

June 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 increased by 1.5 percent from June 2013 and up 0.6 percent from May to average just above 19.0 million barrels per day in June. This was the highest June level in 3 years, since 2011. For the second quarter, total domestic petroleum deliveries increased 1.5 percent compared to the second quarter 2013. For year to date, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were up by 1.4 percent compared with the same period last year. The overall economy in the United States showed signs of improvement in June with an estimated 288,000 jobs added to the economy according to the Bureau of Labor Statistics (BLS). The unemployment rate declined to 6.1 percent with the total number of unemployed persons at 9.5 million.

In June, gasoline deliveries, a measure of consumer gasoline demand, were up from the prior month, the prior year, the prior quarter, and the prior year to date. Total motor gasoline deliveries moved up 4.0 percent from June 2013 and up 0.2 percent from May to average 9.3 million barrels per day, the highest June level in 7 years, since 2007. For the second quarter, total motor gasoline deliveries increased 3.3 percent compared to the second quarter 2013. For year to date, total motor gasoline deliveries increased by 2.4 percent compared with year to date of 2013. The average regular-grade gasoline price in June increased by 1.6 cents from the prior month and was up 7.7 cents from the prior year to \$3.766 per gallon, according to the latest EIA price data. Distillate deliveries increased by 3.0 percent compared with June 2013 to approximately 3.8 million barrels per day—the highest June deliveries in three years. Compared to the prior month, distillate deliveries were down by 4.8 percent. For the second quarter, distillate deliveries were up 3.6 percent compared to the same period last year. For year to date, distillate deliveries rose by 4.8 percent compared with the same period last year. Meanwhile, Ultra Low Sulfur Distillate (ULSD) deliveries increased by 0.5 percent compared to June 2013 to 3.5 million barrels per day. For the second quarter, ULSD deliveries decreased 3.1 percent compared to the second quarter 2013. ULSD prices were below \$4.000 for the third month in a row, and declined 3.7 cents from the prior month to \$3.906 per gallon in June. This price was 5.7 cents higher than the June 2013 price.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in June. The overall economy expanded for the 61st consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 55.3 percent, which is a decrease of 0.1 percentage point from May's reading of 55.4 percent. This information indicates that expansion occurred in the manufacturing sector for the 13th consecutive month.

PETROLEUM SUPPLY

U.S. crude oil production in June increased from the prior month, the prior year, the prior quarter, and the prior year to date. Remaining above 8.0 million barrels per day for the fifth consecutive month, domestic crude oil production in June rose by 15.6 percent from last year, and was up by 0.2 percent from last month, averaging just above 8.3 million barrels per day. This was the highest output for June in 28 years. Compared to second quarter of 2013, crude oil production increased 15.0 percent for the second quarter of 2014. Year to date crude oil production was also up compared to the same period last year, an increase of 14.2 percent. 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. At a record output level, June NGL production grossed over 2.9 million barrels per day, up by 17.6 percent from last year, and up by 8.5 percent compared with May. Compared with the prior quarter and the prior year to date, NGL production increased 15.0 percent and 13.2 percent, respectively. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in June was 1,861, up from May's count of 1,859 and also up from June 2013's count of 1,761. This was the highest count since August 2012.

For the tenth consecutive month, U.S. total oil imports remained below 10.0 million barrels per day, averaging 9.2 million barrels per day in June. This was the lowest level for the month in 21 years, since 1993. Total imports were down from the prior month and the prior year, falling by 3.8 percent and 5.7 percent, respectively. Compared with the prior quarter and the prior year to date, total imports were also down by 5.0 percent and 4.4 percent, respectively. Crude oil imports in June were also seen at their lowest level in two decades since 1994, falling by 2.6 percent from the prior year and 0.8 percent from the prior month to 7.5 million barrels per day. For the second quarter, crude imports were also down by 2.3 percent compared to the second quarter of 2013. For year to date, crude imports were also down by 2.6 percent compared with the year to date crude imports of 2013. In June, refined product imports were down by 17.5 percent from the prior year to average 1.7 million barrels per day—the lowest June level since 1995.

At over 10.0 million barrels per day for two consecutive months, gasoline production in June was up from the prior year, the prior quarter, and the prior year to date, but was down slightly from the prior month. Gasoline production increased by 7.6 percent from June 2013 to 10.1 million barrels per day. This was the highest June level on record, and was also the second highest output level ever recorded. Compared with May, gasoline production decreased by 1.2 percent. Compared with the prior quarter and the prior year to date, gasoline production rose by 9.1 percent and 7.4 percent, respectively. The year to date gasoline production level at 9.6 million barrels per day was a record high. Production of distillate fuel in June was the highest June level ever recorded at 4.9 million barrels per day. This was down by 1.9 percent from May, and was 2.5 percent higher than June 2013. Distillate production year to date was also at record high, averaging at 4.8 million barrels per day.

Refinery gross inputs in June were down 1.0 percent from the prior month and were down 2.5 percent from the prior year to 15.9 million barrels per day. Compared with the second quarter of 2013 and year to date 2013, refinery gross inputs were up by 2.0 percent and 3.3 percent, respectively. 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 decreased slightly by 0.2 percent in June compared to the prior month, but were up by 8.3 percent from last year, averaging nearly 3.8 million barrels per day. For the second quarter, exports of refined products rose by 13.9 percent compared to the second quarter of 2013. For year to date, exports of refined petroleum products rose by 19.1 percent compared with year to date 2013. The refinery capacity utilization rate averaged 88.8 percent in June, down 0.9 percentage points from May and 2.9 percentage points from the same period last year. Compared with the second quarter of 2013 and year to date 2013, the refinery capacity utilization rate fell 1.2 percentage points and 2.2 percentage points, respectively. API's latest refinery operable capacity was 17.934 million barrels per day, up 0.7 percent from last year's capacity of 17.815 million barrels per day.

Crude oil stocks ended in June at 380.8 million barrels—the second highest inventory level for the month since 1990. Crude stocks were down 0.5 percent from the prior month, but were up by 1.4 percent from the prior year. Stocks of motor gasoline ended up 0.7 percent from May, but down 4.4 percent from last year to 215.1 million barrels in June. Distillate fuel oil stocks ended at 120.6 million barrels, up 3.6 percent from the prior month, but were down 1.4 percent from year ago levels. Jet fuel stocks were down 6.1 percent from May and were down 9.3 percent from the same period last year to 36.7 million barrels. Stocks of "other oils" were down from year ago levels and month ago levels. Total inventories of all oils were down 7.4 percent from month ago levels, and were down 9.1 percent from year ago levels.

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