

December 2012

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

In 2012, total domestic petroleum deliveries, a measure of U.S. petroleum demand, averaged nearly 18.6 million barrels per day, down 2.0 percent from 2011 average. These were the lowest domestic deliveries in 16 years, since 1996. For the fourth quarter of 2012, total domestic petroleum deliveries moved down 2.0 percent to 18.5 million barrels per day from 18.9 million barrels per day in the fourth quarter of 2011. Total domestic petroleum deliveries in December decreased by 0.3 percent from November and decreased by 2.1 percent from December 2011 to approximately 18.4 million barrels of oil per day—the lowest December level, also in 16 years. Year over year declines were seen in all months in 2012 except for May. According to the Bureau of Labor and Statistics (BLS), nonfarm payroll employment rose by 155,000 in December, and the unemployment rate was unchanged at 7.8 percent. The BLS also reported that employment increased in the health care, food services and drinking places, construction, and manufacturing sectors of the economy.

In 2012, motor gasoline deliveries, a measure of consumer gasoline demand, were at their lowest annual demand level in 11 years averaging 8.7 million barrels per day, down by 0.4 percent from 2011 deliveries. For the fourth quarter of 2012, gasoline deliveries were 0.3 percent below the fourth quarter of 2011. Total motor gasoline deliveries moved up 0.8 percent from November to December to nearly 8.6 million barrels per day—the lowest December level since 1998 and the fourth lowest demand this year. Year over year declines were seen for seven months this year, as gasoline demand in December fell by 1.1 percent from December 2011. The average regular-grade gasoline price in December fell by 14.0 cents from the prior month to \$3.381 per gallon. In 2012, total distillate deliveries were down 4.0 percent compared to 2011, and they were also down in the fourth quarter of 2012 by 5.8 percent. Distillate deliveries in 2012 were the lowest in three years at 3.7 million barrels per day. At slightly below 3.6 million barrels per day, distillate deliveries declined by 7.0 percent in December compared to the same period last year—driven by the continued relative weakness of ULSD deliveries (down 3.2 percent from last year). ULSD price fell by 3.9 cents from \$4.000 in November to \$3.961 in December.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector grew in December, following a one month contraction in November. The ISM Survey reported that American supply executives believe that the economy continued to grow in December for the 43rd consecutive month. According to the chair of the ISM Management Manufacturing Business Survey Committee, the Purchasing Managers Index (PMI) was registered at 50.7 percent, which was an increase of 1.2 percentage points from November's reading of 49.5 percent. This number indicated that for the third time in the past seven months there has been an expansion in manufacturing.

PETROLEUM SUPPLY

Total U.S. crude production was up from the prior month, prior fourth quarter, prior year, and prior year to date. Domestic crude oil production for 2012 averaged 6.4 million barrels per day, an increase of 779 thousand barrels per day or 13.8 percent from 2011 levels—the largest annual increase since 1859. Crude oil production was at a 15-year high for 2012. For the fourth quarter, production was up by 14.8 percent from the same period in 2011. Crude production in December was up 2.6 percent from November, and up 15.6 percent from last year, to just under 7.0 million barrels per day—the highest volume for the year and in nearly 20 years, since March 1993. Year over year increases in crude production were seen in all months of 2012. Natural gas liquids (NGL) production, a co-product of natural gas production, increased from the prior month, the prior quarter, and the prior year. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. decreased from 1,809 in November to 1,784 in December. The number of oil and gas rigs continued to average below 2,000 every month in 2012, however, the average number of oil and gas rigs in the U.S. for 2012 still reached 1,919, up by 2.3 percent from 2011's rig counts of 1,875.

In 2012, total imports were at their lowest level in 15 years, since 1997. Total imports averaged 10.5 million barrels per day, down 781 thousand barrels per day or 6.9 percent from 2011 levels. With increased crude production and lower demand in 2012, crude oil imports were also seen at their lowest levels in 15 years, falling by 375 thousand barrels per day or 4.2 percent from 2011 to 8.6 million barrels per day. For the fourth quarter, both total imports and crude imports fell from fourth quarter 2011 levels, down by 8.6 percent and 6.6 percent, respectively. Refined product imports also fell by 17.0 percent from the prior year to their lowest levels in 15 years to 1.9 million barrels per day in 2012. In December, refined product imports fell 1.2 percent from December 2011 to nearly 2.0 million barrels per day. For the fourth quarter, refined product imports fell 9.3 percent from the same period in 2011 to nearly 1.9 million barrels per day.

In 2012, refinery inputs rose slightly by 0.3 percent from the prior year to 15.3 million barrels per day—the highest in eight years. In the fourth quarter, refinery inputs were up 0.5 percent compared with the fourth quarter of 2011. In December, inputs rose 2.9 percent and remained above 15 million barrels per day for the 8th month in a row averaging 15.8 million barrels per day. Production of all four major products—gasoline, distillate, jet fuel, and residual fuels was higher than demand for those products, so refined petroleum products were exported. Exports of refined products increased by 4.6 percent compared with 2011. In 2012, gasoline production fell 2.0 percent from the prior year to 8.9 million barrels per day, but was seen as the lowest output level in three years. Gasoline production in December was down 0.6 percent from December 2011. Meanwhile, gasoline production in the fourth quarter was down 0.9 percent from fourth quarter 2011. Distillate fuel production reached a record high for the year 2012. Distillate fuel production, both for the fourth quarter and for the month of December, was the second highest ever. At nearly 4.6 million barrels per day, distillate fuel production for the year 2012 rose 1.3 percent from the 2011 average. For December, distillate fuel production fell slightly by 0.4 percent to 4.9 million barrels per day. In the fourth quarter, distillate fuel production fell 2.1 percent from fourth quarter in 2011. The refinery capacity utilization rate averaged 89.0 percent in 2012, up 2.7 percentage points from 2011 average. The refinery utilization rate for 2012 averaged 89.0 percent and reached 90.8 percent in December, both numbers were up significantly from the year before. Refinery operable capacity was 17.398 million barrels per day in December.

Crude oil stocks ended the year up from 2011. At 359.8 million barrels, December's crude oil stocks were up 8.7 percent from December 2011, but down 3.3 percent from November 2012. Crude oil stocks were at a December 31-year high in December 2012. In 2012, motor gasoline stocks ended up by 0.2 percent from 2011 to 223.7 million barrels. December gasoline stocks also increased 8.1 percent from the previous month. Distillate fuel stocks ended the year at an eight-year low, down 13.6 percent to 128.9 million barrels. USLD stocks also ended lower this year, down 6.9 percent from 2011 to 97.0 million barrels. Jet fuel stocks were down 5.0 percent in 2012. Stocks of "other oils" were down from year ago and from month ago levels. Total inventories of all oils were up just 0.3 percent from 2011, but down 2.2 percent from month ago levels.

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