

## FEBRUARY 2011

### 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

In February, total domestic deliveries, a measure of demand, were at a three-year high for the month. At 19.7 million barrels per day, total deliveries showed an increase over year-ago levels by 4.4 percent driven by increase in demand for all major products and a recovering economy. On a year-to-date basis, total deliveries were higher by 3.0 percent from the same period last year. Compared with the prior month, deliveries were up by 4.7 percent in February. According to the Federal Reserve's latest regional survey findings, all of the 12 regional reserve bank's districts posted a pickup and expansion in business and manufacturing activity. The Beige Book indicated that there were robust activities in consumer spending, auto sales and the labor markets. The economic uptick was reflected in the higher deliveries of gasoline, distillate fuels and jet fuels compared with a year ago.

Gasoline deliveries, at 9.0 million barrels per day, were higher by 4.2 percent from year-ago levels and a record high for any February. Ultra-low sulfur distillates were higher by 17.6 percent and high-sulfur distillates were higher by 30.6 percent as highway trucking traffic and heating oil demand continued to move higher in February. ULSD deliveries made up nearly 80 percent of all distillate deliveries in February. Total distillate fuel deliveries, at 4.0 million barrels per day, were at the highest level for the month of February since 2008. Jet fuel deliveries were higher by 7.1 percent from the prior year and at a three-year high for the month. Based on the U.S. Census data and API estimates, exports of petroleum products rose by 15.7 percent in February 2011 compared with a year ago. On a year-to-date basis, exports were up by 18.7 percent as exporters continued to meet the rising global demand for petroleum products.

## PETROLEUM SUPPLY

Domestic crude production, at 5.4 million barrels per day, dropped by 1.6 percent compared with last year and was lower than the 10-year average crude production levels. Lower 48 states showed a decrease in crude production of 2.0 percent to 4.8 million barrels per day from the prior year while Alaska regained its production losses from January to clock an average of 645 thousand barrels a day in February. On a year-to-date basis, domestic production was lower by 2.7 percent in February compared with year-ago levels. Production of natural gas liquids rose by 4.2 percent to 2.06 million barrels per day, compared with a year ago. According to the Baker Hughes report, U.S. rig counts in February were at 1,718, higher by eight from January levels and higher by 368 from February 2010 levels.

Imports of crude oil and refined products decreased by 5.2 percent this month compared with the prior year. Crude oil imports, at 8.7 million barrels per day, were lower by 0.3 percent and product imports, at 1.9 million barrels per day, were lower by 22.6 percent.

With heavy refinery maintenance and turnarounds during February, total inputs to crude distillation units, a measure of refinery activity, fell by 1.9 percent from the prior year to slightly over 14 million barrels per day. Nevertheless, gasoline production rose from February 2010 by 7.8 percent to average 9.2 million barrels per day and distillate production jumped by 18.3 percent to average 4.3 million barrels per day. Both gasoline and distillate fuels production were at record high levels for any February.

Inventories of crude oil, at 347 million barrels, were higher from the prior month and the prior year by 0.2 and 2.0 percent respectively. Crude stocks were at the second-highest level in the past ten years for any February. Only February 2009 had higher crude inventories at 358 million barrels. In contrast, inventories of motor gasoline, jet fuels and residual fuels were lower from the prior month and the prior year as the supplies were drawn to meet the rising demand in the month. Inventories of distillate fuels were lower from the prior month but finished at higher levels from a year ago.

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