

March 2015

### 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 by 3.4 percent from March 2014 to average nearly 19.2 million barrels per day. These were the highest March deliveries in four years, since 2011. Compared with February, total domestic petroleum deliveries decreased by 0.6 percent. For the first quarter of 2015, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were up by 2.2 percent compared with the first quarter of 2014 to average 19.2 million barrels per day. These were the highest first quarter deliveries since 2008. According to the Bureau of Labor and Statistics (BLS) April 3, 2015 report, the U.S. added only 126,000 jobs last month—the fewest gains since December 2013 and broke the streak of 12 straight months of gains of at least 200,000 jobs. The U.S. unemployment rate in March remained at 5.5 percent from February.

In March, Gasoline deliveries, a measure of consumer gasoline demand, were up from the prior month, the prior year, and the prior first quarter. Total motor gasoline deliveries moved up 2.2 percent from March 2014, and were up by 1.9 percent from February to average nearly 8.9 million barrels per day, the highest deliveries for the month in six years. For the first quarter of 2015, gasoline deliveries increased by 2.9 percent compared with the first quarter of 2014. The average regular-grade gasoline price in March rose by 24.5 cents from the prior month, but was down by \$1.060 from the prior year to \$2.546 per gallon, according to the latest EIA price data. Last month's price was the highest price in three months, but remained the third lowest price since May 2009. Distillate deliveries in March were down from the prior month, the prior year, and the prior first quarter. Distillate deliveries decreased by 0.1 percent compared with February and were 1.7 percent lower than March 2014 to average just below 4.0 million barrels per day. For the first quarter of 2015, distillate deliveries were also down by 2.4 percent compared with the first quarter of 2014. Below \$3.00 for the third straight month, ULSD prices rose 3.9 cents from February but were down by \$1.104 from March 2014 to average \$2.897 per gallon in March, according to the latest EIA price data. Last month's price was the second lowest price in five years, since February 2010.

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 for the 27<sup>th</sup> consecutive month. Moreover, the overall economy grew for the 70<sup>th</sup> consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 51.5 percent, 1.4 percentage points lower than the February's reading of 52.9 percent.

## PETROLEUM SUPPLY

U.S. crude oil production remained strong in March, up from the prior month, the prior year, and the prior first quarter levels. For the sixth month in a row, domestic crude oil production rose above 9.0 million barrels per day. At 9.3 million barrels per day, U.S. crude oil production in March increased by 13.2 percent from March 2014, and was up by 0.5 percent from February. This was the highest crude oil production level since February 1973, and was the highest March output in 43 years, since 1972. Compared with the first quarter 2014, domestic crude oil production rose by 14.1 percent. Natural gas liquids (NGL) production, a co-product of natural gas production, was down from the prior month, but was up from both the prior year and the prior first quarter. NGL production in March averaged just over 3.0 million barrels per day, which was the highest level for the month on record. This was 3.8 percent below February's output of nearly 3.2 million barrels per day, but was 9.1 percent higher than March 2014's output. Compared with the first quarter 2014, NGL production rose by 13.2 percent. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in March was 1108, a drop of 17.8 percent from the previous month and 38.5 percent below the year ago level. This was the lowest oil and gas rig count since February 2010.

U.S. total petroleum imports in March averaged nearly 9.8 million barrels per day. This was the highest total petroleum imports level for the month in three years. However, this remains the third lowest March imports in 18 years, since 1997. Total petroleum imports were down by 0.1 percent from the prior month, but were 5.9 percent higher compared with the prior year. The first quarter 2015 total petroleum imports were up by 4.7 percent compared with the first quarter 2014. Meanwhile, crude oil imports were also up compared with the prior year, rising by 5.4 percent from March 2014 to just below 7.7 million barrels per day in March 2015. Compared to the prior month and the prior first quarter, crude oil imports were up by 0.3 percent and 1.6 percent, respectively.

At an average of nearly 9.4 million barrels per day, production of gasoline in March was the second highest ever for the month. Gasoline production dropped slightly by 0.6 percent from February, and was down by 1.6 percent from March 2014's output. For the first quarter of 2015, gasoline production increased by 2.1 percent compared with the same period last year and was the highest first quarter on record. Production of distillate fuel in March rose from prior year and month ago levels, up by 3.1 percent and 3.4 percent, respectively, to reach a record March level of 4.9 million barrels per day. For the first quarter of 2015, distillate production reached an all time record of over 4.8 million barrels per day.

Refinery gross inputs in March rose by 3.2 percent from last year to a record high for the month at nearly 15.9 million barrels per day. In addition, U.S. refinery gross inputs increased by 1.5 percent from February. For the first quarter of 2015, refinery gross inputs were up by 1.7 percent compared with the prior year first quarter. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than deliveries for those products, so refined petroleum products were exported. Exports of refined petroleum products were down from the prior month, but were up from the prior year and the prior year first quarter. Exports of refined petroleum products in March decreased by 1.0 percent from February but rose by 18.1 percent from March 2014 to average nearly 4.6 million barrels per day—the highest March level ever. This was just 348 thousand barrels lower than the record high of 4.9 million barrels per day set in December 2014. Compared with the first quarter 2014, exports of refined petroleum products were up by 19.2 percent to nearly 4.6 million barrels per day. The refinery capacity utilization rate averaged below 90.0 percent for the third month in a row, at 89.2 percent in March. This was up by 1.3 percentage points from February, and up 3.4 percentage points from the same period last year. API's latest refinery operable capacity was 17.790 million barrels per day, down 0.8 percent from last year's capacity.

Crude oil stocks ended in March at 468.7 million barrels—the highest inventory level for the month in 85 years, since 1930. Crude stocks were up 28.9 million barrels or 6.6 percent from the prior month, and were up by 84.9 million barrels or 22.1 percent from the prior year. Stocks of total motor gasoline ended down 2.0 percent from last month, but were up by 4.9 percent from last year to 231.8 million barrels in March. These were the highest stocks for the month in 27 years, since 1988. Distillate fuel oil stocks were up 0.1 percent from the prior month and up 9.6 percent from the same period last year to end at 126.4 million barrels—the highest March inventory level in 3 years, since 2012. Jet fuel stocks were down from the prior month by 3.6 percent, but were up by 2.7 percent from the prior year to end at 37.0 million barrels. Stocks of “other oils” were down from month ago levels, but were up from year ago levels. Total inventories of all oils were down 1.1 percent from month ago levels, but were up by 13.9 percent from year ago levels.

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