

March 2016

## 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 March moved up by 0.4 percent from March 2015 to average 19.3 million barrels per day. These were the highest March deliveries in eight years, since 2008. Compared with February, total domestic petroleum deliveries decreased by 2.4 percent. For the first quarter of 2016, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were up by 0.4 percent compared with the first quarter of 2015 to average nearly 19.4 million barrels per day. These were the highest first quarter deliveries since 2008. According to the Bureau of Labor and Statistics (BLS) April 1, 2016 report, the U.S. added 215,000 jobs in March. In addition, the unemployment rate (5.0 percent) and the number of unemployed persons (8.0 million) were up slightly from February.

Gasoline deliveries, a measure of consumer gasoline demand, in March were up from the prior month, the prior year, and the prior first quarter. Total motor gasoline deliveries moved up 2.2 percent from March 2015, and were up by 1.6 percent from February to average nearly 9.3 million barrels per day. These were the highest March deliveries ever recorded. For the first quarter of 2016, gasoline deliveries increased by 2.2 percent compared with the first quarter of 2015. The average regular-grade gasoline price in March rose by 19.9 cents from the prior month, but was down by 47.5 cents from the prior year to \$2.071 per gallon, according to the latest EIA price data. Last month's price was the lowest March price in seven years, since 2009, but was the highest price in 2016. Distillate deliveries in March were down from the prior month, the prior year, and the prior first quarter. Distillate deliveries decreased by 4.5 percent compared with February and were 11.3 percent lower than March 2015 to average just below 3.6 million barrels per day. For the first quarter of 2016, distillate deliveries were also down by 12.7 percent compared with the first quarter of 2015. Deliveries of ULSD for the first quarter of 2016 were down by 12.4 percent compared with the first quarter of 2015. ULSD prices rose 9.2 cents from February but were down by 80.7 cents from March 2015 to average \$2.090 per gallon in March, according to the latest EIA price data. Last month's price was the lowest February price on record and was also the second lowest price for any month on record.

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in March for the first time in six months. Moreover, the overall economy grew for the 82nd consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 51.8 percent, 2.3 percentage points higher than the February's reading of 49.5 percent.

## PETROLEUM SUPPLY

Below 9.0 million barrels per day for the first time since September 2014, U.S. crude oil production posted declines compared to the prior month, the prior year, and the prior first quarter levels. At just below 9.0 million barrels per day, U.S. crude oil production decreased by 6.8 percent from March 2015, and was down by 1.3 percent from February, but remained the second highest March production level in 30 years, since 1986. Compared with the first quarter 2015, domestic crude oil production fell by 4.1 percent. According to the latest API's 2016 Quarterly Well Completion Report, estimated oil well completions for the first quarter 2016 were down 81.0 percent from the same period last year. Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but was up from both the prior year and the prior first quarter. NGL production in March averaged nearly 3.4 million barrels per day, which was the highest level for the month on record. This was 1.8 percent below February's output of 3.4 million barrels per day, but was 5.3 percent higher than March 2015's output. Compared with the first quarter 2015, NGL production rose by 8.7 percent. According to the latest API's 2016 Quarterly Well Completion Report, estimated natural gas well completions for the first quarter 2016 were down 70.0 percent from the same period last year. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in March was 479, a drop of 10.0 percent from the previous month and 56.8 percent below the year ago level. This was the lowest oil and gas rig count ever recorded (since January 1968). The number of oil and gas rigs continued to average below 1,000 for 12 straight months.

U.S. total petroleum imports in March averaged nearly 10.0 million barrels per day. This was the highest total petroleum imports level for any month since September 2013. However, this remains the fourth lowest imports for the month of March in 19 years, since 1997. Total petroleum imports were up by 1.3 percent from the prior month, and were 4.6 percent higher compared with the prior year. The first quarter 2016 total petroleum imports were up by 4.9 percent compared with the first quarter 2015. Meanwhile, crude oil imports were also up compared with the prior year, rising by 5.4 percent from March 2015 to just below 8.0 million barrels per day in March 2016. Compared to the prior month and the prior first quarter, crude oil imports were up by 5.0 percent and 6.5 percent, respectively.

At an average of 9.7 million barrels per day, production of gasoline in March was the highest output for the month of March on record. Gasoline production decreased by 1.3 percent from February, but was up by 1.6 percent from March 2015's output. For the first quarter of 2016, gasoline production increased by 2.1 percent compared with the same period last year and was the highest first quarter on record. Production of distillate fuel in March fell from prior year ago and first quarter ago levels, falling by 1.2 percent and 3.1 percent, respectively, to average 4.8 million barrels per day. This remained the second highest March output level on record. Compared to February, distillate production rose 5.2 percent.

In March, refinery gross inputs were up from the prior month, the prior year, and the prior first quarter. Refinery gross inputs rose by 2.8 percent from last year to a record high for the month at 16.3 million barrels per day. In addition, U.S. refinery gross inputs increased by 2.3 percent from February. For the first quarter of 2016, refinery gross inputs were up by 1.9 percent compared with the prior year first quarter. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than deliveries for those products, so refined petroleum products were exported. Exports of refined petroleum products were down from the prior month, but were up from the prior year and the prior year first quarter. The refinery capacity utilization rate averaged below 90.0 percent for the third month in a row, at 89.5 percent in March. This was up by 1.8 percentage points from February, and up 0.8 percentage points from the same period last year. API's latest refinery operable capacity was 18.215 million barrels per day, down 341 thousand barrels per day from last year's capacity of 17.874 million barrels per day.

Crude oil stocks ended in March at 530.1 million barrels—the highest inventory level for any month in nearly 86 years, since July 1930. Crude stocks were up 10.5 million barrels or 2.0 percent from the prior month, and were up by 55.3 million barrels or 11.6 percent from the prior year. Stocks of total motor gasoline ended down 3.4 percent from last month, but were up by 5.4 percent from last year to 243.9 million barrels in March. These were the highest stocks for the month in 34 years, since 1982. Distillate fuel oil stocks were up 0.8 percent from the prior month and up 27.9 percent from the same period last year to end at 164.1 million barrels—the highest March inventory level in 35 years, since 1981. Jet fuel stocks were up from the prior month by 4.0 percent, and were up by 18.8 percent from the prior year to end at 44.2 million barrels. Stocks of "other oils" were down from month ago levels and year ago levels. Total inventories of all oils were down 1.7 percent from month ago levels, but were up by 8.1 percent from year ago levels.

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