

July 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 July moved up by 0.8 percent from July 2015 to average 20.1 million barrels per day. These were the highest July deliveries in nine years, since 2007. Compared with June, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased slightly by less than 0.1 percent. For year-to-date, total domestic petroleum deliveries moved up 1.1 percent compared to the same period last year. The overall economy in the U.S. showed gains for the sixth time in the year, adding 255,000 jobs in July, according to the Bureau of Labor and Statistics (BLS). The U.S. unemployment rate and the number of unemployed persons remained essentially unchanged at 4.9 percent and 7.8 million, respectively.

Gasoline deliveries in July were the highest July level on record, up from the prior month, the prior year, and the prior year-to-date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 2.4 percent from July 2015, to average nearly 9.7 million barrels per day. Compared with June 2016, total motor gasoline deliveries increased 0.3 percent. For year-to-date, total motor gasoline deliveries increased 2.5 percent compared with year-to-date 2015 to a record level just above 9.3 million barrels per day. In July, distillate deliveries were down from the prior month, the prior year, and the prior year-to-date to reach the lowest July level in five years, since 2011. Distillate deliveries averaged almost 3.8 million barrels per day, down 3.1 percent compared with July 2015, and were down 4.0 percent compared with June. For year-to-date, distillate deliveries decreased 4.8 percent compared to year-to-date 2015. The decrease in distillate deliveries was driven by the decrease in ultra-low sulfur distillate (ULSD) deliveries, which declined by 3.5 percent compared with July 2015 and down by 5.0 percent from June to average 3.6 million barrels per day in July. According to the latest EIA price data, ULSD prices in July decreased 1.8 cents from last month's price of \$2.423 per gallon to \$2.405 per gallon. Last month's price was 38.3 cents below the July 2015 price of \$2.788 per gallon, and was the lowest July price 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 July for the fifth consecutive month, while the overall economy grew for the 86th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 52.6 percent, 0.6 percentage points below the June reading of 53.0 percent.

PETROLEUM SUPPLY

Crude oil production was down from the prior month, the prior year, and the prior year-to-date as production continued to slow down and reached its lowest output level for any month since March 2014. Crude oil production decreased 1.9 percent from June, and was down 10.0 percent from July 2015 to average 8.5 million barrels per day in July. This was the fourth consecutive monthly decline observed, but was the third highest July level in 30 years, since 1986. For year-to-date, crude production was also down 5.8 percent compared with year-to-date 2015, but was the second highest year-to-date level in 31 years, since 1985. NGL production in July averaged nearly 3.6 million barrels per day, up 2.6 percent from last month, 8.7 percent from last year, and 8.6 percent from last year-to-date. This was the highest July output level on record. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for July 2016 increased 33 rigs from June to 450. However, this count represents the fourth lowest count on record and the lowest July on record. This was down 416 rigs or 48.0 percent from July 2015's count of 866.

U.S. total petroleum imports in July averaged just below 10.5 million barrels per day, up 6.8 percent from the prior month and up 9.9 percent from the prior year, but was the fourth lowest total petroleum imports for the month of July in 19 years, since 1997. For year-to-date, total petroleum imports were also up by 6.0 percent compared with year-to-date 2015. Crude oil imports increased 10.5 percent from July 2015 to nearly 8.1 million barrels per day in July 2016. Compared with June 2016, crude oil imports were 8.4 percent higher. For year-to-date, crude imports were up 7.6 percent compared with year-to-date 2015.

At 10.2 million barrels per day, gasoline production for the month of July reached its highest level for any month on record. This was up by 1.9 percent from the prior year, and up 1.3 percent from the prior month. For year-to-date, gasoline production increased by 1.9 percent compared to the same period last year and was the highest year-to-date on record. Distillate production was down 0.8 percent from the prior month, down 2.5 percent from the prior year, and down 3.0 percent from the prior year-to-date period to averaged 5.0 million barrels per day in July.

Refinery gross inputs moved down 0.7 percent from July 2015, but remained the second highest inputs for the month of July, averaging 17.1 million barrels per day. Compared to June 2016, refinery gross inputs were up 1.9 percent. Production of the four major products— gasoline, jet fuel, distillate fuel, and residual fuel was higher than demand for those products, so refined products were exported. Exports of crude oil and refined petroleum products increased 6.2 percent in July 2016, compared to July 2015, to average 5.3 million barrels per day. This was the highest July export level ever. Refinery capacity utilization rate averaged 93.1 percent in July, down 2.0 percentage points from the prior year, but up 1.8 percentage points compared to the prior month. API's latest refinery operable capacity was 18.320 million barrels per day.

Crude oil stocks ended in July at 519.6 million barrels—the highest July inventory level in 96 years, since 1920. Crude stocks were down 1.3 million barrels or 0.2 percent from the prior month, but were up 64.1 million barrels or 14.1 percent from the prior year. In July, total motor gasoline stocks ended at 237.1 million barrels, down 0.1 percent from the prior month but up 8.7 percent from prior year. July's total motor gasoline stocks were the highest inventory level for the month of July for 32 years, since 1984, but were the lowest inventory level in 2016. Distillate fuel oil stocks were up 2.1 percent from the prior month, and up 7.1 percent from the prior year to end at 152.2 million barrels—the highest July inventory level in five years, since 2011. Jet fuel stocks were up from the prior month by 3.0 percent, but were down 5.3 percent from the prior year to end at 41.4 million barrels. Stocks of "other oils" were down from month ago and year ago levels. Total inventories of all oils were down 2.0 percent from month ago levels, but were up 6.6 percent from year ago levels.

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