their long-term customers. Compared with last year's figure, OPEC spot fixtures are down about 5% or 0.73 mb/d. **OPEC's share of global spot fixtures regained most of the 2% lost in the previous month, increasing 1.74% to slightly above 64% which is 4% higher than the level registered during July 2003**. Together, Middle East eastbound and westbound long-haul spot fixtures accounted for about 54% of all OPEC area spot chartering, or 4% above last year's share. Westbound long-haul spot fixtures rose about 27% or 0.47 mb/d to 2.24 mb/d which corresponded to 16% of total OPEC area, while eastbound moved up by about 6% or 0.29 mb/d to 5.32 mb/d, representing about 38% of OPEC spot fixtures. Non-OPEC spot chartering displayed the same upward trend but the increment was slim as most of the increasing oil production was inside the OPEC area where spare capacity still exists, especially within Middle Eastern producers. **Non-OPEC spot fixtures rose just 2% or 0.15 mb/d to 7.85 mb/d, which is about 36% of total global spot fixtures, or 4% below the year-ago level. Global spot-chartering increased moderately by about 6% or 1.41 mb/d to stand at 21.86 mb/d, which is 2.76 mb/d less than that observed a year ago.** Estimated sailings from the OPEC area during July fell by about 4% or 1.08 mb/d to 27.11 mb/d, which was 3.84 mb/d higher than last year. The share of OPEC area sailings stood at about 69% or about 10% above the June level. Arrivals showed mixed patterns as the US Gulf, East Coast and Caribbean displayed increased flows of 0.66 mb/d to 11.67 mb/d and Japan rose 0.66 mb/d to 11.67 mb/d, while minor decreases occurred on Euro-med arrivals, which declined by 0.08 mb/d to 4.13 mb/d, and North West Europe, which shed 0.30 mb/d to 7.06 mb/d.

VLCC freight rates soared in July on high oil flows and tight tonnage availability

As is usually the case during the July-August summer season, crude oil freight rates moved downward on diminished seasonal demand. Looking back over the last three years (2001-2003), it is obvious that freight rates for VLCCs on the Middle East eastbound and westbound long-haul routes touched their lowest levels during the summer period. However, this year the picture has been completely different as freight rates started to climb ahead of the summer after showing some setbacks during March and April on decreased activity due mainly to geopolitical factors. As of May, VLCC freight rates once again headed north, accumulating progressive gains on rising tanker demand due to increasing OPEC oil production and tight tonnage availability. The VLCC market enjoyed the highest freight rates in July, especially after Member Countries decided to pump more oil to meet fast growing oil demand, particularly from China and USA. **Freight rates on the Middle East eastbound long-haul route gained 17 points for a monthly average of WS142, while on the westbound route, they moved up 9 points to average WS113.** Rates on the eastbound route, at times, even rose to WS170 as the market got very tight due to a lack of tonnage. On the westbound route, rates at the end of the month touched WS130 and higher on increasing demand for sweet light West African grades from US refiners. Fundamentally, the tanker market is very strong and, with oil demand continuing to show steady growth and the tonnage supply being relatively tight, nearly all signs indicate that freight rates will remain at very high levels and could even achieve record figures in the coming months, especially in the high demand winter season. Suezmax freight rates behaved similarly to those for VLCCs, gaining 11 points for a monthly average of WS160 on the West Africa/US Gulf Coast route and 15 points to an average of WS163 on the NW Europe/US East Coast-US Gulf Coast route. The Suezmax sector benefited from the boom in the VLCC segment, as after a slow start at the beginning of the month, Suezmax freight rates managed to reach WS170s on increasing demand. Aframax freight rates displayed different directions, increasing 9 points to average WS254 within the Mediterranean basin on steady activity. On the Mediterranean/NW Europe route, Aframax freight rates fell sharply, losing 44 points on average to stand at WS166 on the back of very slow trade in the first half of the month where rates dipped to lows of WS140s. However, strong activity later in the month succeeded in pulling up rates to the WS160s level. Lack of sufficient business particularly in the second half of the month pushed rates on the Caribbean/US Gulf Coast route down by 16 points to average WS189. Steady activity on the Indonesia/US West Coast route maintained freight rates at the previous month's average of WS166.

Product freight rates in July showed mixed trends — rosy in the East and gloomy in the West

The product tanker market in July was split into two different pictures. The rosy one was in the East where freight rates showed moderate gains, while the gloomy side was in the West as rates fell sharply, especially for Atlantic cargoes. **Freight rates for 50,000 dwt cargoes along the Middle East/East route gained 14 points to average WS234 on the back of firm demand and**

relatively tight tonnage supply. Also 30,000 dwt cargoes from Singapore to Japan enjoyed rates at an average of WS291, an increase of 27 points on very healthy trade. The biggest losers in the West were owners active in the Atlantic, especially on the NW Europe/US East Coast-US Gulf Coast routes, where rates shed 54 points from the previous month's average to stand at WS254 on a lack of sufficient spot cargoes to trade due to closed arbitrage. The downtrend also dominated the Caribbean/US Gulf Coast route where rates lost 20 points to average WS280 on lower requirements. Within the Mediterranean and from there to NW Europe, freight rates retreated by 15 and 18 points to a monthly average of WS244 and WS271 respectively due to insufficient business.

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

	May 04	Jun 04	Jul 04	Change Jul/Jun
Chartering				
All areas	24.70	20.45	21.86	1.41
OPEC	15.92	12.75	14.01	1.26
Middle East/east	5.97	5.03	5.32	0.29
Middle East/west	2.84	1.77	2.24	0.47
Sailings				
OPEC	22.51	28.19	27.11	–1.08
Middle East	16.16	16.63	18.67	2.05
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.96	11.00	11.67	0.66
North West Europe	7.53	7.36	7.06	–0.30
Euromed	3.92	4.21	4.13	–0.08
Japan	3.74	3.61	4.04	0.44

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	May 04	June 04	Jul 04	Change Jul/Jun
Crude					
Middle East/east	200–300	108	125	142	17
Middle East/west	200–300	85	104	113	9
West Africa/US Gulf	100–160	131	149	160	11
North-West Europe/US East Coast	100–160	145	148	163	15
Indonesia/US West Coast	70–100	146	166	166	0
Caribbean/US East Coast	40–70	164	205	189	–16
Mediterranean/Mediterranean	40–70	210	245	254	9
Mediterranean/North-West Europe	70–100	166	210	166	–44
Products					
Middle East/east	30–50	179	220	234	14
Singapore/east	25–30	278	264	291	27
Caribbean/US Gulf Coast	25–30	275	300	280	–20
North-West Europe/US East Coast	25–30	250	308	254	–54
Mediterranean/Mediterranean	25–30	230	259	244	–15
Mediterranean/North-West Europe	25–30	280	289	271	–18

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

World Oil Demand

Revision to historical figures (2002-2003)

Average world oil demand for the year 2002 has been revised up to 77.40 mb/d from our last *MOMR*. The slight upward revision was due to higher consumption data from OECD and Developing Countries. For the year 2003, the latest figures also indicate an upward revision of 0.17 mb/d with total world oil demand for the year estimated at 78.97 mb/d. **Some sources have significantly revised up their 2003 Middle East historical data. However, based on direct communication with official sources in Saudi Arabia, we can verify only moderate revisions**. On a quarterly basis first-quarter oil demand was revised up by 0.21 mb/d followed by another 0.13 mb/d upward revision in the second quarter. Third and fourth quarter oil demand were also revised up by 0.11 mb/d and 0.25 mb/d respectively.

Forecast for 2004

World

World demand growth for 2004 revised up by 0.11 mb/d to 2.21 mb/d. Average demand is now estimated at 81.18 mb/d

Based on a higher than anticipated first quarter consumption, the expected continued strong world economy in the remainder of the current year and the persistent strength in mostly non-OECD consumption, the forecast world oil demand has once again been revised up, this time by 0.28 mb/d, to average 81.18 mb/d. Similarly, 2004 world oil demand growth has been revised up by 0.11 mb/d to 2.21 mb/d, taking into account the upward revision of 0.17 mb/d in the 2003 baseline average.

On a quarterly basis, preliminary actual consumption data indicates that the first quarter demand has grown by 1.91 mb/d or 2.40% compared with the corresponding quarter in 2003. There are indications that the growth in the second quarter has been much higher at 2.61 mb/d or 3.40%. This represents the highest quarterly growth rate in 2004. Similar strength is forecast for the third and fourth quarters, which should increase by 2.10 mb/d and 2.22 mb/d respectively.

On a regional basis, the former CPEs are expected to be the leading volume gainer with a 0.88 mb/d or 8.71% growth in demand. China is at the forefront with an astonishing 0.74 mb/d rise in demand, equivalent to 13.37%. Developing Countries follow with a 0.77 mb/d or 3.83% rise, while the OECD is expected to see the lowest volume and percentage growth of 0.56 mb/d or 1.15%.

Table 6
World oil demand forecast for 2004
mb/d

							Change 2004/03	
	2003	1Q04	2Q04	3Q04	4Q04	**2004**	Volume	%
North America	24.57	25.03	24.62	25.14	25.36	25.04	0.47	1.91
Western Europe	15.33	15.66	15.19	15.46	15.76	15.51	0.19	1.23
OECD Pacific	8.78	9.39	8.16	8.09	9.11	8.68	–0.10	–1.13
Total OECD	**48.68**	**50.08**	**47.96**	**48.68**	**50.23**	**49.24**	**0.56**	**1.15**
Other Asia	7.78	8.01	7.92	8.06	8.43	8.11	0.33	4.24
Latin America	4.67	4.59	4.77	4.88	4.92	4.79	0.12	2.53
Middle East	5.13	5.28	5.21	5.59	5.50	5.39	0.27	5.18
Africa	2.58	2.61	2.65	2.61	2.71	2.64	0.06	2.23
Total DCs	**20.16**	**20.49**	**20.54**	**21.14**	**21.55**	**20.93**	**0.77**	**3.83**
FSU	3.80	3.68	3.57	3.90	4.39	3.89	0.08	2.21
Other Europe	0.76	0.88	0.82	0.75	0.83	0.82	0.05	7.15
China	5.56	6.33	6.36	6.34	6.19	6.31	0.74	13.37
Total "Other Regions"	**10.13**	**10.89**	**10.75**	**10.98**	**11.41**	**11.01**	**0.88**	**8.71**
Total world	**78.97**	**81.45**	**79.26**	**80.80**	**83.19**	**81.18**	**2.21**	**2.80**
Previous estimate	78.80	81.00	79.03	80.64	82.89	80.90	2.10	2.67
Revision	0.17	0.45	0.22	0.16	0.30	0.28	0.11	0.14

Totals may not add due to independent rounding.

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

			Change 2004/03				Change 2004/03	
	1Q03	1Q04	Volume	%	2Q03	2Q04	Volume	%
North America	24.54	25.03	0.48	1.97	24.07	24.62	0.55	2.28
Western Europe	15.30	15.66	0.36	2.33	15.06	15.19	0.13	0.83
OECD Pacific	9.76	9.39	–0.37	–3.78	8.20	8.16	–0.04	–0.52
Total OECD	**49.60**	**50.08**	**0.47**	**0.95**	**47.33**	**47.96**	**0.63**	**1.34**
Other Asia	7.63	8.01	0.39	5.08	7.62	7.92	0.30	3.92
Latin America	4.49	4.59	0.10	2.29	4.65	4.77	0.12	2.60
Middle East	5.03	5.28	0.24	4.85	4.93	5.21	0.28	5.59
Africa	2.59	2.61	0.02	0.63	2.55	2.65	0.10	3.81
Total DCs	**19.74**	**20.49**	**0.75**	**3.80**	**19.75**	**20.54**	**0.79**	**4.01**
FSU	4.02	3.68	–0.34	–8.46	3.35	3.57	0.22	6.48
Other Europe	0.77	0.88	0.11	14.11	0.75	0.82	0.07	8.88
China	5.41	6.33	0.92	17.02	5.46	6.36	0.90	16.47
Total "Other Regions"	**10.20**	**10.89**	**0.69**	**6.76**	**9.57**	**10.75**	**1.18**	**12.37**
Total world	**79.54**	**81.45**	**1.91**	**2.40**	**76.65**	**79.26**	**2.61**	**3.40**

Totals may not add due to independent rounding.

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

			Change 2004/03				Change 2004/03	
	3Q03	3Q04	Volume	%	4Q03	4Q04	Volume	%
North America	24.78	25.14	0.36	1.45	24.88	25.36	0.48	1.94
Western Europe	15.33	15.46	0.13	0.83	15.60	15.76	0.15	0.97
OECD Pacific	8.03	8.09	0.05	0.66	9.16	9.11	–0.04	–0.47
Total OECD	**48.14**	**48.68**	**0.54**	**1.12**	**49.64**	**50.23**	**0.59**	**1.19**
Other Asia	7.75	8.06	0.31	4.02	8.11	8.43	0.32	3.96
Latin America	4.75	4.88	0.13	2.69	4.80	4.92	0.12	2.54
Middle East	5.33	5.59	0.26	4.91	5.22	5.50	0.28	5.41
Africa	2.56	2.61	0.05	1.77	2.64	2.71	0.07	2.71
Total DCs	**20.39**	**21.14**	**0.75**	**3.66**	**20.76**	**21.55**	**0.80**	**3.84**
FSU	3.68	3.90	0.22	6.01	4.16	4.39	0.23	5.50
Other Europe	0.72	0.75	0.02	2.92	0.80	0.83	0.02	2.85
China	5.76	6.34	0.58	9.99	5.61	6.19	0.58	10.43
Total "Other Regions"	**10.16**	**10.98**	**0.82**	**8.05**	**10.58**	**11.41**	**0.84**	**7.91**
Total world	**78.70**	**80.80**	**2.10**	**2.67**	**80.97**	**83.19**	**2.22**	**2.75**

Totals may not add due to independent rounding.

OECD

With more than 61% of total world oil demand originating in OECD countries, the expected share of growth of this group is projected to reach just above one quarter out of a total of 2.21 mb/d, at the very most. This clearly indicates that the trend toward lower energy intensity in these economies, where increasingly less energy is used to produce a unit of output, seems to continue. The forecast for OECD consumption implies a rate of growth at 1.15 % or 0.56 mb/d in 2004 with the lion's share coming from the North American region. As usual, and judging from the demand figures of the first quarter, the USA will account for more than 75% of the region's total demand growth, with the remaining share more or less equally divided between Mexico and Canada. **Oil demand growth in the energy mature European market shows a rise of 1.23% or 0.19 mb/d, while oil consumption in OECD Pacific will shrink by 1.13% or 0.10 mb/d, in part due to the restart of almost all the nuclear plants in Japan closed down for maintenance in 2003.**

In January-May 2004, OECD oil requirements increased by 0.54 mb/d or 1.12 % versus the same period in 2003. **Gasoline demand was the top volume gainer, rising by 0.24 mb/d or 1.68% to 14.62 mb/d,** followed by LPG demand which increased by 0.19 mb/d or 3.76%. **Residual fuel oil consumption recorded the largest drop falling by almost 9.50% or 0.31 mb/d within the five-month period.** Crude oil consumption for direct burning — an almost exclusive Japanese occurrence and not part of inland consumption — decreased by 39.34% due to the restart of almost all TEPCO's 17 nuclear reactors.

DCs

Oil demand in Developing Countries is forecast to grow by 3.83% or 0.77 mb/d to average 20.93 mb/d which is more than two-and-a-half times the growth registered during 2003. Improvements in road infrastructure in India are likely to influence local diesel and gasoline demand. A significant increase in oil product consumption is also anticipated in oil producing nations in the Middle East on the back of higher revenues from strong oil prices and the substantial subsidies to the domestic product markets. Latin America is also expected to show some growth in demand after several years of contraction. **Almost 40% of total DC demand will come from the "Other Asia" group of countries, followed by the Middle East where demand is projected to rise by 5.18% or 0.27 mb/d. Latin American demand is expected to reverse the trend of the previous years to grow by 2.53% or 0.12 mb/d while African demand will rise by 2.23% or 0.06 mb/d.**

Other Regions

Apparent demand in the "Other Regions" is projected to grow by 8.71% or 0.88 mb/d to average 11.01 mb/d. Total apparent demand growth for this group will account for almost 40% of the total world oil demand increment while the group's share of global demand is around 14%. **The major share of consumption growth will take place in China** where the continued astonishing rates of economic expansion **together with a surge in automobile sales have allowed oil demand to rise by nearly 17% in the first quarter of the year**. For the current year, Chinese apparent demand is projected to grow by an average 13.37 % or 0.74 mb/d which represents more than one third of global demand growth. FSU's apparent demand growth is 0.08 mb/d, but we remain very pessimistic about any demand rise judging by the contraction of 0.34 mb/d or more than 8.46% observed during the first quarter of 2004.

Table 9
World oil demand forecast for 2005
mb/d

							Change 2005/04	
	2004	1Q05	2Q05	3Q05	4Q05	2005	Volume	%
North America	25.04	25.23	24.89	25.33	25.68	25.28	0.25	0.98
Western Europe	15.51	15.84	15.26	15.65	15.98	15.68	0.17	1.10
OECD Pacific	8.68	9.28	7.97	8.17	9.13	8.64	–0.05	–0.54
Total OECD	**49.24**	**50.35**	**48.12**	**49.16**	**50.79**	**49.60**	**0.37**	**0.75**
Other Asia	8.11	8.35	8.23	8.43	8.84	8.46	0.36	4.41
Latin America	4.79	4.65	4.88	4.99	4.95	4.87	0.08	1.60
Middle East	5.39	5.42	5.50	5.73	5.61	5.57	0.17	3.21
Africa	2.64	2.72	2.72	2.63	2.74	2.70	0.06	2.27
Total DCs	**20.93**	**21.13**	**21.34**	**21.79**	**22.14**	**21.60**	**0.67**	**3.19**
FSU	3.89	4.00	3.71	3.86	4.42	4.00	0.11	2.82
Other Europe	0.82	0.93	0.86	0.80	0.88	0.87	0.05	6.11
China	6.31	6.76	6.90	6.79	6.63	6.77	0.47	7.40
Total "Other Regions"	**11.01**	**11.69**	**11.47**	**11.45**	**11.93**	**11.64**	**0.63**	**5.68**
Total world	**81.18**	**83.17**	**80.93**	**82.40**	**84.86**	**82.84**	**1.66**	**2.05**
Previous estimate	80.90	82.73	80.70	82.24	84.56	82.56	1.67	2.06
Revision	0.28	0.44	0.22	0.16	0.30	0.28	0.00	–0.01

Totals may not add due to independent rounding.

Forecast for 2005

World demand forecast to rise to average 82.84 mb/d in 2005

Due to an upward revision of 0.28 mb/d to average world oil demand in 2004, the forecast average for 2005 has been revised up by the same amount to 82.84 mb/d compared with the 82.56 mb/d presented in the last *MOMR* as our preliminary forecast. No changes have been applied to the forecast 2005 oil demand increment which reads 1.66 mb/d or 2.05%. Out of this growth, China alone is expected to account for 0.47 mb/d or 28%.

On a quarterly basis, all the four quarters are anticipated to register healthy growth with the first quarter leading with a 1.72 mb/d or 2.12% rise. The second quarter is expected to follow with a 1.67 mb/d rise in demand equivalent to 2.11%. The lowest growth in demand of 1.59 mb/d or 1.97% is anticipated in the third quarter. A significant demand rise of 1.66 mb/d or 2.00% should be seen in the fourth quarter.

All three main groups of countries are forecast to register healthy oil demand growth, with the largest volume gainer being Developing Countries with 0.67 mb/d or 3.19%. Other regions, mostly thanks to China, will follow with 0.63 mb/d or 5.68%. OECD is expected to register the lowest growth in demand of 0.37 mb/d or 0.75%.

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

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.03	25.23	0.20	0.82	24.62	24.89	0.27	1.08
Western Europe	15.66	15.84	0.18	1.17	15.19	15.26	0.07	0.47
OECD Pacific	9.39	9.28	–0.12	–1.23	8.16	7.97	–0.18	–2.24
Total OECD	**50.08**	**50.35**	**0.27**	**0.54**	**47.96**	**48.12**	**0.15**	**0.32**
Other Asia	8.01	8.35	0.33	4.16	7.92	8.23	0.32	4.02
Latin America	4.59	4.65	0.06	1.33	4.77	4.88	0.11	2.25
Middle East	5.28	5.42	0.14	2.71	5.21	5.50	0.30	5.69
Africa	2.61	2.72	0.11	4.16	2.65	2.72	0.07	2.74
Total DCs	**20.49**	**21.13**	**0.65**	**3.15**	**20.54**	**21.34**	**0.79**	**3.87**
FSU	3.68	4.00	0.32	8.70	3.57	3.71	0.14	3.94
Other Europe	0.88	0.93	0.05	6.17	0.82	0.86	0.04	4.67
China	6.33	6.76	0.43	6.83	6.36	6.90	0.54	8.51
Total "Other Regions"	**10.89**	**11.69**	**0.81**	**7.41**	**10.75**	**11.47**	**0.72**	**6.70**
Total world	**81.45**	**83.17**	**1.72**	**2.12**	**79.26**	**80.93**	**1.67**	**2.11**

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	25.14	25.33	0.19	0.76	25.36	25.68	0.32	1.26
Western Europe	15.46	15.65	0.20	1.27	15.76	15.98	0.23	1.45
OECD Pacific	8.09	8.17	0.09	1.10	9.11	9.13	0.02	0.19
Total OECD	**48.68**	**49.16**	**0.48**	**0.98**	**50.23**	**50.79**	**0.57**	**1.13**
Other Asia	8.06	8.43	0.37	4.61	8.43	8.84	0.40	4.79
Latin America	4.88	4.99	0.11	2.28	4.92	4.95	0.03	0.57
Middle East	5.59	5.73	0.14	2.53	5.50	5.61	0.11	2.08
Africa	2.61	2.63	0.03	0.97	2.71	2.74	0.03	1.29
Total DCs	**21.14**	**21.79**	**0.65**	**3.07**	**21.55**	**22.14**	**0.58**	**2.70**
FSU	3.90	3.86	-0.04	–1.10	4.39	4.42	0.03	0.58
Other Europe	0.75	0.80	0.05	6.83	0.83	0.88	0.06	6.82
China	6.34	6.79	0.46	7.24	6.19	6.63	0.43	6.99
Total "Other Regions"	**10.98**	**11.45**	**0.47**	**4.25**	**11.41**	**11.93**	**0.52**	**4.51**
Total world	**80.80**	**82.40**	**1.59**	**1.97**	**83.19**	**84.86**	**1.66**	**2.00**

Totals may not add due to independent rounding

World Oil Supply

Non-OPEC

Forecast for 2004

Non-OPEC supply for 2004 revised up to 50.07 mb/d in July, an increase of 1.44 mb/d over the 2003 figure

Non-OPEC supply for 2004 has been revised up to 50.07 mb/d, with the quarterly figures standing at 49.67 mb/d, 49.74 mb/d, 49.95 mb/d and 50.90 mb/d respectively. The yearly average increase now shows 1.44 mb/d, compared with the 2003 figure. Minor upward revisions were made to the second-quarter figures of Canada, Norway and Asia Others (Thailand and East Timor). Also the third and fourth quarters have been upwardly revised.

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	14.73	14.66	14.95	14.78	0.19
Western Europe	6.39	6.38	6.23	5.95	6.13	6.17	–0.22
OECD Pacific	0.65	0.59	0.55	0.58	0.50	0.56	–0.10
Total OECD	21.63	21.76	21.52	21.19	21.57	21.51	–0.12
Other Asia	2.39	2.53	2.58	2.60	2.61	2.58	0.19
Latin America	3.91	3.90	3.91	3.98	4.01	3.95	0.04
Middle East	2.00	1.94	1.89	1.89	1.91	1.91	–0.09
Africa	3.05	3.31	3.37	3.52	3.69	3.47	0.43
Total DCs	11.35	11.68	11.75	11.99	12.23	11.91	0.57
FSU	10.27	10.78	11.06	11.35	11.63	11.21	0.94
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.43	3.43	3.45	3.43	3.44	0.03
Total "Other regions"	13.85	14.38	14.66	14.97	15.23	14.81	0.96
Total non-OPEC production	46.83	47.82	47.93	48.14	49.03	48.23	1.41
Processing gains	1.80	1.85	1.81	1.81	1.87	1.83	0.04
Total non-OPEC supply	48.62	49.67	49.74	49.95	50.90	50.07	1.44
Previous estimate	48.66	49.69	49.60	49.89	50.87	50.02	1.36
Revision	–0.04	–0.02	0.13	0.06	0.03	0.05	0.09

Totals may not add due to independent rounding.

Non-OPEC supply for 2005 forecast at 51.26 mb/d, an increase of 1.19 mb/d over 2004

Forecast for 2005

Non-OPEC supply for 2005 is forecast to increase by 1.19 mb/d. **North America is expected to witness a rise of 0.16 mb/d mainly on an 0.08 mb/d increase from Canada, partially offset by the 0.09 mb/d decline expected in OECD Pacific and Western Europe, where the UK is expected to decline by 0.08 mb/d. Total OECD is expected to remain unchanged at 21.5 mb/d. Total DCs are forecast to rise by 0.57 mb/d, mainly contributed by Latin America, where Brazil saw an increase of 0.12 mb/d and Trinidad rose 0.05 mb/d, as well as Africa, where Angola, Sudan and Chad moved up 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 in "Other Regions", mainly on Russia's 0.45 mb/d and both Kazakhstan and Azerbaijan adding 0.06 mb/d each.** The quarterly figures stand at 50.89 mb/d, 50.92 mb/d, 51.13 mb/d and 52.10 mb/d respectively, while the yearly average is forecast at 51.26 mb/d.

Table 13
Non-OPEC oil supply forecast for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.78	14.96	14.89	14.82	15.11	14.94	0.16
Western Europe	6.17	6.28	6.14	5.86	6.04	6.08	–0.09
OECD Pacific	0.56	0.55	0.52	0.55	0.48	0.53	–0.03
Total OECD	21.51	21.79	21.55	21.23	21.63	21.55	0.04
Other Asia	2.58	2.53	2.58	2.60	2.61	2.58	0.00
Latin America	3.95	4.13	4.15	4.22	4.25	4.19	0.24
Middle East	1.91	1.93	1.91	1.90	1.90	1.91	0.00
Africa	3.47	3.71	3.69	3.81	4.00	3.80	0.33
Total DCs	11.91	12.30	12.32	12.54	12.77	12.48	0.57
FSU	11.21	11.33	11.62	11.92	12.22	11.78	0.57
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.44	3.44	3.45	3.47	3.45	3.45	0.02
Total "Other regions"	14.81	14.94	15.24	15.56	15.84	15.40	0.59
Total non-OPEC production	48.23	49.04	49.11	49.32	50.23	49.43	1.19
Processing gains	1.83	1.85	1.81	1.81	1.87	1.83	0.00
Total non-OPEC supply	50.07	50.89	50.92	51.13	52.10	51.26	1.19
Previous estimate	50.02	50.91	50.79	51.07	52.07	51.21	1.19
Revision	0.05	–0.03	0.13	0.07	0.02	0.05	0.00

Totals may not add due to independent rounding.

2005 net FSU oil exports forecast at 7.78 mb/d, an increase of 0.46 mb/d over 2004

The FSU's net oil exports for 2005 are expected at 7.78 mb/d or 0.46 mb/d higher than the estimated figure for 2004 of 7.32 mb/d.

Table 14
FSU net oil exports

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.60**
2002	5.13	5.74	5.83	5.47	**5.55**
2003	5.87	6.75	6.72	6.50	**6.46**
2004 (forecast)	7.10	7.48	7.45	7.24	**7.32**
2005 (forecast)	7.33	7.91	8.07	7.80	**7.78**

OPEC NGL for 2005 forecast at 4.08 mb/d, an increase of 0.13 mb/d over 2004

OPEC natural gas liquids and non-conventional oils

OPEC NGL+NCO figure for 2005 is forecast at 4.08 mb/d, an increase of 0.13 mb/d over the 2004 forecast. Figures for 2001–2003 remain unchanged at 3.58 mb/d, 3.62 mb/d and 3.71 mb/d respectively, compared with figures in the last *MOMR*.

OPEC NGL production — 2000–2004
mb/d

2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	2005	Change 05/04
3.58	**3.62**	**3.71**	3.88	3.89	3.97	4.04	**3.95**	0.24	**4.08**	0.13

Available secondary sources put OPEC's July production at 29.57 mb/d

OPEC crude oil production

Available secondary sources indicate that OPEC output for **July was 29.57 mb/d, 0.60 mb/d over the revised June figure.** Table 15 shows OPEC production as reported by selected secondary sources.

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

	2002	2003	1Q04	Jun 04	2Q04	**Jul 04***	Jul/Jun
Algeria	864	1,134	1,171	1,222	1,198	1,245	23
Indonesia	1,120	1,027	981	966	970	958	–8
IR Iran	3,416	3,757	3,889	3,945	3,903	3,958	13
Iraq	2,000	1,323	2,113	1,759	2,020	1,996	238
Kuwait	1,885	2,173	2,237	2,345	2,292	2,375	30
SP Libyan AJ	1,314	1,422	1,461	1,528	1,497	1,560	32
Nigeria	1,969	2,131	2,343	2,402	2,356	2,390	–12
Qatar	648	746	758	788	772	805	18
Saudi Arabia	7,535	8,709	8,426	9,085	8,634	9,313	228
UAE	1,988	2,243	2,252	2,403	2,246	2,441	38
Venezuela	2,586	2,291	2,509	2,529	2,523	2,530	0
Total OPEC	**25,323**	**26,954**	**28,140**	**28,971**	**28,411**	**29,570**	**599**

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

Rig Count

Non-OPEC rig count up 89 in July

Non-OPEC

The non-OPEC rig count rose in July compared with the June figures. North America gained 118 rigs mainly in Canada, while Western Europe activity declined by 18 rigs to 53. Rig activity in DCs declined by 13 rigs to 371.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	Jun 04	Jul 04	Change Jul/Jun
North America	1,162	1,496	333	1,533	1,671	118
Western Europe	85	78	–7	71	53	–18
OECD Pacific	17	18	1	22	24	2
OECD	**1,264**	**1,592**	**328**	**1,646**	**1,748**	**102**
Other Asia	111	117	7	129	123	–6
Latin America	106	116	10	131	128	–3
Middle East	62	70	7	68	66	–2
Africa	43	48	5	56	54	–2
DCs	**322**	**350**	**28**	**384**	**371**	**–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**	**2,032**	**2,121**	**89**

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

OPEC rig count up 10 in July

OPEC

OPEC's rig count was 246 in July, a rise of 10 rigs compared with the June figure. Indonesia was the main contributor to the OPEC gain.

Table 17
OPEC rig count

	2002	2003	Change 03/02	Jun 04	Jul 04	Change Jul/Jun
Algeria	20	20	0	19	20	1
Indonesia	46	45	–1	48	53	5
IR Iran	34	35	1	41	40	–1
Iraq	na	na	na	na	na	na
Kuwait	6	5	–1	7	9	2
SP Libyan AJ	10	10	0	9	9	0
Nigeria	12	10	–2	8	9	1
Qatar	13	8	–5	8	8	0
Saudi Arabia	32	32	0	31	31	0
UAE	16	16	0	16	16	0
Venezuela	42	37	–6	49	51	2
Total OPEC	**231**	**217**	**–14**	**236**	**246**	**10**

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

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Stock Movements

A significant build of 0.43 mb/d in US commercial oil stocks in July

USA

US commercial onland oil stocks continued the seasonal build observed in the previous month increasing by 12.0 mb at a rate of 0.43 mb/d to 978.4 mb during the period 2-30 July. The bulk of this build came from product inventories which rose 18.4 mb, while crude oil stocks abated the increase with a decline of 6.4 mb. Total commercial oil stocks are now around 15.3 mb or 1.6% above this time a year ago. At 298.6 mb, crude oil stocks have declined steadily since the beginning of July, but are still around 13.7 mb or 5% more than last year's volume, indicating that crude stocks are at a comfortable level. However, crude imports have fallen from a record level of 11.3 mb/d to 10.3 mb/d in the week ending 30 July, and if this trend continues in the coming month, US commercial crude stocks may decline in August. Gasoline stocks showed a build of 4.0 mb to 210.1 mb against expectation, a rare occurrence for the month of July. This build happened mainly due to the drop in gasoline demand. Indeed, over the last four weeks gasoline demand has averaged 9.18 mb/d, a drop of 0.35 mb/d from the previous month or 0.3% below the same period last year. Undoubtedly, the cause of sharply higher retail prices had an impact on reduced demand. Regarding distillate stocks, all worries ahead of the upcoming winter season are exaggerated. In fact, distillate stocks showed a build of 7.2 mb to 121.2 mb, an increase of 3% above this time last year and in the middle of the five-year average. The last time that distillate stocks decreased was late in May and since then, overall distillate stocks grew by more than 12 mb. Distillate demand was up 5.8 % over the last four weeks compared to the same period last year on the back of healthy highway demand as well as early stocking of heating oil and the use of generators. High prices have apparently had less of an effect on distillate use than gasoline consumption.

During the same period, the SPR continued its build, increasing by 2.1 mb to 664.5 mb to reach a new record of 664.5 mb, which was around 52 mb or 9% higher than its level at the same time last year. This upward trend will continue despite record-high crude prices and strong demand as the US Interior Department said it has awarded contracts to ChevronTexaco and Royal Dutch/Shell to deliver roughly 100,000 b/d of crude to the SPR under the Department's royalty-in-kind programme. This oil will be delivered over a six-month period beginning on 1 October 2004 and ending 31 March 2005.

During the week ending 6 August, total commercial oil stocks in the USA showed a draw of 2.1 mb/ to 976.3 mb compared to the previous week, but were 19 mb or 2% above last year's level. Commercial crude oil stocks dropped 4.4 mb to 294.3 mb for the second consecutives week mainly due to the decline in crude oil imports of 0.83 mb/d to 9.52 mb/d. Over the last four weeks, crude oil imports have averaged 10.3 mb/d. US crude oil refinery input was around 15.8 mb/d, down 0.34 mb/d, which corresponds to a utilization rate of 94.7% or 1.6% less than the previous week, but 2% more than this time last year. A seasonal draw on crude oil stocks is normal at this time of the year as refineries increased inventories for gasoline for the driving season and for heating oil in preparation for the upcoming winter season. On the product side, US gasoline stocks fell 1.81 mb to 208.3 mb in contrast to most expectations. This draw came as gasoline demand showed an increased of 0.21 mb/d together with lower output. Despite this draw, gasoline stocks are still near the upper end of the average range of the last five years and 5% above last year's level. Distillate stocks rose a seasonal 1.34 mb to 122.49 mb despite healthy demand, which surpassed the 4 mb/d level. Over last four weeks demand was up 6.4% compared to the same four-week period last year. Distillate inventories are now 2% above this time a year ago with heating oil at a comfortable y-o-y surplus of 6%.

During the same period, the SPR continued its build despite record high prices, increasing 1.2 mb to 666.5 mb and widening the y-o-y surplus to 52 mb.

Table 18
US onland commercial petroleum stocks*
mb

	28 May 04	2 Jul 04	30 Jul 04	Change Jul/Jun	30 Jul 03	6 Aug 04**
Crude oil (excl. SPR)	301.7	305.0	**298.6**	–6.4	284.9	294.3
Gasoline	204.3	206.1	210.1	4.0	201.8	208.3
Distillate fuel	108.9	114.0	121.2	7.2	117.7	122.5
Residual fuel oil	36.5	37.0	32.9	–4.1	31.7	32.0
Jet fuel	37.1	38.2	39.4	1.2	38.2	40.6
Unfinished oils	89.2	88.9	88.3	–0.6	86.1	88.0
Other oils	165.9	177.2	187.9	10.7	202.7	139.2
Total	**943.6**	**966.4**	**978.4**	**12.0**	**963.1**	**976.3**
SPR	660.3	662.4	664.5	2.1	612.2	665.7

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

Western Europe

A slight draw of 1.3 mb in July was mainly due to the draw on crude oil stocks

At the end of July, total oil stocks in the EU-16 (Europe plus Norway) saw a slight decline of 1.3 mb to 1,073.3 mb, with a 6.4 mb draw in crude oil stocks offsetting the 5.0 mb build in total product inventories. Despite this draw, total oil stocks remained at a comfortable y-o-y surplus of 12.6 mb or 1.2%. The drop in crude oil stocks put them at a level of 457.3 mb, 1.2 mb above the same month a year ago. However, the y-o-y surplus is sharply down from last month. Using the revised figures, crude oil in June was around 13 mb above a year earlier. The drop occurred in July and came as refineries returned from maintenance and due to the increase in refinery runs of 0.28 mb/d to 12.46 mb/d, as refinery margins were strong in historical terms. The capacity utilization rate increased 2% to 95.1%, which has been encouraged to maximize production in this climate of robust margins. Compared with July last year, the utilization rate was up 3.5%. Gasoline stocks were almost unchanged from the previous month at 137.5 mb and are 4.5 mb or 3.4% above the July 2003 level. Healthy gasoline demand as well as a fire at Statoil's Mongstad refinery in Norway prevented a build in gasoline stocks. Prices shot up in the middle of the month, and accordingly the arbitrage has been shut for some time. Distillate stocks, which include heating oil, diesel and jet fuel, rose 5.3 mb to 343.1 mb and are now 1.1 mb or 0.3% above the same time last year. This build came as refineries stepped up output yields assisted by higher prices for diesel and jet fuel. However, deep turnarounds in September and especially in October could prevent any further rise in distillate stocks before peak winter demand. Fuel oil inventories were almost unchanged at 111.7 mb from the revised June figure. However, the y-o-y surplus remained at a comfortable level of 6.0 mb or 5.6% as high refinery runs increased fuel oil output.

Table 19
Western Europe's oil stocks*
mb

	May 04	Jun 04	Jul 04	Change Jul/Jun	Jul 03
Crude oil	462.1	463.6	**457.3**	–6.4	456.1
Mogas	142.7	137.4	137.5	0.1	132.9
Naphtha	25.1	24.2	23.8	–0.4	24.0
Middle distillates	340.0	337.9	343.1	5.3	342.1
Fuel oils	110.6	111.5	111.7	0.1	105.7
Total products	618.4	611.0	616.0	5.0	604.6
Overall total	**1,080.4**	**1,074.6**	**1,073.3**	**–1.3**	**1,060.6**

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

Marginal increase of 0.5 mb in commercial onland stocks in Japan at the end of June

Japan

At the end of June, Japanese commercial onland stocks experienced a slight increase of 0.5 mb to 168.9 mb, but remained at 27.3 mb or 13.9% below last year's figure at this time. Crude oil stocks showed a build of 1.2 mb to 112.0 mb, on the back of reduced crude throughput, which decreased by 3.9%, despite a strong drop of 10.6% in crude oil imports or 20.9% from a year earlier. The month-on-month decline was less marked than the drop versus the y-o-y level, because a year ago the volume of imports was exceptionally large due to increased utility demand. Japan's biggest utility TEPCO has reduced its fuel purchases after having boosted them massively to make up for lost nuclear power generation capacity and to meet peak demand in 2003. Japan imported 3.6 mb/d crude oil in June, with UAE remaining the biggest crude supplier followed by Saudi Arabia. Gasoline stocks were at 12.4 mb, a drop of 0.2 mb from May and 1.5 mb or 10.5% from a year earlier, mainly due to a reduction in gasoline output as a result of scheduled maintenance. This was despite strong imports which increased by 20% compared to the previous month. Japanese gasoline imports are running far above previous levels, rising by almost 70% and the highest ever for this period. Middle distillate inventories rose a slight 0.6 mb to 26.8 mb, but remained 6.4 mb or 19.4% less than a year earlier. Kerosene stocks registered a build of 12.5%; however, the y-o-y deficit remained at a considerable 25.3%. Extended maintenance problems at several Japanese refineries have undoubtedly contributed to the reduced stock build. Japan will likely be forced to import more kerosene in the coming months in preparation of the winter season, which should support Singapore margins. The average operation rate at refineries stayed low at 72.3% in June down slightly from 72.4% in May, because of scheduled maintenance.

Table 20
Japan's commercial oil stocks*
mb

	Apr 04	May 04	Jun 04	Change Jun/May	Jun 03
Crude oil	100.0	110.8	**112.0**	1.2	127.4
Gasoline	14.5	12.6	12.4	–0.2	13.9
Middle distillates	26.4	26.2	26.8	0.6	33.2
Residual fuel oil	19.4	18.8	17.7	–1.1	21.7
Total products	60.3	57.6	57.0	–0.6	68.8
Overall total**	**160.2**	**168.4**	**168.9**	**0.5**	**196.2**

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

Balance of Supply and Demand

2004 supply/demand difference revised up to 27.17 mb/d

The summarized supply/demand balance table for 2004 shows an upward revision to total non-OPEC supply of 0.14 mb/d to 54.01 mb/d and to the world oil demand of 0.28 mb/d to 81.18 mb/d, resulting in an estimated annual difference of around 27.17 mb/d. The quarterly distribution stands at 27.91 mb/d, 25.63 mb/d, 26.88 mb/d and 28.25 mb/d respectively. The balance for the first quarter of 2004 was revised down a significant 0.47 mb/d to stand at 0.23 mb/d, while the second quarter was revised down a slight 0.07 mb/d to 2.79 mb/d.

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	78.97	81.45	79.26	80.80	83.19	81.18
(b) Non-OPEC supply(1)	52.33	53.54	53.63	53.93	54.94	54.01
Difference (a – b)	**26.64**	**27.91**	**25.63**	**26.88**	**28.25**	**27.17**
OPEC crude oil production(2)	26.95	28.14	28.41			
Balance	**0.32**	**0.23**	**2.79**			

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

2005 supply/demand difference expected at 27.50 mb/d

The summarized supply/demand balance table for 2005 shows world oil demand expected at 82.84 mb/d and total non-OPEC supply expected at 55.34 mb/d. This has resulted in a difference of around 27.50 mb/d, with a quarterly distribution of 28.28 mb/d, 25.99 mb/d, 27.16 mb/d and 28.58 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	81.18	83.17	80.93	82.40	84.86	82.84
(b) Non-OPEC supply(1)	54.01	54.89	54.94	55.24	56.27	55.34
Difference (a – b)	**27.17**	**28.28**	**25.99**	**27.16**	**28.58**	**27.50**
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	48.0	48.7	50.2	49.2	50.3	48.1	49.2	50.8	49.6
North America	24.1	24.0	24.1	24.6	25.0	24.6	25.1	25.4	25.0	25.2	24.9	25.3	25.7	25.3
Western Europe	15.1	15.3	15.2	15.3	15.7	15.2	15.5	15.8	15.5	15.8	15.3	15.7	16.0	15.7
Pacific	8.7	8.7	8.6	8.8	9.4	8.2	8.1	9.1	8.7	9.3	8.0	8.2	9.1	8.6
DCs	19.2	19.5	19.9	20.2	20.5	20.5	21.1	21.6	20.9	21.1	21.3	21.8	22.1	21.6
FSU	3.8	3.9	3.8	3.8	3.7	3.6	3.9	4.4	3.9	4.0	3.7	3.9	4.4	4.0
Other Europe	0.7	0.7	0.7	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.9	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.3	6.4	6.3	6.2	6.3	6.8	6.9	6.8	6.6	6.8
(a) Total world demand	76.3	76.8	77.4	79.0	81.5	79.3	80.8	83.2	81.2	83.2	80.9	82.4	84.9	82.8
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.5	21.2	21.6	21.5	21.8	21.6	21.2	21.6	21.5
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.7	14.9	14.8	15.0	14.9	14.8	15.1	14.9
Western Europe	6.8	6.7	6.6	6.4	6.4	6.2	5.9	6.1	6.2	6.3	6.1	5.9	6.0	6.1
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.6	0.5	0.5
DCs	10.7	10.9	11.2	11.3	11.7	11.8	12.0	12.2	11.9	12.3	12.3	12.5	12.8	12.5
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.6	11.2	11.3	11.6	11.9	12.2	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.5	3.4	3.5
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	45.5	46.4	47.7	48.6	49.7	49.7	50.0	50.9	50.1	50.9	50.9	51.1	52.1	51.3
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.0	4.0	4.1	4.2	4.1
(b) Total non-OPEC supply and OPEC NGLs	48.9	49.9	51.4	52.3	53.5	53.6	53.9	54.9	54.0	54.9	54.9	55.2	56.3	55.3
OPEC crude oil production (secondary sources)	28.0	27.2	25.3	27.0	28.1	28.4								
Total supply	76.9	77.2	76.7	79.3	81.7	82.0								
Balance (stock change and miscellaneous)	0.5	0.4	-0.7	0.3	0.2	2.8								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2530	2628	2475	2515	2461	2534								
OECD SPR	1269	1284	1343	1406	1417	1425								
OECD total	3799	3912	3818	3921	3878	3960								
Other onland	1016	1046	1021	1048	1037	1059								
Oil-on-water	877	831	816	885	906	n.a.								
Total stock	5691	5789	5656	5854	5821	n.a.								
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52								
SPR	26	27	28	29	30	29								
Total	79	82	78	80	81	81								
Memo items														
FSU net exports	4.1	4.6	5.5	6.5	7.1	7.5	7.4	7.2	7.3	7.3	7.9	8.1	7.8	7.8
(a) - (b)	27.4	26.8	26.0	26.6	27.9	25.6	26.9	28.3	27.2	28.3	26.0	27.2	28.6	27.5

n.a. Not available.

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

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

This table shows only where changes have occurred.

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

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04
Closing stock level *mb*																				
OECD onland commercial	2,615	2,698	2,445	2,530	2,628	2,475	2,524	2,597	2,660	2,628	2,604	2,650	2,575	2,475	2,416	2,536	2,590	2,515	2,461	2,534
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	1,102	1,183	1,214	1,166	1,146	1,196
Western Europe	912	963	881	930	923	891	918	909	918	923	932	942	917	891	901	900	917	914	913	911
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401	427
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	1,417	1,425
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	665
Western Europe	329	362	347	355	352	353	352	348	343	352	352	348	345	353	363	358	360	369	365	362
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398
OECD total	**3,869**	**4,000**	**3,729**	**3,799**	**3,912**	**3,818**	**3,794**	**3,864**	**3,925**	**3,912**	**3,906**	**3,964**	**3,895**	**3,818**	**3,773**	**3,897**	**3,969**	**3,921**	**3,878**	**3,960**
Other onland	1,035	1,070	997	1,016	1,046	1,021	1,015	1,033	1,050	1,046	1,045	1,060	1,042	1,021	1,009	1,042	1,062	1,048	1,037	1,059
Oil-on-water	812	859	808	877	831	816	903	829	870	831	798	805	802	816	857	886	873	885	906	n.a.
Total stock	**5,715**	**5,929**	**5,535**	**5,691**	**5,789**	**5,656**	**5,712**	**5,727**	**5,845**	**5,789**	**5,749**	**5,830**	**5,739**	**5,656**	**5,639**	**5,825**	**5,904**	**5,854**	**5,821**	**n.a.**
Days of forward consumption in OECD																				
OECD onland commercial	56	56	51	53	54	50	54	54	55	54	56	55	52	49	50	52	52	50	51	52
North America	52	54	47	48	51	47	49	51	53	53	52	52	50	47	45	47	48	46	46	47
Western Europe	60	63	58	61	60	57	62	59	59	60	63	61	59	57	59	58	58	58	60	58
OECD Pacific	58	52	50	53	50	47	55	56	53	48	56	55	47	44	51	56	50	47	50	52
OECD SPR	27	27	27	26	26	27	27	27	26	27	28	28	27	27	28	28	27	28	29	29
North America	24	24	24	23	22	24	23	23	23	23	24	24	24	24	24	24	25	25	26	26
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	23	24	23
OECD Pacific	43	42	42	43	43	45	46	46	42	41	50	47	41	41	48	49	43	43	50	49
OECD total	**83**	**84**	**78**	**79**	**80**	**78**	**81**	**81**	**81**	**81**	**84**	**83**	**79**	**76**	**79**	**80**	**79**	**78**	**81**	**81**
Days of global forward consumption	**88**	**89**	**82**	**84**	**84**	**81**	**86**	**85**	**86**	**85**	**87**	**86**	**83**	**80**	**82**	**84**	**82**	**82**	**84**	**n.a.**

n.a. Not available.

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	7.76	7.62	7.65	7.72	-0.10	7.90	7.81	7.67	7.70	7.77	0.05
Canada	2.68	2.73	2.84	0.12	2.97	0.13	3.12	3.08	3.15	3.36	3.18	0.20	3.20	3.16	3.23	3.45	3.26	0.08
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.89	3.93	3.89	0.09	3.86	3.92	3.92	3.96	3.92	0.03
North America	**14.25**	**14.34**	**14.48**	**0.13**	**14.59**	**0.11**	**14.80**	**14.73**	**14.66**	**14.95**	**14.78**	**0.19**	**14.96**	**14.89**	**14.82**	**15.11**	**14.94**	**0.16**
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.34	3.23	3.11	3.30	3.25	-0.01	3.33	3.22	3.10	3.29	3.24	-0.01
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.20	2.16	2.00	1.97	2.08	-0.24	2.11	2.08	1.92	1.89	2.00	-0.08
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.38	0.38	0.36	0.37	0.00	0.37	0.38	0.38	0.36	0.37	0.00
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.47	0.45	0.45	0.49	0.47	0.04	0.47	0.45	0.45	0.49	0.47	0.00
Western Europe	**6.77**	**6.68**	**6.64**	**-0.04**	**6.39**	**-0.26**	**6.38**	**6.23**	**5.95**	**6.13**	**6.17**	**-0.22**	**6.28**	**6.14**	**5.86**	**6.04**	**6.08**	**-0.09**
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.53	0.50	0.53	0.46	0.51	-0.09	0.50	0.48	0.50	0.44	0.48	-0.03
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-0.01	0.05	0.05	0.05	0.04	0.05	-0.01	0.05	0.05	0.05	0.04	0.05	0.00
OECD Pacific	**0.85**	**0.78**	**0.77**	**-0.01**	**0.65**	**-0.11**	**0.59**	**0.55**	**0.58**	**0.50**	**0.56**	**-0.10**	**0.55**	**0.52**	**0.55**	**0.48**	**0.53**	**-0.03**
Total OECD	**21.87**	**21.81**	**21.89**	**0.08**	**21.63**	**-0.25**	**21.76**	**21.52**	**21.19**	**21.57**	**21.51**	**-0.12**	**21.79**	**21.55**	**21.23**	**21.63**	**21.55**	**0.04**
Brunei	0.19	0.20	0.20	0.01	0.21	0.01	0.22	0.22	0.22	0.23	0.22	0.01	0.22	0.22	0.22	0.23	0.22	0.00
India	0.74	0.73	0.75	0.01	0.76	0.01	0.80	0.81	0.81	0.86	0.82	0.06	0.79	0.79	0.79	0.84	0.80	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.77	0.06	0.81	0.81	0.83	0.86	0.82	0.05	0.82	0.82	0.85	0.88	0.84	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.00	0.39	0.40	0.38	0.37	0.38	0.04	0.38	0.39	0.37	0.36	0.37	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.37	0.30	0.33	0.03	0.32	0.36	0.38	0.30	0.34	0.01
Other Asia	**2.18**	**2.20**	**2.27**	**0.07**	**2.39**	**0.13**	**2.53**	**2.58**	**2.60**	**2.61**	**2.58**	**0.19**	**2.53**	**2.58**	**2.60**	**2.61**	**2.58**	**0.00**
Argentina	0.80	0.82	0.80	-0.02	0.78	-0.01	0.74	0.73	0.73	0.74	0.73	-0.05	0.73	0.73	0.73	0.73	0.73	0.00
Brazil	1.31	1.53	1.72	0.19	1.77	0.06	1.75	1.74	1.78	1.72	1.75	-0.03	1.87	1.86	1.90	1.84	1.87	0.12
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.53	0.53	0.50	0.52	-0.03	0.54	0.55	0.55	0.52	0.54	0.02
Ecuador	0.40	0.41	0.40	-0.01	0.42	0.02	0.51	0.53	0.55	0.65	0.56	0.14	0.53	0.55	0.58	0.68	0.59	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.17	0.17	0.17	0.19	0.17	0.01	0.22	0.21	0.22	0.24	0.22	0.05
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.21	0.22	0.22	0.22	0.22	0.00	0.23	0.24	0.24	0.24	0.24	0.02
Latin America	**3.57**	**3.73**	**3.87**	**0.14**	**3.91**	**0.04**	**3.90**	**3.91**	**3.98**	**4.01**	**3.95**	**0.04**	**4.13**	**4.15**	**4.22**	**4.25**	**4.19**	**0.24**
Bahrain	0.19	0.19	0.19	0.00	0.19	0.00	0.20	0.20	0.20	0.21	0.20	0.01	0.20	0.20	0.20	0.21	0.20	0.00
Oman	0.95	0.95	0.90	-0.05	0.82	-0.08	0.79	0.77	0.77	0.79	0.78	-0.04	0.78	0.78	0.78	0.78	0.78	0.00
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.50	0.51	-0.03	0.52	0.51	0.50	0.50	0.51	0.00
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.41	0.42	-0.02	0.43	0.42	0.42	0.41	0.42	0.00
Middle East	**2.12**	**2.12**	**2.06**	**-0.06**	**2.00**	**-0.07**	**1.94**	**1.89**	**1.89**	**1.91**	**1.91**	**-0.09**	**1.93**	**1.91**	**1.90**	**1.90**	**1.91**	**0.00**
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.94	0.93	0.96	1.03	0.97	0.09	1.13	1.11	1.15	1.23	1.16	0.19
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.19	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.23	0.23	0.24	0.23	-0.01	0.24	0.23	0.23	0.24	0.23	0.00
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.71	0.71	-0.04	0.74	0.72	0.72	0.72	0.72	0.01
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.37	0.44	0.37	0.13	0.37	0.37	0.40	0.48	0.40	0.03
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.24	0.24	0.25	0.24	0.00	0.25	0.24	0.24	0.25	0.24	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.24	0.28	0.25	0.04	0.23	0.23	0.24	0.28	0.25	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.31	0.33	0.32	0.31	0.05	0.34	0.37	0.39	0.38	0.37	0.06
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.19	0.20	0.21	0.20	0.20	0.01	0.19	0.20	0.21	0.20	0.20	0.00
Africa	**2.84**	**2.80**	**3.03**	**0.23**	**3.05**	**0.02**	**3.31**	**3.37**	**3.52**	**3.69**	**3.47**	**0.43**	**3.71**	**3.69**	**3.81**	**4.00**	**3.80**	**0.33**
Total DCs	**10.70**	**10.85**	**11.23**	**0.38**	**11.35**	**0.12**	**11.68**	**11.75**	**11.99**	**12.23**	**11.91**	**0.57**	**12.30**	**12.32**	**12.54**	**12.77**	**12.48**	**0.57**
FSU	**7.91**	**8.53**	**9.33**	**0.79**	**10.27**	**0.94**	**10.78**	**11.06**	**11.35**	**11.63**	**11.21**	**0.94**	**11.33**	**11.62**	**11.92**	**12.22**	**11.78**	**0.57**
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.40	9.65	9.27	0.80	9.33	9.56	9.86	10.12	9.72	0.45
Kazakhstan	0.71	0.80	0.94	0.14	1.03	0.09	1.12	1.15	1.17	1.21	1.16	0.13	1.17	1.21	1.23	1.27	1.22	0.06
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.30	0.29	0.30	-0.01	0.37	0.37	0.36	0.35	0.36	0.06
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.48	0.48	0.49	0.48	0.01	0.47	0.48	0.48	0.49	0.48	0.00
Other Europe	**0.18**	**0.18**	**0.18**	**-0.01**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**
China	**3.23**	**3.30**	**3.39**	**0.10**	**3.41**	**0.01**	**3.43**	**3.43**	**3.45**	**3.43**	**3.44**	**0.03**	**3.44**	**3.45**	**3.47**	**3.45**	**3.45**	**0.02**
Non-OPEC production	**43.90**	**44.67**	**46.01**	**1.34**	**46.83**	**0.82**	**47.82**	**47.93**	**48.14**	**49.03**	**48.23**	**1.41**	**49.04**	**49.11**	**49.32**	**50.23**	**49.43**	**1.19**
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.87	1.83	0.04	1.85	1.81	1.81	1.87	1.83	0.00
Non-OPEC supply	**45.55**	**46.36**	**47.74**	**1.38**	**48.62**	**0.88**	**49.67**	**49.74**	**49.95**	**50.90**	**50.07**	**1.44**	**50.89**	**50.92**	**51.13**	**52.10**	**51.26**	**1.19**
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.71	3.78	3.70	0.13	3.70	3.71	3.76	3.83	3.75	0.05
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**	**4.00**	**4.02**	**4.11**	**4.17**	4.08	**0.13**
Total Non-OPEC and OPEC NGLs	**48.89**	**49.94**	**51.36**	**1.42**	**52.33**	**0.97**	**53.54**	**53.63**	**53.93**	**54.94**	**54.01**	**1.68**	**54.89**	**54.94**	**55.24**	**56.27**	**55.34**	**1.32**

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	Jun04	2Q04	Jul04	Change Jul04- Jun04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,176	1,164	1,213	37
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	528	265	202	351	86
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	107	112	113	107	-5
North America	**1,305**	**1,552**	**247**	**1,264**	**1,014**	**1,165**	**1,206**	**1,162**	**-390**	**1,476**	**1,315**	**1,567**	**1,624**	**1,496**	**334**	**1,754**	**1,553**	**1,479**	**1,671**	**118**
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	19	19	18	15	-4
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-6	15	20	19	11	-9
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	0	4	2	4	4	2
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	31	30	30	23	-7
Western Europe	**125**	**95**	**-30**	**92**	**91**	**76**	**81**	**85**	**-10**	**77**	**78**	**83**	**75**	**78**	**-7**	**69**	**71**	**70**	**53**	**-18**
Australia	10	10	0	9	9	9	9	9	-1	10	10	11	13	11	2	12	14	13	17	3
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	7	8	8	7	-1
OECD Pacific	**17**	**20**	**3**	**17**	**16**	**16**	**19**	**17**	**-3**	**18**	**17**	**18**	**19**	**18**	**1**	**19**	**22**	**22**	**24**	**2**
Total OECD*	**1,447**	**1,667**	**220**	**1,373**	**1,121**	**1,257**	**1,306**	**1,264**	**-403**	**1,571**	**1,411**	**1,669**	**1,719**	**1,592**	**328**	**1,842**	**1,646**	**1,570**	**1,748**	**102**
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	2	3	3	3	0
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	5	64	71	68	69	-2
Malaysia	7	11	4	12	13	15	14	14	3	14	13	16	15	14	0	15	13	15	13	0
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	2	2	1	-1
Vietnam	8	8	0	8	8	9	10	9	1	9	9	10	8	9	0	8	7	9	6	-1
Asia others	16	22	6	26	29	33	32	30	8	31	28	26	30	29	-1	27	33	31	31	-2
Other Asia	**83**	**95**	**12**	**100**	**109**	**116**	**117**	**111**	**16**	**117**	**115**	**119**	**118**	**117**	**6**	**119**	**129**	**128**	**123**	**-6**
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	76	73	74	-2
Brazil	23	28	5	27	27	27	26	27	-1	27	27	27	25	26	-1	24	26	26	26	0
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	0	8	8	9	8	0
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	7	10	9	11	1
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	2	2	2	0
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	4	4	4	0
L. America others	12	7	-5	4	4	4	5	5	-2	3	4	4	5	4	-1	6	5	6	3	-2
Latin America	**120**	**141**	**21**	**110**	**103**	**104**	**107**	**106**	**-35**	**113**	**121**	**114**	**114**	**116**	**10**	**114**	**131**	**127**	**128**	**-3**
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	1	27	29	30	32	29	4	33	34	36	36	35	6	36	34	35	34	0
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	24	25	24	23	-2
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	7	8	8	8	0
Middle East	**45**	**50**	**5**	**57**	**60**	**64**	**69**	**62**	**12**	**70**	**68**	**72**	**68**	**70**	**8**	**69**	**68**	**68**	**66**	**-2**
Angola	6	5	-1	5	6	6	5	5	0	3	4	3	6	4	-1	4	3	3	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	-2	1	1	1	1	1	0	0	1	1	2	1	0	2	3	2	3	0
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	3	27	28	28	26	-2
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	2	2	3	1
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	-1	0	0	0	0	0
Africa other	5	4	-1	11	12	12	12	12	8	12	14	12	14	13	1	15	20	18	19	-1
Africa	**34**	**36**	**2**	**41**	**45**	**44**	**43**	**43**	**7**	**45**	**50**	**44**	**51**	**48**	**5**	**48**	**56**	**53**	**54**	**-2**
Total DCs	**282**	**322**	**40**	**307**	**317**	**328**	**336**	**322**	**0**	**346**	**354**	**350**	**350**	**350**	**28**	**350**	**384**	**376**	**371**	**-13**
FSU	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0
Other Europe	**3**	**3**	**0**	**2**	**2**	**2**	**2**	**2**	**-1**	**2**	**2**	**2**	**2**	**2**	**0**	**2**	2	2	2	0
China	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0
Non-OPEC Rig count	**1,732**	**1,992**	**260**	**1,682**	**1,440**	**1,587**	**1,644**	**1,588**	**-404**	**1,919**	**1,767**	**2,021**	**2,071**	**1,944**	**356**	**2,194**	**2,032**	**1,949**	**2,121**	**89**

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

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Data Summary August 2004

OPEC Basket average price

US$ per barrel

⬆ *up 1.68 in July*	***July 2004***	***36.29***
	June 2004	*34.61*
	Year-to-date	*33.08*

July OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.25*	*Kuwait*	*2.38*	*Saudi Arabia*	*9.31*
Indonesia	*0.96*	*SP Libyan AJ*	*1.56*	*UAE*	*2.44*
IR Iran	*3.96*	*Nigeria*	*2.39*	*Venezuela*	*2.53*
Iraq	*1.99*	*Qatar*	*0.80*	***TOTAL***	***29.57***

Supply and demand

in million barrels per day

2004		**2005**	
World demand	*81.18*	*World demand*	*82.84*
Non-OPEC supply	*54.01*	*Non-OPEC supply*	*55.34*
Difference	***27.17***	***Difference***	***27.50***

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

Stocks

Commercial oil stocks registered a build of 0.43 mb/d in USA in July

World economy

World GDP growth revised down to 4.7% for 2004 and unchanged at 4.3% for 2005

Issued 18 August 2004 *Data covers period up to end of July 2004 unless otherwise stated*

Next report to be issued on 16 September 2004