

February 2016

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 February moved up by 2.0 percent from February 2015 to average 19.8 million barrels per day. These were the highest February deliveries in eight years, since 2008. Compared with January, total domestic petroleum deliveries, a measure of U.S. petroleum demand, also increased by 2.0 percent. For year to date, total domestic petroleum deliveries moved up by 1.4 percent compared to the same period last year. The overall economy in the U.S. showed gains again for the second time in the year, adding 242,000 jobs according to the Bureau of Labor and Statistics (BLS). The U.S. unemployment rate was unchanged at 4.9 percent in February. Deliveries of gasoline, distillate fuel, kerosene-jet fuel, and all other oils showed month-over-month increases. However deliveries of residual fuel showed a decline of 36.3 percent from January.

In February, 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 by 5.2 percent from February 2015, and were up by 3.0 percent from January to average 9.1 million barrels per day. These were the highest deliveries for the month ever recorded. For year to date, gasoline deliveries increased by 3.2 percent compared with year to date of 2015. For the first time since February 2009, the average regular-grade gasoline price fell below \$2.0 to average \$1.872 per gallon in February, according to the latest EIA price data. This was down by 18.5 cents from the prior month and 42.9 cents from the prior year. This February price was also the lowest since January 2009. February distillate deliveries were down from the prior year, and the prior year to date, but were up from the prior month. Distillate deliveries increased by 3.9 percent compared with January, but were 17.0 percent lower than February 2015 to average at nearly 3.8 million barrels per day. These were the lowest February deliveries in 14 years, since 2002. For year to date, distillate deliveries were also down by 15.7 percent compared with year to date 2015. According to the latest EIA price data, ULSD prices decreased by 14.5 cents from last month's price of \$2.143 per gallon to the lowest price ever recorded at \$1.998 per gallon. This was 86.0 cents below the February 2015 price of \$2.858 per gallon.

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector contracted in February for the fifth consecutive month, while the overall economy grew for the 81st consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 49.5 percent, 1.3 percentage points above the January reading of 48.2 percent. According to the March Press Release ISM report, February saw "a more positive view of demand than in January, as 12 of our 18 industries report an increase in new orders, while four industries report a decrease in new orders."

PETROLEUM SUPPLY

Crude oil production decreased 1.2 percent from January, and was down by 3.6 percent from February 2015 to average 9.1 million barrels per day in February. This was the fifth consecutive monthly declines seen and was the lowest output level in 16 months, since September 2014. For year to date, crude production was also down by 2.4 percent compared with year to date 2015. Meanwhile, NGL production was up from the prior month, prior year, and the prior year to date. NGL production in February averaged 3.4 million barrels per day, up by 0.3 percent from last month and was 10.1 percent higher than last year. This was the highest February output level on record. For year to date, NGL production was up 12.2 percent compared to the same period last year. According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for February 2016 was 532, down 124 from the 656 counted in January 2016, and down 816 from the 1,348 counted in February 2015. Last month's count was the lowest in over 16 years, since May 1999.

U.S. total petroleum imports in February averaged nearly 9.9 million barrels per day, down 0.2 percent from the prior month but were up by 6.7 percent from the prior year. These were the second highest total petroleum imports for any month since September 2013. For year to date, total petroleum imports were also up by 6.0 percent compared with year to date 2015. Crude oil imports also decreased 1.5 percent from January 2016 to 7.6 million barrels per day in February. Compared with February 2015, crude oil imports were 6.9 percent higher and were the highest February imports since 2012. For year to date, crude imports were also up by 7.5 percent compared with year to date 2015.

In February, gasoline production averaged nearly 9.9 million barrels per day, up 3.2 percent from the prior year, and up 4.0 percent from the prior month. The February 2016 gasoline output was a record high for the month. For year to date, gasoline production increased by 1.6 percent compared to the same period last year and was the highest year to date on record. On the other hand, distillate fuel production declined by 3.3 percent from February 2015. Compared to the month prior, distillate production also fell by 0.2 percent. For year to date, distillate production decreased by 4.8 percent compared to the same period last year. Refinery capacity utilization rate averaged 87.7 percent in February, up 0.1 percentage points from the prior year, but was down by 1.6 percentage points from the prior month. API's latest refinery operable capacity was 18.174 million barrels per day. Refinery gross inputs moved up by 1.7 percent from February 2015 to reach a new high for the month, averaging 15.9 million barrels per day in February. Compared to January 2016, refinery gross inputs were down 259 thousand barrels per day or 1.6 percent. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than demand for those products, so refined products were exported. Exports of crude oil and refined petroleum products increased 6.0 percent in February 2016, compared to February 2015, to average just below 5.0 million barrels per day. This was the highest February export level ever, and was 376 thousand barrels below January 2016's record level of 4.6 million barrels per day. Compared to year to date 2015, refined product exports were up 3.4 percent.

Crude oil stocks ended in February at 519.6 million barrels—the highest February inventory level in 86 years, since 1930. Crude stocks were up 3.6 percent from the prior month, and up by 16.0 percent from the prior year. Stocks of motor gasoline ended in February at 252.4 million barrels, down 0.1 percent but up 4.9 percent from the prior month and from prior year, respectively. Distillate fuel oil stocks were up 0.8 percent from the prior month, and up by 32.2 percent from the same period last year to end at 162.8 million barrels—the highest February inventory level in 35 years. Jet fuel stocks were up from the prior month by 1.9 percent, and up by 10.2 from the prior year to end at 42.5 million barrels. Stocks of “other oils” were down from month ago and year ago levels. Total inventories of all oils were down 2.8 percent from month ago levels, but were up by 11.1 percent from year ago levels.

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