

March 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 domestic petroleum deliveries increased by 0.4 percent from March 2013 to average 18.6 million barrels per day in March 2014. These were the highest March deliveries in three years. Compared with February, total domestic petroleum deliveries increased by 0.1 percent. For the first quarter of 2014, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were down by 0.3 percent compared with the first quarter of 2013 to average 18.5 million barrels per day—the highest first quarter deliveries since 2011. According to the Bureau of Labor and Statistics (BLS), the overall economy in the U.S. showed a slow gain in March, adding 192,000 jobs, slightly lower than February's count of 197,000 jobs. The U.S. unemployment rate remained at 6.7 percent from February.

In March, gasoline deliveries, a measure of consumer gasoline demand, were up from the prior month, the prior year, and the prior first quarter. Total motor gasoline deliveries moved up 2.3 percent from March 2013 to average 8.8 million barrels per day, their highest March deliveries in three years. Compared with the prior month, gasoline deliveries were up by 4.9 percent. For the first quarter of 2014, gasoline deliveries increased by 0.7 percent compared with the first quarter of 2013 to average 8.5 million barrels per day—the highest first quarter deliveries in three years. According to the latest EIA price data, the average regular-grade gasoline price in March increased by 17.2 cents from February, but was down by 17.3 cents from March 2013 to \$3.606 per gallon. Distillate deliveries increased by 2.4 percent in March compared with the same period last year and were up by 0.8 percent from February to approximately 3.9 million barrels per day. The increase in distillate deliveries were driven by increases in high sulfur distillate fuel (HSD) deliveries. At 453 thousand barrels per day, the highest deliveries in three years, HSD fuel deliveries were up by 26.0 percent in March compared with last year. According to NOAA, heating degree days for March rose by 13.5 percent from 873 in March 2013 to 991. Compared with the first quarter, distillate deliveries were up by 1.6 percent, while HSD deliveries were up by 8.8 percent. Meanwhile, ULSD deliveries in March fell by 0.6 percent from March 2013 to 3.4 million barrels per day. According to the latest EIA price data, ULSD prices were above \$4.000 for the first time since March 2013, up by 1.7 cents from February but were down by 6.7 cents from March 2013 to average \$4.001 per gallon.

According to the latest report from the Institute for Supply Management Survey, economic activity in the manufacturing sector expanded in March for the tenth consecutive month, and the overall economy grew for the 58th consecutive month. According to the chair of the Institute for Supply Management Manufacturing Business Survey Committee, the Purchasing Managers Index (PMI) was registered at 53.7 percent, which was an increase of 0.5 percentage point from February's reading of 53.2 percent in February. The panel reported good business conditions, with some lingering concerns about the particularly adverse weather conditions across the country.

PETROLEUM SUPPLY

U.S. crude oil production remained strong in March, up from the prior month, the prior year, and the prior first quarter. Domestic crude oil production rose by 0.6 percent from February and was up by 12.8 percent from March 2013 to nearly 8.1 million barrels per day. For the first quarter 2014, domestic crude oil production rose by 12.8 percent compared with the same period last year to average 8.0 million barrels per day. Natural gas liquids (NGL) production, a co-product of natural gas production, fell by 2.0 percent from the prior month and rose by 7.6 percent from the prior year to average 2.7 million barrels per day. For the first quarter 2014, NGL production increased by 10.0 percent compared with the same period in 2013 to average 2.7 million barrels per day. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in March was 1,803, up 1.9 percent from February and up 2.7 percent from March 2013. The number of oil and gas rigs continued to average below 2,000 for 27 straight months.

U.S. total oil imports in March increased by 0.4 percent from March 2013 and were up by 5.2 percent from February to 9.5 million barrels per day, but were the second lowest imports in 18 years. For the first quarter 2014, total imports decreased by 2.1 percent compared with the first quarter of 2013 to average nearly 9.4 million barrels per day. With increased crude production, crude oil imports in March were also seen at their second lowest level in 18 years, since 1996. Crude oil imports increased by 3.6 percent from February and were up by 2.7 percent from March 2013 to average 7.7 million barrels per day in March. For the first quarter 2014, crude oil imports rose by 1.4 percent compared with first quarter 2013. Imports of refined products were below 2.0 million barrels per day for the fourth consecutive month. In March, refined product imports were 1.8 million barrels per day, up 12.4 percent from February but were down by 8.3 percent from March 2013. For the first quarter 2014, refined product imports fell by 15.0 percent to 1.7 million barrels per day.

Gasoline production in March was up from the prior month, the prior year, and the prior first quarter to its highest output for the month. Gasoline production increased by 2.4 percent from February, and was up by 4.7 percent from March 2013 to average 9.3 million barrels per day. For the first quarter 2014, gasoline production rose by 4.2 percent to average 9.1 million barrels per day—the highest first quarter gasoline production. Similarly, production of distillate fuel reached its highest March level at 4.8 million barrels per day. This was up by 2.9 percent from the prior month and was up by 11.9 percent from the prior year. For the first quarter in 2014, distillate fuel production also rose to record levels, up 8.3 percent from the same period in 2013 to 4.7 million barrels per day.

Refinery gross inputs remained below 16.0 million barrels per day for the first three months of 2014. Refinery gross inputs were down 0.04 percent from the prior month, but were up by 3.7 percent from the prior year to 15.5 million barrels per day in March. Compared to first quarter of 2013, refinery gross inputs rose by 5.0 percent for the first quarter of this year. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than deliveries for those products. Exports of petroleum products were below 4.0 million barrels for the first time in four months, down 1.0 percent from February but were up by 28.3 percent from March 2013 to average slightly below 4.0 million barrels per day. The refinery capacity utilization rate averaged 87.1 percent in March, the same as in February but was up by 3.1 percentage points from March 2013. API's latest refinery operable capacity was 17.716 million barrels per day.

Crude oil stocks ended in March up by 3.5 percent from February but were down by 3.7 percent from March 2013 to 377.5 million barrels—the second highest inventory level for the month since 1981. Stocks of motor gasoline were seen lower compared with the prior month and prior year, down 3.5 percent and 2.5 percent, respectively. Distillate fuel oil stocks ended at a six-year low, down 5.0 percent to 112.7 million barrels from year ago levels. Jet fuel stocks were down 5.8 percent from March 2013 and were up 0.8 percent from February to 37.6 million barrels. Stocks of “other oils” were down from year ago levels and from month ago levels. Total inventories of all oils were down 7.6 percent from month ago levels, and were down 7.6 percent from year ago levels.

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