

12 April 2007

HIGHLIGHTS

- Dated Brent prices continued to rise from mid-March to average \$68/bbl in early April, driven by a strong US gasoline market. Peak seasonal refinery maintenance, a string of outages and the switch to summer specifications kept gasoline supply tight. OPEC cuts, falling stocks and geopolitical tension over Iran lent further support.
- World oil output fell by 265 kb/d in March to 85.3 mb/d on OPEC supply cuts and OECD production outages. Non-OPEC growth in 2007 is unchanged at 1.1 mb/d, versus 0.4 mb/d in 2006, extending the sharp recovery evident since mid-2006. OPEC NGLs will grow by 0.25 mb/d this year to 4.9 mb/d. Seasonal factors peg non-OPEC supply below 50.3 mb/d through to 3Q, before growth resumes to 50.9 mb/d in 4Q.
- OPEC March crude supply fell by 165 kb/d to 30.1 mb/d, largely due to Nigerian and Iraqi outages. OPEC supply curbs since last autumn have coincided with two quarters of heavy OECD stock draws and output remains below the level needed to generate the usual spring crude stock build. Effective spare capacity is 3.0 mb/d, but could diminish as the 0.7 mb/d of net new capacity due onstream by end-2007 lags an expected 2 mb/d rise in the call.
- Global oil product demand has been revised down to 84.3 mb/d in 2006 and 85.8 mb/d in 2007. For 2006 this is mainly related to improved data in non-OECD countries. Demand in the OECD remained largely unchanged, as a cold snap in North America was offset by milder temperatures in Europe and the Pacific.
- Total OECD inventories fell by 80.5 mb in February on declining product stocks in all regions and a crude draw in the Pacific. Forward cover is declining counter-seasonally and preliminary March data for the US, Japan and Europe indicate an unusual 1Q stock draw of around 1.0 mb/d.
- OECD February refinery throughputs fell by 0.6 mb/d, to 38.5 mb/d, due to heavier maintenance and unplanned shutdowns. Russian and Chinese crude runs in February increased by a combined 0.5 mb/d, to a new record level of 11.3 mb/d. OECD crude runs in March fell further to around 38.2 mb/d, but are expected to recover to 38.7 mb/d in April.

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