

January 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 moved up by 1.2 percent from the prior year to nearly 19.3 million barrels per day in January 2017. These were the highest January deliveries in nine years, since 2008. Compared with December 2016, total domestic petroleum deliveries, a measure of U.S. petroleum demand, fell by 2.1 percent. The overall economy in the U.S. showed gains in January, adding 227,000 jobs according to the Bureau of Labor Statistics (BLS). The U.S. unemployment rate was little changed at 4.8 percent in January.

Gasoline deliveries in January were down from the prior month and the prior year. Total motor gasoline deliveries, a measure of consumer gasoline demand, decreased 2.6 percent from January 2016, to average 8.4 million barrels per day— the lowest demand in 36 months. Compared with December 2016, total motor gasoline deliveries decreased 6.5 percent. The average regular-grade gasoline price in January increased 9.2 cents from the prior month and 40.1 cents from the prior year to \$2.458 per gallon, according to the latest EIA price data. This January price was the highest since January 2014.

At nearly 3.8 million barrels per day, distillate deliveries decreased by 1.6 percent compared with January 2016. Compared to the prior month, January distillate deliveries moved down 4.0 percent. The year to year decrease in distillate deliveries was driven by declines in ultra-low sulfur distillate (ULSD) and high sulfur distillate (HSD) deliveries which fell by 1.9 percent and 0.9 percent, respectively, for the same period from January 2016 to January 2017. According to the latest EIA price data, ULSD prices increased 7.0 cents from last month's price of \$2.510 per gallon to its second lowest January price on record at \$2.580 per gallon. This was 43.7 cents higher than the January 2016 price of \$2.143 per gallon. Last month's price was the highest price for any month since August 2015.

According to the latest report from the Institute for Supply Management (ISM), economic activity in the manufacturing sector expanded in January, and the overall economy expanded for the 92nd consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered 56.0 percent, a 1.5 percentage point above December 2016's seasonally adjusted reading of 54.5 percent. According to the February ISM report, "The PMI®, New Orders, and Production Indexes all registered their highest levels since November of 2014, and comments from the panel are generally positive regarding demand levels and business conditions."

PETROLEUM SUPPLY

Crude oil production increased 1.0 percent from December 2016, but was down by 2.5 percent from January 2016 to average almost 9.0 million barrels per day in January 2017. This was the third highest January since 1986. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from both the prior month and the prior year. NGL production in January averaged 3.5 million barrels per day, up 1.9 percent from last month and was 6.6 percent higher than last year. This was the highest January output level on record.

According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for January 2017 was 688, up 54 from the 634 counted in December 2016, and up 32 from the 656 counted in January 2016. Last month's count was the highest in 13 months, since December 2015.

U.S. total petroleum imports in January averaged 10.7 million barrels per day, up 6.3 percent from the prior month and up 9.7 percent from the prior year. Crude oil imports in January were at their highest level since September 2012. Crude oil imports increased by 8.2 percent from January 2016, to 8.3 million barrels per day in January 2017. Compared with December 2016, crude oil imports were 4.2 percent higher. Refined product imports in January increased 15.1 percent from the prior year to just under 2.4 million barrels per day, and they increased 14.6 percent from the prior month.

Refinery gross inputs moved up 1.3 percent from January 2016 to reach a new high for the month of January, averaging nearly 16.6 million barrels per day. Compared to December 2016, refinery gross inputs were down 247 thousand barrels per day or 1.5 percent. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than demand for those products. In January, gasoline production averaged 9.3 million barrels per day, down 0.4 percent from the prior year, and was down 6.9 percent from the prior month. The January 2017 output was the second highest for the month on record. Distillate fuel production increased 7.3 percent from January 2016. Compared to the month prior, distillate production fell by 5.1 percent to just under 4.9 million barrels per day. Refinery capacity utilization rate averaged 89.7 percent in January 2017, up 0.3 percentage points from the prior year, but was down 1.4 percentage points from the prior month. This was the highest rate for the month of January in 12 years. API's latest refinery operable capacity was 18.474 million barrels per day.

Crude oil stocks ended in January at 499.5 million barrels— the highest January inventory level in 87 years, since 1930. Crude stocks were up 3.4 percent from the prior month, and were up 6.6 percent from the prior year. Total inventories of all oils were up 4.3 percent from year ago levels, and up 3.1 percent from month ago levels.

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