

11 October 2007

HIGHLIGHTS

- **WTI crude futures rose above \$80/bbl** in September on falling US, European and Japanese crude and product stocks and expectations that tighter conditions will be seen in the fourth quarter. Storm-related shut-ins in the Gulf of Mexico provided additional support early in the month, but from now hurricane risks will gradually ebb.
- **OECD industry stocks** changes largely reflect tighter crude markets as refiners raised throughputs to meet summer driving demand. The July stock build was revised down by 14.8 mb and preliminary data show respective draws of 21.0 mb and 27.4 mb in August and September - implying a counter-seasonal 3Q stock draw of 360 kb/d. End-August forward cover fell below the five-year average to 53.5 days.
- **Global oil demand** remains unchanged at 85.9 mb/d in 2007 (+1.5% over 2006) and 88.0 mb/d in 2008 (+2.4%). Downward OECD revisions in North America and the Pacific offset upward adjustments in the FSU. Economic growth assumptions are trimmed slightly ahead of IMF and OECD assessments of recent financial market volatility.
- **World oil supply increased** by 415 kb/d in September to 85.1 mb/d, as rising output from North America, China and OPEC offset Caspian maintenance. Production through to the year end should be bolstered by higher OPEC supply, the end of seasonal maintenance and ebbing hurricane risks. However, project delays remain a key forecasting risk.
- **Higher Iraqi output helped lift OPEC crude supply** by 245 kb/d in September to 30.7 mb/d, leaving OPEC spare capacity little changed at 2.7 mb/d. OPEC-10 plan to raise supply by 500 kb/d from 1 November. The midpoint of the 'call on OPEC crude and stock change' is lowered by 0.4 mb/d in 3Q07 to 31.2 mb/d, but is seen rising to 32.5 mb/d in 4Q.
- **Global crude refinery throughput** is seen falling to a seasonal low of 73.0 mb/d in October, 1.9 mb/d below the August peak as maintenance takes place in the OECD, China, the Middle East and the FSU. However, global crude runs are projected to rebound to 75.5 mb/d by the end of the quarter.

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