

OIL PRICES - SHORT-TERM OUTLOOK

In July and August, OPEC oil producers exported roughly 2 million b/d above the underlying level of demand for their oil. That surplus has recently been hitting the major oil markets. Significantly, oil prices have remained fairly steady with North Sea oil trading in the range \$13.5 - 15.0 a barrel.

Evidently, oil buyers have been prepared to buy for stock in anticipation that prices will harden. This vote of confidence in OPEC's current efforts to limit their production and boost prices has so far been matched by a surprising degree of self discipline on the part of OPEC members.

My guess is that OPEC's meeting scheduled for 6 October will endorse a continuation of the current production controls. The market will read this positively; OPEC discipline will be maintained; and North Sea oil prices will harden towards \$20 a barrel over the next 2-3 months. Thereafter, the outlook for prices will depend on whether some more durable arrangements can be established for balancing world supply against demand.

