

October 2014

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 down by 0.2 percent from October 2013 to average 19.3 million barrels per day. These were the lowest October deliveries in two years. Compared with September, total domestic petroleum deliveries, a measure of U.S. petroleum demand, rose by 3.7 percent. For year to date, total domestic petroleum deliveries moved down by 0.1 percent compared to the same period last year. The overall economy in the U.S. showed increases in October, adding 214,000 jobs, according to the Bureau of Labor and Statistics (BLS). Both the U.S. unemployment rate and the number of unemployed persons decreased slightly from September of this year to 5.8 percent and 9.0 million, respectively, declining by 0.8 percentage points and 1.2 million since the beginning of the year.

Gasoline deliveries, a measure of consumer gasoline demand, in October were up from the prior month, the prior year, and the prior year to date. Total motor gasoline deliveries moved up 0.3 percent from October 2013, and were up by 3.4 percent from September to average just below 9.0 million barrels per day. These were the highest deliveries for the month since 2010. For year to date, gasoline deliveries increased by 0.3 percent compared with year to date of 2013. Distillate deliveries in October were below 4.0 million barrels per day for the seventh consecutive month this year, and were the second lowest level for the year (September was the lowest). Distillate demand increased by 4.5 percent compared with September, but was 6.2 percent below October 2013, to nearly 3.8 million barrels per day. These were the lowest October deliveries in four years. For year to date, distillate deliveries were up by 3.2 percent compared with year to date 2013.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in October for the 17th consecutive month. Moreover, the overall economy expanded for the 65th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated in its October 1 Press Release that the Purchasing Managers Index (PMI) was registered at 59 percent, an increase of 2.4 percentage points from September's reading of 56.6 percent. "Comments from the panel generally cite positive business conditions, with growth in demand and production volumes."

PETROLEUM SUPPLY

U.S. crude oil production continued to be robust, up for the tenth consecutive month, and has been above 8.0 million barrels per day since February. Crude production in October averaged nearly 9.0 million barrels per day, up 1.2 percent from last month and was up 17.0 percent from last year to its highest October output in over four decades. Compared with year to date 2013, domestic crude oil production rose by 15.3 percent. With record production in North Dakota and Texas, which account for about half of the total U.S. oil production, production of domestic crude oil in the Lower 48 states in October reached its highest output in 41 years, averaging nearly 8.5 million barrels per day. This was up from the prior month and the prior year, rising by 1.0 percent and 18.0 percent, respectively. According to the latest EIA Drilling Productivity Report, record oil production in the Bakken, the Eagle Ford, and the Permian regions were seen last month, averaging 1.2 million barrels per day, 1.6 million barrels per day, and 1.8 million barrels per day, respectively. For the fifth consecutive month, natural gas liquids (NGL) production, a co-product of natural gas production, averaged above 3.0 million barrels per day to reach its highest October output at just above 3.1 million barrels per day. This was up by 0.7 percent from September, and was up by 13.0 percent from October 2013. Compared with year to date 2013, NGL production rose by 13.5 percent. According to the latest EIA Drilling Productivity Report, production of natural gas in the Marcellus region, the largest natural gas producing region, reached a record high of nearly 15.7 billion cubic feet per day in October, up 1.2 percent from September's revised output. This was up 28.5 percent from October 2013 and was up by 53.5 percent from October 2012. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in October was 1,925. This was down 5 counts from September, but was up 181 counts from October 2013. This was the second highest count since September 2012. The number of oil and gas rigs continued to average below 2,000 for 34 straight months.

U.S. total petroleum imports were up by 8.4 percent from September, but were down by 5.3 percent compared with October 2013, to average 9.1 million barrels per day in October. These were the lowest October imports in 19 years. Compared with year to date 2013, total petroleum imports were down by 7.7 percent to just below 9.2 million barrels per day. Crude oil imports increased by 2.8 percent from September and were up by 1.6 percent from October 2013 to average 7.6 million barrels per day. However, these remain the second lowest October imports in 18 years, since 1996. Compared to the prior year to date, crude imports were down 4.7 percent.

Production of gasoline in October was up from the prior month, prior year, and the prior year to date to its highest October output at 9.5 million barrels per day. This was 0.9 percent higher than September, and was up by 0.4 percent from October 2013. For year to date, gasoline production also increased by 4.6 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in October was the second highest output level for the month of October. At 4.6 million barrels per day, distillate production slowed in October, falling by 4.8 percent from September and was down by 3.7 percent from October 2013. For year to date distillate production reached an all time record of 4.8 million barrels per day, up 3.5 percent compared with the same period last year. U.S. refinery gross inputs were the highest October inputs ever recorded averaging at 15.8 million barrels per day. These were down by 3.3 percent from September, but were up by 2.2 percent from October 2013. For year to date, refinery gross inputs increased by 3.4 percent compared with year to date 2013. 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 by 2.7 percent from the prior month and were up by 8.4 percent from the prior year to average just over 4.4 million barrels per day. These were the highest exports for the month of October on record. With a number of refineries on turnaround, the refinery capacity utilization rate averaged above 88.8 percent in October, down 2.9 percentage points from September but was up by 2.0 percentage points from October 2013. This was the highest October rate in 10 years. API's latest refinery operable capacity was 17.805 million barrels per day, down 0.1 percent from last year's capacity of 17.820 million barrels per day.

Crude oil stocks ended at 374.3 million barrels, down 1.9 percent from the last year, but were up by 4.3 percent from September. These were the lowest October inventories since 2011. Stocks of motor gasoline ended lower in October, falling by 4.6 percent from last year and were down by 2.9 percent from September to 204.1 million barrels. Distillate fuel oil stocks were down 3.9 percent from prior month levels but were up 3.3 percent from year ago levels to end at 121.9 million barrels. These were the highest October stocks in 3 years. Jet fuel stocks were down from the prior month and the prior year, falling by 7.3 percent and 4.8 percent, respectively. Stocks of "other oils" were down from month ago but were up from year ago levels. Total inventories of all oils were down 4.0 percent from month ago levels, and were down 1.2 percent from year ago levels.

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