OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Evolving crude quality and implications for refineries

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Oil Market Highlights

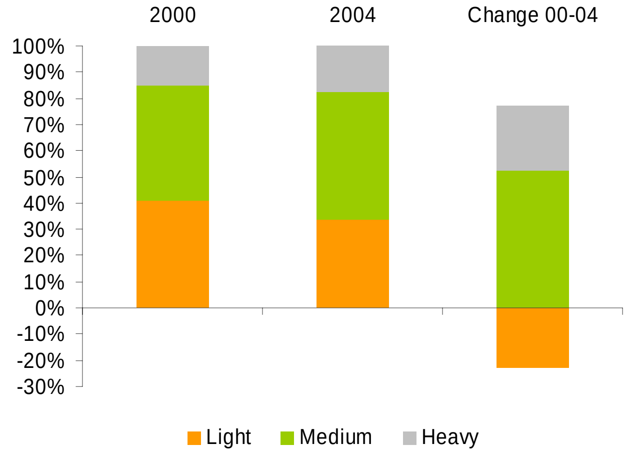
- The decision of the Chinese authorities to change the management system of its currency the yuan from a fixed peg against the US dollar is expected to have long term significance for the global economy. The move to a managed float should improve the flexibility of the Chinese economy and aid the resolution of financial imbalances between the USA and the rest of the world. The initial 2.1% revaluation of the yuan against the US dollar is small but is likely be followed by further appreciation. Changes in the currency are expected to be rather gradual given that the first consideration of Chinese authorities will be to ensure the stability of the economy which remains highly dependent on exports.
- Growth in the USA and China remains strong. Within the USA, consumer spending continues unabated and the GDP growth forecast for 2005 has been increased to 3.5% from 3.4%. The July testimony of the Federal Reserve Chairman signaled some concern regarding inflation and that increases in US interest rates will continue for some time. Growth next year is expected to fall to below 3% as higher rates may affect consumer and business spending. In China, despite fears of overheating, there are few signs of a slowdown in the economy. Export growth was very strong in June and accommodative financial conditions are keeping investment growth rates high. The growth forecast for China in 2005 has been raised to 8.9%. For 2006, lower growth of 8.2% is expected as a result of anticipated weakness in the property market, some moderation in fixed investment and the impact of the firmer currency on export growth.
- Japanese economy is forecast to grow by 1.6% in 2005, followed by slightly higher growth of 1.8% next year. There is no change to the forecast for the Euro-zone which is expected to grow by 1% in 2005. An improvement is expected in 2006 although the forecast growth rate of 1.4% remains below trend. The forecast growth rate for the world economy is almost unchanged at 4.1% in 2005 and 4.0% for 2006.
- The OPEC Reference Basket saw a gain of $1.09 or 2% over the previous month to average $53.13/b in July. Concerns over winter fuels amid refinery glitches in the Western hemisphere, a string of tropical storms in the US Gulf Coast and heightening geopolitical tensions set a bullish tone for the month, despite easing of apparent demand from China and lower expectations for world oil demand growth for the year. The Basket continued to rally in the first half of August, peaking at an all-time record-high of $59.14/b on 12 August.
- A series of refinery problems renewed gasoline supply fears particularly amid higher demand and stock-draws for that product in the USA. These trends helped light product prices and refinery margins to surge across the globe. Despite the good performance of light and middle distillate products, demand for fuel oil failed to pick up significantly, leaving surplus barrels in all regions. These developments, along with refinery outages and crude oil output problems in India and the North Sea, have placed some downward pressure on sour grades, further widening the gap between sour and sweet crudes in various markets. The continuation of refinery outages and the poor performance of fuel oil could cause sour grades to weaken further over the next few months as demand typically shifts to more light distillate-rich crude oil.
- OPEC area spot chartering remained unchanged at 13.9 mb/d in July, but Middle Eastern fixtures increased by about 0.2 mb/d on the back of firm demand from Asia. Sailings from the OPEC area grew by 1 mb/d, reversing the loss of 1.3 mb/d displayed in the previous month. The tanker market showed mixed patterns with VLCC freight rates recovering significantly from low levels seen in late 2003 to average WS85 on the Middle East/eastbound long-haul route and WS73 on the Middle East/westbound long-haul route. The Suezmax and the Aframax sectors were weaker overall, due to a build-up in tonnage availability. The product tanker market also showed differing patterns with freight rates improving in the East and the Caribbean but weakening in the West.
- World oil demand growth for 2005 is now projected to rise by 1.58 mb/d or 1.9% to average 83.6 mb/d, following a 40,000 b/d downward revision to the previous month’s estimate of 1.62 mb/d. This marginal downward revision is the result of the first and second quarter preliminary data for some major oil consuming countries such as the USA and China which point to a lower-than-expected consumption. However, these figures should be taken with a degree of caution given their very preliminary nature. This is particularly true for the data from the USA, where major products have shown positive growth this year, while the decline in demand has taken place primarily in "other oils".
- Average world oil demand for 2006 is projected to grow by 1.6 mb/d or 1.9% to average 85.2 mb/d. This slightly higher forecast is due to the slightly more optimistic view of the world economy for the coming year.
- Following a downward revision of 17,000 b/d to last month’s figures, non-OPEC production in 2005 is expected to average 50.5 mb/d, representing a 0.7 mb/d increase over the previous year. On a quarterly basis, adjustments made in the first and second quarter of 2005 reflect actual preliminary data and baseline revisions, whilst adjustments to the outlook in the third and fourth quarters of 2005 reflect slightly improved expectations in Brazil and the loss of production in India following the accident in the Bombay High field, all of which contributed to the overall change. July OPEC production averaged 30.2 mb/d according to secondary sources.
- In 2006, non OPEC production is expected to average 51.5 mb/d, an increase of almost 1 mb/d over 2005, and a downward revision of 148,000 b/d from last month’s report. Non-OPEC supply (including OPEC NGLs and non-conventional oils) is expected to average 56.0 mb/d, an increase of 1.3 mb/d over 2005. The adjustment reflects the impact of the delay in the start-up of Thunder Horse in the USA and the loss of some production in India due to the accident at Bombay High field.

- US commercial oil stocks continued to build, adding 6 mb or 0.2 mb/d to stand at 1,022 mb during the period 1-29 July. The gains were a result of builds in other oils and unfinished oil stocks, while draws on major oil stocks, such as crude and gasoline, were enough to cancel the huge 10.1 mb gain in distillates. Total oil inventories in Eur-16 rose moderately by 8.9 mb or 0.3 mb/d to 1,125 mb in July after two months of nearly stagnant stock movements. Most of the build came from crude oil and to a lesser extent distillates, while other major product inventories moved marginally in both directions. In Japan, total oil inventories saw a marginal draw of 2.9 mb or 0.1 mb/d in June to stand at 181.8 mb. Draws came from the product side where all major product inventories experienced marginal losses, while crude oil stocks moved up slightly without any effect on the general picture.
- The supply/demand balance for 2005 remains unchanged with demand for OPEC crude in 2005 (a-b) forecast at 28.9 mb/d. A 100,000-b/d upward revision to the first quarter of 2005 was offset by a downward revision of roughly the same amount to the third quarter of 2005. On a quarterly basis the demand for OPEC crude is estimated at 29.2 mb/d, 27.1 mb/d, 28.8 mb/d and 30.5 mb/ for the first, second, third and fourth quarters.
- For 2006, the demand for OPEC crude is expected to average 29.2 mb/d, an increase of 300,000 b/d versus 2005 and an upward revision of around 170,000 b/d versus last month's report. The quarterly distribution shows that demand for OPEC crude is now expected to be 29.8 mb/d in the first quarter, 27.9 mb/d in the second, 29.0 mb/d in the third and 30.0 mb/d in the fourth.

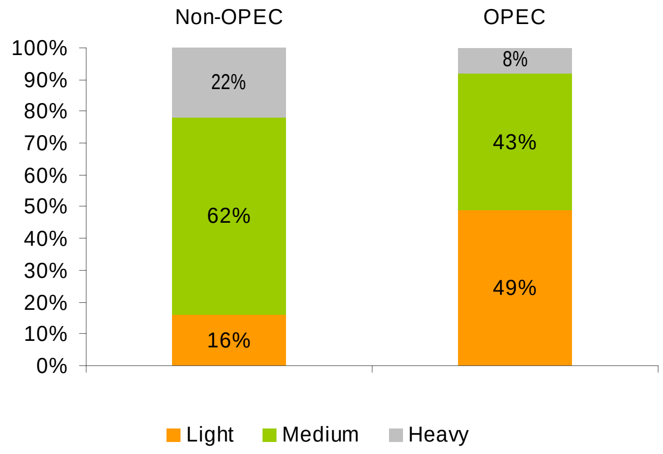
Evolving crude quality and implications for refineries

- In the period of 2000 to 2004, non-OPEC crude production increased 4.1 mb/d, primarily driven by strong production increases in Russia, which rose 2.6 mb/d. However, significant unexpected losses were seen in the OECD, particularly the UK and Australia, as well as in some Latin American and Middle Eastern producers. In the OECD alone the estimated net loss was 1 mb/d, while in the rest of the world — barring the impact of accidents — production was either stable or positive and broadly met expectations.
- One of the main consequences of these production trends was the rebalancing in a relative short period of time of the crude types produced by non-OPEC, as measured by API and sulphur content. In 2000, non-OPEC crude output was 66 mb/d and the split of non-OPEC crude production by light (>35 API), medium (26 to 35 API), and heavy (<26 API) was approximately 41%, 44%, and 15%, respectively. However, in 2004 with production at 70 mb/d, the split was 34%, 49%, and 18%, respectively. In terms of sulphur content, 47% of crude production in 2000 was sour (sulphur >0.5%) whilst in 2004 it was 51%. These changes can be explained by the fact that the net increase in non-OPEC crude production was 73% medium and 26% heavy in API terms, and was predominately sour, while at the same time there was a net loss in light, primarily sweet crudes (see ***Graph 1***).
- Putting together the regional trends and the observed changes in crude quality demonstrates that the growth of medium API and sour crude over the 2000-2004 period primarily reflects the increased production in Russian Urals (API 33, sulphur 1.3%). Other contributors to the growth in medium API crude include Angola, Canada (Syncrude), Equatorial Guinea, and Sudan, although all of this crude was sweet. Elsewhere, the growth in heavy API and sour crude reflects production increases in Canada (Bitumen), Chad, Brazil, Ecuador, and Mexico, whilst the net loss in light API and sweet crude is attributed to declines in the OECD – mainly Australia, Canada, North Sea and USA — as well as Colombia. It is worth noting that the only two countries that showed a material net increase in light crude production were Kazakhstan and Vietnam, but this was predominantly sour.

Graph 1: Non-OPEC crude production, share by API crude type



Graph 2: Non-OPEC and OPEC capacity expansions in 2005-06



- OPEC crude production during the 2000 to 2004 period saw an average increase of 1 mb/d of light sweet and 0.9 mb/d of medium sour crudes, while heavy sour output dropped 0.7 mb/d, the combination of which resulted in a minor change in the production mix. OPEC crude production in 2004 averaged 29 mb/d with the split for light, medium, and heavy quality crude at 32%, 62% and 6%, compared to split in 2000 of 30%, 61% and 9%, respectively. In terms of sulphur content, 77% of OPEC production in 2000 was sour (sulphur >0.5%) compared to 75% in 2004.
- In contrast to the total increase in world crude production and the crude quality changes observed in non-OPEC and OPEC, the expansion and adaptation of the world refining system was less significant, particularly in the major consuming regions (USA, Eurozone, and Asia Pacific). For example, in just these three regions, refinery capacity expansions totaled only 1.4 mb/d or 27% of the net increase in world crude production. Conversion capacity increased just 0.9 mb/d, and hydrotreating capacity grew 3.5 mb/d. Outside these three regions, the net refining capacity increase was effectively zero.
- Looking at the supply forecast for non-OPEC crude in 2005 and 2006, we expect a slowdown in the rate of growth of Russia, a material increase in Angola, Azerbaijan, Brazil, Sudan, while OECD net losses are expected to be minimized due to increases in Canada (Syncrude). The cumulative net increase is estimated at 1.7 mb/d, of which approximately 62% is expected to be medium, 22% heavy and 16% light quality crude; but given the sources of growth, the bulk of the increase is likely to be overwhelmingly sweet rather than sour.
- OPEC crude capacity expansions in 2005 and 2006 are estimated at 2.1 mb/d, and whilst the quality of total OPEC production is not expected to change materially in the foreseeable future — as this is determined by geology — it is worth highlighting that near-term capacity expansions are overwhelming light and medium API quality crude (**Graph 2**). And, in contrast to conventional wisdom, in terms of sulphur content, the crude quality of most projects starting during the 2005-2006 period is also predominately sweet (60%) due to increases in Algeria, Libya Nigeria, and Saudi Arabia.

- In the medium term (2006 to 2010), the crude quality of incremental non-OPEC production is likely to be overwhelming medium API, but probably balanced in terms of sweet and sour content. High growth countries are likely to continue to include Angola, Azerbaijan, Brazil, Canada (Syncrude), Kazakhstan and Russia along with some countries in the regions of Africa, FSU and Latin America, whilst North Sea region and some OECD countries are likely to see further declines. Over this same period, OPEC capacity expansions are likely to be overwhelmingly medium and heavy and predominantly sour.
- To ease the persistent bottlenecks in the downstream sector and reduce the current oil market volatility, it is important to ensure that the future increases in refinery capacity — particularly in hydrotreating and conversion capacity — match incremental crude production/demand and reflect the evolving qualities of global crudes. While the full details regarding refinery capacity expansions in the medium term cannot be clearly known at this stage, what is certain is that it will take several years to deliver the projects needed to ease current bottlenecks and prepare the appropriate refining capacity to meet expected demand. The recent rise in crude oil prices to new record highs — triggered by a series of refinery outages that have aggravated downstream constraints along with increased geopolitical tensions — only highlights the pressing need to enact concrete measures that would encourage rapid and sizeable investments in the refining sector. Any delays will only continue the current mismatch between the installed refinery capacity and crude type, and undermine OPEC efforts, and those of other producers, on the upstream side to reduce volatility in the oil market.

9 August 2005

Statement by
HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, President of the OPEC Conference, Secretary General of OPEC and Minister of Energy of the State of Kuwait

on

the recent rising trend in oil prices

OPEC continues to monitor oil market developments closely and has observed with concern the recent rising trend in oil prices and prevailing volatility in global markets. Noting that this latest increase has been triggered by a series of refinery outages that have aggravated downstream bottlenecks in key consuming regions, along with increasing geo-political tensions, OPEC reiterates its ongoing commitment to maintain market stability with reasonable prices compatible with robust economic growth, particularly in the emerging economies of the developing world.

Towards this end, OPEC Conferences have repeatedly increased the production ceiling by more than 4m b/d in recent years. Moreover, Member Countries have accelerated projects to expand production capacity in order to meet rising demand and ensure the availability of adequate spare capacity. While consultations with Heads of Delegation are ongoing after the decision of the June Conference to increase the ceiling to 28m b/d, OPEC Member Countries have continued to place additional supplies on the market. OPEC-10 production is estimated to have reached about 28.3m b/d, while total OPEC is reportedly producing close to 30.4m b/d and rising. These incremental volumes have led to global supply exceeding demand over the last two years, allowing stocks to continue to build to well above the five-year average.

With the expectation for continued healthy global economic growth and rising demand for oil, the Organization will continue to take appropriate and prompt action as and when the need arises. Member Countries with spare capacity (estimated at around 2m b/d) have reiterated their readiness to make these additional supplies available should the market call for it.

While continuing to invest in new production capacity and increase output to meet future growth in demand, OPEC reiterates its call on all parties concerned to join efforts for market stability. Welcoming the recognition of the need to address the downstream challenge, OPEC also calls, in particular, for the enactment of concrete measures that would encourage rapid and sizeable investments in the refining sector, particularly in conversion capacity, which has persistently lagged market requirements and exacerbated oil price volatility.

Highlights of the World Economy

Economic growth rates 2005-2006, %					
	World	**G-7**	**USA**	**Japan**	**Euro-zone**
2005	**4.1**	**2.4**	**3.5**	**1.6**	**1.0**
2006	**4.0**	**2.2**	**2.9**	**1.8**	**1.4**

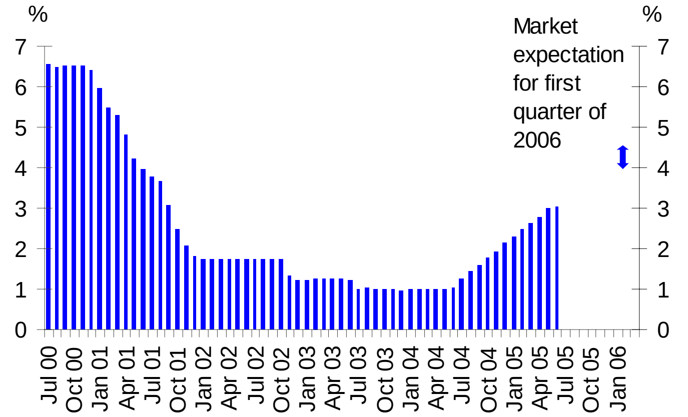
Industrialised countries

United States of America

US Federal Reserve indicates no pause in rate increase process

Most recent economic data confirms a picture of solid growth. The index of leading indicators rose by 0.9% in June, the biggest rise in 15 months. Consumer confidence, money supply growth and supplier delivery times all made positive contributions. Housing starts were unchanged at a very high level in June with particular strength noticeable in the south of the USA. House prices have also reached very high levels in relation to GDP on the west and east coasts and at the national level the median sale price in June rose by 15% y-o-y which is the highest rate of house price inflation for over 25 years. Even the labour market, which has lagged during the current economic recovery, showed signs of tightness with the national rate of unemployment falling to 5%. Reduced labour participation rates have depressed the growth in labour supply and continued strong economic growth may, at last, begin to affect wage inflation. **These signs of mounting inflationary pressure have not been ignored by the US Federal Reserve. The Federal Open Market Committee central tendency forecast range for inflation in 2005 and 2006 was raised to include 2% with the implication that a continuing tightening of monetary policy will be needed to prevent a worse outcome.** The Fed chairman gave no hint that a pause in interest rate increases is likely – indeed it seems probable that US short-term interest rates will rise to over 4% during the course of 2006. The Chairman also noted the contribution of speculative activity and “unrealistic expectations” to the rise in the price of US Treasury bonds. Higher bond prices have provided a stimulus to economic growth but any sudden increase in risk aversion could have rather dramatic effects on all financial and currency markets. The housing market is particularly vulnerable and any weakness in house prices would have a rapid effect on GDP growth through a reduction in the ability of householders to extract funds from the equity in their homes.

Graph 1: US Federal funds rate



US bond markets and the dollar will feel some effects from the revaluation of the Chinese currency on July 21. This 2.1% move was probably only the first step in a long and steady process of adjustment that will surely lead to a fall in the value of the US dollar in relation to most Asian currencies. The pace of adjustment will depend on the strategy of the Chinese authorities who will carefully assess the impact of the change in parities on exports and the general health of the Chinese economy. The US dollar might depreciate by about 5% per year against a basket of Asian currencies. This would be sufficient to add to pressures on US demand through higher exports and also increase the rate of inflation. **The Chinese revaluation is likely to increase interest rates in the USA – both through the effect of higher demand on an economy already reaching capacity and through reduced purchases of US Treasury securities.** The impact of the change in policy on the Chinese strategy of foreign reserves management may be significant for the euro and the yen. Much will depend on the details of the basket against which the Chinese currency will be valued. Recently, revealed details indicate a broad number of currencies in the basket. However, the weights attached to each currency are not yet known. One clearly positive outcome of the revaluation will be reduced pressure on Congress to implement restrictions on trade. Although the change in currency parities was small, the move in strategy was significant and may lead the way to the normalization of

Chinese-US relations. Certainly the immediate response from US policymakers was supportive. The various pressures on inflation and interest rates within the US economy seem to suggest that the balance of risks favours lower rates of growth of consumer spending in 2006. For this reason the forecast of GDP growth for next year is 2.9% — lower than the 3.5% expected for this year. The reduction in growth rates is not forecast to be dramatic since the export sector and also business capital spending will probably continue to see healthy growth through 2006.

Japan

Chinese revaluation should boost Yen and other Asian currencies

Second quarter trade statistics indicate that the external sector continued to be a drag on Japanese GDP growth. The trade surplus in the second quarter was down 20% from the previous quarter. Indeed, it has now contracted in each of the past five quarters since the second quarter of 2004. Despite this trend there are some signs of improvement in the export environment – certainly the depreciation of the yen against the dollar since January should make some contribution. Nevertheless, the main drivers of economic growth in the second quarter are expected to be domestic. Personal consumption should manage to grow at about 2% and private sector capital expenditure should also grow. Leading indicators of the domestic economy were mixed in May. The services sector of the METI activity index showed declines – suggesting that activity might have begun to slow among non-manufacturers. However, sectors relating to consumer spending showed an improvement, providing evidence that some of the strength of the first quarter was continued although the growth rate in the second quarter will hardly maintain the 4.6% pace of the first. The strength of demand might push consumer price inflation into positive territory in the final quarter of the year although most analysts expect the first quarter of 2006 to mark the end of deflation in Japan. If the economy does achieve 2% growth the margin of spare capacity will gradually be eroded and this may affect the monetary policy of the Bank of Japan. In May the Bank allowed bank reserves to fall below their target range but no significant shift away from quantitative easing looks likely this year. The recovery remains rather fragile and the Bank will not wish any sign of a change in policy to threaten growth prospects for 2006. During 2006 the Bank may move away from quantitative easing but the emphasis on very low interest rates will surely remain in place for the foreseeable future.

The revaluation of the Chinese currency and the move to a more flexible system of management had an immediate effect on the yen which strengthened by 2% against the euro and the dollar. Other Asian currencies also rose in value. The impact on the growth of Japanese GDP is hard to judge. Exports to non-Asian markets may be reduced by the appreciation, as will Japanese exports of capital equipment to China. Although the currency adjustment is limited, it might be sufficient to cool both the growth in Chinese exports and the very high momentum of fixed capital spending which has benefited Japan. On the other hand China will be a less effective competitor in third markets – especially if the eventual currency adjustment is more significant. The main interest of Japan is the stability of the Chinese economy and from this perspective the move to a more flexible currency arrangement can only be beneficial.

Euro-zone

Economy may have stabilized in the second quarter. Growth prospects for 2006 hinge on an improved labour market

Indications from survey data and reports of industrial production suggest that GDP in the Euro-zone grew by about 1% annualized in the second quarter. This represents a slight improvement on earlier expectations. Survey evidence in Germany, Belgium and France was consistent with positive growth and industrial production data for May for the Euro-zone indicated stability. Trade data in April and May suggests that the external sector could have made a small positive contribution to GDP growth in the second quarter following the poor export performance of 2004. Higher oil prices had an impact on the rate of inflation in the Euro-zone in June as the rate rose to 2.1%. The core rate of inflation (which excludes energy and food) continued to fall, reaching 1.4% in June. **There seems to be little “second round” impact of higher energy prices on inflation despite the weaker trend of the euro in 2005.** Overall activity seems to have stabilized in the major economies although growth will be clearly affected by the positive impact of euro weakness and the negative effect of higher oil prices. Much will depend on the momentum of consumer spending and the pattern is hard to interpret. French consumers’ expenditure rose by only 0.5% in June and it appears that the second quarter outcome will show a fall on the first quarter of the year. Retail sales in Germany continued to be weak and Italian consumer confidence declined sharply. Overall Euro-zone consumption growth in the second quarter probably matched GDP growth at about 1% at an annual rate.

The lack of growth momentum in the Euro-zone has not led to any indication of a change in policy from the European Central Bank. The fall in the value of the euro has reduced the pressure on the Bank to cut interest rates – if anything the tone of the July 7 meeting indicated that the first move in rates might be upward. The ECB expect a higher pace of economic growth in the second half of the year – moreover the behaviour of energy prices suggests to the Bank that the outlook for inflation justifies a cautious approach. Not many analysts expect the ECB to cut rates unless second half indicators are particularly disappointing and the current neutral stance of the Bank will probably remain in place, at least whilst the euro continues to be weak. Euro-zone interest rates may be cut — perhaps around the turn of the year — but only if wage inflation continues to be very low and expectations for the rate of consumer price inflation in 2006 are clearly anchored below 2%. Overall the outlook for the Euro-zone in 2006 is not encouraging and growth is expected to remain below trend at 1.4%. There is some scope for a positive surprise in Germany next year if world trade were to perform better than expected since the competitiveness of many German companies has certainly improved.

Former Soviet Union

June shows improvement in output after a poor first five months

Data for June may indicate a turn in the poor performance of the Russian economy. During the first five months of the year growth in both the extractive and manufacturing sectors stalled – indeed, manufacturing activity fell to levels below those of 2004 in the first quarter. The strength of the rouble and rising input costs meant that imports were increasingly competitive. **In June, however, industrial output rose by a robust 6.9% over 2004 levels, taking the overall growth rate of industrial production for the first half of 2005 to 4%** — still well below the 7.3% growth rate achieved in 2004. The manufacturing sector performed particularly well, growing by nearly 11%. The highest growth was registered in the production of durable goods. Gross expenditures on fixed capital investment in June were up sharply, by 20.0% month-on-month on top of an 11.0% increase in May, putting growth in capital spending at 9.4% in the first half of 2005 as business confidence recovered from the doldrums early this year. Retail trade turnover has continued to surge. In real terms, retail sales were 12.5% higher year-on-year in June and 11.3% higher in the first six months of the year, only a shade off the 11.3% mark for the first half of 2004. Reported increases in real disposable income are behind the continued boom in household consumption. The Russian government has slightly increased its expectations of near-term economic growth but, for the present, the forecast growth rate remains unchanged at 5.5%. The outlook for 2006 is also rather muted as GDP is expected to grow by only 4.9%. A better performance is possible depending on a recovery in oil and gas production and an improved competitive situation for manufacturing businesses in Russia. The authorities are aware of pressures on industry created by the appreciation of the rouble as the currency has already risen by 8.5% in real effective terms in the first half of 2005. On the other hand, the only way to restrain the domestic money supply and Russian inflation would be to allow the rouble to rise still further. Fiscal policy remains expansionary as the authorities have announced plans to raise expenditures to 17% of GDP in 2005 and these spending plans may lead to further inflation. About one third of the additional expenditure will be financed by the Stabilisation Fund. In effect this policy diverts oil revenues into social payments and public sector wages, reducing the scope to meet debt repayments.

Eastern Europe

Poland also saw better growth in June but Euro-zone weakness affected the Czech Republic and Hungary

As in the case of Russia, a disappointing first five months was followed by encouraging data for the Polish economy in June. Industrial output was volatile in the second quarter. A good result in April was followed by a 4.8% setback in May and this month also saw deterioration in consumer and manufacturing sentiment. However, **industrial production rose by 6.8% in June**, and this bounce – together with the reduction in interest rates in June – may lead to renewed economic momentum in the second half of the year. Overall GDP growth in 2005 and 2006 is likely to remain below 4%. In contrast, the Czech economy saw 4.4% growth in the first quarter as a result of strong export and investment spending. Czech industrial output growth slowed to 4.0% year-on-year during May, after a surprisingly strong increase of 5.7% in April. Forward-looking confidence indicators suggest some slowing in the second half but for the year as a whole, GDP growth of at least 3.7% should be within reach. After a very strong performance in 2004, Hungarian exports weakened in the first quarter of 2005 and pulled down the overall GDP growth rate to 2.9%. Hungarian manufacturing activity contracted during June, according to the latest purchasing managers index (PMI) for the manufacturing sector. The index declined by 4.4 points from a level of 52.5 in May to 48.1 in June. Hungary is very sensitive to the conditions of the Euro-zone economy which affect both exports and FDI and the poor performance of this region may make it difficult for GDP to grow much more than 3% in 2005. Nevertheless the hoped-for recovery of the Euro-zone next year should allow Hungarian growth to recover to 3.5% in 2006.

Oil profits fuel the non-oil sector and improved the GDP growth rate forecast in OPEC Member Countries

OPEC Member Countries

Windfall gains from oil exports have fuelled the non-oil sectors and upgraded the GDP growth rates in OPEC Member Countries. For instance, IR Iran's real GDP growth rate in fiscal 2005 is expected to edge up to 7% from 6.6% in fiscal 2004. Public consumption is forecast to rise strongly, as the parliament imposes freezes on subsidies and raises support for conservative quasi-governmental institutions. Strong public spending will, in turn, stimulate robust private consumption and gross fixed investment will also benefit, as a share of oil receipts will be lent to non-oil enterprises. Constraining economic growth will be a slow-down in the expansion of export volumes, as oil production remains flat and as domestic oil consumption increases. The strong rise in import volumes will also hold back growth marginally. In Venezuela, government spending growth will accelerate sharply this year, supported by the oil profits and the transfer of excess reserves to a fund for development. This will provide continued demand stimulus and drive robust growth in the non-oil sectors such as construction, finance, manufacturing and retail. This boost to domestic demand will offset strong import growth, resulting in GDP growth expected at 6.2% in 2005. Qatar's economy, which has been one of the region's star performers in the past years, is expected to record further impressive growth rates in the current and coming year. Developments in non-oil energy sectors will be the main contributor to economic growth, as the continued rapid expansion of Qatar's LNG industry results in a sharp increase in export volumes. Output of associated condensates will also expand, and there will be sustained growth in other gas-based industrial ventures as projects under development reach completion. High oil production will continue to support GDP growth, as global demand remains strong and new capacity comes on stream. As a result, economic growth is likely to remain robust reaching 9.5% in 2005 against 9.9% in 2004 and expected to be 9.3% in 2006.

China's yuan revaluation impacted commodity and financial markets, the launching of a single currency in West Africa has been postponed, and Brazil's central Bank revised down the GDP growth rate

Developing Countries

China's announcement that the yuan will no longer be pegged to the dollar rippled through the currency, bond and commodity markets. While it is still too early to tell, some economists argued that global inflation, interest rates, bond yields and commodity prices may be impacted by China's decision to revaluate the yuan. Brazil's central bank has revised down its GDP growth estimate for this year, from the previous 4% to 3%. This reflects recognition that for nine consecutive months interest rate hikes have succeeded in reducing inflationary pressure, but have also induced a slow-down in economic expansion. Concern remains that sky-high interest rates — the highest in the world — could cause a sharper slow-down, unless a loosening of monetary policy begins soon. Moreover, a suddenly more adverse external environment could also put the growth prediction at risk. In Africa, the West African Monetary Zone (WAMZ), which consists of The Gambia, Ghana, Guinea, Sierra Leone and Nigeria, has postponed the launching of a single currency from July 2005 to December 2009. This matter had been delayed many times before, as participating countries have not been able to fulfil the four main convergence criteria of single-digit inflation, a budget deficit no larger than 4% of GDP, Central Banks financing of the budget deficit not exceeding 10% of the previous year's tax revenue, and a minimum holding of three months of foreign exchange reserves.

China moved to managed float against a basket of currencies on 21 July. The initial dollar parity was 8.11 which implies a revaluation of 2.1%

Oil prices, the US dollar and inflation

The dollar strengthened further in July but the strong momentum visible earlier in the year was lacking. Signs of economic stabilization in Europe, a better economic performance in Japan and the 2.1% revaluation of the Chinese currency towards the end of the month moderated the strength of the US dollar. The Chinese move might be a forerunner of a general recovery of Asian currencies against the US dollar. The dollar rose by 1.05% against the euro, 3.90% against the British pound and 2.34% against the Swiss franc. The dollar also rose by 3.03% against the yen.

In July the OPEC Reference Basket rose to $53.13/b from $52.04/b in June. In real terms (base July 1990=100), after accounting for inflation and currency fluctuations, the Basket price rose by 3.10% to $38.35/b from $37.19/b, as the effect of the stronger dollar added to the 3.45% rise in the Reference Basket price. The dollar rose by 1.33% as measured by the import-weighted modified Geneva I +US dollar basket*.

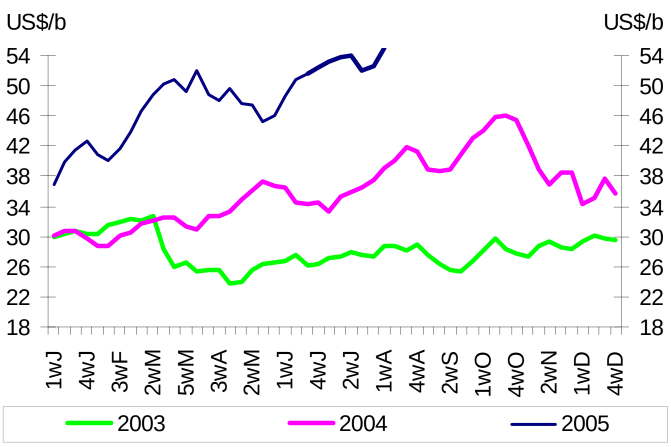
** The 'modified Geneva I+ US$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.*

Crude Oil Price Movements

The OPEC Reference Basket gained $1.09/b or 2% in July due to fears of a winter supply shortfall following a string of tropical storms in the Gulf of Mexico

OPEC Reference Basket

Graph 2: OPEC Reference Basket - weekly spot crude prices

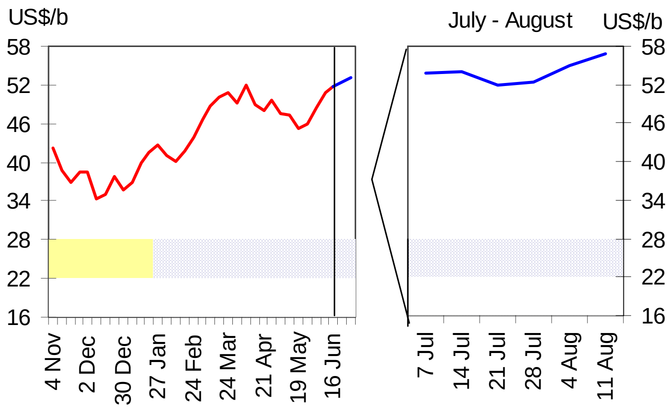


The OPEC Reference Basket began July under pressure from **continued concerns whether winter fuel stocks will be able to build sufficiently in the next few months. Bullishness was inspired by a surprise early start to the hurricane season in the Gulf of Mexico** as Tropical Storm Cindy halted oil operations in the US Gulf Coast. This caused market sentiment to focus on a possible supply shortfall in crude oil and refined products in the Western hemisphere, which was exacerbated by the formation of another tropical storm Dennis. The OPEC Reference Basket saw a weekly average of $53.90/b, an increase of 71¢ or 1.3% over the previous week. With the passing of these storms, the market calmed early in the second week, plunging as much as $1.63 or nearly 3% in one day. However, volatility soon returned with the formation of Hurricane Emily in the Caribbean Sea, which **revived fears of last year's disruption by Hurricane Ivan**. Countering the upward price pressures caused by the storms was the build in distillate fuels inventories over the past weeks. Hence, the Basket saw only a marginal rise of 19¢ for the week. **A drop in Chinese consumption amid an IEA forecast of slower demand revived bearish sentiments**, which were strengthened by easing fears of the effect of Hurricane Emily in the Gulf of Mexico amid the prospect of a build in US distillate stocks. The Basket plunged in the third week by a hefty $2 or nearly 4% to settle at $52.02/b. The bearish mood was short-lived, as storm worries returned. Moreover, a **fire at BP's Texas City refinery added to the bullish momentum, causing the Basket to rally in the final week** of the month by 49¢ or 0.94% to settle at $52.51/b following a 2% surge in the last day of July.

Note: Price band temporarily suspended as of 31 January 2005

Following the decision taken by the 136th (Extraordinary) Meeting of the Conference, the new OPEC Reference Basket has been implemented

Graph 3: Weekly average Basket price, 2004-2005



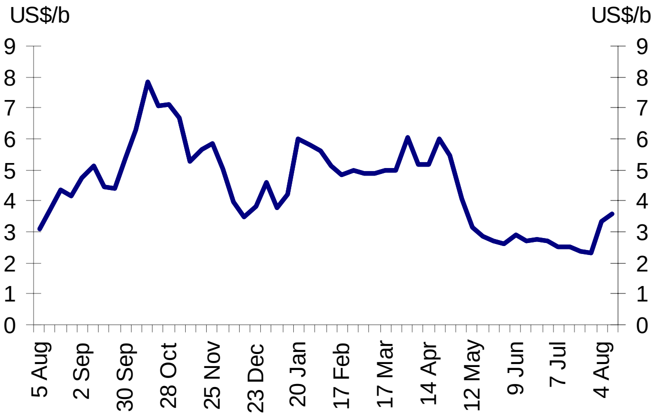
The OPEC Reference Basket averaged $1.09 or 2% higher in July over the previous month to stand at $53.13/b. Concerns over winter fuels amid refinery glitches kept the month bullish. Despite easing demand in the east and the forecast for slower demand growth, a series of tropical storms in the Gulf of Mexico intensified the overall bullish momentum. The official Basket price mentioned above uses the new 11-crude calculation for July but only partial calculation for June. Using the full calculation for June, the Basket rose $2.21 or 4.3% in July. Using the previous 7-crude calculation for both months, the Basket rose only $1.79 or 3.4% to reach $54.51/b.

Ongoing concerns over winter fuels amid a spate of tropical storms in the Gulf of Mexico and the Caribbean Sea kept alertness in the marketplace

US market

In the USA, the month of July also proceeded with a bullish tone following a spate of refinery glitches and stormy weather as **Hurricane Dennis shut some 207,000 b/d of oil output in the Gulf of Mexico.** WTI cash crude surged over 3% in the first two days of the month to average $59.98/b in the first week for a rally of 2.6% or $1.53. The WTI/WTS weekly average spread narrowed 19¢ to $2.52/b. Nevertheless, the market's bullish sentiment was short-lived as oil operations were restored as the hurricane spared oil production and refining facilities along the US Gulf Coast. The second weekly period saw continuing volatile movement. The market remained alert with the emergence of Tropical Storm Emily in the Gulf of Mexico, and **a healthy build in winter fuel inventories helped to dissipate the bulls**. Hence, the WTI cash crude weekly average closed 60¢ or 1% lower at $59.38/b. Market bearishness continued in the third week as the disruption of oil operations in the Gulf of Mexico was less than 1% amid **OPEC lowering its demand growth estimate for 2005**. Hence, the third weekly average for WTI cash crude was down by a hefty $2.46 or over 4% to settle at $56.92/b. However, the WTI/WTS spread narrowed 11¢ to $2.39/b on the continued build in distillates fuel stocks. Bulls regained traction in the market as Tropical Storm Franklin surfaced in the Caribbean Sea as US crude oil data revealed the fourth weekly drop in US crude inventories for a total fall of nearly 11 mb. The upward trend was also inspired by **the prospect that China's oil and product demand would pick up again after the country floated its currency a week earlier**. Hence, the WTI cash crude surged $1.26 or 2.2% to average $58.18/b in the final week, after surging over $60/b in the final day of the month. The July monthly average saw a gain of $2.06 or 3.6% over the previous month to stand at $58.66/b.

Graph 4: WTI spread to WTS



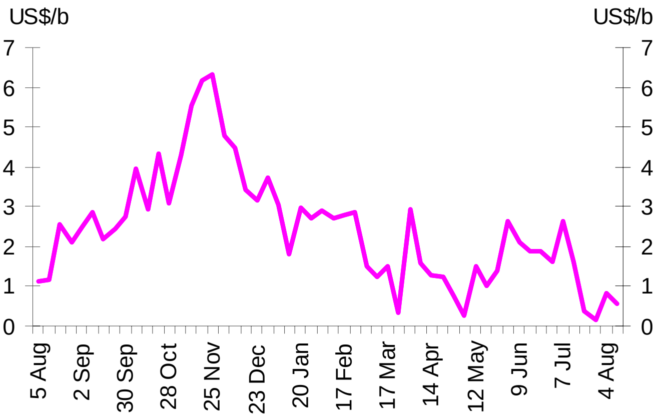
Lower North Sea output for August loading amid emerging demand supported the price escalation

European market

The European oil market saw improved refining margins in July inspired by the surge in gasoline and gasoil prices. However, this sentiment was diminished later in the first week, as **traders were furious about Platt's decision to include barrels from storage in its price assessment** amid comfortable crude oil stock levels and the emerging August loading programme. Dated Brent closed the first week up 67¢ or 1.2% at $57.51/b. A more bearish sentiment took over early in the second week amid lingering July cargoes and the emerging August loading programme. Nevertheless, the **sentiment turned bullish as the August loading programme revealed a 5% drop in volume**. Hence, Brent gained 47¢ or slightly less than 1% for a weekly average of $57.98/b. The higher outright prices kept buyers on the sideline, forcing sellers to lower their offers, which increased activities. Strong refinery demand amid limited August availabilities supported the price differential to accelerate in the third week. Yet outright prices slipped on easing concern over a West of the Atlantic supply shortfall as bad weather spared oil operations. Dated Brent saw a drop of $1.45 or 2.5% for a weekly average of $56.53/b. Nonetheless, dwindling supply for August at month-end amid a rise in demand revived the bulls once again. In the final week, Brent gained $1.5 or 2.7% to average $58.04/b.**The sentiment was inspired by news of a shut-down of BP's 120,000 b/d Schiehallion field in the North Sea as well as refinery outages in the USA.** The monthly average for July rose $2.74 or 5% over the previous month to stand at $57.47/b.

Mediterranean Urals was bid stronger earlier in the month on absence of trade despite a move by a Mideast major to cut the price differential for August heavy grades. Urals averaged $54.63/b in the first week, an increase of 2.5%, with the spread to Dated Brent narrowing by 66¢ to minus $2.88/b. The bullish mood for July barrels sustained into the second week amid healthy refinery demand although margins did not justify the high levels. **Concern over dwindling supply kept alertness in place as some barrels flowed eastward**. The second weekly average closed $55.37/b or 1.4% higher while improving to a $2.61/b discount to Dated Brent. However, high prices encouraged more sellers into the market, causing strength to ease later in the third week as poor margins made Urals less attractive for refiners. Nevertheless, the shortage of prompt August supply sent the Urals price differential up to the highest level since January 2004. **An early August loading was heard traded at Dated Brent minus $1.85/b, which encouraged more sellers into the market.** Hence, the third weekly average stood at $54.23/b for a drop of over 2%, while the spread to Dated Brent improved 31¢ to minus $2.30/b. In the final week in July, Urals was seen to be peaking, although the tight supply situation kept some pressure on prices. While the market was moving towards second-decade August loading, Urals price differential slipped amid unsold cargoes with sellers offering larger volumes than anticipated. Urals was trading at a slightly steeper discount to Dated Brent at $2.5/b while the last week's average stood 2.5% higher at $55.57/b. The monthly average for July was $3.77 higher than the previous month, at $54.95/b.

Graph 5: WTI premium to Dated Brent

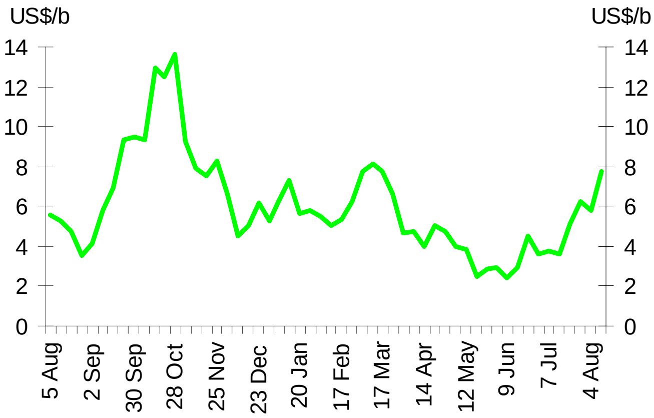


Far East market

Weaker Chinese demand for fuel oil prompted re-selling of Oman crude cargoes while emerged requirement from Thailand kept a cap on the discount

The Mideast crude emerged on a weaker note as Chinese sellers disposed of a few Oman cargoes amid weak demand for fuel oil. September Oman was on offer at parity when traded at a 10¢ discount to MOG. The sentiment continued into the second week when assessed at a 15-20¢/b discount to MOG pressured by Chinese re-selling of prompt-loading July Urals. **The pressure was sustained as China continued to re-offer September-delivered Urals cargo.** Hence, September Oman fell to a 20-22¢/b discount to MOG when concluded at a 48¢/b discount. It even plunged further when it was bid at around minus 60¢/b on the back of **lower refinery runs in China amid the revaluation of the yuan**. September Abu Dhabi Murban emerged to trade at a 7¢/b discount to ADNOC's OSP. Nevertheless, perception that September volumes would be lower than August prompted the grade to be valued at a premium. Anticipation of **stronger demand from Thailand and rumours that Shell would move Oman barrels to Europe supported September cargoes to recover losses**. September Oman was trading at a 30-40¢/b discount to MOG by month-end with Abu Dhabi assessed between a 5¢ discount and a 5¢ premium to OSP.

Graph 6: Dated Brent spread to Dubai



Asian market

Chinese disposal of sweet grade kept pressure on the regional crude amid a lower refinery run rate. A fire at India's oil platform revived market sentiment for regional crude.

In the Asian/Pacific Rim, sellers kept their offers at strong levels, with Malaysia August Tapis sold at a $1.80/b premium to APPI, which prompted buyers to move to the sidelines. Lower Chinese refinery runs also attributed to the slowing demand for regional and West African sweet grades. Continued Chinese re-selling of heavy sweet grade prompted the regional medium sweet grade to drop significantly. However, a series of buy-tender awards helped clear the lingering cargoes of August regional crude at distressed levels. Moreover, trading for **September cargoes kicked off early with a buying spree from Thailand as sellers quickly attempted to dispose of cargoes on fears that prices would fall further.** Malaysia September Tapis was on offer at a $1.20/b premium to APPI when sold at $1/b premium later in the month. July Tapis OSP was set almost $4 over June at $58.17/b on the perception that premium would move higher amid a lower-than-anticipated OSP. Moreover, a fire at an Indian oil platform helped the premium to strengthen as Tapis revived, on offer at $1.30/b over APPI.

Table 1: OPEC Reference Basket and selected crudes, US$/b

			Year-to-date average	
	Jun 05	**Jul 05**	**2004**	**2005**
OPEC Reference	**52.04**	**53.13**	**33.08**	**47.57**
Arab Light[1]	52.47	53.46	32.74	46.72
Basrah Light	50.59	52.24	32.21	45.42
BCF-17	37.48	44.07	n.a.	35.61
Bonny Light[1]	55.93	58.40	34.30	51.49
Es Sider	53.16	55.71	33.37	48.57
Iran Heavy	49.60	51.07	30.66	44.65
Kuwait Export	51.15	51.31	32.04	45.99
Marine	52.27	53.57	31.88	46.55
Minas[1]	55.02	56.18	33.53	51.34
Murban	55.16	57.05	34.11	50.18
Saharan Blend[1]	54.41	57.30	34.32	50.68
Other Crudes				
Dubai[1]	51.37	52.78	31.85	45.68
Isthmus[1]	51.48	53.85	33.93	46.29
T.J. Light[1]	48.19	49.10	30.89	42.61
Brent	54.73	57.47	34.32	50.64
W Texas Intermediate	56.60	58.66	37.34	52.42
Differentials				
WTI/Brent	1.87	1.19	3.02	1.78
Brent/Dubai	3.36	4.69	2.47	4.96

Note: As of the third week of June 2005, the price is calculated according to the current Basket methodology that came into effect on 16 June 2005. BCF-17 data is available only as of March 1, 2005.

Based on the current Basket methodology, the average for June 05 would be US$ 50.92/bbl.
Based on the old Basket methodology, the average for June 05 would be US$ 52.72/bbl.
Based on the old Basket methodology, the average for July 05 would be US$ 54.51/bbl.

[1] Old Basket Components: Arab Light, Bonny Light, Dubai, Isthmus, Minas, Saharan Blend and T.J. Light

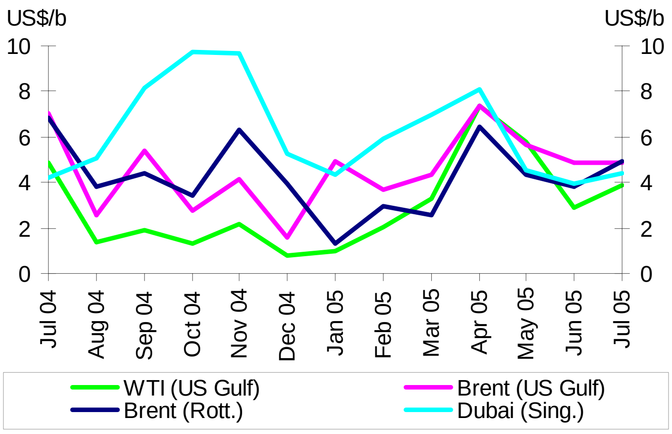
Source: Platt's, direct communication and Secretariat's assessments.

Product Markets and Refinery Operations

Refinery snags underpinned crude and product prices

A series of refinery problems, together with higher demand and gasoline stock-draws, has renewed fears about gasoline supply, causing light product prices and refinery margins to surge across the globe. As Graph 7 shows, refinery margins for the WTI benchmark crude in the US Gulf Coast rose to close to $4/b in July from nearly $2.90/b in the previous month. Similarly, product markets in Europe and Singapore performed better than crude, while refinery margins for Brent and Dubai benchmark crude in July were hiked by $1.11/b and $0.42/b respectively over the previous month.

Graph 7: Refiners' margins

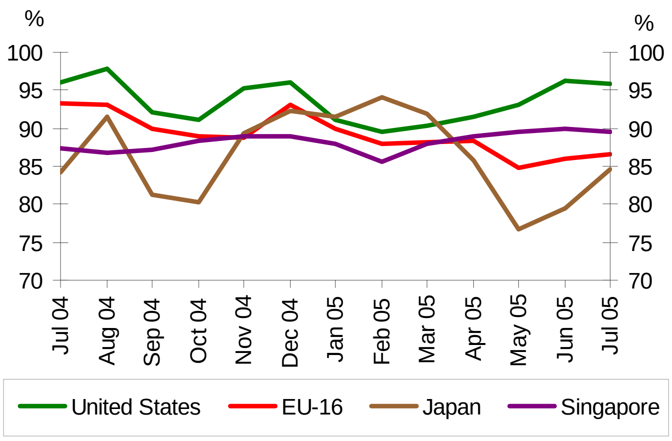


Despite the good performance of light and middle distillate products, demand for fuel oil has failed to pick up significantly, leaving surplus barrels in all regions. This situation, along with refinery outages and crude oil output problems in India and the North Sea, has recently exerted pressure on sour grades and further widened the gap between sour and sweet crudes in various markets. The continuation of refinery outages and the poor performance of fuel oil could put more downward pressure on sour grades in the next few months as demand seasonally shifts to more light distillate-rich crude oil.

Unplanned maintenance schedules affected refinery throughput

Meanwhile, as Graph 8 indicates, due to tropical storms and refinery snags, the refinery utilization rate in the USA declined in July from the previous month, dropping to 95.8% from 96.2%. In Europe the utilization rate increased a marginal 86.6% from 86.0%, while in Japan it surged by 5.1% to reach 84.6% from 79.5% over the same period.

Graph 8: Refinery utilization



US market

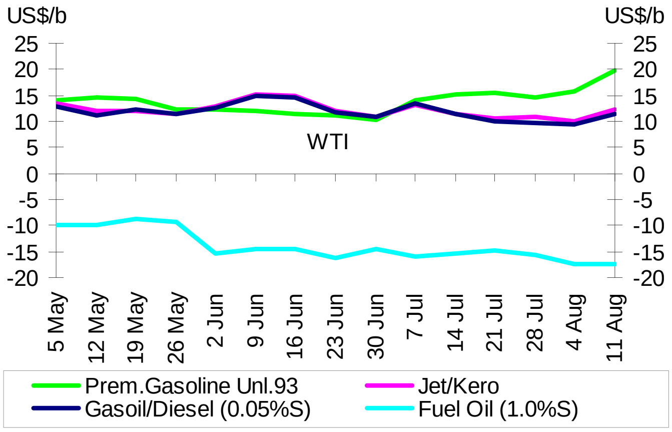
Gasoline regained its seasonal position as market driver

The bullish sentiment of the US gasoline market, triggered by tropical storms and hurricanes in late June, strengthened further in July due to a series of refinery snags and higher gasoline demand over the last weeks. The recent upward trend allowed gasoline to regain its traditional position as market driver during the driving season. **According to the EIA report, gasoline demand in the USA rose by 3% to 9.46 mb/d in the last four weeks of July compared to the same period last year, while production and imports dropped by 1.5% and 9% respectively.**

This situation has caused US gasoline stocks to fall by 5.2 mb to below last year's level of 208.3 mb on 5 August 2004. As Graph 9 shows, the US gasoline crack spread versus the WTI benchmark crude jumped from $10.28/b at the end of June to $15.85/b on 4 August 2005. In July, major problems were seen at BP's Texas City refinery, Unoco's 150,000 b/d refinery in Toledo, Ohio, and Exxon Mobile's 245,000 b/d refinery in Joliet, Illinois.

Furthermore, due to middle distillate stock-builds over the last two months and a 7% increase in production in the last four weeks of July, middle distillates lost their leading role, and market players shifted their focus to gasoline market developments. The comfortable situation for this product is reflected in Graph 9, as the gasoil crack spread on 4 August slid by $4.12/b from $9.33/b in early July.

Graph 9: US Gulf crack spread vs. WTI



The US market conditions for fuel oil, particularly for high-sulphur fuel oil, remained under pressure in the absence of arbitrage to Asia and due to high output from the US Gulf Coast and strong imports from Venezuela.

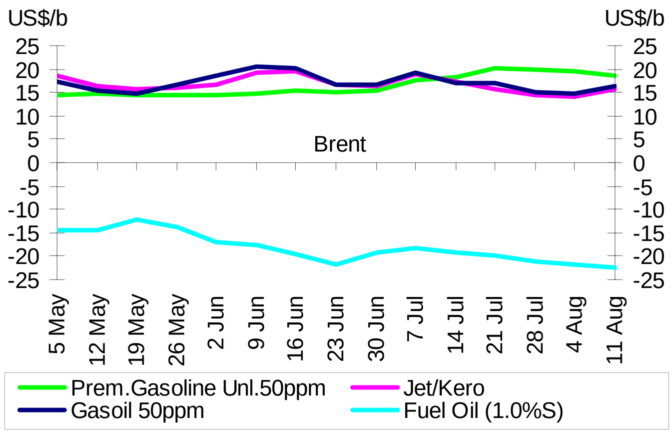
European market

Refinery snags in North-West Europe and the Mediterranean area lifted light product prices

A shut-down at Shell's 385,000 b/d Pernis refinery following a power failure triggered gasoline supply fears on the eve of the European driving season and caused prompt supply prices to surge sharply. As Graph 10 shows, the premium gasoline crack spread against its corresponding Brent benchmark crude oil jumped nearly $4.50/b recently compared to early July to reach a record-high of $19.66/b. The good performance of the gasoline market has also provided some support for heavy naphtha used as a feedstock for gasoline plants. Meanwhile, the market sentiment for light naphtha remained weak.

As far as the middle distillate market is concerned, the relatively weak momentum of the NYMEX heating oil market was factored in IPE's gasoil futures prices, dragging down the middle distillate crack spread against the Brent benchmark in July. Recently, the gasoil crack spread in Rotterdam fell further to $14.79/b from $19.12/b in early July.

Graph 10: Rotterdam crack spreads vs. Brent



Moreover, fundamentals for the bottom of the barrel complex against the Brent benchmark crude looked weak, due to plentiful supply from the Baltic, the lack of arbitrage opportunities to Asia and the shortage of tank space in the ARA region, all of which put mounting pressure on the fuel oil market. As Graph 10 shows, the crack spread for high-sulphur fuel oil versus Brent slid from minus $19.34/b in late June to about minus $22/b on 4 August 2005.

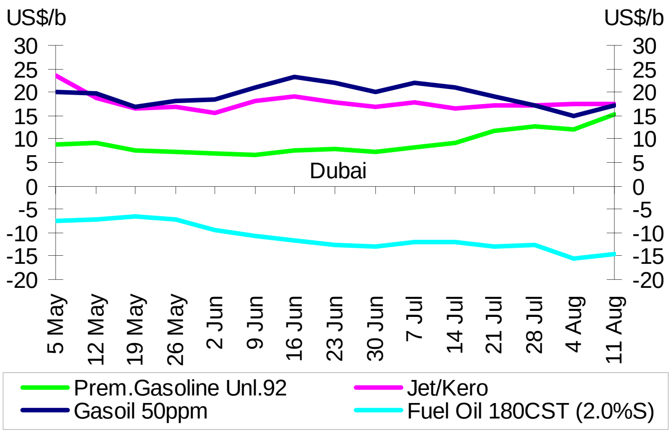
Asian market

Asian product markets lost earlier strength, but remained healthy

Sustained high middle distillate output, encouraged by continued strong refinery margins, flooded the middle of the barrel complex in Asia, pushing the Asia-Pacific gasoil/jet market into contango. **This bearish sentiment for middle distillates along with the highly discounted market for fuel oil has recently prompted talks of run cuts in North-East Asia.**

As Graph 11 indicates, the gasoil crack spread in Singapore against the Dubai benchmark plunged significantly since last month to reach $14.89/b on 4 August from $22.08/b in early July. **The market for jet/kerosene was steady, as some excess cargoes moved to the US market where supplies had been reduced by refinery outages. Efforts in India to replenish low kerosene stocks also supported the market.**

Graph 11: Singapore crack spreads vs. Dubai



With respect to gasoline, the Asian market was supported by the bullish momentum in the Atlantic market and the recovery of regional demand in Indonesia in Vietnam. An Indonesian official announced that product imports will nearly double in September and possibly in October. Similarly, a slight drop in Indian exports and the continued flow of Middle Eastern cargoes to the West helped to strengthen the naphtha market.

Ample supply and sluggish demand also kept up the pressure on high-sulphur fuel oil prices. As Graph 11 shows, the crack spread versus the Dubai benchmark crude slipped to minus $15.44/b in early August from minus $11.91/b at the same time last month.

Table 2: Refined product prices, US$/b

		May 05	Jun 05	Jul 05	Change Jul/Jun
US Gulf (Cargoes):					
Naphtha		58.02	58.74	63.31	4.57
Premium gasoline	*(unleaded 93)*	63.33	67.61	73.56	5.95
Regular gasoline	*(unleaded 87)*	59.41	64.21	67.54	3.33
Jet/Kerosene		61.94	69.69	69.97	0.28
Gasoil	*(0.05% S)*	61.64	69.49	69.66	0.17
Fuel oil	*(1.0% S)*	39.81	41.40	43.12	1.72
Fuel oil	*(3.0% S)*	36.96	37.41	37.73	0.32
Rotterdam (Barges FoB):					
Naphtha		54.65	57.23	61.22	3.99
Premium gasoline	*(unleaded 50 ppm)*	62.85	69.54	76.54	7.00
Premium gasoline	*(unleaded 95)*	56.26	62.17	68.33	6.16
Jet/Kerosene		64.90	72.32	74.02	1.70
Gasoil/Diesel	*(50 ppm)*	64.51	73.02	74.60	1.58
Fuel oil	*(1.0% S)*	34.56	35.01	37.74	2.73
Fuel oil	*(3.5% S)*	33.79	34.86	36.71	1.85
Mediterranean (Cargoes):					
Naphtha		44.97	46.94	50.79	3.85
Premium gasoline	*(unleaded 95)*	61.99	68.85	72.99	4.14
Jet/Kerosene		62.57	69.74	71.79	2.05
Gasoil/Diesel	*(50 ppm)*	64.90	73.65	74.14	0.49
Fuel oil	*(1.0% S)*	35.99	38.33	41.03	2.70
Fuel oil	*(3.5% S)*	32.20	33.59	35.08	1.49
Singapore (Cargoes):					
Naphtha		44.76	45.71	49.62	3.91
Premium gasoline	*(unleaded 95)*	54.46	59.65	64.70	5.05
Regular gasoline	*(unleaded 92)*	53.37	58.38	63.43	5.05
Jet/Kerosene		63.39	68.93	70.07	1.14
Gasoil/Diesel	*(50 ppm)*	63.83	72.42	72.48	0.06
Fuel oil	*(180 cst 2.0% S)*	38.00	39.34	40.27	0.93
Fuel oil	*(380 cst 3.5% S)*	37.18	38.11	38.76	0.65

Table 3: Refinery operations in selected OECD countries

	Refinery throughput, *mb/d*				Refinery utilization, *%*			
	May 05	**Jun 05**	**Jul 05**	**Jul/Jun**	**May 05**	**Jun 05**	**Jul 05**	**Jul/Jun**
USA	15.63	16.14	16.07	–0.07	93.2	96.2	95.8	–0.4
France	1.48 R	1.51 R	1.70	0.19	76.0	77.3 R	86.9	9.5
Germany	2.28	2.25	2.24	–0.01	98.3	96.9 R	96.3	–0.6
Italy	1.85	1.87 R	1.88	0.01	79.7	80.7 R	81.2	0.4
UK	1.53	1.56	1.58	0.02	83.9	85.3	86.4	1.2
Eur-16	11.76 R	11.94 R	12.01	0.07	84.7	86.0 R	86.6	0.5
Japan	3.61	3.74 R	3.98	0.24	76.7	79.5 R	84.6	5.1

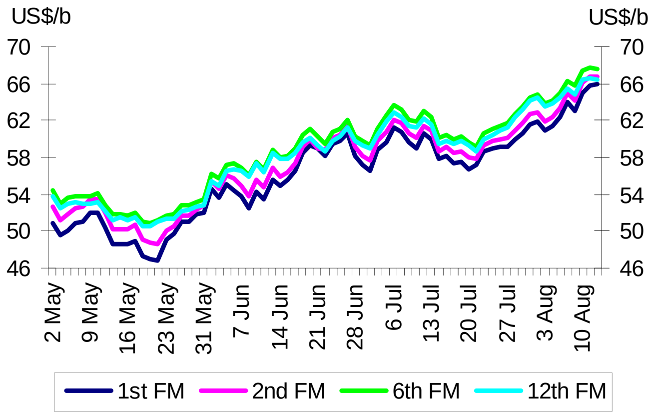
R *Revised since last issue.*
Sources *OPEC statistics; Argus; Euroilstock Inventory Report/IEA.*

The Oil Futures Market

Nymex WTI futures prices were driven by a spate of weather-related and refinery snags helping prices to peak above $61/b

The futures market began July with continued strong bullish momentum from the previous month on concern over winter fuels in the Western hemisphere. The Nymex front-month August futures contracts saw a high well above $61/b in the first week amid the approach of Tropical Storm Cindy in the Gulf of Mexico. Non-commercials continued to boost net long positions for the straight fifth week to close 5 July some 11,000 lots higher at 33,000 contracts with open interest building 31,000 lots to peak over the 800,000 mark at 814,000.

Graph 12: Nymex WTI futures contracts, 2005

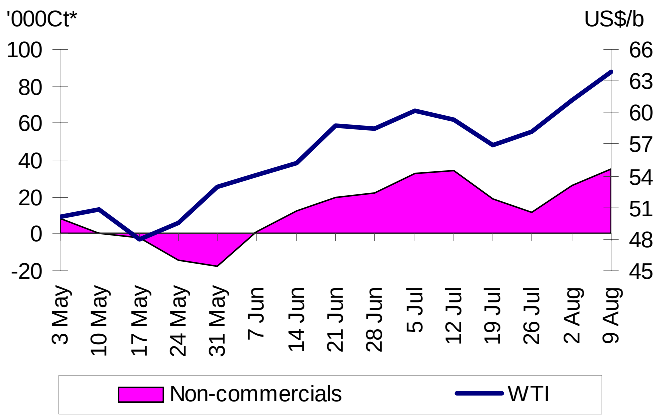


FM = future month

In the second week, the string of tropical storms continued as Hurricane Dennis was quickly followed by Tropical Storm Emily, helping Nymex futures to remain around the $60/b levels. **Non-commercials continued to build net long positions although at a slower pace, rising 1,300 to 34,000 lots amid another significant build in open interest that rose some 14,000 contracts to 828,000**. However, as the storms spared the oil operations in the Gulf of Mexico, the Nymex WTI front-month eased later in the week.

In the third week, as fears of weather-related supply short-falls faded, the Nymex WTI futures contract slipped towards the $58/b level amid healthy build in distillate stocks. Speculators liquidated long positions significantly, dropping some 15,000 lots for net longs of 19,000 contracts.

Graph 13: Futures Commitment of traders report: Nymex crude oil, 2005

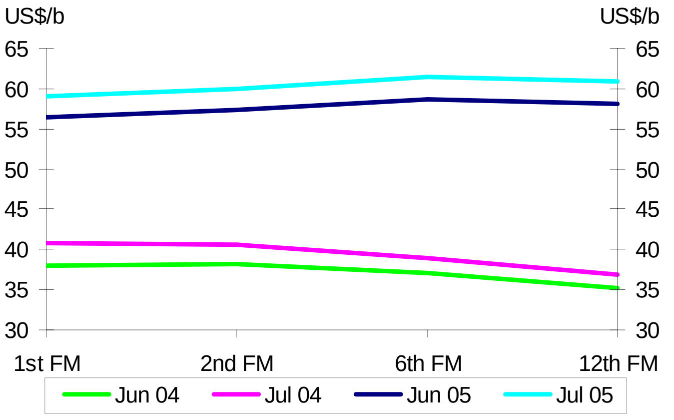


The final week saw a reversal in the futures market amid the prospect of stronger demand from China and concern over refinery snags reviving concern over gasoline stocks. The Nymex WTI September new month's futures contracts rose to around the $59/b level. Non-commercials continued to decrease net long positions, which dropped 7,000 contracts to 12,000. Open interest also fell for the second week by a significant 20,000 lots towards the 800,000 level amid a drop of a similar magnitude by commercials. Open interest for July averaged 129,000 lots higher than the same period last year. When options are included, open interest closed almost 300,000 contracts higher at 1,327,000 contracts. The Nymex WTI prompt month average in July was $59.03 for a gain of $2.61 or nearly 5% over the previous month.

Healthy crude oil levels amid a sustained build in distillate stocks supported the forward structure to remain in steep contango

The contango continued for the ninth consecutive month. The 1st/2nd month spread was 9¢ wider than in the previous month to minus 97¢/b. The 1st/6th month spread widened 19¢ further to minus $2.49/b. The contango narrowed towards late second decade and early third decade of July on worries over a looming supply shortfall due to the early and active hurricane season amid a 7 mb draw on crude oil stocks in July. However, the healthy build in distillate stocks supported the forward structure to steepen into contango. **US crude oil stocks in July were estimated at 318 mb, some 23 mb above the same time last year.**

Graph 14: Nymex WTI forward curve



FM = future month

The Tanker Market

OPEC spot fixtures remained unchanged at 13.93 mb/d in July

OPEC area spot fixtures remained unchanged in July at 13.93 mb/d despite a production growth of nearly 0.2 mb/d. However, compared to the same month last year, OPEC spot chartering was up 0.3 mb/d, reflecting to some extent the 0.5 mb/d growth in OPEC production. With zero-growth, OPEC's share of total spot chartering dropped from 64% to 62%, offsetting the gain displayed in the previous month. **Despite the stagnation in total OPEC spot fixtures, Middle Eastern countries saw their fixtures increase by 0.17 mb/d at the expense of other OPEC countries,** with eastbound cargoes contributing almost two thirds to this growth due to the increase in crude oil production and rising deals from Asian traders following the end of the refining maintenance season. Middle East/eastbound long-haul fixtures increased by 0.11 mb/d to 5.25 mb/d, while Middle East/westbound fixtures inched up a minor 0.06 mb/d to nearly 2 mb/d. Consequently, the Middle East/eastbound and -/westbound share in OPEC fixtures moved up to 52%. Nevertheless, compared to the same month last year, Middle Eastern spot fixtures were down 0.24 mb/d, resulting in a decline in the share of spot fixtures in total Middle Eastern fixtures. According to various sources, the spot share in Middle Eastern fixtures hit a 30-month low. **The growth in Middle Eastern fixtures reflects the strength in the long-haul tanker market in July**. In contrast to OPEC countries, non-OPEC spot fixtures rose by 0.5 mb/d or 2.3% — the highest pace in the last three months — to 8.4 mb/d, which is almost 0.7 mb/d more than the previous year. This gain helped non-OPEC's share in global spot chartering to rebound to 38%, the same level as in May 2005. As a result, global fixtures, combining OPEC and non-OPEC countries, moved up by 0.5 mb/d to 22.3 mb/d, corresponding to a y-o-y growth of nearly 1 mb/d. Estimated sailings from the OPEC area surged by 1 mb/d or 4.5% to 25.11 mb/d, reversing the decline of 1.3 mb/d displayed in the previous month. Consequently, at 25.11 mb/d, OPEC sailings were 1.3 mb/d higher than a year earlier. Middle Eastern sailings which represented roughly 72% of OPEC sailings lost almost 0.7 mb/d to 18 mb/d, the same level as in July 2004. **Preliminary estimates show that arrivals increased in all regions, especially to the USA and the Caribbean where they soared by more than 0.8 mb/d to a record of 11.22 mb/d** despite the bad weather. Compared to July 2004, arrivals in the USA and the Caribbean were 1.3 mb/d higher. Similarly, arrivals in North-West Europe and Euromed regions increased by 0.18 mb/d each to stand at 7.43 mb/d and 4.60 mb/d, respectively, while arrivals in Japan inched up a slight 0.09 mb/d or 2.4% to 4.04 mb/d.

Table 4: Tanker chartering, sailings and arrivals, mb/d

	May 05	Jun 05	Jul 05	Change Jul/Jun
Spot Chartering				
All areas	20.40	21.83	22.33	0.50
OPEC	12.71	13.93	13.93	0.00
Middle East/east	4.77	5.15	5.25	0.11
Middle East/west	1.95	1.92	1.98	0.06
Sailings				
OPEC	25.35	24.03	25.11	1.08
Middle East	18.31	18.70	18.02	–0.68
Arrivals				
US Gulf Coast, US East Coast, Caribbean	10.09	10.39	11.22	0.83
North West Europe	8.00	7.25	7.43	0.18
Euromed	4.52	4.42	4.60	0.18
Japan	3.98	3.94	4.04	0.09

Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.

VLCC freight rates recovered in July from 20-month lows

Crude oil spot freight rates went in opposite directions, reversing the gains and losses experienced in the previous month depending on the routes. **VLCC crude oil spot freight rates improved significantly in July, reversing the downward trend displayed during the four previous months** mainly on the back of strong demand driven by higher refining activity in Asia. In contrast, as is usually the case in the summer season, freight rates for Suezmax and Aframax moved down due to lower seasonal demand. Freight rates for VLCCs recovered significantly from their low levels of WS50s, especially on the Middle East/eastbound long-haul route where they increased by 29 points or more than 50% to settle at a monthly average of WS85, while on the Middle East/westbound route they rose by 20 points or 38% to WS73. It is worth noting that freight rates for VLCCs moving from the Middle East have recovered steadily since the beginning of the month to almost double during the third week of July, compared to a month earlier, as a result of limited tonnage availability due to a sudden increase in activity from companies such as Aramco's shipping arm Vela and Shell which hired more vessels after refineries were back on-stream in North America and Asia. In addition, OPEC's decision to increase its production as of 1 July by 0.5 mb/d boosted freight rates for VLCCs. In contrast, due to a lack of activity, **freight rates for Suezmax have edged down by around 23 points or 18%, hitting their lowest levels since October 2003** with the West Africa/US Gulf Coast route averaging WS111 and the North-West Europe/US East and US Gulf Coast routes settling at WS104 as a result of tonnage build-up. The Aframax sector showed mixed patterns, but in general freight rates dropped except for the Indonesia/US West Coast route. **The weakness in the Aframax sector is attributed to the huge availability of tonnage** compared to demand and competition from the Suezmax sector. In the Caribbean, freight rates for cargoes moving to the US East Coast lost 26 points or 10% to settle at WS242. Similarly, freight rates within the Mediterranean region lost 18 points to stand at WS213, while slumping 33 points or 20% to WS128 on the Mediterranean/North-West Europe route, the lowest level in 15 months. However, the increase of freight rates on the Indonesia/US West Coast route, which moved up a slight 7 points to WS134, can be taken as a market correction for the significant 62 points loss displayed in the previous month. **Compared to July 2004, freight rates were down on all routes except for the Caribbean/US West Coast route.**

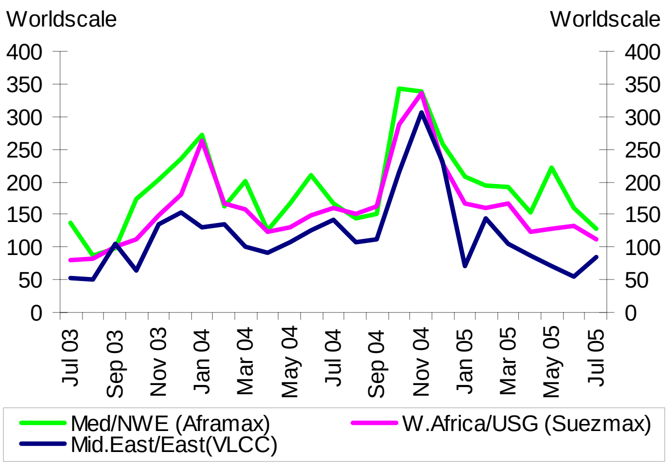
Table 5: Spot tanker freight rates, Worldscale

	Size *1,000 DWT*	May -05	Jun 05	Jul 05	Change Jul/Jun
Crude					
Middle East/east	200–300	70	56	85	29
Middle East/west	200–300	69	53	73	20
West Africa/US Gulf Coast	100–160	128	133R	111	–22
NW Europe/USEC - USGC	100–160	146	127	104	–23
Indonesia/US West Coast	70–100	124	127	134	7
Caribbean/US East Coast	40–70	271	268R	242	–26
Mediterranean/Mediterranean	40–70	214	231	213	–18
Mediterranean/North-West Europe	70–100	222	161	128	–33
Products					
Middle East/east	30–50	236	215	249	34
Singapore/east	25–30	286	253	300	47
Caribbean/US Gulf Coast	25–30	250	240	255	15
NW Europe/USEC - USGC	25–30	283	258	252	–6
Mediterranean/Mediterranean	25–30	277	276	259	–17
Mediterranean/North-West Europe	25–30	290	320	285	–35

R Revised since last issue.
Source: Galbraith's Tanker Market Report as well as other relevant industry publications.

Product freight rates showed mixed patterns with cargoes moving from the East jumping significantly

Graph 15: Monthly averages of crude oil spot freight rates



The product tanker market showed varying developments, with **freight rates in the East and the Caribbean reversing the downward trend of the last three months, while weakening elsewhere,** reaching their lowest levels in almost 20 months. Freight rates for tankers carrying 30,000-50,000 dwt on the Middle East/East route recovered significantly by 34 points to a monthly average of WS249, while freight rates for cargoes from Singapore to the East gained 47 points to average WS300 on the back of healthy activity and tight tonnage availability. At the same time, freight rates on the Caribbean/US Gulf Coast route edged up by 15 points to average WS255. In contrast, **freight rates for transatlantic cargoes moving from North-West Europe to the US East and Gulf Coasts continued to decline for the fourth consecutive month,** losing 6 points to stand at WS252 **amid limited trade due to closed arbitrage. However**, traders in the Mediterranean faced a slower market with freight rates on the Mediterranean/North-West Europe route dropping significantly by 35 points to a monthly average of WS285 as charterers held back from hiring ships, allowing a surplus to build. The same tendency was observed within the Mediterranean region, where rates lost 17 points to settle at WS259. **Compared to July 2004, freight rates for products were higher on all routes except for the transatlantic and in the Caribbean.**

World Oil Demand

World oil demand growth in 2005 is projected to rise by 1.58 mb/d or 1.93% to average 83.64 mb/d

Forecast for 2005

Despite the slight upward revision to total world GDP indicating a growth rate of 4.14% for 2005 compared to the 4.09% projected last month, world oil demand growth has been revised down slightly from last month's estimate. The marginal revision is the result of first- and second-quarter data for some major oil consuming countries such as USA and China pointing to lower consumption than previously expected. A divergence from rates of economic growth and consumption of oil appears to exist with the historical income elasticities of demand behaving differently. This is not a new phenomenon, particularly in China where in the past income elasticity of demand has shown great oscillation from one year to the next. **As a result of this revision, world oil demand growth is now projected to rise by 1.58 mb/d, or 0.04 mb/d lower than the previous 1.62 mb/d, to average 83.64 mb/d, indicating a y-o-y rise of 1.93%.**

The regional breakdown shows a disappointing 0.35 mb/d or 0.7% rise in total OECD countries for an average of 49.81 mb/d. Within this group, North America will account for the major portion of growth, while OECD Pacific countries will make up for the remainder. In contrast, oil demand growth in Western Europe is expected to fall marginally on the back of disappointing rates of economic growth with GDP for the region once again being revised down to stand at 1.57%. Ongoing fuel oil substitution and possible impact of both oil prices and a weaker Euro have also contributed. Oil demand growth in the developing countries is projected to rise by 0.81 mb/d or 3.8% to average 22.19 mb/d, accounting for more than half of the expected total world oil demand growth. Most of DC growth is expected to originate in non-OECD Asia and Middle East whose combined growth should make up more than four-fifths of the region's growth. Apparent demand growth in the Other Regions group was substantially revised down from last month. China's disappointing apparent demand growth during the first half of 2005 combined with equally poor second-quarter growth in the FSU prompted this revision. Thus, Other Regions apparent demand is estimated to rise by 0.42 mb/d or 3.8% to average 11.64 mb/d, a downward revision of 0.1 mb/d from last month's projection.

OECD

Oil demand in OECD countries is projected to rise by 0.35 mb/d or 0.7% to average 49.81 mb/d for the present year. Oil demand growth was revised up from last month as preliminary data for the second quarter of the year indicates higher growth rates in Western Europe and OECD Pacific. Oil consumption in the North American region seems not to have met expectations. Mexico, which accounts for less than 10% of total North American demand, has shown consistent solid growth rates of 2.6% in the first quarter of 2005 and 5.7% in the second, while Canada — with another 10% of the region's demand — saw its consumption grow by 1.7% in the first quarter of 2005 but then drop 1.2% in the second. The USA, which at 80% accounts for the lion's share of North America's demand, presents a puzzling situation at this time. According to the latest figures released by the EIA in its Weekly Status Report, product supply for the period January–July 2005 averaged 20.54 mb/d, for a drop of 0.35% or 0.07 mb/d with respect to the same period last year. This indicates that product demand in the first seven months of the year contracted, and casts doubt on the already meagre growth projection for North America and the OECD region. But a closer look at the EIA figures shows positive growth rates in major product categories such as finished motor gasoline, distillate fuel oil and kerosene, while the biggest fall is in the category Other Oils. As these figures are expected to see revisions in the coming month, we have decided to maintain our current assessment on USA growth which is in line with the expected healthy economic expansion of 3.4% for the region.

Table 6: World oil demand forecast for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 2005/04 Volume	%
North America	25.36	25.53	25.15	25.75	26.10	25.64	0.28	1.10
Western Europe	15.58	15.54	15.29	15.51	15.88	15.56	–0.02	–0.13
OECD Pacific	8.53	9.49	8.08	8.11	8.80	8.62	0.09	1.02
Total OECD	**49.46**	**50.56**	**48.52**	**49.37**	**50.79**	**49.81**	**0.35**	**0.70**
Other Asia	8.36	8.56	8.70	8.71	9.09	8.77	0.41	4.86
Latin America	4.90	4.80	4.96	5.11	5.08	4.99	0.09	1.94
Middle East	5.44	5.61	5.68	5.77	5.65	5.67	0.24	4.39
Africa	2.69	2.75	2.80	2.70	2.80	2.76	0.07	2.55
Total DCs	**21.38**	**21.72**	**22.13**	**22.28**	**22.62**	**22.19**	**0.81**	**3.78**
FSU	3.85	3.90	3.63	3.97	4.16	3.92	0.07	1.89
Other Europe	0.86	0.93	0.87	0.83	0.87	0.88	0.02	2.33
China	6.52	6.51	6.71	6.90	7.27	6.85	0.33	5.09
Total Other Regions	**11.22**	**11.35**	**11.21**	**11.70**	**12.30**	**11.64**	**0.42**	**3.79**
Total World	**82.06**	**83.63**	**81.86**	**83.35**	**85.71**	**83.64**	**1.58**	**1.93**
Previous estimate	82.04	83.51	81.92	83.44	85.75	83.66	1.62	1.98
Revision	0.03	0.12	–0.06	–0.08	–0.03	–0.01	–0.04	–0.05

Totals may not add due to independent rounding.

Developing Countries

Developing Countries oil demand is forecast to rise by 0.81 mb/d or 3.8% to average 22.19 mb/d for the whole of 2005. This month's forecast demand growth has been marginally revised down to reflect projected lower GDP rates in two sub-regions Middle East and Africa. However, GDP growth rates for non-OECD Asia (excluding China) and Latin America were marginally revised up. The economic impact of sustained high international oil prices on these countries and on the consumption of oil and petroleum products is not yet clear. Nonetheless, what is well documented is the recent implementation of a series of measure designed to alleviate the negative effects of oil prices on their trade balance as well as their national budgets. Countries in Asia have recently lowered or fully phased out subsidies, hiked domestic retail product prices and started to seek ways to encourage new transport technology as well as fuel substitution. It is still too early to see the impact of such measures on the consumption of oil and petroleum products on these countries due to the time-lag. Nevertheless, we believe that consumption patterns in the countries where these measures have been adopted might become leading indicators and therefore should be followed closely. We reiterate once more the increasing risk that developing countries pose to any demand assessment due to the quality, availability and timeliness of the data. Therefore, extreme cautious must be exercised as 0.81 mb/d, or more than half of the total 1.58 mb/d of global consumption growth for 2005, is expected to originate in this group. Very preliminary figures for the first and second quarters of 2005, which show 4.2% and 3.1% y-o-y growth, seem to substantiate the projections for the full year.

India: demand and trade

Demand for petroleum products in the period January-June 2005, according to the latest figures, averaged 2.61 mb/d, which was 0.08 mb/d or 3.2% higher compared to the same period of last year. Based on near unity in income elasticity of demand and a forecast GDP growth of 6.6%, oil demand is projected to rise by 0.12-0.13 mb/d or approximately 5%. Total petroleum product exports experienced a substantial 22% drop in the first five months of 2005, falling from 0.13 mb/d in 2004 to 0.1 mb/d in 2005. Likewise, imports of crude oil fell by almost 5% to 1.83 mb/d in 2005 from 1.92 mb/d in 2004. In contrast, imports of LPG rose 33% in the first five months of 2005 versus the same period last year.

Table 7: Indian oil trade, b/d

	Jan-May 2004	Jan-May 2005	Growth	Growth (%)
Exports of total products	131,120	102,320	–28,800	–21.96
Imports of Crude	1,920,690	1,830,330	–90,360	–4.70
Imports of LPG	58,020	77,190	19,170	33.03

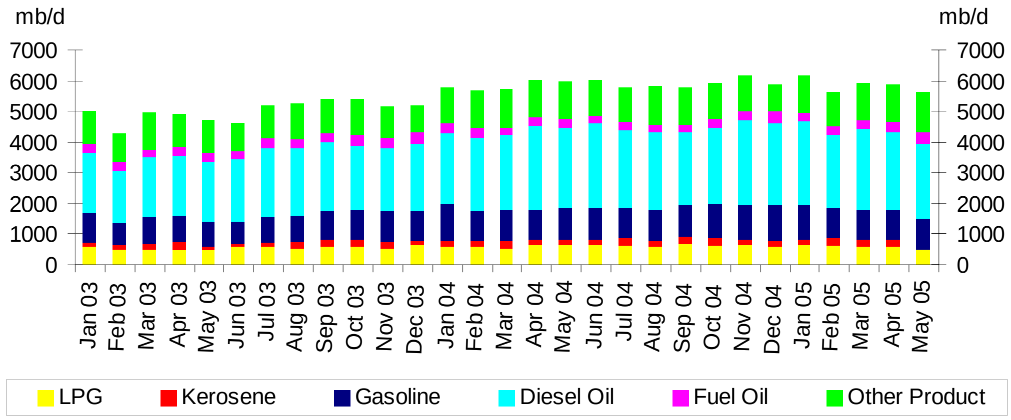
Table 8: Indian oil demand by main product. b/d

	Jan-Jun 2004	Jan-Jun 2005	Growth	Growth (%)
LPG	314,330	321,470	7,140	2.27
Motor Gasoline	192,000	202,070	10,070	5.25
Jet Kero	266,330	269,780	3,440	1.29
Gas Diesel Oil	856,170	895,920	39,760	4.64
Residual Fuel Oil	365,390	356,120	–9,270	–2.54
Other Products	538,410	568,000	29,590	5.50
Total Oil	2,532,630	2,613,360	80,730	3.19

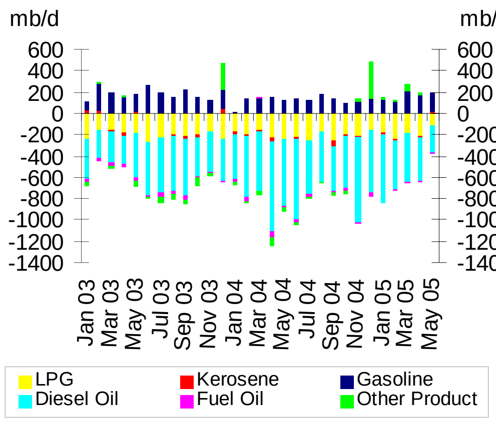
Other Regions

Apparent demand growth in the Other Regions group for the present year is projected at 0.42 mb/d or 3.8% to average 11.64 mb/d, which is significantly lower than the 0.53 mb/d or 4.7% forecast in the last *MOMR.* China accounted for the bulk of the downward revision to demand growth within this group but apparent demand growth was also lowered in the FSU due to a considerable drop in second-quarter demand. China's apparent demand for the period January-May 2005 seems to have grown by less than 1% compared to the same period of last year, a highly disappointing growth rate compared to the almost 20% growth seen in the first half of 2004. Even more worrisome is the fall in China's second quarter 2005 apparent demand. The latest production and trade figures seem to indicate that apparent demand contracted by 0.06 mb/d or 0.9% during the second quarter of the year. The drop in demand seems to be rooted in the sharp decline in petroleum product imports, especially diesel and LPG. A number of reasons could explain the meagre growth in demand in China during the first half of the year, such as the Chinese government's policy to limit the prices of gasoline and gasoil in an effort to shield the economy from high international oil prices. The outcome of such a policy has been a decline in product imports as Chinese suppliers find the burden of buying products at international prices and selling them at the mandatory at lower domestic prices unbearable. The jump in gasoil demand following power shortages, especially in the second quarter of last year, seems to have been a one-time phenomenon. Contrary to expectations early on this year, there are no indications of a recurrence in shortages this year. It is important to reiterate that China's apparent demand growth for the first half of 2004 was remarkable and it is not likely that the first half of this year saw similarly substantial high growth. Nonetheless, we still expect to see healthy growth rates during the second half of this year due to healthy robust economic growth and possibly diminished use of inventories.

Graph 16: Chinese apparent demand by products



Graph 17: Chinese crude oil products net



Graph 18: Chinese crude and products net

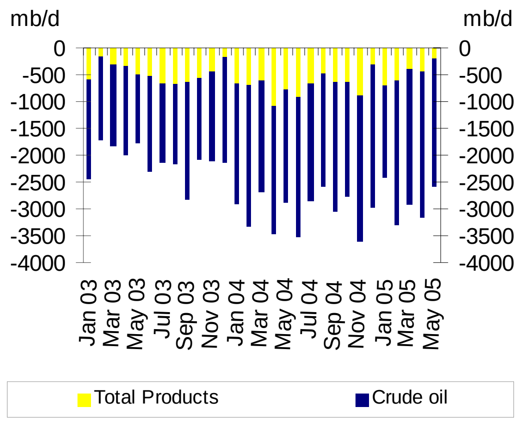


Table 9: First and second quarter world oil demand comparison for 2005, mb/d

			Change 2005/04				Change 2005/04	
	1Q04	1Q05	Volume	%	2Q04	2Q05	Volume	%
North America	25.23	25.53	0.30	1.19	25.09	25.15	0.06	0.25
Western Europe	15.60	15.54	–0.06	–0.41	15.16	15.29	0.12	0.81
OECD Pacific	9.28	9.49	0.20	2.19	7.90	8.08	0.18	2.21
Total OECD	**50.12**	**50.56**	**0.44**	**0.88**	**48.16**	**48.52**	**0.36**	**0.75**
Other Asia	8.17	8.56	0.39	4.72	8.48	8.70	0.21	2.50
Latin America	4.69	4.80	0.12	2.54	4.92	4.96	0.05	0.92
Middle East	5.32	5.61	0.29	5.35	5.39	5.68	0.29	5.33
Africa	2.66	2.75	0.09	3.52	2.69	2.80	0.11	4.18
Total DCs	**20.84**	**21.72**	**0.88**	**4.24**	**21.48**	**22.13**	**0.66**	**3.06**
FSU	3.61	3.90	0.29	8.07	3.76	3.63	–0.12	–3.31
Other Europe	0.91	0.93	0.02	2.70	0.86	0.87	0.01	1.64
China	6.23	6.51	0.28	4.58	6.77	6.71	–0.06	–0.85
Total Other Regions	**10.75**	**11.35**	**0.60**	**5.59**	**11.38**	**11.21**	**–0.17**	**–1.47**
Total World	**81.70**	**83.63**	**1.92**	**2.36**	**81.01**	**81.86**	**0.85**	**1.05**

Totals may not add due to independent rounding.

Table 10: Third and fourth quarter world oil demand comparison for 2005, mb/d

	3Q04	3Q05	Change 2005/04 Volume	%	4Q04	4Q05	Change 2005/04 Volume	%
North America	25.41	25.75	0.34	1.33	25.69	26.10	0.42	1.63
Western Europe	15.56	15.51	–0.04	–0.27	15.98	15.88	–0.10	–0.60
OECD Pacific	8.16	8.11	–0.05	–0.67	8.77	8.80	0.03	0.32
Total OECD	**49.13**	**49.37**	**0.24**	**0.49**	**50.44**	**50.79**	**0.35**	**0.69**
Other Asia	8.23	8.71	0.49	5.91	8.55	9.09	0.54	6.30
Latin America	5.02	5.11	0.08	1.68	4.95	5.08	0.13	2.63
Middle East	5.58	5.77	0.19	3.36	5.45	5.65	0.20	3.60
Africa	2.67	2.70	0.02	0.91	2.76	2.80	0.05	1.64
Total DCs	**21.50**	**22.28**	**0.78**	**3.64**	**21.71**	**22.62**	**0.91**	**4.19**
FSU	3.94	3.97	0.03	0.72	4.07	4.16	0.10	2.41
Other Europe	0.82	0.83	0.02	1.96	0.84	0.87	0.03	3.01
China	6.36	6.90	0.54	8.49	6.71	7.27	0.56	8.27
Total Other Regions	**11.12**	**11.70**	**0.58**	**5.26**	**11.62**	**12.30**	**0.68**	**5.84**
Total World	**81.75**	**83.35**	**1.61**	**1.97**	**83.78**	**85.71**	**1.94**	**2.31**

Totals may not add due to independent rounding.

World oil demand is estimated to average 85.21 mb/d in 2006, rising by 1.57 mb/d or 1.9% over 2005

Forecast for 2006

Average world oil demand is projected to grow by 1.57 mb/d or 1.9% to average 85.21 mb/d for 2006. This **slight upward revision from last month's forecast** is due to a more optimistic view of the world economy for the coming year. World's GDP growth is now projected to rise by close to 4.0% next year with developing countries' economies showing better rates of economic expansion than previously projected.

Oil consumption is expected to rise in all major regions with the sole exception of Other Europe where demand will remain almost flat. North America, especially the USA, will contribute the bulk of demand growth within the OECD countries but some growth is expected in Western Europe and the OECD Pacific. China will make up about one-fourth of total world oil demand growth in 2006 (see Table 11). Demand is projected to rise in each quarter on a y-o-y basis. Nonetheless, typical seasonality is expected to remain to some extent. Thus, absolute demand of 83.33 mb/d in the second quarter of 2006 will drop by 2 mb/d with respect to the first three months of that year. Total world oil demand will then recover by 1.5 mb/d to average 84.9 mb/d in the third quarter of 2006 and increase a further 2.5 mb/d to average 87.3 mb/d in the fourth. This preliminary assessment is subject to further adjustment as new information becomes available on key factors, such as the outlook for economic growth, weather conditions, unforeseen geopolitical events, and variations in crude and product prices.

Table 11: World oil demand forecast for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 2006/05 Volume	%
North America	25.64	25.95	25.52	26.12	26.34	25.99	0.35	1.37
Western Europe	15.56	15.63	15.34	15.62	15.88	15.62	0.06	0.40
OECD Pacific	8.62	9.38	8.15	8.14	8.95	8.65	0.03	0.40
Total OECD	49.81	50.96	49.01	49.89	51.17	50.25	0.45	0.90
Other Asia	8.77	8.88	8.94	9.13	9.41	9.09	0.33	3.73
Latin America	4.99	4.93	5.05	5.18	5.11	5.07	0.08	1.58
Middle East	5.67	5.78	5.86	5.98	5.88	5.88	0.20	3.54
Africa	2.76	2.84	2.87	2.77	2.85	2.83	0.07	2.49
Total DCs	22.19	22.43	22.72	23.06	23.25	22.87	0.68	3.05
FSU	3.92	4.00	3.55	3.93	4.37	3.96	0.05	1.18
Other Europe	0.88	0.92	0.92	0.81	0.86	0.87	0.00	–0.05
China	6.85	7.02	7.14	7.18	7.66	7.25	0.40	5.85
Total Other Regions	11.64	11.94	11.60	11.91	12.89	12.09	0.45	3.84
Total World	83.64	85.33	83.33	84.86	87.31	85.21	1.57	1.88
Previous estimate	83.66	85.20	83.36	84.93	87.31	85.20	1.54	1.85
Revision	–0.01	0.13	–0.02	–0.07	0.00	0.01	0.02	0.03

Totals may not add due to independent rounding.

Table 12: First and second quarter world oil demand comparison for 2006, mb/d

	1Q05	1Q06	Change 2006/05 Volume	%	2Q05	2Q06	Change 2006/05 Volume	%
North America	25.53	25.95	0.42	1.65	25.15	25.52	0.37	1.47
Western Europe	15.54	15.63	0.09	0.56	15.29	15.34	0.06	0.36
OECD Pacific	9.49	9.38	–0.11	–1.15	8.08	8.15	0.07	0.83
Total OECD	**50.56**	**50.96**	**0.40**	**0.79**	**48.52**	**49.01**	**0.49**	**1.01**
Other Asia	8.56	8.88	0.32	3.75	8.70	8.94	0.24	2.81
Latin America	4.80	4.93	0.13	2.70	4.96	5.05	0.09	1.77
Middle East	5.61	5.78	0.17	3.09	5.68	5.86	0.19	3.30
Africa	2.75	2.84	0.09	3.17	2.80	2.87	0.07	2.40
Total DCs	**21.72**	**22.43**	**0.71**	**3.27**	**22.13**	**22.72**	**0.59**	**2.65**
FSU	3.90	4.00	0.10	2.50	3.63	3.55	–0.08	–2.24
Other Europe	0.93	0.92	–0.01	–1.33	0.87	0.92	0.05	5.25
China	6.51	7.02	0.51	7.82	6.71	7.14	0.43	6.36
Total Other Regions	**11.35**	**11.94**	**0.59**	**5.24**	**11.21**	**11.60**	**0.39**	**3.49**
Total World	**83.63**	**85.33**	**1.71**	**2.04**	**81.86**	**83.33**	**1.47**	**1.79**

Totals may not add due to independent rounding.

Table 13: Third and fourth quarter world oil demand comparison for 2006, mb/d

	3Q05	3Q06	Change 2006/05 Volume	%	4Q05	4Q06	Change 2006/05 Volume	%
North America	25.75	26.12	0.38	1.46	26.10	26.34	0.24	0.91
Western Europe	15.51	15.62	0.11	0.71	15.88	15.88	0.00	–0.03
OECD Pacific	8.11	8.14	0.03	0.40	8.80	8.95	0.15	1.66
Total OECD	49.37	49.89	0.52	1.05	50.79	51.17	0.38	0.75
Other Asia	8.71	9.13	0.42	4.79	9.09	9.41	0.33	3.58
Latin America	5.11	5.18	0.08	1.49	5.08	5.11	0.02	0.46
Middle East	5.77	5.98	0.21	3.72	5.65	5.88	0.23	4.03
Africa	2.70	2.77	0.07	2.64	2.80	2.85	0.05	1.76
Total DCs	22.28	23.06	0.78	3.50	22.62	23.25	0.63	2.76
FSU	3.97	3.93	–0.04	–1.01	4.16	4.37	0.21	4.99
Other Europe	0.83	0.81	–0.02	–2.85	0.87	0.86	–0.01	–1.26
China	6.90	7.18	0.27	3.95	7.27	7.66	0.40	5.47
Total Other Regions	11.70	11.91	0.21	1.79	12.30	12.89	0.59	4.83
Total world	83.35	84.86	1.51	1.81	85.71	87.31	1.60	1.87

Totals may not add due to independent rounding.

World Oil Supply

Non-OPEC

Forecast for 2005

Non-OPEC supply growth to average 0.73 mb/d in 2005 to stand at 50.54 mb/d

Non-OPEC supply is expected to average 50.54 mb/d, representing an increase of 0.73 mb/d over the previous year, following a downward revision of 17,000 b/d to last month's figures. On a quarterly basis, adjustments made in the first and second quarter of 2005 reflect actual, preliminary data and baseline revisions, whilst adjustments to the outlook in the third and fourth quarters of 2005 reflect slightly better expectations in Brazil and the loss of production in India due to an accident in the Bombay High field, all of which contributed to the overall change.

Table 14: Non-OPEC oil supply in 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04
North America	14.57	14.50	14.65	14.37	14.39	14.48	–0.10
Western Europe	6.14	5.98	5.85	5.67	5.96	5.86	–0.27
OECD Pacific	0.57	0.54	0.55	0.57	0.53	0.55	–0.03
Total OECD	**21.28**	**21.01**	**21.05**	**20.61**	**20.88**	**20.89**	**–0.40**
Other Asia	2.58	2.70	2.71	2.69	2.74	2.71	0.13
Latin America	4.00	4.11	4.28	4.23	4.28	4.22	0.22
Middle East	1.89	1.82	1.81	1.77	1.74	1.78	–0.10
Africa	3.43	3.61	3.66	3.85	4.00	3.78	0.35
Total DCs	**11.90**	**12.25**	**12.45**	**12.54**	**12.76**	**12.50**	**0.60**
FSU	11.15	11.39	11.43	11.58	11.62	11.50	0.35
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.48	3.63	3.60	3.62	3.64	3.62	0.14
Total Other Regions	**14.79**	**15.18**	**15.19**	**15.36**	**15.41**	**15.28**	**0.49**
Total non-OPEC production	**47.98**	**48.44**	**48.69**	**48.50**	**49.06**	**48.67**	**0.70**
Processing gains	1.83	1.88	1.85	1.84	1.88	1.86	0.03
Total non-OPEC supply	**49.81**	**50.32**	**50.54**	**50.34**	**50.94**	**50.54**	**0.73**
Previous estimate	49.78	50.32	50.57	50.34	50.97	50.55	0.77
Revision	**0.02**	**0.00**	**–0.03**	**0.00**	**–0.04**	**–0.02**	**–0.04**

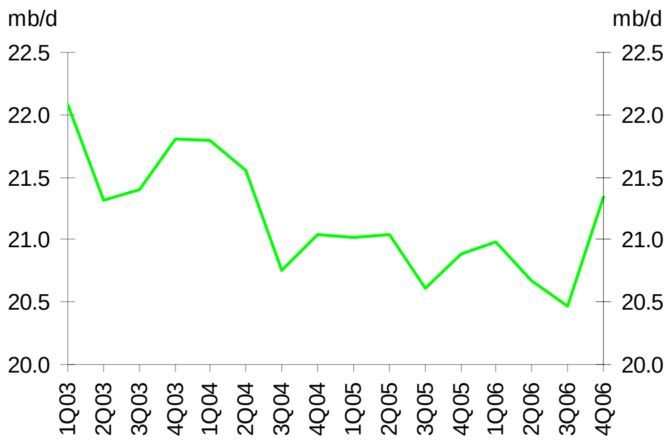
Totals may not add due to independent rounding.

OECD

Total OECD production is expected to drop 400,000 b/d in 2005, mainly due to a combination of unplanned shutdowns and production restrictions

The outlook for the OECD has been revised down slightly. Oil supply is estimated to average 20.89 mb/d, which represents a decline of 0.4 mb/d versus the previous year and a downward revision of 25,000 b/d. Unplanned maintenance and technical repairs, the impact of weather-related shutdowns, and field production restrictions due to safety issues, have contributed to production losses in the OECD, causing the bulk of the adjustments to the outlook. Excluding the impact of the above mentioned issues, the performance of the OECD would arguably have been better. But be that as it may, the expected loss in the OECD in 2005 is the largest in history and is the major drag on the overall performance of non-OPEC.

Graph 19: OECD's quarterly production



US production is suffering from the impact of hurricanes

In the USA, weather related shutdowns during the month of July resulted in the loss of 7 mb and contributed to delays in the installation of several offshore facilities and maintenance work. Overall, US oil supply is still expected to average 7.65 mb/d, which represents a decline of 20,000 b/d from 2004. However, the outlook for the third quarter of 2005 could be subject to downward revisions as a result of shut-downs in the Gulf of Mexico. While the impact of hurricanes is impossible to predict, it is worth highlighting that the 2004-2005 period represents a record as far as volume is concerned. The latest forecast calls for more hurricanes, a total of 18 to 21 tropical storms, of which 9 to 11 may become hurricanes compared to earlier expectations for just 5 to 7 hurricanes.

The oil supply forecast for Mexico and Canada remains unchanged. Mexican oil supply is expected to average 3.78 mb/d, for a decline of 60,000 b/d versus 2004. Actual data for the second quarter of 2005 indicates that production performed slightly better than expectations resulting in an upward adjustment of 35,000 b/d for the quarter. However, in July Pemex had to shut down 80% of its production for five days as a precautionary measure ahead of Hurricane Emily resulting in the loss of approximately 10 mb, or 27,000 b/d on a full year basis. Canadian oil supply is expected to average 3.05 mb/d, a decline of 20,000 b/d versus 2004. The outlook remains unchanged despite the announcement by Shell that it will delayed major maintenance on its Athabasca project (160,000 b/d) from the third quarter of 2005 to the second quarter of 20063, given that other repairs at the plant will still take place in 3Q05 shutting production down.

North Sea production has been impacted by unplanned shutdowns and production restrictions

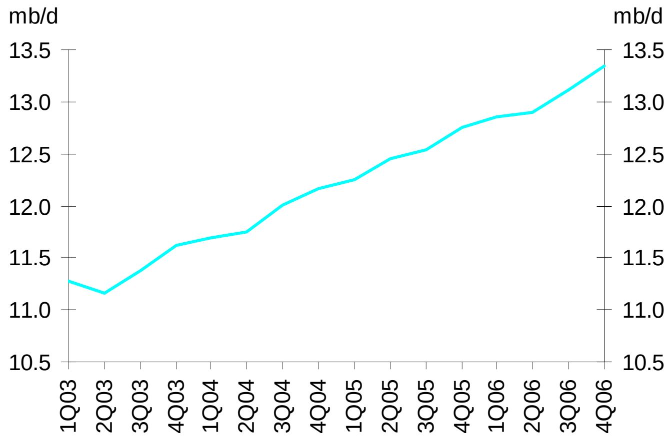
Adjustments to second quarter of 2005 data in Norway and the UK have resulted in a slight downward revision to the forecast of OECD Europe. Total oil supply in OECD Europe is now expected to average 5.86 mb/d, which represents a decline of 270,000 b/d versus last year and a negative adjustment of 28,000 b/d. Oil supply in Norway is expected to average 3.09 mb/d, a decline of 100,000 b/d versus 2004. Unplanned shutdowns and production restrictions across several facilities have led to a poor performance so far this year. But the bulk of these temporary losses are expected to diminish early in the third quarter of 2005. The latest set back was the shutdown of the Veslefrikk oil field after a crack was found in the lowering system of a lifeboat of the platform, but the field is now back on stream. Importantly, this has prompted Statoil to conduct a full review of emergency equipment across offshore installations but it is not known if this may result in further shutdowns. UK oil supply is expected to average 1.92 mb/d, which represents a decline of 170,000 b/d versus 2004 and a negative revision of 13,000 b/d. The UK is also suffering from abnormal field shutdowns. At the time of writing, the field Schiehallion (120,000 b/d) was shut due to a fire and the operator indicated that it will remain shut until the end of August to conduct repairs. This is a problematic field and previous experiences show that repairs may take longer to fix. Elsewhere in the OECD, oil supply in the Pacific region is expected to average 550,000 b/d, which represents a decline of 30,000 b/d.

Developing Countries

The outlook for Brazil has improved

The full year outlook for The outlook for Developing Countries (DCs) has been revised up slightly. Oil supply is estimated to average 12.50 mb/d in 2005, which represents an increase of 0.60 mb/d versus 2004**,** and an upward adjustment of 19,000 b/d**.**

Graph 20: Developing Countries' quarterly production



A number of small adjustments have been made to the second quarter of 2005 data in several countries to reflect actual, preliminary data and baseline revisions, but the outlook for Brazil and India has also been revised. Positive adjustments are distributed in Brunei, Argentina, Brazil, Yemen, Egypt, and Equatorial Guinea, and negative adjustments in Vietnam, Trinidad, and Sudan. In all cases, except Brazil, the adjustments are small (less 15,000 b/d).

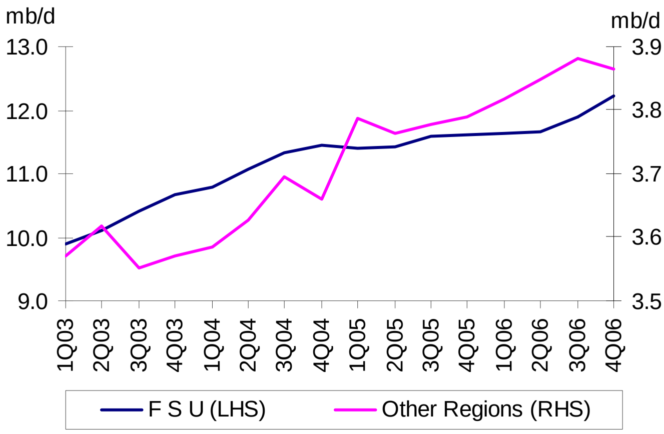
Brazilian oil supply is now expected to average 1.99 mb/d, a growth of 190,000 b/d versus 2004. The performance in the second quarter of 2005 was better than expected, with the two new deepwater fields (Barracuda and Caratinga) now reported to have reached peak production. A revision of 73,000 b/d in the second quarter of 2005 to reflect actual data and a revision of 47,000 b/d to the base in the third quarter of 2005 have led to an upward revision for the year of around 30,000 b/d. On the other hand, the accident in the Bombay High complex in India, which resulted in the loss of around 100,000 b/d, has led to a negative revision of 48,000 b/d in the third quarter of 2005 and 30,000 b/d in the fourth quarter of 2005. It is expected that by late August about 70% of the lost volume can be temporarily restored by re-routing to other facilities, but in the longer term another platform will have to be installed to restore full capacity. As a consequence, the forecast for 2006 has also been revised down by 30,000 b/d.

Other Regions

The outlook for Russia remains unchanged, with virtually no growth expected for the rest of the year

The outlook for the FSU has been revised down. FSU production is now expected to average 11.5 mb/d, an increase of 350,000 b/d versus 2004 and a downward revision of 17,000 b/d. The forecast for Other Regions (Other Europe and China) remains unchanged. Total oil production is estimated to average 3.78 mb/d in 2005, which represents an increase of 140,000 b/d from 2004.

Graph 21: FSU and other regions' quarterly production



The outlook for Russia remains unchanged. Russian oil supply is expected to average 9.36 mb/d, an increase of 170,000 b/d versus 2004. Preliminary data for the month of July indicates that production was 9.45 mb/d, broadly unchanged from the jump in June but in line with expectations. For the rest of the year, we expect virtually no growth in Russian production which should also translate into nearly flat crude exports. However, several important announcements, mostly bearish, made recently are worth mentioning:

(1) Crude export tariffs for August-September have set a new record at $19.1/b. This is likely to add further pressure on crude exporters, particularly via rail. For instance, shortly after this announcement Russian Railways cut its forecast for 2005 shipments to China by 60,000 b/d to 140,000 b/d. (2) The government has indicated that the lag in production has not been unnoticed and that the export tax system needs to be reconsidered, but that this is unlikely to be done before early 2006. (3) The latest forecast by the ministry indicates that production is likely to grow in 2005 to 9.5 mb/d, just above the current level. (4) The Shell-led Sakhalin 2 project, which was expected to start year-round production in 2006, will not start until 2007. In contrast, the Exxon-led Sakhalin 1 project confirmed that it is on track to start on time in the third quarter of 2005 and reach its peak by end-2006.

Kazak production was impacted in June and July by gas flaring restrictions

In the Caspian region, the outlook for Azerbaijan remains unchanged but has been revised down for Kazakhstan following lower than expected production in June and July. The estimate for the second quarter of 2005 was revised down by 63,000 b/d, resulting in an adjustment of 16,000 b/d for the full year. The lower than expected performance appears to be related to temporary production shutdowns due to gas flaring restrictions. Kazak oil production is now expected to average 1.27 mb/d in 2005, or 70,000 barrels more than last year. Whilst it is not clear if the entire loss is due to gas flaring restrictions only, the two most obvious producers that have seen a lower than expected performance in the second quarter of 2005 5 compared to the first quarter of 2005 are PetroKazahstan and the Eni/BG-operated Karachaganak field. Given uncertainties, we continue to expect Kazak production to rebound to 1.29 mb/d in the third quarter of 2005 and stay at this level for the rest of the year, but we remain cautions.

Non-OPEC supply growth forecast for 2006 estimated at 0.97 mb/d; including OPEC NGLs; total growth is estimated at 1.3 mb/d

Forecast for 2006

Non-OPEC oil production is expected to average 51.51 mb/d, an increase of 0.97 mb/d over 2005, and a downward revision of 148,000 b/d from last month's report. Non OPEC supply (including OPEC NGLs and non-conventional oils) is expected to average 56.04 mb/d, an increase of 1.3 mb/d over 2005. The adjustment reflects the impact of the delay in the start up of Thunder Horse in the USA and the loss of some production in India due to the accident at Bombay High field.

On a regional basis, the largest contributor is expected to be the African region at 0.44 mb/d, followed by the FSU at 0.34 mb/d, Latin America at 0.17 mb/d and North America at 30,000 b/d, whilst OECD Europe and Pacific and the Middle East are expected to show a net decline of approximately 30,000 b/d, 20,000 b/d and 110,000 b/d, respectively. Oil production growth is underpinned by the start-up of several projects in deepwater, bitumen extraction and syncrude projects, as well as the continuing expansion of the Caspian region. Deepwater alone is expected to account for approximately 60% of net growth.

Graph 22: Year-on-year regional Non-OPEC supply growth

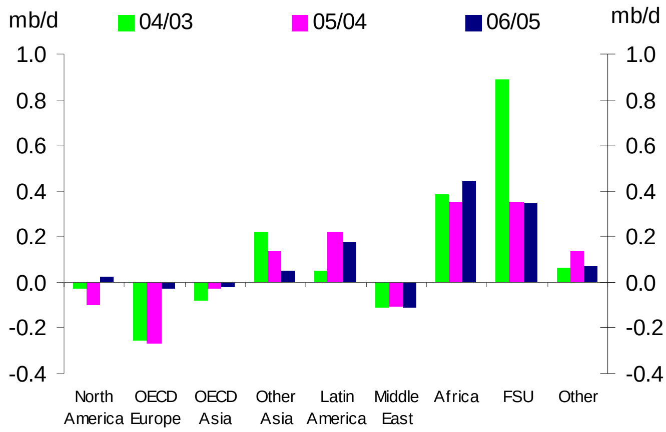


Table 15: Non-OPEC oil supply in 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
North America	14.48	14.44	14.33	14.49	14.75	14.50	0.03
Western Europe	5.86	6.04	5.87	5.47	5.97	5.84	–0.03
OECD Pacific	0.55	0.50	0.47	0.51	0.62	0.53	–0.02
Total OECD	**20.89**	**20.98**	**20.67**	**20.47**	**21.34**	**20.87**	**–0.02**
Other Asia	2.71	2.77	2.77	2.77	2.74	2.76	0.05
Latin America	4.22	4.32	4.28	4.48	4.51	4.40	0.17
Middle East	1.78	1.71	1.69	1.66	1.63	1.67	–0.11
Africa	3.78	4.06	4.16	4.21	4.47	4.22	0.44
Total DCs	**12.50**	**12.86**	**12.90**	**13.12**	**13.34**	**13.06**	**0.55**
FSU	11.50	11.62	11.65	11.90	12.22	11.85	0.34
Other Europe	0.16	0.16	0.16	0.16	0.16	0.16	0.00
China	3.62	3.66	3.69	3.73	3.71	3.70	0.07
Total Other Regions	**15.28**	**15.44**	**15.50**	**15.78**	**16.08**	**15.70**	**0.42**
Total non-OPEC production	**48.67**	**49.28**	**49.07**	**49.37**	**50.75**	**49.62**	**0.95**
Processing gains	1.86	1.88	1.87	1.87	1.93	1.89	0.02
Total non-OPEC supply	**50.54**	**51.16**	**50.94**	**51.24**	**52.68**	**51.51**	**0.97**
Previous estimate	50.55	51.43	51.21	51.27	52.71	51.66	1.11
Revision	**–0.02**	**–0.27**	**–0.27**	**–0.03**	**–0.03**	**–0.15**	**–0.13**

Totals may not add due to independent rounding.

Revisions to the 2006 forecast

On a quarterly basis, the forecast for non OPEC supply has been revised down by 269,000 b/d in for the first and second quarters of 2006 and by 29,000 b/d for the third and fourth quarters of 2006 resulting in a full year loss of 148,000 b/d. The revisions are primarily due to a six-month delay in the start up of the Thunder Horse field in the Gulf of Mexico (250,000 b/d at peak) to July 2006 and production losses in India due to the accident at the Bombay High complex. Thunder Horse was originally expected to contribute from early 2006, but the recent accident has caused severe delays to the overall installation and completion of the work. We now expect the field to start around July 2006 at a reduced rate and increasing close to full capacity at the existing wells by the end of 2006 with further upside in 2007. In India, it is expected that 70% of the lost volume can be restored in 2005, but in the longer term another platform will have to be installed to restore full capacity. As consequence, and assuming that it will take one and half years to solve the problem, the base for India has been revised down by 30,000 b/d.

FSU net oil export (crude and products)

FSU net oil exports in 2005 are expected to average 7.59 mb/d, an increase of 0.28 mb/d over 2004

In 2005, FSU net oil exports are expected to average 7.59 mb/d. On a quarterly basis, net oil exports are expected to average 7.49 mb/d in the first quarter of 2005, 7.79 mb/d in the second, 7.61 mb/d in 3Q05 and 7.46 mb/d in 4Q05. This represents a year on year increase of 0.3 mb/d, 0.49 mb/d, 0.2 mb/d and 0.09 mb/d, respectively. The latest available data – June – shows Russian net oil exports averaging 6.3 mb/d, which represents a year on year increase of 0.17 mb/d based on data available for Rail, and Pipeline exports.

The forecast for 2006 shows FSU net oil exports averaging 7.88 mb/d, which represents an increase of 300,000 b/d over 2005, and a positive revision of 50,000 b/d versus last month report. Next year we expect the bulk of the increase to come from Caspian producers, notably Azerbaijan.

Table 16: FSU net oil exports, mb/d

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	**4.59**
2002	5.14	5.84	5.85	5.49	**5.58**
2003	5.87	6.75	6.72	6.61	**6.49**
2004	7.17	7.30	7.38	7.37	**7.31**
2005 (estimate)	**7.49**	**7.79**	**7.61**	**7.46**	**7.59**
2006 (forecast)	**7.62**	**8.10**	**7.97**	**7.84**	**7.88**

OPEC natural gas liquids and non-conventional oils)

The forecast for OPEC NGL production for 2005 remains unchanged

The forecast for 2005 remains unchanged at 4.21 mb/d, representing an increase of 0.21 mb/d over 2004. In, 2006, OPEC NGLs production is expected to average 4.53 mb/d, an increase of 0.33 mb/d over 2005.

Table 17: OPEC NGL + non-conventionals — 2002-2006, mb/d

2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	2006	Change 06/05
3.62	**3.71**	**3.99**	4.13	4.18	4.23	4.28	**4.21**	0.21	**4.53**	0.33

OPEC crude oil production

OPEC output averaged 30.2 mb/d in July

Total OPEC crude production averaged 30.2 mb/d in July, which represents an increase of 210,000 b/d from last month, according to secondary sources. Production increased primarily in Iraq, Iran, Saudi Arabia, and UAE. Iraqi oil production averaged 1.95 mb/d, an increase of 106,800 b/d versus June.

Table 18: OPEC crude oil production based on secondary sources

	2003	2004	4Q04	1Q05	2Q05	May 05	Jun 05	Jul 05	*Jul/Jun*
Algeria	1,134	1,228	1,285	1,313	1,342	1,343	1,353	1,363	*9.2*
Indonesia	1,027	968	963	948	945	945	941	943	*1.8*
IR Iran	3,757	3,920	3,947	3,900	3,947	3,956	3,970	4,016	*46.3*
Iraq	1,322	2,015	1,960	1,834	1,839	1,817	1,845	1,951	*106.8*
Kuwait	2,172	2,344	2,448	2,438	2,506	2,515	2,500	2,493	*–7.5*
SP Libyan AJ	1,422	1,537	1,608	1,613	1,633	1,633	1,639	1,650	*10.8*
Nigeria	2,131	2,352	2,344	2,332	2,423	2,398	2,455	2,444	*–11.4*
Qatar	743	781	798	789	794	795	797	800	*3.4*
Saudi Arabia	8,709	8,982	9,450	9,220	9,456	9,472	9,456	9,488	*31.7*
UAE	2,243	2,360	2,486	2,396	2,418	2,408	2,391	2,423	*31.7*
Venezuela	2,305	2,580	2,617	2,699	2,626	2,644	2,634	2,622	*–12.0*
OPEC-10	**25,644**	**27,050**	**27,946**	**27,649**	**28,090**	**28,110**	**28,136**	**28,240**	***103.9***
Total OPEC	**26,965**	**29,066**	**29,907**	**29,484**	**29,930**	**29,927**	**29,980**	**30,191**	***210.7***

Totals may not add due to independent rounding.

Rig Count

Non OPEC rig activity stood at 2,469 in July, an increase of 187 rigs over June

Non-OPEC

Non-OPEC rig count stood at 2,469 rigs, which represents an increase of 187 rigs compared to the previous month. Of the total, 493 rigs were operating offshore and 1,976 onshore. In terms of the oil and gas split, there were 705 oil rigs and 1,743 gas rigs. The number of oil rigs increased by 89 over the previous month.

Regionally, North America gained 183 rigs versus last month, while Western Europe gained 1 rig and OECD Pacific gained 2. The Middle East, Africa, Latin America and rest of Asia gained 1 rig each. Rig count activity is strongly correlated with oil and gas prices, particularly in North America, which explains the increase in the month of July.

Table 19: Non-OPEC rig count in 2003-2005

	2003	2004	Change 04/03	Jun 05	Jul 05	Change Jul/Jun
North America	1,496	1,669	173	1,769	1,952	183
Western Europe	78	65	–13	73	74	1
OECD Pacific	18	22	4	24	26	2
OECD	**1,592**	**1,755**	**163**	**1,866**	**2,052**	**186**
Other Asia	117	126	9	142	143	1
Latin America	116	126	10	137	146	9
Middle East	70	70	0	72	71	–1
Africa	48	54	6	63	54	–9
DCs	**350**	**376**	**26**	**414**	**414**	**0**
FSU	na	na	na	na	na	na
Other Europe	2	2	0	2	3	1
China	na	na	na	na	na	na
Other regions	na	na	na	na	na	na
Total non-OPEC	**1,944**	**2,132**	**188**	**2,282**	**2,469**	**187**

* *The oil and gas split now includes Canada*
Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International;

OPEC rig count stood at 270 in July

OPEC

OPEC rig count was 279 which represents a decrease of 1 rig from last month. Increases took place in Libya (3), Saudi Arabia (3), and Nigeria (1). These gains were offset by declines in other OPEC Countries. Of the total, 209 rigs were operating onshore and 70 rigs offshore and in terms of oil and gas split, there were 218 oil rigs whilst the remainder was gas and other rigs.

Table 20: OPEC rig count 2003-2005

	2003	2004	Change 04/03	Jun 05	Jul 05	Change Jul/Jun
Algeria	20	19	–1	19	19	0
Indonesia	45	49	4	54	54	0
IR Iran	35	41	6	40	40	0
Iraq	na	na	na	na	na	na
Kuwait	5	10	5	11	9	–2
SP Libyan AJ	10	10	0	10	9	–1
Nigeria	10	8	–2	10	8	–2
Qatar	8	9	1	13	11	–2
Saudi Arabia	32	32	0	36	37	1
UAE	16	16	0	16	15	–1
Venezuela	37	55	18	70	68	–2
Total OPEC	**218**	**249**	**31**	**279**	**270**	–9

Totals may not add due to independent rounding.
na: not available
Source: Baker Hughes International.

Stock Movements

US commercial oil stocks showed a further build, increasing by 0.21 mb/d in July

USA

US commercial oil stocks (total crude and petroleum products excluding SPR) continued to build, adding 6 mb or 0.21 mb/d to stand at 1,022 mb during the period 1-29 July, This level was last approached in the week ending 2 August 2002 which stocks reached a slightly higher 1,025 mb. The gains were a result of "other oil" and unfinished oil stocks while draws on major oil stocks such as crude oil and gasoline cancelled a huge gain in distillates. Despite persistent stock-builds, the y-o-y surplus narrowed by 1% to stand at about 4% compared with the June figures.

Crude oil inventories continued to give up the previous months' gains, standing close to the March level. July's draw of 6.9 mb or 0.25 mb/d to 318.0 mb was mainly due to the drop in US crude oil production which fell by 0.35 mb/d to 5.15 mb/d because of temporary shut-downs of crude oil facilities due to hurricanes. Import figures and refinery runs did not justify such a draw as imports rose by 0.74 mb/d to 10.96 mb/d and refinery runs declined by 2.29% to 95.76%. This draw further squeezed the y-o-y surplus to 6% from 7% in the previous month, while the 7% excess over the five-year average continues to remain in place since May 2005.

Gasoline and distillate inventories showed the highest stock movement change in July, where the former lost 10.1 mb or 0.36 mb/d to stand at 205.2 mb, a level not seen since 26 November 2004, while the latter rose massively by the same amount to stand at 127.3 mb, a level not seen since the week ending 10 September 2004. The main reason behind the draw on gasoline stocks was the drop in production which decreased by 0.56 mb/d to 8.66 mb/d due to some refinery outages because of storms. This was despite the fact that imports remained strong at 1.01 mb/d and implied demand for gasoline was 0.13 mb/d below a month ago. The huge draw on gasoline turned y-o-y and five-year average surpluses to a deficit of 2% from surpluses of 4% and 2% respectively in the previous report. Forward cover of gasoline is one day below last month at 21.7 days. No obvious justifications can be given as to why such a massive build occurred in distillates given that imports were 0.11 mb/d below last month's level and production was 0.23 mb/d less than that observed in the previous month, while implied demand improved slightly by 0.03 mb/d to 4.14 mb/d. The build in distillates lifted forward cover by almost 3 days to stand at 32 days, while also improving y-o-y and five-year average surpluses to 5% each.

During the same period, the Strategic Petroleum Reserve (SPR) continued to build by 1.9 mb to 698.2 mb, or just 2 mb shy of its maximum capacity of 700 mb. All expectations indicate that the remaining capacity will be filled in the month of August.

In the week ending 5 August, total US commercial oil inventories showed a further build, rising by 3.43 mb to stand at 1,024.93 mb. Crude oil and distillates were the main contributors to this build, adding 2.80 mb to 320.83 mb and 2.60 mb to 129.87 mb respectively. Gasoline continued to follow the seasonal drawdown trend, losing a further 2.09 mb to 203.09 mb. Increasing production and imports helped crude oil inventories to regain part of the previous losses, while accelerated distillate production continued to play a major role in high inventories which lifted y-o-y and five-year average surpluses further to 6% and 7% respectively compared with end-July levels.

Table 21: US onland commercial petroleum stocks, mb*

	3 Jun 05	1 Jul 05	29 Jul 05	Change Jul/Jun	29 Jul 04	5 Aug 05**
Crude oil (excl. SPR)	330.8	324.9	318.0	–6.9	295.4	320.8
Gasoline	216.6	215.3	205.2	–10.1	211.1	203.1
Distillate fuel	107.7	117.2	127.3	10.1	121.1	129.9
Residual fuel oil	36.5	37.5	36.2	–1.3	35.0	35.4
Jet fuel	40.7	41.2	40.1	–1.1	40.6	40.1
Total	**998.6**	**1,015.5**	**1,021.5**	**6.0**	**979.3**	**1,024.9**
SPR	693.9	696.3	698.2	1.9	665.3	698.9

* *At end of month, unless otherwise stated*
** *Latest available data at time of report's release*
Source: US Department of Energy's Energy Information Administration

Eur-16 oil stocks rose a moderate 0.29 mb/d in July

Western Europe

After two months of nearly stagnant stock movements, total oil inventories in Eur-16 (EU plus Norway) rose moderately by 8.9 mb or 0.29 mb/d to 1,125.0 mb in July. Most of the build came from crude oil and to a lesser extent from distillates, while other major product inventories moved marginally in both directions. Despite this stock-build, the y-o-y surplus declined marginally to 3% from the 4% registered in the last report.

Crude oil stocks touched an all-time high of 490.8 mb, an increase of 5.8 mb or 0.19 mb/d. Steep contango in North Sea crude oil prices encouraged European buyers to increase stocks. Lower refinery runs, which were affected by the longer than usual turnaround season, helped storage tanks to reach their maximum in many refining areas. This helped the y-o-y surplus to widen to about 6%.

Middle distillates followed the pattern of crude oil, rising by 4.1 mb or 0.13 mb/d to 355.9 mb with most of this build in heating oil as refineries were forced to stock the product while diesel was sold to meet strong seasonal demand. Despite this build, the y-o-y surplus moved down from about 2% to less than 1%. Gasoline inventories did not change much, moving down a slight 0.3 mb to 144.0 mb which was the highest level in five years. High demand and relatively low production due to the long maintenance season were behind the draw which was kept marginal due to the inflow of Russian material on the back of healthy demand and attractive gasoline prices. This slight marginal draw resulted in a 1% decline in the y-o-y surplus to stand at about 9%. Fuel oil stocks reversed the previous month's draw gaining a marginal 0.7 mb to stand at 108.8 mb which was about 5% below last year's level. A significant part of this build is attributed to increasing Russian exports and lower local demand.

Table 22: Western Europe's oil stocks, mb*

	May 05	Jun 05	Jul 05	Change Jul/Jun	Jul 04
Crude oil	485.4	485.0	490.8	5.8	463.8
Mogas	147.2	144.3	144.0	–0.3	131.9
Naphtha	27.3	26.8	25.5	–1.3	24.3
Middle distillates	355.8	351.8	355.9	4.1	353.1
Fuel oils	113.4	108.2	108.8	0.7	114.8
Total products	643.8	631.1	634.2	3.1	624.1
Overall total	**1,129.1**	**1,116.1**	**1,125.0**	**8.9**	**1,087.9**

** At end of month, with region consisting of the Eur–16*
Source: Argus, Euroilstock

Commercial oil stocks in Japan showed a marginal draw of 0.10 mb/d in June

Japan

In Japan, total oil inventories during June showed a marginal draw of 2.9 mb or 0.10 mb/d to stand at 181.8 mb. This decline did not affect the y-o-y surplus, instead the excess widened by about 5% to about 8%. Draws came from the product side where all major product inventories experienced marginal losses, while crude oil stocks moved up slightly without any effect on the general picture.

Crude oil inventories rose by 0.5 mb to 121.8 mb on the back of increasing imports despite improved refinery runs which rose by 0.25 mb/d to 3.86 mb/d. The y-o-y surplus widened to 9% or 9.8 mb. Seasonal demand and lower production forced gasoline storage tanks to shed 1.6 mb to 12.8 mb which was 3% or 0.4 mb higher than last year's level. Middle distillates performed better than gasoline dropping only 0.6 mb to 27.1 mb due to lower imports and production. Despite this marginal draw, the y-o-y surplus narrowed significantly by 5% to just 1%.

Table 23: Japan's commercial oil stocks, mb*

	Apr 05	May 05	Jun 05	Change Jun/May	Jun 04
Crude oil	103.6	121.3	121.8	0.5	112.0
Gasoline	14.0	14.5	12.8	–1.6	12.4
Middle distillates	23.2	27.7	27.1	–0.6	26.8
Residual fuel oil	18.7	21.3	20.1	–1.2	17.7
Total products	55.8	63.5	60.0	–3.4	57.0
Overall total**	**159.5**	**184.7**	**181.8**	**–2.9**	**168.9**

** At end of month*
*** Includes crude oil and main products only*
Source: MITI, Japan

Balance of Supply and Demand

The estimated demand for OPEC crude in 2005 remains unchanged, but it is now lower in the third quarter of 2005

Forecast for 2005

The supply/demand balance for 2005 remains unchanged with demand for OPEC crude in 2005 (a-b) forecast at 28.9 mb/d. An upward revision to the first quarter of 2005 estimate of 100,000 b/d was offset by a downward revision to the third quarter of 2005 of roughly the same amount. On a quarterly basis the demand for OPEC crude is estimated at 29.2 mb/d, 27.1 mb/d, 28.8 mb/d and 30.5 mb/d for the first, second, third and fourth quarters.

OPEC crude production averaged 29.5 mb/d in the first quarter of 2005 and 29.9 mb/d in the second, or approximately 300,000 b/d and 2.8 mb/d more than the estimated OPEC crude requirements for these two respective periods. As anticipated and reported in the stock section, such production levels have translated into crude inventory builds in the OECD, particularly in the USA where total oil stocks (commercial + SPR) are at record highs, allowing forward cover to improve to stand close to the last five-year average.

In terms of OPEC capacity, taking into account the supply/demand balance, the resulting required OPEC crude production levels and projected production capacity, OPEC's spare capacity is estimated to average around 7.9% in the second half of 2005, compared to 4.9% in the same period of 2004.

Table 24: Summarized supply/demand balance for 2005, mb/d

	2004	1Q05	2Q05	3Q05	4Q05	2005
(a) World oil demand	82.06	83.63	81.86	83.35	85.71	83.64
(b) Non-OPEC supply(1)	53.80	54.45	54.72	54.58	55.22	54.74
Difference (a – b)	28.26	29.18	27.14	28.78	30.50	28.90
OPEC crude oil production(2)	29.07	29.48	29.93			
Balance	0.80	0.31	2.79			

(1) Including OPEC NGLs + non-conventional oils,
(2) Selected secondary sources.
Totals may not add due to independent rounding.

The estimate demand for OPEC crude in 2006 is 29.2 mb/d

Forecast for 2006

For 2006, the demand for OPEC crude is expected to average 29.2 mb/d, an increase of 300,000 b/d versus 2005 and a revision of around 170,000 b/d versus the figure in last month's report. The quarterly distribution shows that the demand for OPEC crude is now expected to be 29.78 mb/d in the first quarter, 27.9 mb/d in the second, 29 mb/d in the third and 29.97 mb/d in the fourth.

In terms of OPEC capacity, in 2006 OPEC capacity is expected to average around 33.4 mb/d, representing an average increase of 710,000 b/d from 2005. Taking into account the supply/demand balance for 2006, the resulting required OPEC crude production levels and the projected production capacity, OPEC's spare capacity in 2006 is estimated to average around 10% assuming there is no significant improvement in Iraq.

Table 25: Summarized supply/demand balance for 2006, mb/d

	2005	1Q06	2Q06	3Q06	4Q06	2006
(a) World oil demand	83.64	85.33	83.33	84.86	87.31	85.21
(b) Non-OPEC supply(1)	54.74	55.55	55.43	55.82	57.35	56.04
Difference (a – b)	28.90	29.78	27.90	29.04	29.97	29.17
OPEC crude oil production(2)						
Balance						

(1) Including OPEC NGLs + non-conventional oils,
(2) Selected secondary sources.
Totals may not add due to independent rounding.

Table 26
World oil demand/supply balance
mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	48.0	48.0	48.6	49.5	50.6	48.5	49.4	50.8	49.8	51.0	49.0	49.9	51.2	50.3
North America	24.0	24.1	24.5	25.4	25.5	25.2	25.7	26.1	25.6	26.0	25.5	26.1	26.3	26.0
Western Europe	15.3	15.3	15.4	15.6	15.5	15.3	15.5	15.9	15.6	15.6	15.3	15.6	15.9	15.6
Pacific	8.6	8.6	8.7	8.5	9.5	8.1	8.1	8.8	8.6	9.4	8.1	8.1	8.9	8.7
DCs	19.7	20.2	20.4	21.4	21.7	22.1	22.3	22.6	22.2	22.4	22.7	23.1	23.2	22.9
FSU	3.9	3.7	3.8	3.8	3.9	3.6	4.0	4.2	3.9	4.0	3.6	3.9	4.4	4.0
Other Europe	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.9	0.9
China	4.7	5.0	5.6	6.5	6.5	6.7	6.9	7.3	6.9	7.0	7.1	7.2	7.7	7.3
(a) Total world demand	77.1	77.7	79.2	82.1	83.6	81.9	83.4	85.7	83.6	85.3	83.3	84.9	87.3	85.2
Non-OPEC supply														
OECD	21.8	21.9	21.6	21.3	21.0	21.0	20.6	20.9	20.9	21.0	20.7	20.5	21.3	20.9
North America	14.3	14.5	14.6	14.6	14.5	14.6	14.4	14.4	14.5	14.4	14.3	14.5	14.7	14.5
Western Europe	6.7	6.6	6.4	6.1	6.0	5.9	5.7	6.0	5.9	6.0	5.9	5.5	6.0	5.8
Pacific	0.8	0.8	0.7	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5
DCs	10.9	11.2	11.3	11.9	12.2	12.5	12.5	12.8	12.5	12.9	12.9	13.1	13.3	13.1
FSU	8.5	9.3	10.3	11.2	11.4	11.4	11.6	11.6	11.5	11.6	11.6	11.9	12.2	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Processing gains	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total non-OPEC supply	46.4	47.7	48.6	49.8	50.3	50.5	50.3	50.9	50.5	51.2	50.9	51.2	52.7	51.5
OPEC NGLs + non-conventional oils	3.6	3.6	3.7	4.0	4.1	4.2	4.2	4.3	4.2	4.4	4.5	4.6	4.7	4.5
(b) Total non-OPEC supply and OPEC NGLs	50.0	51.4	52.3	53.8	54.5	54.7	54.6	55.2	54.7	55.6	55.4	55.8	57.3	56.0
OPEC crude oil production (secondary sources)	27.2	25.4	27.0	29.1	29.5	29.9								
Total supply	77.2	76.7	79.3	82.9	83.9	84.6								
Balance (stock change and miscellaneous)	0.1	-1.0	0.1	0.8	0.3	2.8								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	2630	2476	2516	2556	2549	2669								
OECD SPR	1285	1345	1408	1444	1456	1462								
OECD total	3915	3821	3924	4000	4006	4131								
Oil-on-water	830	816	887	909	936	n.a.								
Days of forward consumption in OECD														
Commercial onland stocks	55	51	51	51	53	54								
SPR	27	28	28	29	30	30								
Total	82	79	79	80	83	84								
Memo items														
FSU net exports	4.6	5.6	6.5	7.3	7.5	7.8	7.6	7.5	7.6	7.6	8.1	8.0	7.8	7.9
(a) - (b)	27.1	26.4	26.9	28.3	29.2	27.1	28.8	30.5	28.9	29.8	27.9	29.0	30.0	29.2

n.a. Not available.

Note: Totals may not add up due to independent rounding.

Table 27
World oil demand/supply balance: changes from last month's table †
mb/d

	2001	2002	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
World demand														
OECD	-	-	-	-	0.1	0.2	-	-	0.1	0.1	0.2	-	-	0.1
North America	-	-	-	-	0.1	-0.2	-	-	-	0.1	-0.2	-	-	-
Western Europe	-	-	-	-	-	0.2	-	-	-	-	0.2	-0.1	-	-
Pacific	-	-	-	-	-	0.2	-	-	0.1	-	0.2	-	-	0.1
DCs	-	-	-	-	-	-0.1	0.1	-	-	0.1	-	0.1	0.1	-
FSU	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-	-	-
Other Europe	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
China	-	-	-	-	-	-0.1	-0.2	-	-0.1	-	-0.1	-0.2	-	-0.1
(a) Total world demand	-	-	-	-	0.1	-0.1	-0.1	-	-	0.1	-	-0.1	-	-
Non-OPEC supply														
OECD	-	-	-	-	-	-0.1	-	-	-	-0.2	-0.2	-	-	-0.1
North America	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-	-	-0.1
Western Europe	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-0.3	-0.3	-	-	-0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-0.3	-0.3	-	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-								
Total supply	-	-	-	-	-	-0.1								
Balance (stock change and miscellaneous)	-	-	-	-	-0.1	-								
Closing stock level (outside FCPEs) *mb*														
OECD onland commercial	-	-	-3	-	-2	-								
OECD SPR	-	-	-	-	-	-								
OECD total	-	-	-3	-	-2	-								
Oil on water	-	-	-	-	7	-								
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-								
SPR	-	-	-	-	-	-								
Total	-	-	-	-	-	-								
Memo items														
FSU net exports	-	-	-	-	-	0.2	-	-	-	-	0.2	-	-	-
(a) - (b)	-	-	-	-	0.1	-	-0.1	-	-	0.4	0.2	-	-	0.2

† *This compares Table 26 in this issue of the MOMR with Table 24 in July 2005 issue.*

This table shows only where changes have occurred.

Table 28
OECD oil stocks and oil on water at the end of period

	2001	2002	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05
Closing stock level *mb*																				
OECD onland commercial	2,630	2,476	2,529	2,602	2,664	2,630	2,606	2,651	2,576	2,476	2,428	2,551	2,601	2,516	2,467	2,542	2,582	2,556	2,549	2,669
North America	1,262	1,174	1,159	1,231	1,269	1,262	1,237	1,262	1,219	1,174	1,103	1,186	1,216	1,161	1,144	1,193	1,209	1,201	1,198	1,280
Western Europe	924	895	923	914	922	924	934	943	918	895	914	913	926	920	922	929	944	925	962	975
OECD Pacific	443	408	447	457	473	443	435	447	440	408	411	452	459	435	400	420	430	430	389	414
OECD SPR	1,285	1,345	1,271	1,269	1,266	1,285	1,304	1,316	1,321	1,345	1,359	1,362	1,380	1,408	1,421	1,426	1,432	1,444	1,456	1,462
North America	552	601	544	545	547	552	563	578	589	601	601	611	626	640	654	664	672	678	690	699
Western Europe	353	354	353	349	344	353	354	349	346	354	365	359	361	372	369	364	364	371	371	369
OECD Pacific	380	389	374	374	375	380	386	388	386	389	393	393	393	396	398	398	396	396	396	395
OECD total	3,915	3,821	3,800	3,870	3,930	3,915	3,909	3,967	3,897	3,821	3,787	3,913	3,981	3,924	3,887	3,968	4,014	4,000	4,006	4,131
Oil-on-water	830	816	903	828	870	830	797	806	803	816	862	888	871	887	909	898	894	909	936	n.a.
Days of forward consumption in OECD																				
OECD onland commercial	55	51	54	54	55	54	56	55	52	50	51	53	52	50	51	52	51	51	53	54
North America	52	48	49	51	53	53	52	52	50	48	46	48	49	46	46	47	47	47	48	50
Western Europe	61	58	62	59	59	60	63	61	59	58	60	59	59	59	61	60	59	60	63	63
OECD Pacific	52	47	56	56	54	49	57	55	47	42	51	57	51	47	51	51	49	45	48	51
OECD SPR	27	28	27	27	26	27	28	28	27	27	29	28	28	28	29	29	28	29	30	30
North America	23	25	23	23	23	23	23	24	24	25	25	25	25	25	26	26	26	27	27	27
Western Europe	23	23	24	22	22	23	24	23	22	23	24	23	23	24	24	23	23	24	24	24
OECD Pacific	44	45	46	46	42	42	50	48	41	40	48	49	43	43	50	49	45	42	49	49
OECD total	82	79	81	81	81	81	84	83	79	77	80	81	80	78	81	81	80	79	83	84

n.a. Not available.

Table 29
Non-OPEC supply and OPEC natural gas liquids
mb/d

	2001	2002	2003	2004	Change 04/03	1Q05	2Q05	3Q05	4Q05	2005	Change 05/04	1Q06	2Q06	3Q06	4Q06	2006	Change 06/05
USA	8.05	8.04	7.82	7.67	-0.16	7.73	7.76	7.61	7.50	7.65	-0.02	7.51	7.34	7.43	7.52	7.45	-0.20
Canada	2.73	2.84	2.98	3.07	0.09	3.02	3.01	3.00	3.17	3.05	-0.02	3.23	3.23	3.27	3.40	3.28	0.23
Mexico	3.57	3.59	3.80	3.83	0.04	3.75	3.88	3.75	3.72	3.78	-0.06	3.70	3.76	3.78	3.83	3.77	-0.01
North America	14.34	14.48	14.60	14.57	-0.03	14.50	14.65	14.37	14.39	14.48	-0.10	14.44	14.33	14.49	14.75	14.50	0.03
Norway	3.42	3.33	3.26	3.19	-0.07	3.08	3.03	3.03	3.20	3.09	-0.10	3.28	3.20	3.00	3.17	3.16	0.07
UK	2.54	2.52	2.33	2.09	-0.24	2.02	1.95	1.79	1.91	1.92	-0.17	1.92	1.85	1.66	1.99	1.86	-0.06
Denmark	0.35	0.37	0.37	0.39	0.02	0.39	0.38	0.39	0.39	0.39	0.00	0.38	0.37	0.35	0.34	0.36	-0.03
Other Western Europe	0.38	0.42	0.43	0.47	0.04	0.48	0.48	0.46	0.46	0.47	0.00	0.46	0.45	0.46	0.48	0.46	-0.01
Western Europe	6.68	6.65	6.39	6.14	-0.26	5.98	5.85	5.67	5.96	5.86	-0.27	6.04	5.87	5.47	5.97	5.84	-0.03
Australia	0.71	0.70	0.60	0.52	-0.08	0.48	0.49	0.52	0.47	0.49	-0.03	0.44	0.42	0.42	0.53	0.45	-0.04
Other Pacific	0.07	0.06	0.06	0.05	0.00	0.05	0.05	0.05	0.06	0.05	0.00	0.06	0.05	0.09	0.09	0.07	0.02
OECD Pacific	0.78	0.77	0.65	0.57	-0.08	0.54	0.55	0.57	0.53	0.55	-0.03	0.50	0.47	0.51	0.62	0.53	-0.02
Total OECD	21.81	21.89	21.65	21.28	-0.37	21.01	21.05	20.61	20.88	20.89	-0.40	20.98	20.67	20.47	21.34	20.87	-0.02
Brunei	0.20	0.20	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.21	0.21	0.21	0.00
India	0.73	0.75	0.74	0.78	0.04	0.80	0.80	0.75	0.79	0.78	0.00	0.83	0.83	0.82	0.82	0.82	0.04
Malaysia	0.68	0.71	0.75	0.82	0.07	0.86	0.86	0.86	0.87	0.86	0.05	0.87	0.87	0.87	0.87	0.87	0.00
Vietnam	0.34	0.34	0.35	0.40	0.04	0.38	0.38	0.40	0.41	0.39	-0.01	0.39	0.39	0.40	0.36	0.38	-0.01
Asia others	0.25	0.26	0.30	0.37	0.07	0.46	0.47	0.47	0.48	0.47	0.09	0.48	0.48	0.47	0.48	0.48	0.01
Other Asia	2.20	2.27	2.36	2.58	0.22	2.70	2.71	2.69	2.74	2.71	0.13	2.77	2.77	2.77	2.74	2.76	0.05
Argentina	0.82	0.79	0.78	0.73	-0.04	0.72	0.73	0.71	0.72	0.72	-0.01	0.72	0.71	0.70	0.69	0.70	-0.02
Brazil	1.53	1.72	1.80	1.80	0.00	1.85	2.03	2.03	2.05	1.99	0.19	2.11	2.09	2.30	2.32	2.21	0.22
Colombia	0.62	0.59	0.55	0.53	-0.02	0.52	0.50	0.49	0.48	0.50	-0.04	0.47	0.46	0.45	0.44	0.46	-0.04
Ecuador	0.41	0.40	0.43	0.53	0.10	0.54	0.54	0.53	0.53	0.53	0.01	0.53	0.53	0.52	0.53	0.53	-0.01
Trinidad & Tobago	0.13	0.15	0.16	0.16	-0.01	0.20	0.21	0.22	0.23	0.22	0.06	0.23	0.24	0.24	0.25	0.24	0.02
L. America others	0.23	0.22	0.22	0.25	0.02	0.27	0.28	0.25	0.26	0.26	0.01	0.26	0.26	0.26	0.27	0.26	0.00
Latin America	3.74	3.87	3.94	4.00	0.05	4.11	4.28	4.23	4.28	4.22	0.22	4.32	4.28	4.48	4.51	4.40	0.17
Bahrain	0.19	0.19	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.20	0.20	0.20	0.20	0.00
Oman	0.96	0.90	0.82	0.76	-0.06	0.73	0.72	0.71	0.70	0.72	-0.05	0.69	0.68	0.67	0.66	0.68	-0.04
Syria	0.52	0.51	0.54	0.51	-0.03	0.49	0.48	0.47	0.46	0.48	-0.03	0.46	0.45	0.44	0.43	0.44	-0.03
Yemen	0.47	0.46	0.44	0.42	-0.03	0.40	0.40	0.39	0.37	0.39	-0.03	0.37	0.36	0.36	0.34	0.36	-0.03
Middle East	2.14	2.06	2.00	1.89	-0.11	1.82	1.81	1.77	1.74	1.78	-0.10	1.71	1.69	1.66	1.63	1.67	-0.11
Angola	0.74	0.89	0.87	0.99	0.11	1.13	1.16	1.22	1.34	1.21	0.22	1.38	1.42	1.41	1.66	1.47	0.26
Chad	0.00	0.00	0.02	0.18	0.16	0.23	0.23	0.23	0.23	0.23	0.04	0.23	0.23	0.23	0.23	0.23	0.00
Congo	0.27	0.25	0.24	0.24	0.00	0.23	0.23	0.23	0.23	0.23	-0.01	0.23	0.23	0.23	0.23	0.23	0.00
Egypt	0.76	0.75	0.75	0.71	-0.04	0.70	0.69	0.67	0.67	0.69	-0.02	0.67	0.65	0.64	0.59	0.64	-0.05
Equatorial Guinea	0.14	0.20	0.24	0.34	0.10	0.35	0.36	0.35	0.35	0.36	0.01	0.35	0.35	0.35	0.39	0.36	0.01
Gabon	0.31	0.30	0.25	0.24	-0.01	0.24	0.24	0.23	0.22	0.23	-0.01	0.22	0.22	0.21	0.20	0.21	-0.02
South Africa	0.18	0.19	0.20	0.22	0.02	0.21	0.20	0.20	0.19	0.20	-0.02	0.19	0.19	0.18	0.17	0.18	-0.02
Sudan	0.21	0.24	0.27	0.30	0.04	0.31	0.33	0.47	0.50	0.40	0.10	0.49	0.52	0.59	0.62	0.56	0.15
Africa other	0.20	0.20	0.20	0.21	0.01	0.22	0.22	0.25	0.27	0.24	0.03	0.31	0.36	0.37	0.38	0.35	0.12
Africa	2.80	3.03	3.05	3.43	0.39	3.61	3.66	3.85	4.00	3.78	0.35	4.06	4.16	4.21	4.47	4.22	0.44
Total DCs	10.87	11.22	11.35	11.90	0.55	12.25	12.45	12.54	12.76	12.50	0.60	12.86	12.90	13.12	13.34	13.06	0.55
FSU	8.53	9.32	10.27	11.15	0.89	11.39	11.43	11.58	11.62	11.50	0.35	11.62	11.65	11.90	12.22	11.85	0.34
Russia	6.99	7.62	8.46	9.19	0.73	9.30	9.34	9.40	9.40	9.36	0.17	9.40	9.40	9.47	9.47	9.44	0.07
Kazakhstan	0.80	0.94	1.03	1.18	0.15	1.26	1.22	1.29	1.29	1.27	0.09	1.29	1.29	1.39	1.55	1.38	0.12
Azerbaijan	0.30	0.31	0.31	0.31	0.00	0.34	0.36	0.40	0.44	0.39	0.07	0.44	0.44	0.54	0.69	0.53	0.14
FSU others	0.45	0.45	0.47	0.47	0.01	0.48	0.51	0.49	0.49	0.49	0.02	0.49	0.52	0.50	0.51	0.50	0.01
Other Europe	0.18	0.18	0.17	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	0.00
China	3.30	3.39	3.41	3.48	0.08	3.63	3.60	3.62	3.64	3.62	0.14	3.66	3.69	3.73	3.71	3.70	0.07
Non-OPEC production	44.68	46.01	46.84	47.98	1.13	48.44	48.69	48.50	49.06	48.67	0.70	49.28	49.07	49.37	50.75	49.62	0.95
Processing gains	1.69	1.73	1.80	1.83	0.03	1.88	1.85	1.84	1.88	1.86	0.03	1.88	1.87	1.87	1.93	1.89	0.02
Non-OPEC supply	46.37	47.74	48.63	49.81	1.16	50.32	50.54	50.34	50.94	50.54	0.73	51.16	50.94	51.24	52.68	51.51	0.97
OPEC NGL	3.40	3.42	3.57	3.75	0.18	3.87	3.92	3.97	4.02	3.95	0.20	4.11	4.21	4.30	4.38	4.25	0.31
OPEC Non-conventional	0.18	0.20	0.14	0.25	0.11	0.26	0.26	0.26	0.26	0.26	0.01	0.28	0.28	0.28	0.28	0.28	0.02
OPEC (NGL+NCF)	3.58	3.62	3.71	3.99	0.28	4.13	4.18	4.23	4.28	4.21	0.21	4.39	4.49	4.58	4.66	4.53	0.33
Non-OPEC & OPEC (NGL+NCF)	49.96	51.36	52.34	53.80	1.45	54.45	54.72	54.58	55.22	54.74	0.94	55.55	55.43	55.82	57.35	56.04	1.30

Note: Totals may not add up due to independent rounding.

Table 30
Non-OPEC Rig Count

	2001	2002	Change 02/01	1Q03	2Q03	3Q03	4Q03	2003	Change 03/02	1Q04	2Q04	3Q04	4Q04	2004	Change 04/03	May05	Jun05	2Q05	Jul05	Change Jul05-Jun05
USA	1156	831	-325	901	1028	1088	1109	1032	201	1,119	1164	1229	1249	1190	158	1319	1355	1336	1398	43
Canada	342	266	-76	494	203	383	408	372	106	528	202	326	420	369	-3	247	293	241	450	157
Mexico	54	65	11	82	84	96	107	92	27	107	113	111	108	110	18	116	121	116	104	-17
North America	1552	1162	-390	1476	1315	1567	1624	1496	334	1,754	1479	1665	1777	1669	173	1682	1769	1693	1952	183
Norway	23	19	-4	18	19	20	18	19	0	19	18	14	16	17	-2	19	19	18	22	3
UK	24	26	2	19	21	22	16	20	-6	15	19	14	15	16	-4	20	25	22	26	1
Denmark	4	4	0	3	5	3	4	4	0	4	4	3	4	4	0	3	3	3	1	-2
Other Western Europe	44	36	-8	36	34	38	37	36	0	31	30	27	27	29	-7	25	26	24	25	-1
Western Europe	95	85	-10	77	78	83	75	78	-7	69	70	57	62	65	-13	67	73	67	74	1
Australia	10	9	-1	10	10	11	13	11	2	12	13	18	14	14	3	16	14	15	16	2
Other Pacific	9	8	-1	8	7	8	6	7	-1	7	8	9	6	8	1	11	10	10	10	0
OECD Pacific	20	17	-3	18	17	18	19	18	1	19	22	26	20	22	4	27	24	25	26	2
Total OECD	1667	1264	-403	1571	1411	1669	1719	1592	328	1,842	1570	1749	1859	1755	163	1776	1866	1785	2052	186
Brunei	3	3	0	3	4	4	2	3	0	2	3	3	2	3	0	2	2	2	3	1
India	50	55	5	59	60	61	62	60	5	64	68	71	76	70	10	76	79	76	78	-1
Malaysia	11	14	3	14	13	16	15	14	0	15	15	13	13	14	0	15	15	14	14	-1
Papua New Guinea	1	1	0	1	2	2	1	2	1	3	2	0	1	2	0	2	1	2	2	1
Vietnam	8	9	1	9	9	10	8	9	0	8	9	8	7	8	-1	9	10	10	10	0
Asia others	22	30	8	31	28	26	30	29	-1	27	31	31	31	30	1	39	35	36	36	1
Other Asia	95	111	16	117	115	119	118	117	6	119	128	127	130	126	9	143	142	140	143	1
Argentina	71	49	-22	59	66	59	57	60	11	64	73	73	74	71	11	78	74	76	79	5
Brazil	28	27	-1	27	27	27	25	26	-1	24	26	26	26	26	0	27	27	27	29	2
Colombia	15	11	-4	10	9	11	12	11	0	8	9	9	11	9	-2	12	13	12	15	2
Ecuador	10	9	-1	9	11	8	8	9	0	7	9	12	12	10	1	12	13	12	14	1
Peru	4	2	-2	2	2	3	3	3	1	2	2	3	3	2	-1	5	4	4	5	1
Trinidad & Tobago	5	4	-1	3	3	3	3	3	-1	3	4	4	4	4	1	2	2	2	2	0
L. America others	7	5	-2	3	4	4	5	4	-1	6	6	3	4	5	1	4	4	4	2	-2
Latin America	141	106	-35	113	121	114	114	116	10	114	127	129	134	126	10	140	137	138	146	9
Bahrain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oman	25	29	4	33	34	36	36	35	6	36	35	34	36	35	0	36	34	35	34	0
Syria	19	22	3	23	23	26	23	24	2	24	24	23	23	24	0	19	20	20	20	0
Yemen	6	9	3	11	10	9	7	9	0	7	8	9	11	9	0	10	13	11	12	-1
Middle East	50	62	12	70	68	72	68	70	8	69	68	69	73	70	0	70	72	71	71	-1
Angola	5	5	0	3	4	3	6	4	-1	4	3	3	3	3	-1	2	4	3	4	0
Cameroon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Congo	1	1	0	0	1	1	2	1	0	2	2	3	2	2	1	1	4	2	2	-2
Egypt	22	23	1	26	26	27	26	26	3	27	28	29	28	28	2	28	33	30	27	-6
Gabon	2	2	0	3	4	1	3	3	1	2	2	2	2	2	-1	3	3	3	2	-1
South Africa	1	1	0	0	1	0	1	0	-1	0	0	0	0	0	0	0	0	0	0	0
Africa other	4	12	8	12	14	12	14	13	1	15	18	20	22	19	6	21	19	21	19	0
Africa	36	43	7	45	50	44	51	48	5	48	53	56	57	54	6	55	63	58	54	-9
Total DCs	322	322	0	346	354	350	350	350	28	350	376	381	394	376	26	408	414	407	414	0
FSU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Europe	3	2	-1	2	2	2	2	2	0	2	2	2	2	2	0	2	2	2	3	1
China	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-OPEC Rig count	1992	1588	-404	1919	1767	2021	2071	1944	356	2,194	1949	2132	2255	2132	188	2186	2282	2194	2469	187

Note: Totals may not add up due to independent rounding.

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Data is provided by Data Services Department.

Data Summary August 2005

OPEC Basket average price

US$ per barrel

↑ *up 1.09 in July*

July 2005	***53.13***
June 2005	*52.04*
Year-to-date	*47.57*

July OPEC production

in million barrels per day, according to secondary sources

Algeria	*1.36*	*Kuwait*	*2.49*	*Saudi Arabia*	*9.49*
Indonesia	*0.94*	*SP Libyan AJ*	*1.65*	*UAE*	*2.42*
IR Iran	*4.02*	*Nigeria*	*2.44*	*Venezuela*	*2.62*
Iraq	*1.95*	*Qatar*	*0.80*	***TOTAL***	***30.19***

Supply and demand

in million barrels per day

2005		***2006***	
World demand	*83.64*	*World demand*	*85.21*
Non-OPEC supply	*54.74*	*Non-OPEC supply*	*56.04*
Difference	***28.90***	***Difference***	***29.17***

Non-OPEC supply includes OPEC NGLs and non-conventional oils

Stocks

US commercial oil stocks saw a seasonal build of 6 mb in July

World economy

World GDP growth remains almost unchanged at 4.1% for 2005 and 4.0% for 2006

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Data covers period up to end of July 2005 unless otherwise stated