

September 2014

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 decreased by 3.5 percent from September 2013, and decreased by 3.8 percent from August to average 18.6 million barrels per day in September. These were the lowest deliveries for September in two years. For the third quarter of 2014, total petroleum deliveries decreased by 0.9 percent from the same period last year. For year to date, total domestic petroleum deliveries, a measure of U.S. petroleum demand, were down by 0.1 percent compared to the same period last year. The overall economy improved in September, as the U.S. added 248,000 new jobs and the unemployment rate declined 0.2 percentage points from August and was down 1.3 percentage points from September 2013 to 5.9 percent, according to the Bureau of Labor and Statistics (BLS).

In September, gasoline deliveries, a measure of gasoline demand, were down from the prior month, the prior year, the prior quarter, and the prior year to date. Total motor gasoline deliveries moved down 3.7 percent from August, and were down 3.0 percent from September 2013 to average nearly 8.7 million barrels per day. These were the lowest September deliveries since 2012. For the third quarter of 2014, gasoline deliveries decreased 1.1 percent compared to the third quarter of 2013. For year to date, gasoline deliveries decreased by 0.1 percent compared with year to date of 2013. According to the latest EIA price data, the average regular-grade gasoline price in September declined by 8.1 cents from the prior month and was down by 12.0 cents from the prior year to \$3.484 per gallon. Distillate deliveries decreased by 2.6 percent compared with September 2013 to approximately 3.6 million barrels per day. These were the lowest September deliveries in five years. Compared to the prior month, distillate deliveries were down by 4.4 percent. For the third quarter of 2014, distillate deliveries increased by 2.2 percent compared to the same period in 2013. For year to date, distillate deliveries were also up by 4.3 percent to just below 4.0 million barrels per day. ULSD prices were below \$4.000 for the eighth time since January, decreasing 4.6 cents from the prior month to \$3.792 per gallon in September. This price is 16.9 cents lower than the September 2013 price.

According to the latest report from the Institute for Supply Management (ISM) Survey, economic activity in the manufacturing sector expanded in September for the 16th consecutive month. Moreover, the overall economy expanded for the 64th consecutive month. The chair of the ISM Manufacturing Business Survey Committee stated that the Purchasing Managers Index (PMI) was registered at 56.6 percent, which is a decrease of 2.4 percentage points from August's reading of 59 percent. The Employment Index was registered at 54.6 percent, an increase of 0.1 percentage points from the 58.1 percent reading in August.

PETROLEUM SUPPLY

Domestic crude oil production continued to be robust, averaging above 8.0 million barrels per day since February, and was seen up from the prior month, the prior quarter, the prior year, and the prior year to date. With record production in North Dakota and Texas, U.S. crude oil production in September reached the highest production for the month in 29 years at 8.8 million barrels per day. This was up by 2.2 percent from August, and was up by 13.7 percent from September 2013. Compared with the prior quarter and year to date 2013, domestic crude oil production rose by 14.4 percent and 14.8 percent, respectively. At a 41-year high, production of domestic crude oil in the Lower 48 states rose above 8.0 million barrels per day for the fourth consecutive month averaging nearly 8.3 million barrels per day in September. Record oil production in the Bakken, the Eagle Ford, and the Permian regions were seen last month, averaging 1.2 million barrels per day, 1.6 million barrels per day, and 1.7 million barrels per day, respectively. Natural gas liquids (NGL) production, a co-product of natural gas production, was up from the prior month, the prior quarter, the prior year, and the prior year to date, and reached an all-time high. NGL production averaged above 3.0 million barrels per day for the third consecutive month to reach 3.1 million barrels per day. This was up from August, and September 2013, rising by 0.6 percent and 11.1 percent, respectively. Production of gas in the Marcellus region, the largest natural gas producing region, reached a record high of 15.8 billion cubic feet per day in September. This was up 31.1 percent from September 2013 and was up by 91.2 percent from September 2012. According to the latest reports from Baker-Hughes, Inc., the number of oil and gas rigs in the U.S. in September was 1,930, up from August's count of 1,904 and from September 2013's count of 1,760. This was the highest count since July 2012.

U.S. total petroleum imports fell to their lowest level since February 1995. Total imports were below the prior month, the prior quarter, the prior year, and the prior year to date, averaging just below 8.4 million barrels per day. These were down by 8.8 percent from August and were down by 16.3 from September 2013. For the third quarter of 2014, total imports were down by 11.4 percent compared with the same period last year. Year to date total imports were also down by 8.1 percent to 9.2 million barrels per day compared with year to date 2013. Meanwhile, crude oil imports last month were the lowest September imports in 18 years, since 1996. Crude oil imports averaged 7.4 million barrels per day, down 2.7 percent from August and were down 6.7 percent from September 2013. Compared with the prior quarter and year to date 2013, crude imports were down by 6.1 percent and 5.2 percent, respectively. Imports of refined petroleum products in September reached the lowest level for EIA records dating to 1981, averaging 1.0 million barrels per day. This was down 37.7 percent from August and was down by 52.5 percent from September 2013. For the third quarter of 2014, refined product imports were seen down by 31.1 percent compared with third quarter 2013. For year to date, refined product imports were down by 18.2 percent compared with year to date 2013.

Refinery gross inputs were above 16.0 million barrels per day for the sixth month in a row, and were up from the prior year, the prior quarter, and the prior year to date, but were down from the prior month. In September, refinery gross inputs fell by 1.9 percent from August but were up by 1.2 percent from last year to above 16.3 million barrels per day. This was the highest level for the month of September on record. For the third quarter of 2014, refinery gross inputs were up by 2.4 percent compared with the same period last year. For year to date, refinery gross inputs were up by 3.5 percent compared with year to date 2013. The refinery capacity utilization rate averaged above 90.0 percent for the sixth month in a row, at 91.7 percent in September, down 1.2 percentage points from August but was up 1.0 percentage points from the same period last year. API's latest refinery operable capacity was 17.822 million barrels per day, up 0.01 percent from last year's capacity of 17.820 million barrels per day. Production of all four major products—gasoline, distillate, jet fuel and residual fuels was higher than deliveries for those products, so refined products were exported. Exports of refined petroleum products were up from the prior month, the prior year, the prior quarter, and the prior year to date. Exports of refined petroleum products increased by 7.4 percent from August and were up by 18.4 percent from September 2013 to nearly 4.3 million barrels per day. This was the highest September level on record and was also the third highest exports level ever recorded. Compared with the prior quarter and prior year to date, exports of refined petroleum products were up by 14.0 percent and 18.7 percent, respectively.

Crude oil stocks in September ended at 359.0 million barrels, down 0.3 percent from August and were down by 3.7 percent from September 2013. These were the lowest inventory levels in three years. Stocks of motor gasoline ended down by 4.3 percent from last year and down 0.7 percent from this last August to 210.3 million barrels in September 2014. Distillate fuel oil stocks ended at 126.9 million barrels, up 1.9 percent from the prior month, but were down by 1.9 percent from year ago levels. Jet fuel stocks were up from the prior month by 14.0 percent but were down by 2.7 percent from the prior year. Stocks of "other oils" were down from month ago levels but up from year ago levels. Total inventories of all oils were down by 2.9 percent from month ago levels, and were down by 1.5 percent from year ago levels.

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