

August 2013

## 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 decreased by 0.7 percent from August 2012 to average 19.1 million barrels per day in August. These were the highest deliveries for the year, but remained the lowest August level in four years, since 2009. For year to date, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were up by 0.4 percent compared to the same period last year. The overall economy in the U.S. was basically unchanged in August compared to the previous month, as employers added a disappointing 169,000 jobs to the labor force. The Bureau of Labor and Statistics (BLS) reported that the unemployment rate was barely changed at 7.3 percent. Moreover, U.S. retail sales rose in August by the smallest amount since the late spring.

In August, gasoline deliveries, a measure of consumer gasoline demand, were up from the prior month, but were down from the prior year and the prior year to date. Total motor gasoline deliveries moved up 0.4 percent from July, but were down by 0.9 percent from August 2012 to average nearly 9.1 million barrels per day. This was the highest deliveries for the year but was the third lowest August level in 13 years, since 2001. For year to date, gasoline deliveries decreased by 0.3 percent compared with year to date of 2012. The average regular-grade gasoline price in August declined by 1.7 cents from the prior month to \$3.574 per gallon. Distillate deliveries increased by 2.3 percent compared with August 2012 to approximately 3.8 million barrels per day. For year to date, distillate deliveries were also up by 2.7 percent to nearly 3.8 million barrels per day. Compared to the prior month, distillate deliveries were down by 0.2 percent. The increase in distillate deliveries was driven by increases in ultra-low sulfur distillate (ULSD). ULSD deliveries increased by 2.2 percent compared with August 2012 to 3.6 million barrels per day. ULSD prices were below \$4.000 for the sixth time since January, but increased 3.9 cents from the prior month to \$3.905 per gallon in August. This price is 7.8 cents lower than the August 2012 price.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in August for the third consecutive month. Moreover, the overall economy expanded for the 51st consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 55.7 percent, which is an increase of 0.3 percentage points from July's reading of 55.4 percent.

## PETROLEUM SUPPLY

Domestic crude oil production remained robust in August averaging above 7.0 million barrels per day for the tenth straight month. U.S. crude oil production in August increased by 1.2 percent from July and was up 20.3 percent from August 2012 to nearly 7.6 million barrels per day—the highest output for the month in 25 years. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, the prior year, and the prior year to date. At a record output for the month, NGL production in August reached just above 2.509 million barrels per day, up by 1.2 percent from last month and was 6.0 percent higher than last year. This was the third highest output ever, just 7 thousand barrels per day short from the record level of 2.516 million barrels per day set in November 2012. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in August was 1,781, up from July's count of 1,766. This was the highest count so far for the year.

U.S. total imports were below 10.0 million barrels per day for the fifth time this year, averaging at just over 9.8 million barrels per day in August. This was the lowest level for the month in 18 years, since 1995. Total imports were up by 1.0 percent from the prior month but were down by 10.0 percent from the prior year. With higher crude production and higher crude inventory levels, crude oil imports in August were seen at their lowest in 17 years, since 1996, falling by 6.8 percent from the prior year to just above 8.0 million barrels per day. This was up by 4.4 percent from the prior month and was the highest crude imports in nine months. Imports of refined products in August decreased by 12.4 percent from July and were down by 22.2 percent from August 2012 to average 1.8 million barrels per day—the lowest level for the month in 18 years.

Refinery gross inputs were above 16.0 million barrels per day for the third month in a row, and were up from the prior year and the prior year to date, but were slightly down from the prior month. In August, refinery gross inputs fell by 0.6 percent from July but were up by 4.2 percent from last year to 16.3 million barrels per day—the highest level for the month in nine years, since 2004. 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 increased by 16.1 percent in August compared with August 2012, and were also up by 2.6 percent compared with July, to average 3.503 million barrels per day—the highest level for the month on record and the second highest level ever. This was 42 thousand barrels per day lower than the record level of 3.545 million barrels per day set two months prior. Above 9.0 million barrels per day for the fourth consecutive month, gasoline production remained robust in August, up from the prior year, and the prior year to date but was slightly down from the prior month. Gasoline production decreased by 0.8 percent from July, but was 1.6 percent higher than August 2012 to 9.2 million barrels per day—the third highest output for the month on record. Production of distillate fuel reached above 5.0 million barrels per day for only the second time ever. In August, distillate fuel production reached a record high of 5.040 million barrels per day for the month, up by 9.6 percent from August 2012 but was down by 0.2 percent from July. This was the second highest output on record, short by 12 thousand barrels per day from prior month's record level of nearly 5.052 million barrels per day. The refinery capacity utilization rate averaged above 90.0 percent for the third month in a row, at 91.3 percent in August, down 0.5 percentage points from July but was up 0.5 percentage points from the same period last year. API's latest refinery operable capacity was 17.820 million barrels per day, up 3.6 percent from last year's capacity of 17.195 million barrels per day.

Crude oil stocks ended in August at 361.6 million barrels—the lowest inventory so far for the year but remained the second highest inventory level for the month in 23 years. Crude stocks were down 1.4 percent from the prior month, and were also down by 0.3 percent from the prior year. Stocks of motor gasoline ended up 8.7 percent from last year but were down by 1.8 percent from July's stocks of 222.2 million barrels to 218.1 million barrels in August. Distillate fuel oil stocks ended at 129.5 million barrels, up 2.5 percent from the prior month and up 1.6 percent from year ago levels. Jet fuel stocks were up from the prior month by 0.8 percent but were down by 9.4 from the prior year. Stocks of "other oils" were down from year ago levels and month ago levels. Total inventories of all oils were down 3.5 percent from month ago levels, and were down by 0.2 percent from year ago levels.

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