

May 20, 2020

## Refined Products Consumption is Converging to the New Normal

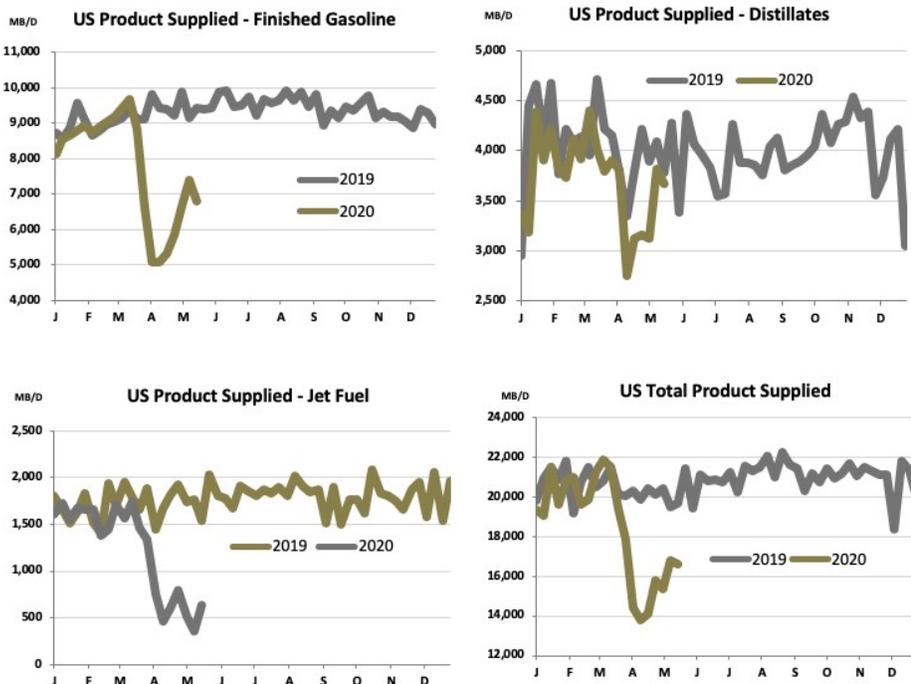
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Consumer demand in the US showed mixed results, as the EIA reported lower gasoline and distillate consumption compared to the prior week, while jet fuel supplied to the market moved upwards the level is still below the level of the week of April 26.

The speed at which pent-up demand soared during the first week of May seems to have recently waned because of a number of factors that range from weather, a more careful approach to the return of activities and consumers potentially waiting for the Memorial weekend for additional trips.

After four weeks of demand recovery, these latest statistics demonstrate that consumption will likely converge towards a "new" normalcy level for this time of the year, with swing corrections instead of a one-direction path upwards. Considering that students will not come back to school until fall (at the earliest), and that an important percentage of office-workers will continue to work from home during this summer, it is likely that the current consumption levels will linger for a while with occasional bumps associated with holiday weekends.



Source: EIA

It is also interesting to note the level at which each product "narrowed" the gap towards the normal

consumption level, represented by the "2019" line in the graphs. Diesel demand was much stronger than gasoline during the peak of the Pandemic because food and other household staples -- and other goods -- were transported by the trucking sector, whereas gasoline demand was directly affected by the shelter-at-home orders. Consequently, the 2020 supply graph for distillates is almost at the same level as last year's, while the gasoline still lags.

The latest product supply for jet fuel illustrates the slow recovery of the aviation industry. Although there was an increase in supply to the market of 80% in comparison with the previous week -- the level remains approximately at 33% of that of 2019.

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