

13 November 2007

HIGHLIGHTS

- **WTI hit a new record** above \$98/bbl in early November, driven by lower crude stocks, constrained supplies and new geopolitical tensions. There are, however, strong indications that high prices are depressing demand, which, together with signs of higher output from Saudi Arabia, Iraq and Nigeria, have capped further price gains.
- **OECD industry stocks fell** by 29.5 mb in September, with Japanese crude stocks falling to their lowest level in at least 20 years. Total OECD forward inventory cover fell to 52.8 days, remaining close to the five-year average. Preliminary data for October suggest a further 21 mb draw in crude and product stocks in the US, Japan and EU-16.
- **Global demand for 4Q07** is revised down by 0.5 mb/d given high prices, weaker-than-expected data from the US and FSU, and delays to European heating oil restocking. Coupled with lower GDP growth, these revisions extend to the 2008 forecast, which has been adjusted down by 0.3 mb/d. World demand now averages 85.7 mb/d in 2007 (+1.2% over 2006) and 87.7 mb/d in 2008 (+2.3%).
- **World oil supply** saw a monthly gain of 1.4 mb/d in October, as non-OPEC outages receded and OPEC volumes increased. Recovery in China and Azerbaijan plus rising Russian output boosted non-OPEC supplies. Continued outages in the OECD see non-OPEC supply levelling off in November before resuming growth in December.
- **October OPEC crude supply** increased by 410 kb/d to 31.2 mb/d. Half the rise came from Angola and Iraq, where supplies could increase further in November. Signs of higher November supply from Saudi Arabia, Nigeria and others may be offset by UAE field maintenance. OPEC October spare capacity slipped to 2.46 mb/d.
- **Global refinery crude runs** are seen at 73.5 mb/d in 4Q, revised lower by 0.7 mb/d, on the back of weaker demand, increased offline capacity and higher planned maintenance in some regions. Refinery outages and product specification changes have severely tightened European distillate markets.