

June 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 moved up 4.2 percent from June 2014 and were up by 0.5 percent from May to average 19.6 million barrels per day in June. June deliveries were the highest deliveries for the year and the highest deliveries for the month of June since 2008. For the second quarter, total domestic petroleum deliveries increased by 3.7 percent compared to the second quarter 2014. For year to date, total domestic petroleum deliveries increased by 3.1 percent compared to the same period last year. According to the Bureau of Labor and Statistics (BLS) July 2, 2015 report, the overall economy in the United States showed signs of improvement in June with an estimated 223,000 jobs added to the economy. The unemployment rate declined to 5.3 percent, while the total number of unemployed persons decreased to 8.3 million.

In June, gasoline deliveries were up from the prior month, the prior year, the prior quarter, and the prior year to date. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 1.2 percent from May and up 3.5 percent from June 2014 to average over 9.3 million barrels per day. These deliveries were the highest for any month since August 2007. For the second quarter, total motor gasoline deliveries increased 2.6 percent compared to the second quarter 2014. For year to date, total motor gasoline deliveries increased by 3.0 percent compared with the same period last year. The average regular-grade gasoline price climbed to its highest price since November 2014, rising by 8.3 cents from May to \$2.885 per gallon in June, according to the latest EIA price data. At 3.9 million barrels per day, distillate deliveries were the lowest deliveries for the year. Distillate deliveries were down by 4.4 percent from May but were up by 1.3 percent from June 2014. Compared with the prior quarter and the prior year to date, distillate deliveries were up 2.2 percent and 2.3 percent, respectively. The increase in distillate deliveries was driven by increases in high sulfur distillate fuel (HSD) deliveries. Residual fuel oil which is used for the production of electric power, space heating, vessel bunkering, and other industrial purposes, increased by 19.8 percent from the prior year to 143 thousand barrels in June. Below \$3.00 per gallon for the sixth month in a row, ULSD prices fell by 1.5 cents from May and were down by \$1.033 from June 2014 to average \$2.873 per gallon in June, according to the latest EIA price data.

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 June for the 30th consecutive month. Moreover, the overall economy grew for the 73rd consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 53.5 percent in June, up 0.7 percentage points from May reading of 52.8 percent.

PETROLEUM SUPPLY

For the ninth month in a row, domestic crude oil production rose above 9.0 million barrels per day. At nearly 9.8 million barrels per day, U.S. crude oil production in June increased by 12.5 percent from June 2014, but changed only slightly from May's revised output of 9.7 million barrels per day, with an increase of 0.5 percent. Compared with year to date 2014, domestic crude oil production rose by 14.6 percent. Compared to second quarter of 2014, crude oil production increased by 12.9 percent for the second quarter of 2015. This was the highest crude production level for the month of June and any other month since April 1971. This was also 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, the prior quarter, and the prior year to date levels. NGL production in June averaged nearly 3.4 million barrels per day, which was the highest for the month on record and set an all-time record production level as the highest ever. This was 5.6 percent above May's output and 10.3 percent higher than June 2014's output. Compared to second quarter 2014, NGL production increased by 11.4 percent. Compared with year to date 2014, NGL production rose by 12.7 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in June was 861, a drop of 3.1 percent from the previous month and 53.7 percent below the year ago level. Last month's count was the lowest count since January 2003.

U.S. total petroleum imports in June averaged 9.1 million barrels per day, up by 0.1 percent from the prior month, and 3.3 percent higher than the prior year. Last month's total petroleum imports were the second lowest imports for any month in 22 years, since 1993. Meanwhile, with record crude production in June, crude oil imports fell below 7.0 million barrels per day for the second time since February 1996. Crude oil imports were down compared with the prior year, falling by 1.1 percent from June 2014 to just below 7.0 million barrels per day. Compared to the prior month and prior year to date, crude imports were down by 0.3 percent and 1.8 percent, respectively. Last month's crude imports were also the lowest June imports in 23 years, since 1992.

At an average of 9.9 million barrels per day, production of gasoline in June was the second highest level for the month. Gasoline production rose by 0.2 percent from May, but was down by 0.3 percent from June 2014's output. For year to date, gasoline production increased by 1.2 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in June rose by 3.5 percent from the prior year to reach an average output of nearly 5.1 million barrels per day, the highest June level ever. For year to date, distillate production reached an all time record of just above 4.9 million barrels per day.

Refinery gross inputs in June rose by 5.0 percent from last year to a record high for the month at nearly 16.9 million barrels per day. Compared with May, U.S. gross refinery inputs rose by 2.6 percent. 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 down from the prior month, but were up from the prior year and prior year to date. Exports of refined petroleum products in June increased by 7.9 percent from May, and were up by 12.6 percent from June 2014 to average nearly 4.7 million barrels per day—the highest June level ever. The refinery capacity utilization rate in June averaged above 90.0 percent for the third time this year at 94.4 percent. This was up 2.4 percentage points from May, and up 4.1 percentage points from the same period last year. Compared with the second quarter of 2014 and year to date 2014, the refinery capacity utilization rate fell 2.4 percentage points and 2.1 percentage points, respectively. API's latest refinery operable capacity was 17.873 million barrels per day, down 69 thousand barrels per day from last year's capacity of 17.804 million barrels per day.

Crude oil stocks ended in June averaging at 468.2 million barrels—the highest June inventory level in 85 years, since 1930. Crude stocks were down 1.8 percent from the prior month, but were up by 22.0 percent from the prior year. Stocks of motor gasoline ended down 2.5 percent from last month, and were down 0.9 percent from last year, to 216.9 million barrels in June. These were the third highest motor gasoline stocks for the month in 10 years. Distillate fuel oil stocks were up 2.3 percent from the prior month, and up 11.6 percent from the prior year to end at 135.8 million barrels—the highest June inventory level in 4 years, since 2011. Jet fuel stocks were up from the prior month by 6.2 percent, and were up by 13.5 percent from the prior year to end at 41.2 million barrels. Stocks of "other oils" were down from month ago and year ago levels. Total inventories of all oils were down 2.1 percent from month ago levels, but were up by 3.5 percent from year ago levels.

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