

# Oil Market Review in Japan No. 07/2018

**June 1, 2018, Friday** Released at 14:00 every Friday

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

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan  
[https://eneken.ieej.or.jp/en/weekly\\_oil/index.php](https://eneken.ieej.or.jp/en/weekly_oil/index.php)

## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the May 10-16 week moved within a firm range between \$70.70 per barrel and \$71.49/bbl.

On May 17, the June contract closed at \$71.49/bbl, unchanged from the previous day, as profit-taking selling countered buying on concerns about the United States' resumption of economic sanctions on Iran.

On May 18, the key contract declined on profit-taking selling following its upsurge and the dollar's appreciation against the euro making oil futures prices relatively higher, although Baker Hughes reported that the number of operating U.S. oil-drilling rigs remained unchanged from a week earlier at 844, ceasing to increase for the first time in seven weeks. The June contract lost \$0.21/bbl to \$71.28/bbl.

On May 21, the key contract rallied beyond \$72.00/bbl as China in bilateral trade talks with the United States agreed to expand U.S. farm and energy imports and Venezuelan President Nicolas Maduro's reelection led market players to expect tougher U.S. economic sanctions and a further oil production cut in Venezuela. The June contract rose by \$0.96/bbl to \$72.24/bbl.

On May 22, buying outpaced selling following U.S. President Donald Trump's signing of an executive order to toughen economic sanctions on Venezuela on the previous day, before profit-taking selling grew dominant. The June contract lost \$0.11/bbl to \$72.13/bbl.

On May 23, the key contract fell further as concerns about U.S. oil oversupply grew on an EIA (Energy Information Administration) report that crude oil and petroleum products inventories increased from a week earlier and a Reuters report that OPEC (Organization of the Petroleum Exporting Countries) may expand oil production in June. On the day, the July contract replaced the June contract as the key oil futures contract and closed at \$71.84/bbl, down \$0.36/bbl from the previous day.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market moved in a range between \$73.80/bbl and \$75.10/bbl in the May 10-16 week. It closed at \$76.50/bbl on May 17, at \$76.80/bbl on May 18, at \$76.50/bbl on May 21, at \$76.90/bbl on May 22 and at \$76.80/bbl on May 23.

On the foreign exchange market in the May 10-16 week, the dollar moved within a range between 109.31 and 110.33 yen. It changed hands at 110.33 yen in late trading on May 17, at 110.95 yen on May 18, at 111.09 yen on May 21, at 110.96 yen on May 22 and at 110.88 yen on May 23.

According to preliminary 10-day trade statistics released by the Ministry of Finance on May 21, the average crude oil import CIF price in the April 21-30 period stood at 44,634 yen/kl (kiloliter), up 504 yen/kl from the previous 10-day period. In dollars, the price was \$66.34/bbl, up \$0.30/bbl. The average exchange rate was 107.00 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 44,199 yen/kl, down 535 yen/kl from the previous month. In dollars, the price was \$66.14/bbl, down \$0.60/bbl. The average exchange rate was 106.24 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the fifth week of May were raised by 2.0 yen/l (liter) for gasoline, diesel oil and kerosene (heating oil).

Crude oil acquisition cost rose as crude oil price hikes coincided with the yen's depreciation against the dollar.

Japan's average retail price on May 21 rose by 2.0 yen/l from a week earlier for gasoline, by 1.9 yen/l for diesel oil and by 20.0 yen for kerosene on an 18-liter tank basis. All these prices increased for the fifth straight week. As crude oil cost increased in the fourth week of May, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene.

Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	5/13 ~ 5/19	3,031	▼ -253	▼ -
	Topper capacity utilization rate (%)	"	77.4	▼ -6.5	▼ -
	Crude oil inventories (1,000 kl)	5/19	13,053	▼ -118	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/21	75.76	▲ 2.85	▲ 22.7
	WTI crude oil (NYMEX) (\$/bbl)	5/21	72.24	▲ 1.28	▲ 21.5
	Crude oil import CIF price (\$/bbl)	Late Apr	66.34	▲ 0.30	▲ 12.43
	①Crude oil import CIF price (yen/kl)	"	44,643	▲ 504	▲ 7,026
	②Yen-dollar exchange rate (yen/dollar)	"	107.00	▼ -0.75	▲ 3.94
	TTS exchange rate (yen/dollar)	5/21	112.09	▼ -1.78	▲ 0.45

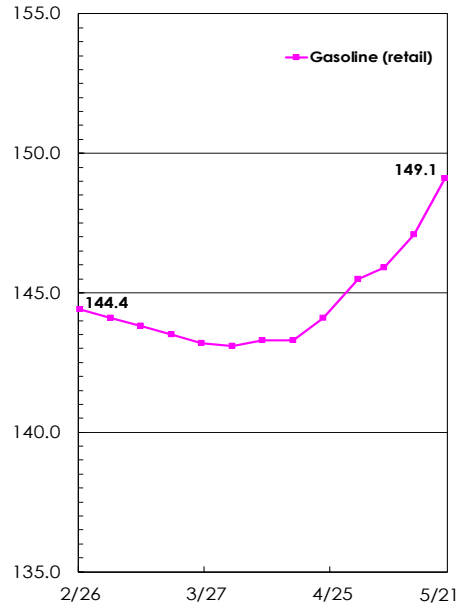


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/13 ~ 5/19	935	▼ -92	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	875	▼ -27	▼ -	
	Exports	"	0	▼ -67	▲ -	
	Inventories	5/19	1,778	▲ 59	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/15 ~ 5/21	67.5	▲ 1.6	▲ 20.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/15 ~ 5/21	66.9	▲ 1.7	▲ 17.8
		(TOCOM/ Chubu)	5/21	67.6	▲ 1.9	▲ 17.7
	Retail prices [weekly trend] (published by ANRE)	5/21	149.1	▲ 2.0	▲ 16.9	

\*Gyoten and futures prices are before tax

(¥/L)

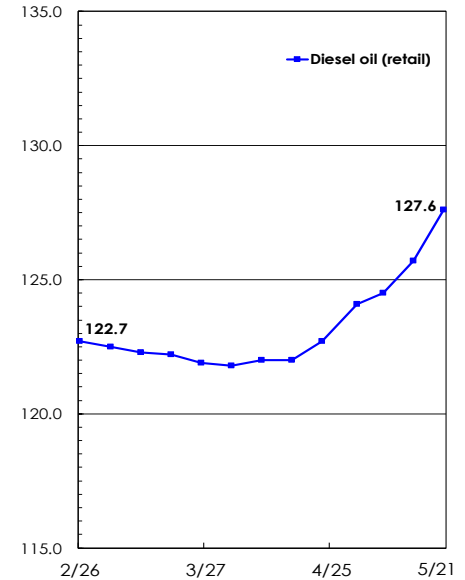


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/13 ~ 5/19	768	▲ 71	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	648	▲ 54	▼ -	
	Exports	"	122	▲ 48	▼ -	
	Inventories	5/19	1,553	▼ -2	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/15 ~ 5/21	68.3	▲ 1.9	▲ 20.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/15 ~ 5/21	67.4	▲ 1.6	▲ 19.4
		(TOCOM/ Chubu)	5/21	-	-	-
	Retail prices [weekly trend] (published by ANRE)	5/21	127.6	▲ 1.9	▲ 16.4	

\*Gyoten and futures prices are before tax

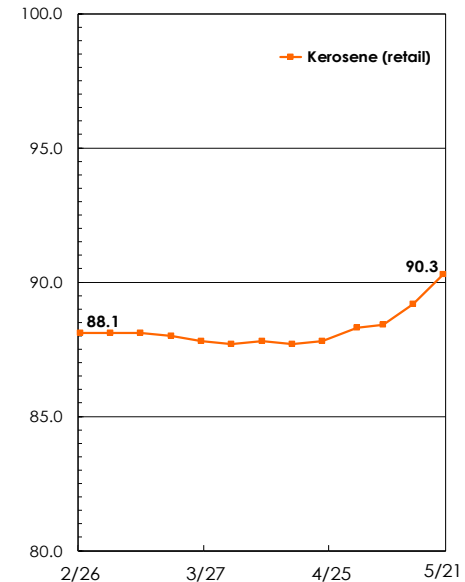
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/13 ~ 5/19	84	▼ -85	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	109	▼ -38	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	5/19	1,459	▼ -24	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/15 ~ 5/21	67.6	▲ 1.8	▲ 21.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/15 ~ 5/21	67.5	▲ 1.6	▲ 20.9
		(TOCOM/ Chubu)	5/21	67.5	▲ 1.4	▲ 20.8
	Retail prices [weekly trend] (published by ANRE)	5/21	90.3	▲ 1.1	▲ 13.2	

(¥/L)



## Relevant Information

### 1 Overseas crude oil prices

On May 23, the most frequently traded WTI crude futures contract on NYMEX dropped further as the EIA reported that crude oil and petroleum products inventories increased from a week earlier despite market-forecast declines and as a Reuters report quoted sources close to OPEC as saying the oil cartel may decide to expand oil production in June. In its weekly report, the EIA stated that crude oil inventories posted a weekly increase of 5.8 million barrels against a market-forecast decrease of 1.6 million barrels while gasoline inventories logged a rise of 1.9 million barrels against a market-forecast fall of 1.4 million barrels. The dollar's appreciation against the euro, which made crude oil futures relatively lower, also contributed to the oil futures price drop. On the day, the July contract replaced the June contract as the key oil futures contract and finished at \$71.84/bbl, down \$0.36/bbl from the previous day. The August contract lost \$0.31/bbl to \$71.71/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 21 rose by 5.0 cents per gallon from a week earlier to \$2.923/gal (85.4 yen/l). The average diesel oil price increased by 3.8 cents/gal to \$3.277/gal (96.9 yen/l). The gasoline price increased for the second straight week, while the diesel price went up for the ninth 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 in the May 13-19 week stood at 620,000 bpd, up 210,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 253,000 kl from the previous week to 3,031,000 kl. From a year earlier, it declined by 309,000 kl. The topper capacity utilization rate stood at 77.4%, down 6.5 points from the previous week and down 7.9 points from a year earlier.

Output decreased from the previous week for gasoline and kerosene and increased for others.

Output was down 9.0% for gasoline, up 4.2% for jet fuel, down 50.2% for kerosene, up 10.2% for diesel oil, up 2.9% for Fuel Oil A and up 49.7% for Fuel Oil C. Fuel Oil C imports in the week totaled less than 500 kl, down 68,000 kl from the previous week. Diesel oil exports aggregated 122,000 kl, up 48,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, kerosene and Fuel Oil A and increased for other petroleum products. From a year earlier, shipments decreased for all petroleum products.

Gasoline shipments decreased by 3.0% from the previous week to 875,000 kl. They declined for the second straight week, remaining below 1 million kl for eight weeks on end.

Shipments totaled 104,000 kl for jet fuel (up 20.3%

from the previous week), 109,000 kl for kerosene (down 26.1%), 648,000 kl for diesel oil (up 9.1%), 194,000 kl for Fuel Oil A (down 4.8%) and 213,000 kl for Fuel Oil C (up 27.3%).

(Unit: 1,000 kl)

	This week (5/13 ~ 5/19)	Previous week (5/6 ~ 5/12)	From a week earlier
Gasoline	875	902	▼ -27 (-3%)
Jet fuel	104	86	▲ 18 (21%)
Kerosene (heating Oil)	109	147	▼ -38 (-26%)
Diesel oil	648	594	▲ 54 (9%)
Fuel oil A	194	203	▼ -9 (-4%)
Fuel Oil C	213	167	▲ 46 (28%)
<b>Total</b>	<b>2,143</b>	<b>2,099</b>	<b>▲ 44 (2%)</b>

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 19 increased from a week earlier for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories increased for kerosene and decreased for others.

Gasoline inventories totaled 1,778,000 kl, up 59,000 kl from a week earlier and down 111,000 kl from a year earlier.

Kerosene inventories totaled 1,459,000 kl, down 24,000 kl from a week earlier and up 211,000 kl from a year earlier.

Diesel oil inventories totaled 1,553,000 kl, down 2,000 kl from a week earlier and down 71,000 kl from a year earlier.

Fuel Oil A inventories totaled 786,000 kl, up 7,000 kl from a week earlier and down 27,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,007,000 kl, down 28,000 kl from a week earlier and down 37,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/19)	Previous week (5/12)	From a week earlier
Gasoline	1,778	1,719	▲ 59 (3%)
Jet fuel	1,112	1,124	▼ -12 (-1%)
Kerosene (heating Oil)	1,459	1,483	▼ -24 (-2%)
Diesel oil	1,553	1,555	▼ -2 (-0%)
Fuel oil A	786	779	▲ 7 (1%)
Fuel Oil C	2,007	2,035	▼ -28 (-1%)
<b>Total</b>	<b>8,695</b>	<b>8,695</b>	<b>➡ 0 (0.0%)</b>

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

In the May 15-21 week, crude oil cost apparently increased from the previous week as crude oil prices rose sharply, with the yen depreciating against the dollar.

Onshore cargo spot prices between May 15 and 21 rose and leveled off in a 120-122 yen/l range for gasoline, in a 66-69 yen/l range for diesel oil and in a 66-69 yen/l range for kerosene.

Offshore barge spot prices in the week rose and leveled off in a 123-125 yen/l range for gasoline, increased slightly in a 69-70 yen/l range for diesel oil and rose and fell back slightly in a 66-69 yen/l range for kerosene.

The key futures price in the week increased sharply in a 119-122 yen/l range for gasoline, rose in a 66-68 yen/l range for diesel oil and fluctuated and increased in a 66-69 yen/l range for kerosene.

All Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene.

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

Offshore barge spot, onshore cargo spot and futures prices for petroleum products rose by 1.6 yen/l or more.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the May 15-21 week) that influences Motouri's wholesale prices applied to the fifth week of May (May 24-30) increased by 1.6 yen/l from the previous week for gasoline, by 1.8 yen/l for kerosene and by 1.9 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 2.9 yen/l for gasoline, by 1.7 yen/l for kerosene and by 2.4 yen/l for diesel oil. The key futures price rose by 1.7 yen/l for gasoline, by 1.6 yen/l for kerosene and by 1.6 yen/l for diesel oil. Crude oil cost increased as crude oil prices rose, with the yen depreciating against the dollar.

For the fifth week of May, all Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene. 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 cost since June 2014.

	(RIM) [4-district average lorry rack price]			(Unit: yen/l)	
	This week (5/15 ~ 5/21)	Previous week (5/8 ~ 5/14)	From a week earlier		
<b>Spot Prices</b>					
Regular	67.5	65.9	▲ 1.6		
Kerosene	67.6	65.8	▲ 1.8		
Diesel oil	68.3	66.4	▲ 1.9		

	(TOCOM) [Front-month contract/closing price]			(Unit: yen/l)	
	This week (5/15 ~ 5/21)	Previous week (5/8 ~ 5/14)	From a week earlier		
<b>Futures Price</b>					
Average					
Regular	66.9	65.2	▲ 1.7		
Kerosene	67.5	65.9	▲ 1.6		
Diesel oil	67.4	65.8	▲ 1.6		

Above prices are before tax.

Reference (May 15 - May 21 actual data)				(Unit: yen/l)	
Products	Spot	Futures	Average		
Gasoline	▲ 1.6	▲ 1.7	▲ 1.6		
Kerosene	▲ 1.8	▲ 1.6	▲ 1.7		
Diesel oil	▲ 1.9	▲ 1.6	▲ 1.8		
Fuel Oil A	▲ 1.6				

(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 21 went up by 2.0 yen/l from a week earlier to 149.1 yen/l for gasoline, by 1.9 yen/l to 127.6 yen/l for diesel oil and by 1.1 yen/l to 90.3 yen/l for kerosene (on an 18-liter tank basis, the kerosene price rose by 20 yen to 1,626 yen). All these prices rose for the fifth straight week. Gasoline prices increased in 46 of Japan's 47 prefectures and remained unchanged in one (Kochi). The lowest gasoline price among the prefectures was 141.9 yen/l in Tokushima Prefecture (up 2.3 yen/l from a week earlier). The second lowest was 144.7 yen/l in Saitama (up 1.7 yen/l). The highest price was 156.6 yen/l in Nagasaki (up 2.2 yen/l). Posting the largest price hike of 3.6 yen/l was Kyoto (152.4 yen/l).

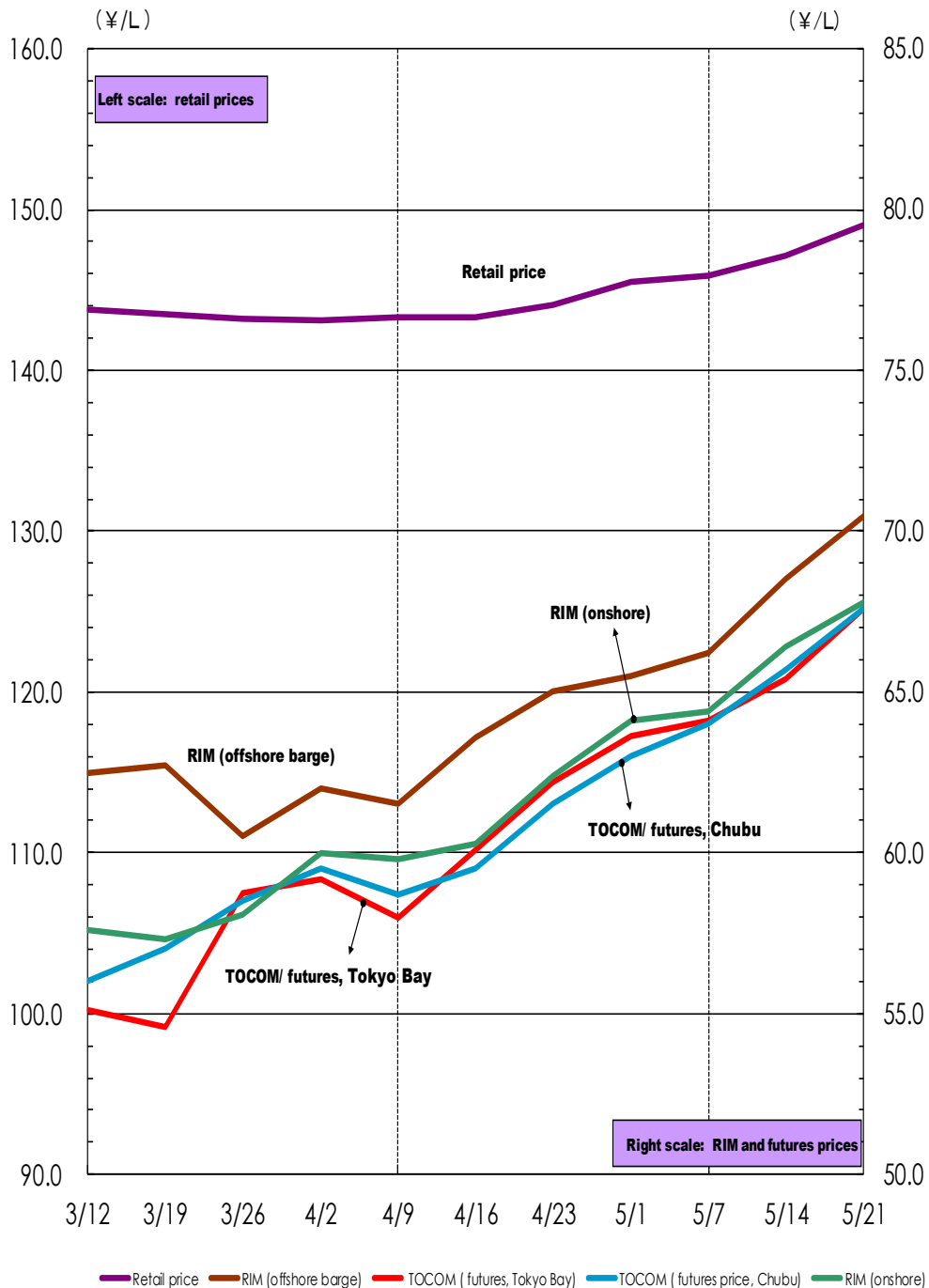
As crude oil cost increased last week, Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene. Retail gasoline prices rose for the fifth straight week. Crude oil cost increased this week as crude oil prices went up, with the yen depreciating against the dollar. Retail gasoline prices are expected to rise next week (as of May 28).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/21)	Previous week (5/14)	From a week earlier	Latest high
<b>Retail Price</b>	Regular	149.1	147.1	▲ 2.0	08/8/4 185.1
	Kerosene	90.3	89.2	▲ 1.1	08/8/11 132.1
	Diesel oil	127.6	125.7	▲ 1.9	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

(2018/3/12 ~ 2018/5/21)



(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.iej.or.jp/en/>).  
The next issue (No. 8 for 2018) will be announced at 14:00 on June 8.

## On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

## 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).