

13 March 2007

HIGHLIGHTS

- **Oil prices rose above \$60/bbl** on OPEC cuts, the coldest February in the US for 30 years and refinery outages. Falling US product stocks were offset partially by unusually warm weather in Europe and Northeast Asia, but further OPEC cuts in February prevented the normal seasonal crude stock build in the OECD.
- **World oil output** fell by 65 kb/d in February to 85.5 mb/d amid OPEC supply cuts. Non-OPEC supply additions for 2007 remain at 1.1 mb/d, extending the growth evident since mid-2006. OPEC gas liquids add a further 0.2 mb/d this year. Sizeable supply risks remain, not least those from underinvestment caused by intensifying resource nationalism.
- **OPEC February crude supply** averaged 30.2 mb/d, down 125 kb/d from January as a 365 kb/d cut from OPEC-10 was partly offset by increases from Iraq and Angola, and leaves OPEC supply within the possible 2Q-range for the *call*. OPEC cuts since September amount to 1.0 mb/d, leaving effective spare capacity at 2.8 mb/d. In addition, outages in early March brought the offline total in Nigeria to 0.8 mb/d.
- **Global oil product demand** remains unchanged at 84.5 mb/d in 2006 and is seen growing by 1.8% to 86.0 mb/d in 2007. Weather-related adjustments to OECD data in Europe and the Pacific were largely offset by US demand strength and upward changes to China, FSU and India.
- **Total OECD inventories** fell 8.6 mb in January as a crude draw in Europe outweighed a weather-induced product build, leaving forward demand cover broadly flat at 54 days. Preliminary data show the US driving a 65.7 mb fall in February stocks in key OECD countries – or an average 1.2 mb/d decline in the first two months of 2007.
- **Seasonal refinery maintenance** cut January OECD throughputs by 0.5 mb/d, to an estimated 39.3 mb/d. February crude runs are seen falling to 38.4 mb/d, but rise to 38.6 mb/d in March. The end of maintenance in the Atlantic Basin will be followed by seasonal work at Pacific refineries leaving crude demand relatively flat over the first and second quarters.

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