

Prime Minutes (2)

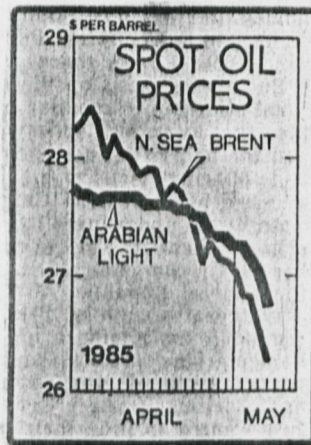
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MR TURNBULL

OIL MARKET

The recent slide of the ^{spot} ~~Stock~~ Market price for North Sea oil has led to renewed speculation that OPEC's official prices are under pressure.

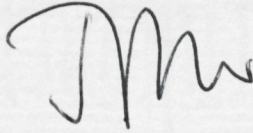


In case the Prime Minister would like a comment, I have sought the views of BP, Esso, Shell and a leading independent analyst. This time round there is not the usual foreboding that the pressures for another downward adjustment of official prices are uncontainably building up.

There is still a close balance between world oil supply and demand, with Saudi Arabia for the first time having lowered its production below the current North Sea level. World oil stocks are close to minimum levels, implying that nervous buyers have little chance to hang back and live off stocks in anticipation of falling prices.

There is no prospect of OPEC members being able to relax their control over oil production for the remainder of this year or next. On the other hand, now that the official OPEC auditors are functioning, they do seem to be playing a useful rôle in holding the ring between individual OPEC members - if only as a neutral scorekeeper.

Interestingly, forward prices for North Sea oil do not show the familiar pattern of decline from current levels. If this is a measure of market sentiment, it reinforces the impression I am getting that we should see the recent oil price slide as a bout of the summer jitters, rather than the onset of a deep-rooted trend; today the North Sea spot price jumped 80 cents.



JOHN WYBREW