

October 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 October moved up by 1.1 percent from October 2016 to average 19.9 million barrels per day. These were the highest October deliveries in 10 years, since 2007. Compared with September, total domestic petroleum deliveries, a measure of U.S. petroleum demand, decreased 1.8 percent. For year-to-date, total domestic petroleum deliveries moved up 1.2 percent compared to the same period last year. The overall economy in the U.S. showed gains in October, adding 261 thousand jobs, according to the Bureau of Labor Statistics (BLS). The U.S. unemployment rate and the number of unemployed persons have decreased by 0.1 percent and 281 thousand to 4.1 percent and 1.1 million, respectively.

Gasoline deliveries in October were down from the prior month, up from the prior year, and up to a record high year to date. Total motor gasoline deliveries, a measure of consumer gasoline demand, increased 2.7 percent from October 2016, to average 9.3 million barrels per day—the highest October figure on record. Compared with September, total motor gasoline deliveries decreased 0.7 percent. For year-to-date, total motor gasoline deliveries increased 0.3 percent compared with year-to-date 2016 to the highest recorded year-to-date level at 9.4 million barrels per day. According to the latest EIA price data, the average regular-grade gasoline price in October was \$2.621 per gallon—the highest October price since 2014. This was down 14.0 cents but up 26.2 cents from the prior month and the prior year, respectively. Distillate deliveries in October were down from the prior month and the prior year, to hit the lowest October deliveries in five years and the lowest level for any month since July. Distillate deliveries averaged nearly 3.9 million barrels per day, down 3.1 percent compared with October 2016, and 4.5 percent lower compared with September. For year-to-date, distillate deliveries increased 1.8 percent compared to year-to-date 2016. Ultra-low sulfur distillate (ULSD) deliveries decreased 5.5 percent compared with the prior month and reached the lowest deliveries for the month of October since 2011 at just below 3.7 million barrels per day. According to the latest EIA price data, ULSD prices increased 0.9 cents from last month's price of \$2.785 per gallon to \$2.794 per gallon in October. Last month's price was 34.0 cents above the October 2016 price of \$2.454 per gallon - the highest price for any month recorded since June 2015.

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 October, and the overall economy grew for the 101st consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 58.7 percent, a decrease of 2.1 percentage points from the September reading of 60.8 percent.

## PETROLEUM SUPPLY

U.S. crude oil production in October remained strong and above 9.0 million barrels per day for the ninth consecutive month. Domestic crude oil production increased 7.0 percent from the prior year and reached the highest October output in 45 years, since 1972, to average 9.4 million barrels per day in October. Compared with the prior month and the prior year to date, crude oil production decreased 1.1 percent and increased 3.3 percent, respectively. Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but up from the prior year and the prior year-to-date to reach a record output for the month of October. NGL production in October averaged nearly 3.7 million barrels per day, down 1.4 percent from last month, but up 4.1 percent from last year, and up 4.0 percent from last year-to-date. The month-ago declines in crude oil and NGL production likely reflected the impact of Hurricane Nate. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for October 2017 decreased 1.9 percent from September but increased 69.8 percent from October 2016 to 922—the highest October count in three years.

U.S. total petroleum imports decreased 5.4 percent from September and decreased 0.8 percent from October 2016 to average just above 9.6 million barrels per day in October. These were the lowest imports since November 2015. For year-to-date, total petroleum imports were up 1.6 percent compared with year-to-date 2016. Crude oil imports decreased 3.6 percent from October 2016 to 7.3 million barrels per day in October. These were the third lowest imports for the month of October in 21 years, since 1996. Compared with September, crude oil imports were 2.1 percent lower. For year-to-date, crude imports were up 2.2 percent compared with year-to-date 2016. U.S. exports of crude oil and refined petroleum products increased 30.3 percent from September and increased 34.7 from October 2016 to average 6.7 million barrels per day in October. This was the highest total petroleum exports level for any month on record. The significant increase in U.S. total exports was brought by the all-time high exports of crude oil in the last week in October. Compared with year-to-date 2016, crude oil and refined product exports were up 13.8 percent.

Gasoline production was up from the prior month, but was down from the prior year and the prior year-to-date. In October, gasoline production reached the second highest output for the month of October, up 3.5 percent from the prior month, but down 0.2 percent from the prior year to average 10.0 million barrels per day in October. For year-to-date, gasoline production decreased 1.5 percent compared to the same period last year and was the second highest year-to-date on record. Distillate production in October reached the highest production level for the month of October at just below 5.0 million barrels per day. This was up 9.7 percent from the prior month, up 7.4 percent from the prior year, and up 3.0 percent from the prior year-to-date. Fuel Distillate year to date 2017 was the second highest year to date on record. With a number of refineries coming back from their scheduled turnaround, refinery gross inputs in October moved up 3.8 percent from September and up 3.3 percent from October 2016 and were the highest inputs for the month of October to date, averaging 16.3 million barrels per day. Compared with year-to-date 2016, refinery gross inputs increased 2.3 percent. Refinery capacity utilization rate averaged 87.8 percent in October, up 3.2 percentage points from September and up 2.4 percentage points from October 2016. API's latest refinery operable capacity was 18.569 million barrels per day.

Crude oil stocks decreased 2.3 percent or 10.6 million barrels from September and were down by 6.8 percent or 35.5 million barrels from October 2016 to end at 455.7 million barrels in October. These remained the second highest October inventory level in 87 years, since 1930. In October, total motor gasoline stocks ended at 211.1 million barrels, down 5.5 percent from the prior month and down 6.4 percent from the prior year. October's total motor gasoline stocks were the lowest inventory level for any month in 36 months, since October 2014. Distillate fuel oil stocks were also down from September and October 2016, falling 5.3 percent and 16.8 percent, respectively, to end at 128.8 million barrels. These were the lowest inventories in 31 months, since March 2015. Stocks of "other oils" were up from month ago and year ago levels. Total inventories of all oils were down 2.4 percent from month ago levels, but were down 5.8 percent from year ago levels.

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