

July 2015

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 July moved up by 2.2 percent from July 2014 to average nearly 19.6 million barrels per day. These were the highest July deliveries in eight years, since 2007. Compared with June, total domestic petroleum deliveries, a measure of U.S. petroleum demand, decreased slightly by 0.2 percent, but remained the second highest deliveries for this year. For year to date, total domestic petroleum deliveries moved up by 2.7 percent compared to the same period last year. According to the Bureau of Labor and Statistics (BLS) August 7, 2015 report, the overall economy in the United States showed signs of improvement in July with an estimated 215,000 jobs added to the economy. The unemployment rate and the total number of unemployed persons were essentially unchanged from June, at 5.3 percent and 8.3 million, respectively.

Gasoline deliveries in July were up from the prior month, the prior year, and the prior year to date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 2.1 percent from July 2014 to just above 9.4 million barrels per day. Compared with June, gasoline deliveries increased by 0.7 percent. For year to date, gasoline deliveries increased by 2.8 percent compared with year to date of 2014. The average regular-grade gasoline price in July was \$2.880 per gallon, according to the latest EIA price data. This was down from month-ago and year-ago prices, but remained the second highest price since November 2014, falling by 0.5 cents and 80.8 cents, respectively. Meanwhile, crude oil prices in July averaged \$1.212 per gallon (\$50.90 per barrel), down by 21.2 cents from June's price of \$1.424 per gallon (\$59.82 per barrel), and were down by \$1.255 from July 2014's price of \$2.466 per gallon (\$103.59 per barrel). Last month's price was also the lowest price for the month of July in 11 years, since 2004. In July, distillate deliveries were up 1.1 percent from July 2014, but were down by 0.7 percent from June, to average 3.9 million barrels per day. For year to date, distillate deliveries were up by 1.0 percent compared with year to date 2014, to nearly 4.1 million barrels per day. The increase in distillate deliveries was driven by increases in high sulfur distillate fuel (HSD) deliveries. Meanwhile, ULSD deliveries increased by 0.2 percent compared with July 2014 and were up by 0.7 percent from June to just above 3.8 million barrels per day in July. Below \$3.00 per gallon for the seventh month in a row, ULSD prices fell by 8.5 cents from June and were down by \$1.096 from July 2014 to average \$2.788 per gallon in July, according to the latest EIA price data. Last month's price was the lowest July price in six years, since 2009.

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in July for the 31st consecutive month. Moreover, the overall economy grew for the 74th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 52.7 percent in July, down 0.8 percentage point from the June reading of 53.5 percent.

PETROLEUM SUPPLY

For the tenth month in a row, domestic crude oil production rose above 9.0 million barrels per day. At an average of 9.5 million barrels per day, U.S. crude oil production in July increased by 8.8 percent from July 2014, but decreased from June by 2.5 percent. Compared with year to date 2014, domestic crude oil production rose by 13.2 percent. This was the highest July level since 1920 for crude oil production and the highest year to date in 44 years, since 1971. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, the prior year, and the prior year to date levels. NGL production in July averaged nearly 3.4 million barrels per day, which was the highest for the month on record and set the new all-time record production level. This was a slight increase of 0.4 percent above June's output, and was 10.1 percent higher than July 2014's output. Compared with year to date 2014, NGL production rose by 12.6 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in July was 866, an increase of 0.6 percent from the previous month and 53.8 percent below the year ago level. Last month's count was the second lowest count since January 2003. The number of oil and gas rigs continued to average below 2,000 for 42 straight months.

U.S. total petroleum imports in July averaged nearly 9.4 million barrels per day, up by 3.0 percent from the prior month, but down 1.0 percent from the prior year. Last month's total petroleum imports remained the lowest imports in 20 years, since 1995. Year to date total imports were up by 0.8 percent to average nearly 9.4 million barrels per day compared with year to date 2014. Meanwhile, crude oil imports in July were down compared with the prior year, falling by 5.5 percent from July 2014 to average 7.2 million barrels per day. Compared to the prior month and prior year to date, crude imports were up by 3.4 percent and down by 1.8 percent, respectively. Last month's crude imports were the lowest July imports in 23 years, since 1992.

At an average of nearly 10.0 million barrels per day, production of gasoline in July was the second highest level ever for the month. Gasoline production rose by 1.2 percent from June, but was down by 0.8 percent from July 2014's output. For year to date, gasoline production increased by 0.8 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in July rose by 1.6 percent from the prior year to reach an average output of 5.1 million barrels per day, the second highest July level ever. For year to date, distillate production reached an all time record of nearly 4.9 million barrels per day.

Refinery gross inputs in July increased by 0.1 percent from last year to reach a record high for the month at nearly 16.9 million barrels per day. Compared with June, U.S. gross refinery inputs rose only slightly by less than 0.1 percent. For year to date, refinery gross inputs were up by 2.1 percent compared with year to date 2014. 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 year, and prior year to date. Exports of refined petroleum products in July increased by 3.0 percent from June, and were up by 7.6 percent from July 2014 to average 4.8 million barrels per day—the highest July level ever. The refinery capacity utilization rate in July averaged above 90.0 percent for the fourth consecutive time this year at 94.0 percent. This was down 0.4 percentage point from June, and down 0.6 percentage point from the same period last year. API's latest refinery operable capacity was 17.956 million barrels per day, up 142 thousand barrels per day from last year's capacity of 17.814 million barrels per day.

Crude oil stocks ended in July averaging at nearly 460.0 million barrels—the highest July inventory level in 85 years, since 1930. Crude stocks were down 1.8 percent from the prior month, and were up by 24.6 percent from the prior year. Stocks of motor gasoline in July were down only slightly from the prior month by less than 0.1 percent, and were down by 0.2 percent from last year, to 216.5 million barrels. These were the lowest motor gasoline stocks for the month in 3 years. Distillate fuel oil stocks were up 6.9 percent from the prior month, and up 15.6 percent from the prior year to end at 145.2 million barrels—the highest July inventory level in 4 years, since 2011. Jet fuel stocks were up from the prior month by 4.2 percent, and were up by 19.6 percent from the prior year to end at 42.4 million barrels. Stocks of "other oils" were down from month ago levels, but up from year ago levels. Total inventories of all oils were down 2.2 percent from month ago levels, but were up by 12.0 percent from year ago levels.

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