

Oil Market Review in Japan No. 31/2017

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on the NYMEX (New York Mercantile Exchange) in the November 2-8 week moved within a firmer range between \$54.54 per barrel and \$57.35/bbl.

On November 9, the December contract rose by \$0.36/bbl from the previous day to \$57.17/bbl on a Reuters report that Saudi Arabia would reduce crude oil exports by 120,000 barrels per day in December and on a Genscape report that crude oil inventories at the WTI delivery point of Cushing declined by more than 1 million barrels from a month earlier.

On November 10, the key contract turned down on profit taking following recent hikes as Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by nine to 738. The December contract lost \$0.43/bbl to \$56.74/bbl.

On November 13, buying outpaced selling on expectations of the extension of a coordinated oil production cut by oil producing countries, Saudi Arabian political unrest, the escalating Saudi Arabia-Iran confrontation and fears of oil supply disruptions following an earthquake in western Iran. Later, however, profit taking grew dominant, leading the December contract to narrow its gain to \$0.02/bbl and close at \$56.76/bbl.

On November 14, the key contract turned down as concerns about oversupply resurged on a downward revision of future global oil demand by the IEA (International Energy Agency) and growing U.S. shale oil production indicated by the increase in the number of operating U.S. oil-drilling rigs as reported on the previous day. In its monthly report, the IEA lowered its global oil demand projection by 60,000 bpd from the previous report for 2017 and by 180,000 bpd for 2018. The contract lost \$1.06/bbl to \$55.70/bbl.

On November 15, the December contract fell by \$0.37/bbl to \$55.33/bbl as concerns about oversupply grew on U.S. crude oil and gasoline inventory increases in a weekly EIA (Energy Information Administration) report and the IEA's downward revision of a global oil demand forecast for 2018 on the previous day.

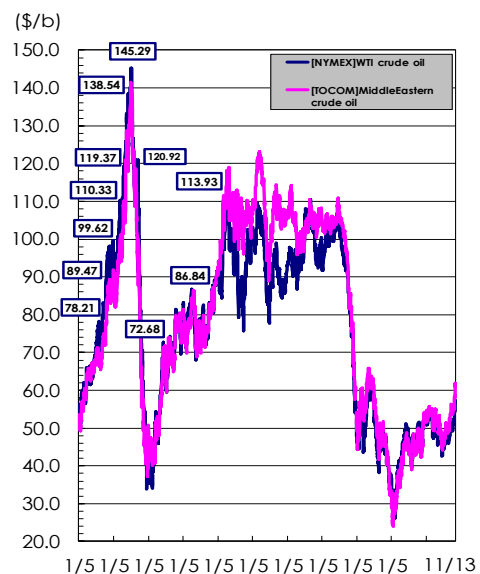
The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market moved in a firmer range between \$58.80/bbl and \$62.20/bbl in the November 2-8 week. It closed at \$61.60/bbl on November 9, at \$61.90/bbl on November 10, at \$61.70/bbl on November 13, at \$61.40/bbl on November 14 and at \$59.80/bbl on November 15.

On the foreign exchange market in the November 2-8 week, the dollar moved within a range between 113.73 and 114.38 yen. It changed hands at 114.06 yen in late trading on November 9, at 113.39 yen on November 10, at 113.68 yen on November 13, at 113.66 yen on November 14 and at 113.48 yen on November 15.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of November (changed from the fourth week of November under the previous practice) were raised by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose as crude oil prices increased, with the yen remaining almost unchanged against the dollar.

Japan's average retail price on November 13 rose by 1.8 yen/l from a week earlier for gasoline and by 1.6 yen for diesel oil and kerosene. The gasoline and diesel prices rose for the ninth straight week. The kerosene price increased for the eighth consecutive week. While crude oil cost rose in the second week of November (changed from the third week of November under the previous practice), Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene.

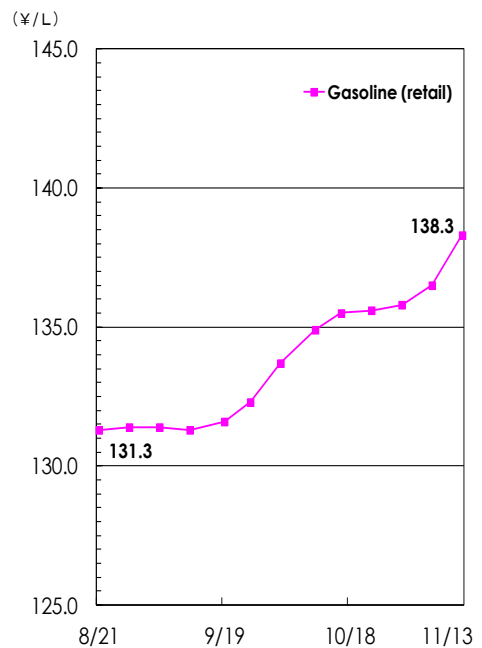
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	11/5 ~ 11/11	3,516	▲ 97	▼ -
	Topper capacity utilization rate (%)	"	89.8	▲ 2.5	▲ -
	Crude oil inventories (1,000 kl)	11/11	13,094	▼ -438	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/13	61.19	▲ 1.18	▲ 18.8
	WTI crude oil (NYMEX) (\$/bbl)	11/13	56.76	▼ -0.59	▲ 13.4
	Crude oil import CIF price (\$/bbl)	Mid Oct	54.89	▲ 1.06	▲ 9.59
	①Crude oil import CIF price (yen/kl)	"	38,894	▲ 948	▲ 9,713
	②Yen-dollar exchange rate (yen/dollar)	"	112.65	▼ -0.58	▼ -10.23
	TTS exchange rate (yen/dollar)	11/13	114.68	▲ 0.70	▼ -6.32



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/5 ~ 11/11	1,096	▲ 90	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	979	▲ 35	▲ —	
	Exports	"	60	▲ 5	▲ —	
	Inventories	11/11	1,641	▲ 57	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/7 ~ 11/13	58.7	▲ 2.1	▲ 17.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/7 ~ 11/13	59.2	▲ 2.0	▲ 19.0
		(TOCOM/ Chubu)	11/13	58.7	▲ 0.5	▲ 18.7
	Retail prices [weekly trend] (published by ANRE)	11/13	138.3	▲ 1.8	▲ 12.0	

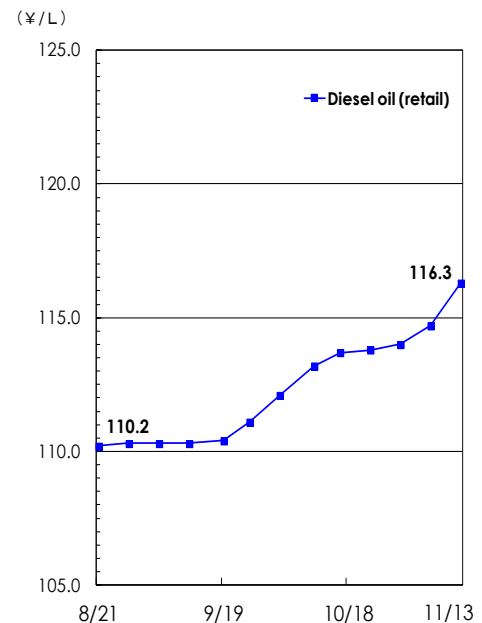
*Gyoten and futures prices are before tax



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

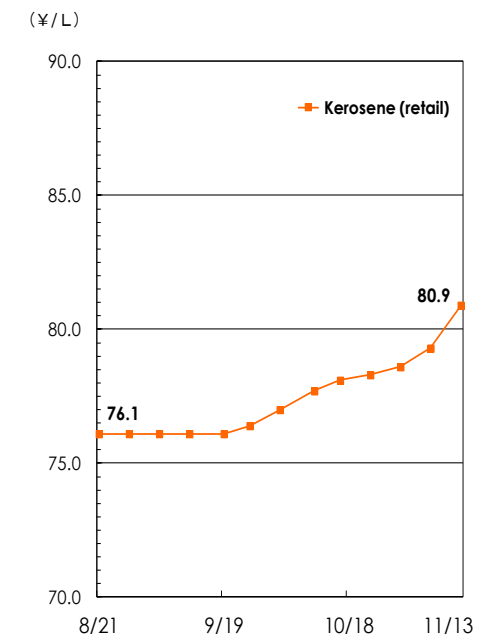
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	11/5 ~ 11/11	744	▲ 9	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	685	▲ 120	▼ —	
	Exports	"	91	▼ -51	▼ —	
	Inventories	11/11	1,361	▼ -31	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/7 ~ 11/13	57.7	▲ 2.4	▲ 14.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/7 ~ 11/13	55.0	▲ 2.0	▲ 13.2
		(TOCOM/ Chubu)	11/13	—	—	—
	Retail prices [weekly trend] (published by ANRE)	11/13	116.3	▲ 1.6	▲ 11.2	

*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	11/5 ~ 11/11	337	▲ 26	▲ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	389	▲ 90	▲ —	
	Exports	"	0	▶ 0	▼ —	
	Inventories	11/11	2,519	▼ -52	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/7 ~ 11/13	59.7	▲ 2.0	▲ 15.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/7 ~ 11/13	59.9	▲ 1.8	▲ 16.2
		(TOCOM/ Chubu)	11/13	60.6	▲ 1.1	▲ 16.8
	Retail prices [weekly trend] (published by ANRE)	11/13	80.9	▲ 1.6	▲ 15.0	



Relevant Information

1 Overseas crude oil prices

On November 15, the most frequently traded WTI crude oil futures contract on the NYMEX dropped further as concerns about oversupply grew on U.S. crude oil and gasoline inventory increases in the weekly EIA report and the IEA's downward revision of global oil demand forecasts for 2017 and 2018 on the previous day. The EIA report said crude oil inventories posted an increase of 1.9 million barrels from a week earlier against a market-forecast decline of 2.2 million barrels and gasoline inventories a rise of 900,000 barrels against a market-forecast fall of 800,000 barrels. The IEA revised its global oil demand projection downward by 100,000 bpd for 2017 and by 200,000 bpd for 2018. However, growing concerns about geopolitical risks in the Middle East and buying on decline supported crude oil futures prices. The December contract lost \$0.37/bbl to \$55.33/bbl. The January contract fell by \$0.37/bbl to \$55.52/bbl.

According to the EIA, the average U.S. retail price of gasoline as of November 13 rose by 3.1 cents per gallon from a week earlier to \$2.592/gal (78.4 yen/l). The average diesel oil price rose by 3.3 cents/gal to \$2.915/gal (88.2 yen/l). The gasoline price increased for the third straight week. The diesel price rose 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 in the November 5-11 week stood at 163,000 bpd, down 62,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week increased by 97,000 from the previous week to 3,516,000 kl. From a year earlier, it decreased by 102,000 kl. The topper capacity utilization rate stood at 89.8%, up 2.5 percentage points from the previous week and up 4.0 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 9.0% for gasoline, up 51.7% for jet fuel, up 8.3% for kerosene, up 1.3% for diesel oil, down 1.5% for Fuel Oil A and down 19.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 55,000 kl, up 55,000 kl from the previous week. Diesel oil exports aggregated 91,000 kl, down 51,000 kl.

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

Gasoline shipments increased by 3.7% from the previous week to 979,000 kl. They increased week on week and year on year for the first time in two weeks, remaining below 1 million kl for two weeks on end.

Shipments totaled 94,000 kl for jet fuel (up 40.9%

from the previous week), 389,000 kl for kerosene (up 30.0%), 685,000 kl for diesel oil (up 21.2%), 235,000 kl for Fuel Oil A (up 20.7%) and 232,000 kl for Fuel Oil C (up 19.4%).

	(Unit: 1,000 kl)		
	This week (11/5 ~ 11/11)	Previous week (10/29 ~ 11/4)	From a week earlier
Gasoline	979	944	▲ 35 (4%)
Jet fuel	94	67	▲ 27 (40%)
Kerosene (heating Oil)	389	299	▲ 90 (30%)
Diesel oil	685	565	▲ 120 (21%)
Fuel oil A	235	194	▲ 41 (21%)
Fuel Oil C	232	194	▲ 38 (20%)
Total	2,614	2,263	▲ 351 (16%)

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 November 11 increased from a week earlier for gasoline and jet fuel and decreased for other petroleum products. From a year earlier, inventories decreased for diesel oil and Fuel Oil A and increased for other petroleum products.

Gasoline inventories totaled 1,641,000 kl, up 57,000 kl from a week earlier and up 30,000 kl from a year earlier.

Kerosene inventories totaled 2,519,000 kl, down 52,000 kl from a week earlier and up 46,000 kl from a year earlier.

Diesel oil inventories totaled 1,361,000 kl, down 31,000 kl from a week earlier and down 67,000 kl from a year earlier.

Fuel Oil A inventories totaled 667,000 kl, down 34,000 kl from a week earlier and down 60,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,019,000 kl, down 41,000 kl from a week earlier and up 104,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (11/11)	Previous week (11/4)	From a week earlier
Gasoline	1,641	1,584	▲ 57 (4%)
Jet fuel	1,052	998	▲ 54 (5%)
Kerosene (heating Oil)	2,519	2,571	▼ -52 (-2%)
Diesel oil	1,361	1,392	▼ -31 (-2%)
Fuel oil A	667	701	▼ -34 (-5%)
Fuel Oil C	2,019	2,060	▼ -41 (-2%)
Total	9,259	9,306	▼ -47 (-0.5%)

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

Between November 7 and 13, crude oil cost apparently increased as crude oil prices rose, with the yen leveling off against the dollar.

Onshore cargo spot prices sharply rose in a 110-113 yen/l range for gasoline, in a 56-59 yen/l range for diesel oil and in a 58-61 yen/l range for kerosene.

Offshore barge spot prices weakened in a 113-115 yen/l range for gasoline, slightly fell in a 60-62 yen/l range for diesel oil and leveled off in a 59-60 yen/l range for kerosene.

The key futures price slightly eased in a 112-114 yen/l range for gasoline, leveled off in a 55-56 yen/l range for diesel oil and weakened in a 59-61 yen/l range for kerosene.

Motouri companies raised their wholesale prices by 1.5-2.0 yen/l for gasoline, diesel oil and kerosene.

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

As crude oil cost increased in the November 7-13 week, spot prices rose for all petroleum products.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the November 7-13 week) that influences Motouri's wholesale prices applied to the third week of November (November 16-22, changed from the fourth week of November under the previous practice) rose by 2.1 yen/l from the previous week for gasoline, by 2.0 yen/l for kerosene and by 2.4 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay increased by 1.6 yen/l for gasoline, by 1.9 yen/l for kerosene and by 2.5 yen/l for diesel oil. The key futures price rose by 2.0 yen/l for gasoline, by 1.8 yen/l for kerosene and by 2.0 yen/l for diesel oil. Crude oil cost increased as crude oil prices rose, with the yen remaining almost unchanged against the dollar.

For the third week of November (changed from the fourth week of November under the previous practice), Motouri companies raised their wholesale prices by 1.5-2.0 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 costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (11/7 ~ 11/13)	Previous week (10/31 ~ 11/6)	From a week earlier
Spot Prices	Regular	58.7	56.6	▲ 2.1
	Kerosene	59.7	57.7	▲ 2.0
	Diesel oil	57.7	55.3	▲ 2.4

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (11/7 ~ 11/13)	Previous week (10/31 ~ 11/6)	From a week earlier
Futures Price	Regular	59.2	57.2	▲ 2.0
	Kerosene	59.9	58.1	▲ 1.8
	Diesel oil	55.0	53.0	▲ 2.0

Above prices are before tax.

Reference (November 7 - November 13 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 2.1	▲ 2.0	▲ 2.1
Kerosene	▲ 2.0	▲ 1.8	▲ 1.9
Diesel oil	▲ 2.4	▲ 2.0	▲ 2.2
Fuel Oil A	▲ 1.8		

(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 November 13 rose by 1.8 yen/l from a week earlier to another year-to-date high of 138.3 yen/l for gasoline, by 1.6 yen/l to 116.3 yen/l for diesel oil and by 1.6 yen/l to 80.9 yen/l for kerosene. The gasoline price rewrote a year-to-date high for the sixth straight week. The gasoline and diesel prices increased for the ninth straight week. The kerosene price rose for the eighth consecutive week. Gasoline prices increased in 46 of Japan's 47 prefectures and dropped in one. The lowest gasoline price among the prefectures was 133.2 yen/l in Saitama Prefecture (up 1.2 yen/l from a week earlier). The second lowest was 134.7 yen/l in Chiba (up 1.7 yen/l). The highest price was 146.6 yen/l in Okinawa (up 1.4 yen/l). Posting the largest price hike of 4.0 yen/l was Kagawa (139.9 yen/l).

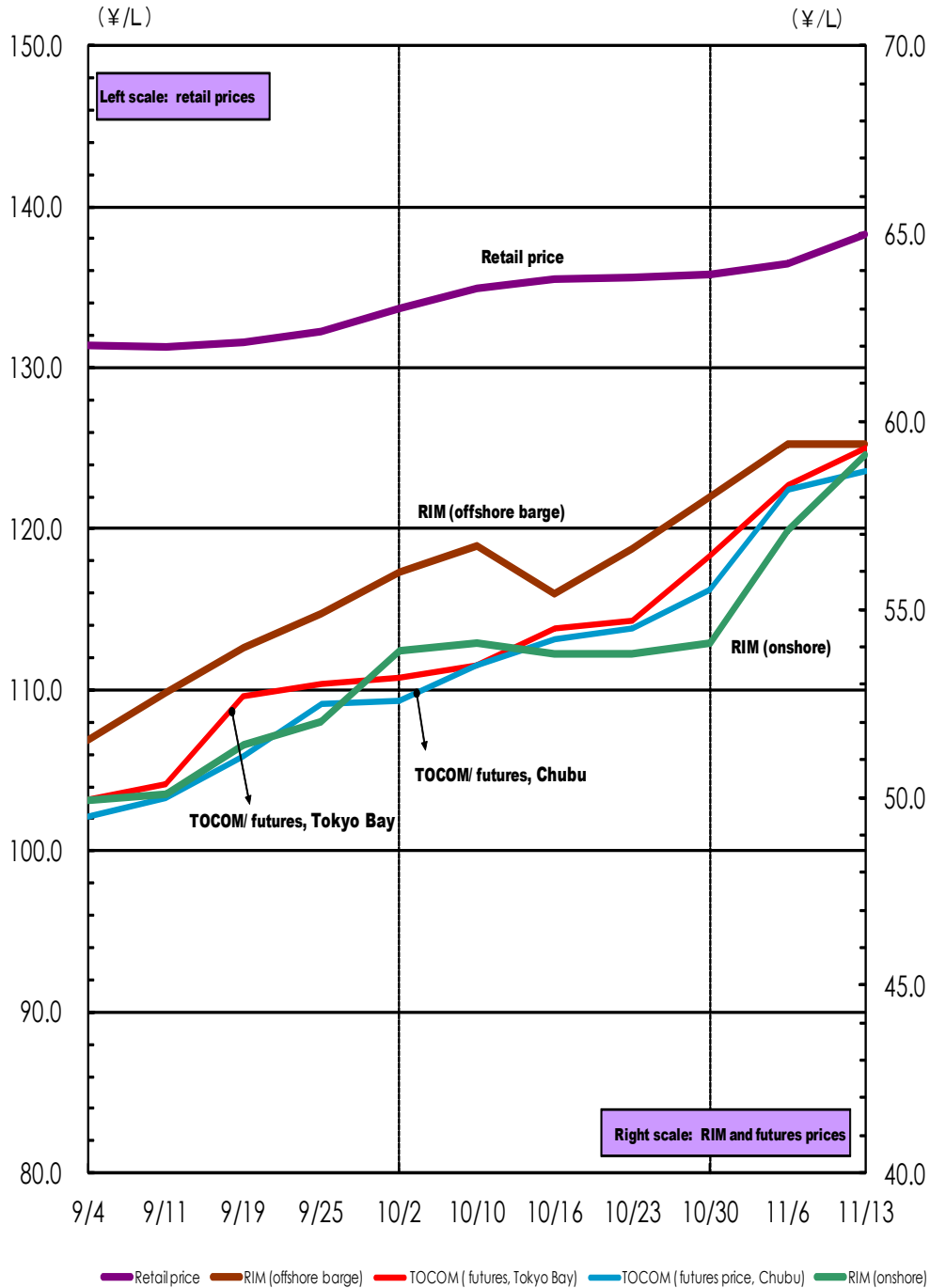
While crude oil cost increased last week, all Motouri companies raised wholesale prices by 2.0 yen/l for all petroleum products. The average retail gasoline price rose for the ninth straight week. This week, crude oil cost increased as crude oil prices rose, with the yen leveling off against the dollar. Motouri companies raised gasoline, diesel oil and kerosene prices by 1.5-2.0 yen/l. Retail gasoline and kerosene prices are likely to rise next week (as of November 20).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/13)	Previous week (11/6)	From a week earlier	Latest high
Retail Price	Regular	138.3	136.5	▲ 1.8	08/8/4 185.1
	Kerosene	80.9	79.3	▲ 1.6	08/8/11 132.1
	Diesel oil	116.3	114.7	▲ 1.6	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

(2017/9/4 ~ 2017/11/13)



(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. 32 for 2017) will be announced at 14:00 on December 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).