

14 December 2007

HIGHLIGHTS

- **Crude futures** tested \$100/bbl in late November, but dipped on signs of higher supplies from OPEC/non-OPEC producers and improved product supply as refineries return from maintenance. A sharp jump in freight rates and a narrower backwardation underscored this shift. However, \$90/bbl oil and significant price volatility still reflect underlying concerns over supply and economic growth.
- **Global oil product demand growth** is revised lower by 60 kb/d in 2007 to average 85.7 mb/d (+1.1% over 2006). Following a reappraisal of ethane prospects in the Middle East, 2008 demand is revised up by 115 kb/d to 87.8 mb/d (+2.5%), with growth driven by the non-OECD, as well as by an assumption of normal weather in the OECD.
- **World oil supply** rose 55 kb/d in November to 86.5 mb/d as output recovery in Mexico, China and Brazil offset lower OPEC supply. Non-OPEC supply is revised up by an average 50 kb/d to 50.2 mb/d in 2007 and 51.25 mb/d in 2008, on higher estimates for refinery processing gain. These offset downgrades of 95-140 kb/d for non-OPEC oil production.
- **November OPEC crude supply** averaged 31.1 mb/d, 180 kb/d lower than October. Offshore maintenance in Abu Dhabi removed an estimated 0.4 mb/d, offsetting increases from other producers. Early indications show rising supply in December, despite an unchanged OPEC output target. The call on OPEC crude and stock change is revised down by 100-200 kb/d for 2007 but 100 kb/d higher for 2008.
- **OECD industry stocks** fell by 22.4 mb in October, lowering demand cover to 52.6 days, just below the five-year average. A sharp decline in European products led the draw, with a similar picture emerging in November.
- **Global refinery crude runs** are forecast to average 74.9 mb/d in December, as throughput reaches its seasonal peak. Throughputs are expected to remain at these levels in January, but average 74.3 mb/d in 1Q08, 1 mb/d above a year earlier.

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