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American Petroleum Institute

Policy Analysis & Statistics

# U.S. GASOLINE SITUATION UPDATE – JANUARY 12, 2005

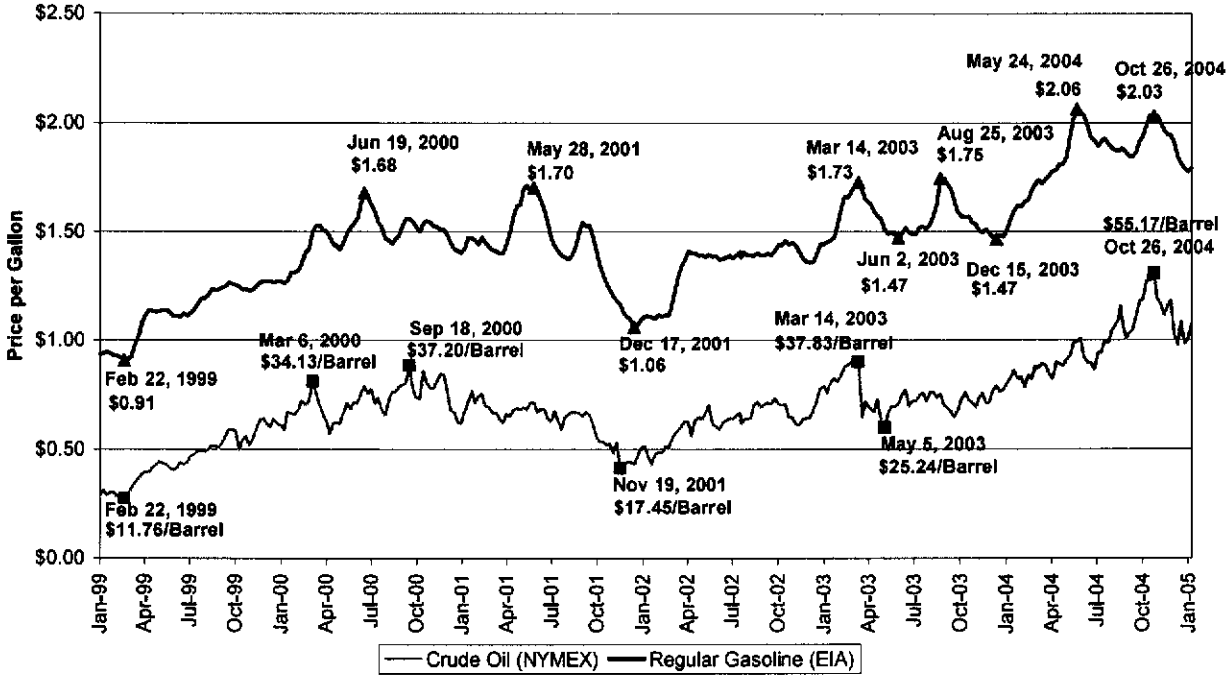
## PRICE TRENDS

The average U.S. retail gasoline price went up for the first time since November 1, according to the latest Energy Information Administration (EIA) survey. The national average retail price (including taxes) of regular-grade gasoline on January 10 was $1.793 per gallon, up 1.5 cents from the previous week's average. This week's average price is 23.3 cents above the average price a year ago, and 27.1 cents lower than the record high average price of $2.064 on May 24, 2004. The nine consecutive week decline from November 8, 2004, to January 3, 2005, was only the 15th time since 1983 that prices fell for nine weeks or longer and the first time since the 13-week decline from September 24 to December 17, 2001.

The average price increased in three of the five regions this week. The Midwest posted the largest increase (5.4 cents), followed by the Gulf Coast (2.8 cents), and the East Coast (0.3 cents). The remaining two regions saw their average price decrease; the West Coast saw a decline of 4.1 cents and the Rocky Mountain region fell by 2.4 cents. Of the 27 areas monitored by EIA (five regions, three sub-regions, nine states, and ten cities), 17 had declining prices. Five areas (including the West Coast region) showed declines of 3.0 cents or more: the State of California (5.0 cents); and the cities of San Francisco, California (4.5 cents), Denver, Colorado (3.7 cents), and Seattle, Washington (3.6 cents). Of the ten areas that saw increases in their prices, five (including the Midwest region) showed increases of more than 5.0 cents: the States of Minnesota (6.6 cents), and Ohio (5.7 cents); and the cities of Chicago, Illinois (6.5 cents), and Cleveland, Ohio (6.8 cents).

The NYMEX crude oil futures market closed on Monday, January 10, at $45.33, up $3.21 (7.6 percent) from the previous Monday's close. The closing price was $10.61 (30.6 percent) above year ago prices. Crude oil remains significantly higher than the 2003 low of $25.24 on May 5, 2003. As the chart below demonstrates, gasoline prices have generally tracked those of crude oil, though historically there has often been a lag before crude oil price changes are reflected in retail gasoline prices.

**MOTOR GASOLINE AND CRUDE OIL PRICES: 1999 TO PRESENT**



The United States imports about 60 percent of its petroleum needs and is dependent upon world oil markets. Fluctuations in crude oil prices are the most important cause of gasoline price swings over the long term. In the short-term, however, the price of gasoline can also be affected by gasoline-specific supply and demand developments.

Another factor affecting U.S. gasoline markets is the varying fuel specifications across the country. These specialized regional and local gasoline formulas reduce the flexibility of refiners and distributors to respond to supply disruptions.

**PRODUCTION, INVENTORY, AND IMPORT LEVELS**

According to API's *Weekly Statistical Bulletin* (from which the inventory data below are drawn), nationwide average daily motor gasoline production for the week ending January 7 averaged 8.4 million barrels per day, down 259 thousand barrels per day from the previous week's average and up 158 thousand barrels per day from year-ago levels. National motor gasoline inventories stood at 214.1 million barrels on January 7, up 2.4 million barrels from the week before. Gasoline inventories are approximately 6.7 million barrels above year-ago levels. Imports of finished gasoline for the week ending January 7 averaged 403 thousand barrels per day, up 22 thousand barrels per day from the week before. Additional imports in the form of gasoline blending components added another 191 thousand barrels per day to supplies for the week.

Average daily refinery input to distillation units was approximately 15.9 million barrels per day last week, down 420 thousand barrels per day from the week before and up 542 thousand barrels per day from last year. Last week's estimated capacity utilization was 94.3 percent, down 2.5 percentage points from the prior week's level of 96.8 percent and up 2.5 percentage points above the year-ago level of 91.8 percent.

API data show that inventories of gasoline blendstocks specifically earmarked for blending into reformulated gasoline (RFG) were 23.8 million barrels on January 7, up 578 thousand barrels from last week's level of 23.3 million barrels.*

The latest available API information, released on November 24, indicates that gasoline deliveries (a measure of demand) were up by about 1.3 percent the first eleven months of 2004 compared with the same period in 2003. Deliveries for November were down 1.1 percent from the levels of November 2003.

| Total Gasoline Inventories | | | | | | | |
|---|---|---|---|---|---|---|---|
| Inventories listed in millions of barrels. | Week Ending January 7 | Week Ending December 31 | Change from December 31 to January 7 | Year Ago* (2004) | Change from 2004 to 2005 | 2000-2004 Average** | Change from 2000-2004 Average |
| National | 214.1 | 211.7 | 1.1% | 207.4 | 3.2% | [illegible] | [illegible] |
| East Coast | 59.1 | 58.9 | 0.3% | 54.5 | 8.5% | 55.3 | 6.8% |
| New England | 4.4 | 4.8 | -7.6% | 4.5 | -0.7% | 4.3 | 3.5% |
| Mid-Atlantic | 31.1 | 31.7 | -1.8% | 28.1 | 10.8% | 28.7 | 8.2% |
| South Atlantic | 23.5 | 22.4 | 4.9% | 21.9 | 7.3% | 22.3 | 5.5% |
| Midwest | 54.2 | 53.4 | 1.5% | 52.2 | 3.8% | 50.3 | 7.6% |
| Gulf Coast | 63.1 | 63.1 | 0.1% | 60.8 | 3.9% | 59.3 | 6.4% |
| Mountain | 7.0 | 7.0 | -0.4% | 7.3 | -4.5% | 7.2 | -3.9% |
| West Coast | 30.7 | 29.3 | 4.9% | 32.7 | -6.0% | 31.5 | -2.5% |
| **Reformulated Gasoline (RFG) Inventories** | | | | | | | |
| Inventories listed in millions of barrels. | Week Ending January 7 | Week Ending December 31 | Change from December 31 to January 7 | Year Ago* (2004) | Change from 2004 to 2005 | 2000-2004 Average** | Change from 2000-2004 Average |
| National | 23.8 | 23.0 | 4.1% | 30.8 | -22% | [illegible] | -30% |
| East Coast | 12.6 | 12.1 | 4.1% | 17.7 | -29% | 19.0 | -34% |
| New England | 2.0 | 2.0 | -2.3% | 3.4 | -43% | 3.3 | -41% |
| Mid-Atlantic | 7.5 | 7.1 | 5.2% | 9.7 | -23% | 11.0 | -32% |
| South Atlantic | 3.1 | 2.9 | 5.8% | 4.5 | -31% | 4.6 | -32% |
| Midwest | 0.5 | 0.5 | 2.9% | 0.5 | 0% | 1.2 | -56% |
| Gulf Coast | 9.5 | 9.4 | 1.1% | 8.1 | 17% | 9.2 | 3% |
| Mountain | - | - | | - | | - | |
| West Coast | 1.3 | 1.0 | 34.2% | 4.4 | -71% | 10.7 | -88% |

*API's new *Weekly Statistical Bulletin* now breaks down the level of inventories of specific blendstocks. Thus, the seemingly large decline in stocks of finished RFG compared with the five-year average can be accounted for by considering these blendstocks, specifically: Reformulated Blendstock for Oxygenate Blending (RBOB) and Gasoline Treated as Blendstock (GTAB). These blendstocks can become finished RFG with the addition of oxygenates such as ether or alcohol.

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