

January 2014

MACROECONOMIC INDICATORS

- ISM Manufacturing ↑
- Fed Reserve Manufacturing Index ↑
- Rig Counts ↑

PETROLEUM DEMAND INDICATORS

- Total Deliveries ↑
- Gasoline ↑
- Distillates ↑
- Jet Fuel ↑

RETAIL PRICING INDICATORS

- Regular Gasoline ↑
- On-highway Diesel ↑

PETROLEUM DELIVERIES

Total petroleum deliveries in January moved up 3.0 percent from January 2013 to 19.2 million barrels per day. These were the highest January deliveries in six years, since 2008. Compared with December 2013, total domestic petroleum deliveries, a measure of U.S. petroleum demand, rose slightly by 0.2 percent. The overall economy in the U.S. showed a slow gain in January, adding 113,000 jobs according to the Bureau of Labor and Statistics (BLS), and the U.S. unemployment rate declined by 0.1 percent from December 2013 to a six-year low of 6.6 percent.

Gasoline deliveries in January were up from the prior year, but were down from the prior month. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 1.1 percent from January 2013 to average 8.3 million barrels per day—the highest January demand since 2011. Compared with December 2013, total motor gasoline deliveries decreased by 5.2 percent. The average regular-grade gasoline price in January rose by 3.5 cents from the prior month and 0.001 cents from the prior year to \$3.392 per gallon, according to the latest EIA price data. At nearly 4.1 million barrels per day, distillate deliveries increased by 0.5 percent in January compared with January 2013—driven by the strong high sulfur distillate (HSD) deliveries which grew by 12.4 percent from January 2013. Compared to the prior month, January distillate deliveries moved up 9.0 percent. High sulfur distillate fuel (HSD), which is now relegated to near exclusive use for heating oil in the residential and commercial sectors, increased by 214 thousand barrels per day or 63.1 percent from December 2013 to 553 thousand barrels per day. According to NOAA latest report, heating degree days rose 19.6 percent from last year to 1,255 in January. In January, ULSD prices rose by 1.1 cents from last month's price of \$3.882 per gallon to \$3.893 per gallon, according to the latest EIA price data. "Other Oils" including liquid petrochemical feedstocks, naphtha, gasoil, and propane were 27.0 percent of total deliveries. Deliveries of "other oils" for January showed an increase of 10.3 percent over year-ago levels and were higher than December 2013 deliveries by 5.5 percent. The huge increase was driven by propane demand in the past weeks. According to the EIA's recent report on Midwest propane market, with the nation experiencing severely cold weather for several weeks, propane supplies in the Midwest were extremely tight.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in January for the eighth consecutive month. Moreover, the overall economy expanded for the 56th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 51.3 percent, 5.2 percentage points below December 2013's seasonally adjusted reading of 56.5 percent.

PETROLEUM SUPPLY

Domestic crude oil production remained robust in January reaching above 8.0 million barrels per day for the second consecutive month, and was seen up from the prior year but was slightly down from the prior month. Crude oil production rose 15.1 percent from January 2013, but was slightly down by 0.2 percent from December 2013 to average close to 8.1 million barrels per day. This was the highest January output in 26 years, since 1988. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, and the prior year to reach a new high. NGL production in January averaged nearly 2.8 million barrels per day, up by 1.1 percent from last month and was 16.6 percent higher than last year. This was the highest output level on record. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in January was 1,769, down from December's count of 1,771 but was up from January 2013's count of 1,756. The number of oil and gas rigs continued to average below 2,000 for 25 straight months.

Total petroleum imports in January were at their lowest level in 19 years, since 1995. Total imports averaged 9.3 million barrels per day, down 790 thousand barrels per day or 7.9 percent from the prior year. Compared to the prior month, total imports rose by 2.1 percent. With increased crude production, crude oil imports in January were also seen at their lowest in 17 years, falling by 412 thousand barrels per day or 5.2 percent from January 2013 to 7.5 million barrels per day. Compared with December 2013, crude oil imports were 3.4 percent higher. In January, refined product imports fell from the prior year to their lowest January level in 19 years, since 1995, to 1.7 million barrels per day. Refined product imports fell 18.1 percent from the prior year, and were down 3.4 percent from the prior month. For 36 months in a row, since February 2011, refined product imports continued to be below the export levels.

Refinery gross inputs moved up by 5.7 percent from January 2013 to reach a new high for the month of 15.8 million barrels per day. Compared with December 2013, refinery gross inputs were down 656 thousand barrels per day or 4.0 percent. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than demand for those products. Exports of refined petroleum products increased by 36.3 percent in January 2014 compared to January 2013 to average 3.9 million barrels per day. This was the highest January export level ever, and was just 70 thousand barrels below October 2013's record level of nearly 4.0 million barrels per day. At 9.0 million barrels per day, the highest January output recorded, gasoline production in January rose 4.5 percent from the prior year. Gasoline production was down 4.4 percent from the prior month. Distillate fuel production rose 7.2 percent from last year to average nearly 4.8 million barrels per day. This was also the highest January output recorded. Distillate fuel production fell 7.1 percent from the prior month. At a nine-year high for the month of January, the refinery capacity utilization rate averaged 88.6 percent in January, up 4.8 percentage points from the prior year, but was down by 3.7 percentage points from the prior month. API's latest refinery operable capacity was 17.816 million barrels per day.

Crude oil stocks ended in January at 361.1 million barrels—the second highest January inventory level in 32 years, since 1982. Crude stocks were up 1.2 percent from the prior month, but were down 4.4 percent from the prior year. In January, motor gasoline stocks ended up by 3.3 percent from December 2013, but down by 2.6 percent from January 2013, to 228.4 million barrels. Meanwhile, distillate fuel stocks ended at an 11-year low, down 11.1 percent from year ago levels and down 4.9 percent from month ago levels to 116.7 million barrels. This was the lowest January inventory level since 2003. Jet fuel stocks were down 8.3 percent from January 2013 and down 2.2 percent from December 2013 to 36.4 million barrels. Stocks of “other oils” were also down from year ago levels and month ago levels. Total inventories of all oils were down 6.7 percent from year ago levels, and down 4.5 percent from month ago levels.

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