OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Economic uncertainties still overshadowing the oil market

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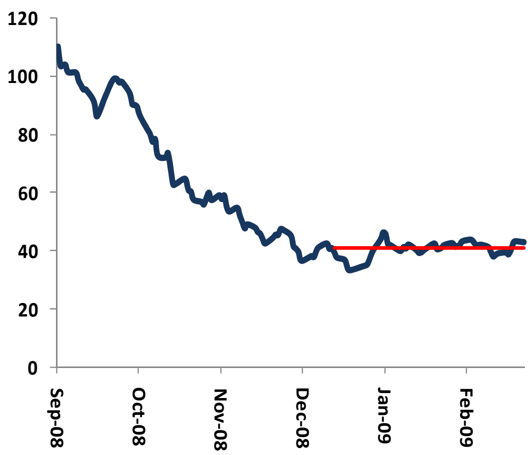
Oil Market Highlights

- OPEC Reference Basket remained broadly unchanged in February, declining a marginal 17¢ to $41.35/b. Although, data shows a continued deterioration in the world economic situation and erosion in demand, government action to stimulate their economies and OPEC efforts to reduce the supply overhang have helped steady the market. The Basket remained relatively steady into March to stand at $42.14/b on 12 March.
- Global economic growth for 2008 has been revised down to 3.1% from 3.3% while the 2009 forecast has been adjusted downwards to show a contraction of 0.2% from positive growth of 0.4%. The changes are mainly due to downward revisions in all world regions, in particularly OECD countries, with the exception of China and India. Although the US stimulus package has been approved, it is still unclear when and to what magnitude the impact will be felt. Key Asian countries are suffering from a large decline in exports. China exports declined by 25.7% y-o-y in February, extending the 17.5% decline in January.
- World oil demand growth in 2008 was revised down by 0.1 mb/d to minus 0.3 mb/d while the forecast for 2009 was cut by 0.4 mb/d to minus 1.0 mb/d. The revisions take into account the continued deterioration in the world economy and the accompanying erosion in demand growth. Negative growth is expected to extend across all regions except the Middle East and China. OECD is expected to decline by 1.3 mb/d while non-OECD is projected to increase by only 0.3 mb/d.
- Non-OPEC oil supply is estimated to have fallen by 0.2 mb/d in 2008, broadly unchanged from the last report. In 2009, non-OPEC oil supply is projected to increase by 0.4 mb/d over the previous year, following a downward revision of 0.2 mb/d from the last assessment. This adjustment is mainly due to revisions to the forecasts for Mexico, UK, Norway and Russia. OPEC crude oil production declined by 0.7 mb/d in February, according to secondary sources. OPEC NGLs and non-conventional oils are expected to average 4.8 mb/d in 2009, an increase of 0.4 mb/d over the previous year.
- Refinery glitches and gasoline stock draws especially in the US have temporarily provided support for the light distillates market, lifting the gasoline crack spread across the globe. With the approaching end of the winter season, refiners will be able to switch operations in favour of gasoline and thus remove any perceived tightness in gasoline supply. Such circumstances along with increasing spare refining capacity should exert pressure on refining margins. Lower refining margins are likely to encourage refiners to cut runs, which could impact demand for crude in the coming months.
- OPEC spot fixtures were higher in February compared to the previous month. Both sailings from OPEC and arrivals in the US were lower. High tonnage availability on many key routes as a result of OPEC production adjustments and the ongoing global economic crisis continued to pressure the tanker market in February. In contrast, product freight rates were marginally higher in February supported by a very active East of Suez market.
- US commercial oil stocks fell 5.5 mb in February, but continued to show an overhang of 64 mb with the five-year average. The decline was due to products as crude oil continued to increase for the seventh month in a row on sluggish demand. European (EU-15 plus Norway) total oil stocks remained almost stable but were still 1% below their seasonal average. Japan’s commercial oil stocks fell for the third month in a row in January by a hefty 15.5 mb. However, preliminary data shows some recovery in February in both crude and products.
- The demand for OPEC crude in 2008 is estimated to average 30.9 mb/d, a decline of 0.5 mb/d from the previous year. In 2009, the demand for OPEC crude is expected to average 29.1 mb/d, a drop of 1.8 mb/d from a year earlier.

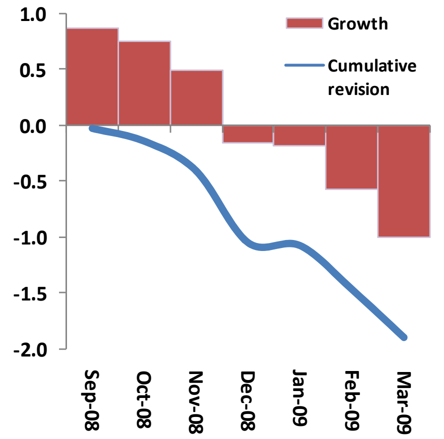
Economic uncertainties still overshadowing the oil market

- In 2008, crude oil price fell sharply over the second half of the year, with the OPEC Basket losing 75% from the peak seen in July to finish the year at just over $35/b. Dramatic events over this period — the financial meltdown, the accelerating economic downturn and the accompanying deterioration in demand as well as the resulting outflow of investment in the paper oil market — were the main drivers behind this sudden reversal in the market. Having lost more than $100/b, crude oil prices began the year with the potential risk of even further declines. Instead, prices have been relatively steady, with the OPEC Basket remaining in the low $40/b range so far this year (*see **Graph 1***) despite a steady stream of bleak economic and demand data as well as the existing overhang in crude oil inventories.
- Indeed, financial and macroeconomic indicators in the first quarter continue to paint a very gloomy outlook across the globe. Equity markets have fallen to levels not seen since the Asian Crisis and the real economy, especially in the OECD region continues to exhibit sharp drops in industrial production, exports and domestic demand. Labour market conditions are deteriorating at an alarming pace. In the US, unemployment climbed to 8.1% in February, the highest rate in twenty-five years. As global demand continues to fall, the rate of unemployment worldwide is expected to rise further. Government intervention to support the economy and stabilize the financial sector is gaining in urgency as the only means to help stem the downward cycle of falling demand and confidence.

Graph 1: OPEC Reference Basket price (US$/b)



Graph 2: World oil demand growth revision (mb/d)



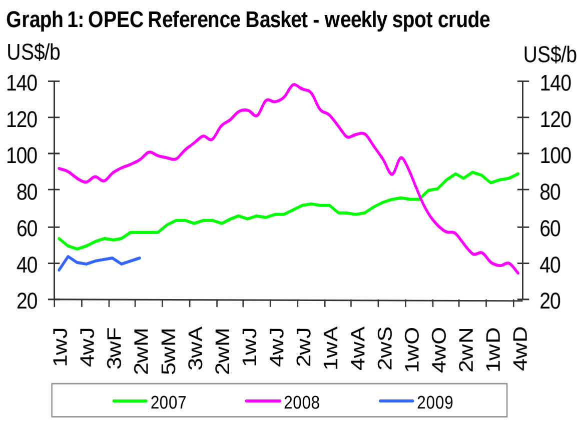
- With recent data releases continuing to be overwhelmingly negative, further downward revisions in growth projections for 2009 are expected. Our forecast now sees the world economy contracting by 0.2% led by a deep recession in the OECD region which is expected to shrink by 2.5%. Growth in the developing countries is expected to be slashed by more than half to 2.3% from 5.1% last year. Chinese growth is likely to reach 6.5%, significantly lower than the 9% achieved in 2008. A large fiscal stimulus will help support the Chinese economy, although its impact on world growth may prove modest. Similar fiscal measures are being taken globally, estimated at between 2-3% of world GDP.
- The spillover of the financial crisis into the real economy is now affecting both the developed and developing countries, implying that the impacts on oil demand in 2009 will be felt not only in OECD but also worldwide. World oil demand in 2009 is expected to decline for the second consecutive year, contracting by 1.0 mb/d, with OECD seeing negative growth of 1.3 mb/d and non-OECD countries managing only a small increase of 0.3 mb/d compared with a significant 1.3 mb/d growth estimated for 2008. This is in sharp contrast to the trend observed over the recent years when non-OECD oil demand grew at an average of 1.5 mb/d.
- Moreover, with the widening global economic recession, the erosion in demand seen in 2008 has also spread to the non-OECD countries. While the downward revisions to world oil demand in 2008 were concentrated in the OECD, downward revisions in 2009 have been occurred in both OECD and non-OECD countries, resulting in a cumulative downward revision of almost 2 mb/d since last September (see ***Graph 2***). This development has been a cause of concern as non-OECD countries have been the sole contributor to oil demand growth since 2006. On the supply side, the forecast for non-OPEC supply calls for an increase of 0.4 mb/d following a contraction of 0.2 mb/d in 2008. This forecast has been revised down from an initial projection of 0.9 mb/d to take into account the impact of the current price environment on investment and production.
- As a result of the expected increase in total non-OPEC supply and negative growth in oil demand, required OPEC crude in 2009 is projected to decrease sharply by 1.8 mb/d, building on the decline of 0.5 mb/d in 2008. Moreover, with the persistent decline in demand, OECD crude inventories in terms of forward cover remain at an excessively high level of 57 days.
- OPEC action at the end of last year proved effective in halting the steep downward slide in prices and helped them to stay close to $40/b. With continued economic deterioration and demand erosion as well as the impending low demand season, there is likelihood of renewed pressure on prices. Given the interlinkages between the short- medium- and long-term timeframes, oil prices need to remain at levels that support energy investment across the supply chain to help sustain longer-term economic growth. These are the main issues under consideration when the OPEC Conference meets on 15 March.

Crude Oil Price Movements

Further OPEC supply adjustment balancing demand destruction

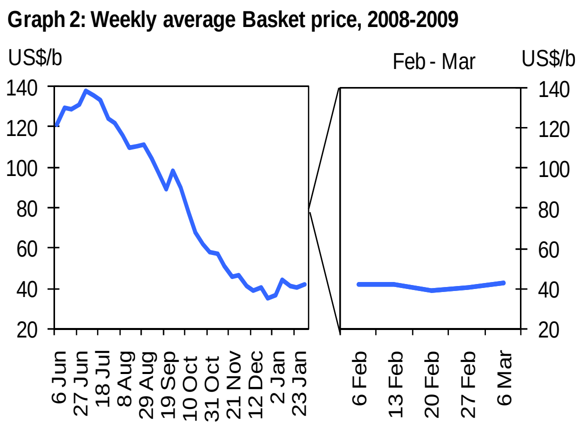
OPEC Reference Basket

The bullish momentum emerged in February on the back of possible refinery and steel workers strike in the US. The discussion of the stimulus plan was seen to reduce fears over recession supporting the bullishness. Moreover, the weaker US dollar exchange rate increased fluctuation in the equity market. OPEC output policy added to market firmness. The Basket averaged 97¢ or 2.2% higher in the **first week** to settle at $42.23/b. The petroleum market continued strengthening into the second week, yet at a slower pace. Lower supply in the European market and firming refining margins amid slow operating rates supported market sentiment. However, the bleak economy continued to weigh on the stimulus plan. Revisions to the oil demand growth forecast dampened the upward movement. Volatility was dominated by the US dollar exchange rate and Wall Street equity markets. The Basket averaged 48¢ or over 1% higher in the **second week** to settle at $42.71/b.



Nonetheless, the petroleum market sentiment shifted lower on the back of mounting recession fear while the stimulus package has yet to inspire industry confidence. A slide in the equity market, while the US dollar exchange rate gained momentum, added to fund sell-offs for profit-taking. Unexpected crude oil stock draws in the US and production adjustments supported prices from a further decline. The Basket fell by a hefty 7.6% in the **third week** plunging $3.26 to settle at $39.45/b, the first weekly average below the $40/b level since the first week in January.

In the final week of February, the market reversed direction on a hefty draw in US gasoline stocks amid a rise in demand while crude oil stocks rose less than anticipated, reviving market bullishness. Adding to the upward movement was the weakness in the US dollar against major currencies while the equity market rebounded from a record low, though prompt supply in the North Sea kept some downward pressure intact. In the **fourth week** the Basket averaged $1.56 or 3.9% higher to settle at $41.01/b.



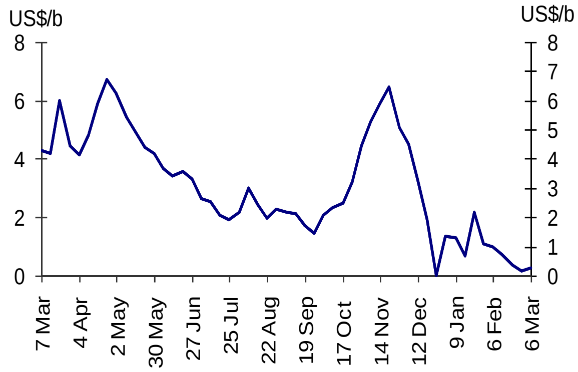
On a monthly basis, the petroleum market was generally volatile in **February** as the bleak economy was seen denting demand for petroleum products. A plunge in the equity market on lack of confidence over the stimulus package somewhat flared fears over recession. Nonetheless, fluctuation of the US dollar kept some market volatility intact. The Basket dropped by 17¢ or 0.4% in February to average $41.35/b. Moreover, a series of events in early March boosted market sentiment including supply outages from Nigeria, a pipeline leakage in Russia, while OPEC adjustments firmed further. A surprise draw in US crude oil stocks amid rising gasoline demand helped to lift market sentiment. In the first half of **March**, the Basket averaged $43.14/b as a larger-than-anticipated build in the US crude oil stocks was offset by increased North Sea supply.

US market

High crude oil stocks at Cushing, Oklahoma and wide transatlantic premium supported the light grade

Light crude differentials continued to firm in the US domestic market for most of February. The market emerged in the **first week** at a slower pace amid the reduced likelihood for a refinery worker strike. High crude oil stocks at Cushing, Oklahoma pressured the sweet grade. Nonetheless, the abating transatlantic spread lent support to the light grade. Widened contango structure added to the buying spree while demand for gasoline firmed amid dropping distillate stocks. The WTI/WTS spread averaged the first week down 9¢ to $1/b. The sentiment continued into the **second week** amid sustained widened transatlantic premium discouraging the flow of eastern crude to the US. The wide contango spread continued to encourage storing, although lower refinery run rates reduced procurement for processing. The WTI/WTS spread narrowed further by 29¢ to 71¢/b in the second week.

Graph 3: WTI spread to WTS, 2008-2009



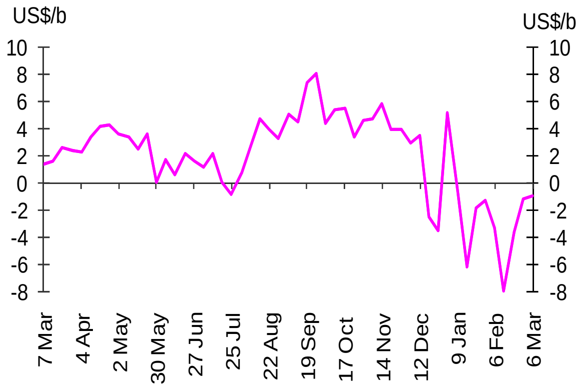
In the **third week**, lower light-product supply amid reduced refinery production further supported the light grade. High stockpiling of sweet crude at Cushing, Oklahoma, depressed the grade. Nonetheless, an unexpected draw in US crude oil stocks strengthened the light-grade differential. The WTI/WTS differential halved in the third week, dropping to 35¢/b. The sentiment even mounted in the final week, but was capped by a drop in refining margins. On the other hand, unplanned refinery maintenance revived strength for the light grade amid improved consumption for gasoline while stocks depleted unexpectedly. Despite a hefty drop in crude oil stocks at Cushing, Oklahoma, in the week of 20 February, the WTI premium dropped by 5¢, to average 15¢/b in the **fourth week**, the narrowest on record. The WTI averaged $39.08/b in February, down by $2.42 or almost 6% lower, with premium to WTS averaging 74¢ lower at 55¢/b, the narrowest monthly level since July 2002.

North Sea market

Cold snap improved refinery margins

The market for the North Sea crude firmed on improved refinery margins amid tight supply of winter fuels. In spite of barrels offered from floating storage somewhat clamming market sentiment, tight March loading programmes kept the bulls intact. The Brent premium to WTI averaged $3.28 or $1.95 wider in the **first week**. A cold snap in Europe heightened consumption for winter fuels and improving refinery margins supported the regional grade differentials in the second weekly period. The Brent/WTI spread doubled in the **second week** to $7.97/b after peaking near the $10 level.

Graph 4: WTI premium to Dated Brent, 2008-2009



In the **third week** with many of the participants attending an industry event and narrowing refining margins, the market sentiment softened. Higher differentials easing into refinery spreads prompted buying interest. Volatility resumed with sellers holding prompt March stems and refining margins improving, however the momentum was short-lived as prompt barrels had yet to clear. Brent premium to WTI more than halved in the third week, down by $4.39 to $3.58/b. In the final week, continued offers of North Sea crude from British and Norwegian grades amid outlets from floating storage added to the bearishness in the marketplace. Gradual easing of refining margins across Europe exacerbated differentials, narrowing the Brent premium to WTI by $2.43 to $1.15/b in the **fourth week**, the narrowest weekly level since the second week of January. Brent averaged $43.07/b, down by 52¢ in February, yet the premium to WTI widened by $1.9 to $3.99/b, the widest since June 2007.

Mediterranean crude supported by high differentials of rival grade

Mediterranean market

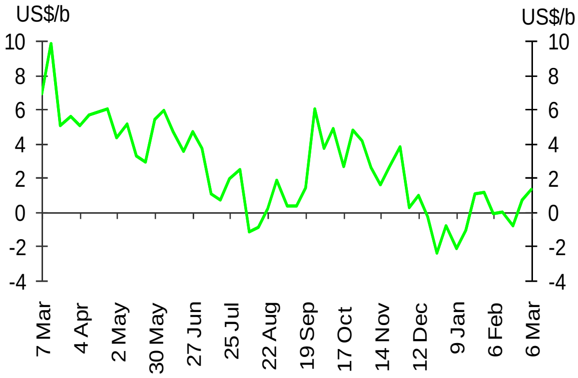
Urals crude oil market emerged on a weaker note yet generally held firm as refining margins improved. High offers amid limited buying interest suppressed differentials in the **first week**. Signs of further crude oil storing afloat added to the bearishness. Urals discount to Bent averaged 13¢ wider at $1.01/b in the first week, the highest level since the third week of November. Nonetheless, market sentiment firmed on healthier refining margins and higher rival grade price differentials. Higher demand for Urals crude from the US added to market bullishness. Urals discount to Brent averaged 45¢/b, down by 56¢ in the **second week**.

Opening the arbitrage across the Atlantic supported Urals firmness in the **third week**. High price differentials for alternative crude supported the regional sour market. However, bigger March-loading programmes capped any further gains. Brent premium to Urals was 42¢ wider to 87¢/b. Moreover, continued profitable refining margins on the back of fuel oil crack spread, higher price differentials for rival grades and tight supply from the Mediterranean outlet lent support. Urals discount to Brent averaged 18¢ narrower to 69¢/b in the **fourth week**. The monthly average for Urals was 77¢ narrower to $42.32/b, while discount to Brent was 25¢ wider at 75¢/b.

Steady Mideast OPEC supply adjustment supported price differentials

Middle Eastern market

Graph 5: Dated Brent spread to Dubai, 2008-2009



The Mideast market emerged on a slow note amid the return of participants from the Chinese New Year holiday and impending release of higher OSP. However, perception of further supply tightness of OPEC crude lifted market sentiment. Brent flipped once again into discount to Dubai with the **first weekly** average at 9¢/b. The market firmed in the **second week** with major Mideast producers making further supply adjustments for March barrels in line with the latest OPEC supply policy. Strong fuel oil crack spreads on fresh news of tight supply from South Korea lent support to market sentiment while fuel oil stocks depleted in Singapore. The Brent/Dubai spread rose 4¢/b in the second week.

Although stronger fuel oil and sentiment from earlier deals boosted differentials, Asia fuel oil cracks weakened, and the inter-month spread remained slightly in contango, as Chinese buying interest remained lacklustre amid heavy stockpiles. Weak gasoil demand also added to the bearishness in the marketplace. Brent flipped once again to a discount to Dubai at a steeper level peaking at $1.75 to average 78¢/b for the **third week**. Nonetheless, volatility continued into the **final week** on lower regional supply while April barrels were clearing. Further evidence of supply adjustments lifted market sentiment. The Brent/Dubai spread flipped to a 76¢/b premium. Dubai averaged 85¢ lower to $43.09/b in February, yet averaged the month 2¢ higher than Brent over the month, 33¢ lower than in the previous month.

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

	Jan 09	Feb 09	Change Feb/Jan	Year-to-Date 2008	Year-to-Date 2009
OPEC Reference Basket	**41.52**	**41.35**	**-0.17**	**89.47**	**41.44**
Arab Light	41.23	40.87	-0.36	89.98	41.05
Basrah Light	39.47	39.66	0.19	86.96	39.56
BCF-17	37.14	38.00	0.86	80.48	37.56
Bonny Light	45.44	45.07	-0.37	95.89	45.26
Es Sider	42.74	42.37	-0.37	92.81	42.56
Girassol	43.43	43.33	-0.10	90.36	43.38
Iran Heavy	39.93	39.91	-0.02	87.41	39.92
Kuwait Export	40.00	40.34	0.34	86.68	40.16
Marine	44.62	43.74	-0.88	89.22	44.19
Murban	46.27	44.71	-1.56	93.12	45.51
Oriente	35.12	35.83	0.71	80.01	35.47
Saharan Blend	43.89	44.07	0.18	95.13	43.98
Other Crudes					
Minas	44.98	45.04	0.06	95.44	45.01
Dubai	43.94	43.09	-0.85	88.35	43.52
Isthmus	40.15	39.39	-0.76	89.15	39.78
T.J. Light	38.86	38.60	-0.26	86.70	38.74
Brent	43.59	43.07	-0.52	93.46	43.34
W Texas Intermediate	41.50	39.08	-2.42	94.06	40.32
Differentials					
WTI/Brent	-2.09	-3.99	-1.90	0.61	-3.02
Brent/Dubai	-0.35	-0.02	0.33	5.10	-0.18

Note: As of 2009, OPEC Reference Basket excludes Minas (Indonesia).

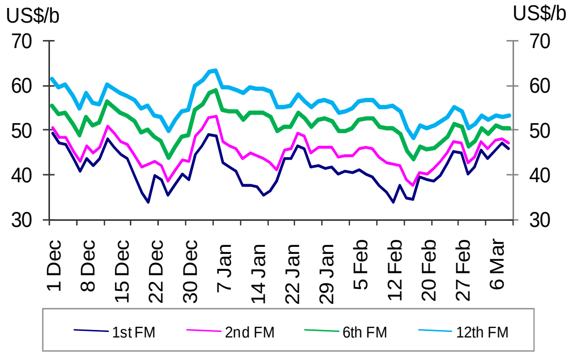
Source: Platt's, Direct Communication and Secretariat's assessments.

The Oil Futures Market

The stimulus plan, improved gasoline demand and supply adjustments supported the futures market

The petroleum market in New York continued volatility early in February with prices fluctuating rapidly. The OPEC supply adjustment, refinery strikes in the US, the weaker dollar and stimulus plans lent support to market sentiment. However, the bleak economy and profit-taking weighed on the price rallies. Nymex WTI front month contracts closed the **first weekly** period down by 80¢ to settle at $40.78/b, and averaging $41.23, down by $2.97/b. Non-commercial net long positions were down by a hefty 22,400 lots to 29,300 contracts amid a rise in short positions at a faster rate than the longs. Open interest volume was 8,200 lots higher at 1,254,200 contracts. With options included, open interest volume was up a marginal 8,200 to 2,838,100 contracts with the non-commercial net long down by 700 lots at 131,333 contracts. In the **second weekly** period, non-commercials further reduced their net long positions by 12,700 lots to 16,600 contracts, the lowest level since 9 December, amid an additional increase in the short positions at faster rate than the longs, to the highest level since 11 November. Open interest volume was deflated by 16,700 to 1,237,600 lots. With options included, open interest volume deflated by 8,400 to 3,031,700 lots. The non-commercial volume was 10,400 lots narrower at 121,000 contracts. Weak economic indicators prompted a plunge in the Wall Street equity market flaring weaker market sentiment. Lack of confidence in the stimulus package added to fears over economic downturn. Nymex WTI prompt month contracts closed the second week down by $2.77 to average $1.48 lower at $39.75/b.

Graph 6: Nymex WTI futures prices, 2008-2009

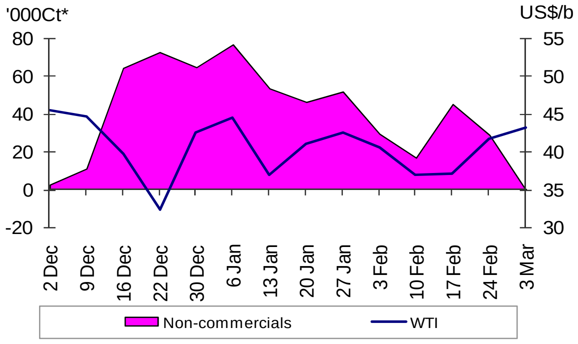


FM = future month

In the **third weekly** period, continued weak confidence in the stimulus plans and low expectations for petroleum demand strengthened the bearish sentiment in the marketplace. The strengthening of the US dollar prompted funds to leave the market despite a firmness in equities. In the third weekly period, the non-commercial net long positions were 28,400 lots wider at 45,000 contracts amid hefty liquidations of short positions while the longs inflated to the highest level since 20 May. Open interest volume was down by 7,300 to 1,230,255 lots. With options included, open interest volume deflated by a significant 164,200 lots to 2,867,500 contracts, the lowest level since 18 November. Non-commercial net longs deflated by another 10,300 lots to 110,635 lots. In the **fourth weekly** period, non-commercial net long positions were down by 16,300 lots to 28,700 contracts amid depleting long positions while shorts increased. Open interest volume was down by a hefty 51,100 lots to 1,179,200 contracts. With options included, open interest volume fell by 28,700 lots to 2,838,800 contracts. Non-commercial net longs were down by 13,300 to 97,300 contracts, the lowest since 25 November. The petroleum market resumed volatility in the fourth weekly period amid a rebound in the US dollar exchange rate while the equity market tumbled. However, volatility continued as the equity market recovered and the dollar lost momentum, lifting the petroleum market. More evidence of OPEC supply adjustments with the latest output policy lent support. Nymex WTI closed the week up by $5.04 or over 14% to settle at $39.96/b averaging the week up by $2.70 to $38.29/b.

On a monthly basis, the futures petroleum market in **February** saw some upward momentum towards the last decade of the month. The gloomy economy has dominated the market for the past several months, inspiring fund sell-offs for profit-taking on forecasts for weaker demand growth. However, slight recoveries in the equity market from the record plunge and fluctuation of the US dollar exchange rate kept volatility intact. The stimulus plan, improved gasoline demand and a decline in inventories supported the market. Although Nymex WTI front month contracts averaged down by $2.66 or 6.3% in February, they closed 7.4% firmer for a gain of $3.08 to settle at $44.76/b. The weekly average of non-commercial net longs was down by 27,000 lots to 29,900 contracts and declined by 25,000 lots from a year earlier, amid a rise in short positions at a faster rate than the longs. Open interest declined by 14,300 lots to 1,225,300, a drop of 155,340 lots from the previous year. With options included, open interest volume was down by 106,600 lots to average 2,944,500 contracts, yet nearly 275,000 lots wider than a year earlier. Non-commercial net longs averaged 115,000 lots, a decline of 12,400 lots and 10,900 lower than the previous year. In the first week in March, the CFTC non-commercial futures flipped to stand slightly net short for the first time since November.

Graph 7: Non-commercial net long positions vs WTI, 2008-2009



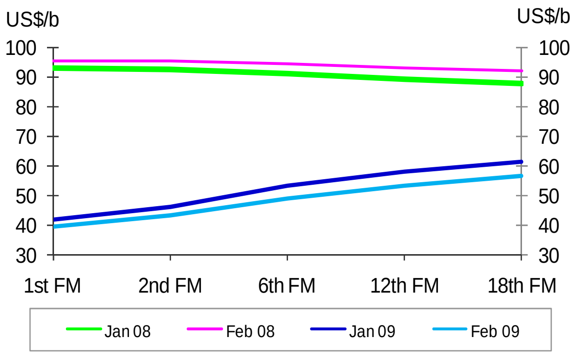
NC = Non-commercials: funds, investments and banks.
Ct = *Each contract is 1,000 barrels.

The Forward Structure

High inventory at Cushing, Oklahoma, supported contango spread to widen at record high

The contango on the forward structure eased in February with the 1st/2nd month spread averaging 59¢ narrower at $3.87/b. The 1st/6th, 1st/12th and 1st/18th month premiums were $9.86/b, $14.20/b and $17.29/b respectively, or $1.57/b, $1.97/b and $2.27/b narrower accordingly. This compared with the backwardated structure last year of 16¢/b, $1.18/b, $2.44/b and $3.54/b respectively for the 1st/2nd, 1st/6th, 1st/12th and 1st/18th month spreads. The US crude oil stocks weekly average in February stood at 350.8 mb or nearly 17 mb higher than January, 46.8 mb over the previous year, and 33.8 mb over the five-year average. Crude oil stocks near operational capacity at Cushing, Oklahoma, supported the recent widening of the contango spread and resulted in WTI prices falling to a discount to Brent.

Graph 8: Nymex WTI forward curve



FM = future month

Commodity Markets

Trends in selected commodity markets

Following a recovery in January, commodity prices declined in February

The **IMF commodity price index** declined 4.3% m-o-m in February reversing the recovery seen in the previous month to remain 43% below a year ago. Commodity markets continued to experience the effects of the severe global economic recession and further financial deterioration, remaining in massive surplus despite efforts to cut production. Due to the collapse of industrial production amid catastrophic export data from Asia and with major forecasts projecting a recovery in the global economy only in 2010, a sustained recovery in commodity markets this year no longer appears to be feasible. In sum, the key factor behind commodity prices, especially for energy and metals, appears to be weakening demand and it seems that the inflection point has not yet been reached.

Table 2: Monthly changes in selected commodity prices, 2008-2009

	% Change			% Change
	Dec/Nov	Jan/Dec	Feb/Jan	Feb 09/Feb 08
Commodity	-14.4	4.2	-4.3	-43.0
Non-Energy	-6.8	4.4	-2.4	-31.6
Energy	-18.5	4.0	-5.6	-49.1
Crude	-23.2	5.7	-4.9	-55.5
US Natural Gas	-12.9	-10.3	-14.3	-47.5
Australian Coal	-14.6	-14.7	1.7	-17.8
South African Coal	-18.5	-13.6	-1.1	-27.4
Agriculture*	-4.0	8.1	-0.8	-23.7
Food	-2.7	6.9	-2.4	-24.6
Corn	-3.0	9.5	-5.8	-25.8
Wheat	-3.6	8.7	-6.1	-47.1
Soybean Oil	-6.5	10.8	-7.0	-46.3
Soybeans	-3.1	15.6	-5.2	-19.1
Sugar World*	-3.2	-2.9	-0.2	-26.6
Industrial Metals	-10.9	1.0	-3.0	-46.9
Aluminium	-19.0	-5.6	-5.8	-52.0
Copper	-16.7	5.0	2.1	-58.1
Nickel	-8.6	17.4	-10.0	-62.9
Zinc	-4.8	8.1	-7.0	-54.5
Gold*	7.3	5.2	9.8	na
Silver*	4.5	10.5	17.9	na
Fertilizers*	-17.3	-3.0	-9.6	-4.7

na Not available
Sources: IMF; Estimations based on data provided by the IMF.
** World Bank Index*

The energy price index dived in February

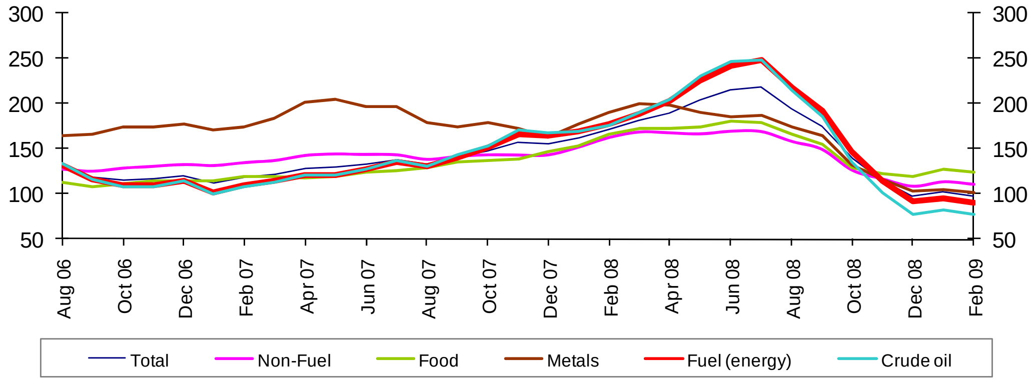
The IMF energy commodity index (crude oil, natural gas and coal) plunged 5.6% m-o-m in February. **Crude oil prices** (the average petroleum spot price) fell 54.9%, while natural gas and coal prices also slumped.

Henry Hub gas sank further by 14.3**% in February**. The poor macroeconomic outlook and plunge in US industrial output over 4Q08 led to reduced natural gas consumption, which continued to weigh on US natural gas. Rising domestic supply, in particular shale gas and working gas in storage volumes, contributed to the price decline.

The **non-energy commodities** fell 2.4% in February m-o-m with all commodities except precious metals and sugar posting losses. This index is 31.6% below the level of a year ago.

The **industrial metal price index** decreased 3% m-o-m in February and prices are 46.9% lower than a year ago. Except for copper all the industrial metals showed deep losses that more than offset the gains in copper. The main features of these markets continue to be massive surpluses and record-high inventories, so collapsing demand remains a key factor. The recent announcement by China of their intention to invest more in commodities than in US treasuries and to replenish of strategic reserves could have some impact.

Graph 9: Major commodity price indexes, 2006-2008



Commodity Price Index, 2005 = 100

Total	-	Includes both fuel and non-fuel.
Non-fuel	-	Includes food and beverages and industrial inputs.
Food	-	Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges.
Metals	-	Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium.
Fuel (energy)	-	Includes crude oil (petroleum), natural gas and coal.
Crude oil	-	Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh.

Industrial metal demand remains weak

The tight links with global GDP make industrial metals more sensitive to the major economic and financial crisis.

Copper prices rose 2% m-o-m in February compared to 5% last January, but stayed 58.1% lower compared to the same month a year earlier**.** In **January,** copper prices found support through rumours that China's State Reserve Bureau (SRB) will buy up to 700,000 tonnes of copper to replenish state reserves and from an expansion of Chinese imports prompted by favorable London Metal Exchange (LME)/Shanghai arbitrage. However, stocks at the LME continued escalating to 546,000 tonnes in February reaching the highest level since October 2003, indicating weak global copper demand.

Aluminum prices declined again, falling 5.6% m-o-m to stand 52% lower than last year. Prices rebounded in early February due to Chinese buying at the LME, but continued declining for the rest of the month. The same negative factors working in January continued exerting downward pressures on the market, namely, tumbling demand due to the severe recession despite efforts to cut production. Inventories at the LME climbed 17% to 97,700 tonnes in February from the previous month.

Nickel prices reported the worst losses in February falling 10% m-o-m in January to stand 62.9% lower than a year earlier. Weak stainless steel demand and mounting inventories at the LME accounted for this outcome.

Zinc prices also fell 7% m-o-m in February, down 54.5% from a year ago. Prices at the LME were supported by China's restocking policy and favorable LME/Shanghai arbitrage which led to a 278% m-o-m jump in imports in January. Nevertheless, global demand remains weak with zinc LME inventories reaching a three-year high.

The World Bank's agricultural price index dropped 0.8% m-o-m in February, with all major commodities posting losses as a result of deteriorating global demand and better supply prospects.

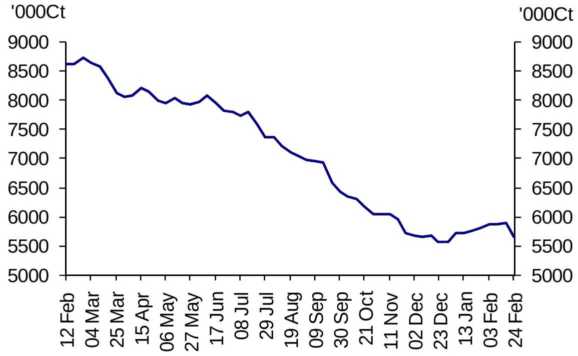
The World Bank food price index decreased 2.4% m-o-m in February on major losses in wheat, soybeans and corn.

Gold prices were an exception among the spectrum of commodities and gold and silver jumped by 9.8% and 17.9% m-o-m due to investor "safe-haven" buying in the face of the deepening economic and financial turmoil. Gold stands as the major beneficiary of global inflows into gold exchange-traded products (ETPs) in February but weak industrial demand did not allow the gold price to achieve new highs. The silver price surge was related to investment demand from Exchange Traded Funds but the anemic industrial demand avoided a higher price increase.

Investment flow into commodities

CFTC data for major commodity markets in the US dropped 1.1% m-o-m to 5,814,000 contracts in February comparing unfavourably with the previous month. The major decline in the number of contracts took place in crude oil which lost 1% following a 7% gain last January. Precious metals and copper also saw milder growth in OIV while agricultural, livestock and natural gas reported some gains compared to the previous month.

Graph 10: Total open interest volume, 2008-2009



Source: CFTC

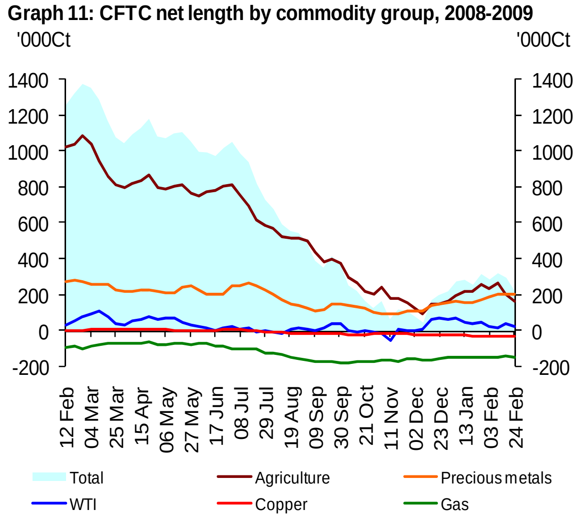
Table 3: CFTC positions, '000 contracts

	Net Positions		Long Positions		Short positions		Open Interest	
		Change		Change		Change		Change
	Feb 09	Feb/Jan	Feb 09	Feb/Jan	Feb 09	Feb/Jan	Feb 09	Feb/Jan
Crude Oil	30	-27	238	9	208	36	1,225	-14
Natural Gas	-144	1	71	-4	215	-5	705	11
Agriculture	221	-7	644	30	423	37	2,941	40
Corn	11	-34	156	-1	145	33	802	-6
Soybean Oil	0	5	28	7	28	2	211	6
Soybeans	32	-3	68	3	36	6	317	18
Sugar	140	29	177	14	36	-15	657	-6
Precious Metals	202	37	245	44	43	7	500	39
Copper	-26	-3	8	0	34	3	86	5
Livestocks	-1	-2	88	-9	89	-7	356	-18
Total	**282**	**-1**	**1,294**	**70**	**1,013**	**71**	**5,814**	**63**

Non-commercials on major US commodity markets in February experienced a similar increase in both shorts and longs with the net-non-commercials as percentage of open interest remaining at around 5% in February, the same as in the previous month.

Open interest in agriculture futures rose by 40,000 to 2,941,000 contracts in February from the previous month, an increase of 1.2%. As shorts increased slightly more than longs, non-commercial net length as a percentage of OIV saw only a minor change of 4.5% compared to 4.8% in January.

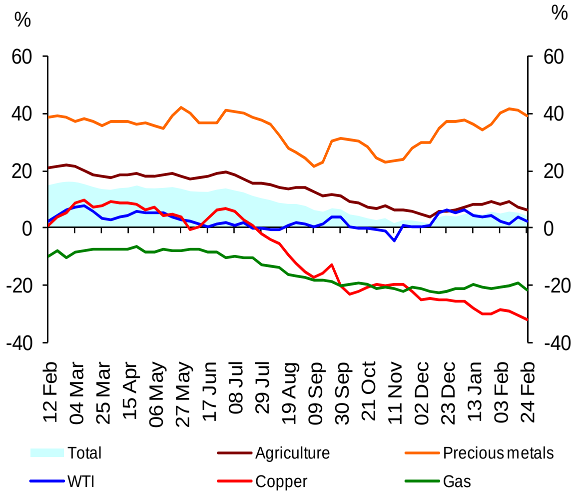
Graph 11: CFTC net length by commodity group, 2008-2009



Source: CFTC

OIV for precious metals declined by 39,000 to 500,000 contracts in February, down 8.6% compared to 13% in the previous month. This may have been related to a 21.6% increase in non-commercial longs compared to a 19% rise in shorts leading to another gain in net long positions as a percentage of open interest volume which rose from 35.96% last January to 40.5% in February (*see **Graphs 12** and **13***).

Graph 12: CFTC net length as % of open interest, 2008-2009

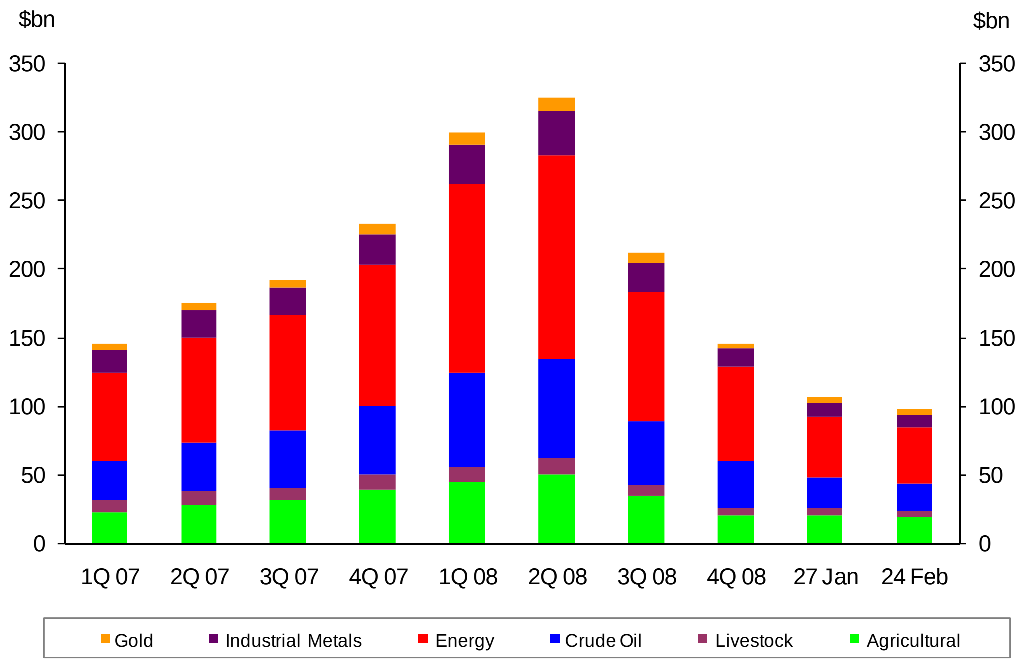


Source: CFTC

Nymex natural gas futures open interest volume increased 1.6% to 705,000 contracts in February due to spreading positions, as non-commercial short and long positions declined by 6% and 2% respectively. Thus net length as percentage of open interest remained at -20%. The negative price impact on demand of collapsing industrial production and milder temperatures over the coming months weighed on the bearish investment sentiment in the market.

Despite some recovery in copper prices, supported by Chinese demand due to favourable LME/Shanghai arbitrage and expectation that China's State Reserve Bureau would buy up to 700,000 tonnes of copper, the 5.97% increase in OIV for February compared unfavourably to the 13% rise in January. Net non-commercial positions as a percentage of OIV dipped slightly from -28.7% in January to -30.3% in February.

Graph 13: Investments in two principal commodity instruments (S&P GSCI and DJ-AIG)



The inflows into commodity-linked ETPs, particularly crude oil and precious metals, have increased since the second half of 2008 as well as in January 2009, regardless of the dramatic economic, financial and trade situation. However, inflows declined in February with precious metals seeing the greatest losses. Despite poor returns, strong investor interest in the energy complex may indicate that current oil prices are perceived as an attractive buy for many investors (see ***Table 4***).

Table 4: European commodity exchanged traded products (ETP) - weekly flows, 2009

	Long ETP Flows				Short ETP Flows			
	25 Feb	28 Jan	22 Jan	07 Jan	25 Feb	28 Jan	22 Jan	07 Jan
Base	1.8	-0.2	2.2	1.8	1.8	0.1	1.2	-0.6
Precious	86.6	382.5	53.7	10.6	-0.7	1.5	-0.1	0.4
Agriculture	24.0	57.4	1.3	5.3	-1.7	1.0	3.2	0.8
Energy	165.4	164.1	171.6	45.0	-0.2	-0.3	-3.8	0.0
Broad-based	-8.3	0.3	2.4	0.5	0.0	-0.1	0.0	0.0
Total	**269.5**	**604.2**	**231.1**	**63.1**	**-0.8**	**0.3**	**0.6**	**0.6**

Source: Barclays.

Highlights of the World Economy

Economic growth rates 2008-2009,%

	World	OECD	USA	Japan	Euro-zone	China	India
2008	3. 1	0.9	1.1	-0.7	0.8	9.0	6.6
2009	-0.2	-2.52	-2.3	-5.5	-2.4	6.5	5.0

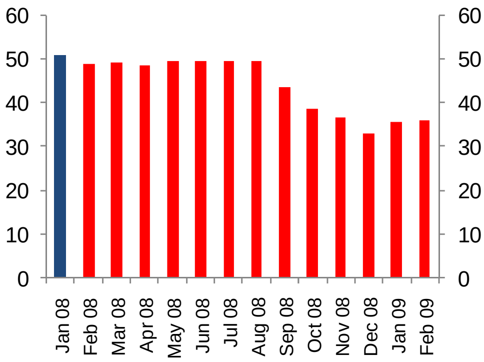
Industrialised countries

USA

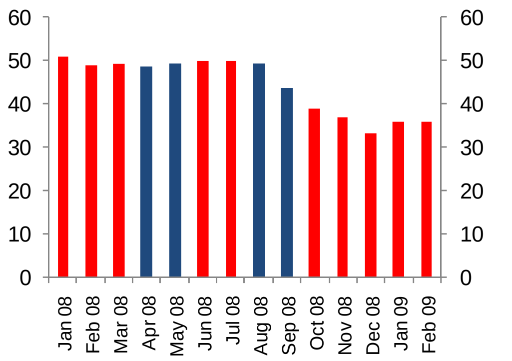
US GDP growth rate revised down to -6.2% in 4Q08

The $787 bn stimulus package of the new US administration has passed Congress, the banking rescue package was put in place by the Treasury, but there has been hardly any news pointing to a substantial improvement in the US economy. Most surprisingly the 4Q08 GDP growth figure was revised down to -6.2% on a seasonally adjusted annual rate following a contraction of 3.8% in the third quarter. Consequently, the US growth estimate was reduced again by 0.6% to show a decline of -2.3% for the whole of 2009. Business sentiment which was slightly improved last month remained at those levels. The ISM manufacturing index recorded a level of 35.8 in March compared to a level of 35.6 in February, while the ISM non-manufacturing index declined slightly to a level of 41.6 from its February level of 42.9.

Graph 14a: ISM Manufacturing Index



Graph 14b: ISM Non-Manufacturing Index



Source: Institute for Supply Management

This still worsening economic situation was supported by an unemployment report which showed that unemployment was rising to a new record level now of 8.1% in February from 7.6% in January. This is now a much higher level than in 1991, when the US was facing a severe economic crisis. Then unemployment peaked at 7.5%. Some 651,000 jobs were shed in February, the third month in a row that more than 600,000 jobs were lost, representing the worst sequence of job losses since the 1940s.

While the job losses are at historically high levels, consumer spending has improved and does not appear as weak as in 4Q08 when real personal consumption expenditures fell at a 4.3% annual rate. With real spending up 0.4% m-o-m in January, real spending began 1Q09 up at a 0.8% annual rate. The combination of still rising hourly earnings, the decline in gasoline prices, and a 5.8% Social Security cost of living adjustment has helped to prevent more weakness in spending. In line with this slightly improved consumer spending pattern, the consumer credit figures in the US increased by additional $1.8bn in February. This compares with a decline of $7.5bn in the previous month. Despite these positive indications, it remains to be seen whether this is a sustainable trend, although given the rising unemployment figures this is unlikely. Retail sales were less promising, falling slightly in nominal terms by -0.1% m-o-m in February after an increase of 1.8% in January. This was mainly due to significant discounts by retailers following the sluggish sales at the end of 2008.

Low inflation is somehow supporting consumption. Consumer prices increased at the rate of only 0.3% m-o-m in January after a decline of 0.8% in December. But despite this slightly expected positive effect on consumption price developments have to be closely watched since deflationary pressures could have a counter effect on consumption as consumers may delay consumption in the expectation of even lower prices.

Personal income rose unexpectedly by 0.4% m-o-m in January. But this increase was mainly due to transfer payments from the government. Private wages and salaries fell for the fifth consecutive month. This government support helped consumer expenditure but also contributed to a jump in the savings rate to 5%% of disposable income, from 3.9%% in December and from close to zero a year ago.

Still is remains to be seen when and how the $787bn stimulus package is being implemented and when its effect will be felt in the economy. The same applies to the US-banking rescue package where a clear impact cannot yet be identified. The key elements of the anti-recession policies which have yet to be implemented should help to arrest the negative feedback loops from lower jobs. The federal income tax cut from the stimulus package will be reflected in tax withholding over the coming month. So the reduced taxes in the US stimulus package will start to boost incomes from April. The Fed's Term Asset Lending Facility (TALF) as part of the banking rescue package will start to be implemented this month and should help ease the credit crunch in some of the asset-backed securities markets.

Moreover, the US housing market is still in decline. Foreclosure filings in the US climbed 30% in February from a year earlier. Housing starts fell for the seventh consecutive month, sliding by 16.8% from December. The figure was the lowest since records began in 1959 and was down 56.2 % from the same month a year earlier. Overall housing starts are down by 79% from their peak in January 2006.

Japan

Japanese 4Q08 GDP fell at the fastest pace in half a century, while exports dropped by 46% in January

Japan like the other OECD regions is in a very serious situation. That is mirrored in most of the economic data that has been released over the last month. The 4Q08 GDP final growth figure was reported to be a 12.1% y-o-y decline slightly better than the initial reported decline of 12.7%, but still an impressive double-digit decline. This is the deepest contraction in GDP since 1974. Toyota Motor Corp., Japan’s biggest automaker is reported to be planning production cuts by more than half in the current quarter.

Looking into the details of the GDP numbers, it can be observed that there was a relatively large accumulation in inventories. However, inventories were reported to have fallen by 2% in January, as reported by the Trade Ministry. The recent industrial order figures demonstrate that the rapid decline in the economy continues. Industrial production was declining at a level of 10% in January compared to 9.8% in December Despite this negative trend, Japan’s factory output may start to recover next quarter after plunging at a record pace due to the reduced stockpiles, a Trade Ministry official said this month. The ministry is expecting that industrial production will hit bottom somewhere between April and June.

Meanwhile, further worrying signs from Japan are that the economy was seeing its first current account deficit in 13 years in January. These developments imply 1Q09 GDP will remain under pressure. This deteriorating trend is already having a depressive effect on the yen as well.

Japan also reported household spending fell 5.9% in January, compared with a year ago. This is the steepest fall since the country slid into recession last year. This figure indicates that consumers are reluctant to buy, which means companies will see fewer sales and will then have to slash prices and production further. So the only bright spot — the flat consumer inflation rate — which was unchanged in January compared with a year ago, brings to the fore the issue of deflation. Unemployment improved to 4.1% in February from 4.4% in January, but it is expected to rise again in the coming months.

The Bank of Japan indicated that it will hold the key interest rate steady at 0.1% for the time being. The majority of board members seem to continue to believe that the current level of policy rates is the lowest they could go to preserve the money market functions. Japan’s government on the other side is considering buying shares to prop up the country’s ailing stock market in a desperate attempt to prevent tumbling equity prices from inflicting further pain on its fragile economy, in particular the banking sector.

Exports plunged an unprecedented 45.7% y-o-y in January, prompting manufacturers to cut production at a record pace, since 1976, the date at which customs data started. Exports fell to almost all major trading partners. Exports to the US declined by a new record of 52.9% after a 36.9% y-o-y decline in December, and those to the EU also renewed its record fall at -47.4% y-o-y after -41.8% y-o-y in the previous month. Exports to Asia fell -46.7% y-o-y after a 36.5% decline. Exports to China plunged 45.1% after -35.5% in December, the largest decline since October 1986. By product, automobile exports were the major negative driver declining for those to the US at -27.9% y-o-y and the EU at -13.1% y-o-y.

Senior members of the ruling Liberal Democratic party are now pressing again for a new Y20,000 to Y30,000 bn stimulus package, even though an earlier stimulus package has yet to be approved by Parliament, in which the opposition controls the upper house.

Euro-zone

Euro-zone economy under pressure, as exports and domestic demand decline

The Euro-zone economy is equally under pressure and has lurched even deeper into recession. The European Commission is expecting that the uncertainties will remain until 2010 before which any recovery seems to be highly unlikely. Despite severe issues in the Euro-zone, the Commission is still reluctant to implement a broad-based European stimulus package and prefers to implement counteracting measures on a national level. In line with the other developed economies, most of the recent data as well as forward-looking indicators point to a still declining trend in the Euro-zone. Consequently the Euro-zone growth forecast for 2009 has been revised lower from -1.9% to -2.4%.

The Euro-zone composite PMI as well the Euro-zone sentiment index, both of which are considered to be forward looking indicators to some extent, were lower in February and are reflecting the current bearish sentiment. The PMI declined to 36.2 from 38.3. Anything below a level of 50 signals a contraction in the economy.. The economic sentiment indicator, published by the European Commission, fell by 1.8 points to 65.4 this month, the lowest level since the series began in 1985. This indicates that GDP will again go down again in the 1Q09 after a decline of 1.5% in 4Q08.

There are anxieties that the increasing economic woe across the Euro-zone will inflame political tensions, particularly as countries in emerging Europe but as well in the Euro-Zone plunge into economic turmoil. Richer Euro-zone countries – particularly Germany – have so far resisted helping those ailing countries.

Recent data that was released in Germany demonstrated that the major engine of the Euro-zone economy is in rapid decline. The industrial production fell 7.6% m-o-m in December and is now fuelling expectations that the GDP in the 1Q09 may decline at the same rate as the one reported in the 4Q08 which was at -2.1%. That already was the worst GDP growth level since the German reunification in 1990. Germany’s reliance on exports is bringing the economy particularly under pressure. Foreign orders were down almost 50% y-o-y in January according to the VDMA, the German engineering industry association. The Bundesbank expects the contraction in industrial production might be even faster in the first quarter of this year than at the end of 2008.

Even France which had held up fairly so far is now unexpectedly slowing. French industrial production decreased dramatically by an annual rate of 13.8% in January. This is the biggest drop since the official series began in 1980, according to INSEE the statistical bureau in France. The scale of the contraction suggests that the Euro-zone’s second-largest economy, which has so far fared less badly than its neighbours, especially better than Germany, is set to follow into a severe recession. So overall Euro-zone exports are expected to decline further in 1Q09 following the 7.3% drop in the 4Q008.

With a quarter of a million jobs lost in January, the Euro-zone unemployment rate rose to 8.2%, the highest level in over two years. The European Union's Eurostat data agency also confirmed that the inflation rate in the 16-nation zone recorded its sharpest fall on record in January, from 1.6 % to just 1.1 %, well below the European Central Bank's comfort zone of close to but less than 2.0 %. With this support from the inflation side, the ECB responded to this situation by decreasing the key interest rate from 2% to 1.5%. The head of the German Bundesbank even did not rule out a further decrease to a level of around 1% in the next meeting.

Former Soviet Union

Inflation in Russia in February rose to 13.9% in January; Russia's official GDP growth forecast for 2009 sees 2.2% contraction

The inflation in Russia rose as the weaker ruble drove up the price of imports. According to the State Statistics Service the annualized rate jumped to 13.9 % from 13.4 % in January. Consumer prices grew 1.7 % in the month. Inflation has been sparked by the weakening ruble, which pushed up import prices, and planned tariff increases at the start of the year that raised utility costs. Russia was forced to abandon its defense of the ruble after the price of oil, the government's biggest export earner, tumbled more than two-thirds in less than six months. The ruble has lost 35% of its value against the dollar since August. It is expected that the effect of this ruble devaluation will be spread out over a number of months. Government source estimated that inflation rate could be as high as 14 % this year, compared with 13.3% in 2008, as import prices rise and the government stimulates the economy by running a budget deficit equal to 8% of gross domestic product. According to the ministry of economy the Russian economy contracted 2.4 % in month-on-month terms in January and is likely to continue to contract throughout the first quarter. The ministry revised its economic outlook for 2009 earlier, forecasting the economy would contract by 2.2% on the assumption that the price for oil, Russia's main export, averaged $41/b throughout the year.

Ukraine had a current account surplus of $500 million in January, tentative figures show, according to National Bank. The bank said the first current account surplus in recent years was due to a steeper decline in imports than in exports. However, the overall balance of payments is in deficit due to the outflow of capital, as repayment of loans exceeds the amount of funds raised. The financial account deficit was $2.3 billion in January. On the other hand, volatility in the official exchange rate could foster panic among investors. Ukraine's current account deficit widened to $11.9 billion or 6.7% of GDP in 2008 from $5.3 billion or 3.7% of GDP in 2007, according to preliminary data from the National Bank. The current account deficit grew as the visible trade deficit rose to $16 billion. Due to the global financial crisis, inflows of long-term capital have been slowing since September 2008 and there has been a substantial outflow of short-term financial resources amid falling export revenue. However, the subsequent devaluation of the hryvnia and reduction of domestic consumption slowed the growth of the current account deficit.

Developing Countries

The World Bank said 129 developing countries face a financing shortfall of $270 to $700 billion this year in debt payments and in plugging foreign trade deficits, because private-sector financial institutions are refraining from providing funds to emerging markets amid the global financial turmoil. The Bank projected that global industrial production by the middle of 2009 could be as much as 15% lower than levels in 2008 and that world trade is on track in 2009 to record its largest decline in 80 years, with the sharpest losses in East Asia. The Bank said developing countries have experienced a slowdown in economic growth and 43 have high levels of poverty. Many of the world's poorest countries are becoming even more dependent on aid from other countries as their exports and fiscal revenues drop due to the crisis, but aid flows are feared to be volatile as some countries cut their aid budgets.

China announced a fiscal deficit budget of $139 bn for 2009

The Chinese government announced several measures to boost the Chinese economy. The measures include encouraging consumer spending (policy help on mortgages), raising social welfare provisions, and relaxing the stress in hard-hit sectors such as autos, and agricultural machinery. A key reform to allow local governments to derive revenues from bond issuance was also confirmed, raising the prospect that severe local-level funding constraints will be alleviated. Preliminary estimations indicate that China's economy in the first quarter expanded by 6.5 % from a year earlier, and consumer prices will likely contracted by 1%. According to this early information the Chinese exports may fall 9% in the first quarter from a year earlier to $278.4 billion, while imports are likely to drop 25% to $198.4 billion, the State Information Center predicted in a report. The government announced a fiscal deficit budget of 950 billion yuan ($139 bn) for 2009, a record high in six decades, as the country boosts spending to cushion the impact of the global financial crisis. However, the total deficit still accounts for less than 3% of China's gross domestic product (GDP). The surging deficit is part of China's proactive fiscal policy, which was adopted in November in response to a slowing economy and diminishing jobs under the pressure of the world financial turmoil.

India's economy moderated to 5.3% in December

Official data in India show economic growth has moderated to 5.3% for the December quarter, well below forecasts of 6.2% and the previous quarter's growth of 7.6%. It was the slowest growth since the March quarter of 2003. The manufacturing sector fell 0.2% in the October-

December quarter from a year earlier. The farming sector, which provides a livelihood for some 60% of the population, contracted 2.2% year-on-year. The textile industry, India's No. 2 foreign exchange earner, may face job cuts amounting 500,000 till April 2009. India's famed outsourcing business with a value of some US$40 billion a year, is also reeling from the consequences of the global slowdown although the sector showed some resilience. The industry is expected to grow 16-17% in the current financial year ending March 2009, far below the originally projected 21-24%. Revenues grew 28% the previous year. India has also seen its tourist arrivals drop in recent months for the first time since 2002. Foreign tourist arrivals to India dropped 12% to 522,000 in December, compared to 596,560 in the same month of 2007.

OPEC Member Countries

Inflation eased in Kuwait and Saudi Arabia in 2009

Annual inflation in Kuwait eased slightly to 10.4% in October as food cost pressure declined, official data showed. Inflationary pressures have been receding across the Gulf region as oil prices retreated to $40 a barrel and the global financial crisis brought to an end a regional economic boom. The Central Bank said that inflation was stabilising and falling based on the latest data. Kuwaiti money supply growth, which was a key driver of record inflation levels across the oil-exporting region last year, eased to 14.02% in January, its slowest pace of growth in two and a half years, central bank data showed. Annual inflation in Saudi Arabia fell to 7.9% in January from 9% in December, official data showed. Demand for credits in Saudi Arabia has started to slow down as the domestic economy continued to suffer from uncertainty because of the adverse impact of the global financial crisis. As inflation started to ease and a global credit crunch began to bite into the region's financial systems, the Saudi Arabian Monetary Agency (SAMA), the country's central bank, has taken a series of measures to ensure more liquidity for banks, including cuts in the repo rate, the rate it charges for lending to commercial banks. The rate was cut to 2% from 2.5% in January while the reverse repo rate, the rate SAMA pays for deposits, was slashed to 0.75% from 1.5%, the lowest repo rate since mid 2004 and an all-time low for the reverse repo rate.

The US dollar appreciated against major currencies in February

Oil prices, the US dollar and inflation

In February, the dollar appreciated against all the currencies in the modified Geneva I+US dollar basket. The US currency rose 3.4% versus the euro and 3.2% vis-à-vis the Swiss franc, 2.3% against the yen and 0.1% versus the pound sterling. Against the modified Geneva I + US dollar basket, the dollar rose almost 2% last month compared with a rise of 0.8% in January. Against the euro, the dollar averaged $1.2784/€ compared to $1.3232/€ in January.

The euro weakened on increasing awareness of the vulnerability of the euro-zone to the increasing economic problems in Eastern Europe as well as the expectation of a cut in euro zone interest rates. The Swiss franc came under pressure due to a faltering economy as well as banking problems, while in Japan fundamentals are now dominating the picture with the deepening recession and the demise of “carry trade” weakening the yen.

In February, the OPEC Reference Basket fell by $0.17/b or 0.4% to $41.35/b from $41.52/b in January. In real terms (base June 2001=100), after accounting for inflation and currency fluctuations, the Basket price increased by about $0.65/b or 2.3% to $28.36/b from $27.71/b. The real price was supported by a dollar appreciation of 1.98%, as measured against the import-weighted modified Geneva I + US dollar basket, and by falling prices with the inflation index dropping 0.8%.*

* *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.*

World Oil Demand

World oil demand growth in 2009 revised down by 0.1 mb/d to show a decline of 0.3 mb/d

World oil demand in 2008

Declining US oil consumption was the major cause behind the decline in world oil demand in 2008. North America oil consumption in December was 200 tb/d lower than reported earlier. As a result, fourth quarter world oil demand was revised down by 0.3 mb/d to show a total decline of 1.6 mb/d y-o-y. The world oil demand forecast was revised down by 0.1 mb/d to show a decline of 0.3 mb/d y-o-y in 2008 to average 85.6mb/d.

Table 5: World oil demand forecast for 2008, mb/d

							Change 2008/07	
	2007	1Q08	2Q08	3Q08	4Q08	2008	Volume	%
North America	25.53	24.84	24.53	23.73	24.13	24.30	-1.23	-4.82
Western Europe	15.30	15.20	14.89	15.40	15.31	15.20	-0.10	-0.62
OECD Pacific	8.35	8.87	7.82	7.50	8.04	8.05	-0.29	-3.51
Total OECD	**49.17**	**48.90**	**47.24**	**46.62**	**47.48**	**47.55**	**-1.62**	**-3.29**
Other Asia	9.13	9.31	9.48	9.08	9.24	9.27	0.14	1.56
Latin America	5.51	5.54	5.74	5.88	5.73	5.72	0.21	3.85
Middle East	6.50	6.75	6.81	7.05	6.84	6.86	0.37	5.65
Africa	3.08	3.19	3.11	3.09	3.20	3.15	0.07	2.15
Total DCs	**24.22**	**24.79**	**25.14**	**25.09**	**25.00**	**25.01**	**0.79**	**3.25**
FSU	3.98	3.97	3.89	4.22	4.39	4.12	0.14	3.43
Other Europe	0.93	1.03	0.96	0.92	0.91	0.96	0.03	2.74
China	7.59	7.97	8.17	8.10	7.67	7.98	0.39	5.15
Total "Other Regions"	**12.50**	**12.98**	**13.02**	**13.25**	**12.97**	**13.05**	**0.55**	**4.42**
Total world	**85.90**	**86.68**	**85.40**	**84.96**	**85.46**	**85.62**	**-0.28**	**-0.32**
Previous estimate	85.89	86.68	85.41	84.98	85.77	85.70	-0.19	-0.22
Revision	0.01	-0.01	-0.01	-0.01	-0.31	-0.09	-0.09	-0.11

Totals may not add due to independent rounding.

Table 6: First and second quarter world oil demand comparison for 2008, mb/d

			Change 2008/07				Change 2008/07	
	1Q07	1Q08	Volume	%	2Q07	2Q08	Volume	%
North America	25.68	24.84	-0.84	-3.27	25.40	24.53	-0.88	-3.45
Western Europe	15.19	15.20	0.01	0.07	14.93	14.89	-0.03	-0.21
OECD Pacific	8.92	8.87	-0.04	-0.49	7.87	7.82	-0.05	-0.66
Total OECD	**49.78**	**48.90**	**-0.87**	**-1.75**	**48.20**	**47.24**	**-0.96**	**-1.99**
Other Asia	8.97	9.31	0.34	3.76	9.26	9.48	0.22	2.36
Latin America	5.30	5.54	0.24	4.46	5.48	5.74	0.26	4.81
Middle East	6.47	6.75	0.28	4.35	6.45	6.81	0.36	5.54
Africa	3.11	3.19	0.09	2.83	3.04	3.11	0.07	2.30
Total DCs	**23.85**	**24.79**	**0.94**	**3.95**	**24.23**	**25.14**	**0.91**	**3.76**
FSU	3.87	3.97	0.10	2.70	3.71	3.89	0.18	4.92
Other Europe	1.01	1.03	0.03	2.53	0.92	0.96	0.04	4.47
China	7.48	7.97	0.50	6.63	7.77	8.17	0.40	5.14
Total "Other Regions"	12.35	12.98	**0.63**	**5.06**	12.39	13.02	**0.62**	**5.03**
Total world	**85.98**	**86.68**	**0.70**	**0.81**	**84.82**	**85.40**	**0.57**	**0.68**

Totals may not add due to independent rounding.

Table 7: Third and fourth quarter world oil demand comparison for 2008, mb/d

	3Q07	3Q08	Change 2008/07 Volume	Change 2008/07 %	4Q07	4Q08	Change 2008/07 Volume	Change 2008/07 %
North America	25.55	23.73	-1.82	-7.12	25.50	24.13	-1.37	-5.39
Western Europe	15.42	15.40	-0.02	-0.15	15.65	15.31	-0.33	-2.14
OECD Pacific	7.89	7.50	-0.39	-4.95	8.72	8.04	-0.68	-7.76
Total OECD	**48.85**	**46.62**	**-2.23**	**-4.57**	**49.86**	**47.48**	**-2.38**	**-4.78**
Other Asia	8.96	9.08	0.12	1.32	9.33	9.24	-0.10	-1.06
Latin America	5.65	5.88	0.23	4.11	5.61	5.73	0.12	2.11
Middle East	6.62	7.05	0.43	6.50	6.45	6.84	0.40	6.15
Africa	3.04	3.09	0.05	1.62	3.14	3.20	0.06	1.85
Total DCs	**24.26**	**25.09**	**0.83**	**3.42**	**24.53**	**25.00**	**0.47**	**1.93**
FSU	4.00	4.22	0.22	5.56	4.35	4.39	0.04	0.84
Other Europe	0.90	0.92	0.02	2.35	0.90	0.91	0.01	1.62
China	7.72	8.10	0.38	4.94	7.38	7.67	0.29	3.93
Total "Other Regions"	12.62	13.25	**0.63**	**4.95**	12.63	12.97	**0.34**	**2.70**
Total world	**85.74**	**84.96**	**-0.78**	**-0.91**	**87.03**	**85.46**	**-1.57**	**-1.80**

Totals may not add due to independent rounding.

World oil demand in 2009

World oil demand growth revised down a further 0.4 mb/d for a total decline of 1.0 mb/d

The world economy is in a dreadful situation with GDP sliding into the red for the entire year of 2009. Recent revisions dipped world GDP into minus by 0.2% worldwide. Consequently, world oil demand is slipping steeply to a record low y-o-y. Although the 2008 oil demand decline was moderate, this year’s decline will exceed 1.0 mb/d y-o-y. Recent developments show that non-OECD oil demand is behaving much like OECD oil demand, losing 80% of annual growth in comparison to last year. Although the winter was colder than average in the northern hemisphere, February oil demand declined significantly not only in OECD but in some parts of non-OECD. China, the Middle East, and Other Asia were the pillars behind last year’s oil demand’ however due to the spillover of the economic downturn, these regions are no longer the initiators of high growth to world oil demand. Economists are already revising down GDP for these regions by a considerable amount. Although all petroleum product consumption was negatively affected as a result of slowing production activities, industrial fuel was affected the most.

Table 8: World oil demand forecast for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 2009/08 Volume	Change 2009/08 %
North America	24.30	24.12	23.70	23.39	23.81	23.75	-0.55	-2.26
Western Europe	15.20	14.72	14.40	14.93	15.10	14.79	-0.41	-2.71
OECD Pacific	8.05	8.37	7.38	7.19	7.91	7.71	-0.34	-4.25
Total OECD	**47.55**	**47.21**	**45.48**	**45.51**	**46.82**	**46.25**	**-1.30**	**-2.74**
Other Asia	9.27	9.23	9.40	9.08	9.23	9.24	-0.04	-0.41
Latin America	5.72	5.57	5.78	5.92	5.76	5.76	0.03	0.58
Middle East	6.86	6.93	7.02	7.30	7.05	7.08	0.21	3.10
Africa	3.15	3.16	3.09	3.08	3.21	3.14	-0.01	-0.35
Total DCs	**25.01**	**24.89**	**25.29**	**25.38**	**25.26**	**25.21**	**0.20**	**0.79**
FSU	4.12	3.98	3.90	4.23	4.41	4.13	0.01	0.23
Other Europe	0.96	1.01	0.94	0.90	0.89	0.93	-0.02	-2.48
China	7.98	8.06	8.24	8.24	7.82	8.09	0.11	1.40
Total "Other Regions"	**13.05**	**13.05**	**13.07**	**13.37**	**13.12**	**13.15**	**0.10**	**0.74**
Total world	**85.62**	**85.15**	**83.84**	**84.25**	**85.20**	**84.61**	**-1.01**	**-1.18**
Previous estimate	85.70	85.68	84.40	84.55	85.88	85.13	-0.58	-0.67
Revision	-0.09	-0.53	-0.56	-0.30	-0.68	-0.52	-0.43	-0.51

Totals may not add due to independent rounding.

Due to the latest re-assessment of world GDP, world oil demand was revised down further by 0.4 mb/d showing a total decline of 1.0 mb/d for 2009 to average 84.6 mb/d.

Table 9: First and second quarter world oil demand comparison for 2009, mb/d

	1Q08	1Q09	Change 2009/08 Volume	%	2Q08	2Q09	Change 2009/08 Volume	%
North America	24.84	24.12	-0.72	-2.90	24.53	23.70	-0.83	-3.38
Western Europe	15.20	14.72	-0.48	-3.16	14.89	14.40	-0.49	-3.30
OECD Pacific	8.87	8.37	-0.50	-5.61	7.82	7.38	-0.44	-5.60
Total OECD	**48.90**	**47.21**	**-1.70**	**-3.47**	**47.24**	**45.48**	**-1.76**	**-3.72**
Other Asia	9.31	9.23	-0.08	-0.89	9.48	9.40	-0.07	-0.79
Latin America	5.54	5.57	0.03	0.54	5.74	5.78	0.03	0.56
Middle East	6.75	6.93	0.18	2.67	6.81	7.02	0.21	3.08
Africa	3.19	3.16	-0.03	-0.94	3.11	3.09	-0.02	-0.55
Total DCs	**24.79**	**24.89**	**0.10**	**0.39**	**25.14**	**25.29**	**0.15**	**0.60**
FSU	3.97	3.98	0.00	0.13	3.89	3.90	0.01	0.18
Other Europe	1.03	1.01	-0.02	-2.33	0.96	0.94	-0.02	-2.50
China	7.97	8.06	0.09	1.13	8.17	8.24	0.07	0.86
Total "Other Regions"	**12.98**	**13.05**	**0.07**	**0.55**	**13.02**	**13.07**	**0.05**	**0.41**
Total world	**86.68**	**85.15**	**-1.53**	**-1.77**	**85.40**	**83.84**	**-1.56**	**-1.82**

Totals may not add due to independent rounding.

Table 10: Third and fourth quarter world oil demand comparison for 2009, mb/d

	3Q08	3Q09	Change 2009/08 Volume	%	4Q08	4Q09	Change 2009/08 Volume	%
North America	23.73	23.39	-0.34	-1.43	24.13	23.81	-0.31	-1.30
Western Europe	15.40	14.93	-0.47	-3.03	15.31	15.10	-0.22	-1.40
OECD Pacific	7.50	7.19	-0.31	-4.12	8.04	7.91	-0.13	-1.59
Total OECD	**46.62**	**45.51**	**-1.12**	**-2.39**	**47.48**	**46.82**	**-0.66**	**-1.38**
Other Asia	9.08	9.08	0.01	0.08	9.24	9.23	0.00	-0.01
Latin America	5.88	5.92	0.04	0.60	5.73	5.76	0.04	0.61
Middle East	7.05	7.30	0.25	3.55	6.84	7.05	0.21	3.07
Africa	3.09	3.08	-0.01	-0.19	3.20	3.21	0.01	0.28
Total DCs	**25.09**	**25.38**	**0.29**	**1.14**	**25.00**	**25.26**	**0.25**	**1.01**
FSU	4.22	4.23	0.01	0.24	4.39	4.41	0.01	0.34
Other Europe	0.92	0.90	-0.03	-2.93	0.91	0.89	-0.02	-2.19
China	8.10	8.24	0.14	1.67	7.67	7.82	0.15	1.96
Total "Other Regions"	**13.25**	**13.37**	**0.12**	**0.89**	**12.97**	**13.12**	**0.15**	**1.12**
Total world	**84.96**	**84.25**	**-0.71**	**-0.84**	**85.46**	**85.20**	**-0.26**	**-0.30**

Totals may not add due to independent rounding.

OECD – North America

North America to decline by 0.6 mb/d in 2009

Collapsing economic activities in the US have suppressed oil demand, resulting in a total decline of 0.6 mb/d in 2009. US oil demand was the first to decline as a result of the depressed economy; however it is anticipated to revive and cut its losses to half over 2008. Recent US data showed that the gasoline demand halted its ten-month decline to bounce back to achieve growth of 2.2% y-o-y in February. Low transport fuel prices are increasing demand despite the troubled economy. Other products, mostly industrial, have continued to fall since the start of last year. Distillates and residual fuel oils declined by 4.6% and 10.6% respectively resulting in a total loss of 0.26 mb/d y-o-y. US February oil demand dropped by 1.1% y-o-y, but managed to recover half of January's decline.

Mexican oil demand in January did not get a boost from gasoline consumption as in the previous month and dropped by 4% to average 1.8 mb/d. The products that declined the most as a result of slow industrial production were fuel oil and distillates.

Table 11a: Domestic Sales of Refined Petroleum Products in Mexico (tb/d)

	Jan 09	Dec 08	Jan 08	Change to Jan 08	Change to Jan 08 %
LPG	304	325	325	-21	-6.5
Gasoline	772	850	765	8	1.0
Jet Fuel	63	63	72	-9	-13.0
Diesel Oil	339	361	354	-16	-4.5
Fuel Oil	199	182	235	-36	-15.3
Other Products	81	78	78	3	3.5
Total Products	**1,757**	**1,859**	**1,829**	**-72**	**-3.9**

Table 11b: Domestic sales of refined petroleum products in Mexico (tb/d)

	Jan-Dec 2008	Jan-Dec 2007	Change (tb/d)	Change (%)
LPG	292	301	-9	-3.1
Gasoline	792	760	32	4.2
Jet Fuel	65	68	-3	-4.3
Diesel Oil	383	358	24	6.8
Fuel Oil	220	257	-37	-14.2
Other Products	77	72	5	6.6
Total Products	**1,828**	**1,816**	**12**	**0.7**

As a result of new downward revisions of US GDP, North America oil demand was revised down by an average 0.1 mb/d in the first half of the year. North America oil demand decline is expected to bottom out at around 0.8 mb/d in the second quarter of 2009 and then bounce back to a minus 0.4 mb/d in the last quarter. North America oil demand is forecast to decline by 0.6 mb/d in 2009 y-o-y to average 23.7 mb/d.

OECD - Europe

OECD Europe revised down by 0.1 mb/d to show a decline of 0.4 mb/d

European new car sales have been decreasing for the past 10 months. January and February car sales declined by roughly 27% each month averaging less than a million units. Among the largest European markets are the UK, Italy and Spain where the decline ranged between 31% and 41% in January y-o-y.

Colder-than-normal winter in Europe increased oil usage in some countries in January. Heating oil in France grew by 21% in January y-o-y, adding another 0.09 mb/d to total oil demand. In contrast, Italy's slowing economic activities have depressed the country's oil demand by more than 8% in January y-o-y. Most of the major products showed a decline leading to a total drop of 142 tb/d in January y-o-y.

Given the new downward revision to economic activity, OECD Europe oil demand was revised down by 0.1 mb/d, showing a decline by 0.4 mb/d y-o-y to average 14.8 mb/d in 2009.

OECD - Pacific

OECD Pacific revised down by 0.1 mb/d to decline 0.3 mb/d

Declining Pacific industrial production as a result of low exports has led to lower-than-normal oil demand. Japan's oil demand continues to decline from a year earlier to reach 0.3 mb/d y-o-y in 2009. Recent data indicates that Japanese domestic sales showed a sharp decline in January reaching 12%. Most of the decline was in crude burning and naphtha which both dropped by a massive 142 tb/d and 220 tb/d respectively. Apparently low transport fuel prices kept consumption unchanged in January y-o-y. The strong decline in crude burning resulted from reactivating the nuclear power plant last year. Japan's car sales have been on the decline for the past few years, decreasing 4% last year and are forecast to drop by 6% this year.

Given the new GDP downward revision, OECD Pacific oil demand forecast was revised down by 0.1 mb/d to show a decline of 0.3 mb/d in 2009 averaging 7.7 mb/d y-o-y.

Table 12: Japanese domestic sales, tb/d

	Jan 09	Change from Jan 08	Change from Jan 08 (%)
Gasoline	937	7	0.8
Naphtha	676	-219	-24.5
Jet Fuel	106	21	24.7
Kerosene	707	11	1.6
Gas Oil	527	-10	-1.8
Other Products	759	-187	-19.8
Direct Use of Crude	107	-142	-57.0
Total	**3,819**	**-518**	**-11.9**

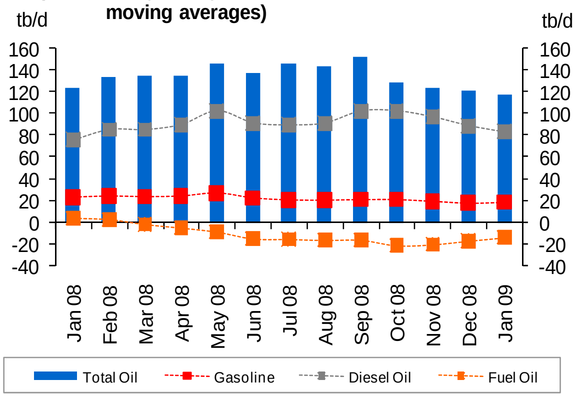
Source: Ministry of Economy and Trade in Japan (METI).

Developing Countries

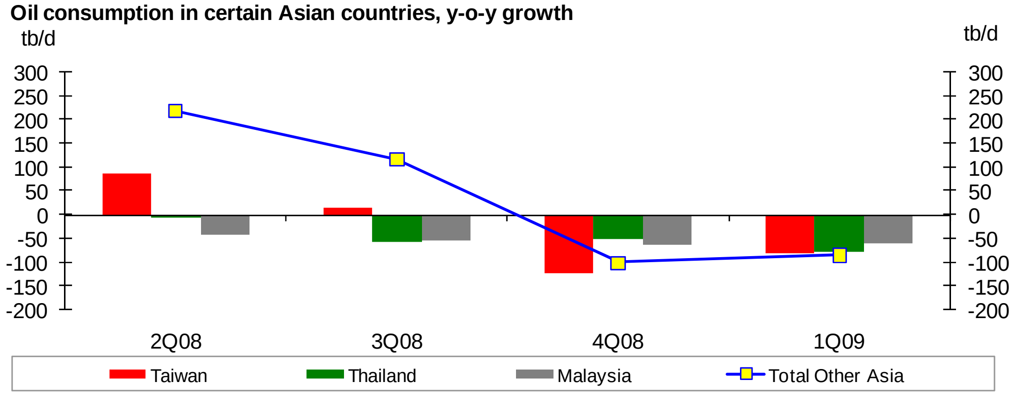
Developing Country demand revised down by 0.15 mb/d increase by 0.2 mb/d

The Other Asia economic outlook is expected to remain gloomy for the rest of the year. Hence, total oil demand was revised down by 0.1 mb/d. Given the decline in some countries' oil demand, such as Taiwan and Singapore, Other Asia oil demand will be in the red for the first time since 1974. Oil usage will contract in the first half of the year at an average of 70 tb/d; however, in the second half of the year, demand will level out, leading to an average decline of only 0.04 mb/d in 2009. Indian oil demand will retain moderate growth in 2009. With GDP growth at 5%, Indian oil demand is forecast to grow by 0.1 mb/d in 2009 to average around 3 mb/d y-o-y. India's oil demand in January grew moderately by 2.3% y-o-y. Despite the strong increase in gasoline usage, total oil demand growth was half of the level seen in December.

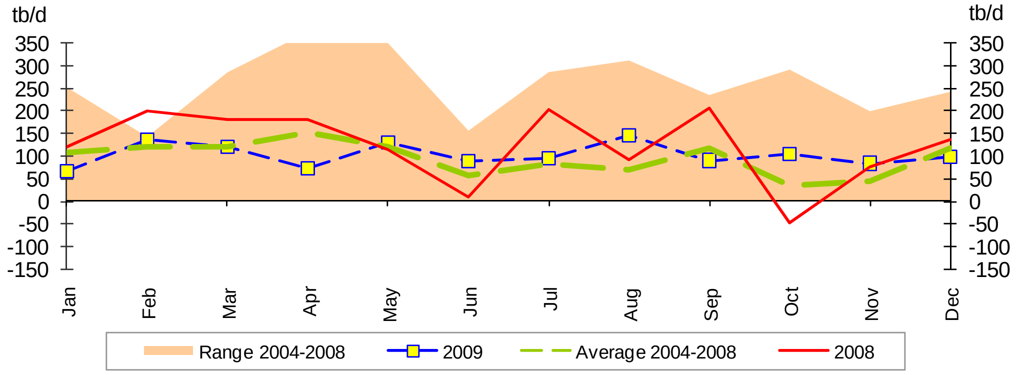
Graph 15: Yearly changes in Indian oil demand 12 month moving averages)



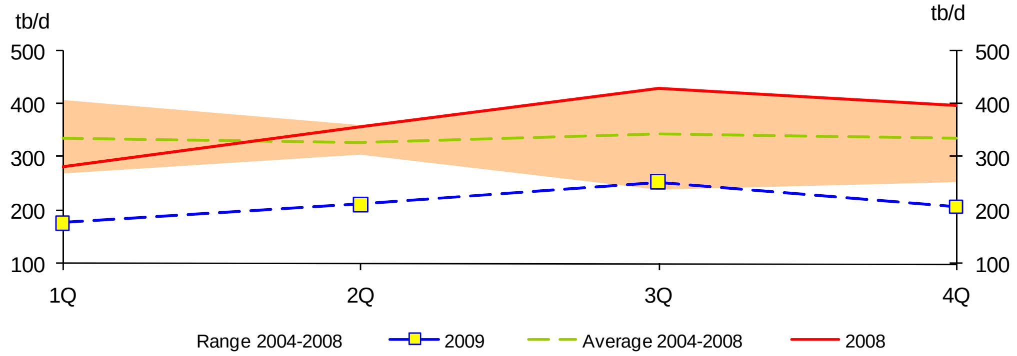
Oil consumption in certain Asian countries, y-o-y growth



Graph 16: Changes in Indian oil demand, y-o-y

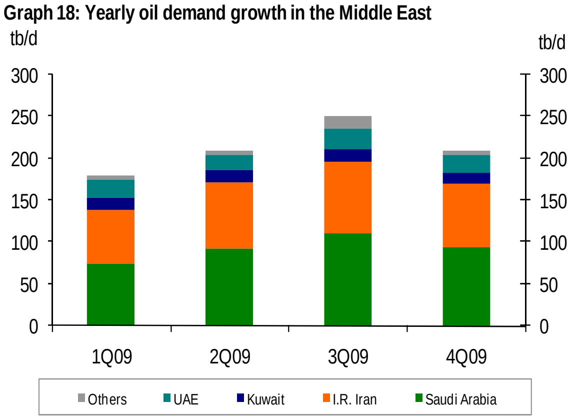


Graph 17: Changes in Middle East oil demand, y-o-y



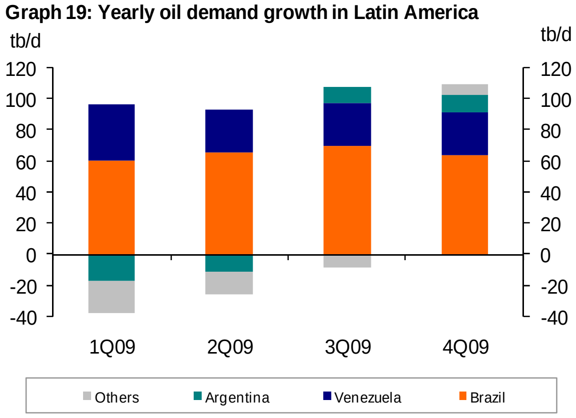
Activities in both the agricultural and industrial sectors, spurred diesel usage to grow firmly, adding 23 tb/d y-o-y in January.

Graph 18: Yearly oil demand growth in the Middle East



As with Asia, Latin America will be affected by the global economic downturn pushing the region's total GDP down from 4.9% in 2008 to only 1.2% in 2009. Hence, the region's total oil demand is expected to achieve minor growth of only 33 tb/d y-o-y in 2009. This growth will mainly be attributed to Brazil and Venezuela.

Graph 19: Yearly oil demand growth in Latin America



The Middle East will contribute the most to the world oil demand growth this year. Given the energy intensive projects, the region's oil demand is forecast to grow by 0.21 mb/d in 2009 y-o-y to average 5.8 mb/d.

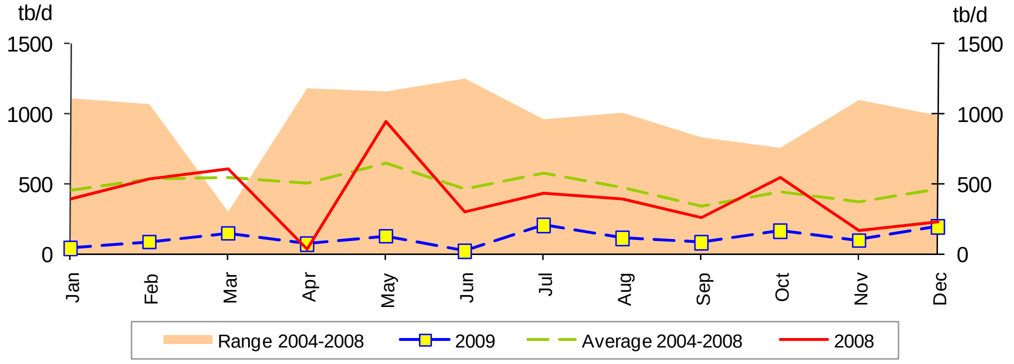
Given the current dim outlook for the world economy, oil demand in the Developing Countries has been revised down by 0.15 mb/d to show growth of 0.2 mb/d y-o-y in 2009.

Other regions

China to see oil demand growth of only 0.1 mb/d y-o-y

While the Chinese economy has stabilized to a certain degree, oil demand growth is not as strong as last year. January oil demand increased slightly; however, according to some sources, February oil demand dipped by 5% y-o-y, pushing first quarter oil demand growth to only 90 tb/d y-o-y. As a result of expected slow exports, China's oil demand was revised down by another 0.07 mb/d in 2009. The situation is anticipated to improve in the second half of the year. The government has implemented a stimulus plan that will result in enhanced economic activities and increased energy consumption. China's oil demand is expected to follow the weak economic performance, leading to oil demand growth of only 0.1 mb/d y-o-y. This slowing growth is expected despite China's recent price reduction in retail petroleum products.

Graph 20: Changes in Chinese apparent oil demand, y-o-y



World Oil Supply

Non-OPEC supply growth fell 0.17 mb/d in 2008

Non-OPEC

Forecast for 2008

Non-OPEC supply is estimated to have averaged 50.33 mb/d in 2008, a decrease of 0.17 mb/d over the previous year, representing a negligible downward revision from the last assessment. The revisions were in the fourth quarter (downward by 34 tb/d) and the third quarter (upward by 9 tb/d). Downward revisions to Malaysia and Other Europe supply were partially offset by upward revisions to Azerbaijan. On a quarterly basis, non-OPEC supply in 2008 now stands at 50.71 mb/d, 50.54 mb/d, 49.71 mb/d and 50.38 mb/d respectively.

Graph 21: Regional Non-OPEC supply growth, y-o-y

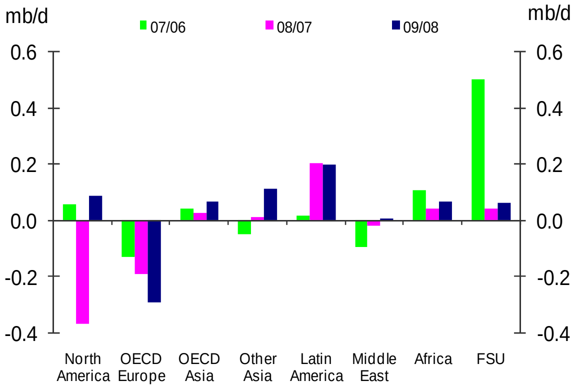


Table 13: Non-OPEC oil supply in 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07
North America	14.30	14.20	14.04	13.63	13.88	13.94	-0.37
Western Europe	5.23	5.20	5.04	4.82	5.12	5.04	-0.19
OECD Pacific	0.60	0.58	0.63	0.64	0.66	0.63	0.03
Total OECD	**20.14**	**19.99**	**19.71**	**19.08**	**19.66**	**19.61**	**-0.53**
Other Asia	3.74	3.80	3.71	3.73	3.76	3.75	0.01
Latin America	3.88	4.00	4.06	4.12	4.15	4.08	0.20
Middle East	1.67	1.65	1.66	1.66	1.64	1.65	-0.02
Africa	2.71	2.75	2.75	2.74	2.75	2.75	0.04
Total DCs	**12.00**	**12.20**	**12.19**	**12.24**	**12.30**	**12.24**	**0.23**
FSU	12.52	12.62	12.68	12.45	12.49	12.56	0.04
Other Europe	0.15	0.13	0.13	0.13	0.12	0.13	-0.02
China	3.77	3.82	3.88	3.85	3.85	3.85	0.08
Total "Other regions"	**16.44**	**16.57**	**16.68**	**16.43**	**16.47**	**16.54**	**0.10**
Total Non-OPEC production	**48.58**	**48.76**	**48.59**	**47.76**	**48.43**	**48.38**	**-0.20**
Processing gains	1.92	1.95	1.95	1.95	1.95	1.95	0.03
Total Non-OPEC supply	**50.50**	**50.71**	**50.54**	**49.71**	**50.38**	**50.33**	**-0.17**
Previous estimate	50.49	50.71	50.54	49.70	50.41	50.34	-0.15
Revision	0.02	0.00	0.00	0.01	-0.03	-0.01	-0.02

Revisions to the 2008 estimate

The majority of this month's revisions to non-OPEC supply were in the third and fourth quarters as actual production data has been received. There were minor revisions in the first and second quarters of 2008 that did not materially affect quarterly projections.

Non-OPEC supply to grow by 0.37 mb/d in 2009

Forecast for 2009

Non-OPEC supply is expected to average 50.70 mb/d in 2009, an increase of 0.37 mb/d over the previous year and a downward revision of around 190 tb/d from the previous assessment. On a quarterly basis, non-OPEC supply is forecast to stand at 50.78 mb/d, 50.58 mb/d, 50.48 mb/d, and 50.97 mb/d respectively.

Table 14: Non-OPEC oil supply in 2009, mb/d

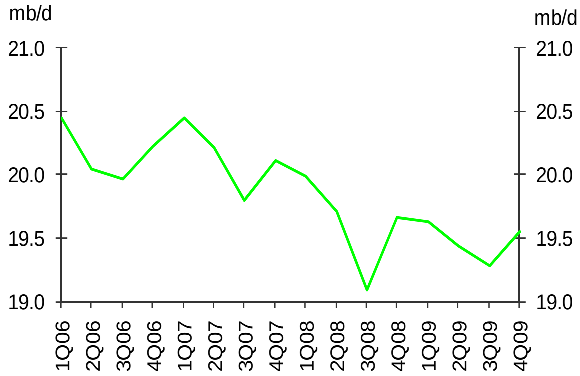
	2008	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
North America	13.94	14.03	13.91	14.01	14.14	14.02	0.08
Western Europe	5.04	4.93	4.82	4.55	4.72	4.75	-0.29
OECD Pacific	0.63	0.66	0.71	0.72	0.68	0.69	0.07
Total OECD	**19.61**	**19.63**	**19.43**	**19.27**	**19.54**	**19.47**	**-0.14**
Other Asia	3.75	3.88	3.79	3.88	3.91	3.86	0.11
Latin America	4.08	4.19	4.23	4.34	4.35	4.28	0.20
Middle East	1.65	1.66	1.66	1.66	1.66	1.66	0.01
Africa	2.75	2.81	2.79	2.82	2.85	2.82	0.07
Total DCs	**12.24**	**12.54**	**12.47**	**12.71**	**12.77**	**12.62**	**0.39**
FSU	12.56	12.61	12.67	12.51	12.70	12.62	0.06
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	0.00
China	3.85	3.90	3.90	3.88	3.85	3.88	0.03
Total "Other regions"	**16.54**	**16.63**	**16.69**	**16.51**	**16.68**	**16.63**	**0.09**
Total Non-OPEC production	**48.38**	**48.79**	**48.59**	**48.49**	**48.99**	**48.72**	**0.33**
Processing gains	1.95	1.98	1.98	1.98	1.98	1.98	0.03
Total Non-OPEC supply	**50.33**	**50.78**	**50.58**	**50.48**	**50.97**	**50.70**	**0.37**
Previous estimate	50.34	51.06	50.72	50.64	51.15	50.89	0.55
Revision	-0.01	-0.28	-0.14	-0.16	-0.18	-0.19	-0.18

OECD

OECD supply to decline by 140 tb/d in 2009

Total OECD countries' oil supply is forecast to decline by 140 tb/d in 2009 to average 19.47 mb/d, representing a downward revision of around 32 tb/d from the last assessment. The minor downward revision was necessary due to project delays as well as adjustment to actual production data for January and February estimates. US supply was revised higher, but not enough to offset the downward revision to other OECD countries. Western Europe experienced the biggest downward revision among OECD followed by OECD Pacific, while North America remained relatively unchanged from the previous forecast. North America and Pacific OECD are still expected to display a supply increase in 2009 mainly from the US, Canada, Australia and New Zealand, while Mexico, Norway, and UK supplies are still expected to decline. The degree of risks and uncertainties remains on the high side due to ongoing developments in the global economy. On a quarterly basis, OECD oil supply is expected to average 19.63 mb/d, 19.43 mb/d, 19.27 mb/d and 19.54 mb/d respectively, which indicates a significant downward revision of 140 tb/d in the first quarter and a minor downward revision of 20 tb/d in the second. The third and fourth quarter supply estimates experienced an upward revision of 15 tb/d each. Preliminary data for February put total OECD output at around 19.95 mb/d.

Graph 22: OECD's quarterly production



USA

US supply to grow 200 tb/d in 2009

The US oil supply is projected to increase by 200 tb/d over the previous year to average 7.71 mb/d in 2009, indicating an upward revision of 23 tb/d from last month. The revisions were applied to all quarters as well as the base for 2009 to reflect recent actual production data as well as project startup and ramp-up updates. A handful of projects are anticipated to startup and ramp-up in 2009, such as the Atlantis, Blind Faith, Thunder Horse, Shenzi, and Tahiti, in addition to the biofuels volume. The ethanol and biodiesel forecast is surrounded by various uncertainties owning to the current developments in the US with the recovery package, which is anticipated to provide support for the industry. Additionally, the ongoing return of US Gulf production from hurricanes Gustav and Ike further supported the upward revisions. On a quarterly basis, US oil supply is estimated at 7.65 mb/d, 7.69 mb/d, 7.71 mb/d, and 7.80 mb/d respectively. According to preliminary data, US oil supply is estimated to have averaged 7.98 mb/d in February, an increase of around 180 tb/d over the previous year.

Canada and Mexico

Canada supply to increase 70 tb/d in 2009

Oil supply from **Canada** is expected to average 3.32 mb/d in 2009, a growth of 70 tb/d from the 2008 estimate, representing a downward revision of 19 tb/d from the previous month's evaluation. The downward revision came on the back of announced delays for oil-sand projects and redistribution of project ramp-ups. The Canadian oil supply forecast is associated with a certain degree of risk mainly on the back of the ongoing discussion of financial assistance to operators due to the unfavorable economics at the current price level. On a quarterly basis, Canada's production is foreseen to average 3.28 mb/d, 3.25 mb/d, 3.32 mb/d and 3.43 mb/d respectively. Canadian oil supply is estimated to have averaged 3.31 mb/d in February, as per preliminary data, which is higher by 20 tb/d from the January level.

KMZ outpaced Cantarell output in January

Mexican oil supply is foreseen to average 2.99 mb/d in 2009, a decline of 180 tb/d from a year earlier and flat from the previous month's assessment. Cantarell lost its label as Mexico's largest producing field as production from the Ku-Maloob-Zapp (KMZ) field exceeded Cantarell in January. Average production in January as reported from Cantarell stood at 772 tb/d, while KMZ average production stood at 787 tb/d. Cantarell, which maintained its top position among Mexico's fields in the past thirty years, is expected to continue the decline, with production at the end of the year forecast to stand at 700 tb/d. On a quarterly basis, Mexico's oil supply is foreseen to average 3.10 mb/d, 2.97 mb/d, 2.98mb/d, and 2.91 mb/d respectively.

Western Europe

Western Europe supply fell 290 tb/d in 2009

Oil supply from **OECD Western Europe** is forecast to decline by 290 tb/d in 2009 over the previous year to average 4.75 mb/d, indicating a downward revision of 30 tb/d from the previous month's estimate. Norway and Denmark encountered annual downward revisions, while the UK supply remained flat over the year despite a minor downward revision in the first quarter. OECD Western Europe remains the region with the biggest decline among non-OPEC regions in 2009. On a quarterly basis, OECD Western Europe supply in 2009 is anticipated to stand at 4.93 mb/d, 4.82 mb/d, 4.55 mb/d, and 4.72 mb/d respectively. Preliminary February estimates suggest a production level of 4.95 mb/d, slightly lower than January production.

Norway to fall 130 tb/d in 2009

Norway's oil supply is projected to average 2.32 mb/d in 2009, a drop of around 130 tb/d from a year earlier and a downward revision of 15 tb/d from the previous month's evaluation. The downward revision came mainly in the first quarter of 2009 on the back of adjustments to updated production estimate figures as well as the noticeable decrease in the export programme from the North Sea. On a quarterly basis, Norway's supply is expected to average 2.41 mb/d, 2.34 mb/d, 2.19 mb/d and 2.35 mb/d respectively. Preliminary data indicates that supply from Norway stood at 2.38 mb/d in February, representing a decline of 70 tb/d from the previous month.

Oil production from the **UK** is anticipated to decrease by 150 tb/d over a year earlier to average 1.42 mb/d in 2009, relatively unchanged from last month. However, the first quarter supply was revised down by 20 tb/d in anticipation of lower exports from the North Sea. On a quarterly basis, UK oil supply stands at 1.49 mb/d, 1.46 mb/d, 1.38 mb/d and 1.37 mb/d respectively.

Denmark's oil supply was revised down by 10 tb/d across all quarters in 2009 due to a revision carried out to the base forecast for 2008. Oil supply from Denmark is estimated to average 0.26 mb/d in 2009, a drop of around 20 tb/d from the previous year.

Asia Pacific

OECD Pacific supply to average 690 tb/d in 2009

OECD Asia Pacific oil supply is forecast to average 0.69 mb/d in 2009, an increase of 70 tb/d over the previous year, representing a downward revision of around 7 tb/d from previous month's estimate. The revisions were made to Australian supply projections, while New Zealand oil production is estimated to remain unchanged from the previous month. On a quarterly basis, OECD Pacific oil supply is anticipated to average 0.66 mb/d, 0.71 mb/d, 0.72 mb/d and 0.68 mb/d respectively.

Australia's oil supply is foreseen to grow by 50 tb/d over a year earlier to average 0.58 mb/d in 2009, indicating a minor downward revision of 7 tb/d from the previous month. The revision of 25 tb/d was made to first quarter supply to accommodate the effect of recent weather conditions that halted production at several facilities in offshore Western Australia. On a quarterly basis, Australian supply is expected to average 0.56 mb/d, 0.59 mb/d, 0.60 mb/d, and 0.56 mb/d respectively.

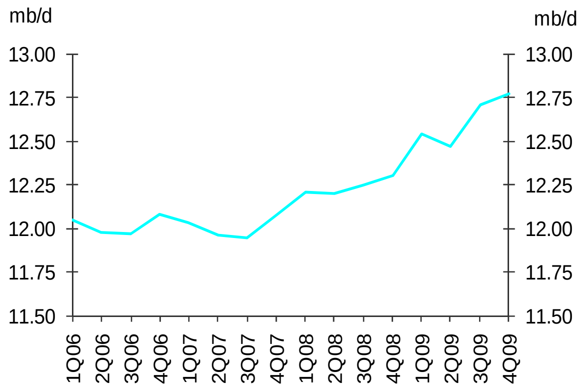
Developing Countries

DC supply to increase by 390 tb/d in 2009

Developing Countries (DCs) are expected to average 12.62 mb/d in 2009, an increase of 0.39 mb/d over the previous year, and representing a minor downward revision of 14 tb/d from a month earlier. Latin America remained the region with the highest annual growth among non-OPEC regions of 0.20 mb/d despite a minor downward revision of 10 tb/d over the previous month. Supply from Other Asia is estimated to grow by 0.11 mb/d over the previous year to average 3.86 mb/d in 2009. Supply from the Middle East is foreseen to average 1.66 mb/d in 2009, an increase of 10 tb/d from a year-ago level, indicating an upward revision of around 31 tb/d since last month. Oil production from the African region is anticipated to increase by 70 tb/d over a year earlier to average 2.82 mb/d in 2009, flat from the previous month. On a quarterly basis, DC's total oil supply is projected to stand at 12.54 mb/d, 12.47 mb/d, 12.71 mb/d and 12.77 mb/d respectively.

Other Asia supply to increase 110 tb/d in 2009

Graph 23: Developing Countries' quarterly production



Oil supply from **Other Asia** is anticipated to average 3.86 mb/d in 2009, an increase of 0.11 mb/d over the previous year, representing a downward revision of 35 tb/d from a month earlier. The downward revisions to supply forecasts were carried out mainly with regard to India and Malaysia, while other countries' estimates remained flat from last month. The downward revisions were introduced to accommodate adjustments to recently received production data in addition to changes to the forecast base. Vietnam remained the country with the largest expected growth among Other Asia of 50 tb/d in 2009 on the back of project ramp-ups such as the Su Tu Vang. Indonesia and Malaysia are expected to add 20 tb/d each in 2009 supported by the Cepu development in Indonesia and the startup of the PM-3 CAA northern fields in Malaysia. India's supply is anticipated to grow by 10 tb/d supported by the Mangala project. On a quarterly basis, Other Asia supply is foreseen to stand at 3.88 mb/d, 3.79 mb/d, 3.88 mb/d and 3.91 mb/d respectively.

Combined Brazil and Colombia supply growth in 2009 stands at around 210 tb/d

Oil Supply from **Latin America** is projected to average 4.28 mb/d in 2009, an increase of 0.20 mb/d from a year earlier, indicating a downward revision of around 10 tb/d from last month. Brazil's oil supply experienced a downward revision of 20 tb/d mainly on expectations of lower biofuel production. Currently, Brazil's supply is foreseen to increase 160 tb/d from the previous year to average 2.44 mb/d in 2009, supported by startups and ramp-ups of projects such as the Roncador, Frade, and Marlim Leste. Argentina oil supply is expected to decline by 30 tb/d from the previous year to average 0.74 mb/d in 2009, a minor upward revision of 10 tb/d due to new production data. Colombian oil supply remained unchanged from the previous month's level, which is to grow by 50 tb/d over last year's figure to average 0.65 mb/d in 2009. On a quarterly basis, Latin American supply stands at 4.19 mb/d, 4.23 mb/d, 4.34 mb/d and 4.35 mb/d respectively.

Middle East oil supply is foreseen to experience minor growth of 10 tb/d from a year earlier to average 1.66 mb/d in 2009, indicating an upward revision of 31 tb/d from last month. The upward revisions were made to Omani and Syrian supply forecasts. Omani oil supply is expected to increase by 30 tb/d over the previous year to average 0.77 mb/d in 2009, supported by the West Bukha and Mukhaizna developments. Syria's supply forecast was revised up due to historical revisions as well as new information on the Khurbet project. On a quarterly basis, Middle East supply stands at 1.66 mb/d in all quarters.

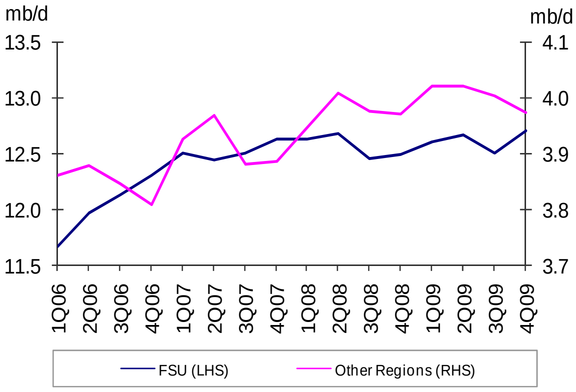
Africa oil supply is forecast to increase by 70 tb/d from the previous year to average 2.82 mb/d in 2009, flat from the previous month. On a quarterly basis, Africa supply stands at 2.81 mb/d, 2.79 mb/d, 2.82 mb/d and 2.85 mb/d respectively.

FSU, Other Regions

FSU supply growth revised down by 97 tb/d to 60 tb/d in 2009

FSU oil supply is anticipated to grow by 60 tb/d over the previous year to average 12.62 mb/d in 2009, indicating a downward revision of 97 tb/d from previous month's level. The FSU supply forecast in 2009 remains with a high degree of uncertainty due to various economical, financial, and technical issues. On a quarterly basis, total oil supply in the FSU is estimated to stand at 12.61 mb/d, 12.67 mb/d, 12.51 mb/d and 12.70 mb/d respectively. Other Europe is expected to remain unchanged over 2008 at 0.12 mb/d. China's oil supply is foreseen to increase by 30 tb/d over the previous year to average 3.88 mb/d in 2009.

Graph 24: FSU and other region's quarterly production



Russia

Russia supply expected fall by 0.13 mb/d in 2009

Russian oil supply is forecast to decline by 130 tb/d over the previous year to average 9.65 mb/d in 2009, indicating a downward revision of 20 tb/d from last month. The downward revision was mainly in the first quarter which was introduced to adjust to the expected production loss in connection with the recent fire at a central pipeline. The uncertainty of Russian supply forecast remains high as various reports suggested a possibility of tax cuts that would partially support operators spending and ultimately improve production. Therefore, careful monitoring of the developments of Russian supply is crucial and it is expected that the forecast will experience various revisions in the near future. On a quarterly basis, Russian oil supply is anticipated to average at 9.69 mb/d, 9.67 mb/d, 9.64 mb/d and 9.61 mb/d respectively. February preliminary data suggests that Russia's production stood at 9.72 mb/d.

Caspian

Kazakhstan supply to increase 90 t/bd in 2009

Kazakh oil production is projected to average 1.50 mb/d in 2009, an increase of 90 tb/d over a year earlier, representing a downward revision of 18 tb/d from last month. The downward revision was introduced across the quarters to reflect various updates to project schedules as well as to adjustments to new estimated production levels. On a quarterly basis, Kazakhstan supply is expected to stand at 1.50 mb/d, 1.52 mb/d, 1.40 mb/d and 1.58 mb/d respectively.

Azerbaijan revised down by 60 tb/d

Azeri oil supply is seen to average 0.99 mb/d in 2009, an increase of 90 tb/d over the previous year, representing a downward revision of 60 tb/d from last month. The downward revision came on the back of various reports that the gas leak problem at the Central Azeri platform in the ACG field is more likely to be a long-term issue. This issue is raising the uncertainty factor on Azerbaijan supply forecast since the continuity of supply from the Central Azeri platform remains unclear. On a quarterly basis, Azerbaijan oil supply is estimated to average 0.94 mb/d, 1.00 mb/d, 0.99 mb/d and 1.04 mb/d respectively.

Other Europe oil production went through a historical revision in 2008 to accommodate new production data for Croatia and Romania that led to a downward revision of 19 tb/d to the 2009 supply estimate which now stands at 0.12 mb/d.

China

China to see growth of 30 tb/d in 2009

China's oil supply is forecast to increase by 30 tb/d over the previous year to average 3.88 mb/d in 2009, indicating a downward revision of around 28 tb/d from the previous month. The downward revisions were introduced in all quarters to reevaluate the decline rate in China's fields. On a quarterly basis, China's oil supply is anticipated to average 3.90 mb/d, 3.90 mb/d, 3.88 mb/d and 3.85 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs to increase by 0.41 mb/d in 2009

OPEC NGLs and non-conventional oils are estimated to have averaged 4.43 mb/d in 2008, a growth of around 0.39 mb/d over the previous year. In 2009, OPEC NGLs and non-conventional oils are foreseen to increase by 0.41 mb/d over the previous year to average 4.84 mb/d.

Table 15: OPEC NGLs + non-conventional oils, 2006-2009												
			Change						Change		Change
	2006	**2007**	07/06	1Q08	2Q08	3Q08	4Q08	**2008**	08/07	**2009**	09/08
Total OPEC	**3.89**	**4.03**	0.14	4.26	4.42	4.46	4.56	**4.43**	0.39	**4.84**	0.41

OPEC crude output fell 684 tb/d in February

OPEC crude oil production

OPEC total crude oil production averaged 28.03 mb/d in February, according to secondary sources, a decline of 684 tb/d from the previous month. Production in all Member Countries declined with the largest decreases coming from Saudi Arabia, Iran, and Kuwait. OPEC crude production, not including Iraq, stood at 25.72 mb/d, a decline of 649 tb/d from the previous month.

Table 16: OPEC crude oil production based on secondary sources, 1,000 b/d

	2007	**2008**	**2Q08**	**3Q08**	**4Q08**	**Dec 08**	**Jan09**	**Feb 09**	***Feb/Jan***
Algeria	1,360	1,390	1,401	1,401	1,362	1,336	1,305	1,286	*-18.8*
Angola	1,660	1,871	1,897	1,845	1,870	1,893	1,778	1,725	*-52.7*
Ecuador	507	503	502	503	501	500	482	476	*-5.9*
Iran, I.R.	3,855	3,887	3,884	3,917	3,815	3,767	3,689	3,613	*-76.7*
Iraq	2,089	2,338	2,387	2,329	2,336	2,377	2,350	2,315	*-34.4*
Kuwait	2,464	2,554	2,582	2,600	2,500	2,428	2,332	2,231	*-101.1*
Libya, S.P.A.J.	1,710	1,715	1,730	1,683	1,697	1,668	1,612	1,544	*-67.9*
Nigeria	2,125	1,947	1,857	1,955	1,931	1,914	1,891	1,820	*-70.8*
Qatar	807	841	851	859	815	792	762	740	*-22.0*
Saudi Arabia	8,654	9,112	9,176	9,460	8,754	8,310	8,012	7,885	*-127.3*
UAE	2,504	2,559	2,609	2,603	2,437	2,385	2,306	2,251	*-54.6*
Venezuela	2,392	2,346	2,360	2,339	2,299	2,275	2,196	2,144	*-51.5*
Total OPEC	**30,126**	**31,063**	**31,236**	**31,495**	**30,316**	**29,645**	**28,714**	**28,031**	***-683.7***
OPEC excl. Iraq	**28,037**	**28,725**	**28,849**	**29,166**	**27,981**	**27,268**	**26,365**	**25,715**	***-649.3***

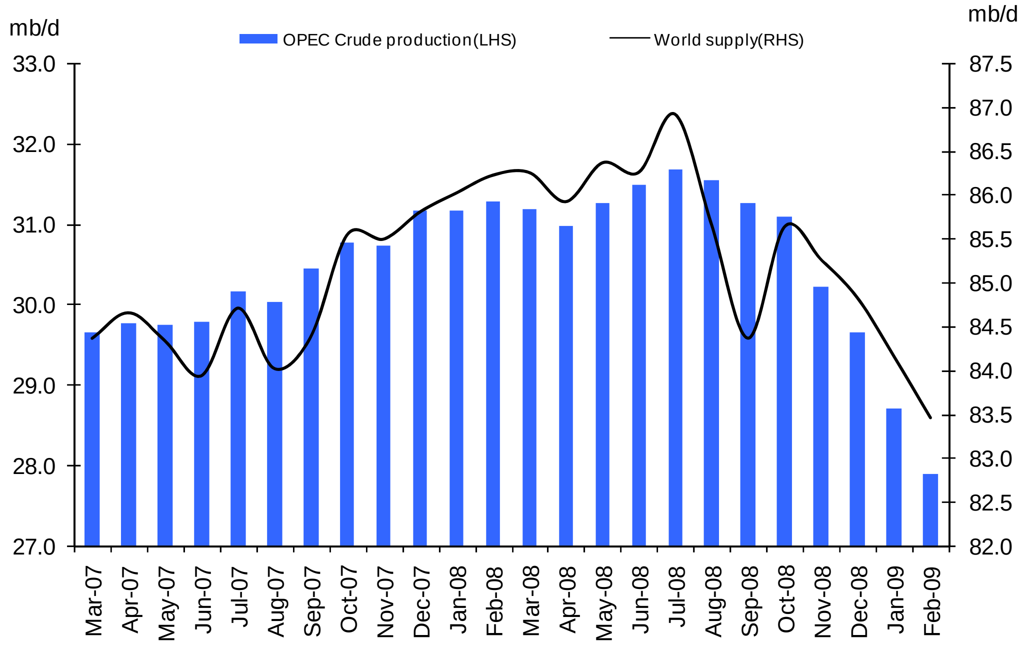
Totals may not add due to independent rounding.

Global supply fell by 0.7 mb/d in February

World Oil Supply

Preliminary figures indicate that world oil supply decreased by 0.70 mb/d in February from the previous month to average 83.47 mb/d. Non-OPEC supply experienced an increase of 0.12 mb/d while OPEC crude decreased as reported in the previous section. OPEC crude oil share in global production declined to 33.4% in February. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

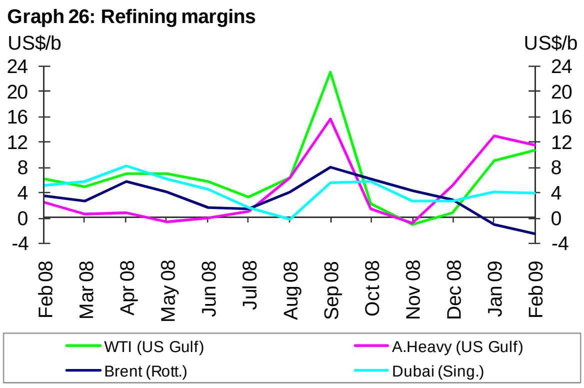
Graph 25: OPEC and World oil supply



Product Markets and Refinery Operations

Light distillate market sentiment improved in February

Refinery glitches and gasoline stock draws, especially in the US, have temporarily provided support for the light distillate market, lifting the gasoline crack spread across the globe. Since downstream industry bottlenecks eased significantly in the last year due to new upgrading units and slowing light product demand, the current bullish momentum of the light distillates market is expected to lose ground in the near future as refineries return to normal operations from current seasonal maintenance.



Additionally, with the approaching the end of the winter season, refiners will be able to switch operations in favour of gasoline and thus remove any perceived tightness for gasoline supply. Such circumstances, along with increasing spare refining capacity, should exert pressure on refining margins. Lower refining margins are likely to encourage refiners to cut runs which eventually would exert pressure on crude fundamentals and prices over the coming months.

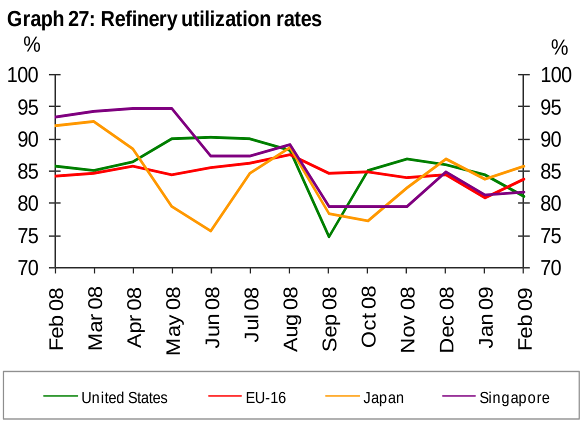
Refining margins in the US continued the upward trend in February due to the relative weakness of WTI prices and an increasing gasoline crack spread. As **Graph 26** shows, refining margins for WTI crude in the US Gulf rose to $10.64/b in February from $8.83/b the previous month. Despite the continuation of cold weather, product market sentiment in Europe remained bearish because of ample distillate supplies from Asia. Accordingly, refining margins for Brent crude oil in Rotterdam slipped to minus $2.48/b from minus $1.09/b in January.

In Asia, slowing down of middle-distillate demand has combined with a deteriorating trend of distillates crack spread, overwhelming the relatively good performances of the fuel oil and gasoline markets. This movement undermined Asian refining economics. Refining margins for Dubai crude oil in Singapore declined by 12¢/b to $3.91/b from $4.03/b from the previous month. Since the light-distillate market lost steam recently, refining margins in Asia are expected to remain slow in the next months.

Refinery operations

Refinery utilization remained low compare to their seasonal typical level across the board in February

A combination of seasonal refinery turnaround with economical run cuts undermined refinery operation levels in February compared to typical levels. Similarly, due to increasing gasoline margins, refiners particularly in the US switched their operational mode in favour of gasoline.



As Graph 27 shows, refinery utilization rates in the US declined by 3.3% compared to the previous month, and reached 81% in February from 84.4% a month earlier, 4.6% less than the same month of the last year. In Europe refinery utilization rates improved by 3% in February, reaching 83.8% from 80.8% in the previous month. In Asia, refinery throughputs also followed the same trend and were running lower than their typical seasonal level, but increased slightly compared to the previous month. Refinery utilization rates in Japan rose by 2%, to settle at 85.6% from 83.6% in January.

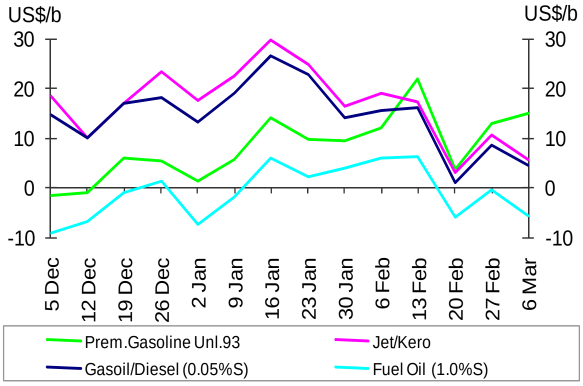
Due to continuation of spring maintenance, it is expected that refinery utilization rates remain low across the world in the next month. Persistent slowing demand and prevailing poor refining margins are preventing refiners from significantly increasing throughputs even after seasonal maintenance

US market

Gasoline stock draws lifted US product prices

Lower refinery runs due to seasonal maintenance and marginal increase in gasoline demand along with the transition to summer-grade production caused gasoline stocks to remain below the five-year average supporting gasoline prices.

Graph 28: US Gulf crack spread vs. WTI, 2008-2009



Following these developments, gasoline crack spread to WTI crude rose sharply reaching about $15/b in early March from $10/b in the latter part of January. An increase in imports and switch in refinery operational mode in form of gasoline output, could mitigate the recent tightness of the gasoline market in the near future.

The market for the middle-of-the-barrel components is still mixed, while cold weather in the Northeast has led to stock draws for heating oil, but the continuing economic recession has had adverse impacts on diesel demand resulting in further builds of diesel stocks. The commencement of the agriculture season in the Midwest and the US Gulf, may show slight improvements in the diesel market over the next weeks. However, the approaching end of the winter season will cause the current bearish fundamentals for middle distillates to remain mostly unchanged in the near future. Apart from diesel, aviation industry demand for jet fuel also deteriorated exerting pressure on jet/kerosene prices.

The US fuel oil market was relatively strong in February encouraging traders to export more fuel oil cargoes from Europe and Canada to the Atlantic Coast. Following the arrival of the arbitrage cargoes and lower demand from utility plants, US fuel oil lost ground in the latter part of February and the crack spread to WTI fell again in early March (*see* ***Graph 28***).

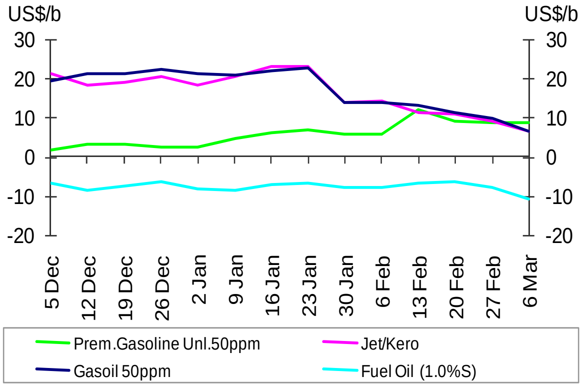
Due to falling gas prices and lower seasonal demand, the current fundamentals of the fuel oil market are expected to ease further in the next months.

European market

European distillates market sentiment deteriorated further in February

Ample supplies from Asia along with slowing regional demand due to deteriorating economic outlook have dampened the European diesel market momentum and exerted pressure on distillate prices and crack spreads. Gasoil crack spread versus Brent plunged to $6/b in early March from about $13/b early February (*see* ***Graph 29***). The current bearish sentiment of the middle-distillates market will continue over the next months as European refiners are sitting on the bulk of stocks, while demand appears lackluster.

Graph 29: Rotterdam crack spreads vs. Brent, 2008-2009



The gasoline market in Europe extended its bullish momentum along with the US market on increased export opportunities to the US and Middle East. The current situation of the gasoline market is expected to persist over the very short term, but will lose ground later on due to the structurally long position of Europe for gasoline supply and bleak prospects for growing gasoline demand in the other side of the Atlantic market. The gasoline crack spread with Brent surged to above $8/b from around $6/b in late January.

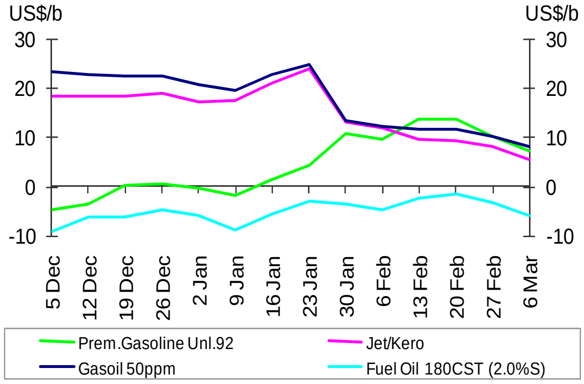
As projected, the European fuel oil market was strong in February and its spread to Brent crude oil remained steady around minus $6/b over the same month (*see **Graph 29***). Due to narrowing arbitrage opportunities to the US and Asia in the last two weeks and less on-shore and off-shore regional demand, European fuel oil market sentiment eased in early March. The situation of the fuel oil market may continue over the next month as Russian exports are picking up.

Asian market

Asian light-distillate market sentiment eased in the latter part of February

Refinery glitches in Indonesia, Australia, the Philippines and Saudi Arabia along with limited regional supply due to lower refinery utilization rates provided support for Asian gasoline markets in February. Due to increasing gasoline exports from the Reliance refinery over the last few weeks the bullish momentum of the Asian light-distillate market eased recently and may show further in the near future. The gasoline crack spread with Dubai crude oil in the Singapore market jumped to around $13/b in the middle of February, but dropped to $7.20/b in the week-ending 6 March (*see Graph 30*).

Graph 30: Singapore crack spreads vs. Dubai, 2008-2009



Naphtha market sentiment also has weakened due to slowing demand from China and an unexpected shutdown at the Formosa naphtha cracker unit in Taiwan.

The middle-distillate market in Asia continued the downward trend due to ample regional supply, sluggish demand from China and Indonesia and limited arbitrage opportunities to other markets. Due to deceleration of Asian economic activities, middle-distillate market momentum may ease further and exert more pressure on middle-of-the-barrel components' margins in the future. Following these developments, the gasoil crack spread versus Dubai crude plummeted to $8/b from $13/b in the last week of January. Apart from gasoil, jet fuel oil prices also fell due to lower demand from the regional aviation industry especially China and the lack of export opportunity to Europe. This situation led to further deterioration of the jet fuel spread versus Dubai crude oil in the last weeks.

With regard to fuel oil, the Asian market remained relatively firm due to limited supplies from Middle East and South Korea. But slowing demand from regional utility plants has dampened previous bullish sentiments, undermining discounted value of fuel oil to crude oil. The high sulfur fuel oil crack spread versus Dubai crude on average narrowed to minus $5.80/b in early March from minus $4/b in late January.

Looking ahead, amid lower refinery runs and less arbitrage cargoes from Europe, Asian Fuel oil market may remain strong in the next month, but at the same time due to sliding natural gas prices and less demand for bunker, it may lose its current sentiment in the future.

Table 17: Refined product prices, US$/b

		Dec 08	Jan 09	Feb 09	Change Feb/Jan
US Gulf (Cargoes):					
Naphtha		33.24	45.51	45.49	-0.02
Premium gasoline	*(unleaded 93)*	43.29	53.20	53.66	0.46
Regular gasoline	*(unleaded 87)*	39.68	49.11	48.58	-0.54
Jet/Kerosene		58.08	62.07	50.73	-11.33
Gasoil	*(0.05% S)*	55.93	59.56	49.18	-10.38
Fuel oil	*(1.0% S)*	36.70	45.29	40.26	-5.03
Fuel oil	*(3.0% S)*	30.69	38.68	38.60	-0.08
Rotterdam (Barges FoB):					
Naphtha		28.24	38.71	43.75	5.04
Premium gasoline	*(unleaded 10 ppm)*	43.11	48.82	52.70	3.88
Premium gasoline	*(unleaded 95)*	39.69	46.29	49.97	3.68
Jet/Kerosene		60.18	60.99	53.89	-7.10
Gasoil/Diesel	*(10 ppm)*	57.08	66.57	55.32	-11.25
Fuel oil	*(1.0% S)*	33.81	36.27	35.81	-0.46
Fuel oil	*(3.5% S)*	28.17	34.98	36.50	1.51
Mediterranean (Cargoes):					
Naphtha		25.55	36.64	41.92	5.28
Premium gasoline	*(50 ppm)*	40.93	50.34	51.12	0.78
Jet/Kerosene		59.21	59.94	52.97	-6.97
Gasoil/Diesel	*(50 ppm)*	60.73	74.68	75.61	0.92
Fuel oil	*(1.0% S)*	36.16	38.63	38.25	-0.38
Fuel oil	*(3.5% S)*	24.65	34.63	35.42	0.79
Singapore (Cargoes):					
Naphtha		31.00	42.58	46.84	4.26
Premium gasoline	*(unleaded 95)*	41.05	52.23	57.97	5.74
Regular gasoline	*(unleaded 92)*	38.88	48.97	55.42	6.45
Jet/Kerosene		59.02	60.15	52.85	-7.30
Gasoil/Diesel	*(50 ppm)*	63.08	61.26	54.59	-6.67
Fuel oil	*(180 cst 2.0% S)*	36.16	40.74	40.66	-0.08
Fuel oil	*(380 cst 3.5% S)*	34.44	39.08	39.76	0.68

Table 18: Refinery operations in selected OECD countries

	Refinery throughput *mb/d*				Refinery utilization *%*			
	Dec 08	Jan 09	Feb 09	Feb/Jan	Dec 08	Jan 09	Feb 09	Feb/Jan
USA	14.97	14.72	14.13	-0.59	85.8	84.4	81.0	-3.4
France	1.63	1.41	1.65	0.24	84.1	71.1	83.0	11.9
Germany	2.16	2.06	2.06	0.00	89.3	85.2	85.0	-0.2
Italy	1.72	1.67	1.81	0.14	73.5	71.5	77.3	5.8
UK	1.51	1.51	1.52	0.01	81.1	81.1	81.7	0.6
Euro16	11.83	11.37	11.78	0.41	84.3	80.8	83.8	3.0
Japan	4.04	3.89	4.08	0.19	86.8	83.6	85.6	2.0

Sources: *OPEC statistics; Argus; Euroilstock Inventory Report; IEA.*

The Tanker Market

Global and OPEC spot fixtures increased in February

OPEC spot fixtures increased by 5% in February compared to the previous month to reach 13.08 mb/d, According to preliminary data. OPEC fixtures from the Middle East increased by 7%, while those from outside the Middle East increased by less than 2%. Within the Middle East, spot fixtures to the East displayed the highest monthly increase, while Western spot fixtures were almost steady with only a marginal 1% increase. The Middle East/East spot fixtures ended the month at 5.87 mb/d, up from 5.54 mb/d in January, while the Middle East/West route ended the month at 1.27 mb/d, slightly up from 1.12 mb/d. Despite this month-to-month increase, OPEC spot fixtures in February indicated a decline of 8% compared to the same month a year earlier. Similarly, global spot fixtures increased in February by 7% compared to the previous month to stand at 20.04 mb/d, but were about 4% lower compared to the same month a year ago.

OPEC sailings fell, arrivals to the US declined due to lower US crude imports

Sailings from OPEC were 4% lower in February, at 19.06 mb/d, down from 19.86 mb/d the previous month, and were also 21% lower than in the same month a year earlier. Middle East sailings in February were at 13.73 mb/d, about 3% lower than the previous month and down 23% from a year earlier. Crude oil arrivals in the USA dropped by 4% in February compared to the previous month. Crude oil trade figures indicated that US crude oil imports were 8% lower in February compared to the previous month, in line with lower crude arrivals to this country. Crude oil arrivals to North-West Europe were steady, while arrivals to the Mediterranean and Japan were 7% higher each, all compared to the previous month.

Table 19: Tanker chartering, sailings and arrivals, mb/d

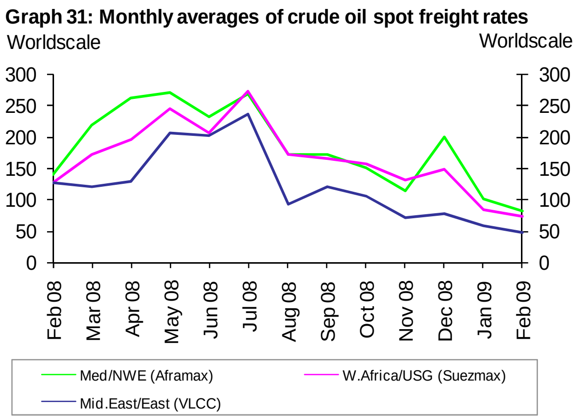
	Dec 08	Jan 09	Feb 09	Change Feb/Jan
Spot Chartering				
All areas	15.80	18.78	20.04	1.25
OPEC	10.82	12.51	13.08	0.57
Middle East/east	4.05	5.54	5.87	0.33
Middle East/west	1.10	1.12	1.27	0.14
Sailings				
OPEC	20.90	19.86	19.06	-0.80
Middle East	15.05	14.30	13.73	-0.57
Arrivals				
US Gulf Coast, US East Coast, Caribbean	7.92	8.16	7.83	-0.33
North West Europe	7.80	7.33	7.34	0.01
Euromed	4.56	4.04	4.32	0.28

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

Dirty tanker spot freight rates fell in February with Aframax Caribbean to US route showing the largest decline

High tonnage availability on many key routes as a result of OPEC's production cuts and the ongoing global economic crisis continued to pressure the tanker market in February. However, in February, storing crude at sea related to the contango structure in crude markets and continued to play a major role in preventing dirty freight rates from incurring deeper declines, especially through the effect on the VLCC vessel sector, and to a lesser extent, the Suezmax vessel sector, which enjoyed an unexpected higher demand out of the increased interest of some market participants to store their crude at sea. In February, VLCCs were still being used for storage in the Middle East, the USGC, Asia and the North Sea, a process that actually started earlier during the fourth quarter of 2008, but gained more momentum throughout early 2009. While some reports indicated that a few vessels were returning to the market in February, a sign that the contango is easing slightly, which might strongly influence spot freight rates during the coming months, estimates were still putting the number of VLCCs being tied up in storage in February at about 35 to 40 vessels making up 7% to 8% of the VLCC global fleet. To some extent, tonnage availability was also affected in February due to several vessels opting to avoid the Suez Canal in favour of the longer route through the Cape of Hope straight amid increasing piracy in and around the Gulf of Aden. Low loading schedules for Russian crude through the Black Sea, in both January and February, pressured freight rates in this region, especially for both Suezmax and Aframax vessels.

Taking the top three vessel categories into consideration and their nine main reported routes, spot freight rates for crude oil tankers were lower in February compared to both the previous month and February of the previous year. Once again, it was the Aframax sector to the West of Suez that witnessed the highest drop in freight rates in February compared to the previous month. Freight rates for the VLCC and Suezmax sectors also dropped in February, almost by the same percentage. On average, dirty freight rates declined in February by about 17% compared to the previous month.



On average, VLCC spot freight rates were 15% lower in February compared to the previous month. Extra demand for VLCCs for floating storage in February was not enough to offset the effects of lower crude oil liftings due to a large extent to OPEC's decision to cut production by more than 4.0 mb/d from September levels. Spot freight rates for VLCCs trading on the long-haul route from the Middle East to East, which were firm since November 2008, declined by 19% in February compared to the previous month. Most of the decline in freight rates on this route took place during the first week of the month, which firmed during the second and third weeks before easing again towards the end of the month. Spot freight rates on this route started the month at around WS49, dropping to WS41 by the end of the first week and then ending the month at about WS49 again.

Middle East to West spot freight rates closed the month at a lower drop of 5% in February compared to the previous month. It was the lowest drop compared to other VLCC routes. Throughout the month, freight rates on this route peaked at the end of the third week at WS43 before ending at WS40 with a monthly average of WS39. On the other hand, VLCC spot freight rates for voyages from West Africa to East were within the range between WS58 to WS43 throughout the month, ending with an average of WS46, about 5% lower compared to the previous month.

Suezmax spot freight rates for voyages to the US from West Africa and North West Europe declined in February by an average of 15% also compared to the previous month. Tonnage build-ups of Suezmax for West African cargoes were exerting pressure on freight rates in this region. The implementation of production cuts and lower exports of Russian crude were the main reasons behind the bearish sentiment of this market and higher BTC loadings in February were not enough to change this.

Freight rates for Suezmax West of Suez were fluctuating similarly throughout the month. From West Africa to the US Gulf, Suezmax spot freight rates ended the month at an average of WS72 which implied a decline of about 13% compared to the previous month. The decline was about 16% for the North West Europe to the US route which ended the month at an average of WS65.

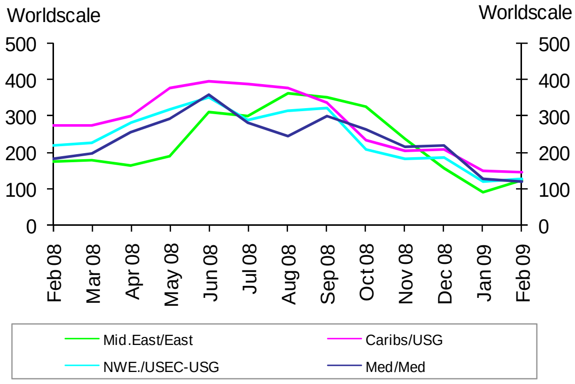
Average Aframax spot freight rates for the four reported routes were 20% lower in February compared to the previous month. For the second month in a row, freight rates for Aframax were dropping the most compared to other sectors. To the East of Suez, freight rates on the Indonesia to East Aframax route were very close to their low levels of the last week of the previous month, mainly due to high tonnage build-ups as a result of lower activity in the market, ending the month with a 14% decline. Declines were much higher to the West of Suez where freight rates for the Caribbean to the USEC route ended the month at a 30% decline compared to the previous month. In the Mediterranean, freight rates on both cross-Mediterranean and Meditrranean to North West Europe routes were following the same pattern of weekly fluctuations over the month, declining during the first week, rebounding during the second and third week before declining again towards the end of the month. Freight rates on both Mediterranean routes ended the month at an average of WS88 for the cross-Mediterranean route and WS83 for the Mediterranean/North West Europe route, indicating declines of 17% and 19% respectively, both compared to the previous month. In general, an oversupply of tonnage in the market and a low activity were the main reasons behind the bearish sentiment and lower freight rates for the Aframax routes during this month.

Table 20: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	Dec 08	Jan 09	Feb 09	Change Feb/Jan
Crude					
Middle East/east	230-280	77	58	47	-11
Middle East/west	270-285	54	41	39	-2
West Africa/east	260	83	57	46	-11
West Africa/US Gulf Coast	130-135	146	83	72	-11
NW Europe/USEC - USGC	130-135	136	77	65	-12
Indonesia/US West Coast	80-85	157	83	72	-11
Caribbean/US East Coast	50-55	265	110	77	-33
Mediterranean/Mediterranean	80-85	204	106	88	-19
Mediterranean/North-West Europe	80-85	199	102	83	-20

Source: Galbraith's Tanker Market Report and Platt's.

Graph 32: Monthly averages of clean spot freight rates



In contrast to crude oil freight rates, clean tanker market freight rates indicated a gain of 2% on average in February compared to the previous month for all the six East and West of Suez reported routes. The market was much stronger to the East of Suez, especially in the Middle East to East route, where freight rates surged by 34% compared to the previous month, supported by substantial arbitrage movements of jet fuel and naphtha heading east. In addition, tonnage availability was hit by many vessels leaving the market due to the open arbitrage of gasoline from East to West. Freight rates on this route moved up during the first three weeks of the month, but towards the end of the month, rates eased marginally. Freight rates for the Singapore to East route dropped by 5% amid a generally less active market. As a result, average East of Suez clean spot freight rates were 13% higher in February from the previous month.

West of Suez clean freight rates were mixed in February with a marginal average decline of 2% for the four reported routes in this market. Transatlantic gasoline movement from North West Europe tightened the tonnage position in this market and freight rates ended the month at a gain of 7% compared to the previous month, the strongest showing among all West of Suez clean routes. Gasoline moving towards West Africa and the Middle East also gave some support to transatlantic freight rates which ended the month at an average of WS130 compared to WS122 in January. In the Mediterranean, clean freight rates remained weak throughout the month for both the cross-Mediterranean and Mediterranean to North West Europe routes as demand for tonnage was not too healthy and activity was relatively low. Both routes declined by 5% each from the previous month, ending with an average of WS120 for the cross-Mediterranean route and WS130 for the Mediterranean to North West Europe route. Clean spot freight rates for the Caribbean to the US route dropped by 4% in February.

Table 21: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Dec 08	Jan 09	Feb 09	Change Feb/Jan
Products					
Middle East/east	30-35	159	93	124	31
Singapore/east	30-35	188	109	104	-5
Caribbean/US Gulf Coast	38-40	211	154	148	-5
NW Europe/USEC - USGC	33-37	187	122	130	8
Mediterranean/Mediterranean	30-35	220	126	120	-6
Mediterranean/North-West Europe	30-35	230	136	130	-6

Source: Galbraith's Tanker Market Report and Platt's.

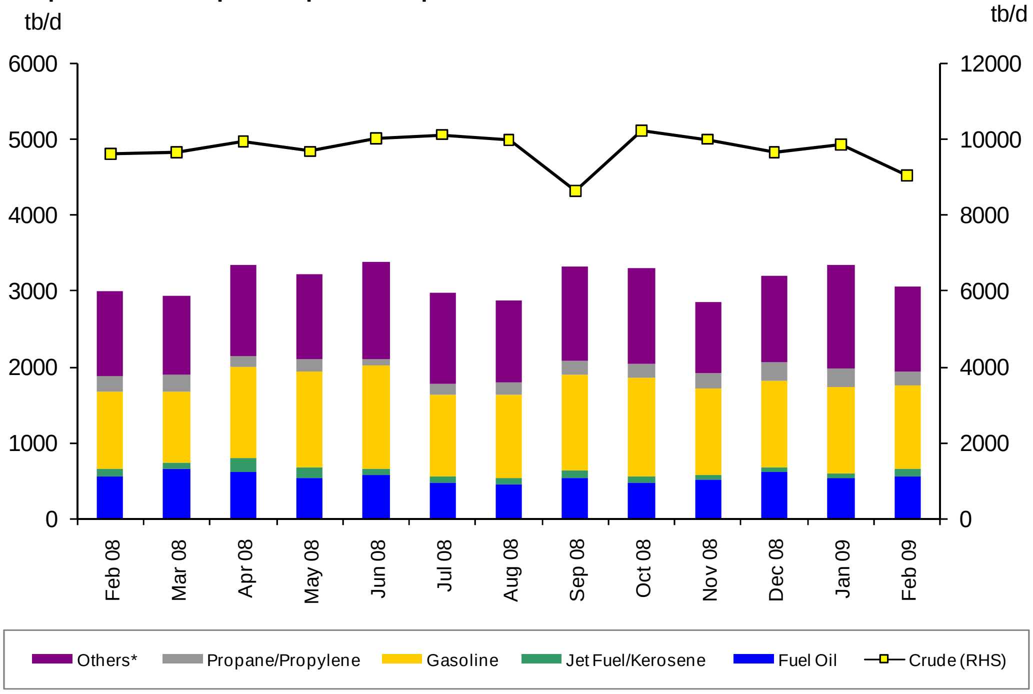
Oil Trade

US net oil imports declined by 10% backed by lower crude product imports

USA

According to official data, US crude oil imports declined in February to average 9.02 mb/d, about 8.3% or 821,000 b/d lower compared to the previous month, and 6.1% lower than the same month a year earlier. February's crude imports were also 7.7% lower than the average imports in 2008 of 9.77 mb/d.

Graph 33: USA's imports of petroleum products

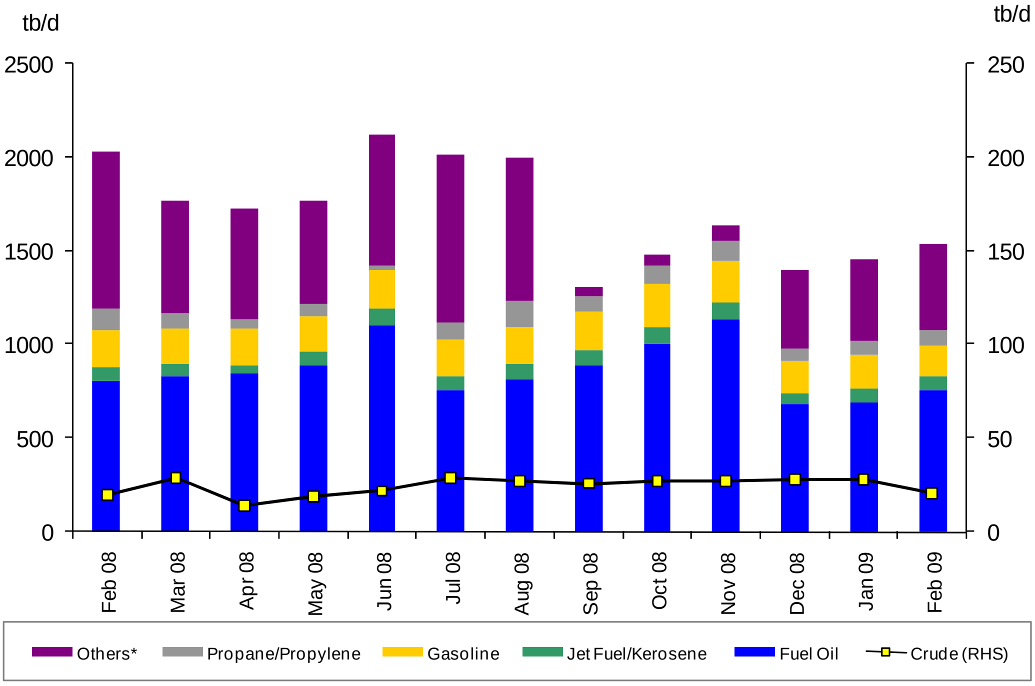


*Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

Similarly, US Product imports declined, by 8.4%, or 279,000 b/d in February compared to the previous month to average 3.05 mb/d, yet were 1.6% higher than at the same month the previous year. Finished motor gasoline imports dropped by 43,000 b/d or 19% in February compared to the previous month to reach 180,000 b/d and down by 49% compared to a year ago. Distillate fuel oil imports increased by 62,000 b/d or 10% in February compared to the previous month to average 311,000 b/d. This level of imports indicates a 25% increase compared to the same month last year. Residual fuel oil imports declined by 63,000 b/d or 13% in February compared to the previous month, reaching about 420,000 b/d or 36% higher than in the same month a year earlier. Jet fuel imports in February averaged 59,000 b/d, about 11% higher than in the previous month, but 42% lower than in the same month a year earlier.

US product exports increased in February by 74,000 b/d, or 5% compared to the previous month to average 1.56 mb/d. This represents a decline of 496,000 b/d or 24% compared to a year earlier, or 11% over the average of 2008.

Graph 34: USA's exports of petroleum products



Others: Contains Natural Gas Liquids, Liquefied Refinery Gases (LRG's), Other Liquids and all Finished Petroleum Products except Gasoline, Jet Fuel/Kerosene, Fuel Oil and Propane/Propylene.

US net oil imports declined by 10.1% in February compared to the previous month to reach about 10.49 mb/d. The 1.18 mb/d decline in net oil imports in February came as a result of 822,000 b/d declines in net crude oil imports and 353,000 b/d declines in net product imports compared to the previous month. February's net oil imports were almost steady compared to the same month a year earlier, but 5.7% lower than average net oil imports over the previous year.

Table 22: USA crude and product net imports/(exports), tb/d

	Dec 08	Jan 09	Feb 09	Change Feb/Jan
Crude oil	9,618	9,816	8,994	-822
Total products	1,817	1,851	1,498	-353
Total crude and products	**11,435**	**11,667**	**10,492**	**-1175**

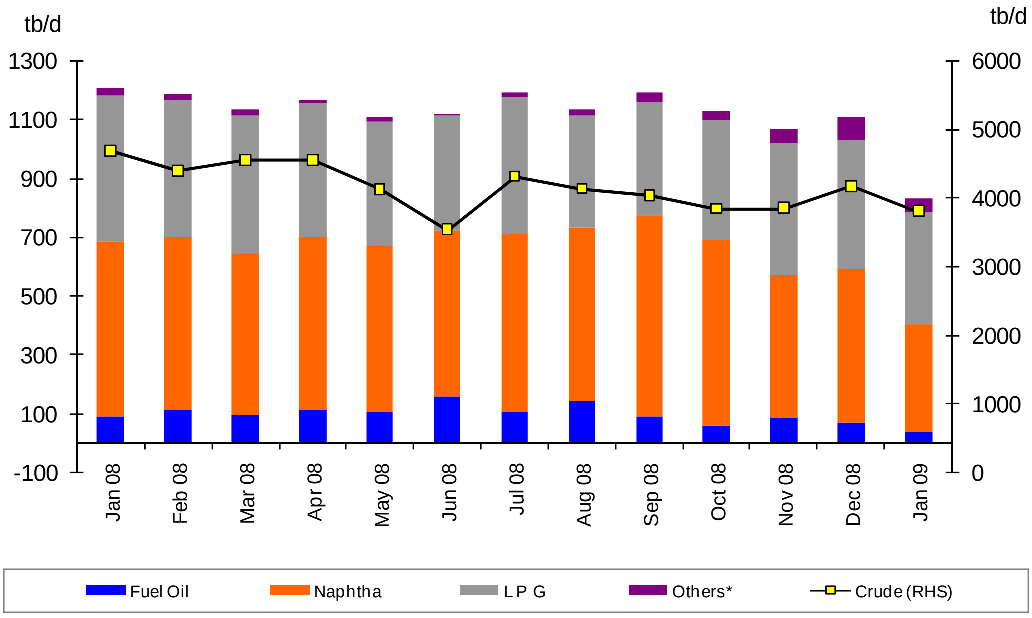
Canada was the top crude oil supplier to the US in December with a share of 21.6% up from 20.4% in the previous month, followed by Saudi Arabia with 14.8%, down from 15% in the previous month. Mexico and Venezuela came next with 12% and 10.9% respectively. Altogether, OPEC Member Countries supplied 54.1% of total US crude oil imports in December, up from 52.8% in the previous month. For product imports, once again Canada was the top product supplier to the US in December with a share of 17.8%, up from 17.2% in the previous month. Russia was next with a share of 10.3%, up from 10.1% in the previous month, followed by Virgin Islands with 9.1%. For OPEC Member Countries, Algeria supplied 7.8% of total US oil product imports in December, down from 10.1% in the previous month, followed by Venezuela with 4.1%. Altogether OPEC Member Countries supplied 18.2% of US product imports in December, down from 19% in the previous month. For US product exports, Mexico was the top importer in December with a share of 20.3%, up from 16% in the previous month. Netherlands was next with 19.2%, up from 14.1%, and Canada with 15.3%. Altogether, OPEC Member Countries imported 3.8% of total US product exports in December, up from 2.5% in the previous month. Ecuador imported 2.1% and Venezuela 1.5%.

Japan's net oil imports declined in January by 0.5 mb/d due to lower crude and product imports

Japan

Japan's crude oil imports in January fell to their lowest level since July, averaging about 3.8 mb/d. January's crude imports were 370,000 b/d, or 8.9% lower compared to the previous month, and 19% lower than a year earlier. This drop is in line with falling domestic oil product sales as a result of the deep economic recession, the ageing population and a growing shift towards cleaner energy.

Graph 35: Japan's imports of petroleum products

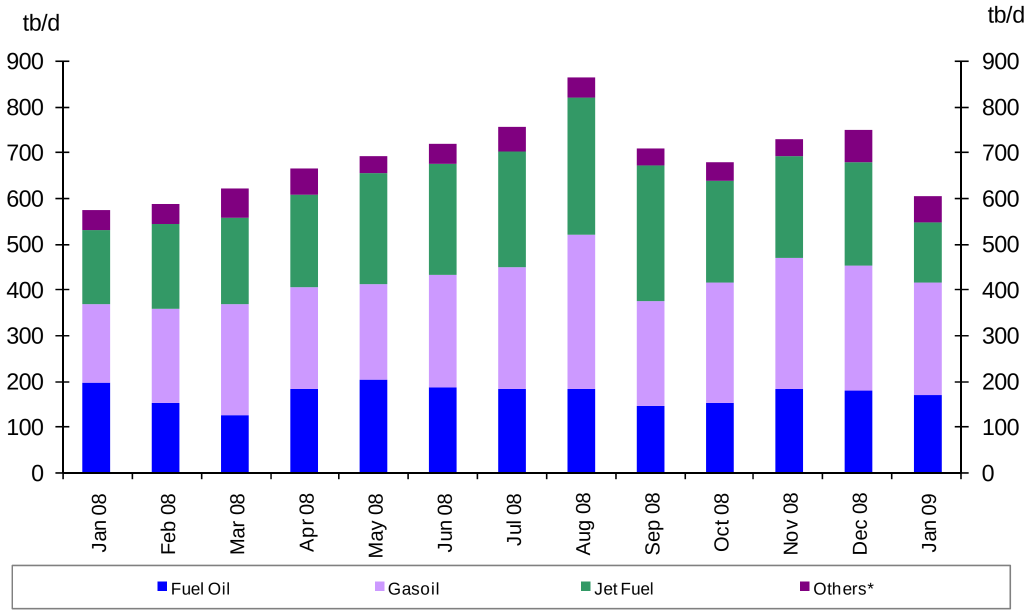


*Others: Contains Gasoline, Jet Fuel, Kerosene, Gasoil, Asphalt and Paraffin Wax.

Similarly, Japan's product imports declined in January by 278,000 b/d, or 25.1% compared to the previous month, averaging 8.28 mb/d, displaying a decline of 31.3% compared to a year earlier. Japan mainly imports three products, naphtha, LPG and fuel oil which constituted about 95% of its total monthly product imports in January. Average LPG imports in January were about 381,000 b/d, 57,000 b/d or 13% lower than the previous month and about 24% lower than a year earlier. Naphtha imports averaged 368,000 b/d in January, the lowest average for many years, indicating a 30% decline over the previous month and a 38% decline compared to the previous year. Fuel oil imports in January were at 34,000 b/d, down by 50% from the previous month, and 62% from a year earlier. Japan also imported about 26,000 b/d of kerosene in January. LPG imports counted for 46% of Japan's total products imports in January, naphtha 44% and fuel oil about 4%.

Japan's product exports in January dropped by 20%, or 147,000 b/d compared to the previous month, and by 2.2% compared to January 2008, to average 585,000 b/d. Gasoil, jet fuel and fuel oil are Japan's main product exports which together counted for 93% of the country's total product exports in January. Gasoil exports in January were 246,000 b/d, down by 10%, or 28,000 b/d compared to the previous month, and 34% compared to the same month last year. Jet fuel exports in January were about 130,000 b/d, a substantial 42%, or 96,000 b/d lower compared to the previous month, and 20% lower than a year earlier. Fuel oil exports in January were about 170,000 b/d, steady compared to the previous month, but were 8% lower than a year earlier. Gasoil exports counted for 42% of Japan's total product exports in January, fuel oil 29% and jet fuel 22%. Japan exported lower quantities of gasoline, kerosene, lubricating oil, asphalt and LPG in December, totaling 39,000 b/d.

Graph 36: Japan's exports of petroleum products



*Others: Contains LPG, Gasoline, Naphtha, Kerosene, Lubricating Oil, Asphalt and Paraffin Wax.

As a result, Japan's net oil imports in December were at their lowest average since July 2008 at 4.04 mb/d, indicating a decline of 500,000 b/d or 11% compared to the previous month and 24% compared to a year earlier. Net crude imports were lower by 370,000 b/d and net product imports were lower by 130,000 b/d.

Table 23: Japan's crude and product net imports/(exports), tb/d

	Nov 08	Dec 08	Jan 09	Change Dec/Nov
Crude oil	3,848	4,166	3,796	-370
Total products	300	374	243	-130
Total crude and products	**4,148**	**4,540**	**4,040**	**-500**

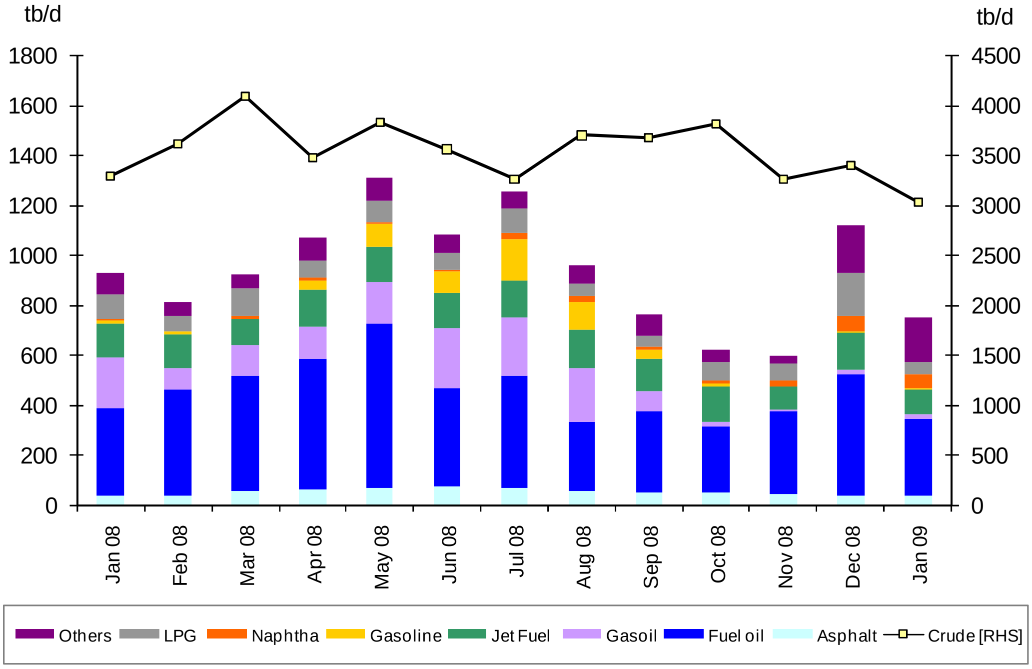
Saudi Arabia was once again Japan's top crude oil supplier in January, supplying 29.9% of Japan's crude oil imports, up from 28.7% the previous month. The UAE share was 20.8%, down from 23.9% the previous month. Iran supplied 13.5% of Japan's crude oil imports in January, up from 11.9% a month earlier, while Qatar's share was 10.6%, down from 10.9% the previous month. OPEC Member Countries supplied 86.4% of Japan's crude oil imports in January, down from 89.1% the previous month. Top non-OPEC crude oil suppliers in January include Russia with 4.3%, up from 3.5% the previous month, Oman with 2.1% and both Indonesia and Sudan with 1.8% each. On the product side, preliminary data indicates that Saudi Arabia also was Japan's top supplier in January with 14.8%, followed by the UAE with 11.6% and Kuwait with 10.3%. Altogether, OPEC Member Countries supplied 47.3% of Japan's product imports in January, down from 54.3% the previous month. Top non-OPEC product suppliers in January include the US whose share dropped from 15.1% the previous month to 9.9% in January, followed by South Korea with 8.9% and Indonesia with 4%.

China

China's net oil imports reached a twelve-month low in January backed by a 16% decline in crude oil and product imports

According to preliminary data, China's crude oil imports declined in January to 3.0 mb/d, about 11%, or 366,000 b/d lower than in the previous month, and 8% lower compared to the same month a year ago. January crude oil imports were at the lowest level since November 2007. Record fuel stocks played a role in this drop. Crude oil imports are often lower in China in January and February compared to other months for reasons related to weather and traditional holidays. January crude oil imports were also 16% lower compared to average imports of 3.6 mb/d in 2008.

Graph 37: China's imports of petroleum products



Similarly, China's product imports declined sharply in January after a big surge in the previous month. China imported an average of 0.75 mb/d of oil products in January, about 367,000 b/d, or 33% lower compared to the previous month, and also 19% lower compared to the same month a year ago. The sharp decline in fuel oil imports was the main reason for the drop in total product imports. Jet fuel imports in January were at about 104,000 b/d, down from 149,000 b/d in the previous month. Naphtha imports in January were about 59,000 b/d, down from 62,000 b/d a month earlier. Gasoil imports were at 25,000 b/d, up from 19,000 b/d in the previous month. China imported 340,000 b/d of fuel oil in January, about 40% lower than in the previous month, mainly due to the surge in fuel oil imports in December before a tax hike taking effect in January. Despite this decline, the share of China's fuel oil imports to its total product imports increased from 43% in the previous month to 45% in January. Imports of LPG averaged 187,000 b/d in January, up from 168,000 b/d in the previous month. In January, LPG imports accounted for 25% of China's total product imports, with jet fuel 14%, naphtha 8% and gasoil 3%.

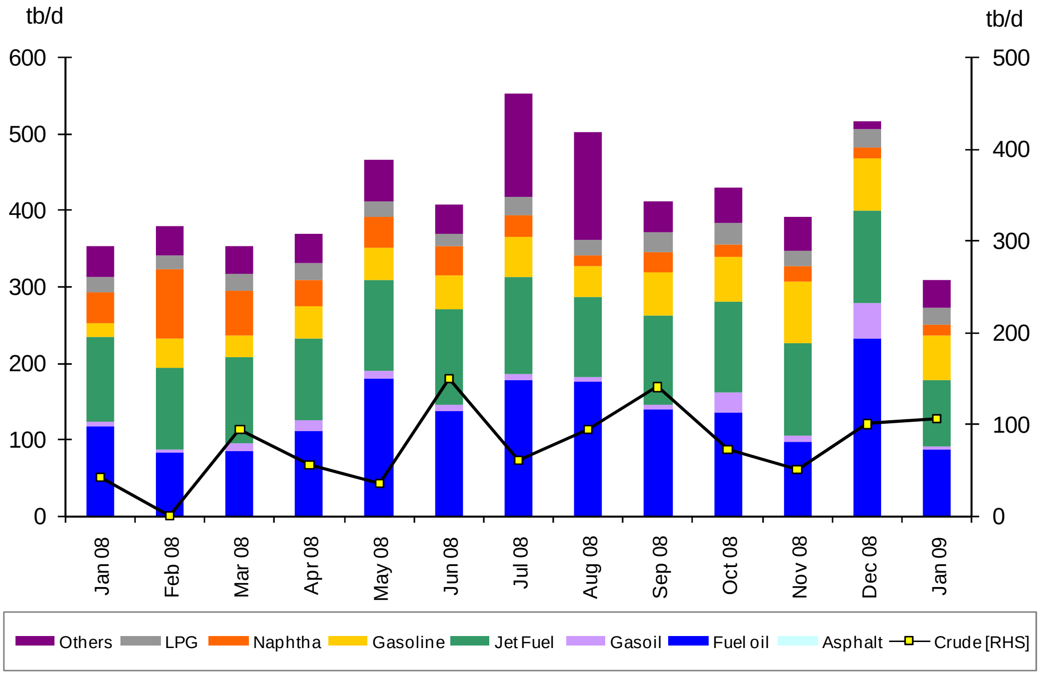
Table 24: China's crude and product net imports/(exports), tb/d

	Nov 08	Dec 08	Jan 09	Change Jan/Dec
Crude oil	3,214	3,297	2,926	-372
Total products	211	605	310	-295
Total crude and products	**3,424**	**3,902**	**3,235**	**-667**

China's crude oil exports in January were at 107,000 b/d, up from 100,000 b/d in the previous month. China's product exports in January were at 0.31 mb/d, the lowest monthly average since February 2007. They were lower by 40% compared to the previous month, and 12% compared to the same month a year earlier. Exports of all major products were at lower volumes compared to December 2008.

Fuel oil exports in January were at 82,000 b/d, about 63% lower than in the previous month, while exports of jet fuel were at 84,000 b/d, down from 117,000 b/d in the previous month. Gasoline exports were at 60,000 b/d, down from 68,000 b/d the previous month. China's naphtha exports in January were about 14,000 b/d, down from 16,000 b/d a month earlier. Gasoil exports in January were 32,000 b/d, down from 47,000 b/d in the previous month. LPG exports stood at 22,000 b/d, almost steady compared to December. Jet fuel exports accounted for 27% of China's total product exports in January, fuel oil for 26%, gasoline 19%, gasoil 10%, LPG 7% and naphtha 5%.

Graph 38: China's exports of petroleum products



With net crude oil imports at 2.93 mb/d and net product imports at 0.44 mb/d, China's net oil imports in January stood at 3.37 mb/d, the lowest since January 2008. They were 14% or 533,000 b/d lower than in the previous month, 12% lower than a year earlier and also 17% lower than average net imports in 2008.

Once again, Saudi Arabia was China's top crude oil supplier in January with a share of 24.5%, almost steady compared to the previous month. Angola was next with 17.1%, up from 10.3% a month earlier. China increased crude oil imports from Iran to 16.5%, in January from 9.8%, in the previous month. Altogether, OPEC Member Countries supplied 66.6% of China's crude oil imports in January, up from 61.6% in December. Top non-OPEC crude oil suppliers in January include Oman with 8.3%, Russia with 7% and Sudan with 3.9%.

India

India's net oil imports declined by 7% in January on steady crude oil imports and lower net product imports

India had revised its crude oil imports for December upward to 2.47 mb/d, bringing the country's average crude oil imports for the year 2008 to 2.56 mb/d, about 6% higher than the previous year. Accordingly, India's crude oil imports were steady in January from the previous month, averaging 2.48 mb/d according to preliminary data. January imports were 106,000 b/d, or 4.4% higher compared to a year earlier.

In contrast, India's product imports declined in January by 14% compared to the previous month to average 0.34 mb/d, 9% lower compared to the previous year. Lower imports of naphtha were the main reason behind the drop in product imports in January. Gasoil imports averaged 96,000 b/d compared to 89,000 b/d the previous month. Gasoline imports remained steady compared to the previous month at 7,000 b/d. LPG imports averaged 38,000 b/d compared to 43,000 b/d in the previous month. India imported an average of 91,000 b/d of naphtha compared to 132,000 b/d in the previous month, indicating a drop of 31%. Fuel oil imports in January averaged 22,000 b/d, steady compared to the previous month, and kerosene imports were 14,000 b/d, in line with the previous month.

Graph 39: India's imports of petroleum products

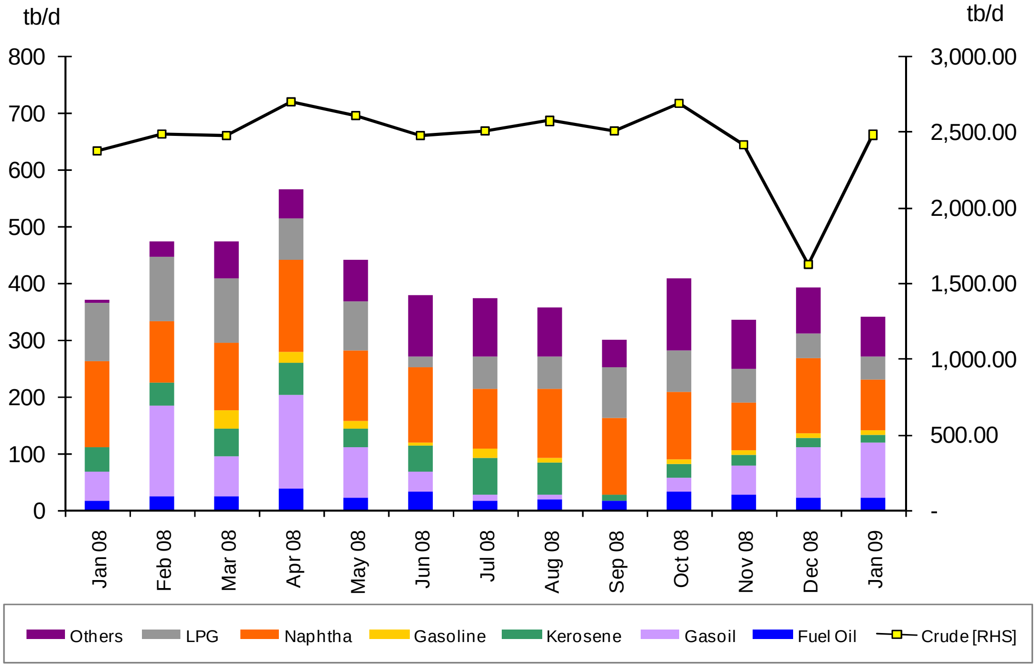
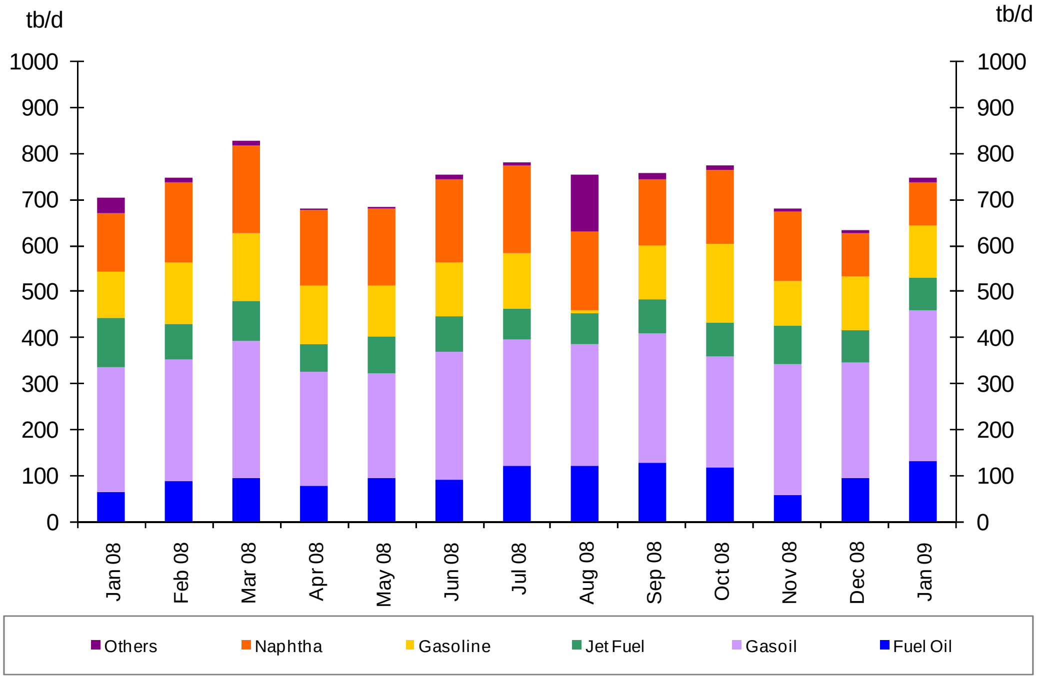


Table 25: India's crude and product net imports/(exports), tb/d

	Nov 08	Dec 08	Jan 09	Change Jan/Dec
Crude oil	2,414	2,473	2,480	7
Total products	-342	-242	-405	-163
Total crude and products	**2,072**	**2,232**	**2,075**	**-156**

On the export side, India's total product exports of 744,000 b/d in January were 17% higher compared to the previous month, and 6% higher compared to a year earlier. Fuel oil exports in January averaged 132,000 b/d, up from 92,000 b/d the previous month. Jet fuel exports were at 69,000 b/d in January, 4% lower compared to the previous month. Gasoil exports in January averaged 327,000 b/d, 26% higher than the previous month. Gasoline exports declined in January to average 115,000 b/d, from 120,000 b/d the previous month. Naphtha exports were at 93,000 b/d in January, almost steady compared to the previous month.

Graph 40: India's exports of petroleum products



As a result, India's net oil imports in January averaged 2.08 mb/d, displaying a decline of 7% or 157,000 b/d compared to the previous month, but were almost steady compared to a year earlier. The decline in net oil imports is attributed to lower net product imports and steady net crude imports.

FSU net exports of crude and products

FSU crude oil exports were steady in January while product exports were 7% higher

According to preliminary data, FSU crude oil exports in January were steady compared to the previous month to average 6.45 mb/d. Russian pipeline crude exports declined by 116,000 b/d or 3% compared to the previous month. The decline is attributed to the 198,000 b/d lower exports through the Baltic against increases in exports through the Black Sea and Druzhba by 64,000 b/d and 18,000 b/d respectively. Russian crude oil exports by rail increased by 13%, or 64,000 b/d in January compared to the previous month to average about 561,000 b/d. Kazak rail crude exports to China and CPC pipeline exports were steady in January at 17,000 b/d and 754,000 b/d respectively compared to the previous month. Caspian crude oil exports averaged 267,000 b/d in January, indicating 17%, or 39,000 b/d increase compared to the previous month.

In contrast, FSU oil product exports increased in January by 182,000 b/d, or 7% compared to the previous month to average 2.93 mb/d. Gasoil exports were at 1.11 mb/d, 14%, or 135,000 b/d higher than at the previous month, while fuel oil exports dropped by 125,000 b/d, or 12% to average 0.95 mb/d. In total, FSU crude oil and product exports averaged 9.38 mb/d in January, indicating a growth of 2%, or about 178,000 b/d compared to the previous month.

Table 26: Recent FSU exports of crude and products by source, kb/d

	2007	2008	2Q08	3Q08	4Q08	Dec 08	Jan 09*
Crude							
Russian pipeline							
Black Sea	1,361	1,249	1,345	1,226	1,199	1,233	1,297
Baltic	1,631	1,559	1,678	1,539	1,490	1,627	1,429
Druzhba	1,122	1,098	1,053	1,034	1,089	1,173	1,191
Total**	**4,114**	**3,906**	**4,076**	**3,817**	**3,779**	**4,057**	**3,941**
Other routes							
Russian rail	292	283	342	260	234	234	287
Russian - Far East	269	220	204	214	252	263	274
Kazak rail	17	17	18	17	17	17	17
CPC pipeline	692	675	709	632	732	754	754
Caspian	**245**	**184**	**196**	**148**	**210**	**228**	**267**
of which							
Supsa (AIOC) - Georgia	0	13	0	0	45	76	90
Batumi - Georgia	138	101	121	81	99	84	99
Total***	**2,234**	**2,183**	**2,348**	**2,052**	**2,219**	**2,401**	**2,513**
Total crude exports	**6,348**	**6,089**	**6,425**	**5,869**	**5,998**	**6,458**	**6,454**
Products							
All routes							
Fuel oil	1,052	1,069	1,131	1,232	1,041	1,078	953
Gasoil	777	810	787	757	849	976	1,111
Others	592	660	694	671	646	693	865
Total	**2,421**	**2,539**	**2,612**	**2,661**	**2,536**	**2,747**	**2,929**
Total oil exports	**8,783**	**8,628**	**9,037**	**8,530**	**8,534**	**9,205**	**9,383**

Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU, OPEC.
* *Preliminary.*
** *Total incl. exports of minor volumes to China.*
*** *Total incl. BTC, Atasu-Alashankou and tanker shipments from Kaliningrad to Ventspils.*

Stock Movements

Crude oil stocks increased for the seventh consecutive month on lower demand and the steep contango in the futures market

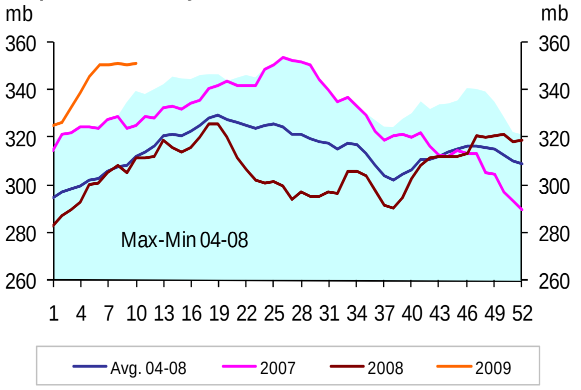
USA

US commercial oil inventories fell 5.5 mb in February to stand around 1,037 mb, the highest February level since 1999. This was the first draw since last September when stocks lost a minor 0.3 mb. Excluding this marginal draw, the decline in February is the first since March 2008. US commercial oil stocks remained above the upper end of the previous five-year range (2004-2008) showing an overhang with the seasonal average of 64 mb and were 74 mb above the same month last year.

The drop in February was driven by products, essentially gasoline, while crude oil stocks continued their upward trend. Lower demand from refineries and the contango in the futures market continued to increase crude oil stocks, which rose for the seventh month in a row. The build of 3.4 mb, albeit lower than the strong build of 23 mb in January, pushed crude oil stocks to almost 351 mb, the highest since mid-2007 resulting in an overhang with the five-year average of 45 mb. In contrast, lower refinery production reduced product inventories for the third consecutive month, dropping 9 mb with gasoline stocks being the main contributor to the draw with almost 5 mb. The drop in gasoline stocks, the first since October, was attributed to a surge in demand. Nevertheless, at around 216 mb, gasoline stocks remained comfortable considering weak demand despite being marginally below the seasonal average in absolute numbers. Contrary to gasoline, distillate stocks went against their seasonal trend, gaining 1.6 mb to stand at 144 mb. Despite the winter season, distillate stocks remained high, above the upper end of the five-year range and representing a surplus over the seasonal average of 25 mb or 21%, confirming the slowdown in demand. Residual fuel oil inventories rose 2.4 mb to move above 37 mb and jet fuel stocks gained 1.8 mb to stand slightly below 42 mb.

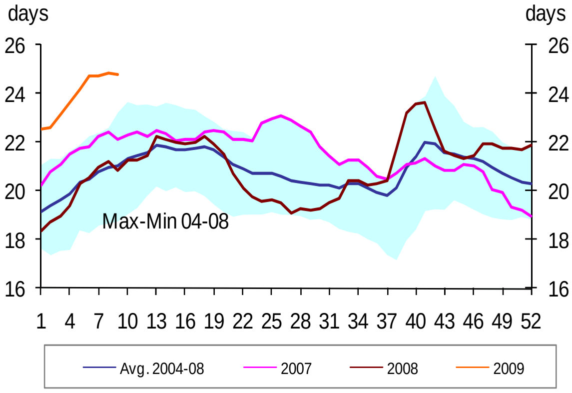
US Strategic Petroleum Reserve (SPR) added a further 1.5 mb to hit a new record of 705 mb, representing 97% of total capacity. The build came as a result of the Department of Energy (DOE) planning to fill SPR to total capacity of 727 mb, while taking advantage of low prices.

Graph 41: US weekly commercial crude oil inventories



The latest data show US commercial stocks increasing a further 2.6 mb in the first week of March to stand slightly below 1,040 mb, widening the overhang over the five-year average to 71 mb or 7.4%.The major components of oil stocks increased except gasoline, which fell 3.0 mb on the back of lower production from refineries and an increase in demand. However, at around 213 mb, gasoline stocks are still 6 mb or 3% below their seasonal levels. In contrast, crude oil stocks offset the draw of the previous week and gained 0.7 mb to return to 351 mb, implying a significant overhang of around 40 mb or 12%. It is worth noting that crude oil stocks have been hovering around the level of 351 mb since early February which may indicate that crude oil stocks are not far from capacity because the last time when crude oil stocks moved from this level was in the early 1990s when they reached 362 mb. Following the same trend, distillate inventories added a further 2.1 mb to hit 145 mb, the highest since early October 2006. However, due to sluggish demand US oil inventories remained comfortable in terms of forward cover, particularly distillate stocks which reached 36.6 days, resulting in a significant overhang of 9 days over the five-year average. Crude oil stocks with 25 days display an overhang of 4 days (*see* ***Graph 42***) while gasoline stocks are

Graph 42: US weekly forward cover (crude oil)



slightly below the seasonal average. Also, SPR gained another 0.8 mb to move to 705.7 mb. The rate of filling the SPR seems accelerated to reach full capacity of 727 as planned by the Department of Energy (DOE).

Table 27: US onland commercial petroleum stocks, mb

	Dec 08	Jan 09	Feb 09	Change Feb 09 /Jan 09	Feb 08	06 Mar 09 *
Crude oil	324.2	347.4	350.8	3.4	301.5	351.3
Gasoline	213.4	220.2	215.5	-4.7	233.8	212.5
Distillate fuel	145.9	142.3	143.9	1.6	117.0	145.4
Residual fuel oil	36.2	34.7	37.1	2.4	38.8	38.1
Jet fuel	38.2	39.9	41.7	1.8	39.9	41.6
Total	**1,033.3**	**1,042.9**	**1,037.4**	**-5.5**	**963.1**	**1,039.2**
SPR	701.8	703.6	705.1	1.5	698.8	705.7

**/ Latest available data at time of report's release.*

Source: US Department of Energy's Energy Information Administration.

Western Europe

EU-15 plus Norway oil stocks fell a marginal 1.4 mb to remain 1% below seasonal average

European (EU-15 plus Norway) total oil stocks followed the seasonal downward trend and dropped a marginal 1.4 mb in February to stand at around 1,116 mb, remaining 12 mb or 1% below the five-year average. Compared to a year earlier stocks have increased by 6 mb.

This marginal draw is attributed to crude oil which, due to a recovery in refinery runs, fell a further 1.2 mb to stand at 447.2 mb, corresponding to the five-year average. The healthy situation of crude oil stocks is attributed to the weakness in demand.

Graph 43: EU-15 plus Norway's commercial oil stocks

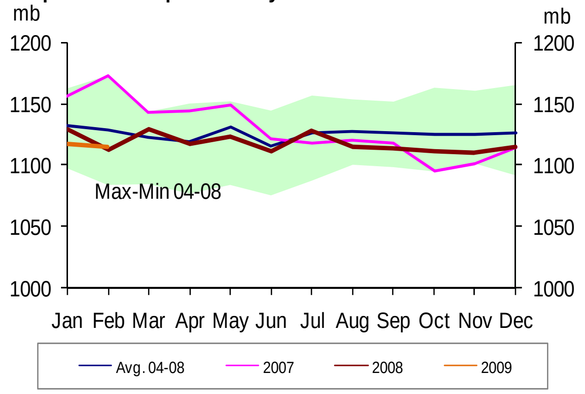


Table 28: Western Europe's oil stocks, mb

	Dec 08	Jan 09	Feb 09	Change Feb 09/Jan 09	Feb 08
Crude oil	482.6	478.4	477.2	-1.2	470.3
Mogas	121.0	122.9	122.8	-0.1	140.7
Naphtha	30.8	28.2	27.3	-0.9	29.9
Middle distillates	376.1	373.4	375.0	1.6	352.7
Fuel oils	115.6	114.0	113.2	-0.8	116.1
Total products	643.5	638.5	638.3	-0.2	639.4
Total	**1,126.1**	**1,116.9**	**1,115.5**	**-1.4**	**1,109.7**

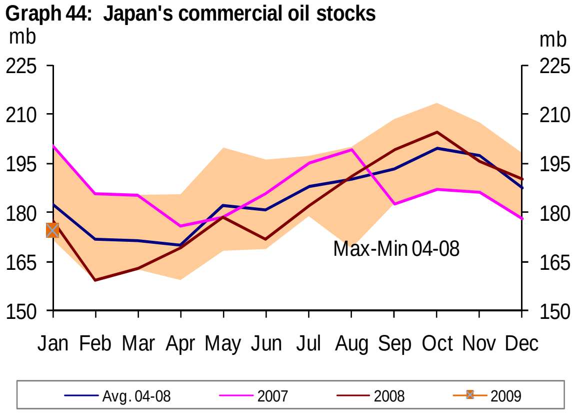
Source: Argus, Euroilstock.

In contrast, product inventories remained unchanged at 638 mb, from a year earlier. However, the picture is mixed within products with middle-distillate stocks adding a further 1.6 mb to move above the seasonal average, widening the surplus to 10 mb over the five-year average. At 375 mb, European middle-distillates are 22 mb better than a year ago. The build in distillate stocks was supported by an increase in imports from the US and Asia Pacific as well as an increase in production from refineries. On the other hand, gasoline inventories remained almost unchanged at 122.8 mb and below the lower end of the five-year average. The low level of gasoline stocks is not driven by strong demand but rather by lower production from refineries as well as increasing exports. Residual fuel oil and naphtha inventories rose by around 0.9 mb each to stand at 113.2 mb and 27.3 mb respectively. The drop in these two categories of inventories resulted from rising exports to Asia Pacific.

Japan's total commercial oil inventories dropped a hefty 15.5 mb in January but remained within the seasonal range

Japan

Japanese commercial oil inventories dropped 15.5 mb in January, the largest decline since February 2008, to stand at around 175 mb. Following three months of consecutive draws, Japan's commercial oil stocks are close to the year-earlier level but moved below the five-year average.



Both crude oil and product inventories dropped. Crude oil stocks lost 6 mb following a strong decline in imports as refineries slashed demand, but remained within the range at 103 mb and better than a year ago. Even though crude oil stocks are below the five-year range, they are still high considering the strong drop in refinery runs.

Due to a strong decline in production from refineries and lower imports, product stocks continued to decline, adding a drop of 9.5 mb in January to a total of 12.5 mb over November-December. With this cumulative draw of 22 mb, product stocks moved below 72 mb. However, gasoline stocks inched up a minor 0.4 mb to 12.7 mb while distillates dropped for the third consecutive month in line with the seasonal trend to stand at 31 mb, down 5 mb from the previous month. Both gasoline and distillate stocks are close to their respective five-year averages as the range between the minimum and the maximum is very narrow, resulting in a move out of the seasonal range despite the small difference between the current level and the five-year average.

However, Japanese total commercial oil inventories showed some recovery in February, according to preliminary data, reversing the downward trend. Inventories rose about 5 mb with crude oil gaining 2.5 mb on the back of lower refinery runs. Products also increased with gasoline and naphtha, whereas distillates continued to drop.

Table 29: Japan's commercial oil stocks*, mb

	Nov 08	Dec 08	Jan 09	Change Jan 09/Dec 08	Jan 08
Crude oil	107.9	108.7	102.7	-6.0	97.8
Gasoline	13.8	12.3	12.7	0.4	13.8
Naphtha	12.0	13.4	10.8	-2.6	11.4
Middle distillates	41.4	36.3	30.9	-5.3	37.0
Residual fuel oil	20.1	19.3	17.4	-1.9	17.2
Total products	87.3	81.3	71.8	-9.5	79.5
Total**	**195.2**	**190.0**	**174.5**	**-15.5**	**177.4**

* *At end of month.*

** *Includes crude oil and main products only.*

Source: METI, Japan.

Balance of Supply and Demand

Demand for OPEC crude in 2008 is to decline by 0.5 mb/d

Estimate for 2008

Demand for OPEC crude in 2008 was revised down 0.1 mb/d to stand at 30.9 mb/d, a decline of 0.5 mb/d from the previous year. On quarterly basis, demand for OPEC crude is estimated to average 31.7 mb/d and 30.4 mb/d in the first and second quarters, while in the third and fourth quarters required OPEC crude should reach 30.8 mb/d and 30.5 mb/d respectively.

Table 30: Summarized supply/demand balance for 2008, mb/d

	2007	1Q08	2Q08	3Q08	4Q08	2008
(a) World Oil Demand	**85.90**	**86.68**	**85.40**	**84.96**	**85.46**	**85.62**
Non-OPEC Supply	50.50	50.71	50.54	49.71	50.38	50.33
OPEC NGLs and non-conventionals	4.03	4.26	4.42	4.46	4.56	4.43
(b) Total Supply excluding OPEC Crude	**54.53**	**54.97**	**54.96**	**54.17**	**54.94**	**54.76**
Difference (a-b)	**31.36**	**31.71**	**30.44**	**30.79**	**30.52**	**30.86**
OPEC crude oil production	30.13	31.21	31.24	31.49	30.32	31.06
Balance	-1.24	-0.50	0.80	0.70	-0.20	0.20

Totals may not add due to independent rounding.

Demand for OPEC to drop sharply in 2009 by 1.8 mb/d

Forecast for 2009

Demand for OPEC crude is projected to average 29.1 mb/d, representing a sharp decline of 1.8 mb/d from the previous year and a downward revision of 0.2 mb/d from the previous estimate. The reduced expectations reflect the continuing downward adjustment to world oil demand due to the weakening economy. On a quarterly basis, required OPEC crude is now expected at 29.6 mb/d and 28.5 mb/d in the first and second quarters respectively, and at 28.9 mb/d and 29.2 mb/d in the third and fourth quarters. Demand for OPEC crude is forecast to show a significant decline of around 2.0 mb/d in the first three quarters compared to the same period last year, while the fourth quarter is expected to decline by 1.3 mb/d.

Table 31: Summarized supply/demand balance for 2009, mb/d

	2008	1Q09	2Q09	3Q09	4Q09	2009
(a) World Oil Demand	**85.62**	**85.15**	**83.84**	**84.25**	**85.20**	**84.61**
Non-OPEC Supply	50.33	50.78	50.58	50.48	50.97	50.70
OPEC NGLs and non-conventionals	4.43	4.72	4.74	4.90	4.99	4.84
(b) Total Supply excluding OPEC Crude	**54.76**	**55.50**	**55.31**	**55.37**	**55.96**	**55.54**
Difference (a-b)	**30.86**	**29.65**	**28.53**	**28.88**	**29.24**	**29.07**

Totals may not add due to independent rounding.

Graph 45: Balance of supply and demand

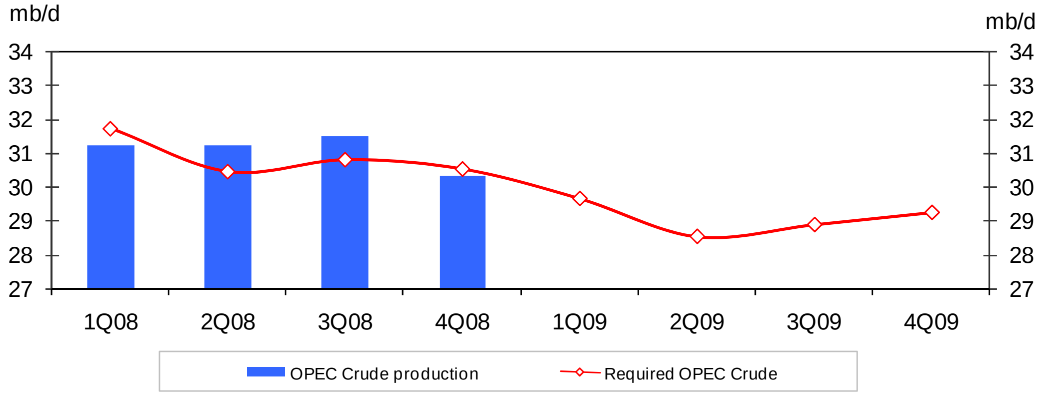


Table 32: World oil demand/supply balance, mb/d

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	49.4	49.8	49.6	49.2	48.9	47.2	46.6	47.5	47.6	47.2	45.5	45.5	46.8	46.3
North America	25.4	25.6	25.4	25.5	24.8	24.5	23.7	24.1	24.3	24.1	23.7	23.4	23.8	23.8
Western Europe	15.5	15.7	15.7	15.3	15.2	14.9	15.4	15.3	15.2	14.7	14.4	14.9	15.1	14.8
Pacific	8.5	8.6	8.5	8.3	8.9	7.8	7.5	8.0	8.1	8.4	7.4	7.2	7.9	7.7
DCs	21.8	22.6	23.3	24.2	24.8	25.1	25.1	25.0	25.0	24.9	25.3	25.4	25.3	25.2
FSU	3.8	3.9	3.9	4.0	4.0	3.9	4.2	4.4	4.1	4.0	3.9	4.2	4.4	4.1
Other Europe	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.9
China	6.5	6.7	7.2	7.6	8.0	8.2	8.1	7.7	8.0	8.1	8.2	8.2	7.8	8.1
(a) Total world demand	82.5	83.9	84.9	85.9	86.7	85.4	85.0	85.5	85.6	85.1	83.8	84.2	85.2	84.6
Non-OPEC supply														
OECD	21.3	20.5	20.2	20.1	20.0	19.7	19.1	19.7	19.6	19.6	19.4	19.3	19.5	19.5
North America	14.6	14.1	14.2	14.3	14.2	14.0	13.6	13.9	13.9	14.0	13.9	14.0	14.1	14.0
Western Europe	6.2	5.7	5.4	5.2	5.2	5.0	4.8	5.1	5.0	4.9	4.8	4.5	4.7	4.8
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7
DCs	11.6	11.9	12.0	12.0	12.2	12.2	12.2	12.3	12.2	12.5	12.5	12.7	12.8	12.6
FSU	11.1	11.5	12.0	12.5	12.6	12.7	12.5	12.5	12.6	12.6	12.7	12.5	12.7	12.6
Other Europe	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.9	3.9	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.5	50.7	50.5	49.7	50.4	50.3	50.8	50.6	50.5	51.0	50.7
OPEC NGLs + non-conventional oils	3.7	3.9	3.9	4.0	4.3	4.4	4.5	4.6	4.4	4.7	4.7	4.9	5.0	4.8
(b) Total non-OPEC supply and OPEC NGLs	53.3	53.5	53.9	54.5	55.0	55.0	54.2	54.9	54.8	55.5	55.3	55.4	56.0	55.5
OPEC crude oil production (secondary sources)	29.6	30.7	30.5	30.1	31.2	31.2	31.5	30.3	31.1					
Total supply	82.9	84.2	84.4	84.7	86.2	86.2	85.7	85.3	85.8					
Balance (stock change and miscellaneous)	0.4	0.3	-0.5	-1.2	-0.5	0.8	0.7	-0.2	0.2					
OECD closing stock levels (*mb*)														
Commercial	2538	2585	2666	2569	2573	2603	2657	2673	2673					
SPR	1450	1487	1499	1524	1527	1529	1522	1524	1524					
Total	3988	4072	4165	4093	4099	4132	4178	4197	4197					
Oil-on-water	905	958	916	943	929	929	899	n.a.	n.a.					
Days of forward consumption in OECD														
Commercial onland stocks	51	52	54	54	54	56	56	57	58					
SPR	29	30	30	32	32	33	32	32	33					
Total	80	82	85	86	87	89	88	89	91					
Memo items														
FSU net exports	7.3	7.7	8.1	8.5	8.7	8.8	8.2	8.1	8.4	8.6	8.8	8.3	8.3	8.5
(a) - (b)	29.2	30.4	31.1	31.4	31.7	30.4	30.8	30.5	30.9	29.6	28.5	28.9	29.2	29.1

Note: Totals may not add up due to independent rounding.
n.a. Not available.

Table 33: World oil demand/supply balance: changes from last month's table † , mb/d

	2004	2005	2006	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
World demand														
OECD	-	-	-	-	-	-	-	-0.2	-	-0.4	-0.3	-	-0.2	-0.2
North America	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	0.2	-0.1	-
Western Europe	-	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1
DCs	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.3	-0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
(a) Total world demand	-	-	-	-	-	-	-	-0.3	-0.1	-0.5	-0.6	-0.3	-0.7	-0.5
World demand growth	-	-	-	-	-	*-0.03*	*-0.01*	*-0.32*	*-0.09*	*-0.53*	*-0.55*	*-0.29*	*-0.37*	*-0.43*
Non-OPEC supply														
OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-0.3	-0.1	-0.2	-0.2	-0.2
Total non-OPEC supply growth	-	-	*0.01*	-	*-0.01*	*-0.01*	*-0.01*	*-0.06*	*-0.02*	*-0.28*	*-0.14*	*-0.17*	*-0.14*	*-0.18*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-0.1	-0.2	-0.2	-0.2	-0.2
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.1	-	-0.4	-0.3	-0.4	-0.4	-0.4
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-0.1	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	0.2	0.1					
OECD closing stock levels (*mb*)														
Commercial	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	-						
Oil-on-water	-	-	-	-	-	-	-	-						
Days of forward consumption in OECD														
Commercial onland stocks	-	-	-	-	-	-	-	-						
SPR	-	-	-	-	-	-	-	-						
Total	-	-	-	-	-	-	-	0.7						
Memo items														
FSU net exports	-	-	-	-	-	-	-	0.1	-	-0.1	-	-0.1	-	-
(a) - (b)	-	-	-	-	-	-	-	-0.2	-0.1	-0.1	-0.2	-	-0.3	-0.2

† This compares Table 32 in this issue of the MOMR with Table 32 in the February 2009 issue.
This table shows only where changes have occurred.

Table 34: OECD oil stocks and oil on water at the end of period

	2004	2005	2006	2007	2008	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Closing stock levels *mb*																					
OECD onland commercial	2,538	2,585	2,666	2,569	2,673	2,533	2,612	2,627	2,585	2,585	2,648	2,760	2,666	2,597	2,656	2,649	2,569	2,573	2,603	2,657	2,673
North America	1,193	1,257	1,277	1,231	1,308	1,201	1,275	1,254	1,257	1,240	1,277	1,351	1,277	1,238	1,294	1,285	1,231	1,215	1,240	1,279	1,308
Western Europe	915	934	962	931	958	942	915	942	934	937	935	948	962	941	936	932	931	964	955	948	958
OECD Pacific	430	394	428	406	407	389	422	432	394	408	436	461	428	419	427	431	406	393	408	430	407
OECD SPR	1,450	1,487	1,499	1,524	1,524	1,462	1,494	1,494	1,487	1,487	1,493	1,495	1,499	1,507	1,506	1,520	1,524	1,527	1,529	1,522	1,524
North America	678	687	691	699	704	690	698	696	687	688	690	690	691	691	692	695	699	702	708	704	704
Western Europe	377	407	412	421	414	376	401	405	407	407	411	412	412	415	413	423	421	421	417	414	414
OECD Pacific	396	393	396	404	406	396	395	393	393	392	393	393	396	401	401	403	404	404	404	403	406
OECD total	3,988	4,072	4,165	4,093	4,197	3,995	4,106	4,121	4,072	4,072	4,141	4,255	4,165	4,104	4,163	4,169	4,093	4,099	4,132	4,178	4,197
Oil-on-water	905	958	916	943	n.a.	934	931	926	958	962	971	972	916	914	905	923	943	929	929	899	n.a.
Days of forward consumption in OECD																					
OECD onland commercial	51	52	54	54	58	52	53	52	51	53	54	55	54	54	54	53	53	54	56	56	57
North America	47	49	50	51	55	47	50	49	50	49	50	53	50	49	51	50	50	50	52	53	54
Western Europe	58	60	63	61	65	61	58	60	58	61	60	60	63	63	61	60	61	65	62	62	65
OECD Pacific	50	46	51	50	53	48	52	49	42	52	55	52	48	53	54	49	46	50	54	53	49
OECD SPR	29	30	30	32	33	30	30	30	29	31	30	30	30	31	31	30	31	32	33	32	32
North America	27	27	27	29	30	27	27	27	27	27	27	27	27	27	27	27	28	29	30	29	29
Western Europe	24	26	27	28	28	25	26	26	25	27	26	26	27	28	27	27	28	28	27	27	28
OECD Pacific	46	46	47	50	53	49	49	45	42	50	49	45	44	51	51	46	46	52	54	50	49
OECD total	80	82	85	86	91	82	83	82	80	84	84	85	84	85	85	84	84	87	89	88	89

n.a. Not available.

Table 35: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2004	2005	2006	Change 06/05	1Q07	2Q07	3Q07	4Q07	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08
USA	7.65	7.34	7.36	0.02	7.46	7.58	7.41	7.54	7.50	0.14	7.64	7.75	7.20	7.49	7.52	0.02	7.65	7.69	7.71	7.80	7.71	0.20
Canada	3.07	3.03	3.20	0.17	3.34	3.24	3.36	3.34	3.32	0.12	3.28	3.11	3.30	3.30	3.25	-0.07	3.28	3.25	3.32	3.43	3.32	0.07
Mexico	3.83	3.77	3.69	-0.08	3.58	3.59	3.45	3.33	3.49	-0.21	3.29	3.18	3.13	3.09	3.17	-0.31	3.10	2.97	2.98	2.91	2.99	-0.18
North America	14.56	14.14	14.24	0.11	14.38	14.41	14.22	14.20	14.30	0.06	14.20	14.04	13.63	13.88	13.94	-0.37	14.03	13.91	14.01	14.14	14.02	0.08
Norway	3.19	2.97	2.78	-0.19	2.72	2.46	2.48	2.57	2.56	-0.22	2.51	2.39	2.38	2.54	2.45	-0.10	2.41	2.34	2.19	2.35	2.32	-0.13
UK	2.10	1.89	1.71	-0.18	1.79	1.75	1.49	1.72	1.69	-0.02	1.69	1.64	1.41	1.54	1.57	-0.12	1.49	1.46	1.38	1.37	1.42	-0.15
Denmark	0.39	0.38	0.34	-0.04	0.31	0.31	0.30	0.31	0.31	-0.04	0.28	0.28	0.27	0.28	0.28	-0.02	0.28	0.27	0.23	0.25	0.26	-0.02
Other Western Europe	0.50	0.51	0.54	0.03	0.68	0.69	0.69	0.69	0.68	0.15	0.72	0.73	0.75	0.75	0.74	0.05	0.75	0.75	0.75	0.75	0.75	0.01
Western Europe	6.18	5.74	5.37	-0.37	5.50	5.20	4.95	5.29	5.23	-0.13	5.20	5.04	4.82	5.12	5.04	-0.19	4.93	4.82	4.55	4.72	4.75	-0.29
Australia	0.52	0.53	0.51	-0.02	0.51	0.54	0.54	0.51	0.53	0.02	0.47	0.53	0.54	0.57	0.53	0.00	0.56	0.59	0.60	0.56	0.58	0.05
Other Pacific	0.05	0.05	0.05	0.00	0.06	0.06	0.09	0.11	0.08	0.03	0.11	0.10	0.10	0.09	0.10	0.02	0.11	0.12	0.12	0.12	0.12	0.02
OECD Pacific	0.57	0.58	0.56	-0.02	0.57	0.61	0.63	0.61	0.60	0.04	0.58	0.63	0.64	0.66	0.63	0.03	0.66	0.71	0.72	0.68	0.69	0.07
Total OECD	21.31	20.45	20.17	-0.28	20.45	20.22	19.79	20.11	20.14	-0.03	19.99	19.71	19.08	19.66	19.61	-0.53	19.63	19.43	19.27	19.54	19.47	-0.14
Brunei	0.21	0.21	0.22	0.01	0.20	0.18	0.19	0.19	0.19	-0.03	0.19	0.16	0.17	0.18	0.17	-0.02	0.18	0.18	0.18	0.18	0.18	0.00
India	0.79	0.76	0.79	0.03	0.82	0.81	0.81	0.82	0.82	0.02	0.83	0.81	0.82	0.83	0.82	0.01	0.84	0.80	0.83	0.86	0.83	0.01
Indonesia	1.15	1.12	1.07	-0.05	1.03	1.02	1.01	1.03	1.02	-0.04	1.05	1.04	1.04	1.03	1.04	0.02	1.04	1.04	1.07	1.07	1.06	0.02
Malaysia	0.79	0.77	0.76	-0.01	0.75	0.75	0.76	0.80	0.76	0.01	0.78	0.76	0.78	0.75	0.77	0.00	0.80	0.77	0.79	0.79	0.79	0.02
Thailand	0.25	0.30	0.32	0.02	0.33	0.34	0.34	0.34	0.34	0.02	0.34	0.35	0.36	0.36	0.35	0.02	0.36	0.36	0.36	0.36	0.36	0.01
Vietnam	0.42	0.39	0.37	-0.02	0.36	0.35	0.34	0.35	0.35	-0.02	0.34	0.31	0.29	0.32	0.31	-0.03	0.38	0.35	0.36	0.36	0.36	0.05
Asia others	0.18	0.26	0.26	0.01	0.27	0.27	0.27	0.26	0.27	0.00	0.28	0.28	0.28	0.29	0.28	0.01	0.29	0.29	0.29	0.29	0.29	0.01
Other Asia	3.81	3.80	3.79	-0.01	3.76	3.70	3.72	3.79	3.74	-0.05	3.80	3.71	3.73	3.76	3.75	0.01	3.88	3.79	3.88	3.91	3.86	0.11
Argentina	0.80	0.78	0.77	0.00	0.77	0.77	0.76	0.75	0.76	-0.01	0.77	0.77	0.76	0.75	0.76	0.00	0.75	0.74	0.73	0.72	0.74	-0.03
Brazil	1.80	1.98	2.11	0.12	2.15	2.15	2.16	2.14	2.15	0.04	2.23	2.28	2.31	2.29	2.28	0.13	2.36	2.39	2.50	2.51	2.44	0.16
Colombia	0.54	0.53	0.54	0.01	0.53	0.53	0.54	0.55	0.54	0.00	0.57	0.59	0.61	0.63	0.60	0.06	0.64	0.65	0.66	0.66	0.65	0.05
Trinidad & Tobago	0.16	0.18	0.18	0.00	0.16	0.16	0.16	0.15	0.16	-0.02	0.16	0.15	0.16	0.16	0.16	0.00	0.16	0.17	0.17	0.17	0.17	0.01
L. America others	0.26	0.30	0.26	-0.03	0.26	0.27	0.27	0.28	0.27	0.00	0.27	0.28	0.28	0.31	0.29	0.02	0.29	0.29	0.29	0.29	0.29	0.00
Latin America	3.55	3.77	3.86	0.09	3.88	3.88	3.88	3.88	3.88	0.02	4.00	4.06	4.12	4.15	4.08	0.20	4.19	4.23	4.34	4.35	4.28	0.20
Bahrain	0.21	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	0.21	0.21	0.21	0.21	0.21	0.00
Oman	0.79	0.78	0.75	-0.03	0.73	0.72	0.71	0.70	0.71	-0.03	0.72	0.74	0.74	0.73	0.74	0.02	0.76	0.76	0.77	0.78	0.77	0.03
Syria	0.49	0.45	0.44	-0.02	0.42	0.42	0.42	0.42	0.42	-0.02	0.41	0.41	0.41	0.41	0.41	-0.01	0.41	0.41	0.41	0.41	0.41	0.00
Yemen	0.41	0.41	0.37	-0.03	0.35	0.34	0.33	0.33	0.34	-0.04	0.31	0.31	0.30	0.29	0.30	-0.03	0.29	0.28	0.27	0.27	0.28	-0.03
Middle East	1.90	1.85	1.76	-0.09	1.69	1.69	1.66	1.65	1.67	-0.09	1.65	1.66	1.66	1.64	1.65	-0.02	1.66	1.66	1.66	1.66	1.66	0.01
Chad	0.16	0.18	0.16	-0.02	0.16	0.15	0.15	0.15	0.15	-0.01	0.15	0.15	0.15	0.15	0.15	0.00	0.15	0.14	0.14	0.13	0.14	-0.01
Congo	0.24	0.24	0.25	0.01	0.25	0.23	0.24	0.25	0.24	0.00	0.26	0.26	0.26	0.27	0.26	0.02	0.29	0.29	0.30	0.35	0.31	0.04
Egypt	0.71	0.70	0.67	-0.02	0.67	0.67	0.67	0.67	0.67	0.00	0.68	0.68	0.69	0.70	0.69	0.02	0.71	0.70	0.70	0.68	0.70	0.01
Equatorial Guinea	0.30	0.36	0.37	0.01	0.36	0.37	0.37	0.37	0.37	0.00	0.38	0.38	0.38	0.38	0.38	0.01	0.38	0.37	0.37	0.36	0.37	-0.01
Gabon	0.25	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.24	0.24	0.24	0.26	0.24	-0.01	0.26	0.27	0.27	0.27	0.27	0.02
South Africa	0.19	0.19	0.19	0.00	0.18	0.18	0.18	0.18	0.18	-0.01	0.17	0.17	0.17	0.17	0.17	-0.01	0.16	0.16	0.16	0.16	0.16	-0.01
Sudan	0.30	0.34	0.40	0.06	0.50	0.50	0.48	0.51	0.50	0.10	0.50	0.49	0.47	0.45	0.48	-0.02	0.47	0.47	0.49	0.50	0.48	0.00
Africa other	0.21	0.25	0.32	0.07	0.34	0.34	0.34	0.37	0.35	0.03	0.38	0.38	0.38	0.38	0.38	0.03	0.40	0.40	0.41	0.40	0.40	0.02
Africa	2.36	2.52	2.60	0.09	2.71	2.69	2.68	2.75	2.71	0.11	2.75	2.75	2.74	2.75	2.75	0.04	2.81	2.79	2.82	2.85	2.82	0.07
Total DCs	11.63	11.93	12.02	0.09	12.03	11.96	11.94	12.07	12.00	-0.02	12.20	12.19	12.24	12.30	12.24	0.23	12.54	12.47	12.71	12.77	12.62	0.39
FSU	11.14	11.55	12.02	0.47	12.51	12.45	12.50	12.62	12.52	0.50	12.62	12.68	12.45	12.49	12.56	0.04	12.61	12.67	12.51	12.70	12.62	0.06
Russia	9.19	9.44	9.65	0.21	9.87	9.83	9.89	9.87	9.87	0.22	9.78	9.74	9.81	9.80	9.78	-0.08	9.69	9.67	9.64	9.61	9.65	-0.13
Kazakhstan	1.18	1.23	1.30	0.07	1.35	1.34	1.35	1.36	1.35	0.05	1.42	1.44	1.33	1.47	1.41	0.06	1.50	1.52	1.40	1.58	1.50	0.09
Azerbaijan	0.31	0.44	0.65	0.21	0.85	0.86	0.81	0.92	0.86	0.21	0.96	1.03	0.85	0.77	0.90	0.04	0.94	1.00	0.99	1.04	0.99	0.09
FSU others	0.47	0.44	0.42	-0.02	0.44	0.42	0.45	0.46	0.44	0.02	0.46	0.47	0.46	0.46	0.46	0.02	0.47	0.47	0.47	0.47	0.47	0.01
Other Europe	0.17	0.16	0.15	-0.01	0.15	0.15	0.15	0.14	0.15	-0.01	0.13	0.13	0.13	0.12	0.13	-0.02	0.12	0.12	0.12	0.12	0.12	0.00
China	3.50	3.64	3.69	0.06	3.78	3.82	3.73	3.75	3.77	0.07	3.82	3.88	3.85	3.85	3.85	0.08	3.90	3.90	3.88	3.85	3.88	0.03
Non-OPEC production	47.75	47.73	48.06	0.32	48.92	48.60	48.12	48.69	48.58	0.52	48.76	48.59	47.76	48.43	48.38	-0.20	48.79	48.59	48.49	48.99	48.72	0.33
Processing gains	1.83	1.86	1.90	0.04	1.92	1.92	1.92	1.93	1.92	0.02	1.95	1.95	1.95	1.95	1.95	0.03	1.98	1.98	1.98	1.98	1.98	0.03
Non-OPEC supply	49.58	49.59	49.96	0.36	50.84	50.52	50.04	50.62	50.50	0.54	50.71	50.54	49.71	50.38	50.33	-0.17	50.78	50.58	50.48	50.97	50.70	0.37
OPEC NGL	3.54	3.74	3.76	0.02	3.77	3.95	4.04	4.03	3.95	0.19	4.16	4.32	4.36	4.45	4.32	0.37	4.61	4.63	4.79	4.89	4.73	0.41
OPEC Non-conventional	0.17	0.16	0.14	-0.02	0.08	0.08	0.08	0.09	0.08	-0.05	0.11	0.11	0.11	0.11	0.11	0.02	0.11	0.11	0.11	0.11	0.11	0.00
OPEC (NGL+NCF)	3.71	3.89	3.89	0.00	3.85	4.03	4.13	4.12	4.03	0.14	4.26	4.42	4.46	4.56	4.43	0.39	4.72	4.74	4.90	4.99	4.84	0.41
Non-OPEC & OPEC (NGL+NCF)	53.29	53.49	53.85	0.37	54.69	54.55	54.17	54.74	54.53	0.68	54.97	54.96	54.17	54.94	54.76	0.22	55.50	55.31	55.37	55.96	55.54	0.78

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

Table 36: World Rig Count

	2004	2005	Change 05/04	1Q 06	2Q 06	3Q 06	4Q 06	2006	Change 06/05	1Q 07	2Q 07	3Q 07	4Q 07	2007	Change 07/06	1Q 08	2Q 08	3Q 08	4Q 08	2008	Change 08/07	Jan 09	Feb 09	Change Feb/Jan
USA	1,190	1,378	188	1,519	1,632	1,719	1,719	1,648	270	1,733	1,757	1,788	1,790	1,767	119	1,770	1,864	1,978	1,898	1,878	111	1,553	1,320	-233
Canada	369	490	121	665	282	494	440	470	-20	532	139	348	356	344	-126	507	169	432	408	379	35	377	413	36
Mexico	110	107	-3	85	85	77	84	83	-24	90	88	96	93	92	9	96	106	103	106	103	11	125	132	7
North America	1,669	1,975	306	2,269	1,999	2,290	2,243	2,200	225	2,355	1,984	2,232	2,240	2,203	3	2,373	2,139	2,512	2,411	2,359	156	2,055	1,865	-190
Norway	17	17	0	19	20	16	9	16	-1	16	19	18	17	18	2	17	21	21	21	20	2	25	25	0
UK	16	21	5	29	27	26	15	24	3	25	29	27	22	26	2	19	21	24	24	22	-4	23	20	-3
Western Europe	65	65	0	77	78	73	65	73	8	72	78	76	73	75	2	71	78	83	83	79	4	85	85	0
OECD Pacific	22	25	3	25	28	25	28	27	2	24	30	32	30	29	2	32	39	39	34	36	7	29	29	0
Total OECD	1,755	2,065	310	2,371	2,105	2,389	2,336	2,300	235	2,450	2,091	2,340	2,342	2,306	6	2,476	2,256	2,634	2,529	2,474	168	2,168	2,089	-79
Other Asia	178	201	23	198	196	206	201	201	0	209	216	214	207	217	16	214	225	218	216	152	64	198	211	13
Latin America	116	129	13	137	151	153	153	149	20	183	178	173	181	178	29	181	181	181	197	192	14	171	162	-9
Middle East	70	72	2	72	79	82	85	80	8	82	85	87	86	85	5	89	91	93	90	91	6	86	86	0
Africa	51	54	3	59	62	68	77	67	13	75	80	88	88	83	16	84	90	97	94	91	8	90	88	-2
Total DCs	415	456	41	466	488	509	507	493	37	510	510	509	515	511	18	512	520	540	532	526	15	492	547	55
Non-OPEC Rig Count	2,120	2,465	345	2,794	2,549	2,850	2,806	2,751	286	2,950	2,593	2,842	2,850	2,808	57	3,006	2,795	3,192	3,081	3,019	211	2,678	2,654	-24
																								0
Algeria	19	21	2	21	21	28	27	24	3	25	26	28	28	27	3	26	27	24	26	26	-1	24	23	-1
Angola	3	3	0	4	4	4	4	4	1	5	4	3	5	4	0	5	6	5	5	5	1	5	5	0
Ecuador	10	12	2	12	11	11	12	11	-1	12	10	11	10	11	0	7	9	12	13	10	-1	10	10	0
Iran	41	40	-1	40	45	47	45	44	4	51	51	51	50	50	6	50	50	50	51	50	0	51	51	0
Iraq	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Kuwait	10	12	11	12	13	14	15	14	15	14	13	13	11	12	13	12	11	12	12	12	0	12	10	-2
Libya	10	9	-1	9	9	10	12	10	1	13	12	14	14	13	3	14	15	15	15	15	2	16	16	0
Nigeria	8	9	1	10	9	10	10	10	1	8	7	8	10	8	-2	9	8	6	6	7	-1	5	7	2
Qatar	9	12	3	13	10	11	9	11	-1	11	12	13	14	13	2	11	12	11	11	11	-2	9	9	0
Saudi Arabia	32	36	4	54	60	70	76	65	29	76	76	78	77	77	12	78	77	76	76	77	0	74	72	-2
UAE	16	16	0	17	16	16	16	16	0	14	15	15	14	14	-2	12	12	13	12	12	-2	14	11	-3
Venezuela	55	67	12	78	83	85	77	81	14	76	80	77	71	76	-5	82	81	77	81	80	4	74	69	-5
OPEC Rig Count	213	237	24	270	281	306	303	290	53	305	306	311	304	305	15	306	308	301	308	305	0	294	283	-11
																								0
Worldwid Rig Count*	2,333	2,702	369	3,064	2,830	3,156	3,109	3,041	339	3,255	2,899	3,153	3,154	3,113	72	3,312	3,103	3,493	3,389	3,324	211	2,972	2,937	-35
of which:																								0
Oil	877	959	82	1,069	1,060	1,169	1,156	1,114	155	1,266	1,155	1,257	1,288	1,239	125	1,374	1,320	1,443	1436	1393	154	1273	1273	0
Gas	1,436	1,722	280	1,981	1,757	1,969	1,932	1,911	197	1,969	1,725	1,876	1,842	1,853	-67	1,904	1,752	2,014	1916	1896	35	1668	1633	-35
Others	20	22	2	14	13	18	21	16	-6	20	19	20	24	21	5	34	31	36	37	35	14	31	31	0

**/Excludes China and FSU.*

na - Not available.

Source: Baker Hughes International & Secretariat's Estimates.

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

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Data Summary March 2009

OPEC Basket average price

US$ per barrel

⬇ *down 0.17 in February*	***February 2009***	*41.35*
	January 2009	*41.52*
	Year-to-date	*41.44*

February OPEC production

in million barrels per day, according to secondary sources

⬇ *down 0.68 in February*	***February 2009***	*28.03*
	January 2009	*28.71*

World economy

Global economic growth for 2008 has been revised down to 3.1% from 3.3% while the 2009 forecast has been adjusted downwards to show a contraction of 0.2% from positive growth of 0.4%. The changes are due to downward revisions in all world regions.

Supply and demand

in million barrels per day

2008		***2009***	
World demand	*85.6*	*World demand*	*84.6*
Non-OPEC supply	*54.8*	*Non-OPEC supply*	*55.5*
Difference	***30.9***	***Difference***	***29.1***

Non-OPEC supply includes OPEC NGLs and non-conventional oils.
Totals may not add due to independent rounding.

Stocks

US commercial oil inventories fell 5.5 mb, but remained 64 mb above the five-year average. The decline was due to products as crude continued to increase for the seventh month in a row.

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Next report to be issued on 15 April 2009.
Data cover period up to the end of February 2009 unless otherwise stated.