

May 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 May moved up by 3.1 percent from May 2015 to average 19.7 million barrels per day. These were the highest May deliveries in eight years, since 2008. Compared with April, total domestic petroleum deliveries, a measure of U.S. petroleum demand, decreased by 0.1 percent. For year-to-date, total domestic petroleum deliveries moved up by 1.8 percent compared to the same period last year. The overall economy in the U.S. showed gains for the fifth time in the year, adding 38,000 jobs in May, according to the Bureau of Labor and Statistics (BLS). The U.S. unemployment rate declined by 0.3 percentage points to 4.7 percent, and the number of unemployed persons declined by 484,000 to 7.4 million. Deliveries of gasoline, distillate fuel, kerosene-jet, residual fuel and all other oils showed month-over-month increases.

Gasoline deliveries in May were up from the prior month, the prior year, and the prior year-to-date to reach a record high for the month of May and year-to-date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 2.1 percent from May 2015, to average over 9.4 million barrels per day—the highest May deliveries on record. Compared with April 2016, total motor gasoline deliveries increased by 0.9 percent. For year-to-date, total motor gasoline deliveries increased by 2.8 percent compared with year-to-date 2015 to a record level at 9.2 million barrels per day. According to the latest EIA price data, the average regular-grade gasoline price in May was \$2.371 per gallon—the highest price for any month since October 2015. This was up 15.5 cents from April, but was down by 43.1 cents from May 2015. In May, distillate deliveries averaged just below 3.9 million barrels per day, up by 2.4 percent compared with May 2015. Compared to the prior month, May distillate deliveries were down 3.8 percent. For year-to-date, distillate deliveries decreased 4.6 percent compared to year-to-date 2015. The decrease in year-to-date distillate deliveries was driven by the decrease in ultra-low sulfur distillate (ULSD) deliveries, which declined by 4.2 percent during the same period to 3.7 million barrels per day. According to the latest EIA price data, ULSD prices in May increased by 16.3 cents from last month's price of \$2.152 per gallon to the highest price for the year at \$2.315 per gallon. Last month's price was 57.3 cents below the May 2015 price of \$2.888 per gallon.

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 May for the third consecutive month, while the overall economy grew for the 84th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 51.3 percent, 0.5 percentage points above the April reading of 50.8 percent.

PETROLEUM SUPPLY

Crude oil production was down from the prior month, the prior year, and the prior year-to-date to the lowest output level in 22 months. Crude oil production decreased 1.7 percent from April, and was down by 7.4 percent from May 2015 to average 8.8 million barrels per day in May. This was the eighth consecutive monthly decline seen. For year-to-date, crude production was also down by 5.1 percent compared with year-to-date 2015. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, the prior year, and the prior year-to-date. NGL production in May averaged 3.4 million barrels per day, up by 2.3 percent from last month, 5.1 percent from last year, and 6.8 percent from last year-to-date. This was the highest May output level on record. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for May 2016 fell to its lowest level ever at 409. This was down 6.6 percent from April's count of 438, and was down 54.0 percent from May 2015's count of 889.

U.S. total petroleum imports in May averaged 10.1 million barrels per day, up 1.3 percent from the prior month and up 6.3 percent from the prior year, but remained the third lowest total petroleum imports for the month of May in 20 years, since 1996. For year-to-date, total petroleum imports were also up by 5.9 percent compared with year-to-date 2015. Crude oil imports increased 11.5 percent from May 2015 to 8.1 million barrels per day in May 2016. Compared with April 2016, crude oil imports were 3.8 percent higher. For year-to-date, crude imports were also up 8.8 percent compared with year-to-date 2015. Gasoline production for the month of April averaged 9.8 million barrels per day, up 0.2 percent from the prior year, and up 0.8 percent from the prior month. Gasoline production for the month of May averaged 9.8 million barrels per day, down 0.3 percent from the prior year, and down 0.2 percent from the prior month. The May 2016 gasoline output was third highest May on record. For year-to-date, gasoline production increased by 1.2 percent compared to the same period last year and was the highest year-to-date on record. Distillate production in May was down 3.2 percent from the prior year, and down 3.1 percent from the prior year-to-date period, but up 1.5 percent from the prior month. Distillate fuel production in May averaged 4.8 million barrels per day.

Refinery gross inputs moved down 2.0 percent from May 2015, but remained the second highest inputs for the month of May, averaging 16.3 million barrels per day. Compared to April 2016, refinery gross inputs were down 0.5 percent. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than demand for those products, so refined products were exported. Exports of crude oil and refined petroleum products decreased 5.9 percent in May 2016, compared to May 2015, to average 4.6 million barrels per day. This was the second highest May export level ever. Refinery capacity utilization rate averaged 89.4 percent in May, down 3.1 percentage points from the prior year, and was flat compared to the prior month. API's latest refinery operable capacity was 18.207 million barrels per day.

Crude oil stocks ended in May at 531.4 million barrels—the highest May inventory level on record in 96 years, since 1920. Crude stocks were down 9.3 million barrels or 1.7 percent from the prior month, and were up by 52.0 million barrels or 10.9 percent from the prior year. In May, motor gasoline stocks ended at 243.9 million barrels, up 1.7 percent from the prior month and up by 9.6 percent from prior year. May's motor gasoline stocks were the highest inventory level for the month of May for 32 years, since 1984. Distillate fuel oil stocks were up 4.1 percent from the prior month, and up by 21.9 percent from the prior year to end at 163.4 million barrels—the highest May inventory level in 35 years, since 1981. Jet fuel stocks were up from the prior month by 3.8 percent, and up by 4.1 from the prior year to end at 44.2 million barrels. Stocks of "other oils" were down from month ago and year ago levels. Total inventories of all oils were down 3.8 percent from month ago levels, but were up by 4.1 percent from year ago levels.

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