

February 2013

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 fell by 4.1 percent from last year, and were down by 2.9 percent for year to date to average slightly under 18.0 million barrels per day—the lowest February level in 20 years, since 1993. The United States economy showed signs of improvement in February. The Bureau of Labor and Statistics (BLS) reported that an estimated 236,000 nonfarm jobs were added in February and the overall unemployment rate declined to 7.7 percent—its lowest level since 2008, making the total number of unemployed persons stand at 12 million. The BLS went on to highlight job gains in the professional/business service, construction, and health sectors of the economy. There were especially large gains in construction which added 48,000 jobs, an indicator that the housing market is gaining strength. However, public sector employment continued to shed jobs and the number of government employees nationwide declined by 10,000. Although many economists found the recent news encouraging, some pointed out that the size of the total labor force contracted by 130,000 due to retirements and also because of discouraged workers who have given up on finding employment altogether.

Gasoline deliveries in February were down from the prior month, prior year, and prior year to date. In February, total motor gasoline deliveries, a measure of consumer gasoline demand, moved down 0.3 percent from January and down 3.1 percent from February 2012 to 8.4 million barrels per day—the lowest February level since 2001. On a year to date basis, gasoline deliveries decreased by 0.3 percent compared with the same period in 2012. Year to date gasoline deliveries were the lowest level since 2001. The average regular-grade gasoline price in February increased by 34.5 cents from the prior month to \$3.736 per gallon. Distillate deliveries declined by 7.3 percent in February compared with the same period last year to approximately 3.7 million barrels per day—driven by the relative weakness of ULSD deliveries (down by 6.1 percent from last year). Compared with the prior month, February distillate deliveries were up by an average of 95 thousand barrels per day, while February ULSD deliveries were up by 107 thousand barrels per day. Following two months of being below \$4.000, ULSD prices were up 20.2 cents from the prior month to \$4.111 in February.

According to the latest report from the Institute for Supply Management Survey, economic activity in the manufacturing sector expanded in February for the third consecutive month, and the overall economy grew for the 45th consecutive month. According to the chair of the Institute for Supply Management Manufacturing Business Survey Committee, the Purchasing Managers Index (PMI) was registered at 54.2 percent, which was an increase of 4.5 percent from 53.3 percent in January. This increase indicates that there was an expansion in manufacturing sector for the third consecutive month.

PETROLEUM SUPPLY

Domestic crude oil production was up from the prior month, the prior year and prior year to date. Total U.S. crude production in February rose by 13.9 percent from last year and was up 1.1 percent from last month to average nearly 7.1 million barrels per day—the highest February output in 21 years. Year to date, crude production was up 14.1 percent from the same period last year. Crude production remained robust averaging above 7.0 million barrels for the fourth consecutive month. Year over year increases in crude production were seen for 17 straight months. Natural gas liquids (NGL) production, a co-product of natural gas production, rose from the prior year to record highs in February, averaging nearly 2.5 million barrels per day. Though lower by 1.0 percent compared with January, NGL production in February was the highest February level recorded and the fourth highest output ever. Year over year increases in NGL production were seen 24 months in a row, since March 2011. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. rose from the prior month for the first time in 16 months, up from 1,756 in January to 1,762 in February. The number of oil and gas rigs continued to average below 2,000 for 14 straight months.

For only the second time in 15 years, total imports in February fell below 10.0 million barrels per day. At their lowest level since 1998, total imports averaged nearly 9.9 million barrels per day in February, down by 5.8 percent from the prior year and were 4.8 percent below the prior month's level. With increased crude production, crude oil imports in February were also seen at their lowest in 16 years, since 1997, falling by 770 thousand barrels per day or 9.0 percent from February 2012 to 7.8 million barrels per day—below 8.0 million barrels per day for only the second time since February 2000. Refined product imports in February rose 8.6 percent from the prior year. Compared to the prior month, refined product imports rose by 0.3 percent to a five-month high averaging 2.1 million barrels per day. Refinery gross inputs fell below 15.0 million barrels per day for the second month in a row. In February, refinery gross inputs were down 363 thousand barrels per day or 2.4 percent from January 2012, and down 2.6 percent from February 2012 to 14.6 million barrels per day. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than demand for those products, so exports of refined petroleum products increased by 11.7 percent in February 2013 compared to the prior year. Gasoline production in February rose 0.8 percent from February 2012 to 8.7 million barrels per day—the second highest February output ever recorded. Compared to January 2013, gasoline production was down 1.3 percent or 112 thousand barrels per day. Year to date, gasoline production was up 2.8 percent from the same period in 2012. Meanwhile, distillate fuel production rose to its highest February output level, up 0.1 percent from last year to 4.4 million barrels per day. Distillate fuel production fell 3.9 percent from the prior month. The capacity refinery utilization rate averaged 83.8 percent in February, down 2.7 percentage points and 2.1 percentage points from the prior year and the prior month, respectively. API's latest refinery operable capacity was 17.398 million barrels per day.

Crude oil stocks ended in February at 379.0 million barrels—the highest February inventory levels in 82 years, since 1931. Crude stocks were up 1.9 percent from the prior month, and up 9.2 percent from the prior year. In February, motor gasoline stocks ended down by 1.5 percent from January 2013, and down 0.2 percent from the same period last year, to 230.2 million barrels. Meanwhile, distillate fuel stocks ended at a five-year low, down 12.1 percent from the prior year to 122.6 million barrels from year ago levels. USLD stocks also ended lower for the month of February, down 4.1 percent from the same period last year to 102.5 million barrels. Jet fuel stocks were down 3.3 percent from February 2012 but were up 3.9 percent from January 2013 to 39.8 million barrels. Stocks of “other oils” were up from year ago levels but down from month ago levels. Total inventories of all oils were down 2.2 percent from month ago levels, but up 5.2 percent from year ago levels.

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