

11 May 2007

## HIGHLIGHTS

- **Nigerian crude capacity shut-ins** rose to 815 kb/d in early May, adding to pressures caused by a gasoline market already tightened by an unusually high level of unplanned refinery outages. Unsurprisingly, gasoline remains the primary driver behind oil prices, with cracks and US retail prices reaching levels not seen since the post-Hurricane Katrina spike in September 2005.
- **Seasonal refinery maintenance** and a spate of unplanned outages is expected to depress global throughputs. This implies, with demand increasing in June, that there will be a further tightening of product stocks. Refinery runs, and therefore crude demand, should rise sharply in July (2.5 mb/d over March) as refiners seek to meet peak summer demand.
- **Preliminary OECD stock data** continue to point to a 930 kb/d draw in first-quarter total oil stocks, following on from a draw of similar magnitude in the previous quarter. Forward demand cover provided by total oil inventories remains around the five-year average, but gasoline stocks are low in all regions.
- **April world oil output** rose by 55 kb/d to 85.5 mb/d, with OPEC supply levelling off near 30.3 mb/d. Non-OPEC growth in 2007 is trimmed to 1.0 mb/d, plus 0.2 mb/d of OPEC NGLs, which leaves the 2.3 mb/d rise in the 'call on OPEC' by 4Q running well ahead of expected OPEC capacity additions. This implies lower spare capacity later in the year.
- **Global oil product demand** is revised down marginally to 84.2 mb/d in 2006 and 85.7 mb/d in 2007 following adjustments to baseline historical data. Changes are centred in the Middle East, but Chinese demand has also been revised down, despite strong 1Q growth.

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