

September 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 September increased 1.0 percent from September 2015, but were down 2.6 percent from August to average 19.6 million barrels per day. These September deliveries were the highest deliveries for the month in nine years, since 2007. For the third quarter of 2016, total petroleum deliveries, a measure of U.S. petroleum demand, decreased by 0.1 percent from the same period last year. For year to date, total domestic petroleum deliveries remained flat compared to the same period last year. According to the Bureau of Labor and Statistics (BLS) October 7, 2016 report, the overall economy in the United States showed increased employment in September with an estimated 156,000 jobs added to the economy. In addition, BLS reported the unemployment rate in September remained similar to August at 5.0 percent, and the number of unemployed persons was unchanged at 7.9 million.

Gasoline deliveries in September were up from the prior year, the prior year's third quarter, and the prior year to date, but were down from the prior month. Total motor gasoline deliveries, a measure of consumer gasoline demand, moved up 1.1 percent from September 2015 to nearly 9.4 million barrels per day—the highest September deliveries on record. Compared with August, gasoline deliveries decreased by 3.0 percent. For the third quarter of 2016, gasoline deliveries increased 1.6 percent compared to the third quarter of 2015. For year to date, gasoline deliveries increased by 2.0 percent compared with year to date of 2015. According to the latest EIA price data, the average regular-grade gasoline price in September was \$2.327 per gallon. This was the lowest price for the month of September since 2004. The September price was up 4.3 cents from month-ago prices, but down from 13.5 cents from year-ago prices. Distillate deliveries in September were down from the prior year, the prior month, the prior year's third quarter, and the prior year to date. Distillate deliveries decreased by 10.3 percent from September 2015, and were down 3.1 percent from August, to average 3.6 million barrels per day in September. These were the lowest September deliveries since 2009. For the third quarter of 2016, distillate deliveries decreased 7.5 percent compared to the third quarter of 2015. For year to date, distillate deliveries were also down 6.2 percent compared with year to date 2015, to 3.8 million barrels per day. ULSD deliveries were down by 10.0 percent from last year, and were down by 2.7 percent from last month. Compared with the prior quarter and the prior year to date, ULSD deliveries fell 6.1 percent and 6.2 percent, respectively, to nearly 3.6 million barrels per day in September. ULSD prices increased 4.3 cents from August, but were down 11.1 cents from September 2015 to average \$2.394 per gallon in September, according to the latest EIA price data. September's ULSD price was the lowest September price on record.

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 following one month of contraction in August. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 51.5 percent in September, up 2.1 percentage points from the August reading of 49.4 percent.

PETROLEUM SUPPLY

U.S. crude oil production declined 8.9 percent from year ago levels. However, at an average of 8.6 million barrels per day, domestic crude oil production in September increased by 0.8 percent from August—the first month over month increase in six months. Compared with year to date 2015, domestic crude oil production declined 6.1 percent. Compared to third quarter of 2015, crude oil production decreased 8.5 percent for the third quarter of 2016. September crude oil production was the third highest level for the month and the second highest year to date level in 31 years, since 1985. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior year, the prior month, the prior quarter, and the prior year to date levels. NGL production in September averaged nearly 3.7 million barrels per day—the highest level on record for any month. This was an increase of 0.5 percent from August, and was 6.5 percent higher than the same period last year. Compared to third quarter 2015, NGL production increased by 6.5 percent. Compared with year to date 2015, NGL production rose by 6.9 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. posted an increase to 509 for the fourth consecutive month. This was up by 5.8 percent from the previous month but remained below year-ago levels for the 21st straight month, down by 40.0 percent.

U.S. total petroleum imports in September averaged just under 10.0 million barrels per day, down 7.1 percent from the prior month, but up 6.4 percent from the prior year. This was the third lowest for the month of September since 1996, in 20 years. Third quarter 2016 total imports were up 8.3 percent compared with the same period last year. Year to date total imports were up 6.3 percent to average 10.1 million barrels per day compared with year to date 2015. Meanwhile, crude oil imports increased 7.1 percent from September 2015, averaging at 7.7 million barrels per day. Compared with August, crude oil imports decreased by 7.7 percent. For the third quarter, crude imports were up 8.6 percent compared with the third quarter of 2015. For year to date, crude imports were up 7.7 percent compared with year to date 2015.

Production of gasoline in September fell from the previous month, averaging nearly 10.0 million barrels per day. This was down 2.6 percent from August, but was up by 1.2 percent from September 2015 becoming the highest September on record. For the third quarter, gasoline production was up 2.1 percent compared to the third quarter of 2015. For year to date, gasoline production increased by 2.6 percent compared with the same period last year. Production of distillate fuel in September decreased by 3.5 percent from the prior year and down by 1.4 percent from the prior month to average nearly 4.9 million barrels per day. For the third quarter, distillate production declined 3.2 percent compared to the third quarter of 2015. For year to date, distillate production decrease 3.3 percent when compared to the same time period in 2015. Refinery gross inputs in September increased by 1.9 percent from last year to reach a record high for the month, averaging nearly 16.7 million barrels per day. Compared with August, U.S. gross refinery inputs fell 1.8 percent. For the third quarter, refinery gross inputs were up 0.4 percent compared with the third quarter of 2015. For year to date, refinery gross inputs were up 0.8 percent compared with year to date 2015. The refinery capacity utilization rate in September averaged above 90.8 percent. This was down 2.3 percentage points from August, but up 0.2 percentage point from the same period last year. API's latest refinery operable capacity was 18.432 million barrels per day, up 294 thousand barrels per day from last year's capacity of 18.138 million barrels per day.

Crude oil stocks (excluding lease stocks) ended in September averaging at 468.6 million barrels. This was the highest September inventory level in 86 years, since 1930. Crude stocks were down by 3.3 percent from the prior month, but were up by 9.2 percent from the prior year. Stocks of motor gasoline ended in September down 2.6 percent from last month, and unchanged from last year, to end at 225.2 million barrels. These were the highest stocks for the month in 26 years, since 1990, but the lowest in 2016. Distillate fuel oil stocks were up 3.0 percent from the prior month, and up 8.1 percent from the prior year to end at 161.5 million barrels—the highest September inventory level in 6 years, since 2010. Kerosine-jet fuel stocks were up from the prior month by 4.0 percent, and were up by 8.5 percent from the prior year to end at 43.9 million barrels. Stocks of “other oils” were down by 5.3 percent from month ago levels, but up by 8.2 percent from year ago levels. Total inventories of all oils were down 2.5 percent from month ago levels, but were up by 5.5 percent from year ago levels.

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