OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

July 2004

Feature Article:

The oil market outlook for 2005

Obere Donaustrasse 93, A-1020 Vienna, Austria

Tel: +43 1 21112 Fax: +43 1 2164320 E-mail: prid@opec.org Web site: www.opec.org

Oil Market Highlights

- Lower growth rates for industrial output and investment in China for June provided evidence that tighter credit and investment restrictions are affecting some sectors of the economy. There is little sign of weakness in retail sales or exports. The Chinese authorities may delay further measures — such as raising interest rates — until second quarter data is available towards the end of the summer. Thus far the slowdown continues at a measured pace and the forecast growth rate of the Chinese economy is unchanged at 8.8% for 2004.

- The US GDP growth forecast for 2004 has been reduced as a result of weaker consumer spending in the second quarter. Euro-zone recovery is under way but is concentrated in those industrial sectors which benefit from strong overseas demand. European consumer spending continues to be held back by a lack of sustained growth in employment. In contrast, the Japanese economy is experiencing a balanced recovery supported by both domestic and export demand. Nevertheless, Japan will suffer in 2005 if the downturn in China gathers speed.

- The 2004 forecast for the OECD region is unchanged and GDP is expected to grow by 3.5%. The forecast for the USA is lower at 4.5% and the Japanese forecast is now 4.0%, an increase of 0.2%. The forecast for the Euro-zone is unchanged at 1.8%. The forecasts for China and Russia are also held steady at 8.8% and 7% respectively. The forecasts for Africa, Latin America, Asia (excluding Japan) and Developing Countries as a whole are slightly higher. The GDP growth forecast for the world economy is unchanged at 4.8% for 2004.

- The forecasts for 2005 imply a return to more normal growth rates following the sharp economic recovery which began in 2003. The OECD region is expected to grow by 3% in 2005 with the US economy achieving 3.7%. The Euro-zone growth rate is forecast to increase to 2.2% in 2005 but the Japanese economy may slow, growing by only 2% as exports may be limited by lower Chinese and American demand. Developing economies are also expected to grow more slowly in 2005. The world economy as a whole is forecast to grow by 4.3%, a lower rate than the estimate for 2004 but substantially above the twenty-year average of about 3.3%.

- Following the all time monthly high of $36.27/b registered for May, the OPEC Reference Basket fell in June by $1.66/b or 4.6%. Nevertheless, the June average of $34.61/b is the highest average for that month in the last 22 years, while the year-to-date average for 2004 of $32.59/b exceeds the 2003 yearly average by almost 16%, or $4.48/b. In the first week of June, the Basket lost 21¢/b or 0.6% to average $36.49/b, followed by a more pronounced fall of $1.94/b or 5.3% to $34.55/b in the second week. The pace of the fall decelerated by the third week but the Basket still shed another 30¢/b or 0.9% to average $34.25/b. By the end of June, the Basket began to show some signs of recovery, gaining back most of the previous week's loss to average $34.54/b. Then it retrenched by $1.28/b to average $33.26/b in the week ending 1 July. That was more than offset by the strong gain of more than $2.5/b in the week ending 15 July when the Basket averaged $35.88/b.

- Concerns about a sustained gasoline shortage in the USA, which have driven the upward trend in petroleum products over the last few months, have eased recently resulting in a significant gasoline price fall in June 2004. This shift has made market players more bearish and led them to liquidate long positions. Following these developments, product prices fell across the board in June, matching the downward trend in crude prices and reducing refinery margins in all major markets. However, in early July market sentiment changed due to a small draw on gasoline stocks, improving crude and product prices.

- Increased OPEC oil production in June 2004 was not reflected in estimated OPEC area spot fixtures which have shown a drop of 2.78 mb/d to 13.14 mb/d. OPEC's share of global spot-chartering declined by about 2% to stand at 63%, an increase of 14% from a year ago. The unexpected decline in global spot fixtures did little to constrain crude oil freight rates in June which sustained the previous month's gains on the back of tight tonnage availability and high tanker demand. The product tanker moved differently from the crude oil market as the performance on some routes did not satisfy owners.

- With a projected 4.8% world economic expansion for the current year, total oil demand is now estimated to grow by 2.1 mb/d or 2.67% to average 80.9 mb/d, representing an upward revision of 0.2 mb/d with respect to the figure presented in the previous *MOMR*. A preliminary forecast for world oil demand of 1.67 mb/d to 82.56 mb/d in the year 2005 has been drawn on the basis of a world economic expansion of 4.3%, a return to normal weather conditions, and robust yet more moderate consumption growth in China and USA. This preliminary assessment is indeed subject to further adjustment as new information becomes available on key factors such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events and variations in crude and product prices.

- OPEC crude oil production in June, based on secondary sources, is estimated at 28.92 mb/d, 0.71 mb/d above the revised May figure. Non-OPEC oil supply for 2004 is estimated at 50.02 mb/d, which is 1.36 mb/d higher than the 48.66 mb/d estimated 2003 figure. Non-OPEC supply in 2004 is expected to reach 51.21 mb/d, an increase of 1.19 mb/d over the 2004 forecast. Net FSU exports for 2002 and 2003 are estimated at 5.56 mb/d and 6.46 mb/d respectively and are expected to rise to 7.38 mb/d and 7.88 mb/d in 2004 and 2005 respectively.

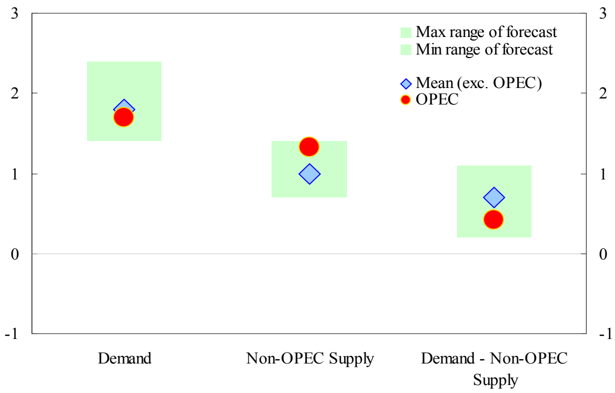
- US commercial onland stocks continued to increase adding 22.8 mb to reach 966.4 mb at a rate of 0.8 mb/d during the period 28 May-2 July 2004. In the week ending 9 July, US commercial stocks rose slightly 0.4 mb to 966.8 mb, lifting the y-o-y surplus to 16 mb or 1.7%. Total oil stocks in Europe reversed the upward trend observed over the last two months falling 8.6 mb to 1,066.9 mb at a rate of 0.3 mb/d. At the end of May, commercial oil stocks in Japan reversed the downward trend observed last month, increasing seasonally by 8.1 mb to 168.4 mb at a rate of 0.3 mb/d.

- Although preliminary stock data for some OECD countries show a further increase in 2Q 2004, the current balance indicates 2.9 mb/d supply in excess of demand, which still leaves a significant amount unaccounted for. This could be attributed to stock data from non-OECD countries that may also have increased, as well as oil-on-water, which had already shown a build at the end of May. Underreported and/or unreported demand might also have contributed to this discrepancy.

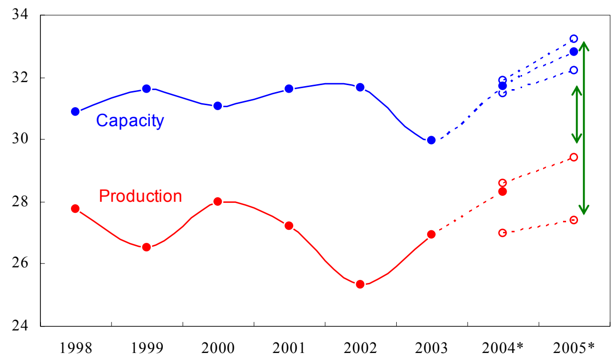
The oil market outlook for 2005

- It would be an understatement to say that the current year is turning out to be much different than first expected. At about this time last year, forecasters were predicting that 2004 would see mild incremental demand with a rise of about 1.1 mb/d for the year. On the supply side, non-OPEC output (including OPEC NGLs) was expected to rise by 1.5 mb/d, surpassing the forecast growth in demand and leaving no room for OPEC Member Countries to have a share of this growth in demand. In short, 2004 was supposed to be another year of challenge for OPEC to maintain the OPEC Reference Basket within the price band.
- Instead, halfway into the year, it appears that 2004 will see an unexpectedly robust increase in oil demand, rising OPEC supply and continuing upward price pressures. Since this time last year, demand growth projections have more than doubled to around 2 mb/d, which represents a 16-year high. Non-OPEC supply (including OPEC NGLs) estimates have been revised up to 1.6 mb/d, while secondary sources place OPEC production for the first half of the year at 28.26 mb/d, an increase of 1.6 mb/d from the corresponding period last year. Indeed, OPEC announced that it will raise the official output ceiling by 500,000 b/d effective 1 August, which follows an increase of 2 mb/d as of 1 July. This move has been driven by a desire on the part of Member Countries to ensure that adequate supply is maintained and to give a clear signal of OPEC's commitment to market stability and maintaining prices within levels acceptable to both producers and consumers.

Graph 1: Growth in global oil demand and non-OPEC supply in 2005 (mb/d)



Graph 2: OPEC production vs. capacities (mb/d)



*/ 2004 production reflects the 1st half '04, while the ranges for '04 & '05 are based on required OPEC crude production for the balance from the survey of forecasts.

- With several sources having recently released their forecasts for 2005, it would now seem a good time to look ahead and see what is to expect in the coming year. For 2005, the forecast assumes moderately slower global economic growth with respect to 2004, and additional demand required to fill strategic petroleum reserves (SPR) in China, India, and possibly USA. Demand growth forecasts for 2005 fall within a wide range between 1.4 mb/d and 2.4 mb/d, with an average of around 1.8 mb/d. OPEC projections expect oil demand to grow by 1.7 mb/d (**see Graph 1**).
- Turning to the supply side, forecasts for 2005 non-OPEC supply (including OPEC NGLs) also cover a wide range between 0.7 mb/d and 1.6 mb/d, with a mean of about 1.0 mb/d. OPEC projections expect an increase of 1.3 mb/d. According to various sources, the difference between world oil demand and non-OPEC supply (including OPEC NGLs) is expected to increase for the third consecutive year. The preliminary balance forecasts — demand minus non-OPEC supply, referred to here as '(a-b)' — are also spread across a wide range from 27.4 mb/d to 29.4 mb/d, with an average of around 28.4 mb/d. OPEC expects this number to fall at the low end of the range.
- How will OPEC manage additional growth in 2005? Currently, OPEC-10 oil production capacity according to secondary sources is around 28.8 mb/d with Iraq's average production for the first half of the year at about 2.1 mb/d. In 2005, OPEC-10 production capacity is expected to rise by 1.0 mb/d, with substantial contributions from Saudi Arabia, Iran and Nigeria, along with other Member Countries at lower amounts. Taking into account the projected supply/demand balance '(a-b)' and OPEC's expected capacity, this would lead to a minimum spare capacity of 2.8 mb/d, a figure that could increase furrther depending on capacity expansion in OPEC Member Countries, including Iraq, as well as uncertainties related to the required OPEC production levels.
- In recent years, OPEC has increased output significantly to accommodate supply disruptions in both Venezuela and Iraq, and to a lesser extent Nigeria. At the same time as these temporary supply shifts were taking place, world oil demand unexpectedly entered into a new cycle of higher growth. Despite these two developments, OPEC has been able to accommodate the market accordingly as shown in **Graph 2**.
- Historically, OPEC has maintained adequate excess production capacity to provide a timely response to supply disruptions and/or surges in demand, such as those the market has experienced in the last few years and months. The recent geopolitical developments in the Middle East coupled with unexpected growth in world oil demand were mainly behind the rise in prices. The uneven distribution of spare capacity in OPEC Member Countries may have only recently contributed to the strength of oil prices. However considering that oil stocks should increase substantially given OPEC's average production performance in 2004, combined with forecast lower demand growth in 2005 with respect to 2004 and rising production capacity in OPEC Member Countries, it is therefore reasonable to assume that a projected spare capacity in the range of 2.8-3.5 mb/d in 2005 should be a sufficient buffer to ameliorate the pressure on prices from concerns of potential supply disruptions.

15 July 2004

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

Consultations took place, yesterday, among OPEC Heads of Delegation on market developments since the 131st (Extraordinary) Meeting of the OPEC Conference held in Beirut, Lebanon, on 3 June 2004, and the supply/demand outlook, a review which has confirmed that market conditions remain essentially unchanged.

Recognizing that OPEC Member Countries have already increased supply to the market, in line with the decision taken in Beirut, the Organization re-affirmed its decision to further raise the OPEC-10 production ceiling by 500,000 b/d to 26.0 mb/d, with effect from 1 August 2004, in order to maintain adequate supply to the market and support the continued, robust, global economic growth.

In these circumstances, the Organization has decided that there is, therefore, no call for the Conference to meet on 21 July 2004, as originally foreseen. The Organization, will, nevertheless, continue to closely monitor market developments, OPEC remaining firm in its determination to meet, whenever the need arises, in order to take the decisions that might be required to maintain market stability and keep prices at acceptable levels to both producers and consumers.

The Organization re-confirmed that the next Ordinary Meeting of the Conference will convene in Vienna on 15 September 2004.

Highlights of the World Economy

Economic growth rates 2004-2005
%

	World	G-7	USA	Japan	Euro-zone
2004	**4.8**	**3.5**	**4.5**	**4.0**	**1.8**
2005	**4.3**	**2.9**	**3.7**	**2.0**	**2.2**

Industrialised countries

United States of America

Capital investment set to take over from consumer spending as the driving force of growth. Higher inflation may be a problem in 2005.

In the first quarter of this year real consumer spending continued the strong performance of 2003, growing at an annual rate of nearly 4%. Second quarter spending increased at a lower rate of around 3% or less, as higher energy prices depressed real income growth. This slowdown is expected to be temporary and a recovery is forecast for the second half of the year. The key factor will be steady growth in personal income supported by rising levels of employment and the stabilisation in energy prices, which should allow the rate of inflation in the USA to drop to about 2% in the second half of the year. Certainly business surveys anticipate a strong second half. The June Institute of Supply Managers survey produced positive results for both manufacturing and service sectors. The June 30 rise in the Federal Funds rate to 1.25% was long expected and will be the first increase in an extended process of raising rates. Much will depend on the speed at which the Federal Reserve acts, with consensus expectations centring on a gradual process which should not destabilize consumer or investment spending. However, financial futures markets are more pessimistic and discount a Federal Funds rate of about 4% by the end of 2005. Given the somewhat slower pace of mid-year consumer spending, an acceleration in business investment outlays in the second half will be required to keep the US growth rate above 4%. The trend in orders of capital goods shows ongoing strength in investment demand. For 2004 as a whole, growth of investment spending in real terms should approach 10% following rapid growth in corporate profits. Additions to inventories should also make a positive contribution to the growth rate and **for 2004 as a whole, US GDP should grow by about 4.5%. The outlook for 2005 is also good but the lower forecast of 3.7% reflects some consolidation of both consumer and investment spending**. The sharp expansion in demand which began in the third quarter of 2003 is thus expected to continue for the forseeable future, and this growth in demand and output has taken place whilst many American businesses have reduced capacity. Factory operating rates have risen sharply and companies are now finding it possible to raise prices for the first time since 2000. Unit labour costs are increasing and inflation expectations for 2004 have worsened markedly in the last months. The near term outlook for wage growth is not a cause for concern as the labour market, while improving, is not yet consistent with wage inflation of much more than 2%. By 2005, the rate of wage increase may be significantly higher — perhaps reaching 3.5% — but by this stage the Federal Reserve will have raised interest rates to slow demand. A greater uncertainty is the impact of the growing trade imbalance on the inflation outlook. The US trade balance showed a deficit of $231 billion for the first five months of 2004 which is an 11% deterioration over the comparable 2003 deficit. Imported inflation might be a problem in 2005 if there is no improvement in the US current account and the dollar weakens as a result. For the remainder of 2004, good growth performance and the prospect of higher interest rates is likely to support the American currency.

Japan

Strong recovery, mainly concentrated in the business sector.

Latest data from Japan suggests that strong growth continued in the second quarter following the remarkable 6% annualized growth achieved in the first. The Cabinet Office composite index for April and May implied that the economy was driven by rising private consumption and residential investment. Moreover, the high level of the current account surplus indicates that the overseas sector also made a positive contribution to the GDP growth rate. The June Bank of Japan Tankan report was also bullish. Large companies in the manufacturing sector were particularly optimistic although large service sector companies also expected business conditions to improve. Small companies were generally more cautious and also had less ambitious capital investment plans but the overall survey was encouraging as the all-industry index moved to zero after over ten years of negative results. These capital investment trends were supported by the machinery orders data for May which indicate a strong second quarter capital investment contribution to second quarter GDP growth. **The clearest signs of the Japanese recovery are to be found in the corporate sector, as indicated by output, investment and profits trends.**

Total employment, however, is growing slowly on a year-on-year (y-o-y) basis and wages per worker actually fell in May below 2003 levels. Although household incomes are hardly growing, personal consumption data suggest continued spending growth in the second quarter of about 4% at an annualized rate. Part of the apparent discrepancy may be explained by a fall in the savings rate which reflects improvements in consumer sentiment and transfers of wealth from older to younger generations. The strength of the Japanese economy is unlikely to change the zero interest rate policy of the Bank of Japan in 2004. The Bank will have to wait until the rate of CPI increase is well established in positive territory before acting and the bond market does not anticipate any hike in Japanese interest rates until spring 2005.

Euro-zone

Global recovery has boosted exporters and producers of capital goods but the stimulus has had little impact on employment or consumption.

Indicators from the Euro-zone continue to present a mixed picture. **The overall conclusion is that GDP growth for the region as a whole is running at trend or slightly below trend, achieving growth rates of about 2% at an annual rate for the second and third quarters of 2004.** The composite index of the Purchasing Managers for the Euro-zone fell in June and amongst the large economies, only France showed an improvement in manufacturing conditions. External demand remains the leading source of stimulus for Germany. Total industrial output rose by 1.1% month-on-month (m-o-m) in May thanks entirely to strong overseas demand for German capital goods. Euro-zone retail sales fell in May by 1.3% m-o-m, however, and the largest decline of 1.8% was recorded in Germany. France remains the exception and consumer spending was maintained at high levels in May. For the first five months of 2004 the growth rate of real consumer spending has been about 5% which should ensure GDP growth for the first half of at least 2.5%. GDP growth remains weak in Italy as surveys suggest that, at best, the 1.5% pace of the first quarter may have been maintained. After a good first quarter the outlook for Spanish GDP growth remains robust as steady growth in private consumption and investments should keep the annualised growth rate above 3% in the second quarter. The outlook for the Netherlands is more typical of the Euro-zone. Exports have been held back by high labour costs although investment showed some growth after three years of decline. Dutch personal consumption remains depressed by high unemployment. **Indeed, for the Euro-zone as a whole, it is hard to imagine that consumer spending — and hence GDP — can begin a sustained recovery without an improvement in the labour market**. Total employment is growing in the Euro-zone but at a rate hardly greater than that achieved in 2003 and since wage growth is steady, total personal income is growing very slowly. Temporary factors led to an increase in the rate of consumer price inflation for the Euro-zone in May to 2.5% which is above the 2% medium term target of the ECB. Given the weak state of the labour market it seems unlikely that this increase will boost wage inflation. In light of the subdued pace of economic activity it seems clear that the ECB will keep interest rates on hold for the remainder of 2004. Early in 2004 it seemed that fast rates of growth of the monetary aggregates might constitute an inflation risk but recent data has eased that concern. Moreover the ECB will not wish to encourage any appreciation of the euro, especially since the US dollar may come under pressure from the high level of the US current account deficit.

Former Soviet Union

Economic growth continues at a high rate while financial and governance issues raise some concerns.

First quarter GDP grew by 7.4% y-o-y with the construction sector in the lead, achieving a growth rate of 13.7%. Goods production grew by 7.7% and services also showed a healthy increase of 7% with transport and communication services showing the fastest growth. Data for May indicated a slowdown in the rate of growth of industrial activity and business confidence also declined slightly. In general it is clear that the momentum of the economy was been maintained in the first half of 2004 and the combination of rapidly rising activity and high oil prices has boosted the Russian budget surplus for 2004. The original government target was 0.5% of GDP but latest investment bank estimates are in the region of 2-3%. **Despite the excellent economic fundamentals the second half outlook may be clouded by the crisis at Yukos and the problems of some Russian banks.** The threat of bankruptcy hanging over Yukos may affect oil production directly but of greater significance may be the impact on overseas confidence in the Russian government and its relations with business. Long-term investment plans may be reduced if concerns over property rights in Russia are not addressed. The problems of two Russian banks followed disruption in the Russian interbank market. The Central Bank lowered the refinancing rate and reduced reserve requirements to ease liquidity in the system. The impact on the economy as a whole will be limited since the banking system is dominated by the state-owned savings bank although these uncertainties may have a negative impact on Russian credit ratings and asset prices.

Eastern Europe

Poland continues as the clear growth leader in central Europe.

Following a strong performance in the first quarter of 2004 the Polish economy continued to grow strongly in April and May. Industrial production rose by 22% y-o-y in April bringing the rate of increase for the first four months of the year to 20%. Indicators of confidence in the manufacturing sector were slightly weaker in May although there was a marked improvement in the construction industry. The Polish current account continues to improve as a result of rising EU demand for services such as transport and construction. One negative surprise was a sharp rise in inflation in May which took the y-o-y inflation rate to 3.4%. In response the National Bank of Poland increased interest rates by 0.5%. In contrast, growth in the Czech Republic continues to be weak by the standards of central Europe. Exporters seem to be unable to take full advantage of the gradual rise in Euro-zone demand and investment spending has been the only sector to show much growth. Czech GDP rose by 3.1% y-o-y in the first quarter and industrial production grew by 9.3% in the first four months of the year. The performance of the Hungarian economy was better as sharply higher investment spending boosted the growth of GDP to 4.2% in the first quarter. The manufacturing sector performed well, particularly those industries with high export sales such as electrical and transport equipment.

OPEC Member Countries

High prices and strong production levels boost economies of OPEC Member Countries

In general, strong real GDP growth will continue in the current year among all OPEC Member Countries, driven by the simultaneous increase in crude oil production and improved oil prices. In Algeria, for instance, growth will also be supported by the coming on-stream of the In Salah natural gas project and the In Amenas gas project, which will produce about 9 bn cm/y of gas and some 60,000 b/d of liquids. The only risk to the export performance is linked to the possibility of a weaker-than-expected recovery in European economic growth. Algerian GDP growth rate for the current year is expected at 6.5% and forecast to climb to 8% in 2005. Meanwhile, the outlook for economic growth in Qatar remains very positive, with industrial investment showing sustained expansion, in addition to the 2% increase in oil production associated with booming oil prices. Developments in the non-oil energy sector, however, will be the main contributor to economic growth. Continued rapid expansion of Qatar’s LNG industry and condensate output will boost export performance. There will also be sustained growth in other gas-based industrial ventures as projects under development reach completion. However, the inputs for Qatar’s nascent energy and infrastructure programmes will mostly have to be sources from abroad, and the resulting strong growth in import volumes will have a dampening effect on overall economic growth. Venezuela’s economic performance was strong at 29% y-o-y in the first quarter, fuelled by fiscal spending and magnified by the extremely low base of comparison. This year’s GDP growth rate is expected at 8.6%. However, a deceleration in the second half of the year will reduce momentum going into 2005, when the government’s ability to stimulate demand will be further curbed by the forecast decline in global oil prices.

Developing Countries

Sub-Sahara Africa benefits from US trade act; sluggish export demand slows Asia; and Latin America gets used to gradual growth.

By extending the expiry date of the “African Growth and Opportunity Act” (AGOA) from the original 2008 to 2015, the USA is apparently intent on boosting the African economy through trade and investment fields. AGOA is only allowing the least-developed African nations to continue sourcing textiles from anywhere in the world, rather than limiting the choice to AGOA countries only. Under AGOA, some 1,800 product lines from qualifying Sub-Saharan countries are permitted duty- and quota-free access to the USA, the largest single market for Sub-Saharan Africa, which has helped encourage steps to increase US investments in Sub-Sahara. AGOA is essentially a transitional mechanism. The USA has a strong desire to translate this one-sided act, under which there are no concessions for US export to Africa, into a Free Trade Agreement (FTA) between the USA and the five members of the Southern African Custom Union (SACU), comprising South Africa, Botswana, Lesotho, Namibia and Swaziland. In Asia, most of June assumptions by various sources confirmed that OECD’s import demand is extremely strong in the current year and is helping to lift regional growth. However, throughout this year and the next three, export demand in the developed world will remain far slower than the bubble years of the 1990s, acting as a brake on Asia’s highly export-dependent economies. Demand in the technology industry has improved markedly over the past six months, but the medium-term outlook remains sluggish in comparison to the heady growth rates which were witnessed in the last 1990s, and this will act as a drag on the important Asian technology industry. While China will be the main engine of growth in the region, many countries will need to undergo a potentially disruptive economic restructuring, in order to benefit from the rise of China. South-East Asian nations are expected to grow only slightly faster than those of Eastern Europe over this forecast and the coming years. Growth in emerging Asia as a whole is forecast to be higher than in other emerging regions, mainly owing to the strong performance of mainland China and India. However, among the risks facing emerging Asia, there are some concerns about the pace of investment and credit growth in China. If a bubble is building, this could have significant repercussions, not just for China itself but for the whole region. Latin America's gradual economic recovery has prompted some governments and private institutions to consider increasing spending on utilities, particularly health-care, for the first time in several years. However, weakened currencies and lack of low-cost financing have acted to dampen purchases of new medical equipment while favouring a marked expansion of sales of used and refurbished goods, most of them imported from the USA. This year the GDP for Latin America is expected at 4.3%.

Oil prices, the US dollar and inflation

The weaker spot Reference Basket price and lower US dollar combined to reduce the Reference Basket price in real terms.

In June the dollar was generally weaker. US economic data indicated that GDP growth in the second quarter would be lower than that recorded in the first quarter and market participants ruled out the possibility of a 0.5% increase in the Federal Funds rate at the June FOMC meeting. Scattered signs of higher economic activity supported the euro and the relatively high rate of inflation in the Euro-zone raised the possibility of higher euro interest rates in the medium term. As a result the dollar fell by 1.1% against the euro in June. Following dollar strength in March and April, the average dollar/euro exchange rate in June was still 3.75% above the January level. The depreciation against the Swiss franc and British pound was greater and the dollar fell by 2.2% versus both currencies in June. Given the continued improvement in Japanese economic prospects, the dollar also fell by 2.2% against the yen.

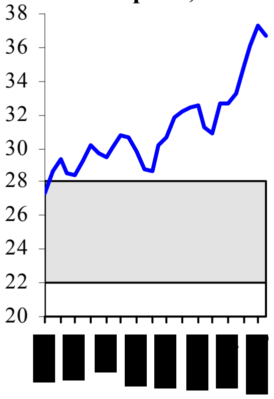
In June the OPEC Reference Basket fell by 4.56% to $34.61/b from $36.27/b in May. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 5.94% to $25.28/b from $26.87/b, as the weaker dollar and the effect of inflation reduced the real value of the barrel. The dollar fell by 1.09% as measured by the import-weighted modified Geneva I +US dollar basket*.

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

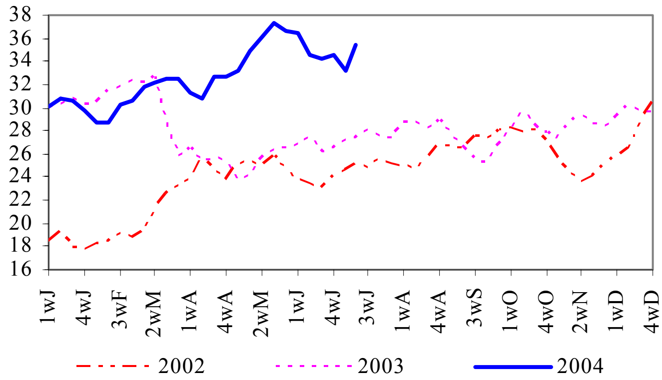
Crude Oil Price Movement

The OPEC Reference Basket fell by $1.66/b in June to average $34.61/b

Weekly average Basket price, 03-04

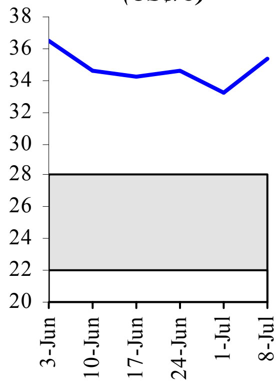


Graph 1
OPEC Reference Basket - weekly spot crude prices *(US$/b)*

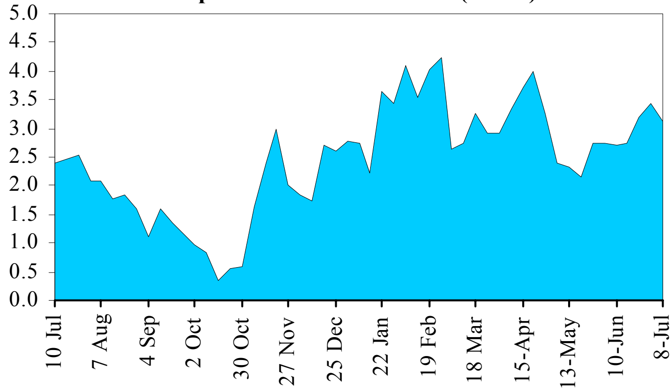


Following the all time monthly high of $36.27/b registered for May, the OPEC Reference Basket fell in June by $1.66/b or 4.6%. Nevertheless, the June average of $34.61/b is the highest average for that month in the last 22 years, while the year-to-date average for 2004 of $32.59/b exceeds the 2003 yearly average by almost 16%, or $4.48/b. The combined effect of higher crude oil prices so far this year and the hike in OPEC production to meet the increase in world oil demand should have a positive impact on the Organization's revenue. In the first week of June, the Basket lost 21¢/b or 0.6% to average $36.49/b, followed by a more pronounced fall of $1.94/b or 5.3% to $34.55/b in the second week. The pace of the fall decelerated by the third week but the Basket still shed another 30¢/b or 0.9% to average $34.25/b. By the end of June, the Basket began to show some signs of recovery gaining 30¢/b or 0.9% to average $34.54/b. Then it retrenched by $1.28/b to average $33.26/b in the week ending 1 July. That was more than offset by the strong gain of more than $2/b in the week ending 8 July when the Basket averaged $35.35/b.

Jun - Jul 04
(US$/b)



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



On the last trading day of May, the US benchmark crude WTI closed just a notch below $40/b. However, by Tuesday, 1 June, following a long holiday weekend, it had jumped to $42.33/b its highest closing price since the contract was introduced in 1983. On the other side on the Atlantic, the BFO (Brent, Forcados and Oseberg) prompt contract also surged above the $39/b mark reaching an intra-day high of $39.12/b. The surge in prices was partly attributed to terrorist attacks on Saudi Arabia's oil industry which raised concerns over supply security from the only country with significant spare capacity. **Given the prevailing high and volatile prices and concerns regarding supply security, OPEC in its 131st (Extraordinary) Meeting of the Conference in Beirut, Lebanon, on 3 June agreed to raise the its production ceiling by 2 mb/d to 25.5 mb/d effective 1 July followed by another 0.5 mb/d increase on 1 August.**

OPEC agreed to increase output by 2.5 mb/d in two stages to ease soaring crude oil prices

Crude oil markets reacted positively to OPEC's announcement with prices correcting to more moderate levels. It goes without saying that OPEC has once again acted in a responsible manner to supply the market with the necessary crude, but it does raise the question as to whether OPEC has overdone it in its latest move. Will the Organization find itself with a glut of oil in the coming quarters? One might argue that US commercial crude oil stocks have been rapidly recovering since the beginning of the year and now stand above the 300 mb mark. Atlantic basin spot markets and especially the US Gulf area were awashed with crude early in June, prior to the arrival of additional OPEC supplies. Late in June, sweet West African crudes were under enormous selling pressure due to a lack of demand in the US Gulf Coast despite the production of gasoline being at its peak. On the other hand, the gasoline supply crunch in the

US market seems to be receding following the ramping up of refinery runs to fresh long-term highs and strong imports. Institutions and analysts continue to make hefty revisions to global oil demand estimates for the present year, setting total demand growth well above 2.0 mb/d. However, there is always the question about the reliability of these figures — after all just a few months ago they were telling us that world oil demand growth for the present year would be around 1 mb/d. While stellar Chinese demand, especially for distillates, has supported a rally in the Asian region, the bullish market that was pushing up prices on the other side of the world is losing pace. In the end, the market finds itself in a tug of war between market fundamentals, which have lost some shine, and security of supply concerns driven by the perceived violence, social unrest and political instability in oil producing nations. Recent events like the complete halt in Iraqi exports after saboteurs damaged pipelines in the southern part of the country and the oil worker strike in Norway highlight the vulnerability of the supply side of the equation. Meanwhile, speculators in the oil and product futures markets continue to magnify the impact these events have on crude oil prices to the detriment of both consumers and producers.

US and European markets

US commercial crude oil stocks continued to recover despite high imports and refinery runs. The overhang of end-June cargoes of West African and North Sea crude might be a sign that supply is outpacing demand in the Atlantic basin.

A rise in commercial crude oil stocks in the USA, which surged well over the 300 mb level at mid-month, dampened buying interest by US refiners especially for sweet crudes. High freight rates combined with a narrowing of the transatlantic arbitrage resulted in a weakening of demand for North Sea as well as West African crudes. The price of light sweet West African crudes plummeted against BFO with Nigeria's Bonny Light retreating by more than 50¢/b against BFO between the end of May and mid-June. On the European front, prompt BFO flattened against the first futures month contract reflecting a lack of prompt demand in the North Sea and the difficulties of shipping volumes across the Atlantic to the US Gulf and East Coast markets. **Towards the end of the month, July supplies were facing problems from the overhang of June cargoes. Despite high refinery runs and crude oil imports, US commercial crude stocks have consistently recovered since early this year.** There are indications that the Atlantic basin is awashed in sweet as well as sour supplies, while the North Sea and the West African regions are struggling to dispose of an overhang of cargoes end-June supplies. Therefore, it is possible that despite strong demand, crude supplies in the Atlantic basin are outpacing the region's capacity to absorb such huge inflows of crude. This state of affairs might lead to a sudden rise in regional commercial stocks and an overhang of unsold oil which could spark a considerable fall in crude oil prices.

Far East market

In sharp contrast to Atlantic basin crude markets, the backwardated Asia Pacific region's forward market structure signaled a tightness in prompt supplies on the back of strong regional demand

West African crude oil continued to head east despite the widening of BFO/Dubai arbitrage. The volume of crude moving to the Asia Pacific region has slowed from the 1.4-1.5 mb/d seen earlier this year. However, in June strong Chinese, Indian and South Korean demand have drawn 1.3 mb/d of West African crude while 1.2 mb/d have been sold for loading in July. **The shape of the Dubai crude market, where prompt prices are higher than in the forward month, is an indication of firm Asia Pacific demand.** Mideast crudes have been underpinned by Japanese demand for distillate-rich crudes to ramp up kerosene inventories for winter heating as premiums to OSP have reached their highest level for the year. Firm end-user demand has also supported regional Australian and Malaysian light distillate-rich grades.

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

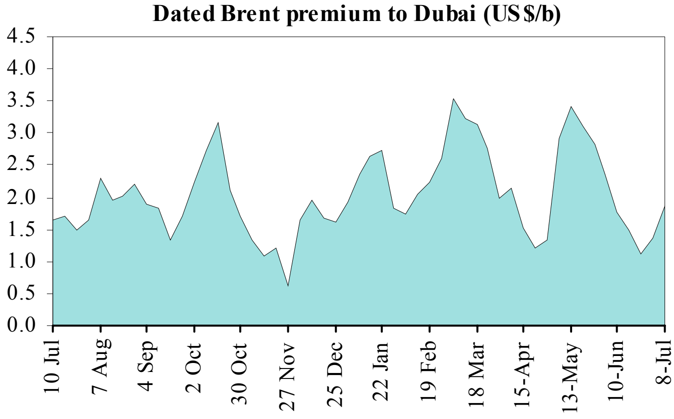


Table 1

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

US $/b

			Year-to-date average	
	May 2004	**Jun 2004**	2003	**2004**
Reference Basket	36.27	**34.61**	28.11	32.59
Arabian Light	35.63	**34.70**	27.38	32.31
Dubai	34.65	**33.58**	26.39	31.41
Bonny Light	37.87	**35.60**	28.60	33.72
Saharan Blend	37.96	**35.14**	28.61	33.73
Minas	37.18	**36.75**	30.07	33.11
Tia Juana Light	33.63	**31.67**	27.38	30.45
Isthmus	36.95	**34.85**	28.31	33.39
Other crudes				
Brent	37.71	**35.21**	28.70	33.70
WTI	40.11	**38.18**	31.52	36.82
Differentials				
WTI/Brent	2.40	**2.97**	2.82	3.12
Brent/Dubai	3.06	**1.63**	2.31	2.29

Product Markets and Refinery Operations

Concerns about a sustained gasoline shortage in the USA, which have driven the upward trend in petroleum products over the last few months, have eased recently resulting in a significant gasoline price fall in June 2004. This shift has made market players more bearish and led them to liquidate long positions. Following these developments, product prices fell across the board in June, matching the downward trend in crude prices and reducing refinery margins in all major markets.

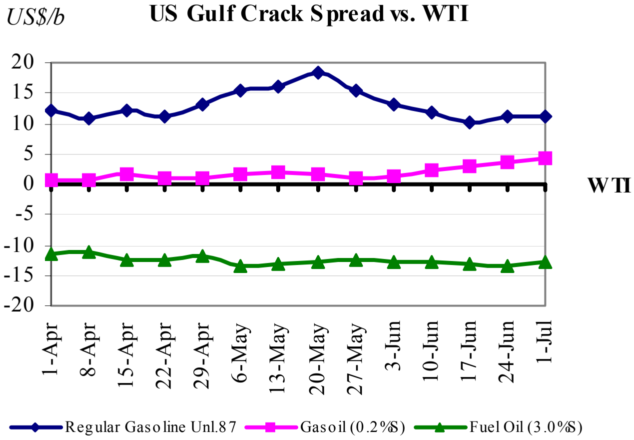
US oil demand remained strong in June, but motor gasoline put in its weakest performance, up just 0.4 %, while jet fuel and middle distillates registered gains of 6.4% and 4.5%.

US market

Slowing gasoline demand growth and a 3.6 mb stock-build in the first month of the driving season have discounted fears that the USA would struggle to keep up with gasoline demand throughout the peak summer season. Gasoline prices dropped 13% in June, more than the US benchmark crude, WTI, which fell 5%. But in the same month, strong economic growth has bolstered middle distillate demand, allowing a gain against its falling benchmark despite higher inventory levels compared to June 2003. Similarly, demand for low sulphur fuel oil rose over 10% y-o-y as high natural gas prices and some nuclear reactor outages supported consumption growth. In contrast, growth in the HSFO (high sulphur fuel oil) market is still lacklustre, with crack margins showing large discounts to WTI.

Graph 4

US Gulf Crack Spread vs. WTI



Strong demand for all major products and relatively high refinery margins have encouraged US refiners to increase throughput as much as operationally possible. This allowed the US refinery utilization rate to reach a record high of 96.5% for a rise of 1.5% versus May 2004.

Petroleum product prices fell alongside losses in benchmark Brent and futures products, de-escalating the upward trend in refining margins in Europe.

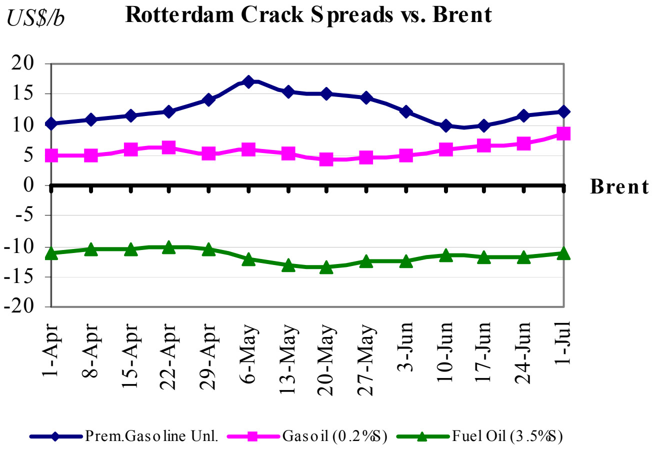
European market

Prompt cargo oversupply in Europe in early June, along with poor arbitrage economics for exports to the USA, caused the reforming crack level to fall sharply. These losses were offset later on as Northwest European spot product prices rose, led by gasoline following a jetty fire that halted barge loading from BP's Nerefco refinery in Rotterdam. Mediterranean margins were also supported by extended maintenance work at refineries, which led to supply tightness in the region.

Meanwhile, middle distillate prices were relatively stronger due to lower stock levels and increased demand, especially from the east of the Mediterranean area. This cushioned some of the fall in middle distillate prices against benchmark Brent crude. On average, European gasoil spot prices declined 3% in June versus the 6% drop in Brent values. The latest available data shows that middle distillate stock levels

Graph 5

Rotterdam Crack Spreads vs. Brent



for the EU-16 are 1.3 mb less than in June 2003. However, despite a 2 mb stock-draw on HSFO stocks in June compared with the month before, fuel oil inventories across Europe are still 8.5% higher than in the same month last year. Poor opportunities for exports to the US or Asian markets along with slack regional demand weighed on the HSFO market. In the future, this situation may aggravate the over $12/b product discount against Brent.

In June, refinery throughput inched up marginally in the EUR-16 due to the extended maintenance schedule, while the utilization rate rose just 0.8% versus the previous month to 89.1%.

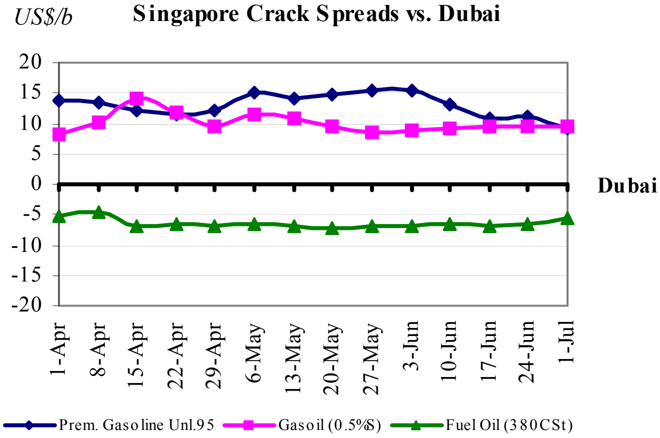
The high operating rate of most Asian refineries kept market sentiment bearish for most products in June, especially for HSFO and naphtha.

Asian market

Singapore's residual fuel oil stocks remained nearly 30% above year-ago levels, depressing the fuel oil crack spread versus Dubai crude oil. Ample supply and lack of regional demand, particularly from China, have exacerbated a situation that might get worse in the future despite a closed arbitrage window given continued supplies from Caribbean areas.

Singapore's naphtha margins have also deteriorated since the beginning of June. However, petrochemical demand for naphtha is not the cause of this decline. Indeed, with the end of the ethylene cracker maintenance season, refineries were running at their full operational rate to take advantage of $440/t cracker margins. Instead, naphtha's recent decline has accelerated due to a weaker gasoline market, which has depressed reforming margins as well as rising supply from India and the Middle East.

Graph 6
Singapore Crack Spreads vs. Dubai



So far this year, Indian refiners have been showing significantly more export cargoes versus a year ago as local petrochemical plants shift to using more natural gas as feedstock instead of naphtha. Gasoline crack margins in Singapore slid sharply in June, as gasoline prices dropped in line with other markets due to diminished opportunities to move supply across the Pacific. Gasoline values slipped about 9% versus the 3% decreases of the Dubai benchmark crude. However, the market for middle distillates was steady to weaker, as low kerosene stock levels in Japan and relatively strong gasoil demand from China due to power shortages and thin domestic stocks have prevented a sharp decline in middle distillate prices.

In Asia, all but Japanese refineries are running with higher throughput compared to last year. In contrast, due to a heavier maintenance schedule and lower margins, Japanese refineries are running at lower capacity, resulting in a drop of 0.3% in June from the previous month to 73.6%.

Table 2
Refined product prices
US$/b

		Apr 04	May 04	**Jun 04**	**Change Jun/May**
US Gulf					
Regular gasoline	*(unleaded)*	48.57	56.45	**49.39**	–7.06
Gasoil	*(0.2% S)*	37.76	41.76	**40.88**	–0.88
Fuel oil	*(3.0% S)*	24.78	27.28	**24.99**	–2.29
Rotterdam					
Premium gasoline	*(unleaded)*	45.58	53.11	**45.85**	–7.26
Gasoil	*(0.2% S)*	38.74	42.83	**41.68**	–1.15
Fuel oil	*(3.5% S)*	22.77	25.10	**23.39**	–1.71
Singapore					
Premium gasoline	*(unleaded)*	44.09	49.71	**45.19**	–4.52
Gasoil	*(0.5% S)*	42.82	44.62	**42.84**	–1.78
Fuel oil	*(380 cst)*	25.54	27.83	**26.87**	–0.96

Table 3
Refinery operations in selected OECD countries

	Refinery throughput *mb/d*			**Refinery utilization*** *%*		
	Apr 04	May 04	**Jun 04**	Apr 04	May 04	**Jun 04**
USA	15.48	15.86	**16.12**	92.7	95.0	**96.5**
France	1.83	1.63 R	**1.62**	93.5	83.3	**82.9**
Germany	2.19	2.24	**2.21**	95.7	97.7	**96.7**
Italy	1.80	1.86 R	**1.85**	77.9	80.4 R	**79.9**
UK	1.70	1.65	**1.66**	93.7	90.7	**91.1**
Eur-16	12.34 R	12.19 R	**12.30**	89.4 R	88.3 R	**89.1**
Japan	4.04	3.47 R	**3.46**	85.9	73.9 R	**73.6**

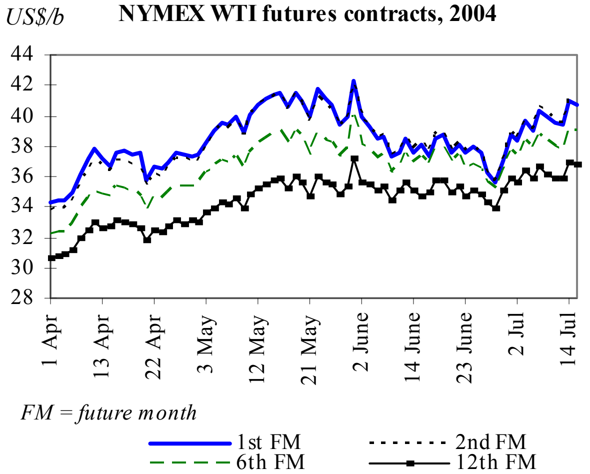
* *In barrels per calendar day*
R *Revised since last issue*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA*

The Oil Futures Market

OPEC's decision to raise output helped to correct record-high crude prices

While the OPEC decision in June to increase output by 2.0 mb/d on 1 July and 0.5 mb/d on 1 August was intended to bring market fundamentals into check, in reality it served to do much more than that. Although OPEC never acts to calm market speculation, judging from the weekly CFTC (Commodity Futures Trading Commission) statistics, OPEC's 3 June decision appears to have brought a jolt of reason to the minds of oil futures speculators. In the run-up to the 3 June meeting, non-commercials (or speculators) decreased their long positions by 10,000 contracts, according to the CFTC's Commitment of Traders (CoT) report for the week ending 1 June, while at the same time increasing their short holding by 2,000 lots in a clear move toward a more bearish outlook on crude prices. However, the real correction took place during the week of the OPEC Ministerial Conference. Speculators shed their bullishness in the first week of June, most likely in anticipation of OPEC's pledge to supply additional volumes to the market.

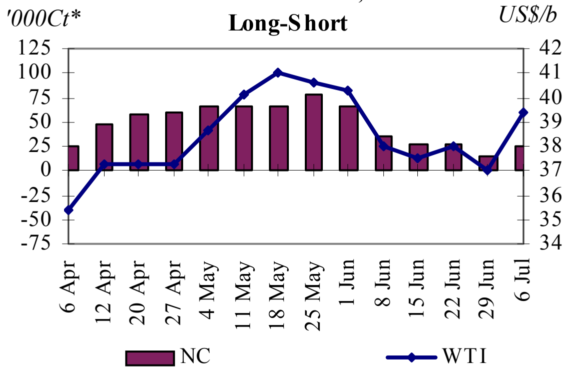
Graph 7
NYMEX WTI futures contracts, 2004



The report for the week ending 8 June showed a huge drop of 37,000 lots in non-commercial long positions, with net-long positions falling by 45% or 29,400 lots to 35,800. Clearly, speculators understood that $40/b plus crude prices were not going to be tolerable by anybody. The following week saw a new bearish, or at least less bullish, market mode by non-commercials following OPEC's output agreement. Speculators decreased their long holdings by almost 7,000 lots while raising their shorts by 2,100 lots resulting in a further decline in net-long positions, which stood at 26,700 lots in the week ending 15 June. Meanwhile the front month sweet crude contract shed more than $5/b from its all-time high closing price of $42.33/b on 1 June. Open interest — a measure of market depth — was 699,000 lots, falling from a record 735,377 lots reached on 1 June.

Open interest — a measure of market depth — was 699,000 lots, falling from a record 735,377 lots reached on 1 June. In the subsequent weeks, speculators continued to dispose of their long positions while at the same time adding length to their short holdings, a sign that short to mid-term market fundamentals were replacing fears of supply disruptions amid rampant demand growth. The mode by speculators was clearly bearish judging by the CoT report for the week ending 29 June. Non-commercials continued to trim long positions and net-long holdings, which were decreased from 65,000 lots on 1 June to 14,600 lots by 29 June. Meanwhile, the front month sweet crude contract fell further towards the end of June before recovering in early July on sabotage of a key pipeline in southern Iraq which dropped Basrah exports to half and fears that troubles at the Russian oil major Yukos, which accounts for one-fifth of the country's overall crude output, might force the firm to reduce production.

Graph 8
Futures Commitment of Traders Report: NYMEX Crude Oil, 2004
Long-Short



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

The Tanker Market

OPEC area spot fixtures dropped despite high oil production in June.

Increased OPEC oil production in June 2004 was not reflected in estimated OPEC area spot fixtures which have shown a drop of 2.78 mb/d to 13.14 mb/d. This decrease could be due to a downward revision later on to reflect more accurately extra barrels from the OPEC area, especially from Middle Eastern producers. However, this figure is still 2.69 mb/d above last year's level. High tanker demand confirmed by soaring freight rates (see Table 4) should have lifted OPEC area spot fixtures rather than pushed them down. One can hardly justify such a perception as most of the early expectations were assuming an upward trend (June *MOMR*). **OPEC's share of global spot-chartering declined by about 2% to stand at 63%, an increase of 14% from a year ago.** Middle Eastern westbound and eastbound long-haul fixtures contributed about 68% to the fall in OPEC area spot fixtures, with westbound long-hauls decreasing by 1.03 mb/d to 1.81 mb/d and eastbound long-hauls declining by 0.87 mb/d to 5.10 mb/d to represent about 14% and 39% of total OPEC area chartering. Together, they accounted for 53% of total OPEC area spot fixtures, a drop of 1% from a year ago. **Non-OPEC spot chartering experienced a pattern similar to the OPEC area, declining by 0.92 mb/d to 7.80 mb/d to represent about 37% of global chartering, or 1% above last month** and 14% below year-ago levels. **Overall, global spot fixtures fell by 3.70 mb/d to 21.00 mb/d, a drop of 0.61 mb/d from a year ago.** Estimated sailings from the OPEC area in June rose 2.30 mb/d to 28.34 mb/d. Middle Eastern sailings were up by 1.70 mb/d to 17.88 mb/d, lifting their share of OPEC area sailings by about 1%. Arrivals in all main consuming areas experienced marginal declines except in Euromed, which saw a minor increase of 0.03 mb/d to 4.27 mb/d. Arrivals in Japan declined 0.65 mb/d to 3.37 mb/d, while arrivals in the US Gulf, US East Coast and Caribbean moved down by 0.24 mb/d to 11.33 mb/d. A slight decline occurred in NW Europe's arrivals which lost 0.08 mb/d to stand at 7.3 mb/d.

Crude oil freight rates continued to rise on tight tonnage availability and high tanker demand.

The unexpected decline in global spot fixtures did little to constrain crude oil freight rates in June which sustained the previous month's gains on the back of tight tonnage availability and high tanker demand. Pledges from some OPEC Member Countries, especially Middle Eastern producers, to pump more oil as of 1 June to curb soaring oil prices as well as OPEC's decision to increase the crude oil production ceiling by 2.0 mb/d effective 1 July 2004, and by a further 0.5 mb/d as of 1 August, encouraged owners to seek high rates especially at the beginning of the month. **The monthly average freight rates for VLCC cargoes on Middle Eastern eastbound and westbound long-haul routes rose 17 and 19 points to WS125 and WS104 respectively.** Suezmax freight rates behaved similarly on the West Africa/US Gulf route on high oil exports from West African producers and healthy demand from US refiners, while rates on the NW Europe/US East-US Gulf Coast remained mostly steady due to lower North Sea exports. Thus, Suezmax freight rates soared on the former route by 18 points to WS149, while on the latter they moved up a marginal 3 points for a monthly average of WS148. Increasing activity especially at the end of June lifted the monthly average for Aframax freight rates within the Mediterranean and from there to NW Europe by 49 and 44 points to WS259 and WS210 respectively. On the Caribbean/US Gulf route, lower trade in the last week of June managed to reduce the high level of WS225 earlier in June to a monthly average of WS205, 41 points above the May level. Rates on Aframax tankers from Indonesia to the US West Coast gained 20 points to an average of WS166.

Gains early in the month lifted product freight rates in June.

The product tanker market moved differently from the crude oil market as some routes were not likely to satisfy owners especially the route from Singapore to the East where the monthly average lost 14 points to stand at WS264 due mainly to lack of business early in the month. The picture turned brighter at the end of June, when rates managed to touch WS300 and in some transactions even higher on the back of tight tonnage supply. **On the long-haul route from the Middle East to the East, rates gained 41 points to stand at an average of WS220 due to limited tonnage availability and increasing demand.** Freight rates within the Mediterranean and from there to NW Europe suffered from a lack of business particularly in the second half of the month due to lower demand. However, rates still managed to finish the month at average levels of WS259 and WS289 respectively, showing increases of 29 and 9 points compared with the previous month. Unattractive arbitrage economics did not show in the monthly average of rates on the NW Europe/US East-US Gulf Coast route, which rose 58 points to WS308 due to the month's strong start. On the Caribbean/US Gulf Coast route, rates experienced a similar pattern, gaining 25 points to a monthly average of WS300 as a slowdown at month's end pushed rates lower.

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

	Apr 04	May 04	Jun 04	Change Jun/May
Chartering				
All areas	19.70	24.70	21.00	–3.70
OPEC	11.87	15.92	13.14	–2.78
Middle East/east	4.51	5.97	5.10	–0.87
Middle East/west	2.24	2.84	1.81	–1.03
Sailings				
OPEC	22.80	26.04	28.34	2.30
Middle East	16.32	16.18	17.88	1.70
Arrivals				
US Gulf Coast, US East Coast, Caribbean	9.53	11.56	11.33	–0.24
North West Europe	7.11	7.42	7.34	–0.08
Euromed	4.27	4.23	4.27	0.03
Japan	3.74	4.02	3.37	–0.65

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Apr 04	May 04	June 04	Change Jun/May
Crude					
Middle East/east	200–300	91	108	125	17
Middle East/west	200–300	83	85	104	19
West Africa/US Gulf	100–160	123	131	149	18
North-West Europe/US East Coast	100–160	143	145	148	3
Indonesia/US West Coast	70–100	145	146	166	20
Caribbean/US East Coast	40–70	154	164	205	41
Mediterranean/Mediterranean	40–70	190	210	259	49
Mediterranean/North-West Europe	70–100	126	166	210	44
Products					
Middle East/east	30–50	163	179	220	41
Singapore/east	25–30	274	278	264	–14
Caribbean/US Gulf Coast	25–30	265	275	300	25
North-West Europe/US East Coast	25–30	225	250	308	58
Mediterranean/Mediterranean	25–30	222	230	259	29
Mediterranean/North-West Europe	25–30	275	280	289	9

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

New maritime security measures and the oil trade

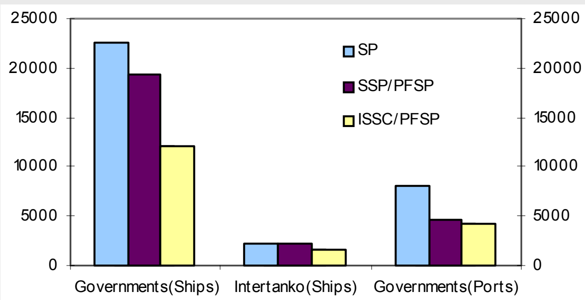
- At the start of this month, the International Ship and Port Facility Security (ISPS)[1] code came into force. The new code is a comprehensive set of measures to enhance the security of ships and port facilities developed as a response to the perceived threats to ships and port facilities in the wake of the 11 September 2001 attacks in the USA.

- The code follows the adoption of the Maritime Transportation Security Act (MTSA) in the USA. These two codes require ships to gather declarations of security from the previous 10 ports that the ship went through as well as to obtain an International Ship Security Certificate (ISSC). Additionally, from 1 July until the end of September 2004, port authorities around the world will launch a Concentrated Inspection Campaign (CIC), which will include all countries who are signatories to the Paris, Tokyo and Black Sea Memoranda of Understanding (MOU). Although not a signatory to these MOUs, the USA will join the CIC through the US Coast Guard.

- According to the latest data published by International Maritime Organization (IMO), compliance by oil tankers is very high compared to bulk carriers. As of 30 June about 1,547 oil tankers or 71% of the members of Intertanko (the Association of Independent Tanker Owners) were certified (*see **Graph 1***). This is a relatively high figure as Intertanko represents about 70% of the world's tanker tonnage, or 2,522 oil tankers, of which based on IMO figures only 2,175 fall under the code.

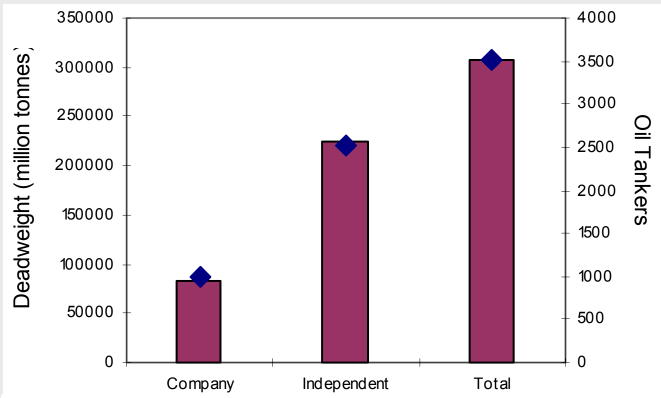
- At the end of 2003, the existing total world fleet of oil tankers stood at about 3,524; with oil company tankers representing around 30% or 1,002 tankers (*see **Graph 2***). A share of oil company tankers might also be included under the government category as 39 governments responded to an IMO survey showing 53.2% or 11,996 ships was certified out of total of 22,539 ships (*see **Graph 1***). About 86% of government category tankers have already submitted their security plans with 2,175 oil tankers under Intertanko category liable to ISPS code, all of them (100%) have already submitted their security plans.

Graph 1: ISPS Survey



SP = Number of: (Ships liable to the Code)/(Port Facilities)
SSP/PFSP = (Ship)/(Port Facilities) Security Plans submitted
ISSC/PFSP = International Ship Security Certificates issued/Port Facility Security Plans approved.
Source: IMO

Graph 2: Existing Tanker Fleet by DWT/Ownership



Source: SSY

- While we do not see any serious disruption of seaborne oil trade taking place due to the entry of the ISPS into force, the new code has caused some inconveniences such as delays and extra costs particularly for charterers and owners. This is why charterers and owners are already working on new charter party clauses to define who would be responsible for inspection and compliance charges if delays occur.

- If delays do occur, especially because of noncompliant ships, then this will hurt oil supply logistic but as we have seen none of these delays hurt seriously oil deliveries to oil markets. For this reason, major consuming countries have already made efforts to avoid any sort of congestion which could lead to a possible interruption in oil supplies. These efforts are especially important in periods of high demand, when such an event could place an upward pressure on prices.

1) ISPS code was adopted, along with other maritime security measures, at a conference on Maritime Security held at IMO in December 2002.

World Oil Demand

Revision to historical figures (2002-2003)

Average world oil demand for the year 2002 has been revised up by 0.21 mb/d to 77.22 mb/d from the last *MOMR*. This slight upward revision was due to higher consumption data from OECD countries. For the year 2003 the latest figures also indicate an upward revision of 0.12 mb/d with total world oil demand for the year estimated at 78.80 mb/d. On a quarterly basis, first-quarter oil demand was revised up 0.29 mb/d followed by another 0.09 mb/d upward revision in the second quarter. Third-quarter oil demand was revised down a marginal 0.07 mb/d while the last quarter figure is now 0.16 mb/d higher. Again the bulk of the upward revisions were concentrated in OECD countries, especially in Western Europe where the new higher consumption data outpaced lower consumption figures in the North American region.

Estimates for 2004

World

World demand growth for 2004 revised up by 0.2 mb/d to 2.1 mb/d. Average demand is now estimated at 80.90 mb/d.

Based on slightly higher projected global economic growth for the remainder of the present year and persistent strength in some non-OECD countries, estimated world oil demand has once again been revised up. **With a projected 4.8% expansion in the world economy, total oil demand is now estimated to grow by 2.1 mb/d or 2.67% to average 80.9 mb/d,** representing an upward revision of 0.2 mb/d with respect to the figure presented in the previous *MOMR*.

On a quarterly basis preliminary data, which is subject to further revisions, shows that oil demand in OECD countries will gain 0.42 mb/d in the first quarter of 2004 to average 50 mb/d. The lion's share of the growth will be focused in North America with the fall in the OECD Pacific region offsetting the rise in Western Europe. Developing Countries demand is expected to gain 0.74 mb/d y-o-y with "Other Regions" apparent demand rising by 0.51 mb/d led by the astonishing growth in Chinese demand at close to 20%, which was partially upset by the huge drop in FSU apparent demand. Northern hemisphere spring seasonality was almost non-existent during this year as stellar Chinese demand together with strong growth in Asia diminished the typical second quarter dip. **According to the latest estimates, total world oil demand will rise by 2.51 mb/d or 3.28% to average 79.03 during the second quarter of 2004. Oil demand for the remaining two quarters of the year is projected to grow by more than 2.0 mb/d (see Table 6) with two-thirds of the rise coming from non-OECD countries.**

Table 6
World oil demand in 2004
mb/d

							Change 2004/03	
	2003	1Q04	2Q04	3Q04	4Q04	**2004**	Volume	%
North America	24.58	24.98	24.65	25.20	25.31	25.04	0.46	1.87
Western Europe	15.33	15.63	15.18	15.45	15.75	15.50	0.17	1.14
OECD Pacific	8.78	9.39	8.15	8.08	9.09	8.67	–0.11	–1.21
Total OECD	**48.68**	**50.00**	**47.97**	**48.73**	**50.14**	**49.21**	**0.53**	**1.09**
Other Asia	7.72	7.95	7.85	8.00	8.36	8.04	0.32	4.20
Latin America	4.65	4.57	4.73	4.84	4.88	4.75	0.10	2.26
Middle East	5.04	5.18	5.12	5.51	5.40	5.30	0.26	5.14
Africa	2.58	2.60	2.64	2.60	2.70	2.64	0.06	2.17
Total DCs	**19.99**	**20.29**	**20.34**	**20.95**	**21.34**	**20.73**	**0.74**	**3.73**
FSU	3.80	3.44	3.57	3.90	4.39	3.83	0.02	0.63
Other Europe	0.76	0.88	0.81	0.73	0.81	0.81	0.05	5.98
China	5.56	6.39	6.34	6.34	6.21	6.32	0.76	13.61
Total "Other Regions"	**10.13**	**10.71**	**10.72**	**10.97**	**11.41**	**10.95**	**0.83**	**8.16**
Total world	**78.80**	**81.00**	**79.03**	**80.64**	**82.89**	**80.90**	**2.10**	**2.67**
Previous estimate	78.68	80.88	78.45	80.47	82.49	80.58	1.90	2.41
Revision	0.12	0.12	0.58	0.17	0.40	0.32	0.20	0.25

Totals may not add due to independent rounding

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

			Change 2004/03				Change 2004/03	
	1Q03	1Q04	Volume	%	2Q03	2Q04	Volume	%
North America	24.52	24.98	0.47	1.90	24.11	24.65	0.54	2.23
Western Europe	15.30	15.63	0.32	2.12	15.06	15.18	0.12	0.77
OECD Pacific	9.76	9.39	–0.37	–3.78	8.20	8.15	–0.05	–0.63
Total OECD	**49.58**	**50.00**	**0.42**	**0.85**	**47.37**	**47.97**	**0.60**	**1.27**
Other Asia	7.56	7.95	0.39	5.15	7.56	7.85	0.29	3.81
Latin America	4.46	4.57	0.10	2.28	4.62	4.73	0.10	2.24
Middle East	4.95	5.18	0.23	4.61	4.85	5.12	0.27	5.60
Africa	2.58	2.60	0.02	0.64	2.55	2.64	0.10	3.73
Total DCs	**19.56**	**20.29**	**0.74**	**3.76**	**19.59**	**20.34**	**0.76**	**3.87**
FSU	4.02	3.44	–0.58	–14.38	3.35	3.57	0.22	6.44
Other Europe	0.77	0.88	0.11	14.37	0.75	0.81	0.05	7.22
China	5.41	6.39	0.98	18.11	5.46	6.34	0.88	16.12
Total "Other Regions"	**10.20**	**10.71**	**0.51**	**5.03**	**9.57**	**10.72**	**1.15**	**12.03**
Total world	**79.33**	**81.00**	**1.67**	**2.11**	**76.52**	**79.03**	**2.51**	**3.28**

Totals may not add due to independent rounding.

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

			Change 2004/03				Change 2004/03	
	3Q03	3Q04	Volume	%	4Q03	4Q04	Volume	%
North America	24.85	25.20	0.36	1.44	24.83	25.31	0.48	1.93
Western Europe	15.33	15.45	0.12	0.77	15.60	15.75	0.14	0.91
OECD Pacific	8.03	8.08	0.04	0.55	9.14	9.09	–0.05	–0.57
Total OECD	**48.21**	**48.73**	**0.52**	**1.08**	**49.58**	**50.14**	**0.57**	**1.15**
Other Asia	7.69	8.00	0.31	4.04	8.05	8.36	0.31	3.85
Latin America	4.73	4.84	0.11	2.33	4.77	4.88	0.10	2.19
Middle East	5.25	5.51	0.26	4.91	5.12	5.40	0.28	5.44
Africa	2.56	2.60	0.04	1.69	2.63	2.70	0.07	2.63
Total DCs	**20.22**	**20.95**	**0.72**	**3.57**	**20.57**	**21.34**	**0.76**	**3.70**
FSU	3.68	3.90	0.22	5.97	4.16	4.39	0.23	5.47
Other Europe	0.72	0.73	0.01	1.20	0.80	0.81	0.01	1.29
China	5.76	6.34	0.58	10.03	5.61	6.21	0.60	10.64
Total "Other Regions"	**10.16**	**10.97**	**0.81**	**7.93**	**10.58**	**11.41**	**0.83**	**7.89**
Total world	**78.60**	**80.64**	**2.05**	**2.61**	**80.72**	**82.89**	**2.17**	**2.68**

Totals may not add due to independent rounding.

OECD

With almost two thirds of total world oil demand originating in OECD countries, this group's expected share of growth in total world oil demand is projected to reach a little more than one quarter of the 2.1 mb/d total. This clearly indicates the lower energy intensity in these economies, where the trend of using less energy to produce a unit of output seems to continue. The forecast for OECD consumption implies a rate of growth slightly higher than 1% or 0.53 mb/d in 2004 with the lion's share coming from the North American region. As usual, and judging from the demand figures of the first quarter, USA will account for more than three quarters of the region's total demand growth, with the remaining one quarter divided more or less equally between Mexico and Canada. **Oil demand growth in the energy-mature European market shows a rise of 1.14% or 0.17 mb/d, while OECD Pacific oil consumption will shrink by 1.21% or 0.11 mb/d, in part due to the restart of almost all the nuclear plants in Japan that were closed down in 2003 on security concerns.**

For the period January-April 2004, OECD oil requirements increased by 0.57 mb/d or 1.15% versus January-April 2003. **Gasoline demand rose 2.24% or 0.32 mb/d to 14.54 mb/d, followed by 1.4% or 0.18 mb/d growth in gasoil and diesel consumption**. LPG demand increased by 2% during the four-month period while marine bunkers (not considered an item of inland consumption) showed growth of 6.7% or 0.1 mb/d. **Residual fuel oil presented the largest consumption drop of almost 9% or 0.3 mb/d within the four-month period.** Crude oil for direct burning, an almost exclusive Japanese occurrence (and also excluded from inland consumption) decreased by 37% due to the restart of almost all 17 of TEPCO nuclear reactors.

DCs

Developing countries oil demand is estimated to grow by 3.73% or 0.74 mb/d to average 20.73 mb/d which is more than two-and-a-half times the growth registered during 2003. Improvements in road infrastructure in India are likely to influence local diesel and gasoline demand. A significant increase in oil product consumption is also anticipated in oil producing nations in the Middle East on the back of higher oil price revenues and large subsidies to the domestic products market. Latin America is also expected to show some growth in demand after several years of contraction. **More than 40% of total DC demand will come from the "Other Asia" group of countries, followed by the Middle East where demand is projected to rise by 5.14% or 0.26 mb/d. Latin America is expected to reverse the trend of the previous years to grow by 2.26% or 0.1 mb/d while African demand will rise by 2.17% or 0.06 mb/d.**

Other Regions

Apparent demand in "Other Regions" is projected to grow by more than 8% or 0.83 mb/d to average 10.95 mb/d. Total apparent demand growth for this group will account for almost 40% of the total oil demand increment, while the group's share of global demand is expected at just above 13%. **The major share of consumption growth will take place in China** where the continued astonishing rate of economic expansion, **together with a surge in automobile sales, have allowed oil demand to rise by nearly 20% in the first quarter of the year**. For the current year, Chinese apparent demand is projected to grow by 13.6% or 0.76 mb/d which represents more than one third of global demand growth. FSU's apparent demand growth is expected to remain flat or in the best case show a marginal increment but we remain very pessimistic about any rise in demand judging by the contraction of more than 14% or 0.58 mb/d observed during the first quarter of 2004.

Table 9
World oil demand forecast for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.04	25.26	24.99	25.47	25.71	25.36	0.32	1.29
Western Europe	15.50	15.80	15.24	15.63	15.96	15.66	0.16	1.03
OECD Pacific	8.67	9.28	7.97	8.17	9.11	8.63	–0.04	–0.51
Total OECD	**49.21**	**50.34**	**48.19**	**49.27**	**50.78**	**49.65**	**0.44**	**0.89**
Other Asia	8.04	8.21	8.09	8.30	8.69	8.32	0.28	3.48
Latin America	4.75	4.63	4.84	4.95	4.91	4.83	0.08	1.66
Middle East	5.30	5.34	5.44	5.67	5.53	5.50	0.20	3.69
Africa	2.64	2.74	2.74	2.65	2.76	2.72	0.09	3.36
Total DCs	**20.73**	**20.92**	**21.11**	**21.57**	**21.89**	**21.38**	**0.64**	**3.10**
FSU	3.83	3.72	3.67	3.81	4.37	3.90	0.07	1.76
Other Europe	0.81	0.93	0.84	0.78	0.87	0.86	0.05	6.28
China	6.32	6.82	6.88	6.80	6.64	6.79	0.47	7.38
Total "Other Regions"	**10.95**	**11.48**	**11.40**	**11.40**	**11.88**	**11.54**	**0.58**	**5.33**
Total world	**80.90**	**82.73**	**80.70**	**82.24**	**84.56**	**82.56**	**1.67**	**2.06**

Totals may not add due to independent rounding.

World demand forecast to rise by 1.67 mb/d to average 82.56 mb/d in 2005

Forecast for 2005

A preliminary forecast for world oil demand in the year 2005 has been drawn on the basis of the following set of assumptions:

- The world economy will continue to grow but at a slower pace than that seen in the present year. Thus, world economic expansion is assumed at 4.3% for 2005 in 1995 on a PPP basis, which is slightly lower than the 4.8% assumed for 2004.
- Temperatures are expected to return to normal conditions after the milder than average weather experienced this year.
- The Chinese economy, which has been the major engine behind the abnormally high growth in oil demand this year, is projected to expand in 2005. Nevertheless, the pace will slow down from the 8.8% projected for 2004 to 7.7% next year.
- Economic expansion in the USA, the other economy that has experienced a substantial growth in oil demand, is forecast to decelerate from the current 4.5% to a more moderate 3.7% in 2005.

Average world oil demand is projected at 82.56 mb/d, implying a gain of 1.67 mb/d or 2.06% over total 2004 consumption. **This preliminary assessment is indeed subject to further adjustment as new information becomes available on key factors, such as the economic growth outlook, weather conditions, unforeseen social and geopolitical events, and variations in crude and product prices.**

Oil consumption is expected to grow in all major regions with the sole exception of OECD Pacific where demand will remain almost flat. North America, especially the USA, will contribute the bulk of demand growth within the OECD countries, while China will make up about one third of total world oil demand growth in 2005 (**see Table 9**).

Demand is projected to rise in each single quarter reaching 84.56 mb/d by the fourth quarter of the year. The seasonality effect has somehow been flattened by the rise in Chinese demand, which has offset the seasonal decline in the Northern Hemisphere spring quarter

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

	1Q04	1Q05	Change 2005/04 Volume	Change 2005/04 %	2Q04	2Q05	Change 2005/04 Volume	Change 2005/04 %
North America	24.98	25.26	0.28	1.13	24.65	24.99	0.34	1.39
Western Europe	15.63	15.80	0.17	1.10	15.18	15.24	0.06	0.40
OECD Pacific	9.39	9.28	–0.11	–1.20	8.15	7.97	–0.18	–2.21
Total OECD	**50.00**	**50.34**	0.34	0.68	47.97	48.19	0.22	0.47
Other Asia	7.95	8.21	0.26	3.22	7.85	8.09	0.24	3.07
Latin America	4.57	4.63	0.06	1.38	4.73	4.84	0.11	2.31
Middle East	5.18	5.34	0.17	3.19	5.12	5.44	0.32	6.21
Africa	2.60	2.74	0.14	5.26	2.64	2.74	0.10	3.83
Total DCs	**20.29**	**20.92**	**0.62**	**3.06**	**20.34**	**21.11**	**0.77**	**3.78**
FSU	3.44	3.72	0.28	8.07	3.57	3.67	0.10	2.76
Other Europe	0.88	0.93	0.05	6.25	0.81	0.84	0.04	4.83
China	6.39	6.82	0.43	6.77	6.34	6.88	0.54	8.53
Total "Other Regions"	**10.71**	**11.48**	**0.77**	**7.15**	**10.72**	**11.40**	**0.68**	**6.33**
Total world	**81.00**	**82.73**	**1.73**	**2.13**	**79.03**	**80.70**	**1.67**	**2.12**

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	25.20	25.47	0.27	1.07	25.31	25.71	0.40	1.57
Western Europe	15.45	15.63	0.19	1.20	15.75	15.96	0.22	1.38
OECD Pacific	8.08	8.17	0.09	1.14	9.09	9.11	0.02	0.23
Total OECD	**48.73**	**49.27**	**0.55**	**1.12**	**50.14**	**50.78**	**0.64**	**1.27**
Other Asia	8.00	8.30	0.29	3.68	8.36	8.69	0.33	3.91
Latin America	4.84	4.95	0.11	2.34	4.88	4.91	0.03	0.62
Middle East	5.51	5.67	0.16	2.97	5.40	5.53	0.14	2.52
Africa	2.60	2.65	0.05	2.07	2.70	2.76	0.06	2.35
Total DCs	**20.95**	**21.57**	**0.63**	**2.98**	**21.34**	**21.89**	**0.56**	**2.61**
FSU	3.90	3.81	–0.09	–2.19	4.39	4.37	–0.02	-0.38
Other Europe	0.73	0.78	0.05	7.06	0.81	0.87	0.06	7.02
China	6.34	6.80	0.46	7.23	6.21	6.64	0.43	6.98
Total "Other Regions"	**10.97**	**11.40**	**0.43**	**3.87**	**11.41**	**11.88**	**0.47**	**4.15**
Total world	**80.64**	**82.24**	**1.60**	**1.98**	**82.89**	**84.56**	**1.67**	**2.01**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Forecast for 2004

Non-OPEC supply for 2004 almost unchanged at 50.02 mb/d in June, an increase of 1.36 mb/d over the figure for 2003

The 2004 non-OPEC supply figure remained almost unchanged at 50.02 mb/d. The redistributed quarterly figures now stand at 49.69 mb/d, 49.60 mb/d, 49.89 mb/d and 50.87 mb/d respectively. The yearly average increase stands at 1.36 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	14.64	14.78	14.65	14.76	14.90	14.77	0.14
Western Europe	6.40	6.42	6.22	5.79	6.17	6.15	–0.25
OECD Pacific	0.64	0.58	0.55	0.58	0.50	0.55	–0.09
Total OECD	**21.68**	**21.78**	**21.42**	**21.13**	**21.56**	**21.47**	**-0.20**
Other Asia	2.39	2.53	2.55	2.55	2.61	2.56	0.17
Latin America	3.91	3.89	3.88	3.97	4.01	3.94	0.03
Middle East	1.99	1.93	1.91	1.90	1.89	1.91	–0.08
Africa	3.05	3.31	3.39	3.58	3.70	3.50	0.45
Total DCs	**11.34**	**11.67**	**11.74**	**12.00**	**12.21**	**11.91**	**0.56**
FSU	10.27	10.79	11.05	11.35	11.64	11.21	0.94
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.41	3.43	3.42	3.41	3.43	3.42	0.01
Total "Other regions"	**13.85**	**14.38**	**14.63**	**14.93**	**15.24**	**14.80**	**0.95**
Total non-OPEC production	**46.87**	**47.84**	**47.79**	**48.06**	**49.01**	**48.18**	**1.31**
Processing gains	1.80	1.85	1.81	1.83	1.87	1.84	0.05
Total non-OPEC supply	**48.66**	**49.69**	**49.60**	**49.89**	**50.87**	**50.02**	**1.36**
Previous estimate	48.66	49.65	49.54	49.88	50.94	50.00	1.34
Revision	**0.00**	**0.04**	**0.07**	**0.02**	**-0.07**	**0.01**	**0.01**

Totals may not add due to independent rounding.

Forecast for 2005

Non-OPEC supply for 2005 forecast at 51.21 mb/d, an increase of 1.19 mb/d above 2004

Non-OPEC supply for 2005 is forecast to rise 1.34 mb/d. **North America is expected to witness a gain of 0.16 mb/d mainly on an 0.08 mb/d increase from Canada. OECD Pacific is likely to slip 0.03 mb/d, while Western Europe would decline 0.09 mb/d, with UK forecast to drop 0.08 mb/d. Total OECD is expected to stay unchanged at 21.5 mb/d. Total DCs would show an increase of 0.57 mb/d mainly contributed by both Latin America, on gains of 0.12 mb/d and 0.05 mb/d from Brazil and Trinidad, and Africa with Angola, Sudan and Chad rising 0.19 mb/d, 0.06 mb/d and 0.04 mb/d. FSU is expected to be the major contributor to the increase in non-OPEC production, mainly pushed up by Russia's rise of 0.45 mb/d and a 0.06 mb/d increase by both Kazakhstan and Azerbaijan.** The quarterly figures stand at 50.91 mb/d, 50.79 mb/d, 51.07 mb/d and 52.07 mb/d respectively. The yearly average is forecast at 51.21 mb/d.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**	**Change 05/04**
North America	14.77	14.94	14.81	14.92	15.06	14.93	0.16
Western Europe	6.15	6.33	6.13	5.71	6.08	6.06	–0.09
OECD Pacific	0.55	0.55	0.52	0.55	0.47	0.52	–0.03
Total OECD	**21.47**	**21.82**	**21.45**	**21.17**	**21.61**	**21.51**	**0.04**
Other Asia	2.56	2.53	2.55	2.55	2.61	2.56	0.00
Latin America	3.94	4.12	4.13	4.21	4.25	4.18	0.24
Middle East	1.91	1.93	1.91	1.90	1.89	1.91	0.00
Africa	3.50	3.71	3.71	3.88	4.00	3.83	0.33
Total DCs	**11.91**	**12.30**	**12.31**	**12.54**	**12.75**	**12.48**	**0.57**
FSU	11.21	11.34	11.61	11.93	12.23	11.78	0.57
Other Europe	0.17	0.17	0.17	0.17	0.17	0.17	0.00
China	3.42	3.44	3.43	3.42	3.45	3.44	0.02
Total "Other regions"	**14.80**	**14.95**	**15.21**	**15.52**	**15.85**	**15.38**	**0.59**
Total non-OPEC production	**48.18**	**49.06**	**48.97**	**49.23**	**50.21**	**49.37**	**1.19**
Processing gains	1.84	1.85	1.81	1.83	1.87	1.84	0.00
Total non-OPEC supply	**50.02**	**50.91**	**50.79**	**51.07**	**52.07**	**51.21**	**1.19**
Previous estimate	1.34						
Revision	**0.01**						

Totals may not add due to independent rounding.

Net FSU oil export forecast at 7.88 mb/d for 2005, 0.5 mb/d over 2004

The FSU net oil export for 2005 is expected at 7.88 mb/d, 0.50 mb/d over the 2004 forecast figure. The figures for 2001-2003 remain unchanged from the last *MOMR*.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	**Year**
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.76	5.85	5.49	**5.56**
2003	5.87	6.75	6.72	6.50	**6.46**
2004 (forecast)	7.35	7.48	7.45	7.25	**7.38**
2005 (forecast)	7.62	7.94	8.12	7.85	**7.88**

OPEC natural gas liquids and non-conventional oils

OPEC NGL for 2005 forecast at 3.99 mb/d, 0.13 mb/d over 2004

OPEC NGL+NCO figure for 2005 is forecast at 3.99 mb/d, an increase of 0.13 mb/d over the 2004 figure. Figures for 2001–2002 remain unchanged at 3.58 mb/d and 3.62 mb/d respectively, while the 2003 figure has been revised up by 0.05 mb/d since the last *MOMR*.

OPEC NGL production — 2001–2005
mb/d

2001	**2002**	**2003**	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**	**2005**	**Change 05/04**
3.58	**3.62**	**3.71**	3.88	3.89	3.82	3.85	**3.86**	0.15	**3.99**	0.13

Available secondary sources put OPEC's June production at 28.92 mb/d

OPEC crude oil production

Available secondary sources indicate that OPEC output for **June was 28.92 mb/d, 0.71 mb/d over the revised May figure. OPEC output for the second quarter stands at an average of 28.39 mb/d.** Table 15 shows OPEC production as reported by selected secondary sources.

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

	2002	2003	1Q04	May 04	**Jun 04***	2Q04*	Jun/May
Algeria	864	1,134	1,171	1,195	1,213	1,194	18
Indonesia	1,120	1,027	981	971	965	970	–6
IR Iran	3,416	3,757	3,889	3,889	3,936	3,906	47
Iraq	2,000	1,323	2,113	1,967	1,788	2,037	–179
Kuwait	1,885	2,173	2,237	2,291	2,350	2,292	59
SP Libyan AJ	1,314	1,422	1,461	1,481	1,521	1,491	40
Nigeria	1,969	2,131	2,343	2,352	2,420	2,372	68
Qatar	648	746	758	768	788	772	20
Saudi Arabia	7,535	8,709	8,426	8,575	9,038	8,624	463
UAE	1,988	2,243	2,252	2,257	2,385	2,241	128
Venezuela	2,586	2,291	2,503	2,474	2,522	2,494	48
Total OPEC	**25,323**	**26,954**	**28,134**	**28,218**	**28,924**	**28,393**	**706**

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

Rig Count

Non-OPEC rig count up by 102 in June

Non-OPEC

Rig activity rose higher in June compared with the May figures. North America gained 86 rigs mainly in Canada. Western Europe's activity also increased by 6 rigs to 71. Rig activity in DCs jumped by 10 rigs to 384, mainly contributed by Latin America.

Table 16
Non-OPEC rig count in 2002–2004

	2002	2003	Change 03/02	May 04	June 04	Change Jun/May
North America	1,162	1496	333	1467	1533	86
Western Europe	85	78	-7	65	71	6
OECD Pacific	17	18	1	22	22	0
OECD	**1,264**	**1,592**	**328**	**1,554**	**1,646**	**92**
Other Asia	111	117	7	128	129	1
Latin America	106	116	10	125	131	6
Middle East	62	70	7	67	68	1
Africa	43	48	5	54	56	2
DCs	**322**	**350**	**28**	**374**	**384**	**10**
FSU	na	na	na	na	na	na
Other Europe	2	2	0	2	2	0
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,588**	**1,944**	**356**	**1,930**	**2,032**	**102**

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

OPEC rig count down by 9 in June

OPEC

OPEC's rig count was 236 in June, a decline of 9 rigs when compared with the May figure. The loss in rig activity was mainly contributed by Algeria and Venezuela.

Table 17
OPEC rig count

	2002	2003	Change 03/02	May 04	Jun 04	Change Jun/May
Algeria	20	20	0	22	19	–3
Indonesia	46	45	–1	49	48	–1
IR Iran	34	35	1	43	41	–2
Iraq	na	na	na	na	na	na
Kuwait	6	5	—1	8	7	–1
SP Libyan AJ	10	10	0	10	9	–1
Nigeria	12	10	–2	7	8	1
Qatar	13	8	–5	6	8	2
Saudi Arabia	32	32	0	31	31	0
UAE	16	16	0	17	16	–1
Venezuela	42	37	–6	52	49	–3
Total OPEC	**231**	**217**	**–14**	**245**	**236**	**–9**

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

Stock Movements

Seasonal 0.8 mb/d build in US commercial stocks at the end of June

USA

US commercial onland stocks continued to increase adding 22.8 mb to reach 966.4 mb at a rate of 0.8 mb/d during the period 28 May-2 July 2004. The bulk of this build came from product inventories which increased by 19.5 mb, while crude oil stocks rose only 3.3 mb. This build widened the y-o-y surplus to 54.6 mb or 9%. At 305 mb, crude oil stocks were high, but roughly in line with the five-year average, and around 22 mb or 8% above last year's level at the same time. Strong crude imports, which reached 10.38 mb/d in June or 0.6 mb/d above the previous month, have contributed to build stocks to comfortable levels. In the week ending 2 July, US crude oil imports averaged 10.1 mb/d. This was the seventh consecutive week that crude oil imports have averaged more than 10.0 mb/d, the longest period ever for such a streak. On the product side, gasoline stocks registered a build of 1.8 mb to 206.1 mb and are now in line with the level of a year ago. This build came despite low gasoline yields which have risen 4% in the last three months. In contrast, gasoline imports have increased and the week ending 2 July saw the second highest weekly average ever at 1.26 mb/d. Venezuelan PDVSA contributed to this strong level of imports as they sent a total of 0.72 mb/d of required blending gasoline to New York Harbor. Apparent demand for gasoline was not as high as expected during the summer driving season. Indeed, implied demand was around 9.30 mb/d during the month of June, only 0.9% above the same period last year. Distillate fuel inventories moved up a substantial 5.1 mb to 114.0 mb. This build calmed market participants, who were worried that heating fuel stocks were not rebuilding sufficiently ahead of the upcoming winter season. Distillate fuel stocks are now 2.0 mb or 1.8% above last year's level at this time. This build is mainly due to a higher distillate yield. Crude oil inputs averaged nearly 16.7 mb/d during the month of June, almost 0.45 mb/d above the previous month. In the week ending 2 July, crude oil inputs were around 16.1 mb/d, unchanged from the previous week, but with refineries operating at a strong rate of 96.7% of their operable capacity, up 0.6% from the previous week.

During the same period, SPR continued to grow, increasing 2.1 mb to 662.4 mb, thereby widening the y-o-y surplus to 53.7 mb.

In the week ending 9 July, US commercial stocks rose a slight 0.4 mb to 966.8 mb, lifting the y-o-y surplus to 16 mb or 1.7%. Crude oil stocks fell 2.1 mb to 302.9 in contrast to analysts' expectations that stocks would grow around 1.4 mb. This draw occurred despite crude oil input moving 0.22 mb/d lower to average 15.8 mb. Crude oil imports were around 10.1 mb, slightly down from the previous week, but remained high by historical standards. Even with this draw, crude oil inventories are still 20 mb or 7% above the same period last year and remained at the middle of the average range. Gasoline stocks experienced a marginal draw of 0.2 mb to 205.9 mb and are now about 1 mb higher when compared to the same time last year. Gasoline demand registered a decline of 0.1 mb to average 9.3 mb, but is 6% higher than the previous year. Distillate stocks rose 2.7 mb to 116.7 mb, on top of the previous week's 3.1 mb increase. Heating oil accounted for more than half the rise, increasing 1.4 mb. Distillate imports were key to this build although distillate output was down from last week. The gasoil yield remained high for this time of the year. Despite losing 80,000 b/d to 3.85 m/db, implied demand was still exceptionally high compared to the previous year, registering an increase of 27%. Distillate stocks are now around 3% above the same time a year ago. The SPR rose a marginal 0.5 mb to 662.9 mb, registering a y-o-y surplus of 53 mb.

Table 18
US onland commercial petroleum stocks[*]
mb

	30 Apr 04	28 May 04	2 Jul 04	Change Jun/May	2 Jul 03	9 Jul 04**
Crude oil (excl. SPR)	298.9	301.7	305.0	3.3	283.2	302.9
Gasoline	204.0	204.3	206.1	1.8	205.8	205.9
Distillate fuel	107.2	108.9	114.0	5.1	112.0	116.7
Residual fuel oil	35.3	36.5	37.0	0.5	35.4	36.4
Jet fuel	35.6	37.1	38.2	1.1	38.4	38.3
Unfinished oils	89.8	89.2	88.9	–0.3	88.0	86.3
Other oils	156.3	165.9	177.2	11.3	187.2	135.9
Total	**927.1**	**943.6**	**966.4**	**22.8**	**950.0**	**966.8**
SPR	657.6	660.3	662.4	3.0	608.7	662.9

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

EU-16 stocks decreased 0.3 mb/d in June, mainly due to the draw on products

Western Europe

Total oil stocks reversed the upward trend observed over the last two months falling 8.6 mb to 1,066.9 mb at a rate of 0.3 mb/d. The bulk of this draw came from total products, which decreased 8.8 mb to 609.4 mb, while crude oil stocks remained almost steady increasing only 0.2 mb to 457.4 mb. Total oil stocks are now around 14 mb above a year ago at this time. Crude oil stocks saw a minor build despite the rise in crude runs by 0.11 mb/d to 12.3 mb/d as late refinery maintenance finally ended. This corresponds to a refinery utilization of 93.9%, an increase of 0.8 percentage points. Crude oil inventories remained around 7 mb above the same period last year. On the product side, gasoline stocks fell seasonally by 5.4 mb to 137.2 mb, lifting the y-o-y surplus to 0.3%. This substantial draw on gasoline came on the back of high exports to the USA combined with stronger driving demand. With increased refinery runs in the next months, gasoline stocks should remain adequate this summer. Distillate stocks also slipped 0.6 mb to 334.9 mb to stand for the first time in eight months below year-ago levels. Indeed, distillate inventories are now 1.3 mb below this time a year ago. Strong diesel demand due to the switch to diesel-powered vehicles, as well as a fall in Russian gasoil exports, were behind the draw. Rising refinery throughput should boost distillate production in the coming two months allowing a build in distillate inventories. Fuel oil stocks experienced a draw of 2.0 mb to 113.2 mb but remained at a comfortable y-o-y surplus of 8.5%.

Table 19
Western Europe's oil stocks*
mb

	Apr 04	May 04	Jun 04	Change Jun/May	Jun 03
Crude oil	464.9	457.3	**457.4**	0.2	450.2
Mogas	140.7	142.6	137.2	–5.4	136.8
Naphtha	24.2	25.1	24.2	–0.9	25.8
Middle distillates	331.1	335.5	334.9	–0.6	336.2
Fuel oils	111.5	115.1	113.2	–2.0	104.3
Total products	607.5	618.2	609.4	–8.8	603.0
Overall total	**1,072.4**	**1,075.5**	**1,066.9**	**–8.6**	**1,053.2**

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

Japanese inventories stocks climbed 0.3 mb/d in May, mainly crude oil

Japan

At the end of May, commercial oil stocks reversed the downward trend observed last month, increasing seasonally by 8.1 mb to 168.4 mb at a rate of 0.3 mb/d. Crude oil stocks were mainly responsible for this build, increasing 10.8 mb to 110.8 mb, while total major products provided a cap, decreasing 2.7 mb to 57.6 mb. The build in

commercial oil stocks narrowed the y-o-y deficit to 9.5 mb or 5.3%. Lower refinery runs due to scheduled plant maintenance were behind the build in crude oil inventories, assisted by an increase in crude oil imports. Indeed, crude flows to Japan moved up 4.9% in May, with the top crude supplier being the United Arab Emirates followed by Saudi Arabia. Crude oil stocks now stand at around 2.4 mb or 2.2% ahead of this time a year ago. Gasoline stocks edged seasonably lower by 1.9 mb to 12.6 mb on reduced output combined with a decrease in domestic sales. This draw left the y-o-y shortage at 1.6 mb. Middle distillate inventories remained almost unchanged at 26.2 mb, a drop of 7 mb from the same time last year. Kerosene inventories fell a slight 0.8% due to the start of seasonal refinery maintenance, which postponed the stock build of this product which is also used as a heating fuel. Fuel oil stocks also fell 0.6 mb to 18.8 mb on the back of reduced demand by utilities for "C" grade fuel oil as Japan's biggest utility TEPCO brought more nuclear reactors back on line, reducing fuel oil purchases. Fuel oil stocks were 3.2 mb less than the same time last year.

Table 20
Japan's commercial oil stocks*
mb

	Mar 04	Apr 04	May 04	Change May/Apr	May 03
Crude oil	108.2	100.0	110.8	10.8	108.4
Gasoline	13.5	14.5	12.6	–1.9	14.3
Middle distillates	23.1	26.4	26.2	–0.2	33.2
Residual fuel oil	18.2	19.4	18.8	–0.6	22.0
Total products	54.8	60.3	57.6	–2.7	69.5
Overall total**	**163.0**	**160.2**	**168.4**	**8.1**	**177.9**

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

Balance of Supply and Demand

2004 supply/demand difference revised up to 27.02 mb/d

The summarized supply/demand balance table for 2004 shows a minor upward revision to total non-OPEC supply of 0.03 mb/d to 53.88 mb/d and a significant upward revision to world oil demand of 0.32 mb/d to 80.90 mb/d, resulting in an estimated annual difference of around 27.02 mb/d. The quarterly distribution stands at 27.44 mb/d, 25.53 mb/d, 26.93 mb/d and 28.17 mb/d respectively. The balance for first quarter 2004 has been revised downward slightly by 0.02 mb/d to now stand at 0.70 mb/d, **while the initial second quarter estimate shows 2.86 mb/d.**

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**
(a) World oil demand	78.80	81.00	79.03	80.64	82.89	80.90
(b) Non-OPEC supply(1)	52.37	53.57	53.50	53.71	54.72	53.88
Difference (a – b)	**26.43**	**27.44**	**25.53**	**26.93**	**28.17**	**27.02**
OPEC crude oil production(2)	26.95	28.13	28.39			
Balance	**0.53**	**0.70**	**2.86**			

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

2005 supply/demand difference expected at 27.36 mb/d

The summarized supply/demand balance table for 2005 shows world oil demand expected at 82.56 mb/d and total non-OPEC supply forecast at 55.20 mb/d. This has resulted in an expected difference of around 27.36 mb/d, with a quarterly distribution of 27.81 mb/d, 25.89 mb/d, 27.22 mb/d and 28.51 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**
(a) World oil demand	80.90	82.73	80.70	82.24	84.56	82.56
(b) Non-OPEC supply(1)	53.88	54.92	54.81	55.02	56.05	55.20
Difference (a – b)	**27.02**	**27.81**	**25.89**	**27.22**	**28.51**	**27.36**
OPEC crude oil production(2)						
Balance						

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

Table 23
World oil demand/supply balance
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	47.9	47.9	48.0	48.7	50.0	48.0	48.7	50.1	49.2	50.3	48.2	49.3	50.8	49.6
North America	24.1	24.0	24.1	24.6	25.0	24.6	25.2	25.3	25.0	25.3	25.0	25.5	25.7	25.4
Western Europe	15.1	15.3	15.2	15.3	15.6	15.2	15.4	15.7	15.5	15.8	15.2	15.6	16.0	15.7
Pacific	8.7	8.7	8.6	8.8	9.4	8.1	8.1	9.1	8.7	9.3	8.0	8.2	9.1	8.6
DCs	19.2	19.5	19.7	20.0	20.3	20.3	20.9	21.3	20.7	20.9	21.1	21.6	21.9	21.4
FSU	3.8	3.9	3.8	3.8	3.4	3.6	3.9	4.4	3.8	3.7	3.7	3.8	4.4	3.9
Other Europe	0.7	0.7	0.7	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.4	6.3	6.3	6.2	6.3	6.8	6.9	6.8	6.6	6.8
(a) Total world demand	76.3	76.8	77.2	78.8	81.0	79.0	80.6	82.9	80.9	82.7	80.7	82.2	84.6	82.6
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.7	21.8	21.4	21.1	21.6	21.5	21.8	21.5	21.2	21.6	21.5
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.8	14.9	14.8	14.9	14.8	14.9	15.1	14.9
Western Europe	6.8	6.7	6.7	6.4	6.4	6.2	5.8	6.2	6.1	6.3	6.1	5.7	6.1	6.1
Pacific	0.8	0.8	0.8	0.6	0.6	0.5	0.6	0.5	0.6	0.5	0.5	0.6	0.5	0.5
DCs	10.7	10.9	11.2	11.3	11.7	11.7	12.0	12.2	11.9	12.3	12.3	12.5	12.8	12.5
FSU	7.9	8.5	9.3	10.3	10.8	11.0	11.4	11.6	11.2	11.3	11.6	11.9	12.2	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	45.6	46.4	47.8	48.7	49.7	49.6	49.9	50.9	50.0	50.9	50.8	51.1	52.1	51.2
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	3.8	3.8	3.9	4.0	4.0	3.9	4.0	4.0
(b) Total non-OPEC supply and OPEC NGLs	48.9	50.0	51.4	52.4	53.6	53.5	53.7	54.7	53.9	54.9	54.8	55.0	56.0	55.2
OPEC crude oil production (secondary sources)	28.0	27.2	25.3	27.0	28.1	28.4								
Total supply	76.9	77.2	76.7	79.3	81.7	81.9								
Balance (stock change and miscellaneous)	0.6	0.4	-0.5	0.5	0.7	2.9								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2530	2628	2475	2514	2464									
OECD SPR	1269	1284	1343	1406	1417									
OECD total	3799	3912	3818	3919	3881									
Other onland	1016	1046	1021	1048	1038									
Oil-on-water	876	831	816	885	910									
Total stock	5691	5789	5655	5853	5829									
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	50	51									
SPR	26	27	28	28	30									
Total	79	82	78	79	81									
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.3	7.5	7.5	7.2	7.4	7.6	7.9	8.1	7.9	7.9
(a) - (b)	27.4	26.8	25.8	26.4	27.4	25.5	26.9	28.2	27.0	27.8	25.9	27.2	28.5	27.4

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

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

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	0.1	0.1	0.2	0.1	0.2	0.3	-0.1	0.1	0.1					
North America	-	-	-	-0.1	-0.1	0.1	-0.3	-0.1	-0.1					
Western Europe	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Pacific	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2					
DCs	-	-	-	-	-	-	0.2	0.3	0.1					
FSU	-	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	0.2	-	-	-					
(a) Total world demand	0.1	0.1	0.2	0.1	0.1	0.6	0.2	0.4	0.3					
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-					
North America	-	-	-	-	-	-	-	-	-					
Western Europe	-	-	-	-	-	-	-	-	-					
Pacific	-	-	-	-	-	-	-	-	-					
DCs	-	-	-	-	-	-	-	-0.1	-					
FSU	-	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-					
Processing gains	-	-	-	-	-	-	-	-	-					
Total non-OPEC supply	-	-	-	-	-	0.1	-	-0.1	-					
OPEC NGLs + non-conventionals	-	-	-	-	0.1	-	-	-	-					
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.1	0.1	-	-0.1	-					
OPEC crude oil production (secondary sources)	-	-	-	-	-									
Total supply	-	-	-	-	0.1									
Balance (stock change and miscellaneous)	-0.1	-0.1	-0.2	-0.1	-									
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	7	10	14	-									
OECD SPR	-	-	-	-	-1									
OECD total	-	7	10	14	-2									
Other onland	-	2	3	4	-									
Oil on water	-	-	-1	-	-24									
Total stock	-	9	11	18	-26									
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-									
SPR	-	-	-	-	-									
Total	-	-	-	-	-1									
Memo items														
FSU net exports	-	-	-	-	-	-	-	-	-					
(a) - (b)	0.1	0.1	0.2	0.1	-	0.5	0.2	0.5	0.3					

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

This table shows only where changes have occurred.

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

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04
Closing stock level *mb*																			
OECD onland commercial	2,615	2,698	2,445	2,530	2,628	2,475	2,524	2,597	2,660	2,628	2,604	2,650	2,575	2,475	2,417	2,535	2,585	2,514	2,464
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	1,182	1,208	1,164	1,147
Western Europe	912	963	881	930	923	891	918	909	918	923	932	942	917	891	901	900	917	914	917
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401
OECD SPR	1,254	1,302	1,285	1,269	1,284	1,343	1,270	1,268	1,265	1,284	1,302	1,314	1,319	1,343	1,357	1,361	1,379	1,406	1,417
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654
Western Europe	329	362	347	355	352	353	352	348	343	352	352	348	345	353	363	358	360	369	365
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398
OECD total	**3,869**	**4,000**	**3,729**	**3,799**	**3,912**	**3,818**	**3,794**	**3,864**	**3,925**	**3,912**	**3,906**	**3,964**	**3,895**	**3,818**	**3,774**	**3,896**	**3,964**	**3,919**	**3,881**
Other onland	1,035	1,070	997	1,016	1,046	1,021	1,015	1,033	1,050	1,046	1,045	1,060	1,042	1,021	1,009	1,042	1,060	1,048	1,038
Oil-on-water	812	859	808	876	831	816	903	829	870	831	798	805	802	816	857	886	873	885	910
Total stock	**5,715**	**5,929**	**5,535**	**5,691**	**5,789**	**5,655**	**5,712**	**5,727**	**5,845**	**5,789**	**5,749**	**5,830**	**5,739**	**5,655**	**5,640**	**5,824**	**5,897**	**5,853**	**5,829**
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
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	47
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	58	60	59	59	58	60
OECD Pacific	58	52	50	52	51	47	55	56	53	48	56	55	47	42	50	56	50	46	49
OECD SPR	27	27	27	26	27	28	27	27	26	27	28	28	27	27	29	28	28	28	30
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	27
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	49
OECD total	**83**	**84**	**78**	**79**	**82**	**78**	**81**	**81**	**81**	**81**	**84**	**83**	**79**	**77**	**80**	**81**	**80**	**78**	**81**
Days of global forward consumption	**88**	**89**	**82**	**84**	**86**	**82**	**86**	**85**	**86**	**85**	**87**	**86**	**83**	**82**	**84**	**85**	**84**	**83**	**85**

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	7.88	-0.17	7.85	7.77	7.59	7.61	7.71	-0.17	7.90	7.82	7.64	7.66	7.76	0.05
Canada	2.68	2.73	2.84	0.12	2.96	0.12	3.10	3.01	3.25	3.35	3.18	0.21	3.18	3.08	3.33	3.44	3.26	0.08
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.87	3.92	3.93	3.89	0.09	3.86	3.90	3.95	3.96	3.92	0.03
North America	**14.25**	**14.34**	**14.48**	**0.13**	**14.64**	**0.16**	**14.78**	**14.65**	**14.76**	**14.90**	**14.77**	**0.14**	**14.94**	**14.81**	**14.92**	**15.06**	**14.93**	**0.16**
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.34	3.19	3.07	3.30	3.22	-0.03	3.33	3.18	3.06	3.29	3.21	-0.01
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.24	2.17	1.90	2.01	2.08	-0.25	2.15	2.09	1.83	1.93	2.00	-0.08
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.36	0.37	0.34	0.36	0.36	-0.01	0.36	0.37	0.34	0.36	0.36	0.00
Other Western Europe	0.41	0.39	0.43	0.04	0.44	0.01	0.48	0.49	0.48	0.50	0.49	0.05	0.48	0.49	0.48	0.50	0.49	0.00
Western Europe	**6.79**	**6.69**	**6.65**	**-0.04**	**6.40**	**-0.26**	**6.42**	**6.22**	**5.79**	**6.17**	**6.15**	**-0.25**	**6.33**	**6.13**	**5.71**	**6.08**	**6.06**	**-0.09**
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.53	0.50	0.54	0.46	0.51	-0.09	0.50	0.48	0.51	0.44	0.48	-0.03
Other Pacific	0.06	0.06	0.05	-0.01	0.05	-0.01	0.04	0.04	0.04	0.03	0.04	-0.01	0.04	0.04	0.04	0.03	0.04	0.00
OECD Pacific	**0.83**	**0.77**	**0.76**	**-0.01**	**0.64**	**-0.11**	**0.58**	**0.55**	**0.58**	**0.50**	**0.55**	**-0.09**	**0.55**	**0.52**	**0.55**	**0.47**	**0.52**	**-0.03**
Total OECD	**21.87**	**21.81**	**21.89**	**0.08**	**21.68**	**-0.21**	**21.78**	**21.42**	**21.13**	**21.56**	**21.47**	**-0.20**	**21.82**	**21.45**	**21.17**	**21.61**	**21.51**	**0.04**
Brunei	0.19	0.20	0.20	0.01	0.21	0.01	0.22	0.22	0.23	0.23	0.22	0.01	0.22	0.22	0.23	0.23	0.22	0.00
India	0.74	0.73	0.75	0.01	0.76	0.01	0.80	0.82	0.82	0.86	0.83	0.07	0.79	0.80	0.80	0.84	0.81	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.77	0.06	0.81	0.81	0.85	0.86	0.83	0.05	0.82	0.82	0.87	0.88	0.85	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.00	0.39	0.40	0.36	0.37	0.38	0.03	0.38	0.39	0.35	0.36	0.37	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.32	0.30	0.30	0.31	0.00	0.33	0.33	0.31	0.30	0.32	0.01
Other Asia	**2.18**	**2.20**	**2.27**	**0.07**	**2.39**	**0.13**	**2.53**	**2.55**	**2.55**	**2.61**	**2.56**	**0.17**	**2.53**	**2.55**	**2.55**	**2.61**	**2.56**	**0.00**
Argentina	0.80	0.82	0.80	-0.02	0.78	-0.01	0.73	0.72	0.73	0.73	0.73	-0.05	0.73	0.73	0.73	0.73	0.73	0.00
Brazil	1.35	1.56	1.72	0.16	1.77	0.05	1.74	1.73	1.75	1.72	1.73	-0.04	1.86	1.85	1.87	1.83	1.85	0.12
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.53	0.51	0.50	0.52	-0.03	0.54	0.55	0.53	0.52	0.54	0.02
Ecuador	0.40	0.41	0.40	-0.01	0.42	0.02	0.51	0.52	0.57	0.65	0.56	0.14	0.53	0.55	0.60	0.68	0.59	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.17	0.17	0.19	0.19	0.18	0.01	0.22	0.21	0.24	0.24	0.23	0.05
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.22	0.22	0.22	0.22	0.22	0.00	0.24	0.24	0.24	0.24	0.24	0.02
Latin America	**3.61**	**3.76**	**3.87**	**0.12**	**3.91**	**0.04**	**3.89**	**3.88**	**3.97**	**4.01**	**3.94**	**0.03**	**4.12**	**4.13**	**4.21**	**4.25**	**4.18**	**0.24**
Bahrain	0.19	0.19	0.19	0.00	0.19	-0.01	0.19	0.19	0.19	0.19	0.19	0.00	0.19	0.19	0.19	0.19	0.19	0.00
Oman	0.95	0.95	0.90	-0.05	0.82	-0.08	0.80	0.79	0.80	0.80	0.79	-0.03	0.79	0.79	0.79	0.79	0.79	0.00
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.50	0.51	-0.03	0.52	0.51	0.50	0.50	0.51	0.00
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.41	0.42	-0.02	0.43	0.42	0.42	0.41	0.42	0.00
Middle East	**2.12**	**2.12**	**2.06**	**-0.06**	**1.99**	**-0.07**	**1.93**	**1.91**	**1.90**	**1.89**	**1.91**	**-0.08**	**1.93**	**1.91**	**1.90**	**1.89**	**1.91**	**0.00**
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.94	0.94	0.99	1.03	0.98	0.10	1.13	1.12	1.19	1.23	1.17	0.19
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.19	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.24	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	0.71	0.71	-0.04	0.74	0.72	0.72	0.72	0.72	0.01
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.40	0.44	0.38	0.14	0.37	0.37	0.43	0.47	0.41	0.03
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.25	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.24	0.28	0.25	0.04	0.23	0.23	0.24	0.28	0.25	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.30	0.32	0.32	0.31	0.04	0.34	0.36	0.38	0.38	0.37	0.06
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.19	0.20	0.21	0.20	0.20	0.01	0.19	0.20	0.21	0.20	0.20	0.00
Africa	**2.84**	**2.80**	**3.03**	**0.23**	**3.05**	**0.02**	**3.31**	**3.39**	**3.58**	**3.70**	**3.50**	**0.45**	**3.71**	**3.71**	**3.88**	**4.00**	**3.83**	**0.33**
Total DCs	**10.75**	**10.88**	**11.23**	**0.35**	**11.34**	**0.11**	**11.67**	**11.74**	**12.00**	**12.21**	**11.91**	**0.56**	**12.30**	**12.31**	**12.54**	**12.75**	**12.48**	**0.57**
FSU	**7.91**	**8.53**	**9.34**	**0.82**	**10.27**	**0.92**	**10.79**	**11.05**	**11.35**	**11.64**	**11.21**	**0.94**	**11.34**	**11.61**	**11.93**	**12.23**	**11.78**	**0.57**
Russia	6.49	6.99	7.64	0.65	8.46	0.82	8.89	9.11	9.50	9.65	9.29	0.83	9.33	9.55	9.96	10.11	9.74	0.45
Kazakhstan	0.71	0.79	0.94	0.15	1.03	0.09	1.12	1.15	1.09	1.21	1.14	0.11	1.17	1.21	1.15	1.27	1.20	0.06
Azerbaijan	0.27	0.30	0.32	0.02	0.31	-0.01	0.31	0.31	0.30	0.29	0.30	-0.01	0.37	0.37	0.36	0.35	0.36	0.06
FSU Others	0.44	0.44	0.45	0.01	0.47	0.02	0.47	0.48	0.46	0.49	0.48	0.01	0.47	0.48	0.46	0.49	0.48	0.00
Other Europe	**0.18**	**0.18**	**0.18**	**-0.01**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**	**0.00**
China	**3.23**	**3.30**	**3.39**	**0.10**	**3.41**	**0.01**	**3.43**	**3.42**	**3.41**	**3.43**	**3.42**	**0.01**	**3.44**	**3.43**	**3.42**	**3.45**	**3.44**	**0.02**
Non-OPEC production	**43.93**	**44.69**	**46.03**	**1.34**	**46.87**	**0.84**	**47.84**	**47.79**	**48.06**	**49.01**	**48.18**	**1.31**	**49.06**	**48.97**	**49.23**	**50.21**	**49.37**	**1.19**
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.83	1.87	1.84	0.05	1.85	1.81	1.83	1.87	1.84	0.00
Non-OPEC supply	**45.58**	**46.38**	**47.76**	**1.38**	**48.66**	**0.90**	**49.69**	**49.60**	**49.89**	**50.87**	**50.02**	**1.36**	**50.91**	**50.79**	**51.07**	**52.07**	**51.21**	**1.19**
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.59	3.62	3.63	0.06	3.70	3.71	3.64	3.66	3.68	0.05
Non-conventional oils	0.17	0.18	0.20	0.02	0.14	-0.06	0.23	0.23	0.23	0.23	0.23	0.09	0.31	0.31	0.31	0.31	0.31	0.08
OPEC NGLs + non-conventional oils	**3.34**	**3.58**	**3.62**	**0.03**	**3.71**	**0.09**	**3.88**	**3.89**	**3.82**	**3.85**	**3.86**	**0.15**	**4.01**	**4.02**	**3.95**	**3.97**	3.99	**0.13**
Total Non-OPEC and OPEC NGLs	**48.92**	**49.96**	**51.38**	**1.41**	**52.37**	**0.99**	**53.57**	**53.50**	**53.71**	**54.72**	**53.88**	**1.51**	**54.92**	**54.81**	**55.02**	**56.05**	**55.20**	**1.32**

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

Table 27
Non-OPEC Rig Count

	2000	2001	Change 01/00	1Q02	2Q02	3Q02	4Q02	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	May04	Jun04	2Q04	Change Jun04 - May04
USA	916	1,156	240	818	806	853	847	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,164	1,176	1,164	12
Canada	344	342	-2	383	147	250	283	266	-76	494	203	383	408	372	106	528	187	265	202	78
Mexico	44	54	10	63	61	62	76	65	11	82	84	96	107	92	27	107	116	112	113	-4
North America	**1,305**	**1,552**	**247**	**1,264**	**1,014**	**1,165**	**1,206**	**1,162**	**-390**	**1,476**	**1,315**	**1,567**	**1,624**	**1,496**	**334**	**1,754**	**1,467**	**1,553**	**1,479**	**86**
Norway	22	23	1	20	20	17	19	19	-4	18	19	20	18	19	0	19	15	19	18	4
UK	18	24	6	28	30	24	23	26	2	19	21	22	16	20	-6	15	16	20	19	4
Denmark	3	4	1	5	4	3	5	4	0	3	5	3	4	4	0	4	5	2	4	-3
Other Western Europe	82	44	-38	39	38	33	34	36	-8	36	34	38	37	36	0	31	29	30	30	1
Western Europe	**125**	**95**	**-30**	**92**	**91**	**76**	**81**	**85**	**-10**	**77**	**78**	**83**	**75**	**78**	**-7**	**69**	**65**	**71**	**70**	**6**
Australia	10	10	0	9	9	9	9	9	-1	10	10	11	13	11	2	12	14	14	13	0
Other Pacific	7	9	2	8	7	7	10	8	-1	8	7	8	6	7	-1	7	8	8	8	0
OECD Pacific	**17**	**20**	**3**	**17**	**16**	**16**	**19**	**17**	**-3**	**18**	**17**	**18**	**19**	**18**	**1**	**19**	**22**	**22**	**22**	**0**
Total OECD*	**1,447**	**1,667**	**220**	**1,373**	**1,121**	**1,257**	**1,306**	**1,264**	**-403**	**1,571**	**1,411**	**1,669**	**1,719**	**1,592**	**328**	**1,842**	**1,554**	**1,646**	**1,570**	**92**
Brunei	2	3	1	2	3	3	3	3	0	3	4	4	2	3	0	2	3	3	3	0
India	49	50	1	52	54	55	57	55	5	59	60	61	62	60	5	64	67	71	68	4
Malaysia	7	11	4	12	13	15	14	14	3	14	13	16	15	14	0	15	17	13	15	-4
Papua New Guinea	0	1	1	1	1	1	1	1	0	1	2	2	1	2	1	3	1	2	2	1
Vietnam	8	8	0	8	8	9	10	9	1	9	9	10	8	9	0	8	10	7	9	-3
Asia others	16	22	6	26	29	33	32	30	8	31	28	26	30	29	-1	27	30	33	31	3
Other Asia	**83**	**95**	**12**	**100**	**109**	**116**	**117**	**111**	**16**	**117**	**115**	**119**	**118**	**117**	**6**	**119**	**128**	**129**	**128**	**1**
Argentina	57	71	14	49	45	49	54	49	-22	59	66	59	57	60	11	64	72	76	73	4
Brazil	23	28	5	27	27	27	26	27	-1	27	27	27	25	26	-1	24	26	26	26	0
Colombia	14	15	1	13	13	10	9	11	-4	10	9	11	12	11	0	8	9	8	9	-1
Ecuador	7	10	3	10	9	8	8	9	-1	9	11	8	8	9	0	7	8	10	9	2
Peru	4	4	0	2	2	2	1	2	-2	2	2	3	3	3	1	2	1	2	2	1
Trinidad & Tobago	4	5	1	5	4	4	4	4	-1	3	3	3	3	3	-1	3	3	4	4	1
L. America others	12	7	-5	4	4	4	5	5	-2	3	4	4	5	4	-1	6	6	5	6	-1
Latin America	**120**	**141**	**21**	**110**	**103**	**104**	**107**	**106**	**-35**	**113**	**121**	**114**	**114**	**116**	**10**	**114**	**125**	**131**	**127**	**6**
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	1	27	29	30	32	29	4	33	34	36	36	35	6	36	34	34	35	0
Syria	14	19	5	20	21	23	24	22	3	23	23	26	23	24	2	24	24	25	24	1
Yemen	6	6	0	8	9	9	11	9	3	11	10	9	7	9	0	7	8	8	8	0
Middle East	**45**	**50**	**5**	**57**	**60**	**64**	**69**	**62**	**12**	**70**	**68**	**72**	**68**	**70**	**8**	**69**	**67**	**68**	**68**	**1**
Angola	6	5	-1	5	6	6	5	5	0	3	4	3	6	4	-1	4	3	3	3	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	-2	1	1	1	1	1	0	0	1	1	2	1	0	2	1	3	2	2
Egypt	18	22	4	22	23	22	23	23	1	26	26	27	26	26	3	27	28	28	28	0
Gabon	2	2	0	1	2	2	2	2	0	3	4	1	3	3	1	2	2	2	2	0
South Africa	1	1	0	1	1	1	0	1	0	0	1	0	1	0	-1	0	0	0	0	0
Africa other	5	4	-1	11	12	12	12	12	8	12	14	12	14	13	1	15	20	20	18	0
Africa	**34**	**36**	**2**	**41**	**45**	**44**	**43**	**43**	**7**	**45**	**50**	**44**	**51**	**48**	**5**	**48**	**54**	**56**	**53**	**2**
Total DCs	**282**	**322**	**40**	**307**	**317**	**328**	**336**	**322**	**0**	**346**	**354**	**350**	**350**	**350**	**28**	**350**	**374**	**384**	**376**	**10**
FSU	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0
Other Europe	**3**	**3**	**0**	**2**	**2**	**2**	**2**	**2**	**-1**	**2**	**2**	**2**	**2**	**2**	**0**	**2**	**2**	2	2	0
China	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0
Non-OPEC Rig count	**1,732**	**1,992**	**260**	**1,682**	**1,440**	**1,587**	**1,644**	**1,588**	**-404**	**1,919**	**1,767**	**2,021**	**2,071**	**1,944**	**356**	**2,194**	**1,930**	**2,032**	**1,949**	**102**

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

Main Contributors to Monthly Oil Market Report

WORLD ECONOMY	Mr. M. Behzad e-mail: mbehzad@opec.org Mr. G. Skipper e-mail: gskipper@opec.org
CRUDE OIL PRICES	Mr. O. Salas e-mail: osalas@opec.org Mr. F. Al Nassar e-mail: fal-nassar@opec.org
PRODUCTS AND REFINERY OPERATIONS	Mr. S. Keramati e-mail: skeramati@opec.org
THE TANKER MARKET	Mr. J. Bahelil e-mail: jbahelil@opec.org
WORLD OIL DEMAND	Dr. M.R. Jazayeri e-mail: sjazayeri@opec.org
WORLD OIL SUPPLY	Mr. Z. Mohammad e-mail: zmohammad@opec.org
STOCK MOVEMENTS	Dr. A. Yahyai e-mail: ayahyai@opec.org
COORDINATORS	Mr. M. Alipour-Jeddi Head, Petroleum Market Analysis Dept. e-mail: majeddi@opec.org Dr. A. Yahyai e-mail: ayahyai@opec.org

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Data Summary July 2004

OPEC Basket average price

US$ per barrel

down 1.66 in June

June 2004	***34.61***
May 2004	*36.27*
Year-to-date	*32.59*

June OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.21*	*Kuwait*	*2.35*	*Saudi Arabia*	*9.04*
Indonesia	*0.96*	*SP Libyan AJ*	*1.52*	*UAE*	*2.38*
IR Iran	*3.94*	*Nigeria*	*2.42*	*Venezuela*	*2.52*
Iraq	*1.79*	*Qatar*	*0.79*	***TOTAL***	***28.92***

Supply and demand

in million barrels per day

2004		**2005**	
World demand	*80.90*	*World demand*	*82.56*
Non-OPEC supply	*53.88*	*Non-OPEC supply*	*55.20*
Difference	***27.02***	***Difference***	***27.36***

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

Stocks

Commercial oil stocks registered a second build of 0.8 mb/d in USA in June

World economy

World GDP growth remains unchanged for 2004 and estimated at 4.3% for 2005

Issued 19 July 2004 *Data covers period up to end of June 2004 unless otherwise stated*

Next report to be issued on 18 August 2004