

February 2014

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 February moved down by 0.6 percent from February 2013 to average 18.5 million barrels per day. These were the lowest February deliveries in 16 years, since 1998. Compared with January, total domestic petroleum deliveries, a measure of U.S. petroleum demand, fell by 3.5 percent. For year to date, total domestic petroleum deliveries moved up by 1.3 percent compared to the same period last year. This was primarily due to strong demand for heating fuels. Only high sulfur distillate and other oils (which include propane) saw increases in deliveries. The overall economy in the U.S. showed a slow gain in February, adding 175,000 jobs according to the Bureau of Labor and Statistics (BLS), and the U.S. unemployment rate increased by 0.1 percent from January 2014 to 6.7 percent. Despite these gains, there is little doubt that the severe winter weather in most of the country slowed economic activity and the demand for non-heating fuels.

In February, gasoline deliveries, a measure of consumer gasoline demand, were down from the prior year, but were up from the prior month, and the prior year to date. Total motor gasoline deliveries moved down 0.2 percent from February 2013, but were up by 1.1 percent from January to average close to 8.4 million barrels per day. These were the lowest deliveries for the month in 13 years, since 2001. For year to date, gasoline deliveries increased by 0.5 percent compared with year to date of 2013. The average regular-grade gasoline price in February rose by 4.2 cents from the prior month to \$3.434 per gallon, but was down by 30.2 cents from the prior year, according to the latest EIA price data. Distillate demand was down by 5.9 percent compared with January and was 3.6 percent below February 2013 to 3.8 million barrels per day. These were the lowest February deliveries since 2002. For year to date, distillate deliveries were also down by 1.4 percent compared with year to date 2013. The decrease in distillate deliveries was driven by decreases in ultra low sulfur distillate fuel (ULSD), which decreased by 6.4 percent compared with February 2013 to about 3.3 million barrels per day. ULSD prices were below \$4.000 for the eleventh time since March 2013, and rose by 9.1 cents from the prior month to \$3.984 per gallon in February. High sulfur distillate fuel oil deliveries (HSD), which are now relegated to near exclusive use for heating in the residential and commercial sectors, were higher compared with February 2013, up by 18.1 percent to 544 thousand barrels per day. This was down by 1.6 percent from January. According to NOAA's latest report, heating degree days rose by 6.9 percent from last year to 605 in February. Deliveries of "other oils" (including liquid petrochemical feedstocks, naphtha, gasoil, and propane) for February showed an increase of 6.1 percent over year-ago levels, but were below January 2014 deliveries by 7.9 percent. This increase was driven by the strong propane demand in the past weeks as most of the nation continues to experience severely cold weather, according to the NOAA's recent report.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in February for the ninth consecutive month. Moreover, the overall economy expanded for the 57th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated in its March 3 Press Release that the Purchasing Managers Index (PMI) was registered at 53.2 percent, a 1.9 percentage point increase from January reading of 51.3 percent.

PETROLEUM SUPPLY

At just over 8.0 million barrels per day, U.S. crude oil production in February increased by 12.5 percent from February 2013, but was slightly down by 0.8 percent from January. Compared with year to date 2013, domestic crude oil production rose by 13.8 percent. Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but was up from the prior year and the prior year to date. NGL production in February was 2.7 million barrels per day, down by 1.3 percent from January's record level of 2.8 million barrels per day. This was 10.8 percent higher than February 2013's output. Compared with year to date 2013, NGL production rose by 13.8 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in February was 1,769, the same as January's count.

U.S. total imports in February averaged at just over 9.0 million barrels per day. This was the lowest imports level in 18 years, since 1996. Total imports were down by 2.5 percent from the prior month, and were 2.3 percent lower compared with the prior year. Year to date total imports were also down by 5.3 percent to 9.1 million barrels per day compared with year to date 2013. Meanwhile crude oil imports were up compared with the prior year, rising by 1.7 percent from February 2013 to 7.4 million barrels per day in February. Compared to the prior month and prior year to date, crude imports were down by 1.9 percent and 2.1 percent, respectively. Imports of refined products in February fell by 4.9 percent from January and were also down by 17.2 percent from February 2013 to 1.6 million barrels per day—the lowest level for the month in 23 years, since 1991.

At 9.1 million barrels per day, production of gasoline in February was a record high for the month. Gasoline production rose by 1.0 percent from January and was 3.5 percent higher than February 2013's output. For year to date, gasoline production increased by 4.1 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in February rose by 9.2 percent from the prior year to reach a record February level of 4.7 million barrels per day. For year to date, distillate production reached an all time record of 4.7 million barrels per day.

Refinery gross inputs in February rose by 6.7 percent from last year to a record high for the month of 15.5 million barrels per day. U.S. gross refinery inputs fell by 1.7 percent from January. For year to date, refinery gross inputs were up by 6.2 percent compared with year to date of 2013. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than deliveries for those products, so refined products were exported. Exports of refined petroleum products were up from the prior month, the prior year, and the prior year to date. Exports of refined petroleum products in February increased by 2.6 percent from January and were up by 24.2 percent from February 2013 to 4.0 million barrels per day—only the second time to surpass 4.0 million barrels per day level. This was the second highest level on record, and was just 415 thousand barrels lower than the record high of 4.4 million barrels per day set last December 2013. Compared with prior year to date, exports of refined petroleum products were up by 30.2 percent to just over 3.9 million barrels per day.

The refinery capacity utilization rate averaged 87.1 percent in February, down 1.5 percentage points from January but was 5.4 percentage points higher than the same period last year. API's latest refinery operable capacity was 17.816 million barrels per day, up 6 thousand barrels per day from last year's capacity of 17.810 million barrels per day.

Crude oil stocks ended in February at 364.8 million barrels—the second highest February inventory level in 31 years. Crude stocks were up 1.0 percent from the prior month, but were down by 5.2 percent from the prior year. Stocks of motor gasoline ended down 0.4 percent from last month but were up by 0.2 percent from last year to 227.4 million barrels in February. Distillate fuel oil stocks were down 6.7 percent from year ago levels and were also down 2.6 percent from prior month levels to end at 113.7 million barrels—the lowest February inventory level in 10 years. Jet fuel stocks were up from the prior month by 2.5 percent but were down by 7.9 percent from the prior year. Stocks of "other oils" were down from month ago levels and year ago levels. Total inventories of all oils were down 3.9 percent from month ago levels, and were down by 7.0 percent from year ago levels.

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