

December 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 petroleum deliveries rose by 5.8 percent from December 2012, but were down by 1.4 percent from the prior month to average nearly 19.2 million barrels per day in December. For the fourth quarter, total domestic petroleum deliveries, a measure of U.S. petroleum demand, rose by 4.6 percent compared to the fourth quarter 2012. For year to date, total domestic petroleum deliveries were up by 2.2 percent compared to the same period last year to 18.9 million barrels per day. The overall economy in the U.S. continued to gain momentum in December, adding 74,000 jobs according to the Bureau of Labor and Statistics (BLS). Moreover, the U.S. unemployment rate declined by 0.3 percentage points in December to 6.7 percent, and the number of unemployed persons declined by 490,000 to 10.4 million.

In December, gasoline deliveries, a measure of consumer gasoline demand, were down from the prior month, but were up from the prior year, the prior quarter, and the prior year to date. Total motor gasoline deliveries decreased by 1.9 percent from November, but increased by 4.5 percent from December 2012 to average nearly 8.8 million barrels per day—the lowest demand since April. For the fourth quarter, gasoline deliveries were up by 3.7 percent compared to fourth quarter 2012. For year to date, gasoline deliveries increased by 1.3 percent compared with year to date of 2012. The average regular-grade gasoline price in December increased by 3.5 cents from the prior month to \$3.357 per gallon, according to the latest EIA price data.

Distillate deliveries increased by 5.9 percent compared with December 2012 to 3.7 million barrels per day. Compared to the prior month, distillate deliveries were down by 6.4 percent. Compared to fourth quarter 2012, distillate deliveries were up by 5.3 percent. Compared to year to date 2012, distillate deliveries were also up by 2.3 percent to 3.8 million barrels per day. ULSD deliveries increased by 7.6 percent compared with December 2012 to nearly 3.4 million barrels per day. According to the latest EIA price data, ULSD prices were below \$4.000 for the tenth time since January, and increased by 4.3 cents from the prior month to \$3.882 per gallon in December.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in December for the seventh consecutive month. Moreover, the overall economy expanded for the 55th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 57.0 percent, the second highest reading for the year, and just 0.3 percentage points below November's reading of 57.3 percent.

PETROLEUM SUPPLY

Domestic crude oil production in December averaged above 8.0 million barrels per day for the second month in a row. U.S. crude oil production increased by 14.5 percent from December 2012, and was up 1.2 percent from November to just over 8.1 million barrels per day—the highest level for the month in 26 years. For the fourth quarter, domestic crude production was up 13.4 percent compared to the same period last year. For year to date, domestic crude oil production rose by 15.4 percent compared to the same period last year. In December, natural gas liquids (NGL) production, a co-product of natural gas production, was 2.7 million barrels per day, down by 0.3 percent from last month's record level but was 12.7 percent higher than last year. This was the second highest output level on record. For the fourth quarter, NGL production was up 9.0 percent compared to the same period in 2012. Compared with year to date 2012, NGL production rose by 6.5 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in December was 1,771, up from November's count of 1,756.

U.S. total imports in December were just above 9.0 million barrels per day—below 10.0 million barrels per day for the fourth consecutive month and were the lowest level for the month in 18 years. Total imports were down by 5.6 percent from the prior month, and were 6.0 percent lower compared with the prior year. For the fourth quarter, total imports were down 5.4 percent compared to the same period last year. Also at 18-year low, crude oil imports fell by 5.8 percent from November to 7.3 million barrels per day in December. This was also down by 4.1 percent compared with year-ago level. For the fourth quarter, crude imports were down 5.8 percent compared to fourth quarter 2012. Imports of refined products in December fell by 4.9 percent from November and were also down by 13.2 percent from December 2012 to 1.8 million barrels per day. This was the lowest imports level for the month in 16 years, since 1997. For the fourth quarter, imports of refined products were down 3.8 percent compared to fourth quarter 2012.

U.S. gross refinery inputs increased by 3.4 percent from November and were up by 4.6 percent from December 2012 to their highest level for the month at 16.4 million barrels per day in December. For the fourth quarter, refinery gross inputs rose by 2.3 percent compared to the same period in 2012. 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. Exports of refined petroleum products were up from the prior month, the prior quarter, the prior year, and the prior year to date to 3.7 million barrels per day in December. Production of gasoline rose above 9.0 million barrels for the eighth month in a row and reached the highest output for the month at 9.4 million barrels per day, just 66 thousand barrels per day below the all-time high set in July 2010. This was up by 4.2 percent from December 2012. For the fourth quarter, gasoline production rose by 3.3 percent compared to fourth quarter 2012. For year to date, gasoline production increased by 2.8 percent compared with the same period last year and was the highest year to date on record. At an all-time high of nearly 5.2 million barrels per day, distillate production posted increases from the prior month, the prior quarter, the prior year, and the prior year to date. Distillate production was up by 2.1 percent from the prior month and was up by 5.7 percent from December 2012. Compared to fourth quarter 2012, distillate production rose by 6.9 percent in fourth quarter 2013. Compared to year to date 2012, distillate production was up by 4.1 percent in year to date 2013. For year to date, distillate production reached an all-time record of 4.7 million barrels per day. The refinery capacity utilization rate averaged above 90.0 percent for the first time in three months, at 92.3 percent in December, up 3.0 percentage points from November and 1.9 percentage points higher than the same period last year. API's latest refinery operable capacity was 17.816 million barrels per day, up 2.4 percent from last year's capacity of 17.391 million barrels per day.

In December, crude oil stocks fell 5.1 percent from last month and were also down by 2.4 percent from last year to end at 356.6 million barrels—but remained the second highest inventory level for the month in 32 years. Stocks of motor gasoline ended down 4.2 percent from last year but were up by 4.1 percent from November to 221.1 million barrels in December. Distillate fuel oil stocks were down 9.0 percent from year ago levels but were up by 5.1 percent from the prior month to end at 122.7 million barrels—the lowest inventory level for the month in 13 years. Jet fuel stocks were up from the prior month by 1.1 percent and were down by 6.1 from the prior year. Stocks of “other oils” were down from month ago levels and year ago levels. Total inventories of all oils were down 4.6 percent from month ago levels, and were down by 4.7 percent from year ago levels.

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