





## SHORT-TERM GLOBAL OIL MARKETS OUTLOOK, SUMMER 2007

**Global Oil Demand:** Global oil demand growth is expected to increase 1.6 million barrels per day (b/d) this year. Slightly weaker demand by member countries of the Organization for Economic Cooperation and Development (OECD), resulting from very mild weather in the first quarter, is offset by slightly stronger apparent demand in China. Growth this year will once again be primarily in North America and China.

**Non-OPEC Production:** After making allowances for delays, disappointments, and accelerated decline, we expect non-OPEC production growth of around 0.7 million b/d this year. Higher growth is possible, but with delays to new production still arising, the summer maintenance and hurricane seasons still to come, and accelerated decline taking its toll, growth should be below announced additions.

**OPEC Output and Capacity:** Restricted OPEC output has provided a major support for crude oil prices. Publicly, OPEC ministers are describing the market as well supplied and are attributing high prices to geopolitical factors and a tight downstream. The OPEC Secretariat's very optimistic view of non-OPEC increases later this year explains OPEC's reluctance to consider increases in output. Spare capacity is around three million b/d, and additional capacity will come on-stream in the fourth quarter, so there should be no problem with raising output when members become convinced of the need to do so.

**Crude Oil Prices:** This winter has seen the steepest OECD inventory drawdown in several years, with product stocks in North America the largest contributor. Looking forward, the balance is getting tighter, but we assume price signals will indicate the need for increased supplies and that OPEC will respond. That response will be slow in coming, resulting in stocks levels being drawn down considerably in the second half of the year. Prices are expected to remain in the mid-\$60s per barrel in the second and third quarters, driven by tight crude markets and competition for available supplies;











