

June 2017

### 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 2.6 percent from June 2016 and were up by 1.0 percent from May to average 20.3 million barrels per day in June. These deliveries were the highest deliveries for the year and the highest deliveries for the month of June in 10 years, since 2007. For the second quarter, total domestic petroleum deliveries increased 3.0 percent compared to the second quarter 2016. For year to date, total domestic petroleum deliveries increased 1.6 percent compared to the same period last year. The overall economy in the U.S. showed gains for the fifth time in the year, adding 222,000 jobs in June, according to the U.S. Bureau of Labor Statistics (BLS). The U.S. unemployment rate fell 0.4 percentage points to 4.4 percent, and the number of unemployed persons decreased 658,000 to 7.0 million.

Gasoline deliveries in June were down from the prior year and the prior year to date, but were up from the prior month and the prior quarter. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved down 0.5 percent from June 2016 but were up 0.3 percent from May to average 9.6 million barrels per day—the second highest June deliveries on record. For the second quarter, total motor gasoline deliveries increased 0.5 percent compared to the second quarter 2016. For year to date, total motor gasoline deliveries decreased 0.5 percent compared with the same period last year. The average regular-grade gasoline price in June fell to its lowest price for the month since 2005, falling 4.3 cents from May and down 0.7 cents from June 2016 to \$2.460 per gallon, according to the latest EIA price data. Distillate deliveries—the highest June deliveries since 2007—were down by 0.5 percent from May but were up by 4.1 percent from June 2016 to average just above 4.0 million barrels per day. Compared with the prior quarter and the prior year to date, distillate deliveries were up 3.7 percent and 2.4 percent, respectively. Ultra Low Sulfur Distillate (ULSD) deliveries in June moved up 2.2 percent compared with June 2016, but were down by 0.4 percent from May to 3.8 million barrels per day—the highest June deliveries on record. Compared with the prior quarter and the prior year to date, ULSD deliveries were up by 1.0 percent and 1.9 percent, respectively. According to the latest EIA price data, ULSD prices fell 4.9 cents from May but were up by 8.8 cents from June 2016 to average \$2.511 per gallon in June. Last month's price was the second lowest June price ever recorded.

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, and the overall economy grew for the 97th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 57.8 percent in June, up 2.9 percentage points from May's reading of 54.9 percent.

## PETROLEUM SUPPLY

At 9.3 million barrels per day, U.S. crude oil production in June increased 7.2 percent from June 2016, but nearly unchanged from May. Compared to second quarter 2016 and year to date 2016, domestic crude oil production increased 4.6 percent and 1.4 percent, respectively. This was the highest crude production level for the month of June in 45 years, since 1972. Natural gas liquids (NGL) production, a co-product of natural gas production, was strong in June, up from the prior month, the prior year, the prior quarter, and the prior year to date levels. NGL production in June averaged 3.6 million barrels per day, which was the highest for the month of June on record. This was 2.6 percent above May's output and 0.3 percent higher than June 2016's output. Compared to second quarter 2016, NGL production increased 0.8 percent. Compared with year to date 2016, NGL production rose 2.6 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in June was 931, up 4.3 percent from the previous month and 123.3 percent above the year ago level. Last month's count was the highest count for any month in 26 months, since April 2015.

U.S. total petroleum imports in June averaged 10.2 million barrels per day, up 3.3 percent from the prior month, and 1.6 percent higher than the prior year. Last month's total petroleum imports were the highest imports for the month of June since 2012. For the second quarter, total imports were up 1.0 percent compared with the same period last year. Year to date total imports were up by 2.3 percent to 10.2 million barrels per day compared with year to date 2016. Crude oil imports in June were up from the prior month, the prior year, the prior quarter, and the prior year. Crude oil imports averaged close to 8.0 million barrels per day, up 4.9 percent with the prior year and up 4.0 percent from May. For the second quarter, crude imports were up by 2.5 percent compared with the second quarter of 2016. Compared to the prior year to date, crude imports were up by 2.9. Last month's crude imports were also the highest June imports since 2012.

At an average of nearly 10.2 million barrels per day, production of gasoline in June was the second highest level for the month on record. Gasoline production almost stayed flat compared to May output, but was down 1.0 percent from June 2016's output. For the second quarter, gasoline production was up 0.3 percent compared to the second quarter of 2016. For year to date, gasoline production decreased 0.4 percent compared with the same period last year and was the second highest year to date on record. Production of distillate fuel in June rose 4.9 percent from the prior year to reach an average output of nearly 5.2 million barrels per day—the highest June output ever. For the second quarter, distillate production rose 7.0 percent compared to the second quarter of 2016. For year to date, distillate production increased 4.1 percent compared to year to date 2016 and reached an all-time high of just above 4.9 million barrels per day. Production of kerosine-jet fuel increased 6.7 percent from last year to average just below 1.8 million barrels per day, and was up by 2.7 percent from the prior month. Compared with second quarter 2016 and year to date 2016, kerosine-jet fuel production was up by 7.7 percent and 5.9 percent, respectively. Refinery gross inputs in June rose 3.8 percent from last year to a record high for the month at nearly 17.5 million barrels per day. Compared with May, U.S. gross refinery inputs rose 3.3 percent. For the second quarter, refinery gross inputs were up by 4.2 percent compared with the second quarter of 2016. For year to date, refinery gross inputs were up by 2.0 percent compared with year to date 2016. The refinery capacity utilization rate in June averaged above 90.0 percent for the third straight month at 93.7 percent. This was down 0.1 percentage points from May, but up 2.6 percentage points from the same period last year. Compared with the second quarter of 2016 and year to date 2016, the refinery capacity utilization rate rose 3.5 percentage points and 0.9 percentage points, respectively.

Crude oil stocks ended in June averaging at 502.6 million barrels—the lowest inventory for the year, but remained the highest June inventory level in 87 years, since 1930. Crude stocks were down 1.3 percent or 6.7 million barrels from the prior month, but were up by 0.9 percent or 4.6 million barrels from the prior year. Stocks of motor gasoline ended down 0.7 percent from last month, and down 1.6 percent from last year, to 238.2 million barrels in June. These were the second highest motor gasoline stocks for the month in 33 years. Distillate fuel oil stocks were up 1.3 percent from the prior month, and up 1.9 percent from the prior year to end at 152.1 million barrels—the third highest June inventory level in 36 years, since 1981. Jet fuel stocks were down from the prior month by 9.1 percent, but were up by 1.2 percent from the prior year to end at 40.9 million barrels. Stocks of “other oils” were up from month ago level but were down from year ago level. Total inventories of all oils were up 1.9 percent from month ago levels, but were down 5.6 percent from year ago levels.

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