

February 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 in February moved up 0.1 percent from February 2016 to average 19.7 million barrels per day. These were the highest February deliveries in nine years, since 2008. Compared with January 2017, total domestic petroleum deliveries, a measure of U.S. petroleum demand, also increased 2.2 percent. For year to date, total domestic petroleum deliveries increased 0.7 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 235,000 jobs according to the U.S. Bureau of Labor Statistics (BLS). The U.S. unemployment rate changed little at 4.7 percent in February.

In February, gasoline deliveries, a measure of consumer gasoline demand were up from the prior month, but down from the prior year, and the prior year to date. Total motor gasoline deliveries, decreased 3.8 percent from February 2016, to average 8.9 million barrels per day— the second highest February demand in nine years, since 2008. Compared with January 2017, total motor gasoline deliveries increased 4.9 percent. For year to date, gasoline deliveries decreased 3.3 percent compared with year to date of 2016. The average regular-grade gasoline price averaged \$2.416 per gallon in February, according to the latest EIA price data. This was down 4.2 cents from the prior month, but was up 54.4 cents from the prior year. This February price was the second highest for any month since June 2016.

Distillate deliveries averaged almost 4.0 million barrels per day in February, increased 0.9 percent compared with February 2016. These were the highest February deliveries in two years, since 2015. Compared to the prior month, February distillate deliveries increased 6.4 percent. For year to date, distillate deliveries decreased 0.2 percent compared to year to date 2016. Meanwhile, ultra-low sulfur distillate (ULSD) decreased 0.4 percent compared to last year. Compared with February 2016, ULSD prices were 57.0 cents higher. According to the latest EIA price data, ULSD prices decreased 1.2 cents from last month's price of \$2.580 per gallon to average \$2.568 per gallon in February.

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 February and the overall economy grew for the 93rd consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 57.7 percent, 1.7 percentage points above the January reading of 56.0 percent. According to the March Press Release ISM report, "comments from the panel largely indicate strong sales and demand, and reflect a positive view of business conditions with a watchful eye on commodities and the potential for inflation."

PETROLEUM SUPPLY

Crude oil production increased 0.7 percent from January, but was down by 1.3 percent from February 2016 to average just above 9.0 million barrels per day in February. This was the highest crude oil production for any month since March 2016. Compared with year to date 2016, crude production was also down by 1.9 percent.

Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but was up from the prior year, and the prior year to date. At an average 3.4 million barrels per day, NGL production in February was fell by 2.7 percent from January, but was 2.9 percent higher than last year, and 4.8 percent higher than year to date this time last year. This was the highest February output level on record. Compared with year to date 2016, NGL production increased 4.8 percent.

According to the latest reports from Baker-Hughes, Inc., the average U.S. rig count for February 2017 was 744, up 56 from the 688 counted in January 2017, and up 212 from the 532 counted in February 2016. However, last month's count was the second lowest February in over 16 years, since 1999.

U.S. total petroleum imports in February averaged nearly 10.4 million barrels per day, down 2.7 percent from the prior month, but up 3.6 percent from the prior year. These were the highest February imports in five years, since 2012. For year to date, total petroleum imports were also up by 6.7 percent compared with year to date 2016. Crude oil imports increased 2.8 percent from February 2016 to 8.1 million barrels per day in February 2017. Compared with January 2017, crude oil imports were 2.0 percent lower. For year to date, crude imports were up 5.6 percent compared with year to date 2016. Refined product imports in February increased by 6.6 percent from the prior year to just below 2.3 million barrels per day, but were down 5.2 percent from the prior month. Compared with year to date 2016, refined product imports increased 11.0 percent.

U.S. refinery gross inputs moved down 2.2 percent from February 2016, averaging 15.8 million barrels per day. Compared to January 2017, refinery gross inputs were down 4.6 percent. Compared with year to date 2016, refinery gross inputs were down 0.4 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 3.0 percent in February 2017, compared to February 2016, to average nearly 5.1 million barrels per day. This was the highest February export level ever. Compared to year to date 2016, crude oil and refined product exports were up 5.2 percent. Refinery capacity utilization rate averaged 85.5 percent in February, down 2.8 percentage points from the prior year, and down 4.2 percentage points from the prior month. API's latest refinery operable capacity was 18.480 million barrels per day.

Crude oil stocks ended in February at 526.3 million barrels—the highest February inventory level in 87 years, since 1930. Crude stocks were up 5.4 percent from the prior month, and up by 7.8 percent from the prior year.

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