

October 2016

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 October moved up 3.0 percent from October 2015 to average 20.1 million barrels per day, and were the highest October deliveries in nine years, since 2007. Compared with September, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased 2.4 percent. For year to date, total domestic petroleum deliveries moved up 0.3 percent compared to the same period last year. According to the Bureau of Labor and Statistics (BLS) November 4, 2016 report, the overall economy in the United States showed signs of improvement in October with an estimated 161,000 jobs added to the economy. The unemployment rate and the total number of unemployed persons were essentially unchanged from September, at 4.9 percent and 7.8 million, respectively.

Gasoline deliveries in October were down from the prior month, but up from the prior year, and the prior year to date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 0.2 percent from October 2015 to 9.3 million barrels per day. These were the lowest deliveries since April, but remained the second highest October deliveries on record. Compared with September, gasoline deliveries decreased by 1.4 percent. For year to date, gasoline deliveries increased by 1.7 percent compared with year to date of 2015. The average regular-grade gasoline price in October was \$2.359 per gallon, according to the latest EIA price data. This was up from month-ago prices by 3.2 cents, but down from year-ago prices by 2.8 cents, and was the lowest October price in ten years, since 2006. Distillate deliveries decreased by 2.9 percent from October 2015 to average 3.9 million barrels per day in October. October deliveries, however, increased by 6.9 percent from September and were the highest deliveries since March. For year to date, distillate deliveries were down by 5.5 percent compared with year to date 2015 to just above 3.8 million barrels per day. Meanwhile, ULSD deliveries decreased 2.9 percent compared with October 2015, but were up 6.9 percent from September to just above 3.7 million barrels per day in October. ULSD prices rose 6.0 cents from September but decreased 6.5 cents from October 2015 to average \$2.454 per gallon in October, according to the latest EIA price data. Last month's price was the lowest October price on record.

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in October for the 89th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) registered at 51.9 percent in October, up 0.4 percentage point from September reading of 51.5 percent.

PETROLEUM SUPPLY

Domestic crude oil production in October was higher compared to the prior month, but was lower than the prior year, and the prior year to date. At an average of 8.6 million barrels per day, U.S. crude oil production in October decreased 8.0 percent from October 2015, but increased from September by 0.2 percent. October's crude oil production was the third highest since 1985 and the second highest year to date in 31 years, since 1985. Compared with year to date 2015, domestic crude oil production declined 6.1 percent. Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but up from the prior year, and the prior year to date levels. NGL production in October averaged just above 3.5 million barrels per day, which was the highest for the month on record. However, this was a decrease of 3.8 percent from September's output, but was 0.9 percent higher than October 2015's output. Compared with year to date 2015, NGL production rose 5.5 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in October was 543, an increase of 6.7 percent from the previous month but a decrease of 31.4 percent from year ago levels. Last month's count was the fifth consecutive monthly increase.

U.S. total petroleum imports in October averaged nearly 9.8 million barrels per day, down 2.0 percent from the prior month, but up 10.4 percent from the prior year. October's total petroleum imports were the fourth lowest imports for the month in 21 years, since 1995. Year to date total imports were up 6.3 percent to average 10.0 million barrels per day compared with year to date 2015. Meanwhile, crude oil imports in October were up compared with the prior year, increasing 8.0 percent from October 2015 to average 7.7 million barrels per day. Compared to the prior month, crude imports were down 0.9 percent. Compared to year to date 2015, crude imports were up 7.3 percent. Last month's crude imports were the fourth lowest October imports in 21 years since 1995.

At an average of 10.0 million barrels per day, production of gasoline in October was the highest level ever for the month. Gasoline production increased by 0.4 percent from September, and was up 1.0 percent from October 2015's output. For year to date, gasoline production increased 2.4 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in October decreased 5.0 percent from the prior year and was down by 6.4 percent from the prior month, to reach an average output of 4.6 million barrels per day—the lowest production since January. For year to date, distillate production reached 4.8 million barrels per day, 3.5 percent lower than the same period last year. Refinery gross inputs in October increased 1.0 percent from last year to reach a record high for the month at nearly 15.9 million barrels per day. Compared with September, U.S. gross refinery inputs fell by 5.3 percent. For year to date, refinery gross inputs increased 0.7 percent compared with year to date 2015. Exports of refined petroleum products were up from the prior year and prior year to date, but were down from the prior month. Exports of refined petroleum products in October decreased 1.8 percent from September, but were up 9.5 percent from October 2015 to average 5.1 million barrels per day—the highest October level ever. The refinery capacity utilization rate in October averaged 86.0 percent. This was down 4.8 percentage points from September, and down 0.5 percentage points from the same period last year. API's latest refinery operable capacity was 18.436 million barrels per day, up 303 thousand barrels per day from last year's capacity of 18.133 million barrels per day.

Crude oil stocks (excluding lease stocks) ended in October averaging at 483.7 million barrels—the highest October inventory level in 86 years, since 1930. Crude stocks were up 3.2 percent or 15.1 million barrels from the prior month, and were up by 6.3 percent or 28.5 million barrels from the prior year. Stocks of motor gasoline ended in October were down by 1.0 percent from last month, but were up by 2.6 percent from last year to average 223.0 million barrels. These were the highest motor gasoline stocks for the month in 32 years, since 1984. Distillate fuel oil stocks were down by 7.7 percent from the prior month, but were up 3.8 percent from the prior year to end at 149.1 million barrels—the highest October inventory level in 6 years, since 2010. Jet fuel stocks were down from the prior month by 3.0 percent, but were up by 13.6 percent from the prior year to end at 42.6 million barrels. Stocks of "other oils" were down from month ago, but were up from year ago levels. Total inventories of all oils were down 0.1 percent from month ago levels, but were up 3.8 percent from year ago levels.

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