

March 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 March moved up 0.2 percent from March 2016 to average nearly 19.7 million barrels per day. These were the highest March deliveries in nine years, since 2008. Compared with February, total domestic petroleum deliveries decreased by 0.2 percent. For the first quarter of 2017, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were up 0.4 percent compared with the first quarter of 2016 to average 19.5 million barrels per day. These were also the highest first quarter deliveries in nine years, since 2008. According to the U.S. Bureau of Labor Statistics (BLS) April 7, 2017 report, the U.S. added 98,000 jobs in March. In addition, the unemployment rate (4.5 percent) and the number of unemployed persons (7.2 million) in March were down from the prior month and the prior year.

Gasoline deliveries, a measure of consumer gasoline demand, in March were up from the prior month, but down from the prior year, and the prior first quarter. Total motor gasoline deliveries increased 4.3 percent from February, but were down 1.7 percent from March 2016 to average 9.2 million barrels per day. These were the second highest March deliveries ever recorded. For the first quarter of 2017, gasoline deliveries decreased 2.5 percent compared with the first quarter of 2016. The average regular-grade gasoline price in March rose by 2.1 cents from the prior month, and was up 36.6 cents from the prior year to \$2.437 per gallon, according to the latest EIA price data. Last month's price was the second lowest March price in nine years, since 2008.

Distillate deliveries in March were up from the prior month, the prior year, and the prior first quarter. Distillate deliveries increased 2.9 percent compared with February and were 4.3 percent higher than March 2016 to average 4.1 million barrels per day. For the first quarter of 2017, distillate deliveries were also up 1.6 percent compared with the first quarter of 2016. The increase in distillate deliveries was driven by increases in both ultra-low sulfur distillate (ULSD) deliveries and high sulfur distillate (HSD). ULSD deliveries moved up 3.5 percent compared with March 2016 and were up 2.7 percent from February to 3.8 million barrels per day in March. Deliveries of ULSD for the first quarter of 2017 were up 0.9 percent compared with the first quarter of 2016. ULSD prices declined 1.4 cents from February 2017, but rose 46.4 cents from March 2016 to average \$2.554 per gallon, according to the latest EIA price data.

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 March. Moreover, the overall economy grew for the 94<sup>th</sup> consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 57.2 percent, 0.5 percentage points lower than the February's reading of 57.7 percent.

## PETROLEUM SUPPLY

U.S. crude oil production increased for the third month straight in 2017 by 1.4 percent, but posted declines compared to the prior year, and the prior first quarter levels. At an average of 9.2 million barrels per day, U.S. crude oil production decreased 0.2 percent from March 2016, and was down 1.8 percent from the first quarter of 2016. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month and the prior first quarter, but was down from the prior year. NGL production in March averaged 3.4 million barrels per day, which was the second highest level for the month on record. This was 0.4 percent above February's output and 0.8 percent higher than the first quarter of 2016. However, NGL production was 2.1 percent lower than March 2016's output. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in March was 789, an increase of 6.0 percent from the previous month and 64.7 percent above the year ago level. This was the highest rig count in 17 months, since November 2015.

U.S. total petroleum imports in March averaged nearly 10.0 million barrels per day. This was the second highest March total petroleum imports in five years since 2012. Total petroleum imports were down 3.8 percent from the prior month, and down 0.1 percent compared with the prior year. For the first quarter of 2017, total petroleum imports were up 4.4 percent compared with the first quarter of 2016. Meanwhile, crude oil imports were also down compared with the prior year, declining 2.2 percent from March 2016 to just below 7.9 million barrels per day in March 2017. Crude oil imports were down 3.3 percent compared to the prior month, but were up 3.4 percent from the prior first quarter.

At an average of nearly 9.7 million barrels per day, production of gasoline in March was the second highest output for the month on record. Gasoline production increased by 3.3 percent from February, but was down 2.1 percent from March 2016's output. For the first quarter of 2017, gasoline production decreased by 2.4 percent compared with the same period last year and was the second highest first quarter on record. Below 5.0 million barrels per day for the third consecutive month, production of distillate fuel in March fell from prior year ago levels by 1.5 percent, but increased from the prior month and the prior first quarter levels by 3.0 percent and 2.7 percent, respectively, to average just below 4.8 million barrels per day. This was the third highest March output level on record.

U.S. refinery gross inputs were up from the prior month, but down from the prior year, and the prior first quarter. Refinery gross inputs declined 0.4 percent from last year to the second highest March on record at 16.2 million barrels per day. Refinery gross inputs increased 2.5 percent from February. For the first quarter of 2017, refinery gross inputs were down 0.6 percent compared with the prior year first quarter. Exports of refined petroleum products were up from the prior month, the prior year, and the prior year first quarter. Exports of crude and refined petroleum products in March increased 9.4 percent from February and increased 11.5 percent from March 2016 to average nearly 5.6 million barrels per day—the highest March export level ever. Compared with the first quarter 2016, exports of refined petroleum products were up 10.6 percent to nearly 5.5 million barrels per day. The refinery capacity utilization rate averaged 87.4 percent in March. This was up by 1.9 percentage points from February, but down 1.4 percentage points from the same period last year. API's latest refinery operable capacity was 18.537 million barrels per day, up 230 thousand barrels per day from last year's capacity of 18.307 million barrels per day.

Crude oil stocks ended in March at 533.5 million barrels—the highest inventory level for any month in nearly 87 years, since 1930. Crude stocks were up 7.2 million barrels or 1.4 percent from the prior month, and were up 32.0 million barrels or 6.4 percent from the prior year. Stocks of total motor gasoline ended down 5.7 percent from last month, and down 1.7 percent from last year to 239.3 million barrels in March. These were the second highest stocks for the month in 30 years, since 1987. Distillate fuel oil stocks were down 6.2 percent from the prior month and down 4.9 percent from the same period last year to end at 152.7 million barrels—the second highest March inventory level in 36 years, since 1981. Jet fuel stocks were also down from the prior month by 6.0 percent, and down 3.9 percent from the prior year to end at 42.1 million barrels. Stocks of "other oils" were up from month ago levels, but down from year ago levels. Total inventories of all oils were down 0.2 percent from month ago levels, and down 3.2 percent from year ago levels.

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