

JULY 2012

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, a measure of U.S. petroleum demand, were slightly greater than 18 million barrels per day in July. This is the lowest July level since 1995 and the lowest overall level since September 2008. Total domestic petroleum demand fell by 493 thousand barrels per day or 2.7 percent from last year, and declined by 442 thousand barrels per day or 2.3 percent for year to date. The continued weak demand is reflective of an economy that remains weak in the U.S. and abroad. The Bureau of Labor Statistics reported that the U.S. economy added 163,000 new jobs in July. However, the unemployment rate was basically unchanged at 8.3 percent with an estimated 12.8 million Americans counted as unemployed persons. In Europe, the economic situation remains grim with a new report stating that the French central bank estimates that France will fall back into a recession by autumn. Moreover, in a recent report by the British Broadcasting Corporation (BBC) the Bank of England has cut the country's growth forecast to almost zero.

Total motor gasoline deliveries, a measure of consumer gasoline demand, were down for the second consecutive month. In July, gasoline deliveries fell by 3.8 percent from last year and were down 2.2 percent from June to approximately 8.6 million barrels per day—the lowest July level since 1997. On a year to date basis, gasoline deliveries were lower by 1.1 percent compared with the same period in 2011. At 3.6 million barrels per day, distillate deliveries grew by 4.9 percent in July compared with the same period last year - driven by relatively stronger ULSD deliveries (up by 4.4 percent from last year). Compared with the prior month, July distillate deliveries were down by an average of 254 thousand barrels per day, and July ULSD deliveries were also down by 183 thousand barrels per day. According to the latest report from the Institute for Supply Management, economic activity in the manufacturing sector continued to decline in July for the second time since July 2009; however, for the 38th consecutive month the overall economy grew. According to the chair of the Institute for Supply Management Manufacturing Business Survey Committee, the PMI was registered at 49.8 percent, which was an increase of 0.2 percentage points from last month, indicating contraction for the second consecutive month in new orders.

## PETROLEUM SUPPLY

Domestic crude oil production level remains high, up from the prior month, prior year, and prior year to date. In July, crude oil production rose by 0.5 percent from June and up 13.6 percent from last year to 6.225 million barrels per day—the highest July production level since 1998. Since January, double-digit year-over-year increases in crude production continued. Year to date crude production was 11.5 percent higher compared to 2011 year to date. On July 21, Alpine, the westernmost producing oil field on the North Slope, began its annual turnaround and news reports stated that it would last through the early part of August (approximately 20 days total). With the loss of Alpine production, Alaskan production fell by 15.1 percent from June to a 35-year record low of 439 thousand barrels per day in July.

Refined product imports continued to be below the export levels through the first seven months of 2012. Total imports of crude and refined products fell by 9.6 percent to average at 10.4 million barrels per day in July. Imports of crude oil declined in July by 3.8 percent to average just under 9.0 million barrels per day. Canadian crude imports were down by 1.4 percent from last year to average nearly 2.1 million barrels per day in July. Canadian imports made up 20.0 percent of total crude oil imports. Refined product imports fell by 33.9 percent compared with last year, to about 1.5 million barrels per day.

Total refinery inputs and production of other major products all rose in July. Inputs grew by 2.3 percent from last year's levels, to nearly 16.0 million barrels per day in July—the highest level so far this year. Production of all four major products – gasoline, distillate, jet fuel and residual fuels was greater than demand for those products, so exports of refined petroleum products increased. Exports of petroleum products remained strong, with double-digit increases in July and were at a record-high. Exports grew by 11.1 percent from last year to 3.2 million barrels per day—above 3.0 million barrels per day for the second month in a row. Year to date exports were also up by 14.0 percent compared with 2011 year to date.

Gasoline production reached its third highest July level of 9.0 million barrels per day. Distillate fuel production was up 2.6 percent from last year to nearly 4.8 million barrels per day. This July level is a record-high for any July and the third highest level ever. Year to date, distillate production was at a record level at 4.5 million barrels per day, up 4.3 percent from 2011 year to date. Kerosine-jet production rose for five straight months, up 0.9 percent from June to 1.6 million barrels per day in July. K-jet production rose from last year and year to date, up by 4.1 percent and 2.3 percent, respectively.

Crude oil stocks were up 5.1 percent from last year, but down 4.3 percent from June levels to end in July at 365.8 million barrels. Stocks of major products were all down from last year's level. Gasoline stocks were down 2.9 percent from year ago levels, but up 1.9 percent from month ago levels. Distillate fuel stocks were down 21.4 percent from year ago levels and up 5.0 percent from month ago levels to end in July at 124.3 million barrels. Jet fuel stocks were down 8.8 percent from last year, but up 6.0 percent from month ago levels. Stocks of "other oils" were up from year ago levels, but down from month ago levels. Total inventories of all oils were up slightly by 0.2 percent from year ago levels but down 2.7 percent from month ago levels.

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