

May 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 May moved up by 5.4 percent from May 2014 to average 19.5 million barrels per day. These were the highest May deliveries in seven years, since 2008. Compared with April, total domestic petroleum deliveries, a measure of U.S. petroleum demand, increased by 3.3 percent. May deliveries were the highest deliveries for this year. For year to date, total domestic petroleum deliveries moved up by 2.8 percent compared to the same period last year. According to the Bureau of Labor and Statistics (BLS) May 8, 2015 report, both the unemployment rate (5.5 percent) and the number of unemployed persons (8.7 million) were essentially unchanged in May, and the U.S. showed a gain of about 280,000 additional jobs.

Gasoline deliveries in May 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 2.5 percent from May 2014 to just above 9.2 million barrels per day—the highest May deliveries since 2008. Compared with April, gasoline deliveries increased by 3.3 percent. For year to date, gasoline deliveries increased by 2.4 percent compared with year to date of 2014. The average regular-grade gasoline price climbed to its highest price since November 2014, rising by 24.7 cents from April to \$2.802 per gallon in May, according to the latest EIA price data. But last month's price was down 94.8 cents from May 2014 and remained the lowest price for the month since 2009. Distillate deliveries in May reached their record level for the month, up 4.7 percent from April, and were up by 4.5 percent from May 2014, to average 4.1 million barrels per day. For year to date, distillate deliveries were up by 2.2 percent compared with year to date 2014, to nearly 4.2 million barrels per day. The increase in distillate deliveries was driven by increases in ultra low sulfur distillate fuel (ULSD) deliveries. ULSD deliveries increased by 4.1 percent compared with May 2014 and were up by 3.4 percent from April to 3.8 million barrels per day in May. Below \$3.00 per gallon for the fifth month in a row, ULSD prices rose by 10.6 cents from April but were down by \$1.055 from May 2014 to average \$2.888 per gallon in May, according to the latest EIA price data. Last month's price was the lowest May 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 May for the 29th consecutive month. Moreover, the overall economy grew for the 72nd consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 52.8 percent in May, up 1.3 percentage points from April reading of 51.5 percent.

## PETROLEUM SUPPLY

For the eighth month in a row, domestic crude oil production rose above 9.0 million barrels per day. At nearly 9.6 million barrels per day, U.S. crude oil production in May increased by 10.7 percent from May 2014, but changed only slightly from April with an increase of 0.3 percent. Compared with year to date 2014, domestic crude oil production rose by 13.8 percent. This was the highest crude production level for the month of May and any other month since May 1972. This was also the highest year to date in 43 years, since 1972. 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 May averaged nearly 3.2 million barrels per day, which was the highest for the month on record and just one thousand barrel below the all-time record production level set in October 2014. This was 3.7 percent above April's output and 10.4 percent higher than May 2014's output. Compared with year to date 2014, NGL production rose by 11.4 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in May was 889, a drop of 8.9 percent from the previous month and 52.2 percent below the year ago level. Last month's count was the lowest count since January 2003.

U.S. total petroleum imports in May averaged nearly 9.1 million barrels per day, down by 6.1 percent from the prior month, and 3.1 percent less than 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 0.7 percent to just below 9.4 million barrels per day compared with year to date 2014. Meanwhile, with strong crude production, crude oil imports fell below 7.0 million barrels per day for the first time since February 1996. In May, crude oil imports were down compared with the prior year, falling by 2.4 percent from May 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 11.1 percent and 0.4 percent, respectively. Last month's crude imports were also the lowest May imports in 22 years, since 1993. Imports of refined products in May increased by 10.9 percent from April but were down by 5.5 percent from May 2014 to nearly 2.1 million barrels per day. These were the lowest imports level for the month in 19 years, since 1996. For year to date, refined product imports were up by 4.8 percent compared with year to date 2014.

At an average of 9.8 million barrels per day, production of gasoline in May was at a record high for the month. Gasoline production rose by 0.7 percent from April, and was up by 0.2 percent from May 2014's output. For year to date, gasoline production increased by 1.4 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in May fell by 1.4 percent from the prior year to reach an average output of 4.9 million barrels per day, the second highest May 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 May rose by 1.7 percent from last year to a record high for the month of 16.5 million barrels per day. Compared with April, U.S. gross refinery inputs rose by 0.7 percent. For year to date, refinery gross inputs were up by 1.5 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 down from the prior month, but were up from the prior year and prior year to date. Exports of refined petroleum products in May decreased by 4.7 percent from April, but were up by 5.3 percent from May 2014 to average 4.3 million barrels per day—the highest May level ever. This was 786 thousand barrels lower than the record high of 4.9 million barrels per day set in December 2014. Compared with the prior year to date, exports of refined petroleum products were up by 13.5 percent to nearly 4.5 million barrels per day. The refinery capacity utilization rate in May averaged above 90.0 percent for the second time this year at 92.0 percent. This was up 0.6 of a percentage point from April, and up 1.8 percentage points from the same period last year. API's latest refinery operable capacity was 17.873 million barrels per day, down 58 thousand barrels per day from last year's capacity of 17.931 million barrels per day.

Crude oil stocks ended in May at nearly 476.0 million barrels—the highest May inventory level in 85 years, since 1930. Crude stocks were down 1.6 percent from the prior month, but were up by 20.8 percent from the prior year. Stocks of motor gasoline ended down 3.1 percent from last month, but were up 1.9 percent from last year, to 221.8 million barrels in May. These were the highest motor gasoline stocks for the month in 16 years. Distillate fuel oil stocks were up 1.7 percent from the prior month, and up 11.3 percent from the prior year to end at 132.7 million barrels—the highest May inventory level in 4 years, since 2011. Jet fuel stocks were up from the prior month by 5.4 percent, and were up by 0.4 percent from the prior year to end at 38.9 million barrels. Stocks of "other oils" were down from month ago and year ago levels. Total inventories of all oils were down 3.1 percent from month ago levels, but were up by 4.8 percent from year ago levels.

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