OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

February 2005

Feature Article:

Product markets and crude oil differentials in 2005

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Oil Market Highlights

- The world economy began 2005 on a strong note. First indications suggest that the USA and China will continue to provide the driving force behind further growth in world trade this year. Fourth-quarter data for the US economy will be revised up to show growth of about 3.5% whilst China grew by 9.5% in this period. Chinese fiscal and monetary policies are expected to tighten during 2005 but the slow-down in industrial activity has been moderate thus far. The world economy is estimated to have grown by 5.0% in 2004, an increase of 0.1% on the previous estimate.
- The US trade deficit in December narrowed to $56 billion and the US dollar strengthened in January. Currency markets focused on the good growth performance of the US economy and expectations of higher interest rates. American bond and equity markets rose to high levels, anticipating further steady, non-inflationary growth. The latest data on unit labour costs suggests that tighter labour markets will boost US inflation during 2005.
- Fourth-quarter GDP declined in Japan by 0.5% and expanded only a slight 0.8% in the Euro-zone. Despite these disappointing results, forward looking indicators in both regions suggest a gradual recovery and 2005 forecasts for the Euro-zone and Japan remain unchanged at 1.6%. The US growth forecast for 2005 has been raised by 0.1 % to 3.4%. The 2005 growth rate forecast for China has also been increased slightly, to 8%. Reflecting these adjustments, the forecast growth rate for the world economy in 2005 has risen by 0.1% to 4.2%.
- The OPEC Basket began the year on a downtrend due to mild winter in the Northern hemisphere before quickly rallying for a 3% gain in the first week of the month. The Basket added another 8% rise in the second week and nearly 4% in the next to end the third week at $41.44/b on increased demand for winter fuels due to a cold snap in the Northern hemisphere. In the last decade of the month, the Basket tumbled downwards on weaker refining margins amid comfortable winter fuel stock levels. It regained its footing on 26 January to surge to $43.10/b amid outbound transatlantic arbitrage cargoes which lent support to the weakening market sentiment. The final week of the month saw the Basket averaging $42.69/b, boosting the monthly average for January to $40.24/b, a rise of nearly 13% or $4.54 over the previous month and a $4.19 jump from last year. The Basket's year-on-year level was up 33% or $9.91 in January. By 9 February, the Basket had slipped below $40/b for a month-to-date average of $40.36/b on weakening sentiment as crude oil stocks stood at a comfortable level, but rose again above $41/b on 15 February.
- A combination of cold weather across the globe, unplanned refinery maintenance and unseasonably strong demand for gasoline in the USA has produced support for light and medium product prices in January 2005. The situation reversed the downward trend in refining margins in the USA and slowed the pace of the fall in other parts of the world, particularly in Asia. More recently, the expectation of mild weather along with relatively comfortable stock levels have eased the earlier gains in the product markets, but specification changes in several parts of the world and reduced supplies during winter/spring maintenance will keep prices and the crack spreads of premium products relatively strong in the near future.
- OPEC area spot chartering increased in January by 15% or 2.1 mb/d to 16 mb/d, reversing most of the previous month's losses of 2.5 mb/d. Sailings from OPEC countries fell by 0.72 mb/d in January, confirming the decline in fixtures observed in the previous month. Crude oil freight rates fell considerably during January, especially for the VLCC sector, before displaying a recovery at the end of the month. The decline was attributed to large tonnage availability. Product freight rates fell on most routes, except from the Middle East to the East and from Singapore to the East.
- World oil demand for 2004 is estimated to have grown by 3.21% or 2.55 mb/d to average 82.05 mb/d. There were minor downward revisions to the data for the first three quarters while the absolute fourth-quarter figure was revised up by 0.3 mb/d. The lion's share of the upward revision to the fourth-quarter data took place in China where demand was underestimated by 0.29 mb/d in the last *MOMR*. The world oil demand forecast for the present year has been revised upwards in line with projections of stronger world GDP growth. According to the latest figures, the world's economy is now expected to grow 4.21 % or 0.09 % higher than the previous estimate of 4.12 %. Thus, average world oil demand is projected at 83.78 mb/d, implying a gain of 2.11% or 1.73 mb/d over total 2004 consumption.
- OPEC crude oil production in January, based on secondary sources, is estimated at 29.15 mb/d, a drop of 0.61 mb/d from the revised December figure. Non-OPEC oil supply for 2004 is estimated at 49.74 mb/d, which is 1.14 mb/d over the 48.60 mb/d estimated 2003 figure. Non-OPEC supply in the current year is expected to reach 50.82 mb/d, an increase of 1.08 mb/d over the 2004 estimate. Net FSU exports for 2004 are estimated at 7.29 mb/d and expected to rise to 7.68 mb/d in 2005.
- US commercial oil stocks experienced a further seasonal draw for the second consecutive month, falling by 8.1 mb or 0.30 mb/d to 957.7 mb during the period 31 December–28 January, yet they stood 50.5 mb above year-ago levels on 4 February. An upward revision to the December figure helped oil stocks in Eur-16 (EU plus Norway) to reverse last month's downward trend to display a contra-seasonal build of 11.4 mb or 0.37 mb/d to 1,085.2 mb in January. At the end of December, total commercial oil stocks in Japan stood at 189.9 mb, falling by 15.7 mb or 0.51 mb/d compared with the previous month.

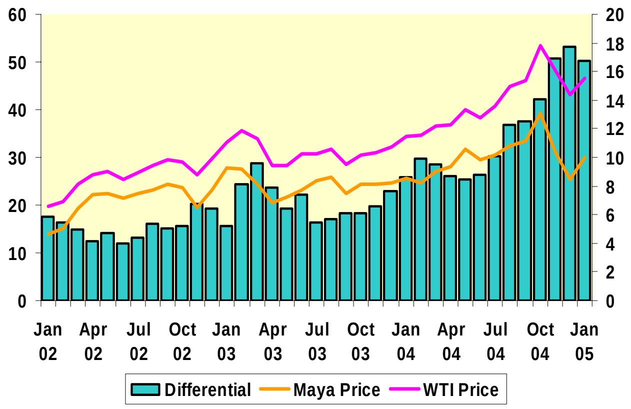
Product markets and crude oil differentials in 2005

- Last year was a record one for nominal oil prices. Between January and October, prices for WTI rose almost $19/b or 55% to average $53.32/b for the month. Other light sweet crudes experienced similar gains with Brent prices climbing over $18/b or 58% to a monthly average of $49.74/b in October. Over the same period, heavy sour grades saw increases although at much lower levels than their light sweet counterparts, with benchmark Dubai adding just under $8.70/b or 30% to average $37.61/b. This stronger upward trend for the price of light sweet crudes caused the price differential between light sweet and heavy sour crudes to widen substantially**.** Between January and October, the price differential between WTI and Dubai expanded by more than $10/b for a total spread of $15.71/b.

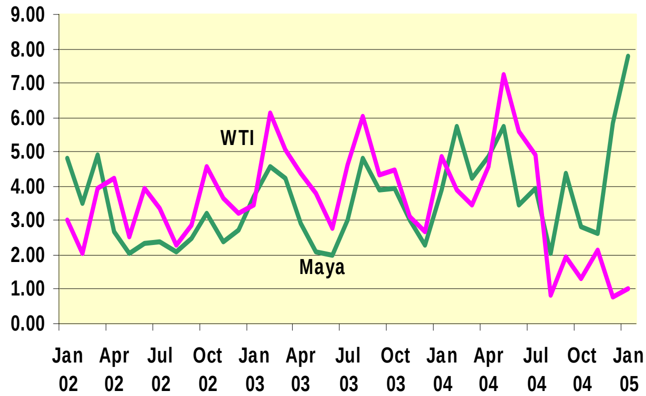
- The widening differential occurred at a time when incremental demand growth in the USA is increasingly being satisfied by the heavier and therefore less-costly imported crude. For example, at one point in 2004, Arab Heavy crude produced in Saudi Arabia and sold to the US market showed a discount of around $14/b to WTI in October, far more than the average discount of around $5/b, which in percentage terms represents a drop from minus 18% to minus 26%. At the same time, the spread between WTI and the regional sour crude Maya widened from 20% to 26%, more than doubling in absolute terms from an average discount of around minus $6/b to minus $14.08/b (see **Graph 1**)**.**

- With the sharply wider absolute spread between WTI and Maya in October, the trend of the refinery margin for the two crudes decoupled in favour of the sour crude (see **Graph 2).** This allowed US refiners with deep conversion capacity — about three-fourths of the total — to take advantage of this considerable gap. Indeed, earning announcements indicate that the excellent margin for cheaper sour crude was a major reason for the substantial growth in profits that US refiners experienced last year.

Graph 1: US price of Maya and WTI including differential



Graph 2: Refining margin for Maya and WTI ***($/b)***

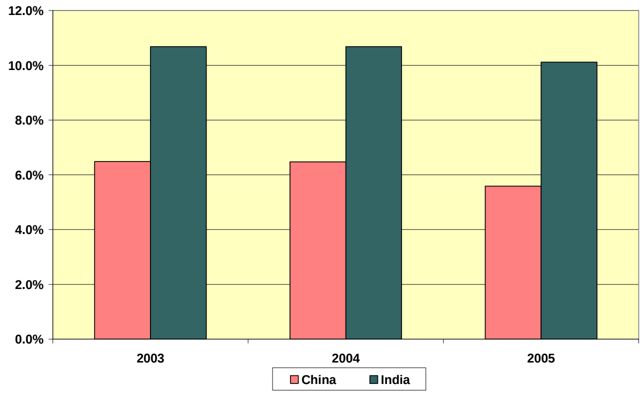


- Another indication that the USA is increasingly turning to lower-quality crude oil is the make-up of the country's Strategic Petroleum Reserves, two-thirds of which are sour grades. Given the importance of heaver grades in the US market, there is a growing need for a sour benchmark that would more accurately reflect the real cost of crude to US refineries.

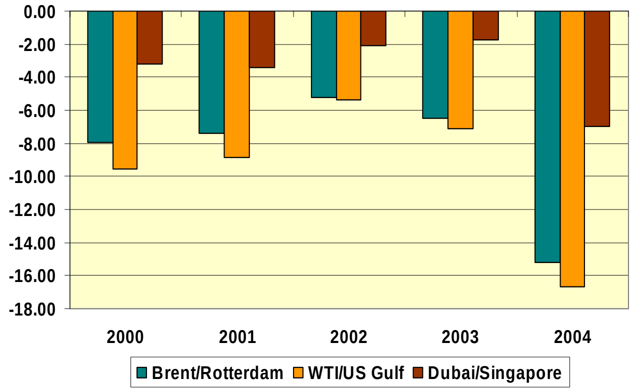
- One of the key factors driving last year's surge in prices for light sweet crudes was the specification changes for gasoline in the USA, which raised fears of a supply shortage as refiners were not expected to be able to meet the stricter new requirements. This concern has now moved to the Asian market. In India, refiners are required as of 1 April to slash the sulphur content of gasoline and diesel to 500 ppm from 1,000 ppm and 2,500 ppm respectively. These restrictions are even more severe in eleven metropolitan cities that have adopted the Euro-III standard which lowers the sulphur limit to 350 ppm for diesel and 150 ppm for gasoline. The Indian government recently denied a request to postpone the new specifications by domestic refiners who do not foresee finalizing the necessary upgrading of their refineries until towards the end of 2006.

- Chinese refiners are facing a similar situation due to their inability to make the necessary technical changes on time to meet Euro-II requirements for gasoline and gasoil as of 1 July 2005. These specifications call for the sulphur content of gasoline and gasoil to be reduced to 500 ppm from the current 800 ppm and 2000 ppm respectively. The challenge in meeting these new targets is made even more difficult by the fact that the hydrotreating capacity in China is very low. Some industry publications have put China's hydrotreating capacity at 306,000 b/d or 5.5% of its 5.7 mb/d capacity. As **Graph 3** on the following page shows, despite the more stringent specifications required for these markets, the hydrotreating capacity for India and China has not changed from the previous year. The above developments are likely to result in Asian refiners increasingly seeking more lighter crude from West Africa, drawing sweet barrels away from the Atlantic basin and thus further pressuring light sweet benchmarks WTI and Brent.

Graph 3: Ratio of hydrotreating capacity to total refinery capacity in China and India (%)



Graph 4: High sulphur fuel oil crack spread versus benchmark crude oils in different markets (US$/b)



- In contrast, the prospect for heavy sour grades looks less promising and may even weaken if the high-sulphur fuel oil market remains at the steep discounts seen last year (see **Graph 4)**. With the decline in global fuel oil consumption by at least 1.5% per year, this situation will likely persist in 2005, adding further pressure on heavy sour grades.

- The adoption of stricter product specifications in Asia, in addition to those already in effect in Europe and the USA, could again focus price pressure on light sweet crudes, possibly triggering a substantial widening of the spread between sour and sweet grades, as was seen in the second half of 2004. In seeking to maintain oil market stability, the potential for such a development would also need to be taken into consideration. Despite this challenging outlook for heavy sour crude, as well as the expected seasonal drop in demand in the second quarter, OPEC decided at its 134 Meeting of the Conference on 30 January to maintain currently agreed production levels in order to provide a greater cushion of supply to the market. At the same time, OPEC will continue monitoring market developments very closely, in particular price developments and commercial crude oil stock levels, both in absolute terms and in days of forward demand cover, given the continued strength of demand observed in recent years.

134th (Extraordinary) Meeting of the OPEC Conference

Vienna, Austria, 30 January 2005

The 134th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on 30 January 2005, under the Chairmanship of its President, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, Minister of Energy of the State of Kuwait and Head of its Delegation, and its Alternate President, HE Dr. Edmund Daukoru, Nigerian Presidential Adviser on Petroleum & Energy and Head of its Delegation.

The Conference recorded its deepest sympathy with and condolences to the Governments and peoples of Member Country, Indonesia, and other nations struck by the devastating Tsunami in late December 2004, with such an enormous and tragic loss of life and property.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, and thanked the Members for their untiring efforts on behalf of the Organization, as well as presentations on various subjects.

Having reviewed the oil market situation, in particular the overall demand/supply expectations for the first half of 2005, as well as the outlook for the oil market in the medium term, the Conference observed that the level of global oil supply, particularly OPEC output, exceeded demand, allowing commercial oil stocks to build to above their five-year average. Consequently, the OPEC Reference Basket price had moderated over the fourth quarter 2004, averaging US$36/b in December 2004, with many of OPEC's heavy crudes standing lower.

The Conference further noted that, whilst prices have since strengthened, as a result of seasonal market characteristics, including cold winter weather, prices have been in contango for some time, especially in the case of heavy crudes. This situation is, moreover, accompanied by a certain degree of market volatility, reflecting concern over possible supply disruptions and the expectation of continued strong demand. Since current supply/demand forecasts indicate that the market will remain in balance through the first quarter 2005, the Conference decided to maintain currently agreed production levels. In this connection, the Conference reiterated its call on Member Countries to ensure strict compliance with agreed production levels.

Aware of the expected seasonal drop in demand in the second quarter, and given the stock-build, which might be accentuated in light of the current market situation, the Conference further decided to continue monitoring market developments and that its President should make consultations ahead of the next Ordinary Meeting of the Conference, scheduled to convene in Isfahan, I.R. Iran, on 16 March 2005, to ensure that a timely cut could be made, as appropriate.

After reviewing the evolution of the OPEC Reference Price since its inception in 2000, the Conference noted that prices have remained outside the Band for over a year due to market changes that have rendered the Band unrealistic and has, therefore, decided to temporarily suspend the current Price Band, pending completion of further studies on the subject.

Notwithstanding this temporary suspension, the Conference stressed that the Organization remains firm in its commitment to maintaining a stable market with prices at reasonable levels conducive to expansion of production capacity and supply growth to meet rising demand, as well as to ensuring that there is enough oil to fuel global economic growth in the 21st Century, in particular in the developing countries.

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

Highlights of the World Economy

Economic growth rates 2004-2005
%

	World	G-7	USA	Japan	Euro-zone
2004	**5.0**	**3.3**	**4.4**	**2.8**	**1.9**
2005	**4.2**	**2.5**	**3.4**	**1.6**	**1.6**

Industrialised countries

United States of America

Strong economy fuels New Year Dollar rally

Following revisions to US trade data it now seems most likely that the preliminary estimate of fourth quarter growth of 3.1% will be revised up to about 3.5%. It appears that the hurricanes which affected energy output in the Gulf of Mexico had little lasting effect on economic activity and the US economy entered 2005 on a strong footing. **Early estimates for first quarter growth are in the region of 3.5%-4%.** The January employment gain was less than expected but other labour market data suggested that employment and labour incomes are on an upward trend. Initial jobless claims posted a surprising 13,000 decline in the first week of February, falling to the lowest level in more than four years. Considering the poor weather, this data shows a remarkable improvement in hiring conditions. Consumer demand data was also encouraging as chain store sales posted healthy gains. This good start to 2005 influenced the foreign exchange market and the dollar rose by over 2% against the euro in January. Expectations of ongoing rises in US interest rates supported the currency which gained further momentum when it became clear that the Chinese authorities had no near-term plans to revalue their currency. A statement from the Chairman of the Federal Reserve helped the dollar as Mr. Greenspan suggested that the earlier currency weakness would “stabilize and over the longer run possibily decrease the US current account deficit”. The State of the Union Address was also dollar-positive as President Bush stressed the need for significant discipline in discretionary spending. **Financial markets put a generally optimistic construction on these events in the hope that the US current account deficit will at least begin to stabilise, if not decline as 2005 proceeds.** The net narrowing in the December trade gap ($56 billion from $59 billion in November) was close to market expectations as both exports and imports were strong. Nevertheless the overseas environment in 2005 is unlikely to help US exports further as European and Japanese growth will probably not exceed 2% in the first quarter. Moreover currency movements affect import and export prices before trade volumes respond. It is quite likely that the current account deficit will continue to deteriorate through 2005 since rising US interest rates will increase payments to foreign investors and central banks. Within the US economy a major uncertainty is the outlook for inflation. **It is clear that the long period of growth in labour productivity is at an end for this cycle. Unit costs began to accelerate in the fourth quarter of 2004 and import prices will rise at a faster rate as exporters to the US may begin to adjust dollar prices.** Rising costs will put downward pressure on corporate profit margins and this could lead to price increases, particularly in service industries which do not face foreign competition. Thus far the reaction of the Federal Reserve has been muted as the central bank has no interest in worsening the economy’s perception of future inflation. On February 2, the US central bank raised the Federal Funds rate by a further 0.25% exactly in line with the Bank’s stated policy of “measured” increases. The current focus of the market is on the upcoming testimony of Federal Chairman Greenspan to the Senate Banking Committee. The statement is expected to confirm that the economy is growing moderately above trend, core inflation is rising gradually and that unemployment will remain slightly above 5%. The high level of the US bond market suggests that investors are very confident that inflation will remain under control as the yield on 10 year US government bonds is currently hardly above 4%.

Japan

Economy remains dependent on overseas demand, especially for capital goods

Fourth-quarter GDP declined by 0.5% at an annual rate following falls in the second and third quarters. This weakness was due mainly to private consumption as private investment and exports grew and should not affect the likelihood of higher growth in 2005. **Right at the end of the year some positive data began to emerge and survey data in January and February indicated that industrial production in the first quarter should show a sharp recovery.** The ‘Economy Watchers’ survey showed a slight improvement in the current conditions index to 45 from 44.2 in December. Trade data for the first 20 days of January confirmed that exports were also on a rising trend. The outlook for capital goods production is improving, mainly as a result of expanding overseas demand. December orders for machinery from the manufacturing sector rose by over 10% and overseas orders rose by 20%. This growth is not surprising considering the strong performance of the US and Chinese economies but it seems that domestic Japanese capital investment will also show some growth in the first quarter although some companies are suffering from steep price declines in electronic equipment which are squeezing profits. The recent performance of private consumption has not been encouraging. Indeed, spending may have weakened in the fourth quarter continuing the depressed trend of the third quarter. The explanation is probably sluggish growth in employment which will probably restrain domestic consumption until the start of the new fiscal year. The early months of 2005 are unlikely to show much progress towards ending deflation. As a result of falling utility charges, the decline in the overall CPI has accelerated slightly. Excluding utility prices, the general rate of deflation is slowing which supports hopes that prices may see positive growth in the second half of 2005. **For the moment, however, it seems certain that the Bank of Japan will continue its policy of monetary easing.** Speculation has emerged that the Bank might reduce the current account deposit target range in the near future but no change is likely as long as the headline rate of inflation remains below zero. The G7 meeting in February did not result in any effective upward pressure on the Chinese currency. Indeed, the main effect was an upward bounce in the US dollar which rose to over 105 yen. Certainly it seems that the chance of a surge in the yen through 100 has been reduced although a sustained weakening of the currency is unlikely as long as trading fundamentals favour Japan and the Asian region as a whole. The Japanese current account surplus rose by 35% to $15.3 billion in December as the trade surplus rose and the deficit on services narrowed. This performance was much better than expected and indicates that Japanese overseas trade probably made a good start to 2005.

Euro-zone

Recovery hopes based on exports and investment. Overall growth performance set to improve but remains relatively poor.

In the fourth quarter of 2004 the Euro-zone grew by only 0.8% at an annualized rate, lower than the 1.1% achieved in the third quarter. France reported a satisfactory 3% growth rate for the fourth quarter but economic activity declined by 0.8% in Germany and by 1.2% in Italy. The y-o-y growth rate for the Euro-zone in the second half of 2004 was only 1.7%. The main problem for the region was a decline in export momentum following a good first half. Personal consumption also slowed and the only positive feature was a slight recovery in fixed investment spending. Euro-zone profitability improved in 2004 as the process of restructuring continued. The negative aspect of the restructuring was the effect on labour incomes and the confidence of consumers. **New Year Euro-zone surveys indicate some improvement in business conditions and the German IFO survey was particularly optimistic.** Looking forward to 2005, recent retail sales data suggest that personal consumption might grow at a rate of 2% in the first quarter. Capital spending should also support domestic demand although net external demand may be held back by growing imports which grew rapidly towards the end of 2004. It is significant that the stronger euro does not appear to be having a severe effect on European exports and the January report of the Purchasing Managers' Index (PMI) showed an increase for the second successive month in January, rising to 51.9 in manufacturing and 53.4 in services. Manufacturing production is being supported by the demand for capital goods, particularly from Asia. **If this level of the PMI index is maintained for the remainder of the first quarter, it would be consistent with Euro-zone GDP growth of about 1.6%.** Inflation remains under control in the region and the January inflation estimate was only 2.1%, year-on-year, the lowest rate since September. Despite higher energy prices, a decline to well below 2% is likely in the first half of 2005. This improvement was reflected in the statement from the February meeting of the Governing Council of the ECB. In particular the statement noted that "[w]age increases have remained contained over recent quarters and … this trend should continue in the future". Of greater concern to the Bank is the growth of liquidity in the Euro-zone and the strong rise in loan demand. On balance the Bank maintained a neutral tone, suggesting that European interest rates will remain at 2% for some months. Some commentators anticipate higher European interest rates by the middle of 2005 since by that time the rate of economic growth in the Euro-zone might have reached 2%. On current information this forecast looks rather optimistic and growth rates are likely to hover around 1.6-1.8% unless private consumption is unexpectedly strong.

Former Soviet Union

Russian growth rates fell in 2004. Energy-based current account surplus poses problems for monetary management.

In the third quarter Russian real GDP growth slowed to 6.4% from 7.4% in the first half of the year and this rate of growth was probably maintained in the fourth quarter, **making the annual growth rate for 2004 about 6.9%.** Final data for the output of goods and services showed an increase of 6.6% for the full year 2004. Only retail trade turnover showed an increase over the rate of growth achieved in 2003, rising by 12.1% compared with 8% in 2003. **Most industrial sectors showed a clear deceleration over the year with only a few exceptions.** Fuels production grew by 7.1% in 2004, down on the 9.3% achieved in 2003. There were also declines in the growth rates of the production of ferrous and non-ferrous metals. Despite the reduction in the growth rate of the economy, Russian consumer price inflation for 2004 was significantly above the targets of the government and the central bank. The year-on-year rate was 11.7% in December, largely as a result of the foreign exchange management policies of the Central Bank of Russia. The dilemma facing the Russian Central Bank illustrates the problems of monetary authorities which try to manage both the inflation rate and the exchange rate at the same time. The only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to appreciate but the Bank cannot let the currency appreciate by much more than 8% in real trade weighted terms. **In 2004 the Russian surplus on the current account of the balance of payments was $58 billion, up $23 billion from the 2003 surplus. This indicates the size of the currency inflows and the growing need for a revaluation of the rouble**. High oil prices in 2004 helped push the Stabilisation Fund to 522 billion roubles by the end of 2004. This amount was thus in excess of the 500 billion rouble threshold at which the Fund may be used to finance extra-budgetary expenditures and part of the surplus may be used to improve the pension system. The outlook for the Russian economy remains largely dependent on the energy sector and the resolution of the Yukos saga will directly impact the growth rate in 2005. Of long term interest will be the effect on foreign direct investment into the Russian economy. Overseas investors may require some clarification concerning the future relationship between government and private industry.

Eastern Europe

Surprisingly weak end to 2004 but outlook solid for Polish economy in 2005

Slow Euro-zone growth in the second half of 2004 moderated the strong momentum of the Polish economy but the overall performance in 2004 was impressive as GDP rose by about 5.6%. GDP grew by only 4.8% in the third quarter and industrial confidence indicators were cautious for the remainder of the year as companies reported declines in new orders. **December saw a surprisingly weak industrial performance as output grew by only 6.4% year-on-year**. For 2004 as a whole overall growth in industrial production was 12.7%. Retail sales also disappointed in December, rising by only 2.8% year-on-year. Inflation fell to 4.4% in December, and declining demand pressure should be consistent with a further gradual fall to 4%. During 2004 the zloty appreciated by 18% versus the dollar and this strength will help reduce inflation further in 2005. Indeed, the National Bank of Poland expects that consumer price inflation will fall to 2.5% by the middle of the year. **The main problem facing the Polish authorities has been the budgetary outlook and 2004 has seen considerable progress.** Stronger-than-expected tax revenues and transfer payments from the EU means that the overall deficit for 2004 was less than 6% of GDP. Implementation of the proposed budget for 2005 would reduce the deficit further to no more than 4% of GDP. In the Czech Republic, the economic outlook remains stable. Growth in 2005 may be slightly higher than last year's outcome of 3.7% and inflation should remain close to 3%. Unlike Poland, the Czech Republic is unlikely to make much progress in 2005 towards achieving the lower deficit profile required by the Maastricht criteria. Since 2006 is an election year, the government's targets are challenging. The Hungarian government also has ambitious goals for 2005. The budget deficit is targeted to fall to below 5% of GDP in 2005 and the current account deficit is also expected to improve. In order to boost growth interest rates should continue to fall in 2005 as long as the inflation rate remains well-behaved. Economic policy will be constrained by the upcoming parliamentary elections in 2006 and agrowth outlook overly dependent on exports to a slow-growing Euro-zone.

OPEC Member Countries

Most OPEC Member Countries striving to open the door wide for the private sector and foreign investment inflows

A broad glance at the business environment in most OPEC Member Countries shows that they will open the gate wide for foreign investment flows over the fiscal year 2005-2006. A review of policy towards private enterprise and competition in Saudi Arabia, for example, indicates some general trends. The reduction of state dominance in some sectors coupled with regulatory improvements will help boost private investment. New legislation on capital markets, taxation, insurance and labour has also been implemented. Accession to the World Trade Organization by the end of 2005 is expected to encourage foreign investment. Lower duties on imports should increase import flows as large capital projects get underway. Capital market law will enhance the liquidity and transparency of the stock market. Foreign companies' top tax rate may be reduced from its current level of 20% in the non-energy related sector. Saudiization will continue to be promoted due to the erosion of the pay and benefit differential between the public and the private sectors. The expansions needed in utilities, telecoms, housing, roads and railways will not be fully met this year. However, it is likely that regulator advances in utilities will encourage private investment to fill the financing gap two years from now. Finally, it is worth noting that the country has seen a fiscal surplus of just over 10% of GDP in 2004, as actual revenues have been boosted by high oil prices and near-record crude production. Another fiscal surplus is expected in 2005, with a real GDP growth of 4.5% as investment flows into infrastructure, financial services and real estate projects.

Developing Countries

China's GDP growth still robust, India not affected by tsunami, while Brazil's private sector activated

China's GDP growth rate witnessed an upturn of 9.5% in the fourth quarter of 2004 after two quarters of declining growth, renewing investor fears that the Chinese economy may once again be overheating. Some data suggests that private consumption may be joining investment as a key driver of China's economy. Retail sales grew by 15% y-o-y in December, the biggest gain in seven months. However, the authorities have taken steps over the last nine months to slow the economy and have had some success. Thus, some observers believe that the unusually strong fourth-quarter GDP results were probably driven more by external demand – net exports – than by private consumption. Exports have been helped by the highly competitive yuan, which is fixed to the US dollar and has depreciated along with the US currency. If net exports indeed drove the recent acceleration in the economy, then China's growth is set to slow in 2005 as demand from the USA, Europe and Japan falls in line with a weaker performance by those economies and major trade partners as well. This should more than offset a small increase in consumer spending. As the impact of the recent tsunami on the GDP growth in India will be insignificant, GDP forecast for 2005 will remain unchanged at 5.5%, although the disaster has devastated lives, social infrastructure and the economic foundations in the affected areas. The main reasons why India's economy will not be as badly affected as those of other countries in the region is due to the size of the economy as well as the fact that the tsunami had no effect on any of India's major manufacturing or agricultural centres, nor will it have an impact on the vibrant information technology sector. Although private consumption will be reduced in the affected areas, the effect of this in a country with a population of more than one billion people will be negligible. Brazil's GDP growth is forecast at 5.2% for this year, which is slightly less robust than what was reached in 2004. The main driver in this forecast is private sector demand. Consumer and investment spending will be boosted by an expansion of credits, rising real income and an upturn in capital projects as confidence grows and real lending rates ease.

Oil prices, the US dollar and inflation

Strong economic performance boosted dollar in January.

The US dollar bounced in January as markets concentrated on growth and interest rate prospects rather than the growing American current account deficit. Remarks from Federal Reserve Chairman Alan Greenspan also improved sentiment for the dollar as did policy statements from President Bush concerning the long-term reform of Social Security and the reduction of the US Federal deficit. In January the US dollar rose by 2.6% against the British pound, 2.1% against the euro, and 2.7% against the Swiss franc. The dollar weakened by 0.5% against the yen as market participants anticipated that Asian currencies would be boosted by the forthcoming February meeting of the G7.

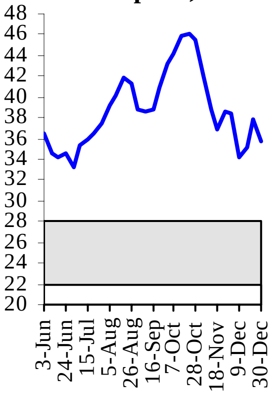
In January the OPEC Reference Basket rose to $40.24/b from $35.70/b in December. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 14% to $27.71/b from $24.31/b, as dollar strength compounded the increase in the Reference Basket price. The dollar rose by 1.3% as measured by the import-weighted modified Geneva I +US dollar basket*.

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

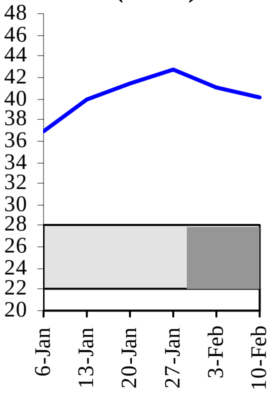
Crude Oil Price Movements

The OPEC Reference Basket surged nearly 13% or $4.54 to settle at $40.24/b in January

Weekly average Basket price, 2004



Jan 05-Feb 05
(US$/b)

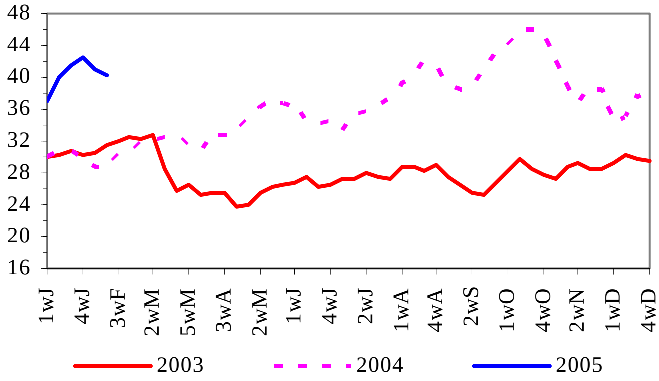


Note: Price band temporarily suspended as of 31 January 2005

OPEC Reference Basket

The OPEC Reference Basket began the New Year on a bullish note amid frigid weather in the Northern hemisphere. The market remained firm on escalating unrest in Iraq and the perception that OPEC might rein in already reduced output as crude oil inventories saw a hefty draw. Hence, the Basket's weekly average was up $1.08 or 3.3% to close at $36.90/b on 6 January. In the second week of the month, supply fears continued on a potential strike in Venezuela amid falling US natural gas stocks. **Persistent supply outages along with a lasting cold snap in the Northern hemisphere and a further crude oil stock draw in the USA sustained market strength as the Basket surged to almost $40/b, a level last seen on 4 November.** The Basket closed the week ending 13 January with a rally of over 8% after surging nearly $3 to $39.88/b. The third week saw the bullish trend continuing on fears of continuing attacks on Iraq's oil infrastructure ahead of the election. The Basket peaked on 18 January at $41.97/b, before retreating on a surprise build in the US crude oil stocks. The Basket closed the week ending 20 January at $41.42/b for a rally of $1.54 or nearly 4%. The final week of the month saw further price pressures due to a strike threat in Nigeria, the looming election in Iraq and uncertainty about OPEC's production outlook. However, the perception that the quota would remain unchanged prevented the price from rallying further. Nevertheless, the Basket's weekly average rose $1.25 or 3% to close at $42.67/b after seeing another daily peak of $43.10/b on 26 January. The upward price movement was due to hefty draws on winter fuel and gasoline stocks, despite a build in crude oil stocks.. In the final two days of the month, a growing expectation that OPEC output would remain unchanged caused the Basket to tumble by a hefty 5% or $2.06/b to end the month at $40.95/b.

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



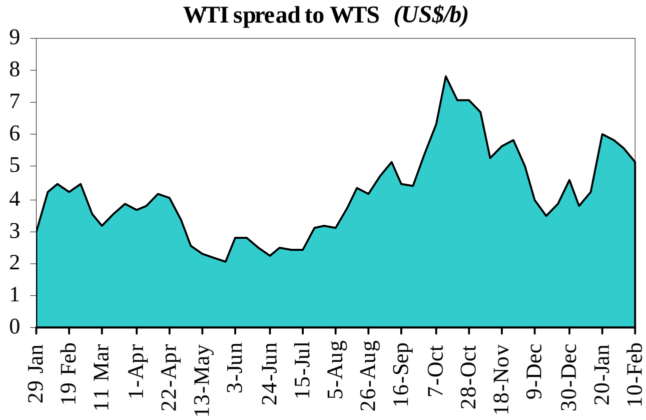
The Basket's monthly average for January was up $4.53 or nearly 13% above the previous month to close at $40.24/b. Following an 8% rally in December, **the Basket stood $4.19/b above the 2004 average and a hefty $9.91/b or 33% above the same period last year.** Most of the rise was seen in the second week of January amid a persistent cold snap in the northern hemisphere, while the OPEC decision to keep output unchanged helped to moderate prices in the final days of the month. Nevertheless, the Basket slipped in February on continued OPEC output and fading winter demand. The Basket closed at $39.94/b on 9 February for a month-to-date average of $40.36/b on weakening sentiment due to crude oil stock levels and OPEC production.

Frigid weather in the US northeast boosted oil prices and widened the spread between sweet and sour grades

US market

The US domestic crude market began the year on a firm footing. Continued sabotage on oil facilities in Iraq reduced the country's crude exports in December to 1.16 mb/d, the lowest for any month in 2004. This helped widened crude grade differentials amid the return of buying interest from the year-end holiday season. The bullish sentiment strengthened on delays in the

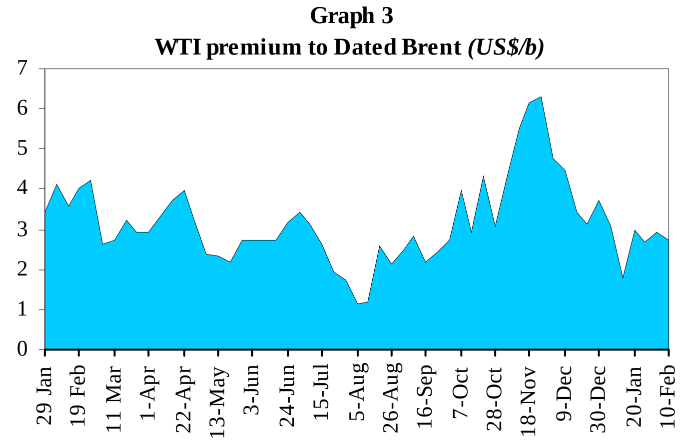
Graph 2
WTI spread to WTS ***(US$/b)***



Houston Channel due to fog and a hefty draw on crude oil stocks while refinery runs were boosted to 95%. WTI surged 2% or nearly one dollar for the week closing 6 January to average $43.73/b, while the sweet/sour spread for WTI/WTS narrowed 80¢ to stand at $3.79/b. In the second week of the month, Iraq's northern exports saw continuous interruptions which helped to boost West African flat prices. A smattering of refinery turnarounds amid continued outages from the North Sea supported further price strength. **A second week of hefty draws on US commercial crude oil inventories, for a cumulative drop of some 6.3 mb, supported the price rally, while a build in distillates stocks kept alive some bearish sentiments. WTI surged $2.34 or 5% for the week to stand at an average of $46.07/b**. **The sweet/sour spread widened 40¢ to $4.19/b.** Frigid weather in the US northeast exerted upward pressure on the petroleum complex in the third week of the month. WTI gained nearly 4% rising almost $2 to close the week at $47.90/b. However, widespread US refinery turnarounds weighed on the sour crude market as the sweet/sour spread widened $1.51 to $5.70/b amid revived US petroleum stocks exhibiting comfortable builds in crude oil and distillate inventories. The upward price movement was sustained in the final week of January amid continued frigid temperatures in the northeastern USA. WTI edged up a healthy 96¢ to close the week ending 27 January at $48.86/b, a level last seen on 25 November. While another build in crude oil stocks supported price easement in the physical market, a hefty draw on gasoline and distillate stocks including heating oil supported the wide sweet/sour spread. The WTI/WTS differential stood at $5.83/b down from a 27 January peak of $6.49/b. This boosted the differential in January to a monthly average of $4.88/b, an increase of 69¢ over the previous month. However, this was far lower than the $5.87/b average seen in November or the $7.08/b peak in October. The WTI price reached a monthly average of $46.64/b in January, an increase of $3.52 or well over 8%.

European market

Weather-related disruptions in the North Sea boosted dated Brent prices although refining margins weakened



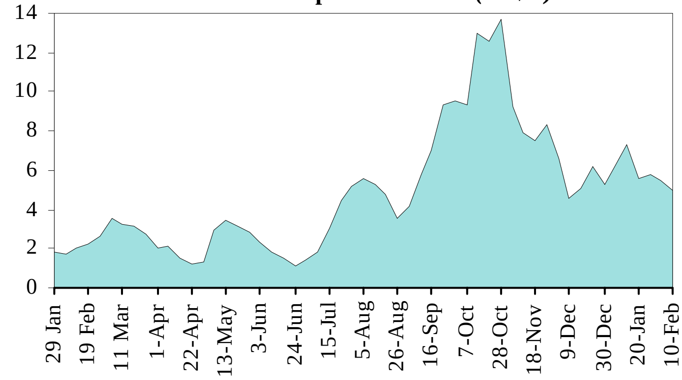
In Europe, North Sea grades held firm as bad weather forced refiners to load onshore grades, which supported strong differentials. Sustained outages boosted outright prices as well, as dated Brent surged 4% in the first week ending 6 January to close at $40.67/b. **Healthy differentials persisted in the second week amid a regional outage of some 411,000 b/d and rising flat prices. However, refining margins came under pressure as high crude prices outpaced those for refined products.** In the week ending 13 January, dated Brent surged nearly 9%. Moreover, falling inter-sea freight rates helped terminal grades, eroding differentials in the third week of the month. The return of Norwegian oil fields from a long disruption amid pitiful refining margins added bearishness to the marketplace. Although talks over some arbitrage opportunities ignited hope that differentials might improve, ample supplies kept markets under pressure throughout the third week. The market remained stagnant as refiners remained on the sidelines amid high absolute prices and weakening refining margins. However, refining margins got a boost at month's end with the fall in outright prices. Moreover, a drop in freight rates encouraged arbitrage activities. Dated Brent averaged $44.01/b in January, an increase of $4.58 or 12% over the previous month.

In the Mediterranean market, ample Middle Eastern sour grades exerted further pressure on differentials with sweet margins outstripping sours by more than a dollar. Urals stagnated further in the first week as poor margins deterred buying and many players were away from the market due to the Orthodox Christmas holiday. **Bearishness lingered into the second week of the month on weak refining margins for sour grades amid the emergence of new product specifications which boosted trade for the more lucrative sweet crudes.** Outages in the North Sea supported the differential for Saharan Blend in the Mediterranean. Delays at the Turkish Straits and the opening of arbitrage opportunities to the USA from North-West Europe improved market sentiment, although this was short-lived as the market's mood turned gloomier on persistently weak refining margins in the third week. Even news that Russia's Yukos would not export any crude in February did little to improve sentiment and the

Mediterranean market remained under pressure throughout the month.

Graph 4

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



Far East market

Oman differential drew strength from its relatively lower sulphur content, while Abu Dhabi Murban was under pressure due to lower demand for the kerosene-rich grade

The Middle Eastern sour market saw a healthy start as some Mideast OSPs were seen to be reasonable. March Oman was assessed at MOG plus 2-9¢/b, rising to a plus 8-15¢/b premium later in the first week. In contrast, kerosene-rich Abu Dhabi Murban for March loading traded at a 35-50¢/b discount on low demand. Oman continued to attract double-digit premium due to lower allocations from the Middle East with March-loading barrels seeing a 30¢/b premium to the OSP. I**n the second week, a cold snap in the North Eastern hemisphere helped the Abu Dhabi grade to trade at a 15¢/b premium for the first time in three months.** However, comfortable kerosene stock level in Japan limited improvement in the differential. Emerged demand from Asian buyers supported low-sulphur Oman which was assessed at a 35¢/b premium, while a cold snap in Japan boosted Murban's assessment to a 10¢/b premium. April Oman dipped lower assessed at a 12¢/b premium amid the perception that spot differentials were about to come under pressure from rebounding freight rates and the OPEC decision not to cut output.

Asian market

Lower flat prices encouraged Asian demand for sweet grades

On the Asian front, **sweet crudes from both West Africa and Asia Pacific recovered on lower outright prices and freight rates in the first week, attracting more interest from Asian refiners**. February-loading Tapis started the month at 45¢/b to the APPI quote compared to a $2/b discount for January barrels. Moreover, in the second week, Malaysian's Petronas slashed its Tapis crude price adjustment factor "p" for January liftings to a discount of $1.40/b from a 5¢/b premium in December, which supported trade for the regional crudes amid uneconomical arbitrage opportunities. Indonesia's February Cinta crude traded at a premium of $1.70/b to ICP. **Improved demand in Asia amid a draw on the Japanese kerosene stocks supported the sweet/sour differential** in the third week with Tapis selling at $1/b to the APPI, while March barrels were on offer at a higher $1.60/b later in the month. Meanwhile, Indonesia's March Widuri and Cinta were assessed at $1.80/b to the ICP quotes.

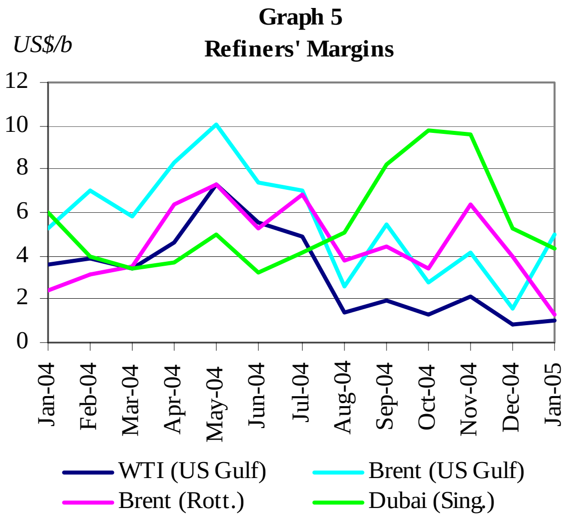
Table 1

Monthly average spot quotations for OPEC's Reference Basket and selected crudes

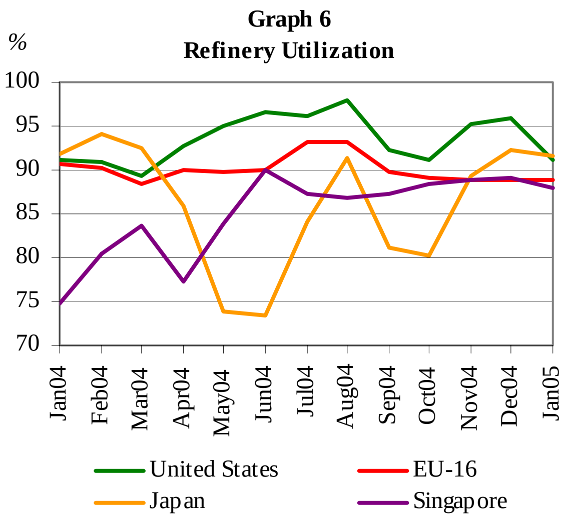
US $/b

			Year-to-date average	
	Dec	**Jan**	2003	**2004**
Reference Basket	35.70	**40.24**	30.33	40.24
Arabian Light	34.64	**38.26**	29.83	38.26
Dubai	34.16	**37.78**	28.93	37.78
Bonny Light	39.08	**44.01**	30.94	44.01
Saharan Blend	39.61	**44.39**	31.29	44.39
Minas	34.76	**42.55**	30.27	42.55
Tia Juana Light	32.36	**35.75**	29.28	35.75
Isthmus	35.31	**38.89**	31.78	38.89
Other crudes				
Brent	39.43	**44.01**	31.33	44.01
WTI	43.12	**46.64**	34.33	46.64
Differentials				
WTI/Brent	3.69	**2.63**	3.00	2.63
Brent/Dubai	5.27	**6.23**	2.40	6.23

Product Markets and Refinery Operations



A combination of cold weather across the globe, unplanned refinery maintenance and unseasonably strong demand for gasoline in the USA has produced support for light and medium product prices in January 2005. The situation reversed the downward trend in refining margins in the USA and slowed the pace of the fall in other parts of the world, particularly in Asia. In January, refining margins in the USA increased by 27% compared to the previous month, while dropping by 66% and 17% in Europe and Singapore respectively. However, more recently, the expectation of mild weather along with relatively comfortable stock levels have eased the earlier gains in the product markets, but specification changes in several parts of the world and reduced supplies during winter/spring maintenance will keep prices and the crack spreads of premium products relatively strong in the near future.



In January, the refining utilization rate in the USA decreased from 96% in the previous month to 91.6% due to planned and unplanned refinery maintenance, and it may decline further over the next two months. In Europe, despite falling margins, the refinery utilization rate improved a marginal 0.5% compared to 89.4% in the previous month. In Asia, Japanese refiners also cut throughputs and trimmed their utilization rates to 91.6% from 92.4% in December.

US market

US refining margins were bottomed up by arctic weather and unplanned refinery maintenance

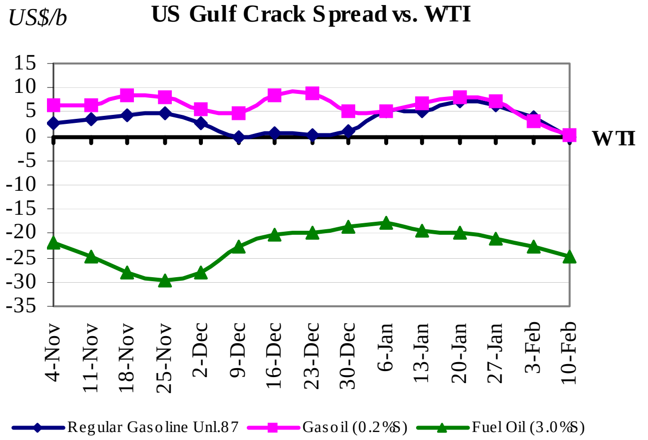
The blast of cold weather, together with refinery and pipeline problems, raised product prices across the barrel, particularly for gasoline, which had dropped sharply in the last month of 2004. In January, cracking units at the ConocoPhilips 250,000 b/d alliance refinery in Louisiana and Sunoco’s 330,000 b/d Philadelphia refinery were shut down for unplanned maintenance. **Apart from refinery problems, unseasonably strong demand for gasoline has also strengthened the US gasoline market and prompted many traders to export about 2.5 mn tonnes of gasoline from Europe to the US market.**

According to the EIA, over the four-week period to 9 February, gasoline demand in the USA increased by 3% compared to the same time last year. Similarly, the distillate market has rebounded due to a cold spell in the US Northeast, but failed to boost prices sharply, as many market players have switched their attention from heating oil to gasoline, and the expectation of mild weather over the next weeks has also undermined the bullishness of the distillate market.

Despite the good performance of the top and the middle of the barrel in the US market in January, the performance of the bottom of the barrel was steady, while rising utility plant demand did little to change bearish sentiment for low-sulphur and high-sulphur fuel oil. The forecast for warm weather may put further pressure on the US fuel oil crack spread.

Graph 7

US Gulf Crack Spread vs. WTI



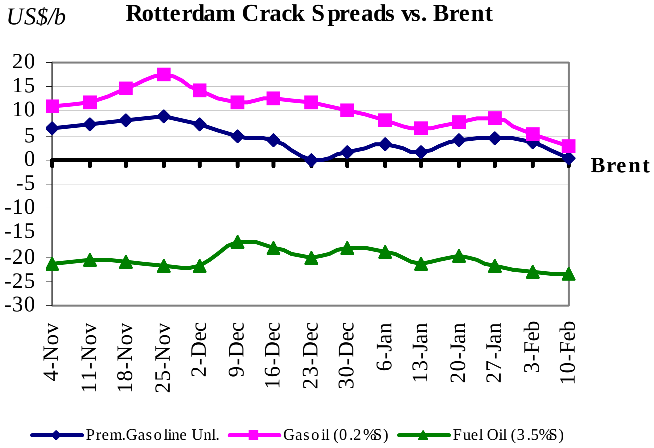
The European product market failed to outpace corresponding crude oil price achievements

European market

Light and middle distillate product prices soared in January on a number of factors such as cold weather, arbitrage opportunities to the USA and Middle East, and demand from North Africa and eastern Mediterranean. Despite this rise, they were still unable to overtake their corresponding crude oil cost, thus extending the earlier downward trend in European refining margins.

Graph 8

Rotterdam Crack Spreads vs. Brent



During the same month, the gasoline crack spread jumped from $1/b to around $5/b, before dipping recently due to declining arbitrage opportunities to the other side of the Atlantic market. Meanwhile, the European market for naphtha remains bearish and is unlikely to change in the near future, as petrochemical plants in North-West Europe and the Mediterranean area are using cheaper alternative feedstocks like LPG, and arbitrage opportunities to Asia and the USA are closed as well.

Middle distillate prices, which had been dropping since the beginning of November due to the mild weather and ample supply at the expense of lower gasoline production, also reversed their downward trend in the middle of January, as cold weather in the Northern hemisphere supported an increase in the distillate price. The forecast for mild weather in the near future could help to erode this support.

The European market for low-sulphur fuel oil remained steady, as increased consumption by utility plants was counterbalanced by continued ample supply. However, the high-sulphur fuel oil market remains bearish and may come under further pressure due to higher exports from Russia.

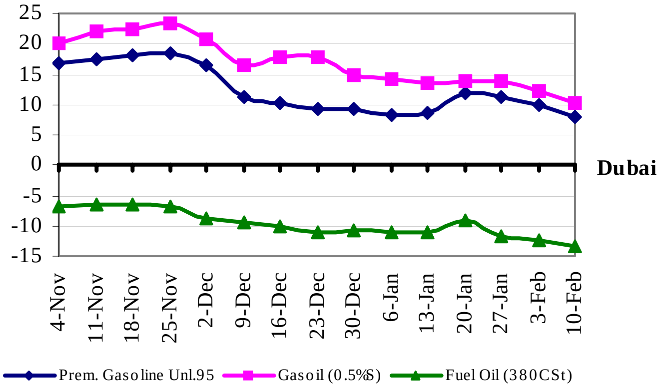
Gasoline crack spread has rebounded due to the rise in regional demand

Asian market

Rising Indian and Indonesian demand for gasoline and gasoil reversed the bearish sentiment in the Asian market for light and middle distillate products that was triggered in December due to ample supplies and lower imports by China. Indonesia has bought 4.4 mb of gasoline for January and 4.84 mb for February. This volume is about 30% higher than the one which was imported in the same month last year. Despite strong demand for gasoline, the market for naphtha appears lacklustre, as China’s growing demand has yet to outpace ample supplies from India and the Middle East.

With respect to middle distillates, a cold spell in North Asia coupled with Indian demand for low-sulphur gasoil capped the sharp downward price movement which began last month. Expectations of further diesel imports by China over the next month for farming have also helped to keep the distillate crack healthy.

Graph 9
Singapore Crack Spreads vs. Dubai



The Asian fuel oil market was more bearish, as plenty of arbitrage cargoes along with sluggish Chinese demand widened the discount for high sulphur fuel oil to its corresponding Dubai crude to around minus $12/b. Fuel oil product losses even outstripped the gains made in light products, resulting in a 17% drop in Asian refining margins in January from the previous month.

Table 2
Refined product prices
US$/b

		Nov	Dec	Jan 05	Change Jan/Dec
US Gulf (Cargoes):					
Naphtha		52.19	42.74	50.86	8.12
Premium gasoline	*(unleaded 93)*	53.16	44.25	53.58	9.33
Regular gasoline	*(unleaded 87)*	52.29	43.86	52.58	8.72
Jet/Kerosene		56.60	51.52	56.12	4.60
Gasoil	*(0.2% S)*	55.61	50.04	53.34	3.30
Fuel oil	*(1.0% S)*	31.19	28.49	31.33	2.84
Fuel oil	*(3.0% S)*	21.80	22.32	26.79	4.47
Rotterdam (Barges FoB):					
Naphtha		56.49	50.20	51.32	1.12
Premium gasoline	*(unleaded 95)*	50.62	42.54	47.84	5.30
Regular gasoline	*(unleaded)*	50.64	42.42	47.72	5.30
Jet/Kerosene		60.31	54.05	55.05	1.00
Gasoil	*(0.2% S)*	56.89	51.26	51.92	0.66
Fuel oil	*(1.0% S)*	25.23	24.96	26.68	1.72
Fuel oil	*(3.5% S)*	21.49	20.93	23.54	2.61
Mediterranean (Cargoes):					
Naphtha		45.68	39.98	41.69	1.71
Premium unleaded	*(0.15g/l)*	48.74	39.88	45.80	5.92
Premium gasoline	*(unleaded 95)*	48.70	39.72	45.72	6.00
Jet/Kerosene		57.18	50.77	52.75	1.98
Gasoil	*(0.5% S)*	56.47	50.75	51.04	0.29
Fuel oil	*(1.0% S)*	26.72	25.65	28.69	3.04
Fuel oil	*(3.5% S)*	18.65	18.62	21.80	3.18
Singapore (Cargoes):					
Naphtha		47.46	42.79	41.34	-1.45
Premium gasoline	*(unleaded 95)*	52.45	44.81	47.57	2.76
Regular gasoline	*(unleaded 92)*	51.74	44.24	46.87	2.63
Jet/Kerosene		57.64	50.07	51.10	1.03
Gasoil	*(0.5% S)*	56.82	51.33	51.26	-0.07
Fuel oil	*(180 cst 2.0% S)*	29.40	26.93	28.08	1.15
Fuel oil	*(380 cst 3.5% S)*	27.99	24.00	26.61	2.61

Table 3
Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Nov 04	**Dec 04**	**Jan 05**	**Jan 05/04**	**Nov 04**	**Dec 04**	**Jan 05**	**Jan 05/04**
USA	15.89	16.03	15.30	–0.73	95.2	96.0	91.2	–4.8
France	1.71 R	1.55	1.74	0.19	87.5 R	79.6	89.3	9.7
Germany	2.24 R	2.28	2.28	0.00	97.7 R	99.8	98.3	–1.4
Italy	1.74 R	1.86	1.79	–0.07	75.3 R	80.4	77.1	–3.3
UK	1.76 R	1.70	1.67	–0.02	96.9 R	93.3 R	91.6	–1.7
Eur-16	12.27 R	12.28	12.35	0.07	88.9 R	88.9 R	89.0	0.0
Japan	4.20	4.34	4.31	–0.03	89.3	92.4 R	91.6	–0.7

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

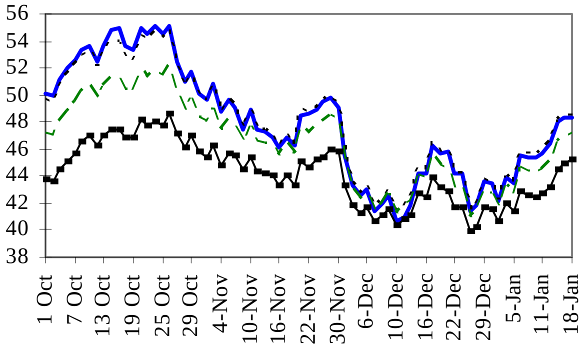
The Oil Futures Market

Frigid weather in the US north-east supported fund buying and the non-commercial net short positions remained at a relatively strong ratio while open interest was well above the 700,000 level

Futures crude oil prices in January rebounded from a slow start following a cold snap in the US north-east region. Nymex WTI saw volatile movement. The forecast for warmer weather in the USA pushed the market one way while fears of a supply shortfall amid escalating violence in Iraq and a hefty draw on the US natural gas underground storages pulled in the other. The CFTC report on 4 January showed non-commercials had increased longs by twice as much as shorts. Nymex WTI closed the first week in the New Year at $45.43/b or 4.5% higher. This bullish sentiment continued into the second week on the outlook for frigid weather in the USA amid a hefty draw on natural gas stocks. Commercial and non-commercial positions saw increases with open interest surpassing the 700,000 contract level. **This bullishness was underpinned by supply outages in the North Sea, Nigeria, Iraq and the Gulf of Mexico along with the possibility of a cut in OPEC supplies. Nymex WTI closed the week at $48.38/b for a gain of almost $3 or 6.5%.**

Graph 10

NYMEX WTI futures contracts, 2004-2005



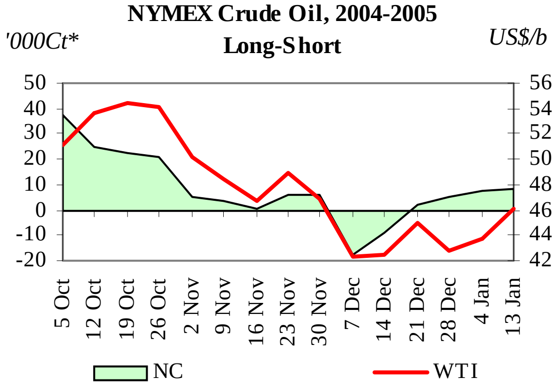
FM = future month

By the close of the third week, WTI futures had edged up 15¢ on two contrasting factors. Rising crude oil stocks caused the futures contract to slip 3% while heating oil concerns pushed the new prompt month up by nearly 3% in a contango market. The CFTC report for the week ending **18 January** showed non-commercials had doubled net long positions by nearly 16,000 lots while **open interest peaked near 720,000, the highest level since the 735,000 seen on 12 October 2004.** In the final week of January, Nymex WTI futures peaked at nearly $50/b on fears of a supply shortfall amid sustained frigid weather in the US north-east. The March futures contract, however, closed the week down $1.35 or 3% at $47.18/b amid an OPEC decision to keep output unchanged. The CFTC report for the week ending 25 January revealed that non-commercials had doubled net longs for the second consecutive week to 34,000 lots, mostly due to a liquidation of short positions, although longs also saw a hefty increase. Nonetheless, **open interest remained at a healthy level of 714,000 lots, well above the 661,260 lots seen in the same period last year**. On the last day of January, despite a smooth election in Iraq, Nymex WTI rebounded by 2% to close at $48.20/b on speculation that OPEC might rein in oil production in the months ahead.

Graph 11

Futures Commitment of Traders Report: NYMEX Crude Oil, 2004-2005

Long-Short



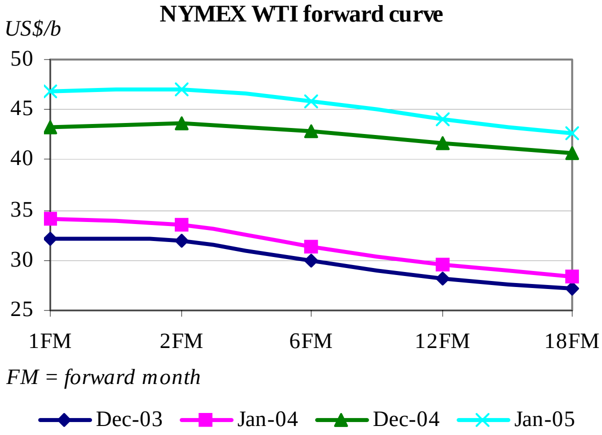
NC = Non-commercials: funds, investments and banks.

Ct = *Each contract is 1,000 barrels.

Contango was sustained throughout January with the monthly average at a lower pace of minus 20¢/b

The forward curve for the Nymex futures contract remained in contango over the course of January, although at a narrower spread. Despite a hefty draw on crude oil stocks of some 6.3 mb in the first two weeks, the relatively higher inventory level of 293 mb, compared to 270 mb in the same period last year, kept the market in contango. Also, last year, the forward curve was well into backwardation by 65¢/b. **The continued build of crude oil stocks in the USA in the final two weeks for a cumulative increase of 6.8 mb to 295 mb kept the contango in place and extending to the 3rd and 4th month.** The January monthly average for the 1st/2nd month was in contango at minus 20¢/b compared to minus 30¢/b in December.

Graph 12
NYMEX WTI forward curve



The Tanker Market

OPEC spot fixtures fell sharply in the first half of January before recovering later in the month

OPEC area spot fixtures fell sharply to 13.7 mb/d during the first half of January from an average of 21.4 mb/d in the third week of December. **However, as the month drew to a close, spot fixtures surged, pushing the monthly average for January to 16 mb/d, up 2.1 mb/d or 15%** compared to the previous month, but consistent with last year's level. **The huge decline in the first half of January was triggered by OPEC's decision to cut production by 1 mb/d effective 1 January**. OPEC's share of global spot chartering remained at the December 2004 level of 67%, but was up 2 percentage points from the previous year's figure. Even though most of the OPEC production cut came from Middle East, spot fixtures from this region increased by around 2.5 mb/d, with a gain of 1.9 mb/d on eastbound and 0.6 mb/d on westbound routes. **By increasing spot fixtures, Middle Eastern eastbound and westbound routes boosted their shares in OPEC's total spot fixtures to 54% from 44% in December.** Non-OPEC spot fixtures increased by 0.9 mb/d to around 8 mb/d, which is 0.75 mb/d less than in January 2004. The increase in both OPEC and non-OPEC fixtures led to a total spot chartering of nearly 24 mb/d in January, the second-highest level in the last seven months. According to preliminary estimates, **sailings from the OPEC area declined by 0.27 mb/d to 24.3 mb/d from the peak of 25 mb/d reached in December.** Most of the decline — 0.65 mb/d — came out of sailings from the Middle East, which confirms the significant fall in spot fixtures from this region in December. Arrivals in the US Gulf and East Coasts and the Caribbean showed an increase of 0.72 mb/d to reach around 12 mb/d confirming a surge in US imports. Arrivals in North-West Europe and the Euro-Mediterranean region experienced the same trend, soaring 0.87 mb/d and 0.15 mb/d respectively, which reversed the drops observed in December. However, arrivals in Japan increased a slight 0.1 mb/d to 4.43 mb/d.

Freight rates have continued to weaken

Spot freight rates continued to slide for the second consecutive month as a result of large tonnage availability in combination with OPEC's decision to cut output by 1 mb/d effective 1 January. The slowdown of crude prices put more pressure on freight rates by making oil buyers and charterers reluctant to book in anticipation of lower oil prices and shipping rates, which resulted in considerable losses. **In the VLCC sector, freight rates on the Middle East eastbound and westbound long-haul routes plummeted to monthly averages of around WS70, the lowest levels in more than fourteen months**. The drop was more significant for cargoes heading to the east which faced a substantial fall of 161 points or more than two thirds compared to the previous month, while rates on the westbound route fell 77 points or more than half. Compared to the same month last year, freight rates on both routes were down 45%. **Due to increasing tonnage build-up, the Suezmax sector experienced the same trend, especially the route from NW Europe to the US East Coast, which saw freight rates falling by 125 points** or 45% to settle at a monthly average of WS155, over 100 points less than last year's figure. Freight rates on the West Africa/US Gulf Coast route declined by 51 points to stand at WS178, compared to an average of WS264 in January 2004. **Freight rates for the Aframax sector faced the same situation** as freight rates more than halved on the Indonesia/US West Coast route to stand at an average of WS159 in January, down 24 points from last year's figure, while within the Mediterranean region and from there to NW Europe, they lost between 40% and 44% to stand at monthly averages of WS259 and WS209 respectively. In the Mediterranean region, some of the fall was attributed to smaller transit delays in the Turkish Straits. In addition, the approaching refinery maintenance season exerted downward pressure on freight rates. Freight rates on the Caribbean/US East Coast route, which fell to an average of WS353, observed the relatively smallest decline of 11% compared to other routes, remained 25 points above last year's figure. This moderate drop was due to a balanced and quiet market. However, it is worth noting that **spot freight rates started to improve at the end of the month and most rates doubled on a sudden surge in activity.**

Product freight rates declined on most routes

For the East and the Singapore to the East routes**. Freight rates fell significantly within the Mediterranean region and from there to NW Europe, with drops of 167 points and 61 points respectively** to stand at WS297 and WS290 in January as a result of less activity due to weak demand. Freight rates on the NW Europe to the US East and Gulf Coasts routes fell slightly to WS345. However, freight rates for cargoes heading from the Middle East and Singapore to the East remained almost stable at WS359, but were up 152 and 142 points respectively compared to last year's figure, due to **strong Asian-Pacific demand for gasoline, kerosene and low-sulphur fuel.** Freight rates on the Caribbean/US Gulf Coast route decreased slightly by 7% or 24 points to average WS333, the same level as last year's figure.

Table 4
Spot tanker chartering sailings and arrivals
mb/d

	Nov 04	Dec 04	Jan 05	Change Jan/Dec
Chartering				
All areas	24.69	20.96	23.99	3.03
OPEC	16.43	13.89	16.00	2.11
Middle East/east	6.59	4.48	6.37	1.89
Middle East/west	2.45	1.60	2.18	0.58
Sailings				
OPEC	24.40	25.02	24.30	–0.72
Middle East	17.71	17.95	17.30	–0.65
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.67	11.71	11.98	0.27
North West Europe	7.25	6.93	7.80	0.87
Euromed	4.36	4.25	4.41	0.15
Japan	4.28	4.32	4.43	0.11

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Nov 04	Dec 04	Jan. 05	Change Jan/Dec
Crude					
Middle East/east	200–300	306	232	71	–161
Middle East/west	200–300	210	147	70	–77
West Africa/US Gulf	100–160	336	229	178	–51
North-West Europe/US East Coast	100–160	342	280	155	–125
Indonesia/US West Coast	70–100	366	333	159	–174
Caribbean/US East Coast	40–70	387	397	353	–44
Mediterranean/Mediterranean	40–70	390	298	259	–39
Mediterranean/North-West Europe	70–100	338	258	209	–49
Products					
Middle East/east	30–50	390	355	359	4
Singapore/east	25–30	360	342	359	17
Caribbean/US Gulf Coast	25–30	351	357	333	–24
North-West Europe/US East Coast	25–30	380	355	345	–10
Mediterranean/Mediterranean	25–30	365	464	297	–167
Mediterranean/North-West Europe	25–30	350	351	290	–61

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

World Oil Demand

World oil demand growth in 2004 estimated at 2.55 mb/d or 3.21%, while the yearly average stands at 82.05 mb/d

Forecast for 2004

World

With the data only partially incomplete for December, **world oil demand for 2004 is estimated to have grown by 3.21% or 2.55 mb/d to average 82.05 mb/d.** While there were minor downward revisions to the data for the first three quarters, the absolute fourth-quarter figure was revised up by 0.3 mb/d. The lion's share of the upward revision to the fourth-quarter data took place in China where demand was underestimated by 0.29 mb/d in the last *MOMR*. According to the latest preliminary data coming from China, the country's apparent demand stood at 6.7 mb/d which implies a y-o-y growth of almost 20% or more than 1 mb/d. The strong fourth-quarter apparent consumption figure points to a significant rebound in Chinese demand, following the decline seen in the third quarter of 2004, when demand growth fell to 10.5% y-o-y. Western Europe's demand also underwent a considerable fourth-quarter upward revision of 0.15 mb/d. In contrast, demand in North America, OECD Pacific and the Middle East was adjusted downwards. On a regional basis, non-OECD countries accounted for almost three-quarters of total world oil demand growth, with China alone responsible for 0.95 mb/d or more than 37% of total world oil demand growth. OECD countries, which accounted for more than 60% of total world oil demand at the end of 2004, contributed 26% of the additional demand. Oil consumption grew at an annual rate of 1.38% or 0.67 mb/d to average 49.53 mb/d.

Table 6
World oil demand forecast for 2004
mb/d

							Change 2004/03	
	2003	1Q04	2Q04	3Q04	4Q04	2004	Volume	%
North America	24.58	25.03	24.85	25.22	25.59	25.17	0.60	2.42
Western Europe	15.51	15.77	15.35	15.70	16.17	15.75	0.24	1.57
OECD Pacific	8.78	9.38	8.00	8.25	8.83	8.61	–0.17	–1.88
Total OECD	**48.86**	**50.18**	**48.20**	**49.17**	**50.59**	**49.53**	**0.67**	**1.38**
Other Asia	8.05	8.26	8.53	8.25	8.66	8.42	0.38	4.66
Latin America	4.73	4.67	4.91	5.00	4.93	4.88	0.15	3.07
Middle East	5.06	5.23	5.27	5.43	5.29	5.30	0.24	4.75
Africa	2.62	2.63	2.66	2.65	2.73	2.67	0.05	2.02
Total DCs	**20.47**	**20.79**	**21.38**	**21.33**	**21.61**	**21.28**	**0.81**	**3.98**
FSU	3.78	3.61	3.78	3.98	4.07	3.86	0.09	2.27
Other Europe	0.83	0.91	0.86	0.82	0.84	0.86	0.03	3.09
China	5.56	6.23	6.77	6.37	6.70	6.52	0.95	17.15
Total "Other Regions"	**10.17**	**10.75**	**11.40**	**11.16**	**11.61**	**11.23**	**1.07**	**10.48**
Total world	**79.49**	**81.72**	**80.97**	**81.66**	**83.81**	**82.05**	**2.55**	**3.21**
Previous estimate	79.49	81.76	81.01	81.68	83.50	81.99	2.50	3.14
Revision	0.00	–0.04	–0.04	–0.02	0.30	0.05	0.05	0.07

Totals may not add due to independent rounding.

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

	1Q03	1Q04	Change 2004/03 Volume	Change 2004/03 %	2Q03	2Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.52	25.03	0.50	2.06	24.15	24.85	0.70	2.89
Western Europe	15.49	15.77	0.28	1.80	15.24	15.35	0.11	0.73
OECD Pacific	9.76	9.38	–0.38	–3.85	8.19	8.00	–0.20	–2.40
Total OECD	**49.77**	**50.18**	**0.41**	**0.82**	**47.59**	**48.20**	**0.61**	**1.28**
Other Asia	7.87	8.26	0.40	5.04	7.79	8.53	0.74	9.45
Latin America	4.53	4.67	0.14	3.04	4.72	4.91	0.19	3.96
Middle East	4.99	5.23	0.24	4.74	4.87	5.27	0.41	8.33
Africa	2.62	2.63	0.01	0.55	2.60	2.66	0.06	2.41
Total DCs	**20.01**	**20.79**	**0.78**	**3.92**	**19.98**	**21.38**	**1.39**	**6.96**
FSU	4.02	3.61	–0.41	–10.09	3.35	3.78	0.43	12.68
Other Europe	0.89	0.91	0.02	2.32	0.83	0.86	0.03	3.10
China	5.41	6.23	0.82	15.11	5.46	6.77	1.31	23.89
Total "Other Regions"	**10.31**	**10.75**	**0.43**	**4.20**	**9.65**	**11.40**	**1.76**	**18.20**
Total world	**80.09**	**81.72**	**1.62**	**2.03**	**77.22**	**80.97**	**3.76**	**4.87**

Totals may not add due to independent rounding.

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

	3Q03	3Q04	Change 2004/03 Volume	Change 2004/03 %	4Q03	4Q04	Change 2004/03 Volume	Change 2004/03 %
North America	24.76	25.22	0.46	1.84	24.86	25.59	0.73	2.92
Western Europe	15.51	15.70	0.19	1.25	15.78	16.17	0.39	2.45
OECD Pacific	8.03	8.25	0.22	2.79	9.15	8.83	–0.32	–3.46
Total OECD	**48.29**	**49.17**	**0.87**	**1.81**	**49.79**	**50.59**	**0.80**	**1.60**
Other Asia	8.07	8.25	0.18	2.17	8.46	8.66	0.20	2.34
Latin America	4.83	5.00	0.17	3.59	4.85	4.93	0.08	1.71
Middle East	5.26	5.43	0.17	3.28	5.14	5.29	0.15	2.92
Africa	2.59	2.65	0.06	2.44	2.66	2.73	0.07	2.66
Total DCs	**20.75**	**21.33**	**0.58**	**2.82**	**21.11**	**21.61**	**0.50**	**2.38**
FSU	3.68	3.98	0.30	8.18	4.05	4.07	0.01	0.35
Other Europe	0.77	0.82	0.04	5.61	0.83	0.84	0.01	1.54
China	5.76	6.37	0.60	10.50	5.61	6.70	1.09	19.42
Total "Other Regions"	**10.21**	**11.16**	**0.95**	**9.29**	**10.49**	**11.61**	**1.12**	**10.64**
Total world	**79.25**	**81.66**	**2.41**	**3.04**	**81.39**	**83.81**	**2.41**	**2.96**

Totals may not add due to independent rounding.

OECD

Preliminary data for December from the three OECD sub-groups indicates a mixed picture. While demand for petroleum products grew in North America and Western Europe, OECD Pacific countries continued to show further contractions. In the USA and Canada, demand for gasoline and distillates was robust in December. The latest figures released by the US Department of Energy point to continued strong gasoline demand in early February, while distillate consumption came out weaker. The uptrend of diesel and gasoil consumption was evident in Europe during December, while gasoline and fuel oil consumption were weaker. **In the OECD Pacific countries, demand showed signs of weakness in almost all major product categories.** Warm weather in Japan and South Korea has cut consumption of kerosene and gasoil, while the partial recovery in nuclear power generation in Japan resulted in a further decline in fuel oil demand.

The split of total OECD oil requirements by products for the period January-November 2004 shows that inland deliveries of gasoil/diesel, LPG and gasoline grew by 0.23 mb/d, 0.15 mb/d and 0.11 mb/d respectively, compared to the same period of last year. **In contrast, residual fuel oil requirements continued to decline by more than 5.5% or 0.17 mb/d during the eleven-month period.** Fuel oil consumption was hit hardest in Japan where consumption shrank by 11.6% during the period, while the rate of contraction in Europe was slightly lower at 7.4%. Residual fuel oil consumption in the USA stood at 1.6% to finally end in positive territory following contractions in the previous two years.

Developing Countries

Oil demand in Developing Countries is estimated to have grown by 0.8 mb/d or 4% to average 21.28 mb/d for the year 2004. Almost 50% of the growth will take place in "Other Asia", underpinned by healthy consumption in India. The latest figures indicate that India's demand for oil and petroleum products rose considerably during the first half of 2004, with 6.8% growth in the first quarter and 10.4% in the second before decelerating to 2% and 1% for the third and fourth quarters. The income effect arising from record-high oil prices, solid rates of economic growth — now estimated at 6.44% — and heavily subsidized energy prices in the Middle East have underpinned consumption of petroleum products, which grew by an estimated 0.24 mb/d or 4.75% to reach 5.3 mb/d. In the other two regions, oil demand is projected to rise at a more moderate pace with Latin America showing 3.07% growth and Africa adding around 2%.

Other Regions

With ten full months of preliminary data at hand, apparent demand for 2004 in the Other Regions group has been further revised upwards to average 11.23 mb/d with a growth rate of 10.5% and a volumetric increase of 1.07 mb/d. The bulk of the revision originates in China where preliminary production and trade figures indicate that apparent demand had risen nearly 20% during the last quarter of 2004 compared to the 12.4% estimated in the last *MOMR*. **The strong rebound in Chinese apparent consumption following a decline to 10.5% during the third quarter of 2004 is the result of an impressive 44% increase in China's net oil imports during the last three months of last year.** However, it is important to bear in mind that these are preliminary figures and estimates which may be subject to further revisions. Latest GDP figures seem to indicate that administrative and monetary government measures implemented throughout 2004, which were designed to slow the rate of economic expansion, did not have the intended effect and the GDP figure for 2004 has been revised up to 9.5% from last month's 9.3%. Apparent consumption in the FSU is estimated to rise 0.09 mb/d or 2.27%, while Other Europe's growth will be slightly higher than 3% for the year.

Forecast for 2005

Average world oil demand is projected to rise 1.73 mb/d or 2.1% to 83.78 mb/d

The forecast for world oil demand for the present year has been revised upwards in line with projections for stronger world GDP growth. **According to the latest figures, the world's economy is now expected to grow by 4.21%, which represents a 0.09% upward revision from the previous estimate of 4.12%. Thus, average world oil demand is projected at 83.78 mb/d, implying a gain of 2.11% or 1.73 mb/d over total 2004 consumption.** Oil consumption is expected to grow in all major regions, with the sole exception of OECD Pacific where demand will contract by around 1% or 0.1 mb/d. North America's demand for oil and petroleum products is projected to grow by slightly more than 1% which translates into a rise of 0.26 mb/d — less than half of the growth seen in 2004 — in light of the considerably lower pace of economic growth anticipated for the region of 3.37% in 2005 down from 4.25% in 2004. Western Europe's demand growth has been revised up to 0.08 mb/d or 0.52% based on the more optimistic outlook for economic expansion in the region. It is important to mention that the ratios of oil consumption to economic expansions for both regions are below the historical average; therefore, we see upside potential to demand growth in both regions. More than four-fifths of total demand growth for the present year is estimated to take place in non-OECD countries with developing economies contributing almost 60% of total non-OECD growth, while the group "Other Regions" will account for the remaining 40%. Within the developing economies, the Middle Eastern countries, with their solid economic growth estimated at 6.63% for the present year, will consume considerably high amounts of oil. The income effect combined with low energy prices will continue to underpin demand which is now estimated to rise more than 7%. According to the last estimates, Chinese GDP growth for the present year has been further revised upwards, from the previous 7.8% to 8%. In line with the higher GDP growth, apparent demand has also been revised upwards and is now estimated at 7.66% which translates into a volumetric gain of 0.5 mb/d to average more than 7 mb/d for the year. **The significant increase in China's fourth quarter**

2004 demand — although preliminary and still subject to possible revisions — leads us to believe that problems and bottlenecks still remain. In January of this year, 21 Chinese provincial power grids were ordered shut-down as a result of surging demand for electricity. According to the Chinese government, power shortages will exceed 20 million kilowatts in summer. This means that diesel-fired generators will be needed to meet electricity needs which, in turn, will translate into high consumption and imports of the fuel. Besides the problems in the electricity sector, the rapid growth in the construction and transportation sectors will continue to drive demand in the near future.

Table 9
World oil demand forecast for 2005
mb/d

							Change 2005/04	
	2004	1Q05	2Q05	3Q05	4Q05	2005	Volume	%
North America	25.17	25.21	25.14	25.38	25.97	25.43	0.26	1.02
Western Europe	15.75	15.91	15.41	15.77	16.23	15.83	0.08	0.52
OECD Pacific	8.61	9.30	7.84	8.20	8.76	8.52	–0.09	–1.04
Total OECD	**49.53**	**50.43**	**48.39**	**49.35**	**50.96**	**49.78**	**0.25**	**0.50**
Other Asia	8.42	8.56	8.83	8.45	8.87	8.68	0.26	3.03
Latin America	4.88	4.82	5.07	5.16	5.05	5.02	0.15	2.98
Middle East	5.30	5.71	5.67	5.83	5.65	5.71	0.41	7.69
Africa	2.67	2.75	2.74	2.67	2.78	2.74	0.07	2.47
Total DCs	**21.28**	**21.84**	**22.31**	**22.11**	**22.35**	**22.15**	**0.87**	**4.11**
FSU	3.86	3.89	3.84	4.04	4.12	3.97	0.11	2.81
Other Europe	0.86	0.93	0.80	0.83	0.87	0.86	0.00	0.32
China	6.52	6.83	7.28	6.78	7.17	7.01	0.50	7.66
Total "Other Regions"	**11.23**	**11.64**	**11.92**	**11.65**	**12.16**	**11.84**	**0.61**	**5.43**
Total world	**82.05**	**83.90**	**82.62**	**83.11**	**85.47**	**83.78**	**1.73**	**2.11**
Previous estimate	81.99	83.67	82.64	83.10	85.15	83.64	1.65	2.01
Revision	0.05	0.23	–0.02	0.00	0.32	0.14	0.08	0.10

Totals may not add due to independent rounding.

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	25.21	0.19	0.75	24.85	25.14	0.29	1.17
Western Europe	15.77	15.91	0.14	0.87	15.35	15.41	0.06	0.36
OECD Pacific	9.38	9.30	–0.08	–0.82	8.00	7.84	–0.16	–1.95
Total OECD	**50.18**	**50.43**	**0.25**	**0.49**	**48.20**	**48.39**	**0.19**	**0.40**
Other Asia	8.26	8.56	0.30	3.58	8.53	8.83	0.31	3.58
Latin America	4.67	4.82	0.15	3.17	4.91	5.07	0.16	3.26
Middle East	5.23	5.71	0.48	9.23	5.27	5.67	0.39	7.44
Africa	2.63	2.75	0.12	4.49	2.66	2.74	0.08	3.01
Total DCs	**20.79**	**21.84**	**1.04**	**5.02**	**21.38**	**22.31**	**0.94**	**4.39**
FSU	3.61	3.89	0.27	7.54	3.78	3.84	0.06	1.49
Other Europe	0.91	0.93	0.02	2.41	0.86	0.80	–0.05	–6.27
China	6.23	6.83	0.60	9.62	6.77	7.28	0.52	7.62
Total "Other Regions"	**10.75**	**11.64**	**0.89**	**8.31**	**11.40**	**11.92**	**0.52**	**4.54**
Total world	**81.72**	**83.90**	**2.18**	**2.67**	**80.97**	**82.62**	**1.65**	**2.03**

Totals may not add due to independent rounding.

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

	3Q04	3Q05	Change 2005/04 Volume	Change 2005/04 %	4Q04	4Q05	Change 2005/04 Volume	Change 2005/04 %
North America	25.22	25.38	0.16	0.65	25.59	25.97	0.38	1.50
Western Europe	15.70	15.77	0.07	0.44	16.17	16.23	0.06	0.40
OECD Pacific	8.25	8.20	–0.05	–0.60	8.83	8.76	–0.08	–0.87
Total OECD	**49.17**	**49.35**	**0.18**	**0.37**	**50.59**	**50.96**	**0.37**	**0.73**
Other Asia	8.25	8.45	0.21	2.51	8.66	8.87	0.21	2.47
Latin America	5.00	5.16	0.15	3.02	4.93	5.05	0.12	2.49
Middle East	5.43	5.83	0.40	7.27	5.29	5.65	0.36	6.88
Africa	2.65	2.67	0.02	0.86	2.73	2.78	0.04	1.61
Total DCs	**21.33**	**22.11**	**0.78**	**3.64**	**21.61**	**22.35**	**0.74**	**3.45**
FSU	3.98	4.04	0.06	1.49	4.07	4.12	0.05	1.20
Other Europe	0.82	0.83	0.02	2.04	0.84	0.87	0.03	3.09
China	6.37	6.78	0.41	6.46	6.70	7.17	0.47	7.07
Total "Other Regions"	**11.16**	**11.65**	**0.49**	**4.36**	**11.61**	**12.16**	**0.55**	**4.73**
Total world	**81.66**	**83.11**	**1.45**	**1.77**	**83.81**	**85.47**	**1.66**	**1.99**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2004

Non-OPEC supply for 2004 was revised down to 49.74 mb/d, an increase of 1.14 mb/d over the 2003 figure

Non-OPEC supply for 2004 has been revised down to 49.74 mb/d, with a quarterly distribution of 49.64 mb/d, 49.73 mb/d, 49.49 mb/d and 50.10 mb/d respectively. The yearly average increase stands at 1.14 mb/d compared with the 2003 figure.

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

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03
North America	14.60	14.79	14.69	14.40	14.46	14.58	–0.01
Western Europe	6.39	6.42	6.29	5.75	6.06	6.13	–0.27
OECD Pacific	0.65	0.59	0.57	0.59	0.57	0.58	–0.07
Total OECD	**21.65**	**21.80**	**21.55**	**20.73**	**21.09**	**21.29**	**–0.35**
Other Asia	2.36	2.49	2.51	2.61	2.68	2.57	0.22
Latin America	3.91	3.89	3.91	3.97	3.95	3.93	0.02
Middle East	2.00	1.94	1.89	1.87	1.85	1.89	–0.11
Africa	3.05	3.30	3.36	3.48	3.57	3.43	0.38
Total DCs	**11.31**	**11.62**	**11.68**	**11.93**	**12.05**	**11.82**	**0.51**
FSU	10.27	10.78	11.06	11.32	11.44	11.15	0.89
Other Europe	0.17	0.16	0.16	0.16	0.15	0.16	–0.01
China	3.41	3.43	3.47	3.54	3.52	3.49	0.08
Total "Other regions"	**13.84**	**14.37**	**14.69**	**15.02**	**15.11**	**14.80**	**0.95**
Total non-OPEC production	**46.80**	**47.79**	**47.92**	**47.68**	**48.25**	**47.91**	**1.11**
Processing gains	1.80	1.85	1.81	1.81	1.85	1.83	0.03
Total non-OPEC supply	**48.60**	**49.64**	**49.73**	**49.49**	**50.10**	**49.74**	**1.14**
Previous estimate	48.60	49.63	49.71	49.49	50.30	49.79	1.19
Revision	**0.00**	**0.00**	**0.02**	**0.00**	**–0.20**	**–0.05**	**–0.05**

Totals may not add due to independent rounding.

Non-OPEC supply for 2005 forecast at 50.82 mb/d, an increase of 1.08 mb/d over 2004

Forecast for 2005

Non-OPEC supply for 2005 is forecast to increase 1.08 mb/d. **North America is expected to witness a rise of 0.16 mb/d, mainly on a 0.09 mb/d increase from the USA representing the return of output damaged by Hurricane Ivan, as well as 0.04 mb/d growth in Canada, partially offset by an expected 0.13 mb/d decline in both OECD Pacific and Western Europe where the UK and Norway are forecast to dip 0.07 mb/d and 0.04 mb/d respectively. Total OECD supply is expected to stay almost flat at 21.32 mb/d. Total DC supply is expected to rise 0.50 mb/d, mainly contributed by Africa where Angola, Sudan and Chad will see increases of 0.18 mb/d, 0.05 mb/d and 0.04 mb/d respectively, as well as Latin America where Brazil will gain 0.17 mb/d. FSU, despite a decline in growth, is expected to be the major contributor to the rise, mainly from Russia's 0.36 mb/d, while Kazakhstan will add 0.08 mb/d and Azerbaijan 0.06 mb/d.** Quarterly figures are redistributed at 50.72 mb/d, 50.78 mb/d, 50.56 mb/d and 51.22 mb/d respectively. The yearly average is forecast at 50.82 mb/d.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.58	14.95	14.85	14.55	14.62	14.74	0.16
Western Europe	6.13	6.31	6.19	5.65	5.96	6.03	–0.10
OECD Pacific	0.58	0.56	0.54	0.56	0.55	0.55	–0.03
Total OECD	**21.29**	**21.82**	**21.58**	**20.77**	**21.12**	**21.32**	**0.03**
Other Asia	2.57	2.54	2.56	2.68	2.76	2.63	0.06
Latin America	3.93	4.10	4.12	4.18	4.16	4.14	0.21
Middle East	1.89	1.86	1.84	1.83	1.81	1.84	–0.05
Africa	3.43	3.65	3.63	3.72	3.83	3.71	0.28
Total DCs	**11.82**	**12.16**	**12.16**	**12.41**	**12.57**	**12.32**	**0.50**
FSU	11.15	11.26	11.56	11.83	11.95	11.65	0.50
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.49	3.46	3.50	3.57	3.55	3.52	0.03
Total "Other regions"	**14.80**	**14.88**	**15.21**	**15.55**	**15.66**	**15.33**	**0.53**
Total non-OPEC production	**47.91**	**48.85**	**48.95**	**48.73**	**49.35**	**48.97**	**1.06**
Processing gains	1.83	1.87	1.83	1.83	1.87	1.85	0.02
Total non-OPEC supply	**49.74**	**50.72**	**50.78**	**50.56**	**51.22**	**50.82**	**1.08**
Previous estimate	49.79	50.82	50.85	50.64	51.47	50.95	1.16
Revision	**–0.05**	**–0.10**	**–0.07**	**–0.08**	**–0.26**	**–0.13**	**–0.08**

Totals may not add due to independent rounding

Net FSU oil export for 2005 forecast at 7.68 mb/d, a gain of 0.39 mb/d over 2004

Net FSU oil export for 2005 is expected at 7.68 mb/d, an increase of 0.39 mb/d over the 2004 figure of 7.29 mb/d.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.60**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004 (estimate)	7.17	7.28	7.34	7.37	**7.29**
2005 (forecast)	7.38	7.72	7.79	7.84	**7.68**

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

OPEC natural gas liquids and non-conventional oils

The 2005 forecast for OPEC NGL + non-conventional oils remains unchanged from the previous *MOMR* at 4.14 mb/d, an increase of 0.19 mb/d over the previous year. Figures for 2001–2003 were also unchanged at 3.58 mb/d, 3.62 mb/d and 3.71 mb/d respectively.

OPEC NGL production — 2001-2005
mb/d

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

Available secondary sources put OPEC's January production at 29.15 mb/d

OPEC crude oil production

Available secondary sources indicate that **OPEC's output for January was 29.15 mb/d, a drop of 0.61 mb/d from the revised December 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

	2003	3Q04*	Dec 04*	4Q04*	**2004**	**Jan 05**	Jan/Dec
Algeria	1,134	1,257	1,303	1,291	1,230	**1,303**	0
Indonesia	1,027	960	966	961	968	**962**	–4
IR Iran	3,757	3,940	3,935	3,947	3,920	**3,933**	–2
Iraq	1,322	1,990	1,871	1,960	2,018	**1,795**	–76
Kuwait	2,173	2,395	2,428	2,436	2,340	**2,363**	–65
SP Libyan AJ	1,422	1,577	1,615	1,608	1,537	**1,607**	–8
Nigeria	2,131	2,369	2,276	2,319	2,343	**2,290**	15
Qatar	743	796	794	798	781	**770**	–24
Saudi Arabia	8,709	9,406	9,410	9,449	8,982	**9,050**	–361
UAE	2,243	2,457	2,487	2,486	2,360	**2,395**	–92
Venezuela	2,305	2,607	2,676	2,637	2,587	**2,686**	10
Total OPEC	**26,965**	**29,754**	**29,760**	**29,894**	**29,066**	**29,154**	**–606**

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

Rig Count

Non-OPEC rig count up 118 in January

Non-OPEC

Non-OPEC rig activity was higher in January compared with the December figure. North America gained 126 rigs mainly in Canada, while Western Europe was down 6 rigs to total 52. Rig activity in Developing Countries lost 6 rigs to 394, mainly in the Middle East and Latin America.

Table 16
Non-OPEC rig count in 2002–2004

	2003	Dec 04	2004	Change 04/03	Jan 05	Change Jan/Dec
North America	1,496	1,789	1,669	173	1,915	126
Western Europe	78	58	65	–13	52	–6
OECD Pacific	18	19	22	4	22	3
OECD	**1,592**	**1,866**	**1,755**	**163**	**1,989**	**123**
Other Asia	117	130	126	9	134	4
Latin America	116	134	126	10	130	–4
Middle East	70	76	70	0	72	–4
Africa	48	60	54	6	58	–2
DCs	**350**	**400**	**376**	**26**	**394**	**–6**
FSU	na	na	na	na	na	na
Other Europe	2	2	2	0	3	1
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,944**	**2,268**	**2,132**	**188**	**2,386**	**118**

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

OPEC rig count down 7 in January

OPEC

OPEC's rig count was 265 in January, a decline of 7 rigs compared with the December figure.

Table 17
OPEC rig count

	2003	Dec 04	2004	Change 04/03	Jan 05	Change Jan/Dec
Algeria	20	20	19	–1	19	–1
Indonesia	45	51	49	4	51	0
IR Iran	35	40	41	6	41	1
Iraq	na	na	na	na	na	na
Kuwait	5	12	10	5	11	–1
SP Libyan AJ	10	10	10	0	10	0
Nigeria	10	11	8	–2	9	–2
Qatar	8	11	9	1	10	–1
Saudi Arabia	32	34	32	0	32	–2
UAE	16	14	16	0	15	1
Venezuela	37	69	55	18	67	–2
Total OPEC	**218**	**272**	**249**	31	**265**	**–7**

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

Stock Movements

US commercial oil stocks observed a further seasonal draw of 8.1 mb in January

USA

US commercial oil stocks continued their seasonal draw for the second consecutive month, falling by 8.1 mb or 0.30 mb/d to 957.7 mb during the period 31 December–28 January. Among the main oil stocks, distillates and to a lesser degree residual fuel oil contributed to this draw while the rest came from other oils.

An increase in crude oil imports of 0.11 mb/d and lower refinery runs, which fell from 94.83% on 31 December to 91.62% on 28 January, helped crude oil stocks to regain the previous month's losses, rising by 3.5 mb to stand at 295.3 mb. This level was equivalent to 19.2 days of forward cover, which is 0.6 days higher than that observed on 31 December. The absolute figure for crude oil stocks is also about 24 mb or 9% above last year's figure, while a comparison with the five-year average puts the surplus at 3% or about 10 mb. Gasoline stocks continued to enjoy a persistent build, adding 2.0 mb to stand at 216.3 mb or about 5% higher than the level registered last year. Compared with the five-year average, gasoline inventories rose 4%. The main reason behind this stock-build was lower implied demand which fell from 9.29 mb/d on 31 December to 8.85 mb/d on 28 January. Cold weather, mainly in the heating oil consuming US East Coast region, pushed distillates down by 2.5 mb to stand at 118.6 mb. This level was 5.7 mb or 4% below last year's level and 2% below the five-year average. Implied demand for distillates rose from 4.18 mb/d in the previous period to 4.53 mb/d, or an increase of 0.35 mb/d. Most of this healthy demand occurred on heating oil whose inventories fell from 50.08 mb to 44.83 mb on 28 January.

The Strategic Petroleum Reserve (SPR) added 4.6 mb to stand at 678.6 mb during the period 31 December–28 January. This level is about 21 mb below the maximum capacity of 700 mb which is projected to be reached by the end of April 2005.

US commercial oil stocks in the week ending 4 February moved in different directions as crude oil and distillate inventories declined by 1.03 mb to 294.3 mb and by 2.99 mb to 115.61 mb respectively, while gasoline stocks showed a slight rise of 0.42 mb to 216.76 mb, compared with the previous week's data. The days of forward cover remained nearly unchanged at 19.2 days for crude oil stock.

Table 18
US onland commercial petroleum stocks*
mb

	3 Dec 04	31 Dec 04	28 Jan 05	Change Jan/Dec	28 Jan 04	4 Feb 05**
Crude oil (excl. SPR)	293.9	291.8	295.3	**3.5**	271.0	294.3
Gasoline	208.1	214.3	216.3	**2.0**	208.2	216.8
Distillate fuel	119.3	121.1	118.6	**–2.5**	124.3	115.6
Residual fuel oil	42.7	40.7	40.1	**–0.6**	37.9	39.8
Jet fuel	41.4	41.4	43.1	**1.7**	39.6	44.0
Total	**978.7**	**965.8**	**957.7**	**–8.1**	**913.0**	**952.7**
SPR	672.8	674.0	678.6	4.6	640.8	679.7

* *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

Eur-16 oil stocks reversed last month's downward trend, increasing an unseasonable 0.37 mb/d in January 2005

Western Europe

An upward revision to December figures helped oil stocks in Eur-16 (EU plus Norway) to reverse last month's downward trend to display a contra-seasonal build of 11.4 mb or 0.37 mb/d to 1,085.2 mb in January. This gain reduced the y-o-y deficit to 13.0 mb or 1% from the 2% registered last month. All main product inventories contributed to the build especially middle distillates and gasoline, while crude oil stocks continued to head south but at a much slower pace than in the previous month.

Despite the return of most North Sea production from losses in the previous month, crude oil inventories did not reflect the incremental barrel due to higher exports to the US market which benefited from the re-opening of the Atlantic arbitrage. Hence, crude oil stocks declined a marginal 1.2 mb to stand at 455.8 mb. This level kept the y-o-y surplus at 3.1 mb or 1%. Main product inventories changed direction, building by significant volumes especially for middle distillate and gasoline inventories which rose 7.1 mb to 355.5 mb and 4.0 mb to 136.6 mb respectively. This build, which was the highest end-January level since 1999, succeeded in lifting the y-o-y surplus of distillates from nearly flat in the previous month to 4.8 mb or more than 1%, while the y-o-y deficit for gasoline was extended to 15.6 mb or 10%. Increasing production, mainly in France due to the return of some refineries from unscheduled shut-downs late last year, was balanced by lower demand particularly in Germany. Mild weather was the main driver behind the build in distillates. Although Atlantic arbitrage remained open for European gasoline, stagnant demand in the region helped inventories to recover slightly.

Table 19
Western Europe's oil stocks*
mb

	Nov 04	Dec 04	Jan 05	Change Jan/Dec	Jan 04
Crude oil	483.2	457.1	455.8	–1.2	452.7
Mogas	132.8	132.6	136.6	4.0	152.2
Naphtha	24.2	24.6	25.5	0.9	24.7
Middle distillates	350.6	348.4	355.5	7.1	350.7
Fuel oils	113.3	111.2	111.7	0.6	117.8
Total products	620.9	616.8	629.4	12.6	645.4
Overall total	**1,104.1**	**1,073.8**	**1,085.2**	**11.4**	**1,098.1**

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

Japan

Higher refinery runs and strong demand for jet kerosene drained Japanese oil stocks in December 2004

At the end of December, total commercial oil stocks in Japan stood at 189.9 mb, falling by 15.7 mb or 0.51 mb/d compared with the previous month. This stock-draw narrowed the y-o-y surplus to 7.20 mb from the previous month's excess of 26.4 mb. Most of the draw came from crude oil inventories, followed by middle distillates especially jet kerosene.

The considerable draw of 9.2 mb or 0.30 mb/d to 117.5 mb on crude oil stocks was mainly due to increasing refinery runs which rose 2% to stand at about 92% in an effort to meet rising seasonal demand for winter products. Lower imports on reduced market activity in December due to the end-year holiday season added to the draw. Despite this big draw, crude oil inventories remained 9.10 mb or about 8% above last year's level. Jet kerosene led middle distillates down accounting for almost two-thirds of the total decline of 4.9 mb or 0.16 mb/d to stand at 40.0 mb. The previous month's y-o-y surplus turned into a slight deficit of 0.60 mb or about 1%. Gasoline inventories followed the same pattern, falling by 1.2 mb or 0.04 mb/d to 12.9 mb on the back of lower production as refiners accelerated middle distillate production at the expense of gasoline, encouraged by healthy economics of jet kerosene. This draw depressed the y-o-y surplus to just 0.40 mb or about 3%.

Table 20
Japan's commercial oil stocks*
mb

	Oct 04	Nov -04	Dec 04	Change Dec/Nov	Dec 03
Crude oil	124.5	126.7	117.5	–9.2	108.4
Gasoline	12.6	14.1	12.9	–1.2	12.5
Middle distillates	39.8	44.9	40.0	–4.9	40.6
Residual fuel oil	17.9	19.9	19.5	–0.4	21.2
Total products	70.3	78.9	72.4	–6.5	74.3
Overall total**	**194.8**	**205.6**	**189.9**	**–15.7**	**182.7**

** 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 28.36 mb/d

The summarized supply/demand balance table for 2004 shows a minor downward revision to total non-OPEC supply of 0.05 mb/d, which now stands at 53.69 mb/d. World oil demand has been revised up by 0.05 mb/d to 82.05 mb/d, resulting in an estimated annual difference of around 28.36 mb/d. The quarterly distribution stands at 28.21 mb/d, 27.35 mb/d, 28.19 mb/d and 29.67 mb/d respectively. Accordingly, a significant downward revision has been made to the fourth quarter balance figure of 0.51 mb/d to 0.23 mb/d. The quarterly distribution now stands at –0.02 mb/d, 1.06 mb/d, 1.56 mb/d and 0.23 mb/d respectively, while the annual average balance is estimated at 0.71 mb/d.

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	79.49	81.72	80.97	81.66	83.81	82.05
(b) Non-OPEC supply(1)	52.31	53.51	53.63	53.47	54.14	53.69
Difference (a – b)	**27.18**	**28.21**	**27.35**	**28.19**	**29.67**	**28.36**
OPEC crude oil production(2)	26.97	28.19	28.41	29.75	29.89	29.07
Balance	**–0.22**	**–0.02**	**1.06**	**1.56**	**0.23**	**0.71**

(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 28.82 mb/d, an increase of 0.46 mb/d over 2004

The summarized supply/demand balance table for 2005 shows world oil demand expected at 83.78 mb/d and total non-OPEC supply expected at 54.96 mb/d. This would result in an annual difference of around 28.82 mb/d, an increase of 0.46 mb/d over the estimated 2004 level, with a quarterly distribution of 29.04 mb/d, 27.70 mb/d, 28.41 mb/d and 30.12 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	82.05	83.99	82.53	83.11	85.47	83.78
(b) Non-OPEC supply(1)	53.69	54.86	54.92	54.70	55.35	54.96
Difference (a – b)	**28.36**	**29.04**	**27.70**	**28.41**	**30.12**	**28.82**
OPEC crude oil production(2)	29.07					
Balance	**0.71**					

(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	48.0	48.0	48.1	48.9	50.2	48.2	49.2	50.6	49.5	50.4	48.4	49.4	51.0	49.8
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.6	25.2	25.2	25.1	25.4	26.0	25.4
Western Europe	15.2	15.3	15.3	15.5	15.8	15.4	15.7	16.2	15.7	15.9	15.4	15.8	16.2	15.8
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	8.8	8.6	9.3	7.8	8.2	8.8	8.5
DCs	19.3	19.7	20.2	20.5	20.8	21.4	21.3	21.6	21.3	21.8	22.3	22.1	22.4	22.2
FSU	3.8	3.9	3.7	3.8	3.6	3.8	4.0	4.1	3.9	3.9	3.8	4.0	4.1	4.0
Other Europe	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.2	6.8	6.4	6.7	6.5	6.8	7.3	6.8	7.2	7.0
(a) Total world demand	76.5	77.1	77.8	79.5	81.7	81.0	81.7	83.8	82.0	83.9	82.6	83.1	85.5	83.8
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.6	20.7	21.1	21.3	21.8	21.6	20.8	21.1	21.3
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.5	14.6	15.0	14.8	14.6	14.6	14.7
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.7	6.1	6.1	6.3	6.2	5.7	6.0	6.0
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.6
DCs	10.9	10.9	11.2	11.3	11.6	11.7	11.9	12.0	11.8	12.2	12.2	12.4	12.6	12.3
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.4	11.2	11.3	11.6	11.8	12.0	11.7
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.6	3.5	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	1.9
Total non-OPEC supply	45.7	46.4	47.7	48.6	49.6	49.7	49.5	50.1	49.7	50.7	50.8	50.6	51.2	50.8
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.1	4.1	4.1	4.1
(b) Total non-OPEC supply and OPEC NGLs	49.0	50.0	51.4	52.3	53.5	53.6	53.5	54.1	53.7	54.9	54.9	54.7	55.4	55.0
OPEC crude oil production (secondary sources)	28.0	27.2	25.4	27.0	28.2	28.4	29.8	29.9	29.1					
Total supply	77.0	77.2	76.7	79.3	81.7	82.0	83.2	84.0	82.8					
Balance (stock change and miscellaneous)	0.6	0.0	-1.1	-0.2	0.0	1.1	1.6	0.2	0.7					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2534	2632	2480	2525	2468	2546	2594	2577	2577					
OECD SPR	1270	1285	1345	1407	1421	1426	1433	1438	1438					
OECD total	3804	3918	3824	3932	3889	3972	4027	4014	4014					
Oil-on-water	877	830	815	885	909	898	893	911 e)	911 e)					
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	51	51	52					
SPR	26	27	28	28	29	29	28	29	29					
Total	79	82	78	79	81	81	80	80	81					
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.3	7.4	7.3	7.4	7.7	7.8	7.8	7.7
(a) - (b)	27.4	27.2	26.5	27.2	28.2	27.3	28.2	29.7	28.4	29.0	27.7	28.4	30.1	28.8

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

e = Estimated.

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	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	0.1	-	0.1	-	-	0.2	-
Pacific	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-
DCs	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.4	0.1	-	-	-	0.4	0.1
(a) Total world demand	-	-	-	-	-	-	-	0.3	-	0.2	-	-	0.3	0.1
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-0.3	-0.1	-0.1	-0.1	-0.1	-0.4	-0.2
North America	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.2	-0.1
Western Europe	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.3	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.2	-	-	-	-0.1	-0.3	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-0.2	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-0.5	-0.1					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-	-2	-2	-1	-5	-	-					
OECD SPR	-	-	-	-	-	-	-	-	-					
OECD total	-	-	-	-2	-2	-1	-5	-	-					
Oil on water	-	-	-	1	-1	-2	-	-	-					
Days of forward consumption in OECD								-	-					
Commercial onland stocks	-	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-					
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	0.5	0.1	0.3	-	0.1	0.6	0.3

† *This compares Table 23 in this issue of the MOMR with Table 23 in the January 2005 issue.*
This table shows only where changes have occurred.

Table 25
OECD oil stocks and oil on water at the end of period

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
Closing stock level *mb*																						
OECD onland commercial	2,619	2,702	2,449	2,534	2,632	2,480	2,529	2,602	2,664	2,632	2,609	2,654	2,579	2,480	2,429	2,550	2,600	2,525	2,468	2,546	2,594	2,577
North America	1,211	1,283	1,127	1,146	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,216	1,166	1,145	1,197	1,220	1,233
Western Europe	916	967	885	934	927	896	923	914	922	927	936	945	920	896	913	912	925	924	922	929	944	913
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401	419	430	431
OECD SPR	1,255	1,304	1,286	1,270	1,285	1,345	1,271	1,269	1,266	1,285	1,304	1,316	1,321	1,345	1,359	1,362	1,380	1,407	1,421	1,426	1,433	1,438
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	677
Western Europe	330	364	348	357	353	354	353	349	344	353	354	349	346	354	365	359	361	371	369	364	364	365
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396
OECD total	3,874	4,006	3,735	3,804	3,918	3,824	3,800	3,870	3,930	3,918	3,912	3,969	3,899	3,824	3,788	3,913	3,981	3,932	3,889	3,972	4,027	4,014
Oil-on-water	812	859	808	877	830	815	903	828	870	830	797	804	801	815	860	887	869	885	909	898	893	911 e)
Days of forward consumption in OECD																						
OECD onland commercial	56	56	51	53	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	46	47	48	49
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	59	59	58
OECD Pacific	58	52	50	52	51	47	55	56	53	48	56	55	47	42	50	56	50	46	50	51	48	46
OECD SPR	27	27	27	26	27	28	27	27	26	27	28	27	27	27	29	28	28	28	29	29	28	29
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	26	26	26	27
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	23	23
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	50	48	44	43
OECD total	83	84	78	79	82	78	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80	80

e = Estimated.

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

	2000	2001	2002	Change 02/01	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
USA	8.11	8.05	8.04	-0.01	7.82	-0.22	7.85	7.73	7.52	7.58	7.67	-0.16	7.94	7.82	7.61	7.67	7.76	0.09
Canada	2.68	2.73	2.84	0.12	2.98	0.14	3.11	3.07	3.05	3.09	3.08	0.10	3.15	3.11	3.09	3.13	3.12	0.04
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.83	3.79	3.84	0.04	3.86	3.92	3.86	3.82	3.87	0.03
North America	14.25	14.34	14.48	0.13	14.60	0.12	14.79	14.69	14.40	14.46	14.58	-0.01	14.95	14.85	14.55	14.62	14.74	0.16
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.36	3.26	2.98	3.14	3.19	-0.08	3.32	3.22	2.94	3.10	3.15	-0.04
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.21	2.16	1.92	2.05	2.08	-0.24	2.14	2.09	1.85	1.98	2.01	-0.07
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.40	0.39	0.40	0.39	0.02	0.38	0.41	0.40	0.42	0.40	0.01
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.48	0.47	0.46	0.46	0.47	0.03	0.48	0.47	0.46	0.46	0.47	0.00
Western Europe	6.77	6.68	6.65	-0.04	6.39	-0.25	6.42	6.29	5.75	6.06	6.13	-0.27	6.31	6.19	5.65	5.96	6.03	-0.10
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.54	0.52	0.54	0.52	0.53	-0.07	0.51	0.49	0.51	0.49	0.50	-0.03
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-0.01	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00
OECD Pacific	0.85	0.78	0.77	-0.01	0.65	-0.11	0.59	0.57	0.59	0.57	0.58	-0.07	0.56	0.54	0.56	0.55	0.55	-0.03
Total OECD	21.87	21.81	21.89	0.09	21.65	-0.25	21.80	21.55	20.73	21.09	21.29	-0.35	21.82	21.58	20.77	21.12	21.32	0.03
Brunei	0.19	0.20	0.20	0.01	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00
India	0.74	0.73	0.75	0.01	0.74	0.00	0.78	0.78	0.78	0.79	0.78	0.04	0.76	0.76	0.76	0.77	0.76	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.75	0.04	0.79	0.78	0.84	0.85	0.82	0.06	0.81	0.80	0.86	0.87	0.84	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.01	0.39	0.40	0.40	0.39	0.40	0.04	0.38	0.39	0.39	0.38	0.39	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.39	0.44	0.37	0.07	0.38	0.41	0.46	0.52	0.44	0.07
Other Asia	2.18	2.20	2.27	0.07	2.36	0.09	2.49	2.51	2.61	2.68	2.57	0.22	2.54	2.56	2.68	2.76	2.63	0.06
Argentina	0.80	0.82	0.79	-0.03	0.78	-0.01	0.73	0.73	0.73	0.73	0.73	-0.05	0.70	0.70	0.70	0.70	0.70	-0.03
Brazil	1.45	1.53	1.72	0.19	1.77	0.06	1.75	1.74	1.80	1.79	1.77	-0.01	1.92	1.90	1.97	1.96	1.94	0.17
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.54	0.53	0.50	0.52	-0.03	0.52	0.54	0.53	0.50	0.52	0.00
Ecuador	0.40	0.41	0.40	-0.01	0.43	0.03	0.51	0.53	0.53	0.54	0.53	0.10	0.54	0.56	0.56	0.57	0.56	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.16	0.16	0.15	0.16	0.16	-0.01	0.18	0.18	0.17	0.18	0.18	0.02
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.22	0.22	0.22	0.23	0.22	0.00	0.24	0.24	0.24	0.25	0.24	0.02
Latin America	3.71	3.73	3.86	0.13	3.91	0.05	3.89	3.91	3.97	3.95	3.93	0.02	4.10	4.12	4.18	4.16	4.14	0.21
Bahrain	0.19	0.19	0.19	0.00	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.96	0.90	-0.06	0.82	-0.08	0.79	0.77	0.76	0.75	0.76	-0.06	0.73	0.73	0.73	0.73	0.73	-0.03
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.49	0.51	-0.03	0.50	0.49	0.48	0.47	0.49	-0.02
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	2.14	2.06	-0.07	2.00	-0.06	1.94	1.89	1.87	1.85	1.89	-0.11	1.86	1.84	1.83	1.81	1.84	-0.05
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.93	0.92	0.99	1.10	0.99	0.11	1.10	1.09	1.17	1.30	1.17	0.18
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.24	0.24	0.24	0.24	0.00	0.24	0.24	0.24	0.24	0.24	0.00
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.70	0.71	-0.04	0.72	0.70	0.70	0.69	0.70	-0.01
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.34	0.35	0.34	0.10	0.36	0.36	0.36	0.37	0.36	0.02
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.25	0.24	0.23	0.24	-0.01	0.25	0.25	0.24	0.23	0.24	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.23	0.21	0.22	0.02	0.23	0.23	0.23	0.21	0.22	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.30	0.31	0.31	0.30	0.04	0.33	0.34	0.36	0.36	0.35	0.05
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.20	0.20	0.21	0.21	0.21	0.01	0.20	0.20	0.21	0.21	0.21	0.00
Africa	2.84	2.80	3.03	0.23	3.05	0.02	3.30	3.36	3.48	3.57	3.43	0.38	3.65	3.63	3.72	3.83	3.71	0.28
Total DCs	10.86	10.86	11.22	0.36	11.31	0.09	11.62	11.68	11.93	12.05	11.82	0.51	12.16	12.16	12.41	12.57	12.32	0.50
FSU	7.91	8.53	9.33	0.79	10.27	0.94	10.78	11.06	11.32	11.44	11.15	0.89	11.26	11.56	11.83	11.95	11.65	0.50
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.37	9.38	9.19	0.73	9.24	9.47	9.73	9.74	9.55	0.36
Kazakhstan	0.71	0.80	0.94	0.15	1.03	0.09	1.12	1.15	1.19	1.26	1.18	0.15	1.19	1.22	1.27	1.35	1.26	0.08
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.30	0.32	0.31	0.00	0.36	0.37	0.36	0.39	0.37	0.06
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.49	0.47	0.47	0.47	0.01	0.47	0.49	0.47	0.47	0.47	0.00
Other Europe	0.18	0.18	0.18	0.00	0.17	0.00	0.16	0.16	0.16	0.15	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00
China	3.23	3.30	3.39	0.10	3.41	0.01	3.43	3.47	3.54	3.52	3.49	0.08	3.46	3.50	3.57	3.55	3.52	0.03
Non-OPEC production	44.05	44.68	46.01	1.33	46.80	0.79	47.79	47.92	47.68	48.25	47.91	1.11	48.85	48.95	48.73	49.35	48.97	1.06
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.85	1.83	0.03	1.87	1.83	1.83	1.87	1.85	0.02
Non-OPEC supply	45.70	46.37	47.74	1.37	48.60	0.86	49.64	49.73	49.49	50.10	49.74	1.14	50.72	50.78	50.56	51.22	50.82	1.08
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	3.88	3.88	3.88	3.88	3.88	0.18
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	0.26	0.26	0.26	0.26	0.26	0.01
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	4.14	4.14	4.14	4.14	4.14	0.19
Total Non-OPEC and OPEC NGLs	49.04	49.96	51.36	1.40	52.31	0.95	53.51	53.63	53.47	54.14	53.69	1.38	54.86	54.92	54.70	55.35	54.96	1.27

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

Table 27
Non-OPEC Rig Count

	2000	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	Dec04	4Q04	2004	Jan05	Change Jan05-Dec04
USA	916	1,156	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,164	1,229	1,246	1,249	1,190	1,255	9
Canada	344	342	266	-76	494	203	383	408	372	106	528	202	326	440	420	369	550	110
Mexico	44	54	65	11	82	84	96	107	92	27	107	113	111	103	108	110	110	7
North America	1,305	1,552	1,162	-390	1,476	1,315	1,567	1,624	1,496	334	1,754	1,479	1,665	1,789	1,777	1,669	1,915	126
Norway	22	23	19	-4	18	19	20	18	19	0	19	18	14	14	16	17	15	1
UK	18	24	26	2	19	21	22	16	20	-6	15	19	14	16	15	16	10	-6
Denmark	3	4	4	0	3	5	3	4	4	0	4	4	3	3	4	4	4	1
Other Western Europe	82	44	36	-8	36	34	38	37	36	0	31	30	27	25	27	29	23	-2
Western Europe	125	95	85	-10	77	78	83	75	78	-7	69	70	57	58	62	65	52	-6
Australia	10	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	14	16	2
Other Pacific	7	9	8	-1	8	7	8	6	7	-1	7	8	9	5	6	8	6	1
OECD Pacific	17	20	17	-3	18	17	18	19	18	1	19	22	26	19	20	22	22	3
Total OECD*	1,447	1,667	1,264	-403	1,571	1,411	1,669	1,719	1,592	328	1,842	1,570	1,749	1,866	1,859	1,755	1,989	123
Brunei	2	3	3	0	3	4	4	2	3	0	2	3	3	2	2	3	1	-1
India	49	50	55	5	59	60	61	62	60	5	64	68	71	76	76	70	78	2
Malaysia	7	11	14	3	14	13	16	15	14	0	15	15	13	11	13	14	9	-2
Papua New Guinea	0	1	1	0	1	2	2	1	2	1	3	2	0	1	1	2	2	1
Vietnam	8	8	9	1	9	9	10	8	9	0	8	9	8	6	7	8	7	1
Asia others	16	22	30	8	31	28	26	30	29	-1	27	31	31	34	31	30	37	3
Other Asia	83	95	111	16	117	115	119	118	117	6	119	128	127	130	130	126	134	4
Argentina	57	71	49	-22	59	66	59	57	60	11	64	73	73	74	74	71	74	0
Brazil	23	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	26	26	0
Colombia	14	15	11	-4	10	9	11	12	11	0	8	9	9	13	11	9	14	1
Ecuador	7	10	9	-1	9	11	8	8	9	0	7	9	12	12	12	10	9	-3
Peru	4	4	2	-2	2	2	3	3	3	1	2	2	3	2	3	2	2	0
Trinidad & Tobago	4	5	4	-1	3	3	3	3	3	-1	3	4	4	3	4	4	2	-1
L. America others	12	7	5	-2	3	4	4	5	4	-1	6	6	3	4	4	5	3	-1
Latin America	120	141	106	-35	113	121	114	114	116	10	114	127	129	134	134	126	130	-4
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	29	4	33	34	36	36	35	6	36	35	34	36	36	35	34	-2
Syria	14	19	22	3	23	23	26	23	24	2	24	24	23	23	23	24	21	-2
Yemen	6	6	9	3	11	10	9	7	9	0	7	8	9	12	11	9	12	0
Middle East	45	50	62	12	70	68	72	68	70	8	69	68	69	76	73	70	72	-4
Angola	6	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	3	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	1	0	0	1	1	2	1	0	2	2	3	2	2	2	3	1
Egypt	18	22	23	1	26	26	27	26	26	3	27	28	29	31	28	28	28	-3
Gabon	2	2	2	0	3	4	1	3	3	1	2	2	2	2	2	2	2	0
South Africa	1	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0
Africa other	5	4	12	8	12	14	12	14	13	1	15	18	20	22	22	19	22	0
Africa	34	36	43	7	45	50	44	51	48	5	48	53	56	60	57	54	58	-2
Total DCs	282	322	322	0	346	354	350	350	350	28	350	376	381	400	394	376	394	-6
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	2	3	1
China	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	1,588	-404	1,919	1,767	2,021	2,071	1,944	356	2,194	1,949	2,132	2,268	2,255	2,132	2,386	118

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

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Data is provided by Data Services Department.

Data Summary February 2005

OPEC Basket average price
US$ per barrel

⬇ down 3.26 in January	**January 2005**	**40.24**
	December 2004	35.70
	Year-to-date	40.24

January OPEC production
in million barrels per day, according to secondary sources

Algeria	1.30	Kuwait	2.36	Saudi Arabia	9.05
Indonesia	0.96	SP Libyan AJ	1.61	UAE	2.39
IR Iran	3.93	Nigeria	2.29	Venezuela	2.69
Iraq	1.80	Qatar	0.77	**TOTAL**	**29.15**

Supply and demand
in million barrels per day

2004		**2005**	
World demand	82.05	World demand	83.78
Non-OPEC supply	53.69	Non-OPEC supply	54.96
Difference	**28.36**	**Difference**	**28.82**

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

Stocks

US commercial oil stocks displayed seasonal draw of 8.1 mb in January

World economy

World GDP growth was revised up to 5.0% for 2004 and 4.2% for 2005

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