

Highlights

World crude oil prices rose during January, in spite of pressure from abundant stocks and continued modest demand. During the first half of the month, support came from recent decreases in crude oil stockpiles in the U.S. and European markets, political unrest, and a snap of cold weather in many Northern Hemisphere markets. Military actions initiated against Iraq by the United States in December over Iraq's reported noncompliance with the terms of the U.N.-led weapons inspection program continued intermittently during January. While the unsettled disposition of this situation created a persistent, low level of tension in markets, prices were not as significantly affected by this issue as in the past. Disruptions to crude oil production and export activities in other world regions underpinned prices during the first half of the month. During the same time frame, crude oil prices continued to be swayed by year-end book reckoning in the United States, a practice intended in part to reduce tax liability on physical holdings. By the latter part of January, however, all of the above factors were tempered by dwindling refining margins. Even though crude oil prices increased, finished product prices remained depressed due to high stock levels and low demand. Exacerbating the situation, milder weather replaced the more seasonal trends in pivotal Northern markets. These conditions led to reduced refinery runs and increased crude oil stocks, and ended any further meaningful increase in crude oil prices for the month.

In the United States, stock levels and weather were critical elements driving crude oil and finished product prices during January. Ushering in the new year, a combination of weekly reports indicating a remarkable drop in crude oil stocks and inclement winter weather lifted product prices. Tensions with Iraq during the same period also supported the upward trend of prices. But as crude oil and the major finished products stocks rose during the

following weeks, prices across all regional markets fell. During the initial half of the month, refinery utilization was substantial, leading to an increase in finished product stocks, especially gasoline. A spate of winter storms at the beginning of the month also reduced demand for gasoline and other products in major markets, sharpening the impact robust production had on stocks and prices. In the latter half of January, however, prices rose in response to refinery maintenance and reductions in runs due to poor refining margins. For the month overall, demand for gasoline dropped by just over 9 percent from the December level, while stocks rose 7.7 percent. Distillate stocks registered a 5.3 percent decline, while demand rose by slightly more than 5 percent. However, distillate stocks were more than 11 percent above their level at this time last year while the rate of demand was nearly identical. A comparison of current and historical spot market prices reflects these market trends. The January 1999 monthly average price for No. 2 heating oil at New York Harbor was 33.5

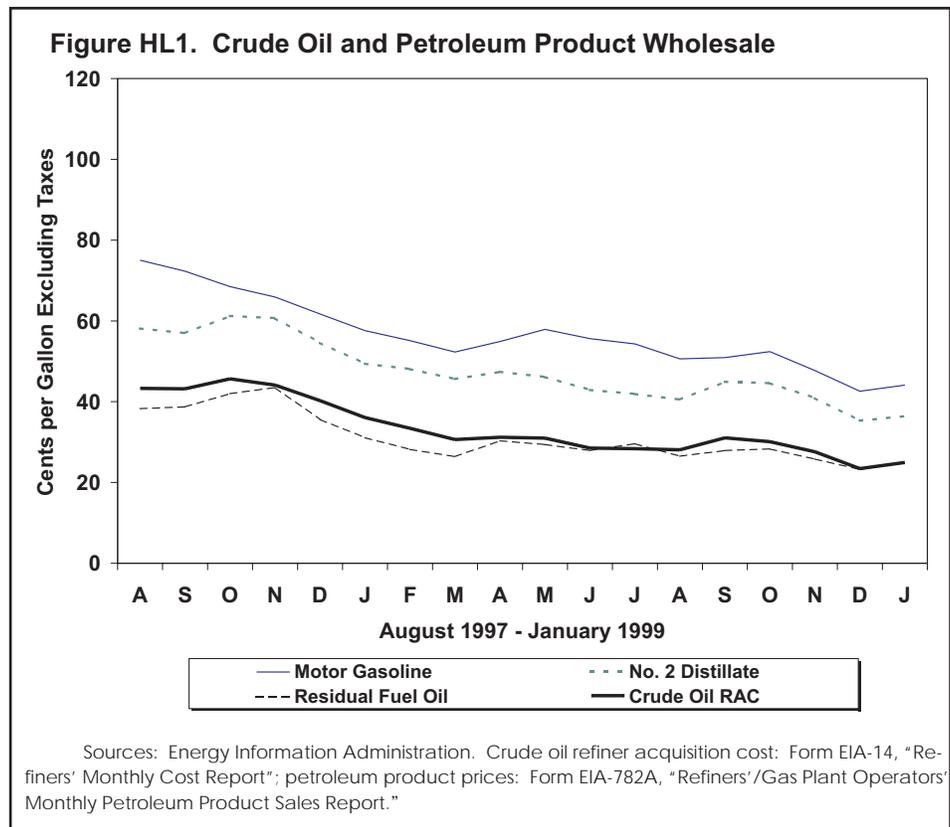


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

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

Products	Sales to End Users						Sales for Resale					
	January 1999		December 1998		January 1998		January 1999		December 1998		January 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	59.2	59.5	60.0	65.4	73.3	59.9	44.1	264.9	42.6	303.6	57.6	279.7
Conventional	55.2	35.5	56.0	39.6	69.1	34.7	40.1	170.9	37.9	200.3	53.3	185.1
Regular	50.7	23.4	51.4	26.9	65.3	24.0	37.8	126.5	35.6	149.9	51.2	142.9
Midgrade	59.9	6.2	61.8	6.4	73.8	5.7	44.2	13.4	42.3	15.6	57.5	14.4
Premium	68.1	5.9	69.4	6.3	82.2	5.0	47.6	31.1	45.7	34.7	61.7	27.7
Oxygenated	62.5	3.3	63.5	3.1	82.2	4.2	51.1	10.9	49.9	11.7	65.2	10.7
Regular	58.8	2.5	59.9	2.3	78.3	3.0	49.0	8.0	47.5	8.4	63.4	8.1
Midgrade	68.7	0.5	69.1	0.5	89.1	0.7	52.4	1.3	50.8	1.4	66.9	1.4
Premium	79.1	0.4	79.6	0.4	98.7	0.4	60.2	1.7	59.7	1.9	74.5	1.3
Reformulated	65.6	20.7	66.5	22.7	78.5	21.0	51.4	83.1	51.9	91.6	66.3	83.8
Regular	60.5	13.2	61.4	14.8	74.1	13.8	47.6	54.7	47.8	60.5	62.7	56.5
Midgrade	70.8	3.7	72.2	3.9	82.9	3.7	57.0	9.2	57.9	10.4	70.8	10.0
Premium	78.3	3.7	79.9	4.0	91.0	3.5	59.6	19.1	61.1	20.6	75.5	17.3
Aviation Gasoline	87.0	0.1	88.5	0.1	104.3	0.1	81.2	0.4	78.9	0.5	96.2	0.4
Kerosene-Type Jet Fuel	37.8	42.9	37.5	47.7	52.3	47.2	36.8	14.2	36.5	13.8	53.4	11.4
Propane (Consumer Grade)	NA	4.4	36.2	4.4	48.4	4.6	26.5	47.7	25.7	44.0	35.4	38.8
Kerosene	46.9	0.8	42.4	0.7	72.3	0.3	42.5	4.6	38.8	3.3	52.8	4.4
No. 1 Distillate	NA	NA	50.2	0.6	58.5	0.7	46.9	4.1	43.4	3.8	57.1	3.1
No. 2 Distillate	42.1	22.5	42.1	24.0	54.8	23.8	36.4	118.0	35.3	125.1	49.4	119.0
No. 2 Fuel Oil	45.3	3.8	43.4	3.4	54.1	3.4	36.3	34.8	34.6	31.5	48.9	34.3
No. 2 Diesel Fuel	41.4	18.7	41.9	20.6	54.9	20.4	36.5	83.2	35.6	93.5	49.6	84.6
Low Sulfur	43.6	12.5	43.2	13.7	56.7	12.9	36.8	69.6	35.8	78.7	50.0	68.3
High Sulfur	37.1	6.2	39.2	6.8	51.9	7.5	34.8	13.6	34.3	14.9	48.1	16.3
No. 4 Fuel^a	39.4	0.5	39.4	0.4	50.9	0.4	34.4	0.2	30.2	0.2	45.9	0.2
Residual Fuel Oil	27.3	17.5	25.4	18.1	35.3	15.5	25.0	17.5	23.2	15.0	31.1	14.0
Sulfur Content not > 1 %	32.6	4.0	31.9	4.4	44.7	3.6	27.8	7.8	24.0	4.9	35.2	4.8
Sulfur Content > 1 %	25.7	13.4	23.3	13.7	32.5	11.9	22.9	9.8	22.7	10.1	28.9	9.2

NA = Not available.

^a 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."

cents per gallon. In January 1998 and 1997, the price was 46.6 cents per gallon and 69.8 cents per gallon, respectively. The trend for conventional unleaded regular gasoline is similar: 34.3 cents per gallon in January 1999, and 47.8 cents per gallon and 67.4 cents per gallon during the same period in 1998 and 1997, respectively.

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

Crude Oil

At Cushing, Oklahoma, the January daily spot price for West Texas Intermediate (WTI) crude oil remained within a tighter

range than in recent months. After opening at \$12.14 per barrel, the price moved readily to its high of \$13.43 per barrel on January 11, chiefly in response to reports of lower stock levels and political tensions between the U.S. and Iraq. The price stumbled during the middle of the month (reaching the low of \$11.82 per barrel on January 20) as inventories began to rise, but regained some ground by end of January due to more propitious market fundamentals. Closing at \$12.81 per barrel, the price was 67 cents higher than where it began January.

- Monthly average crude oil prices crept upward during January. The January average domestic crude oil first purchase price rose 52 cents (6.5 percent), to \$8.57 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 91 cents (11.1 percent), to \$9.10

per barrel. The average landed cost of foreign crude oil rose 78 cents (8.4 percent), to \$10.08 per barrel.

- The monthly average refiner acquisition costs for domestic crude oil climbed 44 cents (4.2 percent), to \$10.96 per barrel. The average cost of imported crude oil to U.S. refiners increased 77 cents (8.2 percent), to \$10.16 per barrel. The composite refiner acquisition cost of crude oil increased 63 cents (6.4 percent), to \$10.47 per barrel.

Petroleum Products

Motor Gasoline

The New York Harbor daily spot price for unleaded regular gasoline followed a varied course during January. Opening at 33.2 cents per gallon, the price moved to the month's high of 37.5 cents per gallon on January 11. Like other products in the complex, the price for gasoline fluctuated during the middle of the month, reaching the low of 31.4 cents per gallon on January 20, but recovered its upward momentum by the end of January. The price closed the month at 35.3 cents per gallon, 2.1 cents high than its opening level.

- January price trends for gasoline varied, with patterns tending to correspond to the point of sale. The average price for retail sales of motor gasoline by refiners eased by 0.8 cent, falling to 59.2 cents per gallon, while the average wholesale price rose 1.5 cents to 44.1 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets slipped 0.3 cent to 57.9 cents per gallon. The average wholesale price increased 1.5 cents to 44.4 cents per gallon. The average dealer tank wagon (DTW) price barely changed, dropping to 52.8 cents per gallon while the average rack price rose 2.5 cents to 41.1 cents per gallon. The average bulk sales price increased 1.0 cent to 35.4 cents per gallon. The difference between reformulated and conventional gasoline prices was 8.9 cents at retail and 9.0 cents at wholesale. The margin between conventional and oxygenated gasoline prices was 7.8 cents at retail and 9.8 cents at wholesale.
- Sales of finished motor gasoline by refiners tumbled in January. Total sales fell 44.6 million gallons per day (12.1 percent), to an average of 324.4 million gallons per day. Retail sales dropped 5.9 million gallons per day (9.0 percent), while wholesales plummeted

38.7 million gallons per day (12.7 percent). Rack sales made up 62.9 percent of total wholesales, while DTW and bulk sales accounted for 24.7 percent and 12.4 percent, respectively. Reformulated gasoline (RFG) constituted 32.0 percent of total motor gasoline sales, while oxygenated gasoline made up 4.4 percent of sales.

No. 2 Distillate

The daily No. 2 heating oil spot price at New York Harbor followed a wide-ranging path during January. Opening at 32.5 cents per gallon, the price jumped 4.6 cents in a week's time reaching the month's high of 37.1 cents on January 11. It fell sharply after that point, giving back all of its gains before hitting the month's low of 31.4 cents per gallon on January 20. Recovering with less enthusiasm than seen in other products' price trends, the heating oil price closed only fractionally higher than where it began the month.

- January No. 2 distillate prices show only small changes from December levels. The national average residential price rose 1.5 cents to 80.5 cents per gallon. The average wholesale price inched up 0.9 cent to 37.6 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 0.9 cent, while the average wholesale price increased 0.9 cent. The margins between low- and high-sulfur diesel fuel prices were 2.9 cents at retail and 1.5 cents at wholesale.
- With the exception of fuel oil, refiner sales of No. 2 distillate declined during January. Total sales of No. 2 distillate decreased 8.5 million gallons per day (5.7 percent), to 140.5 million gallons per day. Sales of No. 2 fuel rose 3.7 million gallons per day (10.6 percent), while No. 2 diesel fuel sales fell 12.2 million gallons per day (10.7 percent). Low-sulfur diesel fuel sales accounted for 80.6 percent of all refiner diesel fuel sales, and 58.4 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices increased in all categories of sales during January. Refiner prices for low-sulfur residual fuel rose 0.7 cent to 32.6 cents per gallon at retail, and 3.8 cents to 27.8 cents per gallon at wholesale. High-sulfur residual fuel prices climbed 2.4 cents to 25.7 per gallon at retail, and 0.2 cent to 22.9 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 1.4 cents to 32.6

cents per gallon at retail, and 2.3 cents to 27.8 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 2.0 cents to 26.1 cents per gallon at retail, and 0.4 cent to 22.8 cents per gallon at wholesale.

- Residual fuel oil sales by refiners were mixed in January. Total sales increased 1.9 million gallons per day (5.7 percent), to 35.0 million gallons per day. Low-sulfur residual fuel sales rose 2.5 million gallons per day (26.9 percent), while high-sulfur residual fuel sales fell 600,000 gallons per day (2.5 percent).

Other Products

- Prices generally rose for products included in this section. Refiner propane prices rose 0.8 cent per gal-

lon at wholesale. Including data from the sample of propane marketers, the average residential propane price inched up 0.6 cent per gallon. The average retail price for propane increased 2.7 cents, while the average wholesale price rose 0.9 cent per gallon. Prices for kerosene-type jet fuel and kerosene rose at both levels, while aviation gasoline prices fell at retail and rose at wholesale. The retail price for No. 4 distillate was flat while the wholesale price for it, and No. 1 distillate, increased.

- January sales of products under this heading were mixed. Refiner sales of propane and kerosene rose at both levels, while aviation gasoline fell at each level. Kerosene-type jet fuel sales fell at retail but rose at wholesale. No. 1 distillate sales fell at wholesale, while No. 4 distillate sales rose at retail and declined at wholesale.

