

12 September 2007

HIGHLIGHTS

- **Benchmark crudes moved close to record highs in early September**, despite the economic uncertainty stemming from the US subprime market collapse. Falling stocks in August underscored higher prices and a widening backwardation, while seasonal hurricane fears intensified.
- **Global oil product demand has been slightly revised down to 85.9 mb/d in 2007** (+1.7% over 2006) and 88.0 mb/d in 2008 (+2.4%), reflecting weaker-than-anticipated demand in both June and July, largely as a result of high prices and poor weather in OECD countries. The outcome of the recent financial market turbulence remains unclear.
- **World oil supply fell by 430 kb/d to 84.6 mb/d in August**, on North Sea and Mexican outages, plus lower Iraqi exports. Forecast non-OPEC supply remains 50.0 mb/d in 2007 and 51.1 mb/d in 2008. Saudi Arabia underpins 660 kb/d of OPEC NGL growth next year. Risks to 2008's broad-based growth are biased towards the FSU, project delays and extended field outages.
- **OPEC August crude supply averaged 30.4 mb/d** as lower Iraqi exports offset higher Angolan and Nigerian output. Effective spare capacity remained below 3 mb/d. The forecast 'call on OPEC crude and stock change' is revised down by 0.2-0.3 mb/d but reaches at least 32.4 mb/d at end-2007 and in 2008 is 300-600 kb/d higher than in 2007. In Vienna, OPEC decided to raise supply by 500 kb/d from 1 November 2007.
- **Global refinery throughput increased by 0.8 mb/d in July** to 74.2 mb/d, 1.8 mb/d higher than the 2Q low. A summer peak of 74.9 mb/d in August was tempered by economic run cuts. Runs are seen falling in September and October as further scheduled maintenance is undertaken.
- **OECD industry stocks rose by 29.8 mb in July**. The rise was dominated by product stock builds as refinery runs reached seasonal peaks, while crude stocks rose a modest 2.0 mb. Total OECD forward demand cover remained steady from June at 54.4 days, but down from 55.1 days one year ago. Preliminary US, Japanese and EU-16 data for August show a net stock draw of 7.1 mb.

Next Issue: 11 October 2007