

July 2017

### 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 4.9 percent from July 2016 to average nearly 20.7 million barrels per day. These were the highest July deliveries in 10 years, since 2007. Compared with June, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased 1.6 percent. For year-to-date, total domestic petroleum deliveries moved up 1.3 percent compared to the same period last year. The overall economy in the U.S. showed gains in July, adding 209,000 jobs, according to the Bureau of Labor Statistics (BLS). The U.S. unemployment rate and the number of unemployed persons remained essentially unchanged at 4.3 percent and 7.0 million, respectively.

Gasoline deliveries were up from the prior month and the prior year to reach an all-time high in July. Total motor gasoline deliveries, a measure of consumer gasoline demand, increased 1.0 percent from July 2016, to average nearly 9.7 million barrels per day. Compared with June, total motor gasoline deliveries increased 0.8 percent. For year-to-date, total motor gasoline deliveries decreased 1.0 percent compared with year-to-date 2016 to the second highest year-to-date deliveries at 9.2 million barrels per day. According to the latest EIA price data, the average regular-grade gasoline price in July was \$2.414 per gallon—the second lowest July price in 12 years, since 2005. This was down 4.6 cents from June, but was up 6.9 cents from July 2016. In July, distillate deliveries were up from the prior month, the prior year, and the prior year-to-date to reach the highest July deliveries on record. Distillate deliveries averaged 4.1 million barrels per day, up 14.7 percent compared with July 2016, and were up 2.3 percent compared with June. For year-to-date, distillate deliveries increased 3.2 percent compared with year-to-date 2016. Ultra-low sulfur distillate (ULSD) deliveries increased 15.3 percent compared with the prior year, while high-sulfur distillate (HSD) increased 27.2 percent. Compared with the prior month, ULSD deliveries and HSD deliveries both increased by 2.2 percent. According to the latest EIA price data, ULSD prices in July decreased 1.5 cents from last month's price of \$2.511 per gallon to \$2.496 per gallon. Last month's price was 9.1 cents above the July 2016 price of \$2.405 per gallon, and was the second 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, and the overall economy grew for the 98th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 56.3 percent, 1.5 percentage points below the June reading of 57.8 percent.

## PETROLEUM SUPPLY

U.S. crude oil production continued to rise and was above 9.0 million barrels per day for the sixth consecutive month. Domestic crude oil production in July increased from the prior month, the prior year, and the prior year-to-date to reach the highest July output in 45 years, since 1972. Domestic crude oil production increased 0.9 percent from June and was up by 8.6 percent from July 2016 to average 9.4 million barrels per day in July. For year-to-date, crude production increased 2.0 percent compared with year-to-date 2016, and was the second highest year-to-date output in 44 years, since 1973. 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 July averaged nearly 3.7 million barrels per day, up 1.0 percent from last month, 2.6 percent from last year, and 3.1 percent from last year-to-date. This was the highest July output on record. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for July 2017 increased 22 rigs from June and increased 504 from July 2016 to 953. This was the highest count since April 2015..

U.S. total petroleum imports decreased 3.8 percent from June and decreased 6.2 percent from July 2016 to average just below 9.9 million barrels per day in July. These were the lowest imports for the year. For year-to-date, total petroleum imports were up 2.7 percent compared with year-to-date 2016. Crude oil imports decreased 4.8 percent from July 2016 to 7.7 million barrels per day in July. Compared with June, crude oil imports were 3.5 percent lower. For year-to-date, crude imports were up 3.9 percent compared with year-to-date 2016..

At 10.2 million barrels per day, gasoline production in July reached the second highest output for the month of July, up 0.4 percent from the prior month, but down slightly by 0.3 percent from the prior year. For year-to-date, gasoline production decreased 1.0 percent compared to the same period last year and was the second highest year-to-date on record. Distillate production was down 0.1 percent from the prior month, but up 5.3 percent from the prior year, and up 4.2 percent from the prior year-to-date period to averaged 5.2 million barrels per day in July. This was the highest July output record. Refinery gross inputs moved up 3.6 percent from July 2016 and were the highest inputs for the month of July, averaging 17.6 million barrels per day. Compared to June and year-to-date 2016, refinery gross inputs were up 0.9 percent and 1.8 percent, respectively. Production of the three major products— gasoline, 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 4.0 percent from July 2016 to average 5.4 million barrels per day in July. This was the highest July export ever. Compared to June and year-to-date 2016, crude oil and refined product exports were up 1.6 percent and 14.9 percent, respectively. Refinery capacity utilization rate averaged 94.6 percent in July, up 0.9 percentage points from June and up 2.4 percentage points from July 2016. API's latest refinery operable capacity was 18.598 million barrels per day.

Crude oil stocks decreased by 4.1 percent or 20.8 million barrels from June and down 1.7 percent or 8.3 million barrels from July 2016 to end at 481.8 million barrels in July. These remained the second highest July inventory in 87 years, since 1930. In July, total motor gasoline stocks ended at 230.1 million barrels, down 3.4 percent from the prior month and down 4.2 percent from prior year. July's total motor gasoline stocks were the second highest inventory for the month of July for 33 years, since 1984. Distillate fuel oil stocks were also down from June and July 2016, falling 1.6 percent and 4.1 percent, respectively, to end at 149.6 million barrels. These were the lowest inventories since June 2016. Jet fuel stocks were down from the prior month by 2.0 percent, and were down 4.2 percent from the prior year to end at 40.1 million barrels. Stocks of "other oils" were down from month ago and year ago levels. Total inventories of all oils were up 0.7 percent from month ago levels, but were down 2.8 percent from year ago levels.

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