

13 July 2007

## HIGHLIGHTS

- **Brent futures surged over \$77/bbl by mid-July** on tight fundamentals, increased geopolitical tension and indications of strong fund buying. Falling refining margins suggest that market tightness is shifting from product to crude markets.
- **Global oil product demand** is expected to rise by a robust 2.5% to 88.2 mb/d in 2008, largely due to a weather-related rebound in the OECD and strong demand in non-OECD countries. This represents an increase of 2.2 mb/d, from the slightly revised (-0.1 mb/d) 2007 level of 86.0 mb/d.
- **Non-OPEC supply in 2008** is forecast to reach 51.0 mb/d (+1.0 mb/d), plus 5.5 mb/d of OPEC gas liquids (+0.7 mb/d). Key growth drivers include the FSU, Latin America and global biofuels. OECD Europe and North America continue to see production decline, despite strong growth from the US Gulf of Mexico and Canadian oil sands.
- **OPEC capacity rises by 1 mb/d in 2008 to average 35.4 mb/d**, with the implication that spare capacity will post a modest rise. In reality, the spare capacity comparison will depend to a large extent on OPEC production levels both in the second half of 2007 and next year.
- **Global refinery crude throughput increased by 0.2 mb/d in May** to 72.7 mb/d and is 0.4 mb/d higher year-on-year. Crude throughput is forecast to increase rapidly to an August peak of 75.2 mb/d, on the back of higher runs in the OECD and the Middle East.
- **Preliminary end-June OECD stock data show an increase of 7.8 mb**, as increases in the US and Japan offset a sharp downturn in Europe. Together with an average 21.2 mb rise in stocks in April and May, this implies a second-quarter stock build around 550 kb/d and forward demand cover at end-June unchanged at 53.6 days.

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