

August 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 August moved up by 1.6 percent from August 2015 to average 20.1 million barrels per day. These were the highest August deliveries in nine years, since 2007. Compared with July, total domestic petroleum deliveries, a measure of U.S. petroleum demand, decreased slightly by less than 0.1 percent. For year-to-date, total domestic petroleum deliveries moved up 1.0 percent compared to the same period last year. The overall economy in the U.S. showed gains for the seventh time in the year, adding 151,000 jobs in August, 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 August were the highest level for any month 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 2.2 percent from August 2015, to average nearly 9.7 million barrels per day. Compared with July, total motor gasoline deliveries increased 0.1 percent. For year-to-date, total motor gasoline deliveries increased 2.4 percent compared with year-to-date 2015 to a record level near 9.4 million barrels per day. According to the latest EIA price data, the average regular-grade gasoline price in August was \$2.284 per gallon—the lowest August price in 11 years, since 2005. This was down 6.1 cents from July, and was down 44.2 cents from August 2015.

In August, distillate deliveries were up from the prior month, but down the prior year, and the prior year-to-date to reach the lowest August level in three years, since 2013. Distillate deliveries averaged almost 3.8 million barrels per day, down 3.2 percent compared with August 2015, but were up 0.1 percent compared with July. For year-to-date, distillate deliveries decreased 4.8 percent compared to year-to-date 2015. The decrease in year over year distillate deliveries was driven by the decrease in ultra-low sulfur distillate (ULSD) deliveries, which declined by 2.7 percent compared with August 2015 to average 3.6 million barrels per day in August. According to the latest EIA price data, ULSD prices in August decreased 5.4 cents from last month's price of \$2.405 per gallon to \$2.351 per gallon. Last month's price was 24.4 cents below the August 2015 price of \$2.595 per gallon, and was the lowest August 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 contracted in August breaking a five-month expansion streak; however, the overall economy grew for the 87th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 49.4 percent, 3.2 percentage points below the July reading of 52.6 percent.

## PETROLEUM SUPPLY

Crude oil production increased 0.3 percent from July, but was down 9.2 percent from August 2015 to average 8.5 million barrels per day in August. However, this was the first month since this past March where production increased month over month. This was the third highest August level in 31 years, since 1985. For year-to-date, crude production was also down 6.1 percent compared with year-to-date 2015, but was the second highest year-to-date level in 31 years, since 1985. 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 to reach the highest output for any month on record. NGL production in August averaged over 3.6 million barrels per day, up 2.0 percent from last month, 9.8 percent from last year, and 9.3 percent from last year-to-date. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for August 2016 increased 32 rigs from July to 481. However, this count represents the sixth lowest count on record and the lowest August on record. This was down 402 rigs or 45.5 percent from August 2015's count of 883.

U.S. total petroleum imports in August averaged 10.7 million barrels per day, up 2.5 percent from the prior month and up 9.7 percent from the prior year. For year-to-date, total petroleum imports were also up by 6.9 percent compared with year-to-date 2015. Crude oil imports increased 9.8 percent from August 2015 to nearly 8.4 million barrels per day in August 2016. Compared with July 2016, crude oil imports were 3.6 percent higher. For year-to-date, crude imports were up 8.1 percent compared with year-to-date 2015.

At 10.3 million barrels per day, gasoline production for the month of August reached its highest level for any August on record. This was up by 2.7 percent from the prior year, and up 0.3 percent from the prior month. For year-to-date, gasoline production increased by 2.0 percent compared to the same period last year and was the highest year-to-date on record. Distillate production was down 0.1 percent from the prior month, down 2.9 percent from the prior year, and down 3.0 percent from the prior year-to-date period to average nearly 5.0 million barrels per day in August. Refinery gross inputs moved up 0.5 percent from August 2015 and were the highest inputs for the month of August, averaging nearly 17.1 million barrels per day. Compared to July 2016, refinery gross inputs were virtually flat. 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 14.3 percent in August 2016, compared to August 2015, to average 5.2 million barrels per day. This was the highest August export level ever. Compared to year-to-date 2015 crude oil and refined product exports were up 10.6 percent, but decreased 1.1 percent when compared to the prior month. Refinery capacity utilization rate averaged 93.1 percent in August, down 0.8 percentage points from the prior year, but flat compared to the prior month. API's latest refinery operable capacity was 18.320 million barrels per day.

Crude oil stocks ended in August at 515.1 million barrels—the highest August inventory level in 96 years, since 1920. Crude stocks were down 4.5 million barrels or 0.9 percent from the prior month, but were up 57.3 million barrels or 12.4 percent from the prior year. In August, total motor gasoline stocks ended at 231.2 million barrels, down 2.5 percent from the prior month but up 7.8 percent from prior year. August's total motor gasoline stocks were the highest inventory level for the month of August for 35 years, since 1981, but were the lowest inventory level in 2016. Distillate fuel oil stocks were up 3.0 percent from the prior month, and up 4.5 percent from the prior year to end at 156.8 million barrels—the highest August inventory level in six years, since 2010. Jet fuel stocks were up from the prior month by 1.9 percent, but were down 2.1 percent from the prior year to end at 42.2 million barrels. Stocks of "other oils" were down from month ago levels but up from year ago levels. Total inventories of all oils were down 2.0 percent from month ago levels, but were up 6.3 percent from year ago levels.

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