

December 2015

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 December moved up by 1.1 percent from December 2014, and were up by 0.3 percent from November, to average nearly 19.7 million barrels per day. These were the highest December deliveries in five years. For the fourth quarter, total domestic petroleum deliveries, a measure of U.S. petroleum demand, moved up by 0.2 percent compared to the fourth quarter 2014. For year to date, total domestic petroleum deliveries were up by 1.8 percent compared to the same period last year to 19.4 million barrels per day. According to the Bureau of Labor and Statistics (BLS) January 8, 2016 report, the overall economy in the U.S. showed slight growth in December, adding 292,000 jobs. BLS also reported that the number of unemployed persons and the unemployment rate in December were essentially unchanged for the third month in a row, at 7.9 million and 5.0 percent, respectively. Compared with year ago levels, the unemployment rate and the number of unemployed persons were down by 0.6 percentage point and 800,000, respectively.

In December, total motor gasoline deliveries were up from the prior year, the prior quarter, and the prior year to date, but were down from the prior month. Gasoline deliveries, a measure of consumer gasoline demand, increased by 2.0 percent from December 2014, but fell by 0.9 percent from November, to average just above 9.1 million barrels per day. These were the highest deliveries for the month of December in eight years. For the fourth quarter, gasoline deliveries were up by 2.1 percent compared to fourth quarter 2014. For year to date, gasoline deliveries increased by 2.8 percent compared with year to date of 2014. According to the latest EIA price data, the average regular-grade gasoline price in December dropped to their lowest price since April 2009, falling by 11.6 cents from November and down by 48.8 cents from December 2014, to \$2.144 per gallon. Meanwhile, distillate deliveries decreased by 12.7 percent compared with December 2014 to average 3.6 million barrels per day in December. Compared to the prior month, distillate deliveries were down by 6.0 percent. Compared to fourth quarter 2014 and year to date 2014, distillate deliveries were down by 6.9 percent and 1.5 percent, respectively. ULSD prices averaged \$2.309 per gallon in December. This was down by 15.8 cents from November and was lower by \$1.102 from December 2014.

On January 4, 2016, the Institute for Supply Management (ISM) Survey reported economic activity in the manufacturing sector contracted in December, for the second consecutive month, while the overall economy grew for the 79th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) registered at 48.2 percent, a decrease of 0.4 percentage points from November's reading of 48.6. The December 2015 PMI shows continued growth, but at a slower rate of change than in previous months.

PETROLEUM SUPPLY

For the first time since February 2011, domestic crude oil production posted a year-over-year decline. U.S. crude oil production in December averaged just below 9.3 million barrels per day, up slightly by 0.7 percent from November but was down by 1.4 percent compared with December 2014. December crude oil output remains the second highest output level for the month of December in 43 years, since 1972. For the fourth quarter, domestic crude oil production was up 0.4 percent compared to the same period last year. For year to date, domestic crude oil production rose by 8.2 percent compared to the same period last year. Natural gas liquids (NGL) production, a co-product of natural gas production, averaged nearly 3.4 million barrels per day—the highest production for the month on December on record. NGL production in December was up 1.4 percent from November and was 6.5 percent higher than last year. For the fourth quarter, NGL production was up 6.7 percent compared to the same period in 2014. Compared with year to date 2014, NGL production rose by 8.2 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in December was 714, down by 6.1 percent or 46 from November's count of 760 and was down by 62.1 percent or 1,168 from December 2014's count of 1,882. This was the lowest count in over 16 years, since September 1999. The number of oil and gas rigs continued to average below 1,000 for 9 straight months.

U.S. total petroleum imports increased from the prior month and the prior year, rising by 1.1 percent and 0.9 percent, respectively. However, total petroleum imports remain the second lowest imports for the month of December since 1997, averaging nearly 9.5 million barrels per day in December. For the fourth quarter, total imports were up 1.2 percent compared to the same period last year. Year to date total imports were up by 1.7 percent to 9.4 million barrels per day compared with year to date 2014. Meanwhile, crude oil imports were up compared with the prior year, the prior quarter, and the prior year to date, but were down compared with the prior month. Crude oil imports fell by 2.9 percent from November to 7.6 million barrels per day in December. These were up by 4.6 percent compared with year-ago levels and were the second lowest imports in 19 years, since 1996. For the fourth quarter, crude imports were up 3.6 percent compared to fourth quarter 2014. Compared with year to date 2014, crude imports were down by 0.2 percent.

U.S. gross refinery inputs fell 0.1 percent from December 2014, but were up by 1.5 percent from November, to their second highest level for the month on record, averaging at 16.7 million barrels per day in December. For the fourth quarter, refinery gross inputs rose by 0.3 percent compared to the same period in 2014. For year to date, refinery gross inputs were up by 1.4 percent compared with year to date of 2014. 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. At 4.7 million barrels per day, exports of refined petroleum products were up by 0.7 percent from November but were down by 3.2 percent from December 2014. These remain the second highest December exports on record. Gasoline production in December was the second highest output for the month of December, averaging 9.7 million barrels per day. This was down by 1.3 percent from November and was 2.0 percent lower than December 2014. For the fourth quarter, gasoline production rose by 1.1 percent compared to fourth quarter 2014. For year to date, gasoline production increased by 2.1 percent compared with the same period last year and was the highest year to date on record. At 5.1 million barrels per day, distillate production posted increases from the prior month, the prior quarter, and the prior year to date, but was down compared to the prior year. Distillate production was up by 0.1 percent from the prior month but was down by 3.7 percent from December 2014. Compared to fourth quarter 2014, distillate production was up by 0.5 percent in fourth quarter 2015. Compared to year to date 2014, distillate production was up by 1.2 percent in year to date 2015 and was the highest year to date on record. The refinery capacity utilization rate averaged 92.4 percent in December, up 1.2 percentage points from November but was 1.6 percentage points lower than the same period last year. API's latest refinery operable capacity was 18.125 million barrels per day, up 1.8 percent from last year's capacity of 17.811 million barrels per day.

Crude oil stocks reached its highest inventory level for the month of December since 1930. At nearly 484.0 million barrels, crude stocks ended slightly lower than November, falling by 0.9 percent, but were 23.0 percent or 90.6 million barrels higher than December 2014. Stocks of motor gasoline ended up 5.3 percent from November, but were down by 4.7 percent from December 2014, to 229.0 million barrels in December. Distillate fuel oil stocks were up 5.5 percent from the prior month and were up by 14.7 percent from year ago levels and ended at 156.3 million barrels—the highest inventory level for the month in five years, since 2010. Jet fuel stocks were up from the prior month by 8.0 percent and were up by 5.8 percent from the prior year. Stocks of "other oils" were down from month ago levels but were up from year ago levels. Total inventories of all oils were down 2.4 percent from month ago levels, but were up by 11.8 percent from year ago levels.

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