

Oil Market Review in Japan No. 07/2017

June 2, 2017, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract firmed to a range between \$47.83 per barrel and \$49.07/bbl on the NYMEX (New York Mercantile Exchange) in the May 11-17 week.

On May 18, the June contract opened weaker on a reported increase in U.S. crude oil exports but turned up as expectations of a supply-demand equilibrium grew on positive attitudes expressed by Iraq and Iran toward the extension of a coordinated oil production cut by the Organization of the Petroleum Exporting Countries and non-OPEC oil producing countries, following such attitudes offered by Saudi Arabia and Russia. The key contract finished at \$49.35/bbl, up \$0.28/bbl from the previous day. On May 19, the June contract rose for the third straight day and topped \$50/bbl for the first time in one month as the dollar's depreciation made crude oil futures prices relatively lower, with expectations of the extended coordinated oil production cut growing. The rise was capped by a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by eight from a week earlier to 720 for the 18th straight weekly rise. The key contract closed at \$50.33/bbl, up \$0.98/bbl.

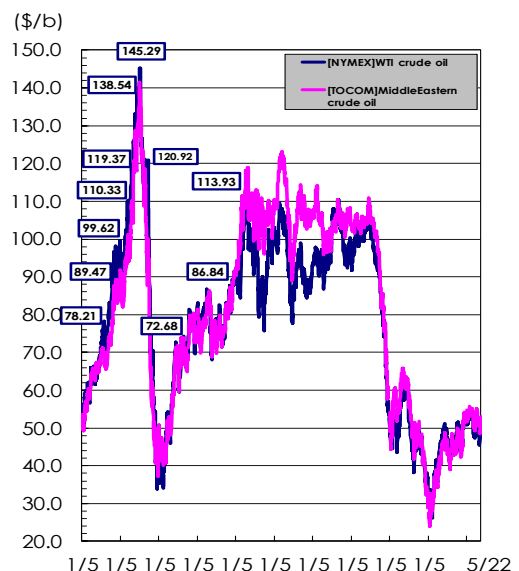
On May 22, the June contract rose for the fourth straight market day as OPEC was expected more strongly to agree on the extension of the coordinated oil production cut at its general meeting in Vienna on May 25. The key contract closed \$0.40/bbl higher at \$50.73/bbl. On May 23, selling outpaced buying in the early morning on a report that the U.S. president's budget message included a plan to halve strategic petroleum reserves in 10 years. As Iraq, which had been reluctant to support the extension of the coordinated production cut, was reported as willing to accept the extension, with U.S. crude oil inventory declines forecast just before weekly private and government sector inventory reports, however, expectations of a supply-demand equilibrium grew, allowing the key contract to post a gain. The July contract, which replaced the June contract as the key contract on the day, closed \$0.34/bbl higher at \$51.47/bbl. On May 24, buying came on a weekly EIA (Energy Information Administration) oil inventory report that included a faster crude oil inventory decline than forecast by the market. As selling for position adjustments emerged before the next day's OPEC meeting, however, the key contract turned down. The July contract closed \$0.11/bbl lower at \$51.36/bbl.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market moved within a firmer range between \$49.40/bbl and \$50.90/bbl in the previous week. It ended at \$51.00/bbl on May 18, at \$51.60/bbl on May 19, at \$52.70/bbl on May 22, at \$52.50/bbl on May 23 and at \$53.00/bbl on May 24. On the foreign exchange market in the previous week, the dollar slightly appreciated against the yen, moving between 112.60 and 114.26 yen. It changed hands at 111.06 yen in late trading on May 18, at 111.40 yen on May 19, at 111.54 yen on May 22, at 111.16 yen on May 23 and at 111.82 yen on May 24.

According to preliminary 10-day trade statistics released by the Ministry of Finance on May 22, the average crude oil import CIF price in the April 21-30 period stood at 37,569 yen/kl (kiloliter), up 53 yen/kl from the previous 10-day period. In dollars, the price was \$54.31/bbl, up \$0.54/bbl. The average exchange rate was 109.98 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in April came to 37,613 yen/kl, down 2,553 yen/kl from the previous month. In dollars, the price was \$53.90/bbl, down \$2.23/bbl. The average exchange rate was 110.94 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the fifth week of May were left unchanged by some Motouri and raised by up to 1.0 yen/l (liter) by others. Crude oil cost rose, although crude oil price hikes were partially offset by the yen's appreciation. Japan's average retail price on May 22 stood at 132.2 yen/l for gasoline, down 0.5 yen/l from a week earlier, at 111.2 yen/l for diesel oil, down 0.3 yen/l, and at 77.1 yen/l for kerosene (heating oil), down 0.2 yen/l. The gasoline, diesel and kerosene prices dropped for the fifth straight week. As crude oil cost fell in the fourth week of May, wholesale prices of petroleum products were left unchanged by some Motouri companies and lowered by up to 1.5 yen/l by others.

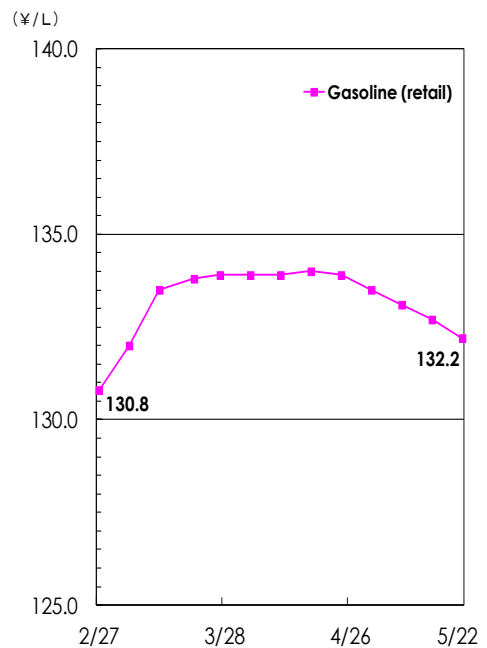
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	5/14 ~ 5/20	3,330	▼ -61	▼ -	
	Topper capacity utilization rate (%)	"	85.0	▼ -1.6	▲ -	
	Crude oil inventories (1,000 kl)	5/20	13,239	▲ 347	▼ -	
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/22	53.06	▲ 2.48	▲ 8.4	
	WTI crude oil (NYMEX) (\$/bbl)	5/22	50.73	▲ 1.88	▲ 2.7	
	Crude oil import CIF price (\$/bbl)	Late Apr	54.31	▲ 0.54	▲ 17.33	
	① Crude oil import CIF price (yen/kl)	"	37,569	▲ 53	▲ 11,689	
	② Yen-dollar exchange rate (yen/dollar)	"	109.98	▲ 0.93	▲ 1.29	
	TTS exchange rate (yen/dollar)	5/22	112.54	▲ 1.89	▼ -1.72	



(Unit: 1,000 kl, yen/l)

		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/14 ~ 5/20	1,006	▲ 17	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	958	▲ 56	▲ —	
	Exports	"	0	▼ -23	▼ —	
	Inventories	5/20	1,889	▲ 47	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/16 ~ 5/22	47.5	▼ -0.8	▲ 7.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/16 ~ 5/22	49.1	▲ 0.3	▲ 4.8
		(TOCOM/ Chubu)	5/22	49.9	▲ 1.7	▲ 6.7
	Retail prices [weekly trend] (published by ANRE)	5/22	132.2	▼ -0.5	▲ 13.0	

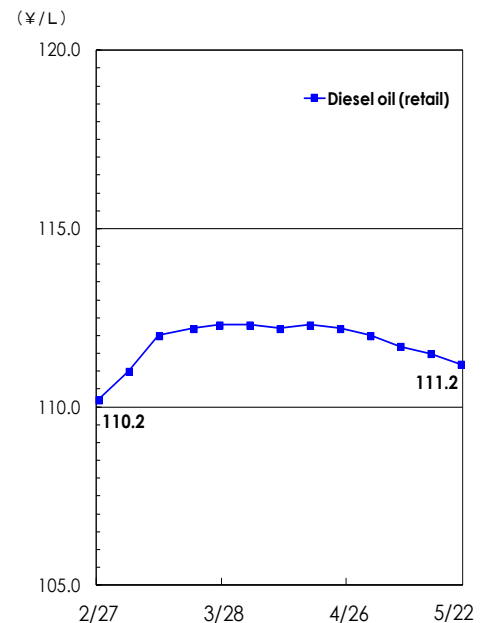
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

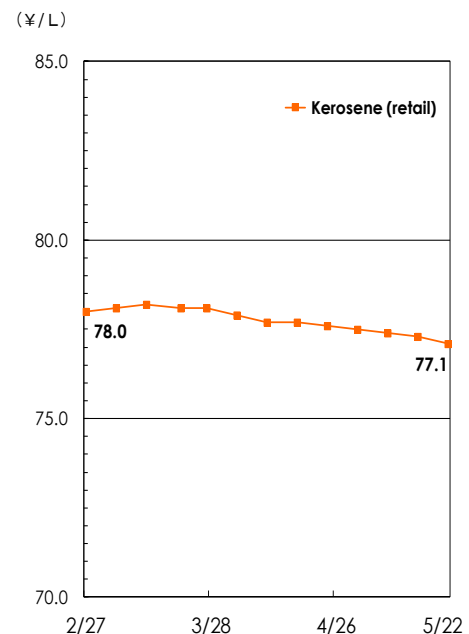
		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/14 ~ 5/20	776	▲ 89	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	660	▲ 102	▼ —	
	Exports	"	167	▼ -9	▲ —	
	Inventories	5/20	1,625	▼ -50	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/16 ~ 5/22	47.7	▼ -1.1	▲ 11.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/16 ~ 5/22	48.0	▶ 0.0	▲ 8.8
		(TOCOM/ Chubu)	5/22	—	—	—
	Retail prices [weekly trend] (published by ANRE)	5/22	111.2	▼ -0.3	▲ 10.7	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/14 ~ 5/20	204	▲ 23	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	141	▼ -4	▲ —	
	Exports	"	0	▶ 0	▶ —	
	Inventories	5/20	1,247	▲ 63	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/16 ~ 5/22	46.6	▼ -0.9	▲ 10.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/16 ~ 5/22	46.6	▲ 0.9	▲ 8.1
		(TOCOM/ Chubu)	5/22	46.7	▲ 0.1	▲ 9.2
	Retail prices [weekly trend] (published by ANRE)	5/22	77.1	▼ -0.2	▲ 14.8	



Relevant Information

1 Overseas crude oil prices

On May 24, buying came in the morning as the weekly EIA report said U.S. crude oil inventories posted a decrease of 4.4 million barrels from a week earlier, far faster than a market-forecast decline of 2.4 million barrels. However, the most frequently traded WTI futures contract on the NYMEX logged a downturn on a gasoline inventory fall of 800,000 barrels against the market-forecast drop of 1.2 million barrels and position adjustment selling before the May 25 OPEC meeting in Vienna. The July contract closed down \$0.11/bbl from the previous day at \$51.36/bbl. The August contract finished \$0.13/bbl lower at \$51.59/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 22 rose by 3.0 cents per gallon from a week earlier to \$2.399/gal (71.2 yen/l). The average diesel oil price fell by 0.5 cents/gal to \$2.539/gal (75.4 yen/l). The gasoline price rose for the first time in four weeks, while the diesel price decreased for the fifth consecutive week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity during the May 14-20 week came to 384,000 bpd (barrels per day), up 26,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week fell by 61,000 kl from the previous week to 3,330,000 kl. From a year earlier, it fell by 27,000 kl. The topper capacity utilization rate stood at 85.0%, down 1.6 points from a week earlier and up 6.0 points from a year earlier.

Output decreased from the previous week for Fuel Oil A and C, while increasing for other petroleum products. Output was up 1.7% for gasoline, up 0.2% for jet fuel, up 12.5% for kerosene, up 12.9% for diesel oil, down 5.4% for Fuel Oil A and down 13.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 22,000 kl, down 132,000 kl from the previous week. Diesel oil exports aggregated 167,000 kl, down 9,000 kl.

Shipments (sales volume) in the week increased from the previous week for gasoline, diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments increased for gasoline and kerosene and decreased for others. Gasoline shipments increased by 6.2% from the previous week to 958,000 kl. They increased week on week and year on year for the first time in two weeks, slipping below 1 million kl for the second straight week.

Shipments totaled 107,000 kl for jet fuel (down 10.7% from the previous week), 141,000 kl for kerosene (down 3.0%),

660,000 kl for diesel oil (up 18.2%), 206,000 kl for Fuel Oil A (down 10.1%) and 278,000 kl for Fuel Oil C (up 13.8%).

(Unit: 1,000 kl)

	This week (5/14 ~ 5/20)	Previous week (5/7 ~ 5/13)	From a week earlier
Gasoline	958	902	▲ 56 (6%)
Jet fuel	107	120	▼ -13 (-11%)
Kerosene (heating Oil)	141	145	▼ -4 (-3%)
Diesel oil	660	558	▲ 102 (18%)
Fuel oil A	206	229	▼ -23 (-10%)
Fuel Oil C	278	244	▲ 34 (14%)
Total	2,350	2,198	▲ 152 (7%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of May 20 increased from a week earlier for gasoline, jet fuel and kerosene and decreased for other petroleum products. From a year earlier, inventories increased for gasoline, and Fuel Oil A and C and decreased for others

Gasoline inventories totaled 1,889,000 kl, up 47,000 kl from a week earlier and up 64,000 kl from a year earlier.

Kerosene inventories totaled 1,247,000 kl, up 63,000 kl from a week earlier and down 254,000 kl from a year earlier.

Diesel oil inventories totaled 1,625,000 kl, down 50,000 kl from a week earlier and down 91,000 kl from a year earlier.

Fuel Oil A inventories totaled 814,000 kl, down 9,000 kl from a week earlier and up 5,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,044,000 kl, down 36,000 kl from a week earlier and up 19,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/20)	Previous week (5/13)	From a week earlier
Gasoline	1,889	1,842	▲ 47 (3%)
Jet fuel	1,115	1,092	▲ 23 (2%)
Kerosene (heating Oil)	1,247	1,184	▲ 63 (5%)
Diesel oil	1,625	1,675	▼ -50 (-3%)
Fuel oil A	814	823	▼ -9 (-1%)
Fuel Oil C	2,044	2,080	▼ -36 (-2%)
Total	8,734	8,696	▲ 38 (0.4%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

Between May 16 and 22, crude oil cost apparently increased, although crude oil price hikes were partially offset by the yen's appreciation.

Onshore cargo spot prices weakened to a 101-102 yen/l range for gasoline, to a 47-49 yen/l range for diesel oil and to a 46-47 yen/l range for kerosene. Offshore barge spot prices firmed to a 100-105 yen/l range for gasoline, weakened to a 47-48 yen/l range for diesel oil and remained almost unchanged in a 45-47 yen/l range for kerosene. The key futures price ranged between 102 and 105 yen/l for gasoline, firmer than in the previous week, between 48 and 49 yen/l for diesel oil, unchanged, and between 46 and 48 yen/l for kerosene, firmer. Wholesale gasoline prices were left unchanged by some Motouri companies and lowered by up to 1.5 yen/l by others. Wholesale diesel oil and kerosene prices were kept unchanged by some and raised by 1.0 yen/l by others.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

While crude oil cost rose, spot prices for petroleum products were generally weak, though with price changes differing from product to product and from market to market. Weekly gasoline sales volume remained below 1 million kl for the second straight week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for May 25-31) that influences Motouri's wholesale prices applied to the fifth week of May (May 25-31) fell by 0.8 yen/l for gasoline, by 1.1 yen/l for diesel oil and by 0.9 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay rose by 0.7 yen/l for gasoline and fell by 1.5 yen/l for diesel oil and by 0.1 yen/l for kerosene. The key futures price increased by 0.3 yen/l for gasoline, leveled off for diesel oil and rose by 0.9 yen/l for kerosene. As crude oil prices rose, crude oil cost increased despite the yen's appreciation.

Wholesale prices of petroleum products for the fifth week of May were left unchanged by some Motouri companies and raised by up to 1.0 yen/l by others. Motouri companies based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (5/16 ~ 5/22)	Previous week (5/9 ~ 5/15)	From a week earlier
Spot Prices	Regular	47.5	48.3	▼ -0.8
	Kerosene	46.6	47.5	▼ -0.9
	Diesel oil	47.7	48.8	▼ -1.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (5/16 ~ 5/22)	Previous week (5/9 ~ 5/15)	From a week earlier
Futures Price	Regular	49.1	48.8	▲ 0.3
	Kerosene	46.6	45.7	▲ 0.9
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (May 16 - May 22 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.8	▲ 0.3	▼ -0.3	
Kerosene	▼ -0.9	▲ 0.9	➡ 0.0	
Diesel oil	▼ -1.1	➡ 0.0	▼ -0.5	
Fuel Oil A	▼ -0.9			

(Source) Spot: RIM 4-district average lorry rack price (Chiba, Kawasaki, Chukyo, Hanshin)
Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of May 22 fell by 0.5 yen/l from a week earlier to 132.2 yen/l for gasoline, by 0.3 yen/l to 111.2 yen/l for diesel oil and by 0.2 yen/l to 77.1 yen/l for kerosene. The gasoline, diesel and kerosene prices dropped for the fifth straight week.

Gasoline prices increased in five prefectures, leveled off in four and fell in 38. The lowest gasoline price among the prefectures was 126.6 yen/l in Okayama Prefecture (down 0.4 yen/l from a week earlier). The second lowest was 126.8 yen/l in Saitama (down 0.6 yen/l). The highest price was 139.9 yen/l in Kagoshima (down 0.5 yen/l). Posting the largest price hike of 0.2 yen/l were Wakayama (133.8 yen/l) and Osaka (131.7 yen/l). Logging the largest drop of 1.5 yen/l was Hyogo (131.0 yen/l). Gasoline prices remained unchanged in four prefectures -- Kochi, Akita, Hokkaido and Aichi.

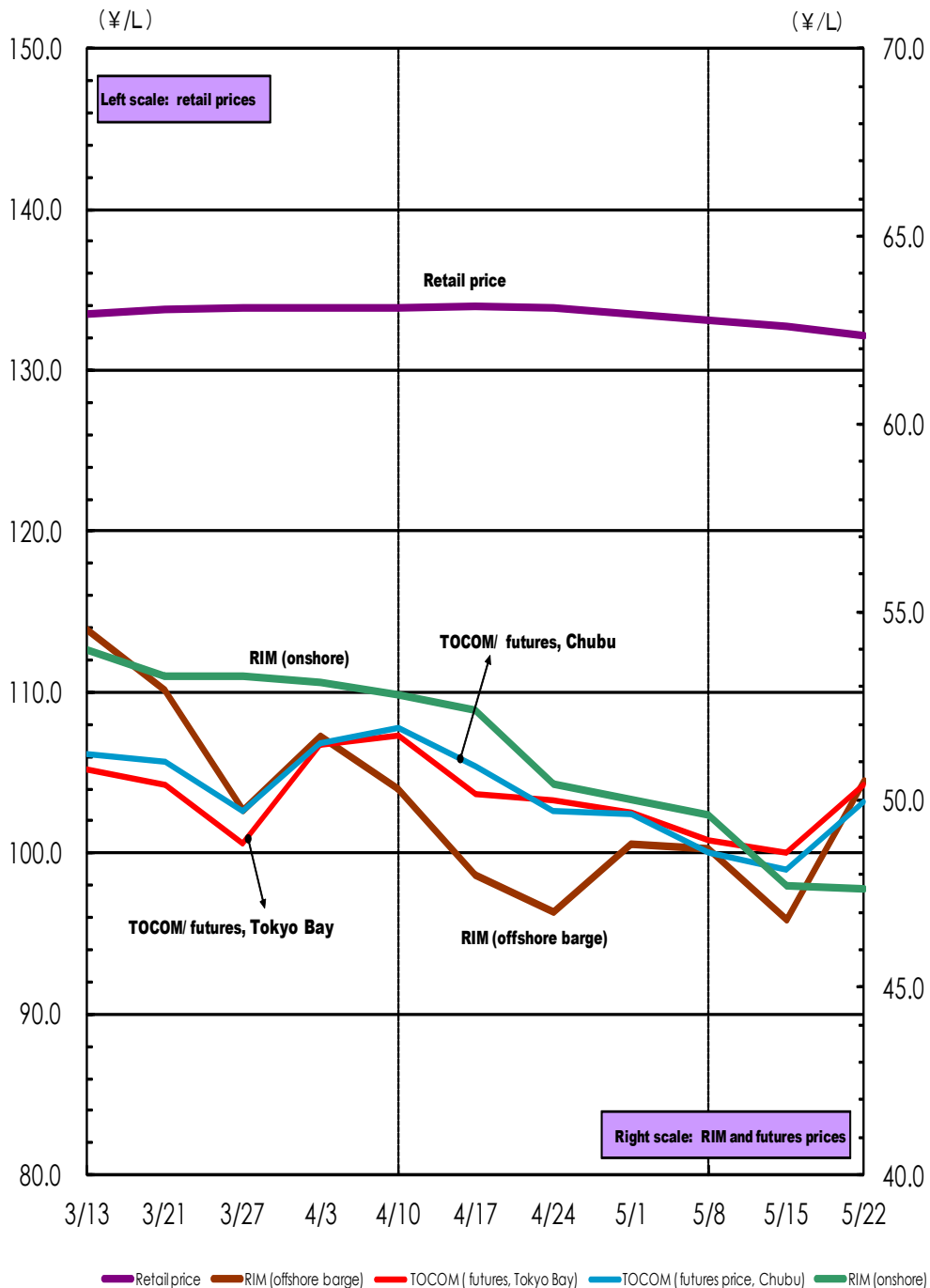
The average gasoline price decreased for the fifth straight week while crude oil cost rose, with Motouri leaving wholesale gasoline prices unchanged or lowering them by up to 1.5 yen/l. This week, crude oil cost rose although crude oil price hikes were partially offset by the yen's appreciation. Wholesale petroleum product prices were left unchanged by some Motouri and raised by up to 1.0 yen/l by others. Retail gasoline and kerosene prices are likely to remain unchanged next week (as of May 29).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/22)	Previous week (5/15)	From a week earlier	Latest high
Retail Price	Regular	132.2	132.7	▼ -0.5	08/8/4 185.1
	Kerosene	77.1	77.3	▼ -0.2	08/8/11 132.1
	Diesel oil	111.2	111.5	▼ -0.3	08/8/4 167.4

Nationwide average cash retail price (including consumption tax)
Since April 2007, 2,000 service stations have been covered.
Latest highs are highest levels since October 2003.

Gasoline price trend

(2017/3/13 ~ 2017/5/22)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district.

Announcement

This report is available at the center's website (<http://eneken.ieej.or.jp/en/>).
The next issue (No. 8 for 2017) will be announced at 14:00 on June 9.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).