

Oil Market Review in Japan No. 18/2017

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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 on the NYMEX (New York Mercantile Exchange) in the July 27-August 2 week moved within a firmer range between \$49.04 per barrel and \$50.17/bbl.

On August 3, the September contract turned down in directionless trading amid a dearth of trading incentives. Market players were interested in a meeting of technical experts that OPEC (Organization of the Petroleum Exporting Countries) and major non-OPEC oil producing countries will hold on August 7-8 in Abu Dhabi. The contract closed at \$49.03/bbl, down \$0.56/bbl from the previous day.

On August 4, the key contract rebounded as robust U.S. jobs data induced expectations of U.S. oil demand expansion. However, the rebound was restricted by a Reuters report that OPEC's crude oil exports in July hit this year's new high of 26.11 million barrels per day, up 370,000 bpd from the previous month. A Baker Hughes report that the number of U.S. operating oil-drilling rigs fell by one from a week earlier to 765 had little impact on the market. The September contract finished \$0.55/bbl higher at \$49.58/bbl.

On August 7, the key contract turned down on some market participants' profit taking selling as many market players refrained from proactive trading while watching the meeting of technical experts from OPEC and major non-OPEC oil producing countries. The September contract closed \$0.19/bbl lower at \$49.39/bbl.

On August 8, the key contract fell further on growth in U.S. shale oil production and in Libyan and Nigerian output, despite a Reuters report that Saudi Aramco would reduce crude oil shipments by 520,000 bpd beyond the Saudi portion of a coordinated oil production cut by OPEC and non-OPEC oil producing countries. The September contract closed \$0.22/bbl lower at \$49.17/bbl.

On August 9, the key contract rebounded for the first time in three days as a weekly report by the EIA (Energy Information Administration) stated that U.S. crude oil inventories declined sharply, with refineries' capacity utilization rate rising to a high level. The September contract closed \$0.39/bbl higher at \$49.56/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged between \$49.30/bbl and \$51.30/bbl in the July 27-August 2 week. It closed at \$50.70/bbl on August 3, at \$50.60/bbl on August 4, at \$51.00/bbl on August 7, at \$50.90/bbl on August 8 and at \$50.60/bbl on August 9.

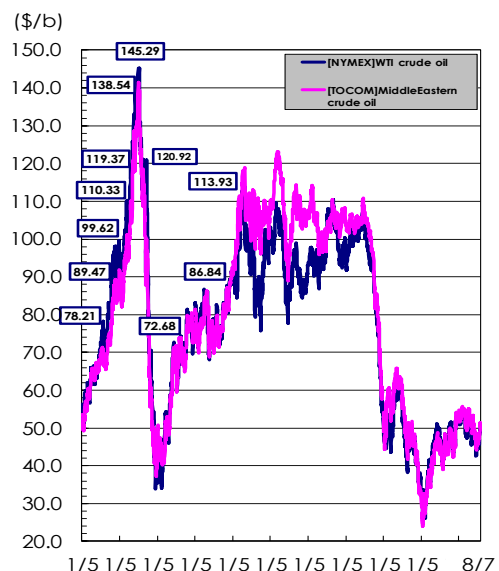
On the foreign exchange market in the July 27-August 2 week, the dollar moved within a range between 110.27 and 111.08 yen. It changed hands at 110.77 yen in late trading on August 3, at 110.00 yen on August 4, at 110.68 yen on August 7, at 110.75 yen on August 8 and at 110.00 yen on August 9.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 8, the average crude oil import CIF price in the July 11-20 period stood at 34,153 yen/kl (kiloliter), down 467 yen/kl from the previous 10-day period. In dollars, the price was \$48.25/bbl, down \$1.19/bbl. The average exchange rate was 112.53 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the third week of August were left unchanged by some Motouri and raised by 0.5 yen/l by others. Crude oil acquisition cost rose despite the yen's appreciation as crude oil prices increased.

Japan's average retail price on August 7 stood at 131.2 yen/l for gasoline, up 0.2 yen/l from a week earlier, at 110.2 yen/l for diesel oil, up 0.2 yen/l, and at 76.1 yen/l for kerosene (heating oil), unchanged. The gasoline price rose for the first time in two weeks. The diesel price increased for the first time in three weeks. The kerosene price leveled off for the second straight week. As crude oil cost rose in the second week of August, all Motouri companies raised wholesale prices of petroleum products by 0.5 yen/l.

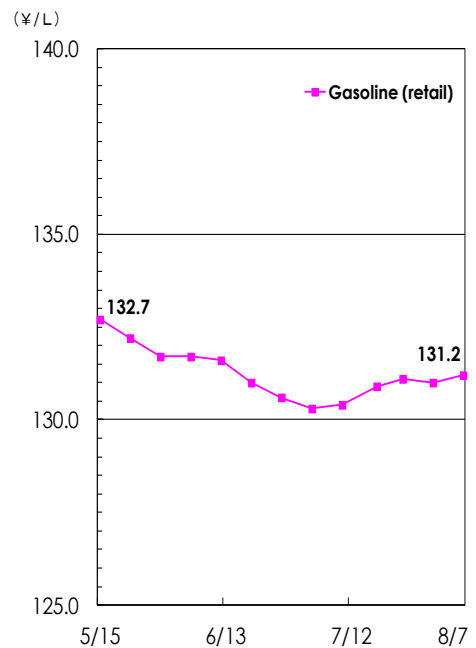
Crude oil		This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	7/30 ~ 8/5	3,712	▲ 56	▼ -
	Topper capacity utilization rate (%)	"	94.7	▲ 1.4	▲ -
	Crude oil inventories (1,000 kl)	8/5	14,183	▲ 805	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/7	50.84	▼ -0.10	▲ 9.2
	WTI crude oil (NYMEX) (\$/bbl)	8/7	49.39	▼ -0.78	▲ 6.4
	Crude oil import CIF price (\$/bbl)	Mid Jul	48.25	▼ -1.19	▲ 0.51
	①Crude oil import CIF price (yen/kl)	"	34,153	▼ -467	▲ 3,200
	②Yen-dollar exchange rate (yen/dollar)	"	112.53	▼ -1.20	▼ -9.45
	TTS exchange rate (yen/dollar)	8/7	111.68	▼ -0.33	▼ -8.56



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/30 ~ 8/5	1,053	▲ 13	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	1,095	▲ 168	▼ -	
	Exports	"	14	▼ -78	▲ -	
	Inventories	8/5	1,689	▼ -56	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/1 ~ 8/7	50.3	▲ 0.7	▲ 9.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/1 ~ 8/7	50.2	▲ 1.0	▲ 11.6
		(TOCOM/ Chubu)	8/7	49.4	▼ -0.4	▲ 10.9
	Retail prices [weekly trend] (published by ANRE)	8/7	131.2	▲ 0.2	▲ 9.2	

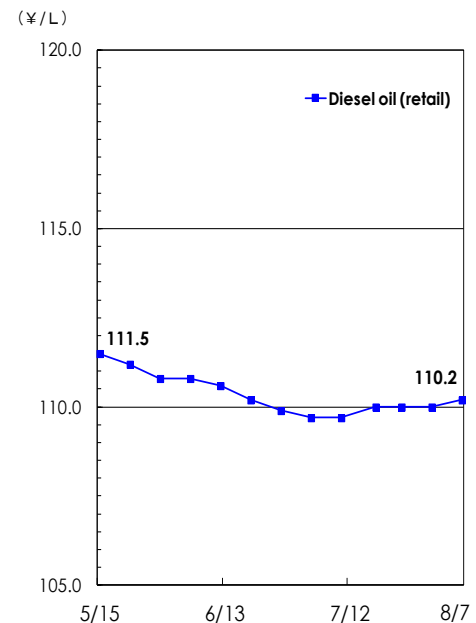
*Gyoten and futures prices are before tax



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

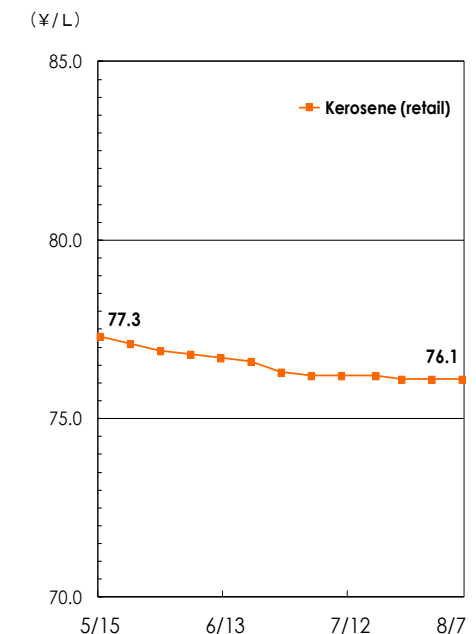
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	7/30 ~ 8/5	929	▼ -50	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	653	▲ 18	▲ -	
	Exports	"	312	▲ 8	▲ -	
	Inventories	8/5	1,427	▼ -35	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/1 ~ 8/7	48.7	▲ 0.7	▲ 9.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/1 ~ 8/7	48.0	➡ 0.0	▲ 11.9
		(TOCOM/ Chubu)	8/7	-	-	-
	Retail prices [weekly trend] (published by ANRE)	8/7	110.2	▲ 0.2	▲ 8.0	

*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	7/30 ~ 8/5	211	➡ 0	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	139	▲ 50	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	8/5	1,930	▲ 72	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/1 ~ 8/7	48.0	▲ 0.4	▲ 10.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/1 ~ 8/7	48.4	▲ 0.7	▲ 12.8
		(TOCOM/ Chubu)	8/7	48.0	▲ 0.9	▲ 12.0
	Retail prices [weekly trend] (published by ANRE)	8/7	76.1	➡ 0.0	▲ 12.2	



Relevant Information

1 Overseas crude oil prices

On August 9, selling and buying were mixed in oil futures trading on the NYMEX as the EIA report stated that crude oil inventories posted a decline of 6.5 million barrels from a week earlier, far faster than a market-forecast drop of 2.7 million barrels, while gasoline inventories scored an increase of 3.4 million barrels against a market-forecast drop of 1.5 million barrels. Buying grew dominant later as market participants paid attention to oil refineries' capacity utilization rate in the EIA report that stood at 95.3%, the highest since August 2005. The September contract posted a rise of \$0.39/bbl to \$49.56/bbl. The October contract gained \$0.37/bbl to \$49.72/bbl.

According to the EIA, the average U.S. retail price of gasoline as of August 7 rose by 2.6 cents per gallon from a week earlier to \$2.378/gal (70.1 yen/l). The average diesel oil price rose by 5.0 cents/gal to \$2.581/gal (76.1 yen/l). The gasoline price rose for the third straight week, while the diesel price increased for the sixth straight 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 July 30-August 5 week came to 39,000 bpd, down 51,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week rose by 56,000 kl from the previous week to 3,712,000 kl. From a year earlier, it decreased by 121,000 kl. The topper capacity utilization rate stood at 94.7%, up 1.4 points from a week earlier and up 4.5 points from a year earlier.

Output increased from the previous week for gasoline, jet fuel and kerosene while decreasing for other petroleum products. Output was up 1.3% for gasoline, up 40.5% for jet fuel, up 0.2% for kerosene, down 5.1% for diesel oil, down 3.9% for Fuel Oil A and down 1.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 6,000 kl, down 103,000 kl from the previous week. Diesel oil exports aggregated 312,000 kl, up 8,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments decreased for gasoline, jet fuel and Fuel Oil C and increased for others. Gasoline shipments increased by 18.1% from the previous week to 1,095,000 kl. They increased week on week for the first time in two weeks and fell year on year for the seventh straight week, rising above 1 million kl for the first time in two weeks.

Shipments totaled 106,000 kl for jet fuel (down 42.3% from the previous week), 139,000 kl for kerosene (up 55.1%),

653,000 kl for diesel oil (up 2.9%), 241,000 kl for Fuel Oil A (up 25.9%) and 236,000 kl for Fuel Oil C (down 25.3%).

(Unit: 1,000 kl)

	This week (7/30 ~ 8/5)	Previous week (7/23 ~ 7/29)	From a week earlier
Gasoline	1,095	927	▲ 168 (18%)
Jet fuel	106	183	▼ -77 (-42%)
Kerosene (heating Oil)	139	89	▲ 50 (56%)
Diesel oil	653	635	▲ 18 (3%)
Fuel oil A	241	191	▲ 50 (26%)
Fuel Oil C	236	316	▼ -80 (-25%)
Total	2,470	2,341	▲ 129 (6%)

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 August 5 increased from a week earlier for kerosene and Fuel Oil C 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 1,689,000 kl, down 56,000 kl from a week earlier and up 39,000 kl from a year earlier.

Kerosene inventories totaled 1,930,000 kl, up 72,000 kl from a week earlier and down 318,000 kl from a year earlier.

Diesel oil inventories totaled 1,427,000 kl, down 35,000 kl from a week earlier and down 98,000 kl from a year earlier.

Fuel Oil A inventories totaled 757,000 kl, down 24,000 kl from a week earlier and up 7,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,126,000 kl, up 44,000 kl from a week earlier and up 230,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/5)	Previous week (7/29)	From a week earlier
Gasoline	1,689	1,745	▼ -56 (-3%)
Jet fuel	1,116	1,153	▼ -37 (-3%)
Kerosene (heating Oil)	1,930	1,858	▲ 72 (4%)
Diesel oil	1,427	1,462	▼ -35 (-2%)
Fuel oil A	757	781	▼ -24 (-3%)
Fuel Oil C	2,126	2,082	▲ 44 (2%)
Total	9,045	9,081	▼ -36 (-0.4%)

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

Between August 1 and 7, crude oil cost apparently posted an increase, although the yen's appreciation partially offset crude oil price hikes.

Onshore cargo spot prices slightly weakened in a 103-105 yen/l range for gasoline, in a 48-49 yen/l range for diesel oil and in a 47-49 yen/l range for kerosene.

Offshore barge spot prices rose to a 105-107 yen/l range for gasoline, slightly weakened to a 49-51 yen/l range for diesel oil and stayed in a 47-49 yen/l range for kerosene.

The key futures price stayed in a 103-105 yen/l range for gasoline and leveled off within a 48-49 yen/l range for diesel oil and within a 48-49 yen/l range for kerosene. Some Motouri companies left their wholesale petroleum products prices unchanged while others raised their prices by 0.5 yen/l.

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

While crude oil cost increased, spot petroleum products prices other than futures and kerosene prices increased. Weekly gasoline shipment volume (excluding imports) increased from the previous week for the first time in two weeks, topping 1 million kl for the first time in two weeks. From a year earlier, gasoline shipment volume declined for the seventh straight week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - - for the August 1-7 week) that influences Motouri's wholesale prices applied to the third week of August (August 10-16) rose by 0.7 yen/l for gasoline, by 0.4 yen/l for kerosene and by 0.7 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 1.9 yen/l for gasoline, by 0.6 yen/l for kerosene and by 0.5 yen/l for diesel oil. The key futures price rose by 1.0 yen/l for gasoline, leveled off for diesel oil and increased by 0.7 yen/l for kerosene. Crude oil cost increased although the yen's appreciation partially offset crude oil price hikes.

Wholesale prices of petroleum products were kept unchanged by some Motouri companies and raised by 0.5 yen/l by others in the third week of August. Motouri 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 (8/1 ~ 8/7)	Previous week (7/25 ~ 7/31)	From a week earlier
Spot Prices	Regular	50.3	49.6	▲ 0.7
	Kerosene	48.0	47.6	▲ 0.4
	Diesel oil	48.7	48.0	▲ 0.7

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (8/1 ~ 8/7)	Previous week (7/25 ~ 7/31)	From a week earlier
Futures Price	Regular	50.2	49.2	▲ 1.0
	Kerosene	48.4	47.7	▲ 0.7
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (August 1 - August 7 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▲ 0.7	▲ 1.0	▲ 0.9		
Kerosene	▲ 0.4	▲ 0.7	▲ 0.5		
Diesel oil	▲ 0.7	➡ 0.0	▲ 0.4		
Fuel Oil A	▲ 0.4				

(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 August 7 increased by 0.2 yen/l from a week earlier to 131.2 yen/l for gasoline and to 110.2 yen/l for diesel oil and levelled off at 76.1 yen/l for kerosene. The gasoline price rose for the first time in two weeks. The diesel oil price increased for the first time in three weeks. The kerosene price levelled off for the second straight week.

Gasoline prices increased in 29 prefectures, remained unchanged in seven and fell in 11. The lowest gasoline price among the prefectures was 126.2 yen/l in Okayama Prefecture (up 0.9 yen/l from a week earlier). The second lowest was 126.9 yen/l in Saitama (up 0.1 yen/l). The highest price was 140.0 yen/l in Okinawa (up 0.6 yen/l). Posting the largest price hike of 2.2 yen/l was Aomori (130.6 yen/l). Logging the largest drop of 0.4 yen/l was Kyoto (132.2 yen/l). The gasoline price remained unchanged in Nagasaki, Kochi, Yamagata, Wakayama, Hyogo, Gunma and Hiroshima.

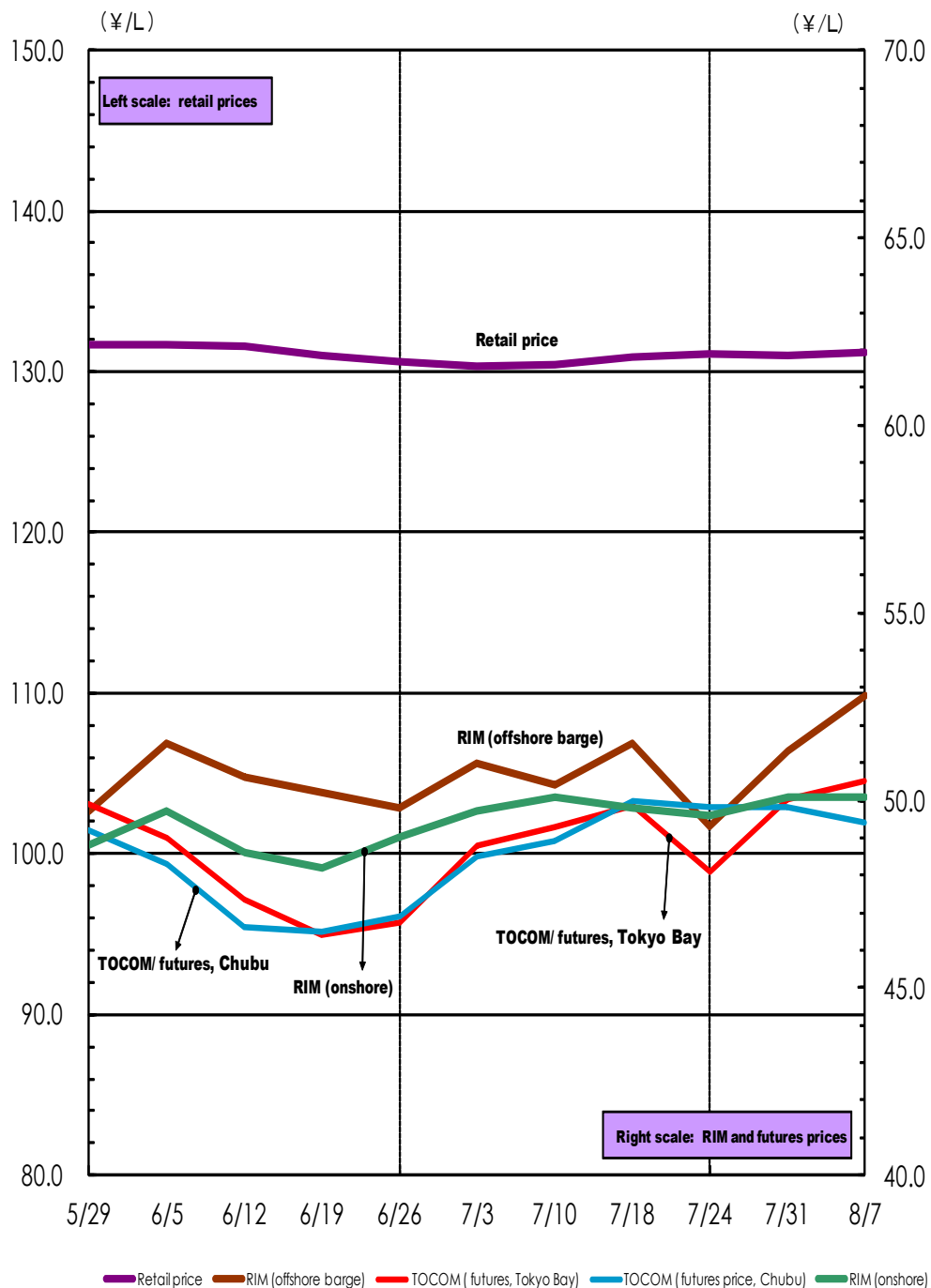
As crude oil cost rose, with Motouri companies raising their wholesale gasoline prices by 0/5 yen/l, the average retail gasoline price rose slightly for the first time in two weeks. This week, crude oil cost increased, although crude oil price hikes were partially offset by the yen's appreciation. Some Motouri companies kept their wholesale prices of petroleum products unchanged, while others raised their prices by 0.5 yen/l. Retail gasoline prices are likely to rise slightly next week (as of August 14).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/7)	Previous week (7/31)	From a week earlier	Latest high
Retail Price	Regular	131.2	131.0	▲ 0.2	08/8/4 185.1
	Kerosene	76.1	76.1	➡ 0.0	08/8/11 132.1
	Diesel oil	110.2	110.0	▲ 0.2	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

(2017/5/29 ~ 2017/8/7)



(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. 19 for 2017) will be announced at 14:00 on September 1.

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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).