

OPEC cuts demand growth forecast

Cartel slashes 2006 views by 110,000 barrels per day due to slower pace of oil consumption in United States and Asia.

March 17, 2006: 8:29 AM EST

LONDON (Reuters) - OPEC cut its forecast for 2006 global oil demand growth by 110,000 barrels per day (bpd) Friday due to slower consumption in the United States and Asia.

OPEC pegged global demand growth for the year at 1.46 million bpd, down from its forecast in its monthly report in February at 1.57 million.

Despite high oil prices, demand growth was still much stronger than in 2005, when world consumption rose by close to 1 million bpd.

OPEC ministers agreed to keep output unchanged at near 25-year highs at their meeting last week in a bid to bring down high prices and to counter market concern about the potential for major supply disruptions.

Despite brimming stocks, U.S. oil was trading well above \$63 a barrel Friday.

"Global oil demand growth for the current year has been revised down... to account for the pessimistic view for the persistent year-on-year contraction in U.S. demand during January and February as well as a more pessimistic view for growth from non-OECD Asia," OPEC said in its March report.

The removal of government fuel subsidies in some Asian countries has hit demand there, OPEC said.

But the quick pace of economic growth in non-OECD Asia should help compensate for some of that demand erosion, OPEC said.

The cartel also said that strong apparent demand growth in China in January was also positive for the global demand picture.

Global demand in 2006 was expected to come in at 84.51 million bpd. OPEC expects to supply just more than a third of that, pegging demand for its crude at 28.4 million bpd.

That is 100,000 bpd less than OPEC's demand forecast for its own crude in last month's report, and 200,000 bpd less than demand for OPEC crude in 2005.

OPEC, citing secondary sources, said it produced 29.7 million bpd in February, up 160,000 bpd from January.

The group also trimmed its expectation for supply from non-OPEC producers by about 60,000 bpd to 1.4 million bpd. Non-OPEC was expected to produce about 51.5 million bpd in 2006.

But OPEC said there are still major uncertainties for non-OPEC performance, including the rate of recovery in the U.S. Gulf of Mexico from last year's hurricanes and the impact of prolonged shutdowns in Norway.

"A number of fields in Norway have been shut down for three to four days to make repairs, the impact of which is likely to curbe output in the months ahead," OPEC said.

“Out of Gas”
Real Estate Finance 164

Assignment #2

Due: 10-9-06

10% of final grade

Total pages with references: three (3)

Background:

CNN reported 3-19-06 and 3-20-06 on a special report, entitled “*We were warned, Tomorrow’s Oil Crisis*”, that we as a nation are in jeopardy of running out of oil and our continued dependency on foreign oil might lead to “new oil wars”. <http://www.cnn.com/CNN/Programs/presents/>

Real Estate Finance:

How is the price/cost of housing in California influenced by the “cost” of oil? Specifically, as the price of a barrel of oil (for autos, heating, etc) increases, HOW will this effect the price or cost of housing in California?

Assignment:

Use headings (as shown above). Three pages or less including references. Typed with a font size 12. Due 10-9-06 by 8:30 PM.