

13 February 2007

HIGHLIGHTS

- **Oil prices** rebounded to \$60/bbl from mid-January on colder weather and higher implied demand, tighter OPEC supply and increased geopolitical tensions. Product prices benefited from the onset of seasonal refinery maintenance, with naphtha and fuel oil cracks gaining due to tighter supplies.
- **Total OECD industry oil inventories** fell by 40.2 mb in December, as the fall in crude exceeded product stock builds despite a temperate start to winter in the US and Europe. Forward demand cover fell by one day from end-November to 53 days, but remains one day higher on the year.
- **Global oil product demand** is raised by 111 kb/d in 2006 to 84.5 mb/d and by 273 kb/d in 2007 to 86.0 mb/d following revisions to China. Despite a milder-than-normal start to winter, 4Q06 world demand was 1.3 mb/d higher than a year earlier.
- **Chinese apparent demand** reaches 7.1 mb/d in 2006 and 7.6 mb/d in 2007 after incorporation of annual data for 2005 and more comprehensive refinery data. This lifts non-OECD demand growth to 3.6% in 2006 and 3.2% in 2007.
- **World oil supply** grew by 175 kb/d in January to 85.5 mb/d, with higher output in the FSU and other non-OECD producers. Non-OPEC supply growth (+ OPEC NGLs but excluding Angola) amounts to 0.7 mb/d in 2006 and 1.2 mb/d in 2007 amid lower expectations for the Americas and China.
- **January OPEC crude supply** fell by 180 kb/d from December to 30.2 mb/d (adjusted for Angola). The 'call on OPEC crude and stock change' is revised up to 30.6 mb/d for 2007 versus 30.3 mb/d in 2006 and remains above existing OPEC production. Additional OPEC-10 supply cuts could markedly tighten the market.
- **Economic refinery run** cuts tempered seasonal gains in OECD throughputs, which averaged 39.6 mb/d in December, up 0.7 mb/d on the month. Seasonal maintenance cuts OECD refinery runs to an estimated 39.0 mb/d in January and an average of 38.4 mb/d in February and March.

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