

# Highlights



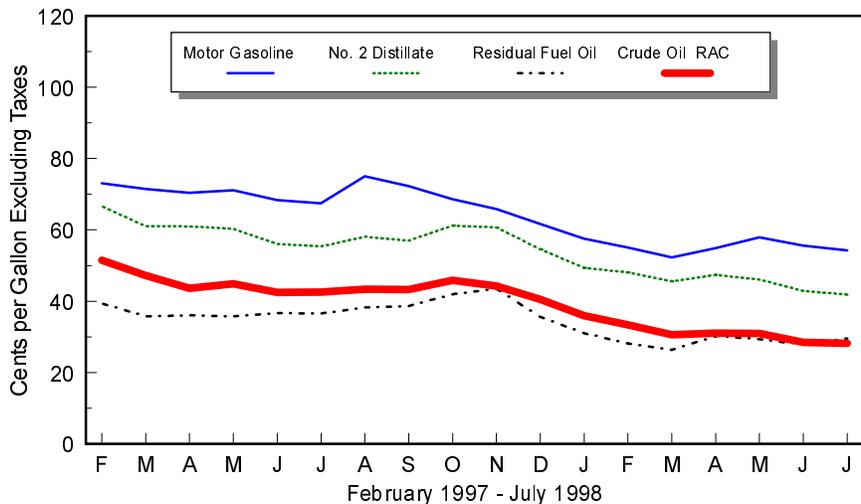
# Highlights

World crude oil prices were essentially calm during July. While prices remained at relatively depressed levels, they moved firmly away from the long-term lows reached during June. Fresh attempts to reduce the overabundance of product and raise prices throughout international markets continued, with production cuts stemming from the "Amsterdam Agreement" and a second round of cuts for members of the Organization of Petroleum Exporting Countries (OPEC) going into effect at the beginning of the month. Additional cuts from other producer nations also added to output reduction efforts. Less-than-expected demand from various regions has been one of the primary causal factors behind eroding crude oil prices during 1998 thus far. Projections had indicated that global demand would grow in the 2-percent range during 1998. Data now show global demand during the first two quarters of the year noticeably lower than the estimated rate. The discrepancy was caused in large part by two factors: demand from many Asian nations wilted when their economies faltered earlier this year; and demand from industrialized countries in the northern hemisphere was slack during the unusually warm 1997/98 winter season, thereby allowing stocks of crude oil and finished products to remain at higher-than-expected levels. The influence of the current supply surplus is substantial, negating the effects of events that under more typical market conditions would have caused some reaction in prices. Illustrating this point, political unrest in Nigeria (a major supplier of crude oil) after the sudden death of opposition leader Moshood Abiola, elicited essentially no reaction in

world commodities markets on crude oil prices. The expectation for a revival in price levels given current market conditions appears to indicate a gradual rate of recovery over the coming months.

In the United States, crude oil and finished products price trends were somewhat mixed during July. Last month's price volatility caused by excess supply and uneasiness over the adequacy of efforts to reduce international wellhead production eased in July following the long-term lows of June. Comparatively, prices for the major finished products did not perform quite as well during July. Average spot market prices for gasoline and distillates fell in many regional markets. At New York Harbor, prices for conventional regular gasoline and No. 2 heating oil reached their lowest points in nearly 5 and 12 years, respectively. Gulf Coast spot market prices for the same products sank to even lower levels. However, with refining margins remaining attractive, refinery utilization stayed very high throughout July despite

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	July 1998		June 1998		July 1997		July 1998		June 1998		July 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	69.5	67.6	70.4	66.8	81.5	65.4	54.3	323.2	55.6	323.9	67.5	306.7
<b>Conventional</b> .....	67.3	41.1	68.3	41.2	79.9	41.7	51.6	221.4	52.8	224.3	65.5	215.2
Regular .....	63.3	28.5	64.4	28.8	76.2	29.5	49.4	169.3	50.7	172.8	63.4	164.6
Midgrade .....	72.7	6.5	73.8	6.5	85.4	6.6	55.2	17.2	56.6	17.0	69.1	18.4
Premium .....	80.2	6.0	81.3	5.9	93.2	5.7	60.1	34.9	61.2	34.5	74.4	32.2
<b>Oxygenated</b> .....	74.7	2.0	76.0	2.0	87.4	1.7	61.6	5.9	62.0	6.2	73.7	3.6
Regular .....	72.2	1.6	73.5	1.6	84.9	1.4	60.3	4.6	60.9	4.8	72.5	2.8
Midgrade .....	81.2	0.2	82.3	0.2	93.2	0.2	62.7	0.8	63.4	0.8	76.4	0.4
Premium .....	89.0	0.2	90.9	0.2	101.8	0.2	70.3	0.5	69.7	0.6	79.6	0.4
<b>Reformulated</b> .....	72.9	24.6	73.7	23.5	84.1	21.9	60.0	95.9	62.1	93.4	72.3	88.0
Regular .....	67.9	16.2	69.1	15.6	79.2	14.2	56.2	64.6	58.4	62.7	68.4	57.6
Midgrade .....	78.2	4.1	79.0	3.9	89.2	3.8	64.9	11.1	66.6	10.9	76.4	11.4
Premium .....	86.6	4.2	86.6	4.0	96.9	3.9	69.5	20.2	71.1	19.8	81.6	19.0
<b>Aviation Gasoline</b> .....	98.4	0.2	99.0	0.2	112.5	0.2	93.6	0.9	93.7	0.8	104.9	0.8
<b>Kerosene-Type Jet Fuel</b> .....	43.5	50.4	42.8	51.3	56.7	51.6	43.5	13.3	43.5	13.2	56.8	11.3
<b>Propane (Consumer Grade)</b> .....	34.9	2.0	34.1	2.2	47.5	2.1	25.6	27.0	26.6	28.8	35.9	26.5
<b>Kerosene</b> .....	47.8	0.2	46.1	0.3	63.1	0.1	41.9	1.1	42.9	1.3	56.2	1.4
<b>No. 1 Distillate</b> .....	NA	NA	NA	NA	58.6	0.2	50.2	0.3	52.0	0.3	63.6	0.4
<b>No. 2 Distillate</b> .....	47.2	25.8	48.3	26.5	59.1	24.7	41.9	122.2	42.9	125.3	55.4	116.1
No. 2 Fuel Oil .....	44.8	3.1	45.8	3.8	57.3	3.0	38.7	21.6	39.9	23.5	53.8	23.9
No. 2 Diesel Fuel .....	47.5	22.7	48.7	22.6	59.4	21.7	42.6	100.6	43.6	101.8	55.8	92.3
Low Sulfur .....	49.1	15.6	50.4	15.5	60.8	14.8	43.0	84.4	44.0	85.8	56.1	77.8
High Sulfur .....	44.0	7.1	45.0	7.1	56.4	6.9	40.5	16.3	40.9	15.9	54.4	14.5
<b>No. 4 Fuel<sup>a</sup></b> .....	38.4	0.4	40.8	0.3	50.3	0.3	37.5	0.0	36.5	0.1	46.0	0.1
<b>Residual Fuel Oil</b> .....	31.5	17.4	31.3	13.8	39.6	13.7	29.6	19.2	27.9	18.2	36.6	11.1
Sulfur Content not > 1 % .....	35.2	4.7	36.1	3.7	44.2	3.2	31.2	8.7	29.3	6.8	38.5	4.1
Sulfur Content > 1 % .....	30.2	12.7	29.6	10.2	38.2	10.4	28.4	10.5	27.0	11.3	35.4	6.9

NA = Not available.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

some unexpected problems at various refining facilities. As can be expected, the increase in product production gradually added more pressure on prices. In apparent contradiction to the downward price trend, information indicates month-to-month demand for gasoline grew 2.6 percent while stocks fell nearly 3 percent. However, an examination of July 1997 data adds some perspective. Year-ago data show gasoline stocks fell more than 8 percent from June 1997 levels. Further, July 1998 stocks are 14.5 percent higher than they were one year ago, indicating that high stock levels remain a major factor keeping finished product prices at markedly low levels.

July market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

In contrast to last month's trend, the July daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was much less volatile. Opening at \$14.47 per barrel, the price remained on a mostly unremarkable course through the first two weeks of the month. The price rose in reaction to news that Saudi Arabia intended to reduce August export con-

tract volumes, and reached the high of \$14.90 per barrel on July 15. After hitting the low of \$13.44 per on July 20, the price continued on an undistinguished path for the rest of the month. Closing July at \$14.27 per barrel, the price was marginally lower than where it began the month.

- July monthly average crude oil prices show only negligible changes from last month. The average domestic crude oil first purchase price rose 46 cents (4.6 percent), to \$10.46 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 13cents (1.3 percent), to \$10.23 per barrel. The average landed cost of foreign crude oil rose 9 cents (0.8 percent), to \$11.33 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil dropped 5 cents (0.4 percent), to \$12.38 per barrel. The average cost of imported crude oil to U.S. refiners decreased 20 cents (1.7 percent), to \$11.47 per barrel. The composite refiner acquisition cost of crude oil fell 13 cents (1.1 percent), to \$11.85 per barrel.

## Petroleum Products

### *Motor Gasoline*

Under pressure from ample stockpiles of the product, the daily spot price for unleaded regular gasoline at New York Harbor slumped in July. Opening at 45.5 cents per gallon, the month's high occurred immediately after the long holiday weekend with a prices of 46.3 cents per gallon on July 6. Chiefly as a result of abundant stocks, the price slumped over the next several weeks. The month's low of 38.4 cents per gallon was reached on July 29. Closing at 39.3 cents per gallon, the price was 6.2 cents lower than its opening level.

- July monthly average gasoline prices show decreases in all categories. The average price for motor gasoline retail sales by refiners dropped 0.9 cent per gallon to 69.5 cents per gallon, while the average wholesale price decreased 1.3 cents to 54.3 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 1.1 cents to 68.3 cents per

gallon. The average wholesale price lost 1.2 cents, falling to 54.8 cents per gallon. The average dealer tank wagon (DTW) price decreased 1.6 cents to 61.7 cents per gallon. The average rack price declined 1.3 cents to 52.5 cents per gallon. The average bulk sales price fell 1.0 cent, to 46.2 cents per gallon. The margin between reformulated and conventional gasoline prices remained flat at 4.2 cents at retail, but dropped to 6.9 cents at wholesale. The spread between conventional and oxygenated gasoline prices decreased to 7.4 cents at retail, but rose to 9.5 cents at wholesale.

- Data for finished motor gasoline sales by refiners during July indicate only marginal changes from June levels. Total sales increased 100,000 gallons per day (0.0 percent), to an average of 390.8 million gallons per day. Retail sales rose 800,000 gallons per day (1.2 percent), while wholesales fell 700,000 gallons per day (0.2 percent). Rack sales accounted for 61.1 percent of total wholesales, while DTW and bulk sales made up 24.6 percent and 14.3 percent, respectively. Reformulated gasoline (RFG) constituted 30.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.0 percent of sales.

### *No. 2 Distillate*

At New York Harbor, the daily spot price for No. 2 heating oil fell throughout July, setting a long-term low by the end of the month. The high of 38.7 cents per gallon was achieved without delay on the first day of the month. Aside from a few occasions, the price eased throughout the rest of the month under pressure from increases to previously laden stocks and anemic demand. The price's low of 34.2 cents per gallon occurred on the last day of the month, ending July 4 cents lower than where it opened.

- As was the case in June, July monthly average prices for No. 2 distillates fell in all categories. The national average residential price fell 3.4 cents to 77.7 cents per gallon, while the average wholesale price decreased 1.1 cents to 43.0 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets dropped 1.0 cent, while the average wholesale price fell 1.1 cents. The margins between low- and high-sulfur diesel fuel prices were 1.0 cent at retail and 2.5 cents at wholesale.

- Refiner sales of No. 2 distillate fell during July. Total sales decreased 3.7 million gallons per day (2.4 percent), to 148.0 million gallons per day. Sales of No. 2 fuel oil dropped 2.6 million gallons per day (9.5 percent), while sales of No. 2 diesel fuel fell 1.1 million gallons per day (0.9 percent). Low-sulfur diesel fuel sales made up 81.1 percent of all refiner diesel fuel sales, and 67.6 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- July monthly average residual fuel oil prices were mixed. Refiner prices for low-sulfur residual fuel fell 0.9 cent to 35.2 cents per gallon at retail, but rose 1.9 cents to 31.2 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices increased 0.6 cent to 30.2 cents per gallon at retail, and 1.4 cents to 28.4 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price decreased 1.3 cents to 35.1 cents per gallon at retail, but rose 1.5 cents to 31.2 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 0.4 cent to 30.3 cents per gallon at retail, and 1.4 cents to 28.6 cents per gallon at wholesale.
- Residual fuel oil sales by refiners were up in July. Total sales increased 4.6 million gallons

per day (14.4 percent), to 36.6 million gallons per day. Low-sulfur residual fuel sales rose 2.9 million gallons per day (27.6 percent), while high-sulfur residual fuel sales climbed 1.7 million gallons per day (7.9 percent).

### ***Other Products***

- Prices for products included in this section show an assortment of changes. Refiner propane prices rose 0.8 cent per gallon at retail, but fell 1.0 cent per gallon at wholesale. Including the sample of propane marketers, the average residential propane price declined 4.7 cents per gallon. The average end-user and wholesale prices for propane decreased 2.3 cents per gallon and 0.8 cent per gallon, respectively. Kerosene-type jet fuel prices rose at retail but remained flat at wholesale. Aviation gasoline fell at both levels while price changes for kerosene, No. 1, and No. 4 distillates were mixed.
- Sales of these products also show a combination of changes from last month. Propane and kerosene sales decreased at both levels, while aviation gasoline sales rose at retail and wholesale. Kerosene-type jet fuel fell at retail, but increased at wholesale. Sales of No. 1 and No. 4 distillates were mixed.