

January 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 moved up by 0.8 percent from the prior year to 19.4 million barrels per day in January 2016. These were the highest January deliveries in eight years, since 2008. Compared with December 2015, total domestic petroleum deliveries, a measure of U.S. petroleum demand, fell by 1.4 percent. The overall economy in the U.S. showed gains in January, adding 151,000 jobs according to the Bureau of Labor and Statistics (BLS). The U.S. unemployment rate was little changed at 4.9 percent in January, declining by 0.1 percent from December 2015. Deliveries of gasoline, kerosene-jet fuel, distillate oil fuel, residual fuel, and all other oils showed month-over-month declines.

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 1.4 percent from January 2015 to average 8.8 million barrels per day, the highest January demand since 2007. The average regular-grade gasoline price in January fell by 8.7 cents from the prior month and 15.1 cents from the prior year to \$2.057 per gallon, according to the latest EIA price data. This January price was the lowest since January 2007. At nearly 3.6 million barrels per day, distillate deliveries decreased by 14.5 percent compared with January 2015. Compared to the prior month, January distillate deliveries moved down 0.7 percent. The year to year decrease in distillate deliveries was driven equally by a decline in low sulfur distillate (LSD) and ultra-low sulfur distillate (ULSD) deliveries which fell by 14.3 percent and 13.9 percent, respectively, for the same period from January 2015 to January 2016. According to the latest EIA price data, ULSD prices decreased by 16.6 cents from last month's price of \$2.309 per gallon to its lowest price since May 2009 at \$2.143 per gallon. This was 85.4 cents below the January 2015 price of \$2.997 per gallon. Production and imports of distillate both showed declines from year ago levels, falling by 4.8 percent and 47.0 percent, respectively.

According to the latest report from the Institute for Supply Management (ISM), economic activity in the manufacturing sector contracted in January for the fourth consecutive month, while the overall economy expanded for the 80th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 48.2 percent, a 0.2 percentage point above December 2015's seasonally adjusted reading of 48.0 percent. According to the February ISM report, "a mix ranging from strong to soft orders, as eight of our 18 industries report an increase in orders, and seven industries report a decrease in orders."

## PETROLEUM SUPPLY

Crude oil production decreased 0.8 percent from December 2015, and was down by 1.4 percent from January 2015 to average 9.2 million barrels per day. This was the fourth consecutive monthly decline. Texas continued with high production posting the highest ever January production. However, North Dakota year over year production continued to decline for the fifth consecutive month from record high levels. Production of crude oil in the Lower 48 states in January was at its lowest level since November 2014 at 8.6 million barrels per day. This was down 0.9 percent from December 2015 and was 2.2 percent lower than in January 2015. North Dakota's crude oil production averaged less than 1.2 million barrels per day, down 0.7 percent from December's output, and was 0.7 percent lower compared to the same period last year. Texas crude production was 3.3 percent lower than December 2015, averaging just below 3.4 million barrels per day. This was 0.4 percent above the January 2015 output. Meanwhile, the Bakken and the Eagle Ford posted oil production declines last month, averaging 1.1 million barrels per day and 1.3 million barrels per day, respectively. The Permian region continued to increase production at just over 2.0 million barrels per day. NGL production was up from both the prior month and prior year. NGL production in January averaged 3.4 million barrels per day, up by 1.2 percent from last month and was 14.2 percent higher than last year. This was the highest January output level on record. Production of natural gas in the Marcellus region, the largest natural gas producing region was down for the third consecutive month, falling by 0.7 percent from December 2015. Total Marcellus production was just over 16 billion cubic feet per day, up 1.6 percent from January 2015. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for January 2016 was 656, down 58 from the 714 counted in December 2014, and down 1,027 from the 1,683 counted in January 2015. Last month's count was the lowest in over 16 years, since August 1999. The number of oil and gas rigs continued to average below 1,000 for 10 straight months.

U.S. total petroleum imports in January averaged 9.9 million barrels per day, up 4.3 percent from the prior month and up 5.3 percent from the prior year. With domestic crude oil production declining, crude oil imports in January were seen at their highest level since September 2013. Crude oil imports increased 8.0 percent from January 2015 to 7.7 million barrels per day in January. Compared with December 2015, crude oil imports were 2.2 percent higher. Refined product imports in January declined by 3.3 percent from the prior year to just under 2.2 million barrels per day, however, they increased 12.5 percent from the prior month.

Refinery gross inputs moved up by 2.5 percent from January 2015 to reach a new high for the month, averaging 16.2 million barrels per day in January. Compared to December 2015, refinery gross inputs were down 545 thousand barrels per day or 3.3 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 0.8 percent in January 2016 compared to January 2015 to average 4.6 million barrels per day. This was the highest January export level ever, and was 128 thousand barrels below December 2015's record level of 4.7 million barrels per day. In January, gasoline production averaged nearly 9.5 million barrels per day, up 1.6 percent from the prior year, but was down by 2.4 percent from the prior month. The January 2016 output was a record high for the month. However, distillate fuel production declined by 4.8 percent from January 2015. Compared to the month prior, distillate production fell by 10.3 percent. Refinery capacity utilization rate averaged 89.3 percent in January, up 0.9 percentage points from the prior year, but was down by 3.1 percentage points from the prior month. This was the highest rate for the month in 11 years. API's latest refinery operable capacity was 18.130 million barrels per day.

Crude oil stocks ended in January at 501.6 million barrels—the highest January inventory level in 86 years, since 1930. Crude stocks were up 3.6 percent from the prior month, and were up by 19.0 percent from the prior year. In January, motor gasoline stocks ended higher by 10.3 percent from December 2015, and were 5.5 percent higher from the same period last year, to their highest inventories in 34 years at 252.7 million barrels. Distillate fuel oil stocks ended at 161.5 million barrels, up 22.4 percent from year ago levels and up by 3.3 percent from month ago levels. Jet fuel stocks were both up from year ago and month ago levels, rising by 8.4 percent and 3.0 percent, respectively, to 41.7 million barrels. Stocks of “other oils” were also up from year ago levels, but were down from month ago levels. Total inventories of all oils were up 13.7 percent from year ago levels, but down 0.6 percent from month ago levels.

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