

Oil Market Review in Japan No. 08/2017

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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 ranged between \$49.35 per barrel and \$51.47/bbl on the NYMEX (New York Mercantile Exchange) in the May 18-24 week, rising back above \$50/bbl.

On May 25, the July contract plunged on profit taking and selling on disappointment at an agreement at the 172nd meeting of OPEC (Organization of the Petroleum Exporting Countries) and the second ministerial meeting of OPEC and non-OPEC oil producing countries in Vienna that included nothing more than a well-expected decision to extend their coordinated production cut of about 1.8 million barrels per day for nine months from July. The key contract finished at \$48.90/bbl, down \$2.46/bbl from the previous day.

On May 26, selling outpaced buying in early trading on a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 722 for the 19th straight weekly rise, as well as the dollar's appreciation against the euro that made oil prices relatively higher. As buying on decline came later, with the extension of the coordinated oil production cut appreciated, however, the key contract rallied for the first time in three market days. The July contract closed at \$49.80/bbl, up \$0.90/bbl.

On May 30, the key contract turned down on concern about oil oversupply indicated by the rising number of operating U.S. oil-drilling rigs, even though the United States entered a driving season from the May 29 Memorial Day holiday. The July contract closed \$0.14/bbl lower at \$49.66/bbl.

On May 31, the key contract dropped further on a reported increase in oil production in Libya, exempted from the coordinated production cut, despite a forecast that U.S. crude oil and petroleum products inventories would fall in private and government sector weekly reports coming later in the day and on the next day. The July contract closed \$1.34/bbl lower at \$48.32/bbl.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged between \$51.00/bbl and \$53.00/bbl in the previous week, rising back above \$50/bbl. It ended at \$53.10/bbl on May 25, at \$49.90/bbl on May 26, at \$50.90/bbl on May 29, at \$50.90/bbl on May 30 and at \$50.20/bbl on May 31.

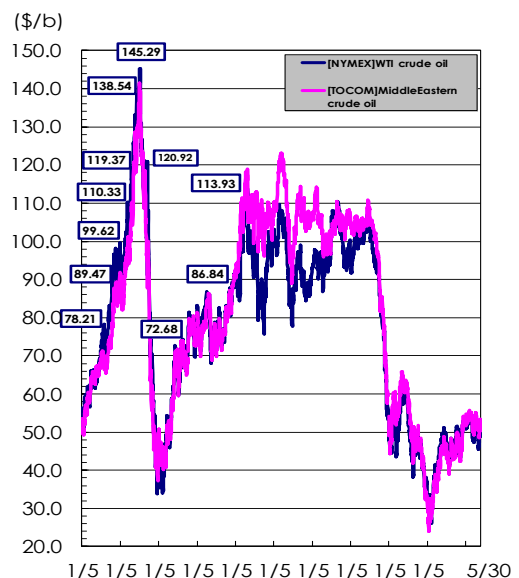
On the foreign exchange market in the previous week, the dollar remained in a narrow range between 111.06 and 111.82 yen. It changed hands at 111.66 yen in late trading on May 25, at 111.79 yen on May 26, at 111.34 yen on May 29, at 111.10 yen on May 30 and at 110.96 yen on May 31.

According to preliminary 10-day trade statistics released by the Ministry of Finance on May 30, the average crude oil import CIF price in the May 1-10 period stood at 37,364 yen/kl (kiloliter), down 205 yen/kl from the previous 10-day period. In dollars, the price was \$54.19/bbl, down \$0.12/bbl. The average exchange rate was 109.61 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the first week of June were left unchanged by some Motouri and raised by up to 1.5 yen/l (liter) by others. Crude oil cost rose slightly, although crude oil price hikes were partially offset by the yen's appreciation.

Japan's average retail price on May 29 stood at 131.7 yen/l for gasoline, down 0.5 yen/l from a week earlier, at 110.8 yen/l for diesel oil, down 0.4 yen/l, and at 76.9 yen/l for kerosene (heating oil), down 0.2 yen/l. The gasoline, diesel and kerosene prices dropped for the sixth straight week. As crude oil cost rose in the fifth week of May, wholesale prices of petroleum products were left unchanged by some Motouri companies and raised by up to 1.0 yen/l by others.

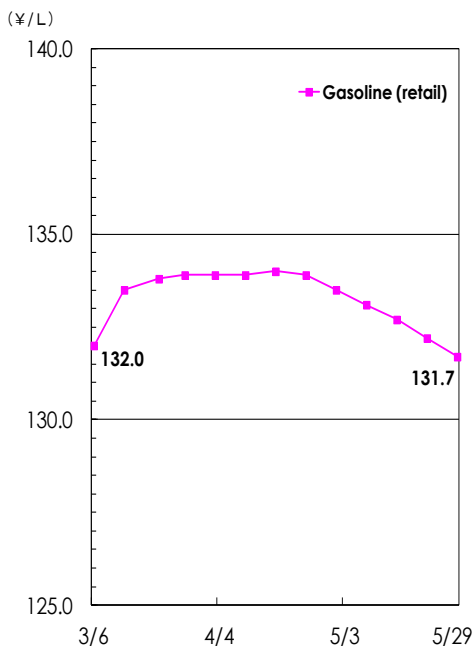
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	5/21 ~ 5/27	3,169	▼ -172	▼	-
	Topper capacity utilization rate (%)	"	80.9	▼ -4.4	▲	-
	Crude oil inventories (1,000 kl)	5/27	12,701	▼ -539	▼	-
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/29	51.18	▼ -1.88	▲ 5.4	
	WTI crude oil (NYMEX) (\$/bbl)	5/30	49.66	▼ -1.07	▲ 0.6	
	Crude oil import CIF price (\$/bbl)	Early May	54.19	▼ -0.12	▲ 13.51	
	① Crude oil import CIF price (yen/kl)	"	37,364	▼ -205	▲ 9,490	
	② Yen-dollar exchange rate (yen/dollar)	"	109.61	▲ 0.37	▼ -0.69	
	TTS exchange rate (yen/dollar)	5/29	112.34	▲ 0.20	▼ -0.61	



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/21 ~ 5/27	1,042	▲ 36	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	1,014	▲ 56	▼ -	
	Exports	"	21	▲ 21	▼ -	
	Inventories	5/27	1,896	▲ 7	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/23 ~ 5/29	48.5	▲ 1.0	▲ 7.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/23 ~ 5/29	50.5	▲ 1.4	▲ 4.5
		(TOCOM/ Chubu)	5/29	49.2	▼ -0.7	▲ 4.2
	Retail prices [weekly trend] (published by ANRE)	5/29	131.7	▼ -0.5	▲ 11.8	

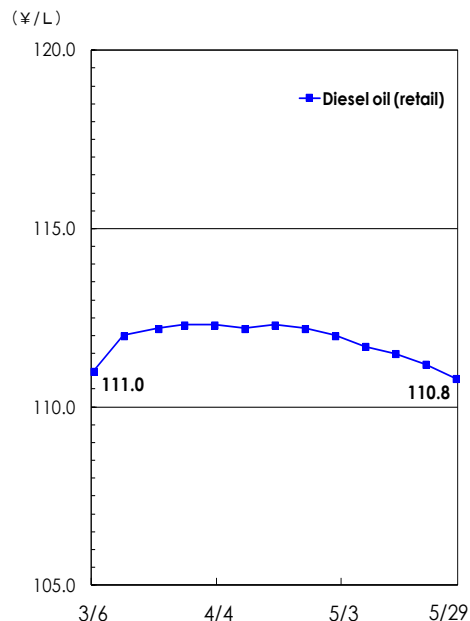
*Gyoten and futures prices are before tax



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

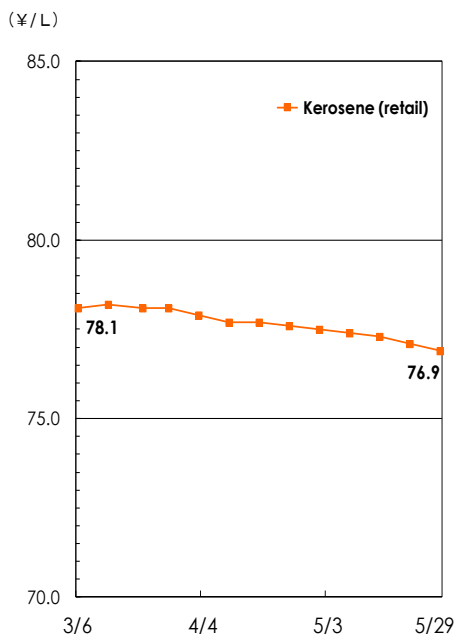
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/21 ~ 5/27	739	▼ -37	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	644	▼ -16	▼ -	
	Exports	"	138	▼ -28	▼ -	
	Inventories	5/27	1,581	▼ -44	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/23 ~ 5/29	47.7	➡ 0.0	▲ 10.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/23 ~ 5/29	48.0	➡ 0.0	▲ 7.4
		(TOCOM/ Chubu)	5/29	-	-	-
	Retail prices [weekly trend] (published by ANRE)	5/29	110.8	▼ -0.4	▲ 10.0	

*Gyoten and futures prices are before tax



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/21 ~ 5/27	227	▲ 23	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	160	▲ 19	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	5/27	1,314	▲ 67	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/23 ~ 5/29	47.1	▲ 0.5	▲ 9.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/23 ~ 5/29	47.2	▲ 0.6	▲ 6.6
		(TOCOM/ Chubu)	5/29	47.5	▲ 0.8	▲ 8.0
	Retail prices [weekly trend] (published by ANRE)	5/29	76.9	▼ -0.2	▲ 14.4	



Relevant Information

1 Overseas crude oil prices

On May 31, the most frequently traded WTI futures contract on the NYMEX fell further as selling outpaced buying on a report that production was recovering after a technical restriction at the El Shalala oilfield, the largest one in Libya, exempted from the coordinated oil production cut by OPEC and non-OPEC oil producing countries. However, forecast declines in U.S. crude oil and petroleum products inventories limited crude oil futures falls before private and government sector weekly inventory reports were announced later in the day and on the next day, one day behind usual due to the Memorial Day holiday falling on May 29. Inventories were forecast to decrease by 2.5 million barrels from a week earlier for crude oil, by 1.1 million barrels for gasoline and by 800,000 barrels for middle distillates.

According to the EIA (Energy Information Administration), the average U.S. retail price of gasoline as of May 29 rose by 0.7 cents per gallon from a week earlier to \$2.406/gal (71.3 yen/l). The average diesel oil price rose by 3.2 cents/gal to \$2.571/gal (76.2 yen/l). The gasoline price rose for the second straight week, while the diesel price increased for the first time in six weeks.

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 21-27 week came to 623,000 bpd (barrels per day), up 239,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week fell by 172,000 kl from the previous week to 3,169,000 kl. From a year earlier, it fell by 64,000 kl. The topper capacity utilization rate stood at 80.9%, down 4.4 points from a week earlier and up 4.8 points from a year earlier.

Output increased from the previous week for gasoline and kerosene, while decreasing for other petroleum products. Output was up 3.6% for gasoline, down 8.5% for jet fuel, up 11.4% for kerosene, down 4.8% for diesel oil, down 5.5% for Fuel Oil A and down 6.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kl, down 18,000 kl from the previous week. Diesel oil exports aggregated 138,000 kl, down 28,000 kl.

Shipments (sales volume) in the week decreased from the previous week for diesel oil and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments increased for jet fuel, kerosene and Fuel Oil C and decreased for others. Gasoline shipments increased by 5.8% from the previous week to 1,014,000 kl. They increased week on week for the second straight week and decreased year on year for the first time in two weeks, rising above 1 million kl for the first time in three weeks.

Shipments totaled 164,000 kl for jet fuel (up 53.3% from the previous week), 160,000 kl for kerosene (up 13.6%),

644,000 kl for diesel oil (down 2.5%), 207,000 kl for Fuel Oil A (up 0.6%) and 161,000 kl for Fuel Oil C (down 42.2%).

(Unit: 1,000 kl)

	This week (5/21 ~ 5/27)	Previous week (5/14 ~ 5/20)	From a week earlier
Gasoline	1,014	958	▲ 56 (6%)
Jet fuel	164	107	▲ 57 (53%)
Kerosene (heating Oil)	160	141	▲ 19 (13%)
Diesel oil	644	660	▼ -16 (-2%)
Fuel oil A	207	206	▲ 1 (0%)
Fuel Oil C	161	278	▼ -117 (-42%)
Total	2,350	2,350	➡ 0 (0%)

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 27 increased from a week earlier for gasoline, kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories decreased for kerosene and diesel oil and increased for others

Gasoline inventories totaled 1,896,000 kl, up 7,000 kl from a week earlier and up 75,000 kl from a year earlier.

Kerosene inventories totaled 1,314,000 kl, up 67,000 kl from a week earlier and down 290,000 kl from a year earlier.

Diesel oil inventories totaled 1,581,000 kl, down 44,000 kl from a week earlier and down 38,000 kl from a year earlier.

Fuel Oil A inventories totaled 801,000 kl, down 13,000 kl from a week earlier and up 19,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,072,000 kl, up 28,000 kl from a week earlier and up 52,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/27)	Previous week (5/20)	From a week earlier
Gasoline	1,896	1,889	▲ 7 (0%)
Jet fuel	1,086	1,115	▼ -29 (-3%)
Kerosene (heating Oil)	1,314	1,247	▲ 67 (5%)
Diesel oil	1,581	1,625	▼ -44 (-3%)
Fuel oil A	801	814	▼ -13 (-2%)
Fuel Oil C	2,072	2,044	▲ 28 (1%)
Total	8,750	8,734	▲ 16 (0.2%)

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

Between May 23 and 29, crude oil cost apparently increased slightly, although crude oil price hikes were partially offset by the yen's appreciation.

Onshore cargo spot prices slightly firmed to a 101-103 yen/l range for gasoline, weakened to a 47-50 yen/l range for diesel oil and rose slightly to a 46-48 yen/l range for kerosene. Offshore barge spot prices firmed to a 103-105 yen/l range for gasoline, to a 47-50 yen/l range for diesel oil and to a 45-47 yen/l range for kerosene. The key futures price ranged between 103 and 106 yen/l for gasoline, weaker than in the previous week, between 48 and 49 yen/l for diesel oil, unchanged, and between 46 and 48 yen/l for kerosene, slightly weaker. Wholesale gasoline prices were raised by 0.5-1.5 yen/l. Wholesale kerosene prices were left unchanged by some Motouri companies and raised by up to 0.5 yen/l by others. Wholesale diesel oil prices were kept unchanged by some and raised by up to 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 slightly, spot prices for petroleum products generally increased. Weekly gasoline sales volume increased for the second straight week, exceeding 1 million kl for the first time in three weeks.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for May 23-29) that influences Motouri's wholesale prices applied to the first week of June (June 1-7) rose by 1.0 yen/l for gasoline and by 0.5 yen/l for kerosene and leveled off for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 1.8 yen/l for gasoline, by 1.5 yen/l for diesel oil and by 0.4 yen/l for kerosene. The key futures price increased by 1.4 yen/l for gasoline, leveled off for diesel oil and rose by 0.6 yen/l for kerosene. As crude oil prices rose, crude oil cost increased a little despite the yen's appreciation.

Wholesale prices of petroleum products for the first week of June were left unchanged by some Motouri companies and raised by up to 1.5 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 (5/23 ~ 5/29)	Previous week (5/16 ~ 5/22)	From a week earlier
Spot Prices	Regular	48.5	47.5	▲ 1.0
	Kerosene	47.1	46.6	▲ 0.5
	Diesel oil	47.7	47.7	➡ 0.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (5/23 ~ 5/29)	Previous week (5/16 ~ 5/22)	From a week earlier
Futures Price	Regular	50.5	49.1	▲ 1.4
	Kerosene	47.2	46.6	▲ 0.6
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (May 23 - May 29 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 1.0	▲ 1.4	▲ 1.2	
Kerosene	▲ 0.5	▲ 0.6	▲ 0.6	
Diesel oil	➡ 0.0	➡ 0.0	➡ 0.0	
Fuel Oil A	▼ -0.1			

(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 29 fell by 0.5 yen/l from a week earlier to 131.7 yen/l for gasoline, by 0.4 yen/l to 110.8 yen/l for diesel oil and by 0.2 yen/l to 76.9 yen/l for kerosene. The gasoline, diesel and kerosene prices dropped for the sixth straight week.

Gasoline prices increased in three prefectures, leveled off in one and fell in 43. The lowest gasoline price among the prefectures was 125.9 yen/l in Okayama Prefecture (down 0.7 yen/l from a week earlier). The second lowest was 126.5 yen/l in Saitama (down 0.3 yen/l). The highest price was 140.3 yen/l in Nagasaki (up 0.5 yen/l). Posting the largest price hike of 0.5 yen/l was Nagasaki (140.3 yen/l). Logging the largest drop of 1.2 yen/l were Fukushima (131.0 yen/l) and Wakayama (132.6 yen/l). Gasoline prices remained unchanged only in Kochi.

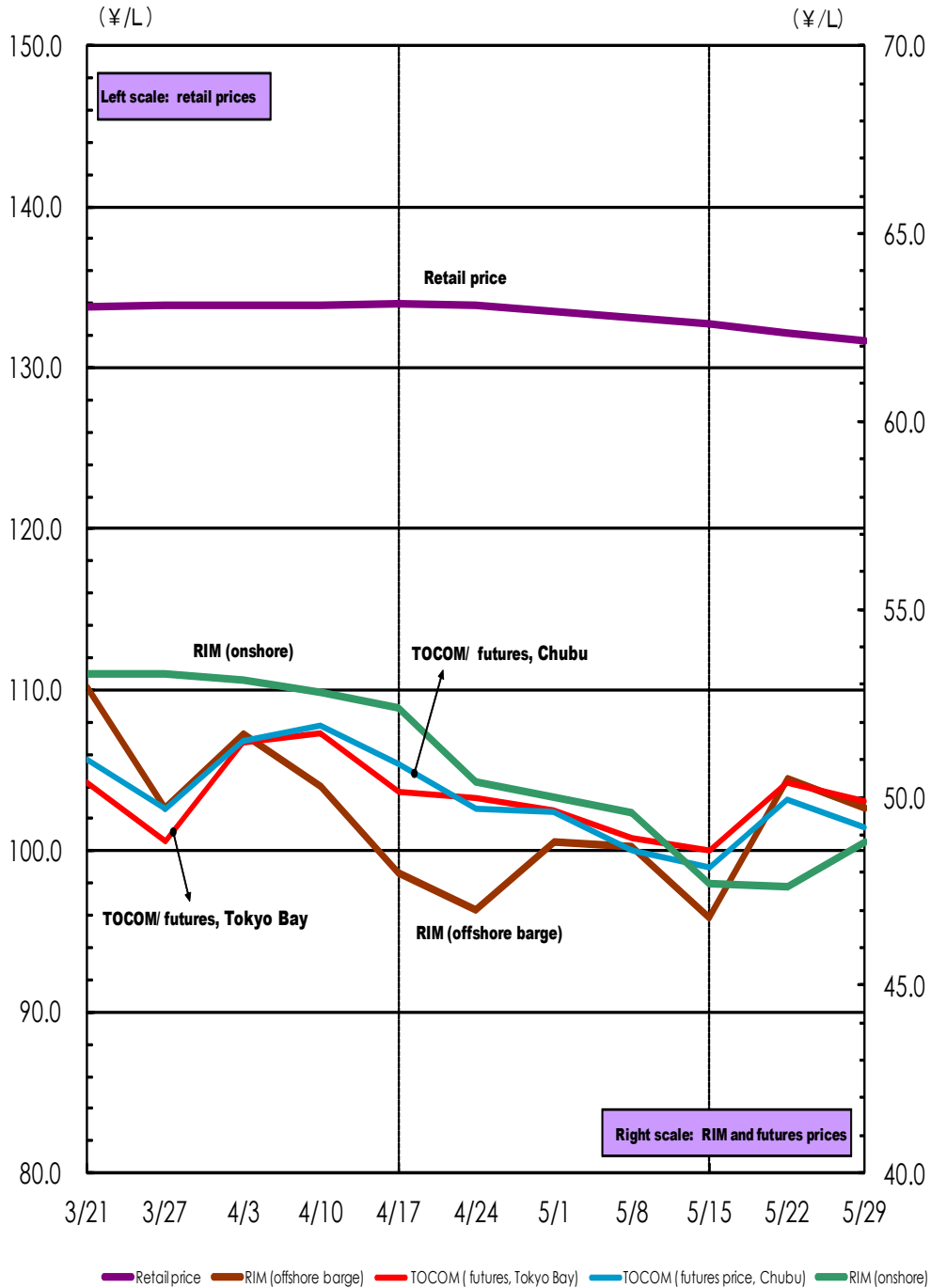
The average gasoline price decreased for the sixth straight week while crude oil cost rose, with Motouri leaving wholesale gasoline prices unchanged or raising them by up to 1.0 yen/l. This week, crude oil cost rose a little, although crude oil price hikes were partially offset by the yen's appreciation. Wholesale petroleum product prices were left unchanged by some Motouri and raised by up to 1.5 yen/l by others. Retail gasoline and kerosene prices are likely to rise slightly next week (as of June 5).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/29)	Previous week (5/22)	From a week earlier	Latest high
Retail Price	Regular	131.7	132.2	▼ -0.5	08/8/4 185.1
	Kerosene	76.9	77.1	▼ -0.2	08/8/11 132.1
	Diesel oil	110.8	111.2	▼ -0.4	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

(2017/3/21 ~ 2017/5/29)



(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. 9 for 2017) will be announced at 14:00 on June 16.

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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).