

September 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 increased 2.4 percent from September 2016, but down 1.6 percent from August to average 20.2 million barrels per day in September. These September deliveries were the highest September deliveries in 10 years, since 2007. For the third quarter 2017, total petroleum deliveries, a measure of U.S. petroleum demand, increased 2.1 percent from the same period last year to nearly 20.4 million barrels per day. For year to date 2017, total domestic petroleum deliveries increased 1.2 percent compared to the same period last year. According to the Bureau of Labor Statistics (BLS) October 6, 2017 report, the overall economy in the United States showed decline employment in September, falling by 33 thousand. BLS reported the unemployment rate decreased 0.2 percentage points from August to 4.2 percent, and the number of unemployed persons declined by 331 thousand from August to 6.8 million in September—also down from the prior year levels. These declines likely reflected the impact of Hurricanes Irma and Harvey in September.

Total motor gasoline deliveries, a measure of consumer gasoline demand, moved down 1.5 percent from August and down 0.8 percent from September 2016 to 9.4 million barrels per day—but remained the second highest September deliveries on record. Compared with third quarter 2016 and year to date 2016, gasoline deliveries increased 0.4 percent and decreased 0.3 percent, respectively. According to the latest EIA price data, the average regular-grade gasoline price in September was \$2.761 per gallon. This price was up 26.7 cents from month-ago prices, and up 43.4 cents from year-ago prices. The September price was also the highest price recorded for any month in 26 months, since July 2015, but remained the third lowest price for the month of September in seven years, since 2010. Distillate deliveries increased 3.4 percent from September 2016, but were down 2.1 percent from August, to average just above 4.0 million barrels per day in September. These were the second highest September deliveries in 10 years, since 2007. For the third quarter 2017, distillate deliveries increased 3.7 percent compared to third quarter 2016. For year to date 2017, distillate deliveries were also up 2.3 percent compared with year to date 2016. ULSD prices increased 19.0 cents from August, and were up 39.1 cents from September 2016 to average \$2.785 per gallon in September, according to the latest EIA price data. September's ULSD price was the highest price for any month in 27 months, since July 2015.

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 September, and the overall economy grew for the 100th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 60.8 percent in September, up 2.0 percentage points from the August reading of 58.8 percent.

PETROLEUM SUPPLY

U.S. crude oil production remained robust and above 9.0 million barrels per day for the eighth consecutive month to averaged 9.5 million barrels per day in September. This was up 2.3 percent from August, up 11.3 percent from September 2016, up 6.6 percent from third quarter 2016, and up 2.9 percent from year to date 2016. Domestic crude oil production was the highest September production in 47 years, since 1970, and was the highest production level for any month in 29 months, since April 2015. For year to date 2017, crude oil production was also the second highest year to date in 44 years, since 1973. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, the prior year, the prior quarter, and the prior year to date levels. NGL production in September averaged 3.7 million barrels per day—the highest September output on record. This was up 1.1 percent from August, up 9.2 percent from September 2016, up 7.3 percent from third quarter 2016, and up 3.8 percent from year to date 2016. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. posted a month-over-month decline for the second consecutive month to 940 in September. This was down 0.7 percent from the previous month but up year-ago levels for the ninth straight month, up 84.7 percent.

U.S. total petroleum imports in September averaged 10.2 million barrels per day, up 5.2 percent from the prior month, but down 0.3 percent from the prior year. This was the lowest September imports in two years. For the third quarter 2017, total imports were down 4.2 percent compared with the same period last year. For year to date 2017, total imports were up 0.8 percent to average nearly 10.2 million barrels per day compared with year to date 2016. Meanwhile, crude oil imports decreased 7.2 percent from September 2016, averaging at 7.5 million barrels per day. Compared with August, crude oil imports remained almost flat. For the third quarter 2017, crude imports were down 3.6 percent compared with third quarter of 2016. For year to date 2017, crude imports were up 2.0 percent compared with year to date 2016.

Declines in the production of gasoline, distillate fuel, and kerosine-jet fuel in September were impacts of Hurricanes Harvey and Irma. Production of gasoline decreased from the prior month, the prior year, the prior quarter, and the prior year to date to average 9.7 million barrels per day in September. Compared with the prior month and the prior year, gasoline production decreased 4.0 percent and 3.2 percent, respectively. For the third quarter 2017 and the year to date 2017, gasoline production was both down by 1.8 percent. Gasoline production in September however remained the third highest production for the month of September on record. Refinery gross inputs in September decreased 8.2 percent from August and were down 5.9 percent from September 2016 to average 15.7 million barrels per day. These were the lowest inputs for the month of September in five years, since 2012. Compared with third quarter 2016, refinery gross inputs were up 3.1 percent. Compared with year to date 2016, refinery gross inputs were up 2.5 percent. The refinery capacity utilization rate in September was 84.6 percent, the lowest rate in 54 months, since March 2013. September's rate was down 7.6 percentage points from August and down 5.8 percentage points from the same period last year. API's latest refinery operable capacity was 18.566 million barrels per day, up 110 thousand barrels per day from last year's capacity of 18.456 million barrels per day.

Crude oil stocks in September ended at 466.3 million barrels. These were the second highest September inventory level in 87 years, since 1930. Crude stocks were up 0.8 percent from August but were down 0.6 percent from September 2016. Stocks of motor gasoline in September were down 3.0 percent from last month, and down 1.9 percent from last year, to end at 223.4 million barrels. These were the lowest gasoline stocks for any month in 22 months, since November 2015, but remained the third highest stocks for the month of September in 27 years, since 1990. Distillate fuel oil stocks were down 8.4 percent from the prior month, and down 15.6 percent from the prior year to end at 136.0 million barrels—the lowest September inventory level in three years, since 2014, and the lowest inventory level for any month in 28 months, since May 2015. Jet fuel stocks were up 8.8 percent from the prior month, but were down 3.8 percent from the prior year to end at 43.2 million barrels.

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