

JULY 2012

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 domestic petroleum deliveries, a measure of U.S. petroleum demand, were up by 2.8 percent from the prior month to 18.6 million barrels per day in August—but this was the lowest August level in 15 years. Total domestic petroleum demand in August fell by 4.3 percent from last year, and was down 2.6 percent for year to date. In August, industrial production fell by 1.2 percent, its biggest monthly percentage drop in over three years. This drop is partially attributable to Hurricane Isaac’s negative impact on the Gulf of Mexico region combined with a large drop in automobile output. The United States Federal Reserve is trying to combat the economic malaise by injecting an additional \$40 billion per month into the economy by the purchase of mortgage backed securities. In August, 96,000 nonfarm jobs were added to the economy compared to a revised 141,000 in July. The August jobs report did not meet many economists’ expectations that 125,000 new jobs would be created. The overall unemployment rate in August did fall to 8.1 percent compared to 8.3 percent in July. However, the overall decline is largely attributable to more individuals entirely leaving the work force. The total number of unemployed persons in the United States remains at about 12.5 million.

Total motor gasoline deliveries, a measure of consumer gasoline demand, rose 3.1 percent in August from the prior month to 8.9 million barrels per day, but were 0.4 percent below last year. On a year to date basis, gasoline deliveries decreased by 0.9 percent compared with the same period in 2011. At 3.7 million barrels per day, distillate deliveries declined by 8.5 percent in August compared with the same period last year - driven by relatively weaker ULSD deliveries (down by 5.7 percent from last year). Compared with the prior month, August distillate deliveries were up by an average of 48 thousand barrels per day, while August ULSD deliveries were also up by 55 thousand barrels per day. According to the latest report from the Institute for Supply Management Survey, economic activity in the manufacturing sector continued to contract in August for the third time since July 2009; however, for the 39<sup>th</sup> consecutive month the overall economy grew.

## PETROLEUM SUPPLY

Domestic crude oil production dropped significantly from the prior month, down by 2.8 percent from July to just over 6.0 million barrels per day in August. This is the largest month-over-month decline since Hurricane Ike hit the Gulf of Mexico in September 13, 2008. In the last week of August, refineries were shutdown, and platforms and rigs were evacuated when Hurricane Isaac hit the Gulf of Mexico.

According to the Bureau of Safety and Environmental Enforcement, at the height of the storm about 1.3 million barrels per day or 95.0 percent of oil production was suspended. Though August crude oil production was the lowest production level so far this year, overall, crude production remained high, above 6.0 million barrels per day for 10 straight months, and was higher than the prior year and the prior year to date, up by 7.0 percent and 11.9 percent, respectively. With shut-ins of about 68.0 percent of natural gas production at the peak of Hurricane Isaac late in August, natural gas liquids (NGL) production, a co-product of natural gas production, fell 2.7 percent from the prior month, and averaged 2.3 million barrels per day in August. This was 3.8 percent above the year-ago levels. Year to date, NGL production was nearly 2.4 million barrels per day, up 8.9 percent over the same period last year.

For the first eight months of 2012, refined product imports continued to be below the export levels. Total imports of crude and refined products fell by 4.6 percent from last year to average at 10.5 million barrels per day in August. Crude oil imports fell by 2.0 percent to average nearly 8.8 million barrels per day in August. Refined product imports fell by 15.5 percent compared with last year, to just under 1.8 million barrels per day.

Total refinery inputs and production of major products (gasoline, distillate, residual, and kerosine-jet fuel), all fell in August. Inputs fell by 2.5 percent from last year's levels, to 15.6 million barrels per day in August—the third highest level this year. Year to date, inputs were up by 0.7 percent compared with 2011 year to date. Production of all four major products was greater than demand for those products, so exports of refined petroleum products increased by 3.5 percent in August.

Gasoline production continued year-over-year declines for the 9<sup>th</sup> straight month but reached its third highest August level, and year to date gasoline production also reached its third highest level ever. Gasoline production fell 2.5 percent from last year to a little over 9.0 million barrels per day. Gasoline production year to date was also down, falling by 2.2 percent from 2011 year to date to 8.8 million barrels per day. Distillate fuel production in August was down 0.7 percent from last year to nearly 4.6 million barrels per day—the second highest August level. Year to date, distillate production was at a record level at 4.5 million barrels per day, up 3.2 percent from 2011 year to date. For the first time in six months, kerosine-jet production fell by 1.4 percent from July to about 1.6 million barrels per day in August. However, K-jet production rose both from last year and year to date, up by 3.1 percent and 2.6 percent, respectively.

Crude oil stocks were up 2.7 percent from last year, but down 1.9 percent from July levels to end at 358.8 million barrels in August. Stocks of major products were all down from last year's levels. Gasoline stocks were down 4.3 percent from year ago, and down 3.0 percent from month ago levels. Distillate fuel stocks were down 18.3 percent from year ago levels, but were up 1.9 percent from month ago levels to end in August at 126.7 million barrels. Jet fuel stocks were down 2.3 percent from last year, but up 4.0 percent from year ago levels. Stocks of "other oils" were down from year ago and from month ago levels. Total inventories of all oils were down by 4.4 percent from year ago levels, and down 2.9 percent from month ago levels.

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