

May 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 May moved up by 1.9 percent from May 2013 to average 18.9 million barrels per day. These were the highest May deliveries in six years. Compared with April, total domestic petroleum deliveries, a measure of U.S. petroleum demand, fell by 0.5 percent. For year to date, total domestic petroleum deliveries moved up by 1.5 percent compared to the same period last year. The overall economy in the U.S. showed a slowed gain in May, adding 217,000 jobs according to the Bureau of Labor and Statistics (BLS), and the U.S. unemployment rate was unchanged from April 2014 at 6.3 percent.

In May, gasoline deliveries, a measure of consumer gasoline demand, were up from the prior month, the prior year, and the prior year to date. Total motor gasoline deliveries moved up 3.6 percent from May 2013, and were up by 3.4 percent from April to average 9.3 million barrels per day. These were the highest deliveries for the month since 2007. For year to date, gasoline deliveries increased by 2.1 percent compared with year to date of 2013. The average regular-grade gasoline price in May was \$3.750 per gallon, up by 1.5 cents from April and up by 7.5 cents from May 2013, according to the latest EIA price data. Distillate deliveries in May fell below 4.0 million barrels per day for the first time this year, and were down from the prior month. Distillate deliveries decreased by 5.8 percent compared with April, but were 5.2 percent above May 2013, to average just below 4.0 million barrels per day. These were the highest May deliveries in seven years, since 2007. For year to date, distillate deliveries were also up by 6.4 percent compared with year to date 2013. The increase in distillate deliveries was driven by increases in high sulfur distillate fuel (HSD) deliveries. High sulfur distillate fuel oil deliveries (HSD), which are now relegated to near exclusive use for heating in the residential and commercial sectors, were higher compared with May 2013, up by 80.9 percent to 305 thousand barrels per day in May. However, HSD was down by 26.0 percent from April. According to NOAA's latest report, heating degree days declined by 10.1 percent from last year to 187 in May. Ultra low sulfur distillate (ULSD) deliveries moved up by 1.5 percent from May 2013 to 3.6 million barrels per day in May. According to EIA's latest price data, ULSD prices were \$3.943 per gallon, down 2.1 cents from the prior month but was up by 7.3 cents from May 2013.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in May for the 12th consecutive month. Moreover, the overall economy expanded for the 60th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated in its June 2 Press Release that the Purchasing Managers Index (PMI) was registered at 55.4 percent, an increase of 0.5 percentage points from April's reading of 54.9 percent.

PETROLEUM SUPPLY

U.S. crude oil production in May remained robust averaging above 8.0 million barrels per day for the fourth consecutive month. At 8.3 million barrels per day, domestic crude oil production in May increased by 14.7 percent from May 2013, and was up by 1.0 percent from April. This was the highest output level for the month of May since 1987. Compared with year to date 2013, domestic crude oil production rose by 13.9 percent. 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. In May, NGL production averaged 2.7 million barrels per day. This was up by 0.4 percent from April and was up by 9.3 percent from May 2013. Compared with year to date 2013, NGL production rose by 10.5 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in May was 1,859, up 24 counts from April, and up by 92 counts from May 2013. This was the highest count since September 2012.

In May, U.S. total imports averaged just below 9.6 million barrels per day, falling by 5.3 percent from the prior month, and were 4.5 percent lower compared with the prior year. These were the lowest May imports in 19 years. Year to date total imports were down by 3.1 percent to 9.5 million barrels per day compared with year to date 2013. Meanwhile, crude oil imports were 7.6 million barrels per day, the lowest imports for the month in 19 years. These were down by 5.3 percent compared with April and were down by 1.9 percent from May 2013. Compared to the prior year to date, crude imports were down 1.3 percent. Imports of refined products in May fell by 5.6 percent from April and were also down by 13.2 percent from May 2013 to the lowest imports level in 18 years at 2.0 million barrels per day. For year to date, refined product imports were down by 9.2 percent compared with year to date 2013.

For the first time ever, production of gasoline reached above 10.0 million barrels per day to set a record high of nearly 10.3 million barrels per day. Gasoline production moved up by 4.7 percent from April and was 10.9 percent higher than May 2013's output. For year to date, gasoline production increased by 7.0 percent compared with the same period last year and was the highest year to date on record. Production of distillate fuel in May was the highest output level ever recorded for the month of May. At just over 5.0 million barrels per day, distillate production rose by 1.1 percent from April and was up by 5.0 percent from May 2013. For year to date, distillate production reached an all time record of 4.8 million barrels per day.

At 16.1 million barrels per day, U.S. refinery gross inputs in May were the highest inputs for the month since 2005. These were up from April 2014 and May 2013, rising by 0.08 percent and 2.4 percent, respectively. For year to date, refinery gross inputs increased by 4.3 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 3.3 percent from the prior month and were up by 10.9 percent from the prior year to average 3.8 million barrels per day. These were the highest exports for the month on record, but were 600 thousand barrels lower than the record high of 4.4 million barrels per day set in December 2013. Compared with prior year to date, exports of refined petroleum products were up by 20.0 percent to 3.8 million barrels per day. The refinery capacity utilization rate averaged below 90.0 percent for the fourth month in a row, at 89.7 percent in May. This was the same as in April, but was 1.5 percentage points higher than in May 2013. 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 May at 382.9 million barrels—the third highest May inventory level since 1990. Crude stocks were down 1.8 percent from the prior month, and were down by 2.4 percent from the prior year. Stocks of motor gasoline ended down 1.1 percent from last month and were down by 3.6 percent from last year to 213.7 million barrels in May. Distillate fuel oil stocks were down 4.7 percent from year ago levels, but were up by 2.5 percent from prior month levels to end at 116.4 million barrels—the lowest May inventory level in 6 years. Jet fuel stocks were up from the prior month by 0.8 percent but were down by 4.2 from the prior year. Stocks of “other oils” were down from month ago and year ago levels. Total inventories of all oils were down 7.2 percent from month ago levels, and were down 9.8 percent from year ago levels.

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