U.S. Energy Information Administration

Today in Energy

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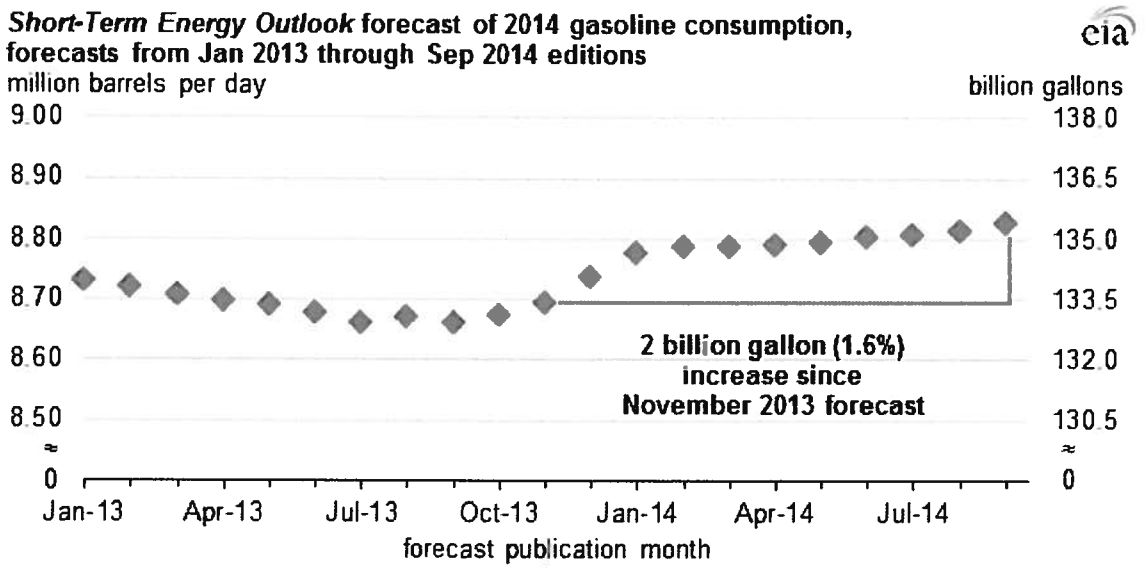
EIA's forecast of 2014 gasoline use has risen 2 billion gallons (1.6%) in past 10 months



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO)

EIA's short-term forecasts of gasoline consumption, which cover the current and upcoming calendar year, have risen over the past year. The latest *Short-Term Energy Outlook* (STEO), released yesterday, expects 2014 gasoline consumption to be 8.82 million barrels per day (135.2 billion gallons), 0.13 million barrels per day (2 billion gallons) higher than last November's forecast, which was close to the average 2014 consumption forecast across the 12 editions of STEO published in 2013. The STEO gasoline consumption estimates include the volumes of ethanol contained in all gasoline-ethanol mixtures, including both E10 and higher blends.

As shown in the graph above, the STEO forecast of 2014 gasoline consumption was generally declining between January 2013 and September 2013, but has risen over the past year. The STEO estimates are used by industry as an indicator of market conditions and provide the starting point for EIA's longer term projections. The latest available STEO forecast is also the source for the estimates of gasoline demand that EIA provides the U.S. Environmental Protection Agency for its use in operating the Renewable Fuel Standard program as required under the Energy Independence and Security Act (EISA) of 2007.

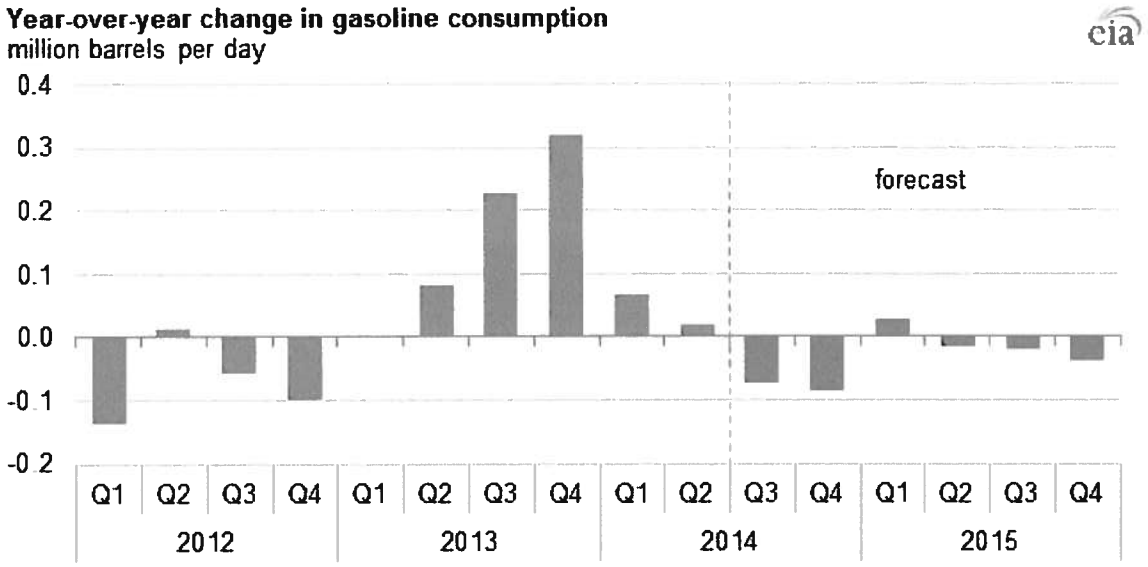
Updates in the gasoline consumption forecast reflect changes in a number of key factors, such as gasoline prices, economic and employment trends, weather, demographics, changes in consumer behavior patterns, as well as new data on actual consumption.

A comparison of the current STEO to the September 2013 edition shows only a 3 cent/gallon difference in the forecast for average gasoline prices. However, the latest forecast for the average unemployment rate in 2014 is 6.3%, well below the 7.3% year-ago forecast, while the forecast for average non-farm employment in 2014 increased by 1 million over the same interval.

Over time, EIA's gasoline forecasts for 2014 have increasingly reflected current gasoline consumption data from EIA's Petroleum Supply Monthly (PSM). The PSM measures product supplied, which is used as a proxy for consumption. EIA's latest forecast now has the benefit of monthly data for the first half of the year. However, the largest data-driven upward revisions to the 2014 gasoline consumption forecast data occurred late in 2013, before any 2014 data were available. During the first quarter of 2013, gasoline consumption increased by only 6,000 barrels per day (bbl/d) over the same period during 2012. By the fourth quarter of 2013 the year-over-year increase in gasoline consumption had risen to an average 320,000 bbl/d.

This increase in consumption did not persist for long. During first-quarter 2014, consumption averaged 66,000 bbl/d higher than the same period in 2013. (The Federal Highway Administration reports a similar increase of 62,000 bbl/d for the first quarter of 2014.) During the second quarter of 2014, consumption began to show year-over-year declines in May and June, with an average increase for the period of 20,000 bbl/d. EIA expects continuing year-over-year declines during the second half of 2014, averaging 79,000 bbl/d.

The general outlook for motor gasoline is for declining consumption as average new vehicle fuel economy continues to improve. As new cars replace less-efficient older cars, the increase in the average fleet fuel economy is expected to outpace the growth in the driving age population and vehicle miles traveled and put continuing downward pressure on gasoline consumption.



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO), September 2014

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