OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

January2005

Feature Article:

Sharp rise in OPEC supply leads to significant stock-build

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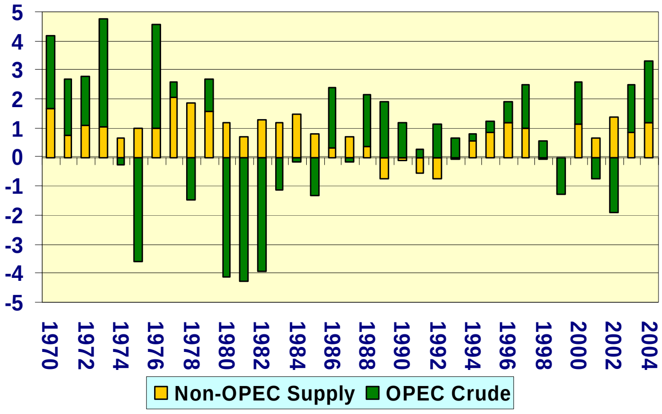
Oil Market Highlights

- The world economy ended 2004 on a strong note although the Euro-zone continued to grow at a subdued pace. Consumer spending remained the driving force behind the US economy whilst growing domestic and international demand for capital goods boosted the performance of Japan. Data for the Chinese economy confirmed that total exports rose by 35% in 2004, fully matching the strong performance of 2003. Chinese fiscal and monetary policies are expected to tighten during 2005 but the slowdown in industrial activity has been moderate thus far. The world economy is estimated to have grown by 4.9% in 2004, an increase of 0.1% on the previous forecast.
- The US trade deficit in November widened to $60 billion. The changes in the exchange rate of the dollar against currencies other than the euro have been small and further adjustment in global consumption and production patterns may follow in the medium term. The forthcoming G7 meeting in February may see rising pressure on Asian authorities to permit currency appreciation.
- The Euro-zone growth forecast for 2005 has been cut to 1.6% as the further appreciation of the euro will reduce European exports. The forecast for Japan is unchanged at 1.6%. The US economy is expected to benefit from the strong economic momentum from 2004 and as a result the growth forecast for 2005 has been raised by 0.1% to 3.3%. The 2005 growth rate forecast for China has also been increased slightly to 7.8%. Reflecting these adjustments, the forecast growth rate for the world economy in 2005 has risen by 0.1% to 4.1%.
- The market continued the downward movement in December dropping to $35.70/b, down 8.4% or $3.26 from the previous month. Prices eased early in the month on a relatively warm winter and an early expectation that OPEC would refrain from cutting production at the 10 December Cairo Meeting, along with the return of disrupted Nigerian production. A series of production outages and a cold snap in the northern hemisphere pushed prices higher later in the month, supported by OPEC's decision to reign in excess production effective 1 January. Prices dipped again in the final week on balmy winter weather. The Basket's yearly average stands at $36.05/b, which represents a gain of 28% or $7.95/b over 2003. Turning to 2005, the year-to-date average stood at $38.39/b on 17 January on supply concerns due to weather-related North Sea disruptions and the forecast of colder weather in the Northern hemisphere.
- The continuation of mild weather together with the high refinery runs and production slashed various product prices, particularly those of middle distillates which have been the main driving force in the market since the middle of August last year. These developments have triggered a fall in refining margins across the globe in December, with margins down 63% in the USA, 37% in Europe and 45% in Singapore from the previous month. With the forecast of a cold snap in the Northern hemisphere, especially in the US Northeast, and reduced refinery runs in the winter maintenance schedule, product prices are expected to recuperate part of last month's losses to support refining margins and crude oil prices in the current year.
- In December, OPEC area spot fixtures plunged by 2.1 mb/d, the highest fall in the last four months, due to a lull in activity as most of the ship brokers were out of the market for the holidays. In addition, OPEC's decision to cut production by 1 mb/d, effective January 2005, put downwards pressure on the number of fixtures. Freight rates for crude oil cargoes plunged sharply from the 30-year highs reached in November, except for the Aframax Caribbean/US East Coast route, where freight rates continued to increase. Freight rates for products showed mixed directions, with the market in the Mediterranean region remaining strong.
- The world oil demand growth figure for the year that just ended remained 2.5 mb/d, unchanged from that forecast in the previous *MOMR*. However, the level of total world oil demand for 2004 now stands at 82.0 mb/d, which is 0.2 mb/d higher than the previous estimate, as a result of an upward revision to the previous year's data. Following an upward revision in total world economic activity in 2005 — now estimated at 4.1 % on a PPP basis — and due to signs of solid consumption in November and December in several OECD economies and China, the global demand growth figure has seen a further upward adjustment. Accordingly, world oil demand growth for 2005 is now estimated at 1.6 mb/d, which translates into a 2% rise for the year, resulting in a yearly global demand average of 83.6 mb/d.
- OPEC crude oil production in December, based on secondary sources, is estimated at 29.7 mb/d, a slight increase from the revised November figure. Non-OPEC oil supply for 2004 is estimated at 49.8 mb/d, which is 1.2 mb/d above the 48.6 mb/d estimated 2003 figure. Non-OPEC supply in 2005 is expected to reach 51.0 mb/d, an increase of 1.2 mb/d over the 2004 estimate. Net FSU exports for 2004 and 2005 are estimated at 7.3 mb/d and 7.7 mb/d respectively.
- OECD commercial oil stocks in November continued their upward trend in the second half of 2004, rising 43 mb over the previous month to reach 2,663 mb in November. At regional levels, preliminary data shows US commercial oil stocks ended the year with a seasonal draw of 12.9 mb or 0.5 mb/d to stand at 965.8 mb during the period 3-31 December 2004. The draw was preceded by a large contra-seasonal build in November and has been followed more recently by a stock-build of 3 mb in the week ending 14 January. Oil stocks in Eur-16 (EU plus Norway) reversed longstanding, continuous builds, falling a substantial 36 mb or 1.2 mb/d to stand at 1,068.1 mb during December, mainly due to temporary supply outages in North Sea production. Total commercial oil stocks in Japan displayed a considerable build of 10.8 mb or 0.4 mb/d to stand at 205.6 mb in November, the highest level since October 2001.

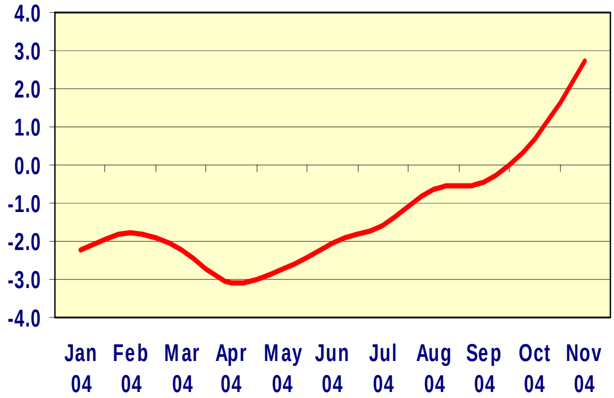
Sharp rise in OPEC supply leads to significant stock-build

- Throughout 2004, a great deal of commentary has focused on the record rise in global oil demand, driven by a sharp increase in consumption from China. Much less attention has been given to the substantial rise in global oil supply, driven by significant output from OPEC Member Countries as well as steady gains from Russia and the Caspian region.
- According to initial estimates, world oil supply ended 2004 averaging about 82.8 mb/d for an increase of 3.5 mb/d over the previous year. This represents a growth rate only seen once before in the past 18 years. Non-OPEC supply contributed about 1.2 mb/d of this increase, with more than half coming from FSU, specifically Russia with 0.73 mb/d and Kazakhstan with 0.15 mb/d. Other areas showing supply growth were Africa particularly Congo which added 0.16 mb/d and Canada where growth in synthetic crude and bitumen production offset supply declines from conventional crude resulting in an increase to 0.11 mb/d.

Graph 1: Source of world oil supply growth (mb/d)



Graph 2: OECD commercial stocks, deviation from five-year average (%)



- In addition to the unexpected rise in demand, supply outages and declines also dominated the market's attention in 2004. Developments in the ongoing Yukos affair in Russia raised market concern that close to 1 mb/d could be disrupted, although as of yet only a small amount of exports to China have been suspended. More substantial was Hurricane Ivan's impact on supply, which substantially damaged oil infrastructure in the Gulf of Mexico. At its peak, the hurricane initially shut in over 1 mb/d in production, while 145,000 b/d has yet to return online. Because of these events, total non-OPEC supply growth was not exceptionally higher last year than in previous years. In fact, it remained below the incremental registered in 2002 (see **Graph 1**).
- Further supply concerns came from frequent attacks on the oil infrastructure in Iraq, which periodically reduced that country's exports. Potential disruptions due to social and political unrest in Nigeria and Venezuela also increased market sensitivities on the supply side. Less dramatically but possibly more significant has been the steady decline in North Sea production, which has been the greatest source of global oil supply in the past 30 years. Over the last year, UK crude production decreased 0.2 mb/d, while Norway lost around 70,000 b/d. The combined effect of these steady declines along with unforeseen events in oil exporting countries made the market especially nervous about the adequacy of supply, adding a very large premium to oil prices.
- In response to these developments and in an ongoing effort to meet the needs of the market, OPEC over the course of 2004 increased its production ceiling in three stages for a total rise of 3.5 mb/d. At the same time, actual production in 2004 reached 29.1 mb/d, the highest output level in almost 25 years. This corresponds to growth of 2.2 mb/d, a level not seen since the 2 mb/d registered in 1986. In October alone, OPEC production rose above 30 mb/d, the highest recorded monthly level since at least 1980, when the Secretariat began compiling secondary sources. Such a substantial increase in OPEC production was more than enough to compensate for any supply disruption seen in the market in 2004.
- Thus, while world oil demand rose sharply in 2004 by 2.5 mb/d, global production also saw the abovementioned larger rise of 3.5 mb/d, sufficient to both meet demand as well as allow for commercial inventories to be refilled to normal levels within the five-year average while strategic petroleum reserves also accumulated significant volumes. Given that global production exceeded world oil demand by 0.8 mb/d, a global stock-build of around 290 mb could be expected.
- Available information shows that OECD commercial inventories at the end of November 2004 recovered to within their five-year average after having fallen well below normal levels at the end of 2003 (see **Graph 2**). Indeed, OECD stocks have accumulated around 136 mb since the beginning of 2004 to now stand at 2,663 mb, a level seen only in 1997 and 1998 when excessively low prices allowed such a strong build in stocks.

- A look at the inventory picture in the USA only further confirms this trend. By the end of 2004, total US commercial stock levels recovered from earlier shortfalls to move within their five-year average, registering a year-on-year surplus of around 34 mb or 4%. Crude oil stocks have contributed massively to this build, increasing by almost 23 mb or 9% to stand at 5 mb or 2% higher than the previous year's average. Moreover, in 2003, US commercial crude oil stocks declined while the US Strategic Petroleum Reserve (SPR) grew. In contrast, the year 2004 saw a steady increase in both commercial inventories as well as the SPR, with strategic stocks reaching 674 mb at the end of the year, a gain of more than 36 mb from the same time in the previous year. The latest weekly data from the US Department of Energy on 14 January further confirmed this upward trend.
- The recovery in US crude oil commercial stocks and the continued filling of the SPR reflects strong crude oil import growth, surpassing 10 mb/d in 2004, almost half a million barrels more than the average of 2003. It is important to note that last year OPEC production was strong enough to not only contribute this build of half-a-million barrels but also made up for the decline in imports from all other producing regions.
- This effort has helped the OPEC Reference Basket (ORB) to moderate from a peak of $46.6/b reached on 21 October to remain close to $35/b for much of December. However, with the start of this month, oil prices have steadily increased with ORB rising to more than $40/b mainly due to seasonal characteristics, such as the expected shift toward colder weather in the Northern hemisphere amid supply concerns following disruptions in the North Sea, Gulf of Mexico and Iraq.
- Global oil supply — particularly OPEC output — remains strong and should easily offset the continued strength in demand growth. Following the latest revisions, in the first quarter of 2005, with demand now expected to reach 83.7 mb/d and non-OPEC supply at 54.9 mb/d, this should result in a higher difference of 28.8 mb/d. With the current agreed output of OPEC-10 at 27 mb/d, OPEC production would be more than sufficient to meet the expected demand and may lead to a further stock-build in the first quarter.

Highlights of the World Economy

Economic growth rates 2004-2005
%

	World	G-7	USA	Japan	Euro-zone
2004	**4.9**	**3.3**	**4.4**	**2.9**	**1.9**
2005	**4.1**	**2.5**	**3.3**	**1.6**	**1.6**

Industrialised countries

United States of America

US Federal Reserve recognised inflation and speculative risks at December meeting.

Year-end reports from the US economy indicate that the momentum of the third quarter continued in the final months of 2004 and probably provided a good start to 2005. Retail sales rose by 1.4% in December. After adjusting for volatile components such as autos and building materials, it appears that overall real consumption rose by at least 4% in the fourth quarter. Industrial production was up nearly 5% on an annualized basis over the second half of 2003, and thus capacity utilisation continues to tighten which might indicate higher inflation later this year. **The trade deficit expanded to a record $60 billion in November.** A rise in oil imports accounted for part of the increase but there was a notable softening in exports in all major categories which reflected the generally poor performance of partner economies in the third quarter. It will take time for the weaker dollar to improve the trade deficit. The first impact of a depreciation on the trade balance is usually negative. Indeed, US import prices in November were 4% higher than year ago levels and over the past year the volume of imports has been rising at a rate of nearly 10%. Eventually the shift in relative prices should prompt a reduction in demand for more expensive imports. Although domestic demand was undoubtedly strong in the fourth quarter the very weak trade performance suggests that the GDP growth rate was no more than 3.5%. **Overall the domestic sectors of the US economy showed a strong finish to 2004 and most sectors, particularly fixed investment, look set to continue to grow in the first quarter of 2005. The problems lie rather in the financial and monetary consequences.** Producer price inflation is already on a rising trend and further dollar weakness may boost the US core consumer prices by up to 0.5% in 2005 and 2006. The weaker currency has a direct effect on import prices but also affects domestic prices as the costs of industrial materials and supplies increase. The rise in import prices also contributes to an easing of competitive pressures on domestic producers. Thus far the reaction of the Federal Reserve has been muted as the central bank has no interest in worsening the economy's perception of future inflation. Nevertheless the minutes of the December Federal Reserve policy meeting were significant. The Federal Reserve took special note of inflation risks, the still high level of oil prices and signs of deteriorating inflation expectations in the bond market. **The implication is that the balance of risk has shifted and that the Federal Reserve is now more concerned with rising inflation than weakening growth, indicating that higher interest rates could be on the way.** For this reason it seems reasonable to expect the momentum of consumer spending to slow at some time in 2005, with the housing market being particularly vulnerable. One positive result of such a slowdown might be an improvement in the US current account deficit through lower imports. To the extent that US domestic demand slows and the current account improves, the need for a further large depreciation in the value of the US dollar will be avoided and international financial conditions will be the more stable. Much depends on the speed at which US interest rates are raised in 2005. If the Federal Reserve raises rates by 50 basis points at some stage in the first half of the year, market participants may expect lower US growth and an improved overseas trade performance in the remainder of the year.

Japan

Year-end data suggest economic recovery is under way. Yen strength remains a threat.

The Japanese economy began to slow in the middle of 2004 and this weakness continued until the autumn. Until the release of the December Tankan survey by the Bank of Japan, most economic data showed that a downward adjustment was underway and that confidence levels were falling. Right at the end of the year some positive data began to emerge. November exports were stronger than had been anticipated and industrial production showed signs of improvement. Real exports in November rose by 2.9%, month-on-month, following gains in October. Exports to China were particularly strong with substantial increases in the exports of infrastructure-related goods. Industrial production increased by 1.5% month-on-month and November saw the first increase in IT-related goods production since the summer. The period when high-tech companies were forced to reduce production due to higher inventories may be coming to an end. **The composite index in the Tankan survey also confirmed that the economy is on a**

recovery path and that the first quarter should see a gradual increase in economic activity. A major risk to the outlook remains the appreciation of the yen. In January the yen rose to a five-year high against the dollar in anticipation of the forthcoming G7 meeting. The markets anticipate that Asian currencies will come under further pressure to appreciate in order to divert some pressure from the euro. Continued weakness in European demand poses an additional threat to Japanese exports although current trends in US and Chinese imports are encouraging. Domestic spending should also support the economy in the near term. November data for real household consumption showed only a 0.4% decline year-on-year although consensus forecasts had anticipated a 1.5% decline. **Retail sales actually showed a slight increase over the levels of 2003 after three months of declines** and real private consumption is expected to grow by over 1.5% in the first quarter of this year. Investment spending was also surprisingly strong towards the end of 2004 as machinery orders in November rose by 19%, month-on-month. If this level of orders were maintained in December, fourth quarter orders would be back to the levels of the first half of the year. Overall it is possible that Japanese GDP grew by as much as 2% in the final quarter of 2004. **Looking ahead to 2005, the Japanese economy may see an end to the long period of deflation.** Such an event would be a major boost to companies and speed the remaining restructuring of the financial sector. Positive growth of nominal GDP (which has not been achieved since 1999) should lead to a sharp rise in corporate profits and the willingness of companies to borrow and expand. Japanese companies' cash flow is at a high level as a result of low levels of capital expenditure over the past three years and there is considerable potential for a sharp recovery. Growth in profits and capital expenditure would also underpin a solid recovery in employment incomes in 2005.

Euro-zone

Industrial activity ended 2004 on a weak note. In 2005 the Euro-zone will be exposed to the stronger euro and lower world trade growth.

Forecasts of economic growth for the Euro-zone for 2005 have been revised down below the already disappointing growth rate expected for 2004. In 2005 growth in the Euro-zone is forecast to be only 1.6%[1]. Industrial production in the euro zone fell in November by 0.3% below the level of October, while in comparison to November 2003 industrial production gained 0.5%. There was a particularly sharp decline in the production of consumer durables and investment goods in comparison to October. **The worst performing major economy in November was Germany as industrial production fell by 1.7%, to a level 0.4% below that of November 2003.** Production was stable in France and the UK whilst Spain and southern Europe achieved substantial gains. Retail sales in the euro zone performed better in November, holding on to a 0.4% rise achieved in October and car sales were also surprisingly healthy. Preliminary data from Germany indicate that total GDP grew by 1.7% in 2004. Adjusting for the high number of working days in 2004 reduces the growth rate to 1.1%. Apart from inventory accumulation, domestic demand had a negative effect on GDP and the main growth contribution came from exports which added 1.2% to overall GDP growth. World trade grew by about 10% in 2004 but lower growth is expected in 2005 and this factor, together with the strong euro, will slow the expansion in German exports. In 2005 domestic demand will at best offset the export slowdown and the overall growth rate will be similar to that of 2004. **Taking account of the lower number of working days in 2005 means that the GDP growth rate will struggle to reach 1%.** France is expected to have performed slightly better than Germany in the fourth quarter and annualised growth of at least 2.5% was within reach. Continuing the trend of earlier in the year, French consumption was strong in the fourth quarter although the December survey indicated a further deterioration in consumer confidence to the lowest level since December 2003. The rise in household spending was concentrated in consumer durables, notably cars, IT products and household equipment. Net trade showed no improvement in the fourth quarter. **Overall the outlook for Euro zone GDP in the final quarter of 2004 and the first quarter of 2005 is for continued, subdued growth at a annualised rate of about 1.5% — rather lower than the 1.9% midpoint of the latest ECB growth projection for 2005.** Lower oil prices, the lack of any second round impact of higher energy costs on wage developments and the disappointing performance of domestic demand in Europe have surely eliminated the chance of higher interest rates in the near term. Inflation is unlikely to be a problem in 2005, indeed the higher value of the euro should drive the core rate of inflation towards 1.5% by the second quarter, well below the end-2004 rate of about 2%.

[1] Part of the explanation of the low growth rate is the lower number of working days in 2005.

Former Soviet Union

Growth rate of Russian economy increased in the fourth quarter.

In the third quarter Russian real GDP growth slowed to 6.4% from 7.4% in the first half of the year but an improvement was achieved towards the end of 2004. Total industrial output rose by only 3.5% in October but showed much better 6% growth in November. Throughout 2004 the growth rate of the service sector accelerated, reaching 8.3% in the third quarter. Household consumption also continued to grow rapidly and retail trade turnover grew by over 13% in nominal terms in November. **Overall the growth rate of Russian GDP showed a slight improvement in the fourth quarter, rising to about 6.8%** as investment spending also accelerated, growing by 10% over 2003 levels in November. Light industry proved an exception to the general trend as output was 3.4% below the levels of November 2003. Imports continue to gain market share. Exports, in turn, have been affected by the rather depressed performance of the European economy in 2004, higher Russian inflation and the rising real value of the rouble. **In December the rouble appreciated by over 2% against the dollar and in real effective terms the currency was 17% above the levels of December 2003.** Inflation in Russia rose to nearly 12% in November. Although export growth has slowed recently the level of the trade surplus remains very high. The balance for the first ten months of 2004 was $70 billion, a 40% increase on the surplus recorded in the same period in 2003. **The dilemma facing the Russian Central Bank illustrates the problems of monetary authorities which try to manage both the inflation rate and the exchange rate at the same time. The only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to appreciate.** Looking forward to 2005, GDP is likely to grow by no more than 6%, indeed the forecast of the Ministry of Economic Development and Trade is only 5.8%. Fears of higher taxation and uncertainty about the outcome of the Yukos affair will restrain business investment. Domestic incomes will continue to grow strongly but rising import penetration will hold back local producers.

Eastern Europe

Fourth quarter growth improved in the region following third quarter slowdown.

Slow Euro-zone growth in the second half of 2004 moderated the strong momentum of the Polish economy but **the overall performance in 2004 was impressive as GDP rose by about 5.7%**. GDP grew by only 4.8% in the third quarter and industrial confidence indicators were cautious for the remainder of the year as companies reported declines in new orders. Nevertheless total industrial output in November was 11.3% above year-ago levels. Manufacturing output rose by 12.8% in November and it seems that the total growth rate for 2004 will be close to 15%. Inflation was unchanged at 4.5% in November, and declining demand pressure should be consistent with a further gradual fall to 4%. During 2004 the zloty appreciated by 18% versus the dollar and this strength will help reduce inflation further in 2005 — indeed the National Bank of Poland expects that consumer price inflation will fall to 2.5% by the middle of the year. **The main problem facing the Polish authorities has been the budgetary outlook and 2004 has seen considerable progress.** Stronger-than-expected tax revenues and transfer payments from the EU means that the overall deficit for 2004 was less than 6% of GDP. **Implementation of the proposed budget for 2005 would reduce the deficit further to no more than 4% of GDP.** In the Czech Republic the economic outlook remains stable. Growth in 2005 is likely to be similar to last year's outcome of 3.6% and inflation should remain close to 3%. **Unlike Poland, the Czech Republic is unlikely to make much progress in 2005 towards achieving the lower deficit profile required by the Maastricht criteria.** The Hungarian government has ambitious goals for 2005. The budget deficit is targeted to fall to below 5% of GDP in 2005 and the current account deficit is also expected to improve. In order to boost growth interest rates should continue to fall in 2005 as long as the inflation rate remains in check. **Economic policy will be constrained by upcoming parliamentary elections in 2006 and a growth outlook overly dependent on exports to a slow-growing Euro-zone.**

OPEC Member Countries

Among most OPEC Member Countries, trends in real GDP growth will continue to depend heavily on developments in the energy sector.

The large increases in crude production of most OPEC Member Countries have been the driving force behind the real GDP growth in 2003-2004, and most economists expect this trend to continue in 2005-2006. In Algeria, for instance, crude production has grown by almost 40% over the past two years and is likely to rise by a further 30% in 2005-2006 as result of successful exploration rounds launched during the past few years. Thus, in 2005, GDP growth will be supported by the expected exports from the massive In Salah gas project that came on-stream in mid-2004. Also vigorous rates of public consumption growth should also support economic expansion as the government attempts to address acute unemployment by creating public sector jobs and increase wages. In Iran, oil production and exports increases not only strengthened GDP growth but also prompted growth in overall exports of goods and services as well. Together with the strong increase in oil prices, this has led to a large rise in fiscal revenues, stimulating government spending and lending which, in turn, will support continued robust growth in private consumption. Gross fixed investment has also benefited from the strong oil earnings. Thus, the real GDP for 2004 is expected at 6.3%. As was the case in recent years, Nigeria can expected the seasonably strong growth in both agriculture and services to continue in 2005/2006. In addition, owing to the high oil prices, investment in the offshore oil sector and government spending on infrastructure will ensure high rates on investment. These trends also mean that private consumption should remain relatively strong over 2005-2006.

Developing Countries

China still maintains robust growth and Brazil's GDP moves upward while the pandemic AIDS poses a threat to efforts to halve poverty in African countries.

The Asian financial markets remain strangely serene despite the tragic events at the end of the year. Stock markets and currencies have not seen any destabilizing repercussions. Instead, the financial markets appear to expect the current miseries will be easily overcome. China's GDP growth rate apparently has hit 9.1% y-o-y in the third quarter of 2004, compared to 9.6% in the second quarter and 9.8% in the first. However, these figures are a bit misleading, as the economy began to revive even before China was declared SARS-free in June 2003, and so the third quarter did not benefit from a repetition of the low-base effect. Thus, despite the lower y-o-y growth rate, it is likely that on a sequential basis growth actually picked up in the third quarter of 2004. This robust growth is supported by changes in other indicators such as investment, which on a y-o-y basis has held up at about 30% since July, and y-o-y growth in overall imports which revived in October. Furthermore other variables, notably the rate of change of credit, indicate a significant down-turn. Lending grew by less than 12% y-o-y in August-October, below half the rate recorded in the same period of 2003. In Brazil, following the strong 5% upturn in 2004, GDP growth is expected to experience further but slightly less robust growth in 2005 and 2006. The main driver will be private sector demand, boosted by other factors such as expansion of credits, rising real incomes and an upturn in investment as confidence grows and real lending rates ease. Exports are expected to grow, supported by robust external demand and firm commodity prices, but the rate of increase in import spending should see a higher pace. In Sub-Saharan Africa, the AIDS pandemic poses a serious threat to efforts to reach the 7% annual GDP growth needed to halve poverty, an estimated 3 m people newly inffected with the disease last year and around 2 m deaths.

Oil prices, the US dollar and inflation

European currencies take most of the strain of weaker dollar.

The US dollar fell further in December as markets considered the growing current account deficit. Although economic data continued to confirm the healthy fundamental performance of the US economy, markets were concerned by the persistent deterioration in US net trade. European currencies continued to rise although ECB officials indicated that an orderly appreciation of Asian currencies would be welcome. In December the US dollar fell by 4% against the British pound, 3% against the euro, 2% against the Swiss franc and only 1% against the yen.

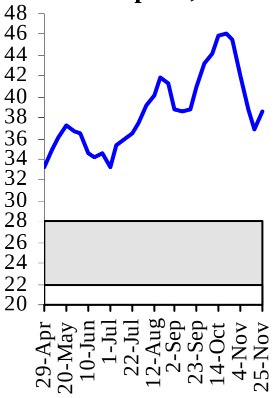
In December the OPEC Reference Basket fell to $35.70/b from $38.96/b in November. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price fell by 10.4% to $23.47/b from $26.21/b, as the impact of inflation and dollar weakness compounded the decrease in the Reference Basket price. The dollar fell by 2.1% as measured by the import-weighted modified Geneva I +US dollar basket*.

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

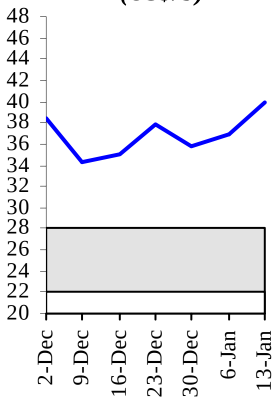
Crude Oil Price Movements

The OPEC Reference Basket slipped $3.26 in December to average $35.70/b with the yearly average up $7.95 or 28% at $36.05/b

Weekly average Basket price, 2004

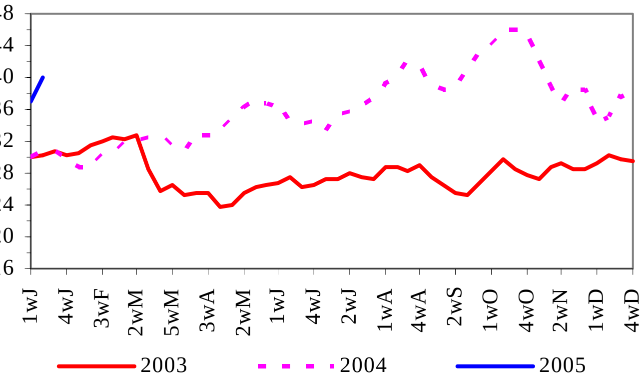


Dec 04-Jan 05 ***(US$/b)***



OPEC Reference Basket

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



The month started with a bearish tone as ample supplies of Middle Eastern crude eased concern over winter fuels amid the initial expectation that OPEC would not rein in output at the 10 December Meeting in Cairo. **The Basket plunged in the first three days of the month by 13% or $5.25 to reach $34.53/b.** Sentiment turned bullish at the beginning of the second week on mixed reactions to the outcome of the Cairo Meeting amid an unfortunate event in Jeddah and production outages in the Niger Delta. However, this bullish momentum was short-lived as the market regained its bearish footing on the return of Nigerian production amid eased concern over winter fuels on the forecast for warmer weather in the Northern hemisphere. The downward sentiment received further support on the resumption of northern Iraq's exports. Accordingly, the Basket dropped to $33.78/b on 8 December with the weekly average slipping $4.26 or 11% to $34.24/b.

The bulls revived in the third week on a number of factors including OPEC's call to reduce output by 1 mb/d effective 1 January, limited east-bound arbitrage opportunities, the halt of Iraq's northern exports and an expected cold snap in the Northern hemisphere which would boost demand for heating fuel. The Basket closed the week up 85¢ or 2.5% to reach $35.09/b, supported by a 15 December rally of 5%. The calls for lower OPEC output also supported prices although market perception was that the reduction in output will not affect winter supply. Concern over security of the oil infrastructure in the Middle East, a halt in Nigerian production and the delayed restart of Norway's North Sea oil fields revived market bullishness. Hence, the Basket's weekly average surged $2.67 or 7.6% to close at $37.76/b on 23 December.

In the last week of December, the forecast for mild winter weather in the US Northeast exerted downward pressure, helping the Basket to slip over 5% in the first three days of the week to $34.81/b. Despite a bullish turn in the last few days of the week following an unfortunate event in a major Middle Eastern OPEC producer, the Basket's weekly average dropped $2 or over 5% from the previous week to $35.72/b as the year-end holiday season helped calm the market. On the last day of the year, the Basket stood at $36.43/b.

The average monthly price for the Basket was down $3.26 or 8% in December compared to the previous month to settle at $35.70/b, which was 30¢/b lower than the 2004 average. In percentage terms, this was the second largest monthly retreat this year after November's loss of 14%. Eased worries over winter fuels amid a call for milder temperatures in the Northern hemisphere capped prices, while the ample supply of OPEC crude ahead of the implemented January production cut supported calmness in the market place.

The OPEC Basket averaged $36.05/b for the year, up $7.95 or 28% from the previous year. This was despite a continued downward trend throughout most of November and into December, as a series of events throughout the year as well as supply fears and tightness in downstream capacity supported earlier gains of 8% in March, 12% in May, 11% in August and over 12% in October. However, **the Basket regained momentum in January with the average rising over 6% to $38.39/b as of 17 January 2005** on recent global outages from Iraq's interrupted exports, a partial halt in Nigerian output, weather-related North Sea loading disruption and not fully recovered production at the Gulf of Mexico amid a cold snap in the Eastern and Northern hemispheres.

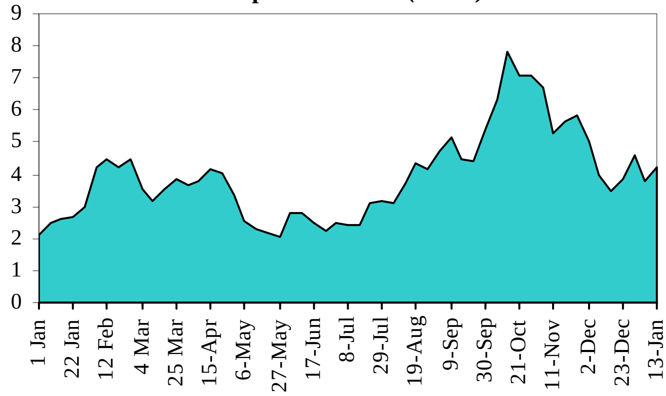
Steady build in US crude oil stocks and the forecast for a mild winter in the Northeast helped prices to slip

US market

December saw mixed reactions amid easing concerns over winter fuels which pushed the physical market downward. The healthy stock level revealed in the weekly US petroleum report on the first day of the month set a bearish tone for the market. **The forecast for a mild winter amid a build in heating oil stocks supported downward price movement.** On 3 December, WTI slipped to $42.38/b for the first time since 31 August. An upward revision of the US natural gas inventories furthered eroded price support in the first three days of the month, with WTI plunging some 14%. However, the tight supply of sour crude slightly narrowed the WTI/WTS gap from $5/b to $4.4/b. The perception that OPEC would keep the production ceiling unchanged in its Meeting of the Conference in Cairo contributed market calm allowing WTI to fall further to $40.68/b on 10 December. Tighter Mideast sour supplies to the USA also squeezed the sweet/sour spread for WTI/WTS to below $4/b. **OPEC's decision to cut excess production combined with a blast of cold descending on the US Northeast supported a reversal in prices.** Accordingly, WTI gained $5.4 or 13% over the week to register $46.08/b on 17 December. The halt of exports from Iraq's northern outlet supported the bullish sentiment with the WTI/WTS spread narrowing to $3.11/b. Nevertheless, another build in the US crude oil stocks to 296 mb — the highest since 30 July — widened the spread to $4.5/b. This rally continued toward the end of the year, despite warm weather in the USA, as a tragic event in a major Middle Eastern producer and pre-holiday short-covering sent WTI prices up 6.5% in two days of the final week of the year. The year closed with WTI at $43.39/b and December's monthly average at $43.12/b, down $5.10 or 10.5% from the previous month. A draw on the US crude oil stocks in the final week pushed prices upward in the new year, with WTI in January climbing to over $49/b in mid-January on the back of a series of global outages amid the forecast for colder temperatures in the Northern hemisphere.

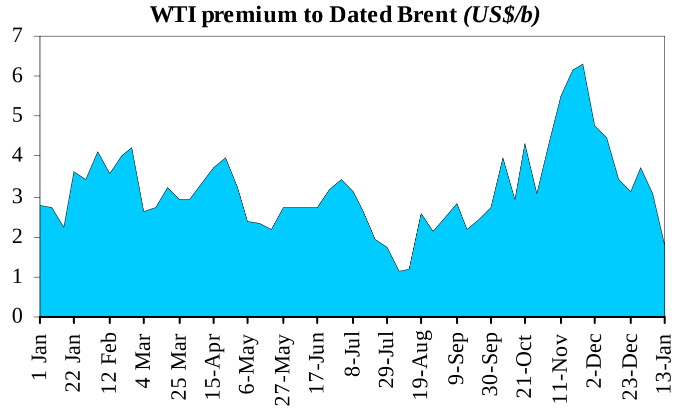
Graph 2

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



Graph 3

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



Warm weather pressured differentials for North Sea crudes although Norwegian outages provided some price support

European market

North Sea crude was subdued early in the month on closed arbitrage opportunities amid full refinery storages, thus pressuring differentials in a contango market. Nevertheless**, the outage of Norway's Statoil Snorre A platform pushed North Sea grades higher.** Moreover, emerging January loading programmes, which showed lower North Sea volumes than in December, improved market sentiment and helped to firm differentials. By mid-December, the forward structure changed amid a fall in freight rates with fixtures to USA helping to revive backwardation. The firm crack spread due to healthy refining margins for Brent triggered the buying spree. The bearish sentiment prevailed in the second decade on rising freight rates and lower refining margins amid the approaching holiday season, with the covering of short positions having already taken place. **Forecast for warm weather supported weaker demand for winter fuels**, especially outbound barrels to the USA, poised by the outage at Norwegian's oil field that boosted sentiment at year-end.

Sentiment in the Mediterranean was bearish on ample supplies amid lower buying interest early in the month as well as reduced refining margins with buyers favouring more lucrative sweet grades. Falling freight rates in the north kept Urals under pressure in the Mediterranean. Moreover, more lucrative **Mideast rivals supported the differentials to remain at weak levels despite lower yield value**. However, lower Iraqi exports through Turkey triggered a buying spree that supported market strength for sour crudes at mid-month. Nevertheless, traders' sales ahead of the disclosure of new programmes for January loading exerted a downward pressure on differentials. Urals traded in mid-December at a discount of $5/b against dated Bent. **Urals differential widened further on a larger volume on offer for January loading amid an overhang of arbitrage barrels.**

Far East market

Middle Eastern sour crude was supported by the lower output from OPEC producers in the region, while warm weather in North-East Asia kept Murban under pressure in December

Sour Middle Eastern crude began the month on a good footing amid higher demand. January Oman traded at a 15¢/b premium to MOG as arbitrage for rival grades such as Russian Urals was closed due to the wide Brent/Dubai spread and high freight rates. However, the narrowing of the Exchange for Swap exerted pressure on Mideast crudes when trade for Oman's February-loading emerged and the differential was narrower at a premium of 2¢/b to MOG. **February Oman flipped into discount of 9¢/b pressured by arbitrage supplies of West African heavy sweet and Russian Urals.** Kerosene-rich Abu Dhabi crude remained under pressure as well on mild winter demand. **Output reduction from the Middle Eastern OPEC producers supported the market as Oman traded at an 8-12¢/b premium, while Abu Dhabi Murban remained under pressure from the mild weather, trading at a 35¢/b discount to ADNOC's OSP.**

Asian market

Wide spread between sweet and sour grades made heavy sours more attractive

The Asian regional market remained under pressure from the wide spread between light sweet and heavy sour grades. **Soaring freight rates amid high OSP attracted refiners, especially Chinese, to buy more sour barrels.** Accordingly, Malaysia's January Tapis was on offer at a discount of $1.50/b to the APPI, from a premium of 10¢/b set in the first week, before finally trading at a $2/b discount, a level not seen since 2002. However, falling outright prices, which kept the sweet/sour differential narrower, attracted buyers for the sweet grade due to the falling crack spread. Hence, February Tapis sold at a discount of $1.30/b to APPI.

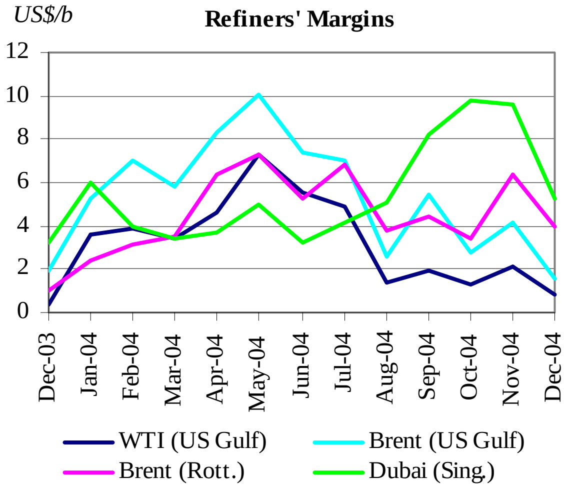
Table 1
Monthly average spot quotations for OPEC's Reference Basket and selected crudes
US $/b

			Year-to-date average	
	Nov.	**Dec.**	2003	**2004**
Reference Basket	38.96	**35.70**	28.10	36.05
Arabian Light	35.56	**34.64**	27.69	34.53
Dubai	34.87	**34.16**	26.77	33.66
Bonny Light	43.60	**39.08**	28.76	38.27
Saharan Blend	42.97	**39.61**	28.73	38.35
Minas	37.25	**34.76**	29.52	36.85
Tia Juana Light	37.37	**32.36**	26.97	33.66
Isthmus	41.10	**35.31**	28.25	37.01
Other crudes				
Brent	42.80	**39.43**	28.81	38.23
WTI	48.22	**43.12**	31.09	41.44
Differentials				
WTI/Brent	5.42	**3.69**	2.28	3.21
Brent/Dubai	7.93	**5.27**	2.04	4.57

Product Markets and Refinery Operations

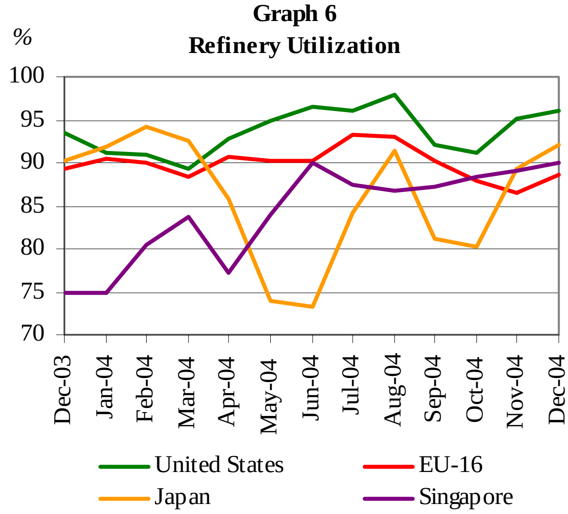
The continuation of mild weather, together with the high refinery runs and production, slashed various product prices, particularly for the middle distillates, have been the main driving forces in the market since the middle of August last year. These circumstances triggered a fall in refining margins across the globe in December. In that month, refining margins dropped 63% in the USA, 37% in Europe and 45% in Singapore compared to November. **On the emergence of a cold snap in the Northern Hemisphere, especially in the US North-East, and reduced refining runs due to the winter maintenance schedule, product prices are expected to recuperate part of last month's losses to once again support refining margins and crude oil prices.**

Graph 5
Refiners' Margins



The refining utilization rate increased all over the world in December, with the exception of Japan. Following mild weather in North Asia and increasing kerosene stocks in Japan, Japanese refiners reduced their utilization rate by 1.7% from 93.9% in November 2004. But in Singapore, refiners hiked runs by 1% to 90.1% and may cut throughput further due to the high stock levels of different products. In the USA, refiners also maximized their utilization rate, which rose to 96%, up by about 1% compared to the previous month. Additionally, low tertiary stocks have also encouraged Eur-16 refiners to keep up their runs, which rose by 1.4% to 88.8%.

Graph 6
Refinery Utilization



US market

Crack spreads of light and medium products declined sharply in the USA

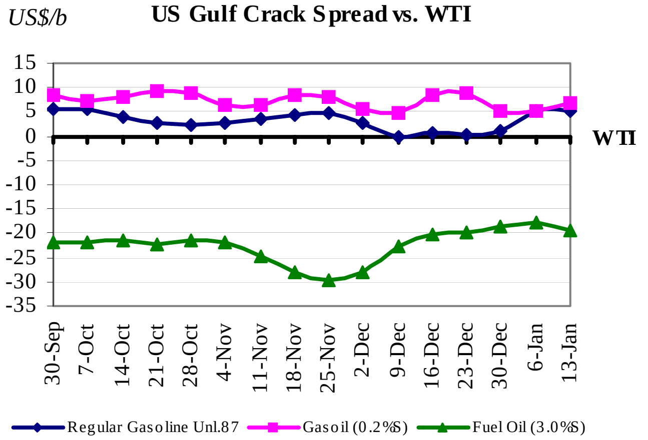
Robust production and lower demand resulted in a significant drop in prices for premium products. **As Graph 7 shows, the crack spread of gasoline slid over $5/b in December, and recent stock builds may put additional pressure on them over the next few weeks.** As of 7 January, the US gasoline stock level reached 215.3 mb, nearly 7 mb higher than in the same period of last year. It may increase further as typically demand for gasoline falls to its lowest level in January.

Last month, regular gasoline prices in the US Gulf Coast plummeted by $8/b on average. Similarly, the driving force of the market, distillates, lost momentum due to mild weather, with the prices for gasoil and heating oil dropping by $5.57/b and $5.08/b respectively. **However, as of 7 January 2005, US distillate fuel stocks were 11% lower than in the same period last year. With the emergence of the recent cold snap, distillate prices may rebound to support refining margins.**

The market for jet fuel was bolstered recently in New York and the US Gulf Cost due to higher demand for aeroplanes. But fuel oil, which was supported earlier by utility plant demand, lost ground recently and US stocks for that product have continued to grow. The crack spread of high sulphur fuel oil against WTI crude oil is about minus $20/b.

Graph 7

US Gulf Crack Spread vs. WTI



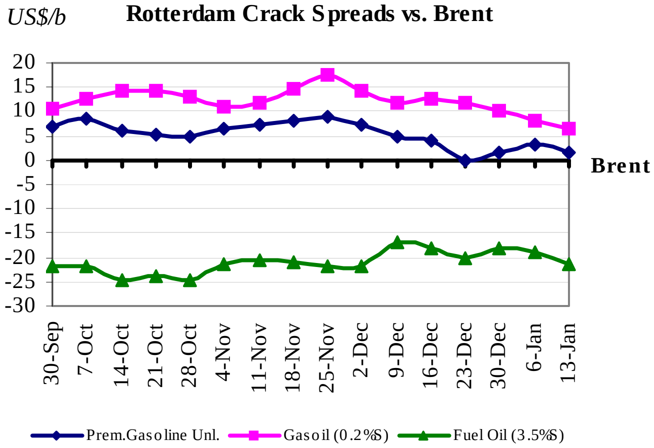
Poor refining margins have prompted some European refiners to cut throughputs

European market

With the implementation of new gasoline and diesel specifications, along with low distillate inventories, especially tertiary stocks, the European product market was expecting a boost in the last month of 2004. However, mild weather amid Russian gasoil exports dominated the market and undermined light and middle distillates. In December, regular gasoline and gasoil prices slid on average by $8.25/b and $6.53/b respectively.

Graph 8

Rotterdam Crack Spreads vs. Brent



Poor refining margins and very costly crude oil have encouraged some European refiners, particularly in the Mediterranean area, to use further feedstock, a trend which supported straight-run fuel oil prices. Furthermore, recent cold weather in the USA and favourable trans-Atlantic arbitrage opportunities have also allowed a relative recovery in the prices for premium products.

Despite the encouraging developments for the other light products, the market for naphtha still remained bearish, as plentiful supply, low prices of alternative feedstocks like LPG and closed arbitrage opportunities to the USA and Asia weighed on the market for that product.

Similarly, the market for high-sulphur fuel oil looked disappointing due to ample supply and weak demand on both sides of the Atlantic Basin along with the lack of arbitrage opportunities to Asia. As Graph 8 indicates, the high-sulphur fuel oil crack against the Brent benchmark crude is still around minus $20/b, eroding the refining margins significantly.

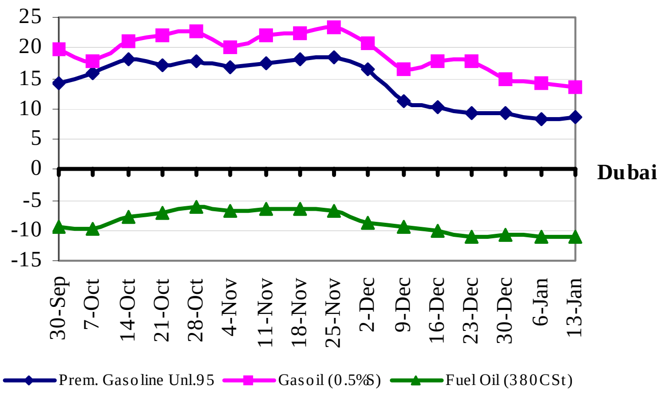
Performance of middle part of barrel in Asia deteriorated in December

Asian market

The impressive performance of the middle part of the barrel in Asia over the last few months ground to a halt in December, due to ample supply and lower Chinese imports. **The major characteristics of the Asian market last month were the cut of refinery runs by Japanese refiners, falling demand for both middle distillates and naphtha due to the mild winter and petrochemical plant maintenance, India's low-sulphur diesel imports and the sliding of clean and distillate cracks.**

Also in December, gasoline and jet/kerosene in the Singapore market plunged by $7.04/b and $7.57/b respectively, and the gasoil price dropped by $5.72/b. However, the bearish momentum in the Asian light and distillate products recently reversed following a cold spell in North Asia and increased gasoline demand from Indonesia and the Middle East. Strong demand for jet fuel in South-East Asia, particularly from Vietnam and Indonesia, has further strengthened jet fuel prices.

Graph 9
Singapore Crack Spreads vs. Dubai



The Asian fuel oil market displayed mixed movements. While low-sulphur fuel oil prices were lifted by utility plant needs, the market for high-sulphur fuel oil remained under pressure due to ample supply and sluggish demand. With the expected arrival of 2 million tonnes of arbitrage cargoes in the near future and the lack of strong Chinese consumption, the fuel oil crack spread against the Dubai crude is expected to remain at a discount.

Table 2
Refined product prices
US$/b

		Oct 04	Nov 04	**Dec 04**	**Change Dec/Nov**
US Gulf (Cargoes):					
Naphtha		56.86	52.19	42.74	–9.45
Premium gasoline	*(unleaded 93)*	58.45	53.16	44.25	–8.91
Regular gasoline	*(unleaded 87)*	56.89	52.29	43.86	–8.43
Jet/Kerosene		64.19	56.60	51.52	–5.08
Gasoil	*(0.2% S)*	61.54	55.61	50.04	–5.57
Fuel oil	*(1.0% S)*	34.51	31.19	28.49	–2.70
Fuel oil	*(3.0% S)*	31.47	21.80	22.32	0.52
Rotterdam (Barges FoB):					
Naphtha		61.21	56.49	50.20	–6.29
Premium gasoline	*(unleaded 95)*	55.72	50.62	42.54	–8.08
Regular gasoline	*(unleaded)*	55.81	50.64	42.39	–8.25
Jet/Kerosene		65.91	60.31	54.05	–6.26
Gasoil	*(0.2% S)*	63.06	56.89	51.26	–5.63
Fuel oil	*(1.0% S)*	28.10	25.23	24.96	–0.27
Fuel oil	*(3.5% S)*	25.88	21.49	20.93	–0.56
Mediterranean (Cargoes):					
Naphtha		50.76	45.68	39.98	–5.70
Premium unleaded	*(0.15g/l)*	54.39	48.74	39.88	–8.86
Premium gasoline	*(unleaded 95)*	54.43	48.70	39.72	–8.98
Jet/Kerosene		62.82	57.18	50.77	–6.41
Gasoil	*(0.5% S)*	60.78	56.47	50.75	–5.72
Fuel oil	*(1.0% S)*	29.03	26.72	25.65	–1.07
Fuel oil	*(3.5% S)*	24.20	18.65	18.62	–0.03
Singapore (Cargoes):					
Naphtha		48.81	47.46	42.79	–4.68
Premium gasoline	*(unleaded 95)*	54.73	52.45	44.81	–7.64
Regular gasoline	*(unleaded 92)*	53.68	51.74	44.24	–7.50
Jet/Kerosene		61.25	57.64	50.07	–7.57
Gasoil	*(0.5% S)*	58.40	56.82	51.33	–5.49
Fuel oil	*(180 cst 2.0% S)*	30.96	29.40	26.93	–2.47
Fuel oil	*(380 cst 3.5% S)*	29.95	27.99	24.00	–3.99

Table 3
Refinery operations in selected OECD countries

	Refinery throughput mb/d				Refinery utilization %			
	Oct 04	**Nov 04**	**Dec 04**	**Dec 04/03**	**Oct 04**	**Nov 04**	**Dec 04**	**Dec 04/03**
USA	15.23	15.89	16.03	0.49	91.2	95.2	96.0	2.5
France	1.72	1.68 R	1.55	–0.28	88.1	86.0 R	79.6	–16.9
Germany	2.34	2.19 R	2.28	0.06	102.3	95.7	99.8	1.6
Italy	1.79	1.68 R	1.86	0.07	77.4	72.6	80.4	2.6
UK	1.66	1.66	1.66	0.08	91.3	91.1	91.3	3.1
Eur-16	12.15	11.93 R	12.22	–0.05	88.0	86.4 R	88.5	–0.9
Japan	3.77	4.20 R	4.34	0.03	80.3	89.3 R	92.2	1.9

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

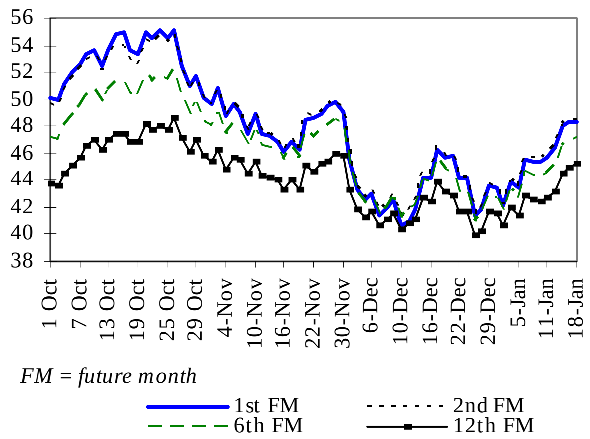
The Oil Futures Market

After flipping to net shorts early in December, non-commercials switched back to net longs later in the month on geopolitical developments in the Middle East

The futures market saw hefty liquidation by non-commercial speculative funds at the close of November as Nymex crude oil futures hit a four-month low on 7 December, settling at $41.46/b after a loss of 3.5% or $1.52. Market sentiment turned bullish as the situation in Nigeria eased and participants braced for crude and product stock-builds amid mild weather in the US Northeast. **Net longs turned into net shorts after a hefty 23,255 shift in contracts to close at 17,440 for the first time since 4 November 2003 and the highest net short position since 7 October 2003.** This switch in positions by non-commercials was brought about by speculators adding shorts, while at the same time reducing longs by a similar volume. However, oil futures prices rallied on 14 December on the back of a surge in heating oil and natural gas futures following a blast of frigid temperatures in the US Northeast. The rally ran counter to some views that the impact of OPEC’s production cuts had been minimal and the expectation of a moderate draw on US crude oil inventories amid rising distillate stocks. However, heating oil futures moved up as a blast of cold weather hit the region, rekindling worries about tight winter supplies. The Nymex WTI prompt month contract rose 81¢ or nearly 2% to settle at $41.82/b while heating oil and natural gas futures soared around 4% and 2.3% respectively.

Graph 10

NYMEX WTI futures contracts, 2004-2005



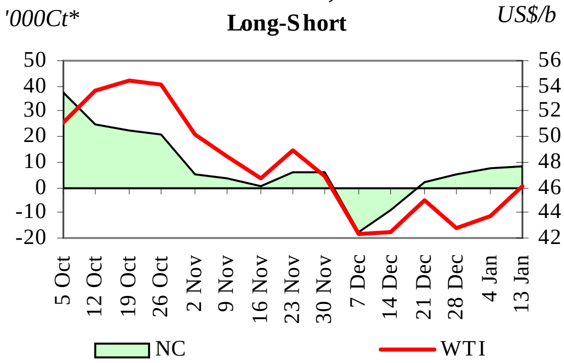
Sentiment was mixed in the following week balanced between the forecast for warmer weather in the US Northeast, geopolitical concerns in the Middle East and strike threats in Nigeria. As a result, prices for the WTI February contract settled down 2¢ at $45.76/b on the Nymex market. Hence, non-commercial positions balanced out turning slightly long after two weeks of net shorts. Speculators remained net long in the final week of the year following liquidation of short positions on the so-called technical correction as the Nymex WTI February contract saw a 45¢ rise following a hefty 6.5% loss the previous day on mild weather outlook in the USA easing fear of winter heating fuel supply shortfall. **Open interest contracts fell from the 14 December peak of 704,134 to close at 656,458 lots on 28 December**. Nevertheless, market sentiment appeared bullish as the New Year begins on frigid weather in the northern hemisphere.

Graph 11

Futures Commitment of Traders Report:

NYMEX Crude Oil, 2004-2005

Long-Short



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

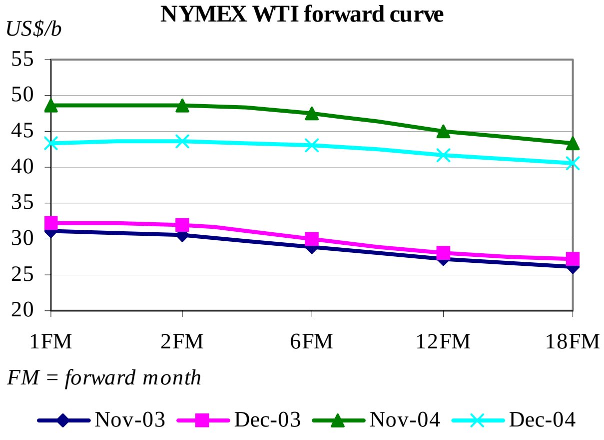
Ct = *Each contract is 1,000 barrels.

The market remained in contango in December widening to -30¢/b on easing supply fears amid comfortable US stock levels

The Nymex forward curve steepened in contango in December. The 1st/2nd month spread widened in mid-month to -82¢/b on easing concern over winter fuels amid the prospect of higher OPEC output. The contango persisted on lucrative Mideast crude amid comfortable US inventory levels. **The contango continued throughout the month as the crude oil stock build peaked at 296 mb on 17 December.** The spread narrowed in the second half of December between -15¢/b and -20¢/b as crude stocks slipped to 291 mb by year-end. **The contango average for the 1st/2nd month in December was -30¢/b compared to -10¢/b in November. In**

the same period last year, the market stood in backwardation of 15¢/b and 39¢/b as US crude oil stocks dropped from 278 mb on 5 December to 270 mb on 26 December. The contango has continued into the new year in a narrow range of around -15¢/b.

Graph 12
NYMEX WTI forward curve



The Tanker Market

OPEC spot fixtures dropped sharply on a lull in activity and OPEC's decision to cut production

OPEC area spot fixtures have experienced a substantial decrease for the first time in four months. Data shows that **OPEC area spot fixtures fell 2.13 mb/d or 13% to 14.30 mb/d** in December from 16.43 mb/d in the previous month. This sharp decline in OPEC spot fixtures was due to the typical lull in activity because of the end-of-the-year holidays. OPEC's decision to cut production by 1 mb/d starting in January 2005 also added to the slide. **However, compared to last year's figure, OPEC spot fixtures were up 3.37 mb/d**, or around 31% higher. Despite the considerable decrease from the previous month, OPEC's share of global spot chartering remained nearly at the same 66% level observed in November, but higher than last year's figure of 61.5%. The plunge was more pronounced in Middle Eastern countries which saw their spot chartering decrease by 2.37 mb/d. Fixtures on the Middle East/eastbound long-haul route slid by 1.52 mb/d, the sharpest fall in the last two years, due to the lower demand for sour grades, especially from Chinese refiners, which are planning to comply with more restrictive specifications for petroleum products. Rates on the Middle East/westbound long-haul route experienced the same trend decreasing by 35% or 0.85 mb/d to stand at 1.6 mb/d, which was 0.13 mb/d less than last year's figure. With this decline, **the share of these two routes together in OPEC's total spot chartering went down to less than 47%, the lowest level since March 2003**. The remainder of OPEC's spot fixtures behaved contrary to these two long-haul routes increasing by 0.24 mb/d or 3% to stand at 7.63 mb/d. **Non-OPEC spot fixtures showed a decrease of around 11% or 0.94 mb/d**, but kept their share in total spot chartering at the previous month's level of around 34%. With these declines in OPEC and non-OPEC spot chartering of 3 mb/d, total spot chartering stood at 21.62 mb/d. However, **compared to last year's figure, total spot chartering was 3.85 mb/d higher, due to the growth in OPEC production to meet global high oil demand.** According to preliminary estimates, sailings from the OPEC area increased by 0.62 mb/d or 3% to 25 mb/d. Sailings from the Middle East rose a slight 0.24 mb/d to 17.95 mb/d, which represented 71.7% of total OPEC's sailings, against 72.6% in November. **Arrivals in the US Gulf and US East Coasts and the Caribbean increased by nearly 1 mb/d to a record of 11.58 mb/d**, while arrivals in Japan dropped by almost 0.5 mb/d. Arrivals in Euro-Med and NW Europe also fell by nearly 0.3 mb/d and 0.4 mb/d, respectively.

Freight rates plunged sharply from 30-year highs

Except for the increase on the Aframax Caribbean/US East Coast route, **freight rates for crude oil cargoes plunged sharply in December from 30-year highs reached in November.** The main reason behind this considerable drop was weak trade in combination with a huge tonnage availability, since most of the tanker brokers were out of the market on holidays. OPEC's decision to cut output by 1 mb/d in January also put downward pressure on the tanker market. For most of the routes, this level of slowdown has not been seen for many years. **VLCC freight rates on the Middle East/eastbound and westbound long-haul routes dropped by 74 and 63 points to a monthly average of WS232 and WS147** respectively, due to a slowdown in oil demand in Asia and the USA because of milder weather. Despite the sharp drop, freight rates on these two routes still remained WS79 and WS18 higher than at the same time least year. **A similar pattern dominated Suezmax rates, but with a more significant decline of WS107 on the West Africa/US Gulf Coast route due to weak demand for sweet crudes and a glut of West African crude, mainly from Nigeria and Angola**, to stand at a monthly average of WS229, up 27% from last year's figure. Freight rates on the routes from NW Europe to the US East and West Coasts dropped by WS62 from the previous month to WS280, but remained WS86 higher than last year's level. For the Aframax sector, freight rates within the Mediterranean region and from there to NW Europe dropped by 24% each to a monthly average of WS298 and WS258 respectively, due to high tonnage and declining activity due to lower demand. On the Indonesia/US West Coast route, freight rates dropped by 39 points to average WS333 in December, which was still WS162 higher than last year's level. **The only exception in crude oil freight rates was on the Caribbean/US East Coast route, where freight rates observed a slight increase of 3% or 10 points to stand at a record of around WS400 due to abundant activity**. Compared to last year's figure, this route was up WS139 points.

Freight rates for products showed mixed directions

The tanker market for products experienced different directions but **remained very tight in the Mediterranean region, where freight rates soared 99 points to stand at a monthly average of WS464, which was 206 points higher than last year's figure** due to strong activity. On the routes from the Mediterranean to NW Europe and from the Caribbean to the US Gulf Coast, freight rates remained almost unchanged at WS464 and WS357 respectively. However, **freight rates from the Middle East to the East dropped 35 points due to a lull in Asian demand for products** such as jet-kerosene and high sulphur fuel oil. The NW Europe/US East and West Coast route experienced a decline of 25 points to WS355. **Despite the decline on most routes, freight rates remained higher than last year's levels.**

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

	Oct 04	Nov 04	Dec 04	Change Dec/Nov
Chartering				
All areas	22.39	24.69	21.62	–3.07
OPEC	15.12	16.43	14.30	–2.13
Middle East/east	6.26	6.59	5.07	–1.52
Middle East/west	2.22	2.45	1.60	–0.85
Sailings				
OPEC	24.84	24.40	25.02	0.62
Middle East	17.80	17.71	17.95	0.24
Arrivals				
US Gulf Coast, US East Coast, Caribbean	8.93	10.62	11.58	0.96
North West Europe	6.37	7.36	6.96	–0.39
Euromed	3.48	4.63	4.36	–0.27
Japan	3.90	4.41	3.94	–0.48

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

Table 5
Spot tanker freight rates
Worldscale

	Size *1,000 DWT*	Oct 04	Nov 04	Dec 04	Change Dec/Nov
Crude					
Middle East/east	200–300	214	306	232	–74
Middle East/west	200–300	151	210	147	–63
West Africa/US Gulf	100–160	287	336	229	–107
North-West Europe/US East Coast	100–160	289	342	280	–62
Indonesia/US West Coast	70–100	271	366	333	–33
Caribbean/US East Coast	40–70	337	387	397	10
Mediterranean/Mediterranean	40–70	392	390	298	–92
Mediterranean/North-West Europe	70–100	342	338	258	–80
Products					
Middle East/east	30–50	368	390	355	–35
Singapore/east	25–30	333	360	342	–18
Caribbean/US Gulf Coast	25–30	295	351	357	6
North-West Europe/US East Coast	25–30	288	380	355	–25
Mediterranean/Mediterranean	25–30	262	365	464	99
Mediterranean/North-West Europe	25–30	265	350	351	1

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

World Oil Demand

While world oil demand growth has been kept unchanged at 2.5 mb/d, average demand for 2004 now stands at 81.99 mb/d due to revisions to the previous year's figures

Revision to historical figures (2002-2003)

World oil demand for the year 2003 was once again revised slightly upward by 0.23 mb/d to 79.49 mb/d. The adjustment was mainly due to a 0.21 mb/d upward revision in Other Asia.

Forecast for 2004

World

World oil demand growth for the year that just ended remained unchanged from the previous *MOMR* at 2.50 mb/d. However, total world oil demand now stands at 81.99 mb/d, an increase of 0.22 mb/d from the previous estimate. The higher level for global consumption in 2004 is a result of the upward revision to the previous year's figures. With data now available for most of the year, world oil demand rose 1.66 mb/d or 2.08% in the first quarter, followed by an astonishing increase of almost 3.8 mb/d or close to 5% during the second quarter and another solid gain of 2.42 mb/d or 3% in the third quarter. The exceptionally high growth seen in the second quarter originates from the 1.31 mb/d rise in Chinese apparent demand combined with the strength in consumption in North America, Other Asia, the Middle East and FSU. Preliminary figures for November and December imply that oil demand picked up momentum in North America and Europe while OECD Pacific demand showed a continued deceleration. Gasoline and distillate consumption in the USA surged in November and December. According to the DoE, gasoline consumption in December grew by 2.5% y-on-y, while distillate demand was up by more than 6.7% in the same period. The rate of growth in Chinese demand showed signs of slower growth during the third quarter, dropping 10.5% y-on-y from the 23.9% observed in the second quarter of the year, but seems to have gained momentum in November with production and trade data pointing to a rise of more than 15%. Because of indications of stronger growth in product demand in several OECD countries and China, the fourth-quarter demand figure has been revised upward by 0.40 mb/d to 83.5 mb/d.

Table 6
World oil demand forecast for 2004
mb/d

	2003	1Q04	2Q04	3Q04	4Q04	2004	Change 2004/03 Volume	%
North America	24.58	25.03	24.85	25.21	25.61	25.18	0.60	2.44
Western Europe	15.51	15.78	15.41	15.75	16.02	15.74	0.23	1.49
OECD Pacific	8.78	9.38	8.00	8.25	8.99	8.65	–0.12	–1.42
Total OECD	**48.86**	**50.18**	**48.25**	**49.21**	**50.62**	**49.56**	**0.71**	**1.44**
Other Asia	8.05	8.26	8.53	8.24	8.67	8.43	0.38	4.67
Latin America	4.73	4.68	4.89	4.98	4.93	4.87	0.14	2.92
Middle East	5.06	5.23	5.27	5.43	5.38	5.33	0.26	5.22
Africa	2.62	2.63	2.66	2.65	2.73	2.67	0.05	1.94
Total DCs	**20.47**	**20.80**	**21.36**	**21.30**	**21.71**	**21.29**	**0.83**	**4.05**
FSU	3.78	3.61	3.78	3.98	4.03	3.85	0.08	2.02
Other Europe	0.83	0.91	0.86	0.82	0.84	0.86	0.03	3.09
China	5.56	6.26	6.77	6.37	6.31	6.42	0.86	15.51
Total "Other Regions"	**10.17**	**10.78**	**11.40**	**11.16**	**11.18**	**11.13**	**0.96**	**9.49**
Total world	**79.49**	**81.76**	**81.01**	**81.68**	**83.50**	**81.99**	**2.50**	**3.14**
Previous estimate	79.26	81.60	80.88	81.49	83.11	81.77	2.51	3.17
Revision	0.23	0.15	0.13	0.19	0.40	0.22	–0.01	–0.03

Totals may not add due to independent rounding.

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

	1Q03	1Q04	Change 2004/03 Volume	%	2Q03	2Q04	Change 2004/03 Volume	%
North America	24.52	25.03	0.50	2.06	24.15	24.85	0.70	2.89
Western Europe	15.49	15.78	0.28	1.81	15.24	15.41	0.17	1.09
OECD Pacific	9.76	9.38	–0.38	–3.85	8.19	8.00	–0.20	–2.40
Total OECD	**49.77**	**50.18**	**0.41**	**0.82**	**47.59**	**48.25**	**0.67**	**1.40**
Other Asia	7.87	8.26	0.39	5.01	7.79	8.53	0.73	9.43
Latin America	4.53	4.68	0.15	3.22	4.72	4.89	0.17	3.62
Middle East	4.99	5.23	0.24	4.74	4.87	5.27	0.41	8.33
Africa	2.62	2.63	0.01	0.55	2.60	2.66	0.06	2.41
Total DCs	**20.01**	**20.80**	**0.79**	**3.95**	**19.98**	**21.36**	**1.37**	**6.87**
FSU	4.02	3.61	–0.41	–10.09	3.35	3.78	0.43	12.68
Other Europe	0.89	0.91	0.02	2.32	0.83	0.86	0.03	3.10
China	5.41	6.26	0.85	15.66	5.46	6.77	1.31	23.89
Total "Other Regions"	**10.31**	**10.78**	**0.46**	**4.49**	**9.65**	**11.40**	**1.76**	**18.20**
Total world	**80.09**	**81.76**	**1.66**	**2.08**	**77.22**	**81.01**	**3.80**	**4.92**

Totals may not add due to independent rounding.

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

	3Q03	3Q04	Change 2004/03 Volume	%	4Q03	4Q04	Change 2004/03 Volume	%
North America	24.76	25.21	0.45	1.83	24.86	25.61	0.74	2.98
Western Europe	15.51	15.75	0.24	1.55	15.78	16.02	0.24	1.50
OECD Pacific	8.03	8.25	0.22	2.79	9.15	8.99	–0.16	–1.72
Total OECD	**48.29**	**49.21**	**0.92**	**1.90**	**49.79**	**50.62**	**0.82**	**1.65**
Other Asia	8.07	8.24	0.17	2.09	8.46	8.67	0.21	2.50
Latin America	4.83	4.98	0.15	3.15	4.85	4.93	0.08	1.74
Middle East	5.26	5.43	0.17	3.28	5.14	5.38	0.24	4.75
Africa	2.59	2.65	0.06	2.44	2.66	2.73	0.06	2.37
Total DCs	**20.75**	**21.30**	**0.56**	**2.68**	**21.11**	**21.71**	**0.60**	**2.85**
FSU	3.68	3.98	0.30	8.18	4.05	4.03	–0.02	–0.55
Other Europe	0.77	0.82	0.04	5.61	0.83	0.84	0.01	1.54
China	5.76	6.37	0.60	10.50	5.61	6.31	0.70	12.43
Total "Other Regions"	**10.21**	**11.16**	**0.95**	**9.29**	**10.49**	**11.18**	**0.69**	**6.55**
Total world	**79.25**	**81.68**	**2.42**	**3.06**	**81.39**	**83.50**	**2.11**	**2.59**

Totals may not add due to independent rounding.

OECD

The OECD countries, which account for roughly three-fifths of total world oil demand, will contribute slightly more than one quarter of expected demand growth this year, evidencing the continued declining trend in energy intensity. **Total OECD demand is expected to rise 0.71 mb/d or 1.44% to average 49.56 mb/d in 2004.** The lion's share will originate in the North American region with the USA accounting for four-fifths of the estimated 0.60 mb/d increase. With indications of stronger than usual demand in Western Europe during the last couple of months, y-o-y demand growth is expected at around 0.23 mb/d or 1.49% — the highest rise in the last six years. OECD Pacific consumption is projected to shrink by 0.12 mb/d or 1.42% mainly on poorer Japanese jet/kerosene and fuel oil demand as well as a drop in South Korean distillate and jet consumption. The split of total OECD oil requirements by products for the period January-October 2004 shows that inland deliveries of gasoil/diesel, LPG, and gasoline grew by 0.18 mb/d, 0.15 mb/d and 0.11 mb/d respectively, compared to the same period last year. **In contrast, residual fuel oil requirements continued to decline by almost 9% or 0.27 mb/d during the ten-month period. Fuel oil consumption shrank in all major OECD countries but the decline was more severe in the OECD Pacific countries where demand fell by almost 12% during the first ten months of this year.** Sustained recovery in Japanese nuclear power generation combined with unseasonably mild fourth-quarter temperatures in Northeast Asia accentuated this trend.

Developing Countries

Oil demand in Developing Countries is projected to rise by 0.83 mb/d or 4.05% to average 21.29 mb/d for 2004. Almost 50% of the increase will take place in Other Asia followed by solid growth in the Middle East region. Solid rates of economic growth and increasing revenue from record high oil prices, along with heavily subsidized energy prices in the Middle East, indicate that consumption of petroleum products will increase to 5% in 2004. In the other two regions, oil demand is projected to rise at a more moderate pace with Latin America seeing 3% growth while Africa’s oil demand will increase by less than 2%.

Other Regions

As preliminary data from the first ten month of the year becomes available, it seems that almost two-fifths of total world oil demand growth in 2004 originated in the Other Regions group with almost 90% of the growth coming from China. Oil demand in this group is projected to rise by slightly less than 1 mb/d, which translate into a y-on-y growth of 9.5%. China’s astonishing growth rates of 16% and 24% seen in the first and second quarters of this year slowed down to 10.5% in the third quarter. However, preliminary production and trade statistics point to a considerable jump in Chinese apparent consumption in November and December. Thus, our fourth-quarter estimate for growth in apparent demand has been revised upwards to 12.5%. The increase in Chinese domestic consumption was met by a surge in oil and product imports which rose to 41%, 63% and 19% in the first three quarters of 2004. Preliminary trade figures for the last quarter point to a rebound in imports of around 0.6 mb/d or 27%. Production and trade statistics show that apparent demand in FSU dropped in the first quarter by more than 10% y-o-y but recovered by almost 13% in the second quarter and was followed by another rise of 8% in the third quarter. A sharp rise in FSU production has made up for the increase in net oil exports resulting in a marginal 0.08 mb/d estimated growth in apparent demand for the whole of 2004. Oil demand in other Eastern European countries shows a y-on-y rise of 0.03 mb/d or 3.1% to 0.86 mb/d.

Table 9
World oil demand forecast for 2005
mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	Change 2005/04 %
North America	25.18	25.20	25.13	25.37	25.98	25.42	0.25	0.98
Western Europe	15.74	15.83	15.43	15.79	16.05	15.78	0.04	0.27
OECD Pacific	8.65	9.31	7.85	8.21	8.93	8.57	–0.08	–0.92
Total OECD	**49.56**	**50.34**	**48.42**	**49.37**	**50.96**	**49.77**	**0.21**	**0.42**
Other Asia	8.43	8.54	8.81	8.43	8.87	8.66	0.24	2.81
Latin America	4.87	4.79	5.04	5.12	5.04	5.00	0.13	2.67
Middle East	5.33	5.61	5.69	5.85	5.76	5.73	0.40	7.52
Africa	2.67	2.76	2.76	2.68	2.78	2.74	0.08	2.85
Total DCs	**21.29**	**21.70**	**22.30**	**22.08**	**22.46**	**22.14**	**0.84**	**3.96**
FSU	3.85	3.91	3.86	4.07	4.11	3.99	0.14	3.52
Other Europe	0.86	0.93	0.80	0.83	0.87	0.86	0.00	0.32
China	6.42	6.79	7.25	6.75	6.75	6.89	0.46	7.18
Total "Other Regions"	**11.13**	**11.63**	**11.92**	**11.65**	**11.73**	**11.73**	**0.60**	**5.38**
Total world	**81.99**	**83.67**	**82.64**	**83.10**	**85.15**	**83.64**	**1.65**	**2.01**
Previous estimate	81.77	83.27	82.16	82.93	84.76	83.28	1.51	1.85
Revision	0.22	0.40	0.47	0.18	0.39	0.36	0.14	0.17

Totals may not add due to independent rounding.

World oil demand in 2005 is forecast to average 83.64 mb/d, with growth of 1.65 mb/d or 2.01%

Forecast for 2005

Looking in retrospect over the last six months since the first forecast for 2005 world oil demand, the expected growth in global consumption has oscillated within a range of 250,000 b/d, from a peak of 1.74 mb/d forecast in September and a low of 1.49 mb/d forecast in November. **Following the upward revision in total world economic activity, which is now estimated at 4.12% on a PPP basis, as well as signs of solid consumption in November and December in several OECD economies and China, the global demand growth figure for 2005 has seen a further upward adjustment. Total world oil demand growth for this year is now estimated at 1.65 mb/d, which translates into a 2% rise over 2004 resulting in an average global demand of 83.64 mb/d.** Preliminary figures for the four-week period up to the second week of 2005 indicate healthy gasoline consumption growth of 5.2% in the USA at a time when demand for gasoline should have subsided. Distillate consumption also rallied early in 2005 with the data released by the DoE showing a surprising 12.6% rise. Product demand in Mexico and Canada picked up in November underpinned by healthy fuel oil, diesel and gasoline consumption. **Surprisingly, the Big Four economies in Europe, which account for approximately 50% of total Western Europe's consumption, showed healthy demand growth rates for the last months of 2004.** China, the wild card when it comes to assessing this year's demand, showed indications of a rebound in apparent demand during November and possibly December. Preliminary production and trade statistics indicate that both imports and domestic apparent consumption jumped in November by approximately 15%. **Following the drop in demand growth during the third quarter of 2004 of 10.50% versus the 16% and 24% rises in the first and second quarters, the strong November and December figures cast doubt that consumption in China will decelerate as previously believed** following the implementation of administrative as well as monetary policies by the Chinese government in an attempt to slow the pace of economic growth. Therefore, the estimated growth rate for the last quarter of 2004 has been revised up to 12.5% along with the forecast for 2005. Chinese apparent demand for the present year is now estimated to grow by 0.46 mb/d or 7.2% to reach 6.9 mb/d.

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

			Change 2005/04				**Change 2005/04**	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.03	25.20	0.18	0.71	24.85	25.13	0.28	1.13
Western Europe	15.78	15.83	0.06	0.35	15.41	15.43	0.03	0.19
OECD Pacific	9.38	9.31	–0.07	–0.79	8.00	7.85	–0.14	–1.80
Total OECD	**50.18**	**50.34**	**0.16**	**0.32**	**48.25**	**48.42**	**0.17**	**0.35**
Other Asia	8.26	8.54	0.28	3.35	8.53	8.81	0.29	3.36
Latin America	4.68	4.79	0.12	2.51	4.89	5.04	0.15	3.06
Middle East	5.23	5.61	0.38	7.35	5.27	5.69	0.41	7.86
Africa	2.63	2.76	0.12	4.58	2.66	2.76	0.09	3.48
Total DCs	**20.80**	**21.70**	**0.90**	**4.32**	**21.36**	**22.30**	**0.94**	**4.42**
FSU	3.61	3.91	0.30	8.29	3.78	3.86	0.08	2.21
Other Europe	0.91	0.93	0.02	2.41	0.86	0.80	–0.05	–6.27
China	6.26	6.79	0.53	8.54	6.77	7.25	0.49	7.18
Total "Other Regions"	**10.78**	**11.63**	**0.86**	**7.94**	**11.40**	**11.92**	**0.52**	**4.52**
Total world	**81.76**	**83.67**	**1.91**	**2.34**	**81.01**	**82.64**	**1.63**	**2.01**

Totals may not add due to independent rounding.

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

			Change 2005/04				Change 2005/04	
	3Q04	3Q05	Volume	%	4Q04	4Q05	Volume	%
North America	25.21	25.37	0.15	0.61	25.61	25.98	0.37	1.46
Western Europe	15.75	15.79	0.04	0.28	16.02	16.05	0.04	0.24
OECD Pacific	8.25	8.21	–0.04	–0.45	8.99	8.93	–0.06	–0.71
Total OECD	**49.21**	**49.37**	**0.16**	**0.33**	**50.62**	**50.96**	**0.35**	**0.69**
Other Asia	8.24	8.43	0.19	2.28	8.67	8.87	0.20	2.25
Latin America	4.98	5.12	0.14	2.82	4.93	5.04	0.11	2.27
Middle East	5.43	5.85	0.42	7.68	5.38	5.76	0.39	7.17
Africa	2.65	2.68	0.04	1.33	2.73	2.78	0.06	2.07
Total DCs	**21.30**	**22.08**	**0.78**	**3.67**	**21.71**	**22.46**	**0.75**	**3.45**
FSU	3.98	4.07	0.09	2.17	4.03	4.11	0.08	1.88
Other Europe	0.82	0.83	0.02	2.04	0.84	0.87	0.03	3.09
China	6.37	6.75	0.38	5.99	6.31	6.75	0.44	7.05
Total "Other Regions"	**11.16**	**11.65**	**0.48**	**4.34**	**11.18**	**11.73**	**0.55**	**4.89**
Total world	**81.68**	**83.10**	**1.43**	**1.75**	**83.50**	**85.15**	**1.64**	**1.97**

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC supply for 2004 revised up to 49.79 mb/d in December, an increase of 1.19 mb/d over the 2003 figure

Non-OPEC

Estimate for 2004

Non-OPEC supply for 2004 has been revised up to 49.79 mb/d, with a quarterly distribution of 49.63 mb/d, 49.71 mb/d, 49.49 mb/d and 50.30 mb/d respectively. The yearly average increase stands at 1.19 mb/d compared with the 2003 figure.

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

	2003	1Q04	2Q04	3Q04	4Q04	**2004**	**Change 04/03**
North America	14.60	14.79	14.69	14.40	14.62	14.62	0.02
Western Europe	6.39	6.41	6.29	5.77	6.15	6.15	–0.24
OECD Pacific	0.65	0.59	0.57	0.59	0.60	0.59	–0.07
Total OECD	**21.65**	**21.79**	**21.55**	**20.75**	**21.36**	**21.36**	**–0.28**
Other Asia	2.36	2.49	2.51	2.61	2.66	2.57	0.21
Latin America	3.91	3.89	3.91	3.97	3.95	3.93	0.02
Middle East	2.00	1.94	1.89	1.87	1.85	1.89	–0.11
Africa	3.05	3.30	3.35	3.46	3.55	3.42	0.37
Total DCs	**11.31**	**11.62**	**11.66**	**11.91**	**12.00**	**11.80**	**0.49**
FSU	10.27	10.78	11.06	11.32	11.43	11.15	0.88
Other Europe	0.17	0.16	0.16	0.16	0.15	0.16	–0.01
China	3.41	3.43	3.47	3.54	3.51	3.49	0.08
Total "Other regions"	**13.84**	**14.37**	**14.69**	**15.02**	**15.09**	**14.79**	**0.95**
Total non-OPEC production	**46.80**	**47.78**	**47.90**	**47.68**	**48.45**	**47.96**	**1.15**
Processing gains	1.80	1.85	1.81	1.81	1.85	1.83	0.03
Total non-OPEC supply	**48.60**	**49.63**	**49.71**	**49.49**	**50.30**	**49.79**	**1.19**
Previous estimate	48.59	49.61	49.72	49.54	50.29	49.76	1.17
Revision	**0.01**	**0.02**	**–0.01**	**–0.05**	**0.02**	**0.03**	**0.02**

Totals may not add due to independent rounding.

Forecast for 2005

Non-OPEC supply for 2005 forecast at 50.95 mb/d, an increase of 1.16 mb/d over 2004

Non-OPEC supply for 2005 is forecast to increase 1.22 mb/d. **North America is expected to witness a rise of 0.24 mb/d, mainly on a 0.15 mb/d increase from the USA due to the return of barrels lost to Hurricane Ivan and 0.06 mb/d growth in Canada, partially offset by an expected 0.10 mb/d decline in both OECD Pacific and Western Europe where the UK is forecast to dip 0.07 mb/d. Total OECD supply is expected to increase to 21.50 mb/d. Total DC supply is forecast to rise 0.50 mb/d, mainly from Latin America with Brazil adding 0.22 mb/d, while in Africa Angola, Sudan and Chad should see increases of 0.17 mb/d, 0.05 mb/d and 0.04 mb/d respectively. FSU is expected to be the major contributor to the rise in non-OPEC supply, mainly from Russia's 0.38 mb/d, while Kazakhstan and Azerbaijan are expected to add 0.06 mb/d each.** Quarterly figures are redistributed at 50.82 mb/d, 50.85 mb/d, 50.64 mb/d and 51.47 mb/d respectively. The yearly average is forecast at 50.95 mb/d.

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

	2004	1Q05	2Q05	3Q05	4Q05	**2005**	**Change 05/04**
North America	14.62	15.03	14.93	14.63	14.85	14.86	0.24
Western Europe	6.15	6.34	6.22	5.70	6.08	6.08	–0.07
OECD Pacific	0.59	0.56	0.54	0.56	0.57	0.56	–0.03
Total OECD	**21.36**	**21.93**	**21.69**	**20.89**	**21.50**	**21.50**	**0.14**
Other Asia	2.57	2.49	2.51	2.61	2.66	2.57	0.00
Latin America	3.93	4.16	4.18	4.24	4.21	4.20	0.27
Middle East	1.89	1.86	1.84	1.83	1.82	1.84	–0.05
Africa	3.42	3.65	3.62	3.70	3.81	3.70	0.28
Total DCs	**11.80**	**12.17**	**12.15**	**12.39**	**12.50**	**12.30**	**0.50**
FSU	11.15	11.26	11.55	11.82	11.94	11.64	0.49
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.49	3.44	3.49	3.55	3.52	3.50	0.02
Total "Other regions"	**14.79**	**14.86**	**15.20**	**15.53**	**15.61**	**15.30**	**0.51**
Total non-OPEC production	**47.96**	**48.96**	**49.03**	**48.82**	**49.61**	**49.11**	**1.15**
Processing gains	1.83	1.86	1.82	1.82	1.86	1.84	0.01
Total non-OPEC supply	**49.79**	**50.82**	**50.85**	**50.64**	**51.47**	**50.95**	**1.16**
Previous estimate	49.76	50.85	50.91	50.74	51.53	50.98	1.22
Revision	**0.03**	**–0.02**	**–0.06**	**–0.10**	**–0.05**	**–0.03**	**–0.05**

Totals may not add due to independent rounding

Net FSU exports for 2005 forecast at 7.66 mb/d, 0.36 mb/d over 2004

The FSU's net oil exports for 2005 are expected at 7.61 mb/d, an increase of 0.36 mb/d over the 2004 figure of 7.30 mb/d.

Table 14
FSU net oil exports
mb/d

	1Q	2Q	3Q	4Q	**Year**
2001	4.30	4.71	4.89	4.47	**4.60**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004 (estimate)	7.17	7.28	7.34	7.40	**7.30**
2005 (forecast)	7.35	7.69	7.76	7.83	**7.66**

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

OPEC natural gas liquids and non-conventional oils

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

OPEC NGL production — 2001-2005
mb/d

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

Available secondary sources put OPEC's December production at 29.72 mb/d

OPEC crude oil production

Available secondary sources indicate that **OPEC output for December was 29.72 mb/d, 0.05 mb/d less than the revised November figure. Fourth-quarter and annual averages are estimated at 29.90 mb/d and 29.07 mb/d respectively.** Table 15 shows OPEC production as reported by selected secondary sources.

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

	2003	3Q04*	Nov04*	**Dec04***	**4Q04***	**2004**	Dec/Nov
Algeria	1,134	1,257	1,288	**1,305**	**1,291**	**1,230**	17
Indonesia	1,027	958	959	**965**	**960**	**967**	6
IR Iran	3,757	3,940	3,947	**3,925**	**3,940**	**3,918**	–22
Iraq	1,322	1,990	1,809	**1,841**	**1,973**	**2,021**	32
Kuwait	2,173	2,395	2,438	**2,433**	**2,437**	**2,341**	–5
SP Libyan AJ	1,422	1,577	1,603	**1,605**	**1,603**	**1,535**	2
Nigeria	2,131	2,369	2,377	**2,263**	**2,315**	**2,342**	–114
Qatar	743	796	803	**791**	**798**	**781**	–11
Saudi Arabia	8,709	9,406	9,458	**9,428**	**9,455**	**8,984**	–30
UAE	2,243	2,457	2,478	**2,483**	**2,485**	**2,360**	4
Venezuela	2,305	2,607	2,608	**2,683**	**2,640**	**2,588**	75
Total OPEC	**26,965**	**29,752**	**29,769**	**29,723**	**29,896**	**29,066**	**–47**

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

Rig Count

Non-OPEC rig count up 109 in November

Non-OPEC

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

Table 16
Non-OPEC rig count in 2002–2004

	2003	Nov04	Dec04	Change Dec/Nov	2004	Change 04/03
North America	1,496	1,819	1789	–30	1,669	173
Western Europe	78	64	58	–6	65	–13
OECD Pacific	18	20	19	–1	22	4
OECD	**1,592**	**1,903**	**1,866**	**–37**	**1,755**	**163**
Other Asia	117	131	130	–1	126	9
Latin America	116	136	134	–2	126	10
Middle East	70	75	76	1	70	0
Africa	48	56	60	4	54	6
DCs	**350**	**398**	**400**	**2**	**376**	**26**
FSU	na	na	na	na	na	Na
Other Europe	2	2	2	0	2	0
China	na	na	na	na	na	Na
Other regions	na	na	na	na	na	Na
Total non-OPEC	**1,944**	**2,303**	**2,268**	**–35**	**2,132**	**188**

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

OPEC added 5 rigs in December

OPEC

OPEC's rig count was 272 in December, a gain of 5 rigs compared with the November figure. The increase in rig activity was mainly contributed by Saudi Arabia.

Table 17
OPEC rig count

	2003	Nov04	Dec04	2004	Change Dec/Nov	Change 04/03
Algeria	20	20	20	19	**0**	–1
Indonesia	45	51	51	49	**0**	4
IR Iran	35	41	40	41	**–1**	6
Iraq	na	na	na	na	**na**	na
Kuwait	5	15	12	10	**–3**	5
SP Libyan AJ	10	9	10	10	**1**	0
Nigeria	10	9	11	8	**2**	–2
Qatar	8	10	11	9	**1**	1
Saudi Arabia	32	28	34	32	**6**	0
UAE	16	13	14	16	**1**	0
Venezuela	37	71	69	55	**–2**	18
Total OPEC	**218**	**267**	**272**	**249**	**5**	**31**

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

Stock Movements

US commercial oil stocks showed a seasonal draw of 12.9 mb in December

USA

After three consecutive months of cumulative increases, US commercial oil stocks ended the year with a significant seasonal draw of 12.9 mb or 0.46 mb/d to stand at 965.8 mb during the period 3-31 December 2004. Other oil and unfinished oil stocks contributed the most, while crude oil and residual fuel oil stocks added slightly to the decline, attributable to tax incentives at the end of the year. In contrast, other main product inventories such as gasoline and distillates showed moderate increases. Despite this draw, the y-o-y surplus rose to 34.8 mb or about 4%.

Crude oil inventories remained above the 290 mb level, shedding 2.1 mb to register 291.8 mb on the back of lower imports which fell from 10.86 mb/d in the week ending 3 December to 9.78 mb/d in the week ending 31 December due to very high freight rates in the loading month of November. A rise in refinery runs of nearly 1% from 93.95% to 94.83% during the same period was another reason for this draw. Compared with last year's level, crude oil inventories are 22.5 mb or about 8% higher. Gasoline inventories registered a considerable build, increasing by 6.2 mb to 214.3 mb on the back of higher production despite a slight improvement in implied demand. This build widened the y-o-y surplus to 7.6 mb or about 4%. Nearly stagnant implied demand due to warm weather in the main consuming North East region helped distillate inventories to finish higher, adding 1.8 mb to reach 121.1 mb. Despite this stock-build, the y-o-y deficit extended to 15.4 mb or about 11%.

Strategic Petroleum Reserve (SPR) continued to move up gradually towards maximum capacity of 700 mb which is planned to be achieved by the end of April 2005. During the 3-31 December period the SPR rose 1.2 mb to 674 mb, which was 35.8 mb higher than the level observed a year ago.

US commercial oil stocks in the week ending 14 January 2005 showed an increase of 2.91 mb to 963.1 mainly due to a strong build in crude oil inventories. Higher imports and slightly lower crude runs are behind the build in crude oil stocks.

Table 18
US onland commercial petroleum stocks*
mb

	29 Oct 04	3 Dec 04	31 Dec 04	Change Dec/Nov 04	31 Dec 03	14 Jan 05**
Crude oil (excl. SPR)	289.7	293.9	**291.8**	–2.1	269.3	292.2
Gasoline	201.7	208.1	214.3	6.2	206.7	217.0
Distillate fuel	115.7	119.3	121.1	1.8	136.5	123.8
Residual fuel oil	35.6	42.7	40.7	–2.0	37.7	39.8
Jet fuel	40.2	41.4	41.4	0.0	38.7	41.6
Total	**963.7**	**978.7**	**965.8**	**–12.9**	**931.0**	**963.1**
SPR	669.7	672.8	674.0	1.2	638.2	676.5

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

EU-16 oil stocks fell sharply on a large draw on crude oil stocks in December

Western Europe

Taking into consideration the slight downward revision of November figures, oil stocks in Eur-16 (EU plus Norway) reversed longstanding continuous builds falling a significant 36 mb or 1.16 mb/d to stand at 1,068.1 mb during December. This stock draw extended the y-o-y deficit to 20.9 mb or about 2%.

Crude oil stocks were the main contributor to the draw, plummeting 30.5 mb to 452.7 mb on lower imports affected by an interruption of oil supply from Iraq due to sabotage and the North Sea due to shut-downs mainly in the Norwegian sector. High freight rates caused by tight tonnage availability in November also undermined December arrivals. All main product inventories experienced declines except naphtha which showed a minor build. Distillate stocks continued to be drawn down for the fourth consecutive month, dropping by 3 mb to

347.6 mb, or close to last year's level. Healthy demand was behind this draw as consumers rushed to fill their tanks before the start of 2005 when new low-sulphur specifications come into effect. Relatively lower prices encouraged heating oil consumers especially in Germany to enter the market before the end of the year even with the mild winter. Increasing export, especially to the US market due to opened arbitrage, pushed down gasoline stocks to 131.3 mb, or 1,4 mb lower than the November level and 14.4 mb below the year-ago figure. Fuel oil demand in Europe remained weak but that was not reflected in fuel oil stocks which witnessed a draw of 1.5 mb to stand at 111.8 mb. The main cause behind the draw was higher exports particularly to Asia where strong demand and easing freight rates paved the way to regional buyers to seek European materials.

Table 19
Western Europe's oil stocks*
mb

	Oct 04	Nov 04	Dec 04	Change Dec/Nov	Dec 03
Crude oil	469.2	483.2	**452.7**	–30.5	454.9
Mogas	133.1	132.8	131.3	–1.4	145.7
Naphtha	28.6	24.2	24.6	0.4	24.0
Middle distillates	354.2	350.6	347.6	–3.0	347.5
Fuel oils	115.9	113.3	111.8	–1.5	116.8
Total products	631.8	620.9	615.4	–5.5	634.0
Overall total	**1,101.0**	**1,104.1**	**1,068.1**	**–36.0**	**1,089.0**

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

Japan

Persistent stock-builds lifted Japanese oil stocks by 0.36 mb in November

At the end of November, total commercial oil stocks in Japan displayed a considerable build of 10.8 mb or 0.36 mb/d to stand at 205.6 mb, the highest level since October 2001. The climb in inventories left the y-o-y surplus at 26.40 mb or about 15%. Most of the build happened on product stocks which rose 8.6 mb to 78.9 mb, while crude oil inventories increased by 2.2 mb to 126.7 mb, a level not seen since July 2003.

Among products, middle distillates displayed the lion's share of the increase, rising 5.1 mb or about 11% to 44.9 mb on the back of higher throughput and a lull in demand. In November, Japanese refiners continued to maximize the production of middle distillates in order to meet potential higher winter consumption which only materialized very late in November. Despite this increase, the y-o-y balance turned to a deficit of 3.10 mb or about 6%. Fuel oil stocks followed the same pattern, rising 2 mb to 19.9 mb on weak demand due to the normal winter. Higher production and relatively lower consumption helped gasoline stocks to move slightly up by 1.5 mb to stand at 14.1 mb which was 0.80 mb or about 6% above the year-ago level. Crude oil stocks continued their build for the fourth consecutive month, rising 2.2 mb to 126.7 mb or about 30% higher than last year's level. Increasing imports and lower implied demand contributed to this stock-build.

Table 20
Japan's commercial oil stocks*
mb

	Sep 04	Oct 04	Nov 04	Change Nov/Oct04	Nov 03
Crude oil	111.9	124.5	**126.7**	2.2	97.2
Gasoline	12.9	12.6	14.1	1.5	13.3
Middle distillates	46.0	39.8	44.9	5.1	48.0
Residual fuel oil	21.0	17.9	19.9	2.0	20.7
Total products	79.9	70.3	78.9	8.6	82.0
Overall total**	**191.8**	**194.8**	**205.6**	**10.8**	**179.2**

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

Balance of Supply and Demand

2004 supply/demand difference revised up to 28.26 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 which now stands at 53.73 mb/d. World oil demand has been revised up a significant 0.22 mb/d to 81.99 mb/d, resulting in an estimated annual difference of around 28.26 mb/d. The quarterly distribution stands at 28.25 mb/d, 27.40 mb/d, 28.21 mb/d and 29.16 mb/d. Accordingly, significant downward revisions have been made to the quarterly balance figures which now stand at -0.06 mb/d, 1.01 mb/d and 1.54 mb/d. **The fourth-quarter balance is 0.73 mb/d while the annual balance for 2004 stands at 0.81 mb/d.**

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

	2003	1Q04	2Q04	3Q04	4Q04	2004
(a) World oil demand	79.49	81.76	81.01	81.68	83.50	81.99
(b) Non-OPEC supply(1)	52.31	53.51	53.61	53.47	54.34	53.73
Difference (a – b)	**27.18**	**28.25**	**27.40**	**28.21**	**29.16**	**28.26**
OPEC crude oil production(2)	26.97	28.19	28.41	29.75	29.90	29.07
Balance	**–0.22**	**–0.06**	**1.01**	**1.54**	**0.73**	**0.81**

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

2005 supply/demand difference expected at 28.56 mb/d, an increase of 0.30 mb/d over 2004

The summarized supply/demand balance table for 2005 shows world oil demand expected at 83.64 mb/d and total non-OPEC supply expected at 55.08 mb/d. This would result in an annual difference of around 28.56 mb/d, some 0.30 mb/d above the estimated 2004 level, with a quarterly distribution of 28.77 mb/d, 27.68 mb/d, 28.30 mb/d and 29.49 mb/d respectively.

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

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World oil demand	81.99	83.67	82.64	83.10	85.15	83.64
(b) Non-OPEC supply(1)	53.73	54.91	54.96	54.80	55.66	55.08
Difference (a – b)	**28.26**	**28.77**	**27.68**	**28.30**	**29.49**	**28.56**
OPEC crude oil production(2)	29.07					
Balance	**0.81**					

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

Table 23
World oil demand/supply balance
mb/d

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD*	48.0	48.0	48.1	48.9	50.2	48.3	49.2	50.6	49.6	50.3	48.4	49.4	51.0	49.8
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.6	25.2	25.2	25.1	25.4	26.0	25.4
Western Europe	15.2	15.3	15.3	15.5	15.8	15.4	15.7	16.0	15.7	15.8	15.4	15.8	16.1	15.8
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	9.0	8.7	9.3	7.9	8.2	8.9	8.6
DCs	19.3	19.7	20.2	20.5	20.8	21.4	21.3	21.7	21.3	21.7	22.3	22.1	22.5	22.1
FSU	3.8	3.9	3.7	3.8	3.6	3.8	4.0	4.0	3.9	3.9	3.9	4.1	4.1	4.0
Other Europe*	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.3	6.8	6.4	6.3	6.4	6.8	7.3	6.7	6.8	6.9
(a) Total world demand	76.5	77.1	77.8	79.5	81.8	81.0	81.7	83.5	82.0	83.7	82.6	83.1	85.1	83.6
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.6	20.8	21.4	21.4	21.9	21.7	20.9	21.5	21.5
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.6	14.6	15.0	14.9	14.6	14.9	14.9
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.8	6.1	6.2	6.3	6.2	5.7	6.1	6.1
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6
DCs	10.9	10.9	11.2	11.3	11.6	11.7	11.9	12.0	11.8	12.2	12.1	12.4	12.5	12.3
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.4	11.1	11.3	11.6	11.8	11.9	11.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.6	3.5	3.5
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	45.7	46.4	47.7	48.6	49.6	49.7	49.5	50.3	49.8	50.8	50.9	50.6	51.5	50.9
OPEC NGLs + non-conventional oils	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.1	4.2	4.2	4.1
(b) Total non-OPEC supply and OPEC NGLs	49.0	50.0	51.4	52.3	53.5	53.6	53.5	54.3	53.7	54.9	55.0	54.8	55.7	55.1
OPEC crude oil production (secondary sources)	28.0	27.2	25.4	27.0	28.2	28.4	29.8	29.9	29.1					
Total supply	77.0	77.2	76.7	79.3	81.7	82.0	83.2	84.3	82.8					
Balance (stock change and miscellaneous)	0.6	0.0	-1.1	-0.2	-0.1	1.0	1.5	0.8	0.8					
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2534	2632	2480	2527	2470	2547	2599							
OECD SPR	1270	1285	1344	1407	1421	1426	1433							
OECD total	3804	3918	3824	3934	3891	3973	4032							
Oil-on-water	877	830	815	884	909	900	893							
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	51							
SPR	26	27	28	28	29	29	28							
Total	79	82	78	79	81	81	80							
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.3	7.4	7.3	7.3	7.7	7.8	7.8	7.7
(a) - (b)	27.4	27.2	26.5	27.2	28.2	27.4	28.2	29.2	28.3	28.8	27.7	28.3	29.5	28.6

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

* *The monthly data on Slovakia is, as of this month, now included in the OECD.*

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

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.2	0.1	0.1	0.1	0.5	0.2
North America	-	-	-	-	-	-	-	0.3	0.1	-	-	-	0.3	0.1
Western Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	0.1	0.2	0.2	0.2	0.1	0.1	-	0.1	0.3	0.4	0.1	-	0.2
FSU	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-
Other Europe*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
China	-	-	-	-	-	-	-	0.3	0.1	0.1	0.1	0.1	0.3	0.1
(a) Total world demand	-	0.1	0.2	0.2	0.2	0.1	0.2	0.4	0.2	0.4	0.5	0.2	0.4	0.4
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1
North America	-	-	-	-	-	-	-	-0.1	-	0.1	-	0.1	-	-
Western Europe	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-							
Balance (stock change and miscellaneous)	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2							
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	4	4	4	4	4	-2	2							
OECD SPR	1	1	1	1	2	2	2							
OECD total	6	5	5	6	6	-	5							
Oil on water	-	-	-	-	5	-5	-31							
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-1							
Memo items														
FSU net exports	-	-	-	-	-	-	-	0.1	-	-0.1	-0.1	-0.1	-	-0.1
(a) - (b)	-	0.1	0.2	0.2	0.1	0.1	0.2	0.4	0.2	0.4	0.5	0.3	0.4	0.4

† *This compares Table 23 in this issue of the MOMR with Table 23 in the December 2004 issue.*
This table shows only where changes have occurred.
* *The monthly data on Slovakia is, as of this month, now included in the OECD data.*

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

	1997	1998	1999	2000	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04
Closing stock level *mb*																					
OECD onland commercial	2,619	2,702	2,449	2,534	2,632	2,480	2,529	2,602	2,664	2,632	2,609	2,654	2,579	2,480	2,430	2,551	2,600	2,527	2,470	2,547	2,599
North America	1,211	1,283	1,127	1,146	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,214	1,166	1,145	1,197	1,226
Western Europe	916	967	885	934	927	896	923	914	922	927	936	945	920	896	914	912	926	926	924	930	943
OECD Pacific	492	453	437	454	443	410	447	457	473	443	435	447	440	410	413	453	460	435	401	419	430
OECD SPR	1,255	1,304	1,286	1,270	1,285	1,344	1,271	1,269	1,266	1,285	1,304	1,316	1,321	1,344	1,359	1,362	1,380	1,407	1,421	1,426	1,433
North America	563	571	567	543	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672
Western Europe	330	364	348	357	353	354	353	349	344	353	354	349	346	354	365	359	361	371	369	364	364
OECD Pacific	362	369	370	370	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396
OECD total	3,874	4,006	3,735	3,804	3,918	3,824	3,800	3,870	3,930	3,918	3,912	3,969	3,899	3,824	3,789	3,913	3,980	3,934	3,891	3,973	4,032
Oil-on-water	812	859	808	877	830	815	903	828	870	830	797	804	801	815	856	885	873	884	909	900	893
Days of forward consumption in OECD																					
OECD onland commercial	56	56	51	53	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51
North America	52	54	47	48	52	48	49	51	53	53	52	52	50	48	46	48	49	47	46	47	48
Western Europe	60	63	58	61	61	58	62	59	59	60	63	61	59	58	60	59	59	59	60	59	59
OECD Pacific	58	52	50	52	51	47	55	56	53	48	56	55	47	42	50	56	50	46	50	51	48
OECD SPR	27	27	27	26	27	28	27	27	26	27	28	27	27	27	29	28	28	28	29	29	28
North America	24	24	24	23	23	24	23	23	23	23	24	24	24	25	25	25	25	26	26	26	26
Western Europe	21	24	23	23	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	23
OECD Pacific	43	42	42	43	44	44	46	46	42	41	50	47	41	40	48	49	43	42	50	48	44
OECD total	83	84	78	79	82	78	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80

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

	2000	2001	2002	Change 02/01	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
USA	8.11	8.05	8.04	-0.01	7.82	-0.22	7.85	7.73	7.52	7.63	7.68	-0.14	8.00	7.88	7.66	7.78	7.83	0.15
Canada	2.68	2.73	2.84	0.12	2.98	0.14	3.11	3.07	3.05	3.10	3.08	0.11	3.17	3.13	3.11	3.17	3.14	0.06
Mexico	3.45	3.57	3.59	0.03	3.80	0.20	3.83	3.89	3.83	3.88	3.86	0.06	3.86	3.92	3.86	3.91	3.89	0.03
North America	14.25	14.34	14.48	0.13	14.60	0.12	14.79	14.69	14.40	14.62	14.62	0.02	15.03	14.93	14.63	14.85	14.86	0.24
Norway	3.32	3.42	3.33	-0.09	3.26	-0.07	3.36	3.26	2.98	3.23	3.21	-0.06	3.36	3.26	2.98	3.23	3.21	0.00
UK	2.69	2.54	2.52	-0.01	2.33	-0.20	2.21	2.16	1.94	2.06	2.09	-0.23	2.13	2.09	1.87	1.99	2.02	-0.07
Denmark	0.36	0.35	0.37	0.02	0.37	0.00	0.37	0.40	0.39	0.39	0.39	0.02	0.37	0.40	0.39	0.39	0.39	0.00
Other Western Europe	0.40	0.38	0.42	0.04	0.43	0.01	0.48	0.47	0.46	0.46	0.47	0.04	0.48	0.47	0.46	0.46	0.47	0.00
Western Europe	6.77	6.68	6.65	-0.04	6.39	-0.25	6.41	6.29	5.77	6.15	6.15	-0.24	6.34	6.22	5.70	6.08	6.08	-0.07
Australia	0.77	0.71	0.70	0.00	0.60	-0.10	0.54	0.52	0.54	0.55	0.54	-0.06	0.51	0.49	0.51	0.52	0.51	-0.03
Other Pacific	0.07	0.07	0.06	-0.01	0.06	-0.01	0.05	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.00
OECD Pacific	0.85	0.78	0.77	-0.01	0.65	-0.11	0.59	0.57	0.59	0.60	0.59	-0.07	0.56	0.54	0.56	0.57	0.56	-0.03
Total OECD	21.87	21.81	21.89	0.09	21.65	-0.25	21.79	21.55	20.75	21.36	21.36	-0.28	21.93	21.69	20.89	21.50	21.50	0.14
Brunei	0.19	0.20	0.20	0.01	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00	0.21	0.20	0.21	0.21	0.21	0.00
India	0.74	0.73	0.75	0.01	0.74	0.00	0.78	0.78	0.78	0.79	0.78	0.04	0.76	0.76	0.76	0.77	0.76	-0.02
Malaysia	0.69	0.68	0.71	0.03	0.75	0.04	0.79	0.78	0.84	0.84	0.81	0.06	0.81	0.80	0.86	0.86	0.83	0.02
Vietnam	0.31	0.34	0.34	0.00	0.35	0.01	0.39	0.40	0.40	0.39	0.40	0.04	0.38	0.39	0.39	0.38	0.39	-0.01
Asia others	0.25	0.25	0.26	0.01	0.30	0.04	0.32	0.35	0.39	0.43	0.37	0.07	0.33	0.36	0.40	0.44	0.38	0.01
Other Asia	2.18	2.20	2.27	0.07	2.36	0.09	2.49	2.51	2.61	2.66	2.57	0.21	2.49	2.51	2.61	2.66	2.57	0.00
Argentina	0.80	0.82	0.79	-0.03	0.78	-0.01	0.73	0.73	0.73	0.74	0.73	-0.04	0.70	0.70	0.70	0.70	0.70	-0.03
Brazil	1.45	1.53	1.72	0.19	1.77	0.06	1.75	1.74	1.80	1.77	1.76	-0.01	1.97	1.95	2.02	1.99	1.98	0.22
Colombia	0.70	0.61	0.58	-0.03	0.55	-0.03	0.52	0.54	0.53	0.50	0.52	-0.03	0.52	0.54	0.53	0.50	0.52	0.00
Ecuador	0.40	0.41	0.40	-0.01	0.43	0.03	0.51	0.53	0.53	0.54	0.53	0.10	0.54	0.56	0.56	0.57	0.56	0.03
Trinidad & Tobago	0.14	0.13	0.15	0.02	0.16	0.01	0.16	0.16	0.15	0.16	0.16	-0.01	0.19	0.19	0.18	0.19	0.19	0.03
L. America others	0.22	0.23	0.22	-0.01	0.22	0.00	0.22	0.22	0.22	0.23	0.22	0.00	0.24	0.24	0.24	0.25	0.24	0.02
Latin America	3.71	3.73	3.86	0.13	3.91	0.05	3.89	3.91	3.97	3.95	3.93	0.02	4.16	4.18	4.24	4.21	4.20	0.27
Bahrain	0.19	0.19	0.19	0.00	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.96	0.90	-0.06	0.82	-0.08	0.79	0.77	0.76	0.75	0.76	-0.06	0.73	0.73	0.73	0.73	0.73	-0.03
Syria	0.52	0.52	0.51	-0.01	0.54	0.03	0.52	0.51	0.50	0.49	0.51	-0.03	0.50	0.49	0.48	0.47	0.49	-0.02
Yemen	0.45	0.47	0.46	-0.01	0.44	-0.02	0.43	0.42	0.42	0.41	0.42	-0.02	0.43	0.42	0.42	0.41	0.42	0.00
Middle East	2.12	2.14	2.06	-0.07	2.00	-0.06	1.94	1.89	1.87	1.85	1.89	-0.11	1.86	1.84	1.83	1.82	1.84	-0.05
Angola	0.75	0.74	0.89	0.15	0.87	-0.02	0.93	0.92	0.99	1.10	0.98	0.11	1.09	1.08	1.16	1.29	1.15	0.17
Chad	0.00	0.00	0.00	0.00	0.02	0.02	0.10	0.18	0.23	0.23	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04
Congo	0.27	0.27	0.25	-0.01	0.24	-0.01	0.24	0.22	0.22	0.22	0.23	-0.01	0.24	0.22	0.22	0.22	0.23	0.00
Egypt	0.80	0.76	0.75	-0.01	0.75	0.00	0.73	0.71	0.71	0.70	0.71	-0.04	0.73	0.71	0.71	0.70	0.71	0.00
Equatorial Guinea	0.11	0.14	0.20	0.06	0.24	0.04	0.34	0.34	0.34	0.35	0.34	0.10	0.36	0.36	0.36	0.37	0.36	0.02
Gabon	0.34	0.31	0.30	-0.01	0.25	-0.05	0.25	0.25	0.24	0.24	0.24	-0.01	0.25	0.25	0.24	0.24	0.24	0.00
South Africa	0.18	0.18	0.19	0.01	0.20	0.01	0.23	0.23	0.23	0.21	0.22	0.02	0.23	0.23	0.23	0.21	0.22	0.00
Sudan	0.18	0.21	0.24	0.03	0.27	0.03	0.29	0.30	0.31	0.31	0.30	0.04	0.33	0.34	0.36	0.36	0.35	0.05
Africa other	0.22	0.20	0.20	0.00	0.20	0.00	0.20	0.20	0.21	0.21	0.21	0.01	0.20	0.20	0.21	0.21	0.21	0.00
Africa	2.84	2.80	3.03	0.23	3.05	0.02	3.30	3.35	3.46	3.55	3.42	0.37	3.65	3.62	3.70	3.81	3.70	0.28
Total DCs	10.86	10.86	11.22	0.36	11.31	0.09	11.62	11.66	11.91	12.00	11.80	0.49	12.17	12.15	12.39	12.50	12.30	0.50
FSU	7.91	8.53	9.33	0.79	10.27	0.94	10.78	11.06	11.32	11.43	11.15	0.88	11.26	11.55	11.82	11.94	11.64	0.50
Russia	6.49	6.99	7.62	0.63	8.46	0.84	8.89	9.12	9.37	9.39	9.19	0.73	9.26	9.49	9.75	9.77	9.57	0.38
Kazakhstan	0.71	0.80	0.94	0.15	1.03	0.09	1.12	1.15	1.19	1.25	1.18	0.15	1.17	1.20	1.25	1.31	1.24	0.06
Azerbaijan	0.27	0.30	0.31	0.01	0.31	0.00	0.31	0.31	0.30	0.32	0.31	0.00	0.37	0.37	0.36	0.38	0.37	0.06
FSU Others	0.44	0.45	0.45	0.00	0.47	0.02	0.47	0.49	0.47	0.47	0.47	0.01	0.47	0.49	0.47	0.47	0.47	0.00
Other Europe	0.18	0.18	0.18	0.00	0.17	0.00	0.16	0.16	0.16	0.15	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00
China	3.23	3.30	3.39	0.10	3.41	0.01	3.43	3.47	3.54	3.51	3.49	0.08	3.44	3.49	3.55	3.52	3.50	0.02
Non-OPEC production	44.05	44.68	46.01	1.33	46.80	0.79	47.78	47.90	47.68	48.45	47.96	1.15	48.96	49.03	48.82	49.61	49.11	1.15
Processing gains	1.65	1.69	1.73	0.04	1.80	0.06	1.85	1.81	1.81	1.85	1.83	0.03	1.86	1.82	1.82	1.86	1.84	0.01
Non-OPEC supply	45.70	46.37	47.74	1.37	48.60	0.86	49.63	49.71	49.49	50.30	49.79	1.19	50.82	50.85	50.64	51.47	50.95	1.16
OPEC NGL	3.18	3.40	3.42	0.01	3.57	0.16	3.65	3.66	3.71	3.78	3.70	0.13	3.78	3.80	3.82	3.84	3.81	0.11
Non-conventional oils	0.17	0.18	0.20	0.02	0.14	-0.06	0.23	0.23	0.26	0.26	0.25	0.11	0.31	0.31	0.34	0.34	0.33	0.08
OPEC NGLs + non-conventional oils	3.34	3.58	3.62	0.03	3.71	0.09	3.88	3.89	3.97	4.04	3.95	0.24	4.09	4.11	4.16	4.18	4.14	0.19
Total Non-OPEC and OPEC NGLs	49.04	49.96	51.36	1.40	52.31	0.95	53.51	53.61	53.47	54.34	53.73	1.43	54.91	54.96	54.80	55.66	55.08	1.35

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

Table 27
Non-OPEC Rig Count

	2000	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	Nov04	Dec04	4Q04	2004	Change Dec04- Nov04	Change 04/03
USA	916	1,156	831	-325	901	1,028	1,088	1,109	1,032	201	1,119	1,164	1229	1262	1246	1249	1190	-16	158
Canada	344	342	266	-76	494	203	383	408	372	106	528	202	326	447	440	420	369	-7	-3
Mexico	44	54	65	11	82	84	96	107	92	27	107	113	111	110	103	108	110	-7	18
North America	1,305	1,552	1,162	-390	1,476	1,315	1,567	1,624	1,496	334	1,754	1,479	1665	1819	1789	1777	1669	-30	173
Norway	22	23	19	-4	18	19	20	18	19	0	19	18	14	19	14	16	17	-5	-2
UK	18	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	15	16	1	-4
Denmark	3	4	4	0	3	5	3	4	4	0	4	4	3	4	3	4	4	-1	0
Other Western Europe	82	44	36	-8	36	34	38	37	36	0	31	30	27	26	25	27	29	-1	-7
Western Europe	125	95	85	-10	77	78	83	75	78	-7	69	70	57	64	58	62	65	-6	-13
Australia	10	10	9	-1	10	10	11	13	11	2	12	13	18	15	14	14	14	-1	3
Other Pacific	7	9	8	-1	8	7	8	6	7	-1	7	8	9	5	5	6	8	0	1
OECD Pacific	17	20	17	-3	18	17	18	19	18	1	19	22	26	20	19	20	22	-1	4
Total OECD*	1,447	1,667	1,264	-403	1,571	1,411	1,669	1,719	1,592	328	1,842	1,570	1749	1903	1866	1859	1755	-37	163
Brunei	2	3	3	0	3	4	4	2	3	0	2	3	3	2	2	2	3	0	0
India	49	50	55	5	59	60	61	62	60	5	64	68	71	78	76	76	70	-2	10
Malaysia	7	11	14	3	14	13	16	15	14	0	15	15	13	14	11	13	14	-3	0
Papua New Guinea	0	1	1	0	1	2	2	1	2	1	3	2	0	1	1	1	2	0	0
Vietnam	8	8	9	1	9	9	10	8	9	0	8	9	8	6	6	7	8	0	-1
Asia others	16	22	30	8	31	28	26	30	29	-1	27	31	31	30	34	31	30	4	1
Other Asia	83	95	111	16	117	115	119	118	117	6	119	128	127	131	130	130	126	-1	9
Argentina	57	71	49	-22	59	66	59	57	60	11	64	73	73	75	74	74	71	-1	11
Brazil	23	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	26	26	0	0
Colombia	14	15	11	-4	10	9	11	12	11	0	8	9	9	11	13	11	9	2	-2
Ecuador	7	10	9	-1	9	11	8	8	9	0	7	9	12	13	12	12	10	-1	1
Peru	4	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	3	2	-1	-1
Trinidad & Tobago	4	5	4	-1	3	3	3	3	3	-1	3	4	4	4	3	4	4	-1	1
L. America others	12	7	5	-2	3	4	4	5	4	-1	6	6	3	4	4	4	5	0	1
Latin America	120	141	106	-35	113	121	114	114	116	10	114	127	129	136	134	134	126	-2	10
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	24	25	29	4	33	34	36	36	35	6	36	35	34	36	36	36	35	0	0
Syria	14	19	22	3	23	23	26	23	24	2	24	24	23	24	23	23	24	-1	0
Yemen	6	6	9	3	11	10	9	7	9	0	7	8	9	11	12	11	9	1	0
Middle East	45	50	62	12	70	68	72	68	70	8	69	68	69	75	76	73	70	1	0
Angola	6	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	3	3	0	-1
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	3	1	1	0	0	1	1	2	1	0	2	2	3	2	2	2	2	0	1
Egypt	18	22	23	1	26	26	27	26	26	3	27	28	29	28	31	28	28	3	2
Gabon	2	2	2	0	3	4	1	3	3	1	2	2	2	2	2	2	2	0	-1
South Africa	1	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0
Africa other	5	4	12	8	12	14	12	14	13	1	15	18	20	21	22	22	19	1	6
Africa	34	36	43	7	45	50	44	51	48	5	48	53	56	56	60	57	54	4	6
Total DCs	282	322	322	0	346	354	350	350	350	28	350	376	381	398	400	394	376	2	26
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	2	2	0	0
China	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	1,588	-404	1,919	1,767	2,021	2,071	1,944	356	2,194	1,949	2,132	2,303	2268	2255	2132	-35	188

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

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Data is provided by Data Services Department.

Data Summary January 2005

OPEC Basket average price

US$ per barrel

⬇ *down 3.26 in December*

December 2004	***35.70***
November 2004	*38.96*
Year-to-date	*36.05*

December OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.30*	*Kuwait*	*2.43*	*Saudi Arabia*	*9.43*
Indonesia	*0.97*	*SP Libyan AJ*	*1.60*	*UAE*	*2.48*
IR Iran	*3.93*	*Nigeria*	*2.26*	*Venezuela*	*2.68*
Iraq	*1.84*	*Qatar*	*0.80*	***TOTAL***	***29.72***

Supply and demand

in million barrels per day

2004		**2005**	
World demand	*81.99*	*World demand*	*83.64*
Non-OPEC supply	*53.73*	*Non-OPEC supply*	*55.08*
Difference	***28.26***	***Difference***	***28.56***

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

Stocks

US commercial oil stocks diplayed seasonal draw in December, before confirming upward trend in mid-January

World economy

World GDP growth was revised up to 4.9% for 2004 and 4.1% for 2005

Issued 21 January 2005
Next report to be issued on 16 February 2005

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