

May 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 May moved up by 4.9 percent from May 2016 to average 20.1 million barrels per day. These were the highest May deliveries in 10 years, since 2007, and the highest deliveries for any month in over 9 years, since January 2008. Compared with April 2017, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased 2.7 percent. For year-to-date, total domestic petroleum deliveries moved up 1.5 percent compared to the same period last year. The overall economy in the U.S. showed gains, adding 138,000 jobs in May, according to the latest U.S. Bureau of Labor Statistics (BLS) report. The U.S. unemployment rate changed little at 4.3 percent, and the number of unemployed persons declined by 774,000 to 6.9 million. Deliveries of gasoline, distillate fuel, kerosene-jet, residual fuel, and all other oils showed year-over-year increases.

Gasoline deliveries in May were up from the prior month and the prior year to reach a record high for the month of May. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 1.6 percent from May 2016, to average nearly 9.6 million barrels per day. Compared with April 2017, total motor gasoline deliveries increased 3.4 percent. These were the highest May deliveries in 10 years, since 2007. For year-to-date, total motor gasoline deliveries decreased 0.5 percent compared with year-to-date 2016 to the second highest in 10 years, since 2007. According to the latest EIA price data, the average regular-grade gasoline price in May was \$2.503 per gallon—the second lowest May price in eight years, since 2009. This was down 2.5 cents from April, but was up 13.2 cents from May 2016.

In May, distillate deliveries averaged 4.0 million barrels per day, up 7.6 percent compared with May 2016. Compared to the prior month, May distillate deliveries were down 3.9 percent. For year-to-date, distillate deliveries increased 4.2 percent compared to year-to-date 2016. The increase in distillate deliveries was driven by the increase in ultra-low sulfur distillate (ULSD) deliveries, which increased by 8.1 percent to 3.8 million barrels per day—the highest May deliveries on record. According to the latest EIA price data, ULSD prices in May decreased 2.3 cents from last month's price of \$2.583 per gallon to the second lowest May price on record at \$2.560 per gallon. Last month's price was 24.5 cents higher than the May 2016 price of \$2.315 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 96th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 54.9 percent, 0.1 percentage points above the April reading of 54.8 percent.

PETROLEUM SUPPLY

Crude oil production was up from the prior month, the prior year, and the prior year-to-date to the highest output level for any month in 19 months, since October 2015. Crude oil production increased 0.9 percent from April, and was up 5.1 percent from May 2016 to average 9.3 million barrels per day in May. This was the second highest May output in 45 years, since 1972. For year-to-date, crude production was also up 0.5 percent compared with year-to-date 2016. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month and the prior year-to-date, but down from the prior year. NGL production in May averaged 3.5 million barrels per day, up 2.6 percent from last month and 2.0 percent higher than year-to-date 2016, but down 1.5 percent from last year. This was the second highest May output level ever recorded. According to the latest report from Baker-Hughes, Inc., the average U.S. rig count for May 2017 increased to 893, the highest count for 25 months, since April 2015. This was up 4.7 percent from April's count of 853, and was up 118.3 percent from May 2016's count of 409.

U.S. total petroleum imports in May averaged 9.9 million barrels per day, down 2.4 percent from the prior month and down 2.6 percent from the prior year. For year-to-date, total petroleum imports were up 2.3 percent compared with year-to-date 2016. Crude oil imports decreased 3.4 percent from May 2016 to average nearly 7.7 million barrels per day in May 2017. Compared with April 2017, crude oil imports were 2.7 percent lower. For year-to-date, crude imports were up 1.9 percent compared with year-to-date 2016.

Gasoline production for the month of May averaged 10.2 million barrels per day, up 1.2 percent from the prior year, and up 3.5 percent from the prior month. The May 2017 gasoline output was the highest May on record. For year-to-date, gasoline production decreased by 0.5 percent compared to the same period last year but was the second highest year-to-date on record. Distillate production in May was up 8.4 percent from the prior year, up 1.4 percent from the prior month, and up 4.2 percent from the prior year-to-date period. Distillate fuel production in May averaged almost 5.2 million barrels per day—the highest May output on record.

Refinery gross inputs moved up 2.5 percent from May 2016, and were the highest inputs for the month of May on record, averaging 16.9 million barrels per day. Compared to April 2017, refinery gross inputs were down 1.9 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 increased 2.2 percent in May 2017, compared to May 2016, to average nearly 5.8 million barrels per day. This was the highest May export level ever. Compared to year-to-date 2016, refined product exports were up 14.2 percent. Refinery capacity utilization rate averaged 93.8 percent in May, up 3.9 percentage points from the prior year, and was up 1.3 percentage points compared to the prior month. API's latest refinery operable capacity was 18.017 million barrels per day.

Crude oil stocks ended in May at 509.3 million barrels—the highest May inventory level in 87 years, since 1930. Crude stocks were down 16.6 million barrels or 3.1 percent from the prior month, but were up 0.3 million barrels or 0.1 percent from the prior year. In May, total motor gasoline stocks ended at 240.0 million barrels, down 0.5 percent from the prior month and down 1.1 percent from prior year. May's motor gasoline stocks were the second highest inventory level for the month of May in 36 years, since 1981. Distillate fuel oil stocks were up 0.6 percent from the prior month, but were down 2.7 percent from the prior year to end at 150.2 million barrels—the second highest May inventory level in eight years, since 2009. Kerosine-jet fuel stocks were up from the prior month by 2.3 percent, and up 1.1 percent from the prior year to end at 45.0 million barrels. Stocks of "other oils" were up 2.9 percent from month ago levels, but down 26.0 percent from year ago levels. Total inventories of all oils were down 0.8 percent from month ago levels and down 5.4 percent from year ago levels.

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