

18 January 2007

HIGHLIGHTS

- **Crude oil prices** fell to 20-month lows in mid-January as lower demand, due to unusually warm weather and fund repositioning in commodity markets, offset the impact of OPEC cuts. Despite a sharp fall in US crude stocks, high inventories at the NYMEX delivery point of Cushing, Oklahoma, are contributing to the persistence of higher forward prices.
- **Global oil product demand** has been cut by 450 kb/d in 4Q06 following large US data revisions, unseasonably mild temperatures, fuel switching and lower apparent demand in the FSU. Some of these factors, together with a lower US GDP assumption, contribute to a reduction in forecast global demand growth to 1.6% in 2007 (85.8 mb/d).
- **World oil supply** rose by 110 kb/d in December to 85.4 mb/d, as strong recent non-OPEC growth continued. However, revisions to Norway, Mexico, Canada and Latin America lowered non-OPEC supply by 0.3 mb/d to 52.3 mb/d in 2007. Mild weather cut the 4Q06 'call on OPEC plus stock change' to 29.4 mb/d, but the 2007 call was lifted by 0.1 mb/d to 28.6 mb/d, only marginally below the average call in 2006.
- **December OPEC-11 crude supply** fell by 155 kb/d to 28.8 mb/d, but persistent disruptions to Iraqi and Nigerian supply limit effective spare capacity to 2.5 mb/d. Indications of further cuts in 1Q OPEC output follow the recent fall in prices and an agreement in Abuja to curb supply by 500 kb/d from February. Angola became an OPEC member from January 2007.
- **OECD refinery throughputs** increased by 1.1 mb/d in November to average 39.1 mb/d. Weekly data suggest a further increase of 0.6 mb/d in December to a winter peak of 39.7 mb/d. Global throughputs are expected to decrease over the course of the first quarter, as maintenance takes place sequentially in the US, Europe, the Middle East and Asia.
- **OECD total industry oil stocks** continued to decline in November, falling by 33 mb as product draws offset a modest crude oil stock build. Provisional data suggest the trend continued in December. While total OECD stocks are 41 mb higher than one year ago at 2,712 mb, forward demand cover fell by one day from October to 54 days.

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