



EXECUTIVE SUMMARY

In June, the recovery of U.S. petroleum markets broadly continued as state economies re-opened despite ongoing challenges with COVID-19.

Highlights

- **U.S. petroleum demand of 17.6 million barrels per day (mb/d)**, led by motor gasoline, rose by 1.4 mb/d in June and has rebounded by 2.9 million barrels per day (mb/d) since April;
- **Refinery throughput and capacity utilization increased** by record amounts for the month of June;
- **U.S. crude oil production fell to 11.0 mb/d** – a 7th consecutive monthly decline after weak drilling activity;
- **Crude oil inventories set a new record of 538.8 million barrels** as demand continued to be down more than supply in recent months; this kept total U.S. petroleum inventories (crude oil and refined products, excluding the Strategic Petroleum Reserve) near their record levels; and,
- **U.S. petroleum imports increased by 1.2 mb/d** and more than offset a 0.2 mb/d rise in exports, which widened the U.S. petroleum trade balance to net imports of 1.3 mb/d – the highest since July 2019.

Economic indicators generally remained at weak levels, including the University of Michigan's consumer sentiment index, API's D-E-I™ (distillate/diesel economic indicator), and U.S. employment metrics. Please see the following [chart](#) for details.

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Demand

- **Led by motor gasoline, U.S. petroleum demand in June rebounded by 20% (2.9 mb/d) since April.**
 - Resumed urban driving spurred June gasoline demand.
 - June distillate deliveries rose with increased truck freight.
 - Jet fuel deliveries rose for the first time in 2020.
 - Second lowest monthly residual fuel oil deliveries since 1936.
 - Refining and petrochemical demand for naphtha and gasoil remained tempered in June.

Prices & Macroeconomy

- **Record 131% rise in WTI crude oil prices over the past two months.**
- **Leading economic indicators broadly improved from record lows in April.**

Supply

- **U.S. crude oil production fell to 11.0 mb/d.**

International trade

- **U.S. petroleum imports surged in June.**

Industry operations

- **Refinery throughput and capacity utilization marked record increases for the month of June.**

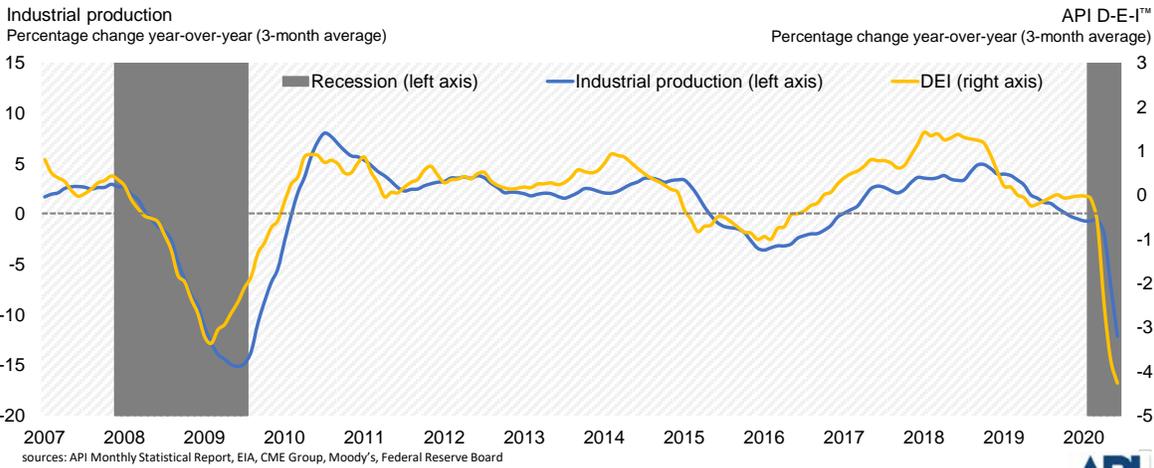
Inventories

- **With record crude oil stocks, petroleum inventories hovered near their highest levels since 1956.**



API's economic indicator: The API D-E-I™- June 2020

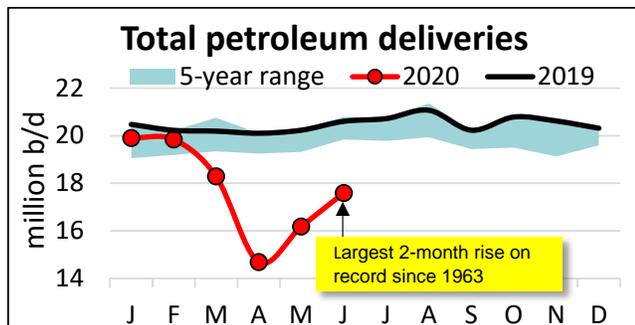
◆ The D-E-I™ value of -3.1 for June 2020 and three-month average of -4.3 suggested further slowing of industrial production



Details by section

Demand

Led by motor gasoline, U.S. petroleum demand in June rebounded by 20% (2.9 mb/d) since April

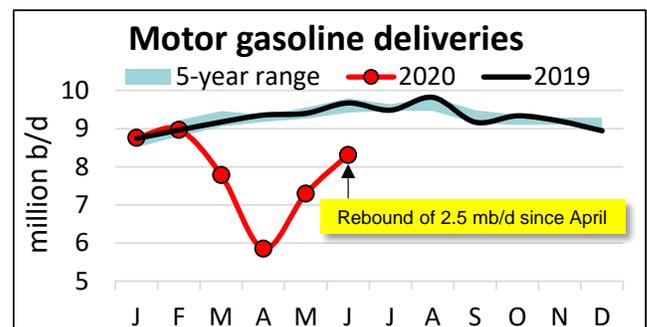


U.S. petroleum demand, as measured by total domestic petroleum deliveries, was 17.6 mb/d in June. This was an increase of 8.7% (1.4 mb/d) from May but 14.6% (3.0 mb/d) below the level in June 2019. The rebound in May and June amounted to 2.9 mb/d – the largest two-month increase on record since 1963. Motor gasoline accounted for 85% of the increase as light-duty transportation resumed and also apparently benefitted from substitution for flying and public transit as states re-opened from the COVID-19 pandemic.

Gasoline

Resumed urban driving spurred June gasoline demand

Consumer gasoline demand, measured by motor gasoline deliveries, was 8.3 mb/d in June. This was 14.1% (1.4 mb/d) below its level in June 2019.



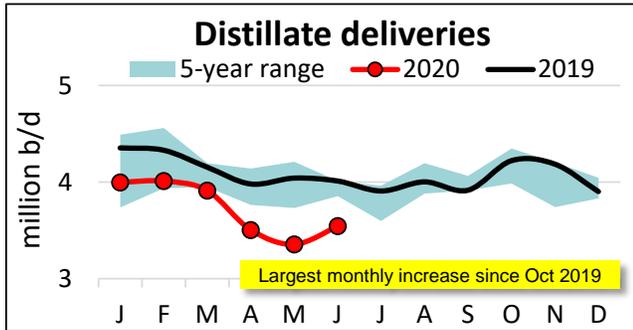
Boosted by state re-openings, the summer driving season (with less flying), and low prices, gasoline demand increased by 14.0% (1.0 mb/d) from May and marked the largest two-month rise (2.5 mb/d) on record since 1945.

U.S. average conventional gasoline prices averaged \$2.17 per gallon in June, down by 22.6% (\$0.63 per gallon) from June 2019, according to [AAA](#).

The rebound in demand appeared to be the strongest in urban areas. Between May and June, demand for reformulated-type gasoline, which is consumed primarily in urban areas, increased by 20.6%, while that for conventional gasoline that is mainly consumed in rural areas increased by 11.1%.

Distillate Fuel Oil

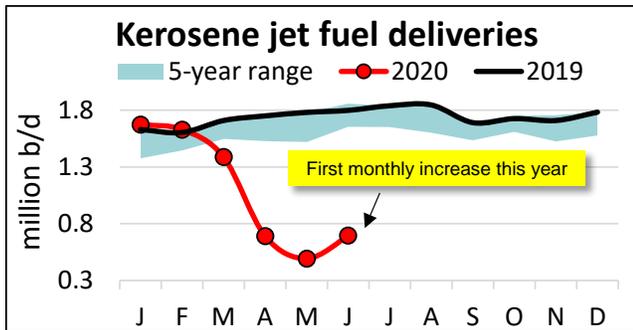
June distillate deliveries rose with truck freight



In June, distillate deliveries of 3.5 mb/d rose by 5.7% (0.2 mb/d) from May but remained down by 11.6% (0.5 mb/d) compared with June 2019. This was consistent with [reported improvements](#) in trucking freight volumes.

Kerosene Jet Fuel

Jet fuel deliveries rose for the first time in 2020

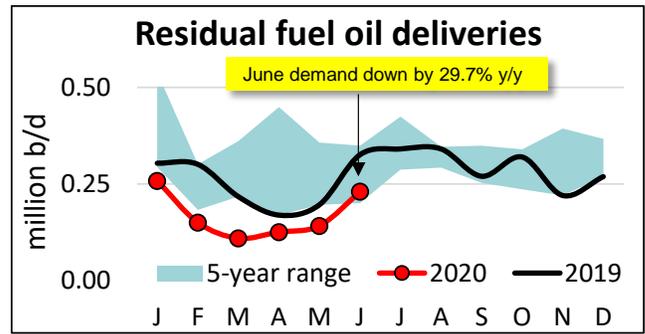


Kerosene jet fuel deliveries were 0.7 mb/d in June and marked their first monthly increase in 2020 -- +41.2% between May and June, consistent with reported flight activity rising per [Flightradar24](#). However, jet fuel volumes still were down by 61.3% y/y as passenger traffic has remained weak amid the COVID-19 pandemic.

Residual Fuel Oil

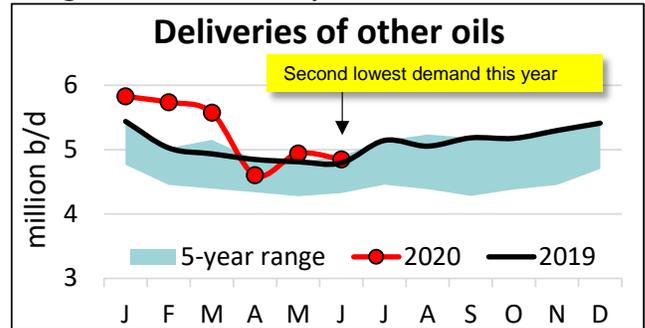
2nd lowest residual fuel oil deliveries since 1936

Deliveries of residual fuel oil, which is used in electric power production, space heating, industrial applications and as a marine bunker fuel, were 230 thousand barrels per day (kb/d) in June. This marked a 29.7% y/y decrease, consistent with industrial activity that remained relatively weak combined with less marine bunker fuel demand due to [IMO 2020 implementation](#).



Naphtha & Gasoil "Other Oils"

Refining and petrochemical demand for naphtha and gasoil remained tempered in June

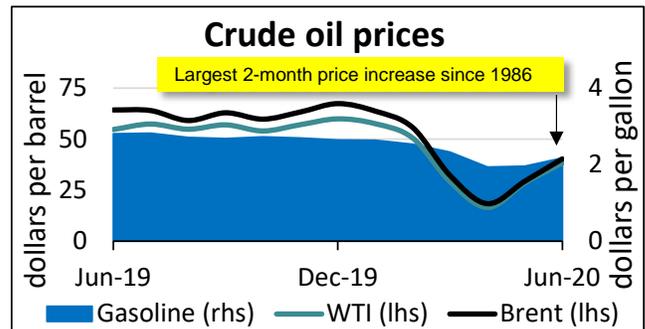


Deliveries of liquid feedstocks, such as naphtha and gasoil ("other oils") used in refining and petrochemical manufacturing, were 4.8 mb/d in June. This was an increase of 0.9% y/y, but reflected the second consecutive month of annual growth well below pre-COVID-19 levels that trended near 6.0% y/y.

Prices

Record 131% rise in WTI crude oil prices over the past two months

In June, West Texas Intermediate (WTI) crude oil prices rose to \$38.31 per barrel, which was a record increase of 131% (\$21.76 per barrel) since April. However, WTI prices remained down 29.9% y/y.



By comparison, Brent crude oil spot prices averaged \$40.27 per barrel in June, up by 119% (\$21.89 per barrel) since April. As oil prices have risen over the past two months, the Brent-WTI price differential widened \$1.96 per barrel in June – on par with the average since 1995, adjusted for price inflation.

In futures markets, expectations after the recent oil price rebound appeared tepid, as WTI price futures at the end of June reflected only a 2.7% increase within 12 months per data from [CME Group](#).

Macroeconomy

Leading economic indicators broadly improved from record lows in April

API’s economic indicator, The D-E-I™, based primarily on diesel/distillate supply, demand and inventories, had a reading of -3.1 in June and a three-month average reading of -4.3, which historically has corresponded with slower U.S. industrial production.

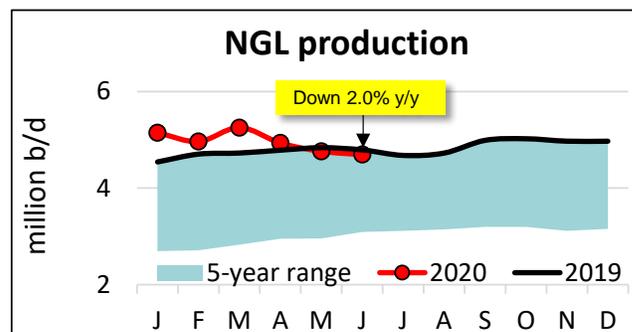
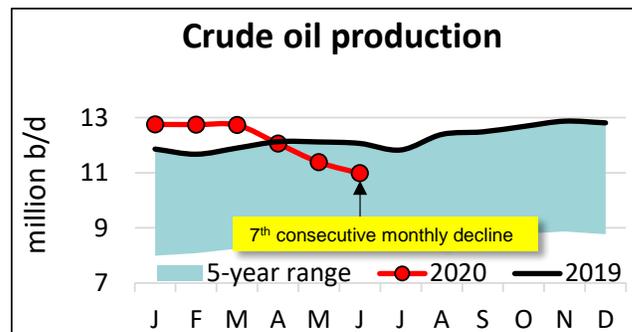
The [Institute for Supply Management’s Purchasing Managers Index \(PMI\)](#), came in with a reading of 52.6 in June. Index values above 50.0 suggest an expansion. Production and new orders rose despite a sharp contraction in employment. Among the 18 manufacturing industries covered, 13 reported expansions in June.

Furthermore, consumer sentiment rose but remained at historically weak levels in June per the [University of Michigan’s consumer sentiment index](#). Since a recent peak reading of 101.0 in February, the index fell as low as 71.8 in April and rebounded to 78.1 in June. The survey noted that the need for additional fiscal policies to relieve financial hardships has risen, but their measure of consumer confidence in government policies fell to its lowest level for the past four years.

According to the [Bureau of Labor Statistics \(BLS\)](#), non-farm payrolls rose by 4.8 million, and the unemployment rate fell to 11.1% in June from 13.3% in May, suggesting economic recovery with eased COVID-19 containment measures.

Supply

U.S. crude oil production fell to 11.0 mb/d



In June, U.S. crude oil production fell to 11.0 mb/d, a decrease of 0.4 mb/d from May and 1.9 mb/d from the peak in November 2019. June marked the 7th consecutive monthly decline, consistent with oil-directed drilling activity (196 rigs in June) having fallen to its lowest levels since June 2009.

By comparison, U.S. natural gas liquids (NGL) production of 4.7 mb/d in June fell by 1.4% m/m. NGLs are a co-product of natural gas production that [EIA](#) estimates fell by 1.1% in June.

International trade

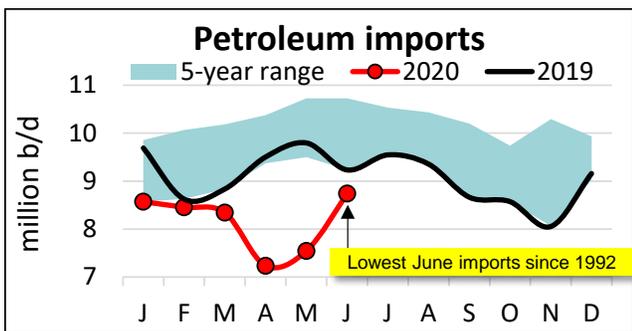
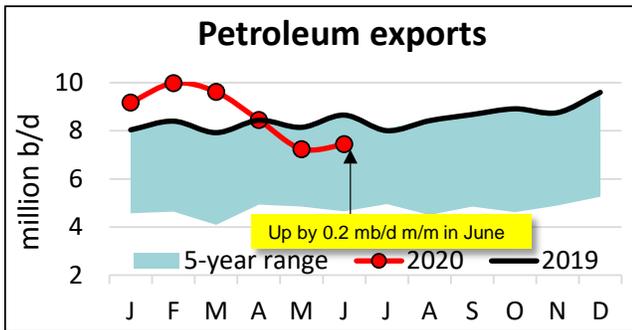
U.S. petroleum imports surged in June

In June, U.S. petroleum imports were 8.7 mb/d in June, up 1.2 mb/d from May. Preliminary crude oil import data from [EIA](#) showed the largest June increase being sourced from Saudi Arabia, which may reflect a delayed remnant of OPEC’s brief price war in March and April.

By contrast, U.S. petroleum exports of crude oil and refined products were 7.4 mb/d. This represented an increase of 2.8% (0.2 mb/d) from May but a decrease of 14.0% (1.4 mb/d) compared with June 2019. Within the total exports, 4.7 mb/d was refined products and rose by 0.6 mb/d m/m. The

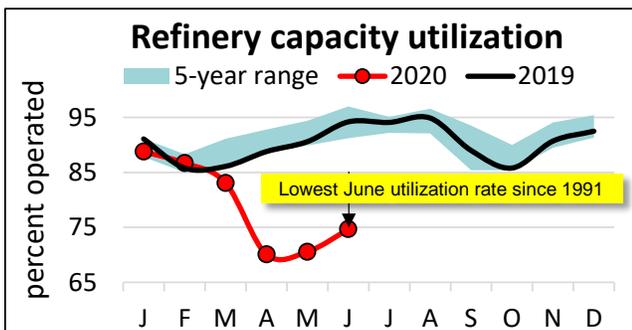
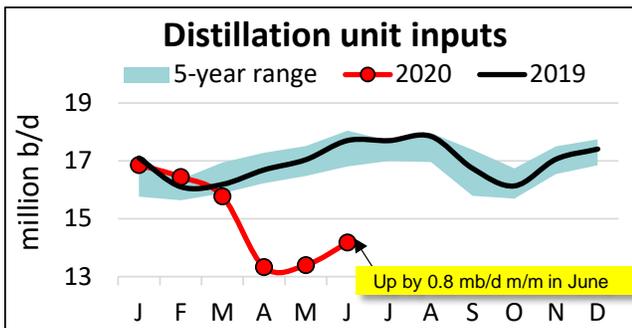
remainder was crude oil exports that fell by 0.4 mb/d from May.

On net, the U.S. was net importer of 1.3 mb/d petroleum in June, the highest level since July 2019.



Industry operations

Refinery throughput and capacity utilization marked record increases for the month of June



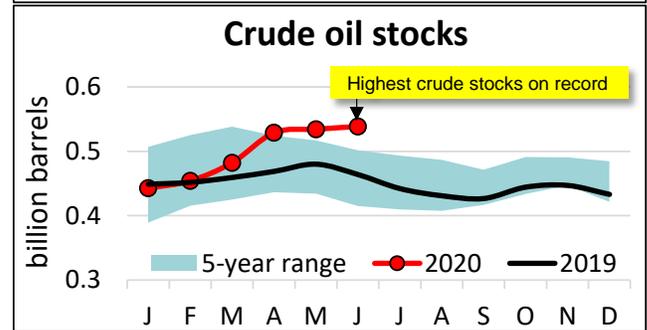
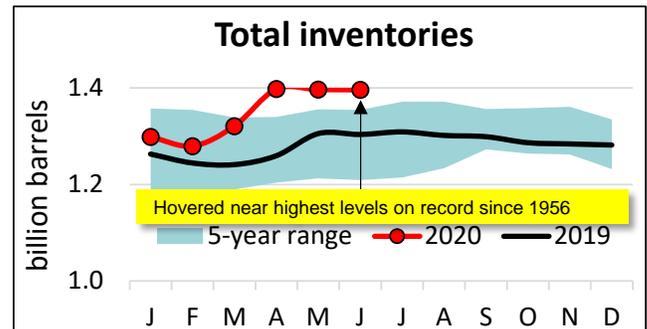
U.S. refinery throughput of 14.2 mb/d implied a capacity utilization rate of 74.7% in June. Refinery

throughput increased by 5.8% or 0.8 mb/d from May, while capacity utilization rose by 4.1 percentage points.

Although the absolute levels of throughput and capacity utilization remained historically low, the monthly increases in both metrics were the largest on record for the month of June.

Inventories

With record crude oil stocks, petroleum inventories hovered near their highest levels since 1956



U.S. total petroleum inventories, including crude oil and refined products but excluding the Strategic Petroleum Reserve, were 1.40 billion barrels in June and accumulated y/y for the 20th consecutive month. This level was slightly below the record set in April for the highest inventories for any month since 1956.

Crude oil stocks reached a new record 538.8 million barrels despite the slower production and increased refinery throughput suggesting pressure has remained on production.

ESTIMATED UNITED STATES PETROLEUM BALANCE¹
(Daily average in thousands of 42 gallon barrels)

Disposition and Supply	June			Year-to-Date		
	2020 ²	2019	% Change	2020 ³	2019	% Change
Disposition:						
Total motor gasoline.....	8,309	9,674	(14.1)	7,822	9,220	(15.2)
Finished reformulated.....	2,665	3,292	(19.0)	2,422	2,983	(18.8)
Finished conventional.....	5,644	6,383	(11.6)	5,400	6,236	(13.4)
Kerosene-jet.....	696	1,799	(61.3)	1,094	1,713	(36.2)
Distillate fuel oil.....	3,545	4,011	(11.6)	3,720	4,144	(10.2)
≤ 500 ppm sulfur.....	3,529	3,911	(9.8)	3,685	4,049	(9.0)
≤ 15 ppm sulfur.....	3,515	3,907	(10.0)	3,672	4,036	(9.0)
> 500 ppm sulfur.....	16	99	(83.8)	34	94	(63.8)
Residual fuel oil.....	230	327	(29.7)	169	252	(32.9)
All other oils (including crude losses).....	4,849	4,804	0.9	4,854	4,948	(1.9)
Reclassified ⁴	(38)	(13)	na	75	28	na
Total domestic product supplied.....	17,591	20,602	(14.6)	17,734	20,304	(12.7)
Exports.....	7,441	8,654	(14.0)	8,645	8,265	4.6
Total disposition.....	25,032	29,255	(14.4)	26,379	28,568	(7.7)
Supply:						
Domestic liquids production						
Crude oil (including condensate).....	10,985	12,060	(8.9)	12,110	11,955	1.3
Natural gas liquids.....	4,696	4,793	(2.0)	4,961	4,733	4.8
Other supply ⁵	948	1,175	(19.4)	989	1,143	(13.5)
Total domestic supply.....	16,629	18,028	(7.8)	18,060	17,831	1.3
Imports:						
Crude oil (excluding SPR imports).....	6,622	7,141	(7.3)	6,194	7,049	(12.1)
From Canada.....	3,155	3,827	(17.6)	3,653	3,804	(4.0)
All other.....	3,467	3,314	4.6	2,542	3,244	(21.7)
Products.....	2,118	2,093	1.2	1,953	2,242	(12.9)
Total motor gasoline (incl. blend.comp)....	690	748	(7.8)	541	785	(31.1)
All other.....	1,428	1,345	6.1	1,412	1,457	(3.1)
Total imports.....	8,740	9,234	(5.4)	8,147	9,291	(12.3)
Total supply.....	25,369	27,262	(6.9)	26,207	27,122	(3.4)
Stock change, all oils.....	337	(1,993)	na	(172)	(1,446)	na
Refinery Operations:						
Input to crude distillation units.....	14,177	17,702	(19.9)	14,992	16,812	(10.8)
Gasoline production.....	8,573	10,231	(16.2)	8,374	9,999	(16.2)
Kerosene-jet production.....	715	1,883	(62.0)	1,118	1,755	(36.3)
Distillate fuel production.....	4,666	5,349	(12.8)	4,909	5,126	(4.2)
Residual fuel production.....	272	430	(36.7)	215	374	(42.6)
Operable capacity.....	18,976	18,802	0.9	18,976	18,791	1.0
Refinery utilization ⁶	74.7%	94.1%	na	79.0%	89.5%	na
Crude oil runs.....	13,785	17,233	(20.0)	14,486	16,482	(12.1)

1. Total supply, i.e., production plus imports adjusted for net stock change is equal to total disposition from primary storage. Total disposition from primary storage less exports equals total domestic products supplied. Information contained in this report is derived from information published in the API *Weekly Statistical Bulletin* and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2. Based on API estimated data converted to a monthly basis.

3. Data for most current two months are API estimates. Other data come from U.S. Energy Information Administration (including any adjustments).

4. An adjustment to avoid double counting resulting from differences in product classifications among different refineries and blenders.

5. Includes unaccounted-for crude oil, withdrawals from the SPR when they occur, processing gain, field production of other hydrocarbons and alcohol, and downstream blending of ethanol.

6. Represents "Input to crude oil distillation units" as a percent of "Operable capacity".

R: Revised. na: Not available.

ESTIMATED UNITED STATES PETROLEUM BALANCE¹
(Daily average in thousands of 42 gallon barrels)

	June 2020	May 2020	June 2019	% Change From	
				Month Ago	Year Ago
Stocks (at month-end, in millions of barrels):					
Crude oil (excluding lease & SPR stocks).....	538.8	534.6	464.0	0.8	16.1
Unfinished oils.....	88.3	90.5	95.9	(2.4)	(7.9)
Total motor gasoline.....	253.1	258.2	229.7	(2.0)	10.2
Finished reformulated.....	0.0	0.0	0.0	(0.1)	(10.9)
Finished conventional.....	23.6	23.4	20.9	0.9	12.7
Blending components.....	229.5	234.8	208.8	(2.3)	9.9
Kerosene-jet.....	42.4	40.6	40.6	4.4	4.5
Distillate fuel oil.....	175.9	173.1	130.8	1.6	34.4
≤ 500 ppm sulfur.....	166.8	163.5	122.0	2.0	36.7
≤ 15 ppm sulfur.....	163.7	160.5	113.2	2.0	44.6
> 500 ppm sulfur.....	9.1	9.6	8.8	(5.2)	3.0
Residual fuel oil.....	41.7	38.7	30.3	7.8	37.4
All other oils.....	255.7	260.6	312.2	(1.9)	(18.1)
Total all oils.....	1,395.9	1,396.3	1,303.6	(0.0)	7.1