

## 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 up by 1.3 percent from the prior month to nearly 18.4 million barrels per day in October. Total domestic petroleum deliveries in October fell by 2.3 percent from last year, and were down 2.1 percent for year to date; this was the lowest October level since 1995. The United States economy continued to show modest signs of improvement in October, however, the overall economic situation remains difficult. According to the Bureau of Labor and Statistics (BLS) total nonfarm payroll employment increased by 171,000 in October, but the overall unemployment rate increased slightly to 7.9 percent. It was also reported this month that the United States trade deficit has hit a near two-year low in September. The seasonally adjusted monthly trade gap in the United States shrank to \$41.5 billion in September, the smallest it has been since December 2010, according to the United States Department of Commerce. United States exports were also reported to be at an all time high of \$187 billion; this news comes following a decline of 1 percent in August. The October Empire State Manufacturing Survey stated that the general business conditions index increased 4.0 points but remained negative at -6.2. Furthermore, the survey indicated that the new orders index increased by 5.0 points to -9.0, and the shipments index declined by 9.0 points to -6.4, its first negative reading in over a year.

Gasoline deliveries increased slightly in October, up from the prior month, but down from the prior year, and down from the prior year to date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 0.6 percent in October from September to approximately 8.6 million barrels per day – the lowest October level since 2000, and the fourth lowest demand this year. Year over year declines were seen for six months this year, as gasoline demand in October fell by 0.2 percent from October 2011. On a year to date basis, gasoline deliveries decreased by 0.4 percent compared with the same period in 2011. Year to date gasoline deliveries reached their lowest level since 2001. For the second consecutive month, ULSD prices were above \$4.00, up by 2.6 cents from \$4.120 in September to \$4.094 in October. This price is 29.6 cents higher than October 2011.

## PETROLEUM SUPPLY

Domestic crude oil production continued to grow. Since October 2011, year over year increases in crude production were seen. Crude production was up from the prior month, prior year, and prior year to date. In October, crude oil production rose by 5.7 percent from September and up 13.3 percent from last year to 6.652 million barrels per day – the highest October level since 1994. Year to date crude production was 12.3 percent higher compared to 2011 year to date. Natural gas liquids (NGL) production, a co-product of natural gas production, fell slightly from the prior month by 2 thousand barrels per day to average 2.343 million barrels per day in October. This was 1.3 percent above year-ago levels. Year to date, NGL production was 2.361 million barrels per day, up 8.0 percent over the same period last year. The number of oil and gas rigs decreased from 1,859 in September to 1,834 in October, according to the latest reports from Baker-Hughes, Inc. The number of oil and gas rigs continued to average below 2,000 every month in 2012.

Refined product imports continued to be below the export levels from January through October 2012. In October, total imports of crude and refined products fell by 8.0 percent from last year to average 10.1 million barrels per day. Crude oil imports fell by 4.5 percent to average just over 8.5 million barrels per day. Canadian crude imports were also down by 9.9 percent from last year to average nearly 2.0 million barrels per day. Canadian imports made up 20.0 percent of total crude oil imports. Refined product imports in October fell by 17.5 percent compared with last year to 1.6 million barrels per day. Gasoline and blending components imports were 444 thousand barrels per day in October, down 27.2 percent from October 2011. Distillate fuel oil imports fell 39.1 percent from last year, while residual fuel imports also fell by 38.1 percent from last year. On the other hand, kerosine jet fuel imports were up 13.1 percent from last year.

Gasoline production posted a year over year increase for the first time since November 2011. Gasoline production rose by 1.2 percent from the prior month and up 0.1 percent from the prior year to 8.9 million barrels per day – the second highest October on record. Gasoline production year to date was down by 2.2 percent from 2011 year to date. Distillate fuel production in October was 4.5 million barrels per day, the same as last year's level – both tied as the highest October level. Year to date, distillate production was at a record level at 4.5 million barrels per day, up 2.4 percent from 2011 year to date. Kerosine-jet production fell by 3.4 percent from September to about 1.5 million barrels per day in October, but was up by 7.6 percent from last year. Year to date, kerosine-jet production was up by 2.7 percent compared to 2011 year to date. Residual fuel production in October was down by 5.7 percent from October 2011 to 500 thousand barrels per day.

Crude oil stocks were up 9.8 percent from last year and up 2.1 percent from September levels to end at 371.7 million barrels in October – the highest October number since 2004. Stocks of major products were all down from last year's level. Gasoline stocks were down 2.9 percent from year ago but up 0.9 percent from month ago levels. Distillate fuel stocks were down 16.9 percent from year ago levels, and were down 4.8 percent from month ago levels, to end in October at 118.3 million barrels. Jet fuel stocks were down 2.1 percent from year ago levels, but up 2.1 percent from month ago levels.

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