

# Oil Market Review in Japan No. 48/2017

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the March 8-14 week moved within a range between \$60.12 per barrel and \$62.04/bbl.

On March 15, the April contract rose further as the IEA (International Energy Agency) in its monthly report revised its global oil demand growth forecast up by 100,000 barrels per day from the previous report to 1.5 million bpd. The key contract closed at \$61.19/bbl, up \$0.23/bbl from the previous day.

On March 16, the April contract went up for the third straight day on investors' restoration of a risk appetite attitude on a U.S. stock market rally and a media report that U.S. President Donald Trump and Saudi Arabian Crown Prince Mohammed bin Salman would discuss the revision of the Iran nuclear agreement at their talks on March 20, although Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by four from a week earlier to 800. The key contract rose by \$1.15/bbl to \$62.34/bbl.

On March 19, the April contract turned down for the first time in four trading days as investors took a risk-off attitude in response to a U.S. stock market fall. However, the fall was limited as Saudi Arabian Crown Prince Mohammed in an interview with CBS vowed to go nuclear if Iran does so. The key contract lost \$0.28/bbl to \$62.06/bbl.

On March 20, the key contract rebounded with a steep gain as President Trump and Crown Prince Mohammed agreed to retain a hardline attitude against Iran. The U.S. move to toughen sanctions on Venezuela also supported the rebound. The April contract increased by \$1.34/bbl to \$63.40/bbl.

On March 21, the key contract rose sharply as the EIA (Energy Information Administration) in its weekly U.S. oil inventory report said crude oil inventories posted a weekly fall instead of a market-forecast rise and as market players acknowledged a Saudi Arabia-Iran confrontation anew. The May contract, which replaced the April contract as the front-month contract on the day, gained \$1.63/bbl to \$65.17/bbl.

The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$60.40/bbl and \$62.00/bbl in the March 8-14 week. It closed at \$61.50/bbl on March 15, at \$61.70/bbl on March 16, at \$62.60/bbl on March 19 and at \$63.10/bbl on March 20.

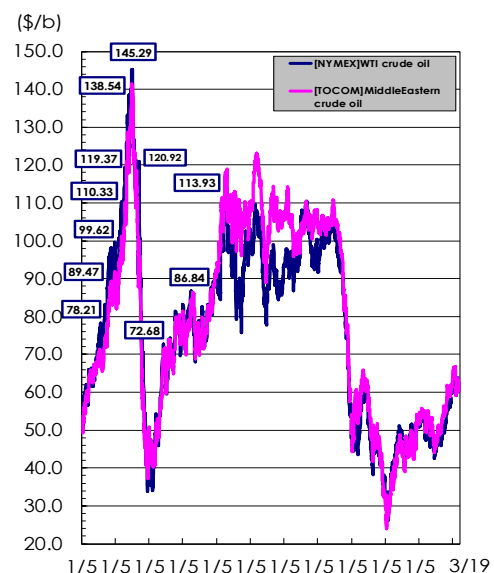
On the foreign exchange market in the March 8-14 week, the dollar moved within a range between 106.12 and 106.95 yen. It changed hands at 106.04 yen in late trading on March 15, at 106.28 yen on March 16, at 105.93 yen on March 19 and at 106.13 yen on March 20.

According to preliminary 10-day trade statistics released by the Ministry of Finance on March 19, the average crude oil import CIF price in the February 21-28 period stood at 46,925 yen/kl (kiloliter), up 1,277 yen/kl from the previous 10-day period. In dollars, the price was \$68.24/bbl, up \$3.71/bbl. The average exchange rate was 109.33 yen to the dollar.

Wholesale prices that major Motouri (petroleum products wholesalers) applied to the third week of March were left unchanged or raised by 0.5 yen/l for gasoline and kept unchanged for diesel oil and kerosene (heating oil). Crude oil acquisition cost rose slightly as crude oil prices increased slightly, with the yen leveling off against the dollar.

Japan's average retail price on March 19 fell by 0.3 yen/l from a week earlier for gasoline, by 0.1 yen/l for diesel oil and by 1.0 yen/l for kerosene on an 18-liter tank basis. The gasoline price fell for the fifth straight week. The diesel price dropped for the fourth consecutive week. The kerosene price decreased for the first time in two weeks on an 18-liter tank basis. As crude oil cost increased in the third week of March, Motouri companies cut their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene.

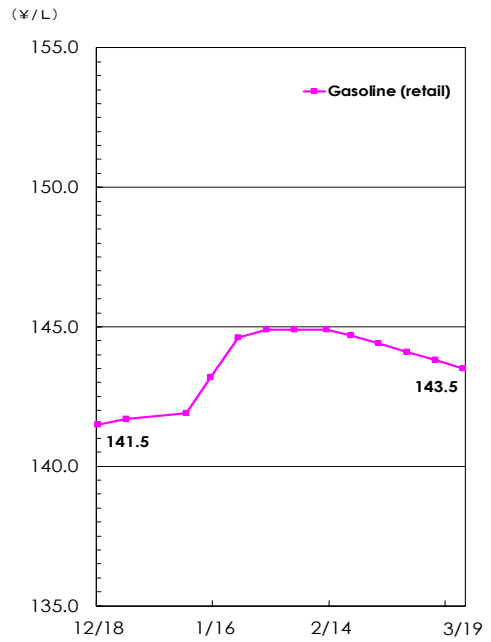
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	3/11 ~ 3/17	3,658	▼ -69	▼ -
	Topper capacity utilization rate (%)	"	93.4	▼ -1.8	▲ -
	Crude oil inventories (1,000 kl)	3/17	12,490	▼ -166	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/19	62.65	▲ 0.73	▲ 11.9
	WTI crude oil (NYMEX) (\$/bbl)	3/19	62.06	▲ 0.70	▲ 13.8
	Crude oil import CIF price (\$/bbl)	Late Feb	69.04	▼ -0.20	▲ 13.74
	① Crude oil import CIF price (yen/kl)	"	46,966	▼ -541	▲ 7,511
	② Yen-dollar exchange rate (yen/dollar)	"	108.15	▲ 0.94	▲ 5.27
	TTS exchange rate (yen/dollar)	3/19	106.93	▲ 1.02	▲ 6.47



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	3/11 ~ 3/17	1,026 ▲ 15	▲ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	893 ▲ 16	▼ —	
	Exports	"	119 ▲ 4	▲ —	
	Inventories	3/17	1,712 ▲ 14	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/13 ~ 3/19	57.3 ▼ -0.5	▲ 3.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/13 ~ 3/19	54.5 ▼ -0.6	▲ 3.5
		(TOCOM/ Chubu)	3/19	57.0 ▲ 1.0	▲ 5.9
	Retail prices [weekly trend] (published by ANRE)	3/19	143.5 ▼ -0.3	▲ 9.7	

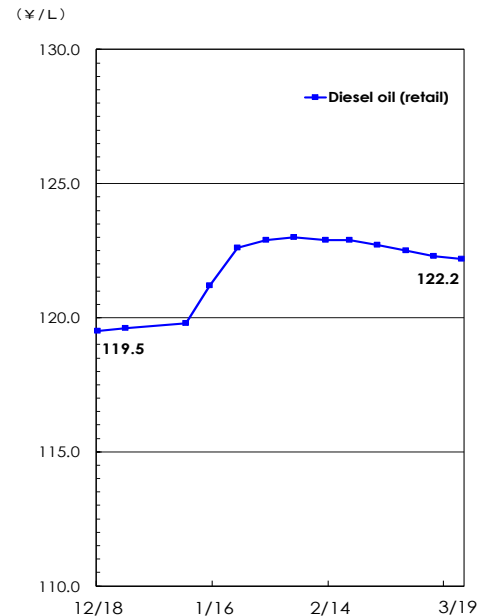
\*Gyoten and futures prices are before tax



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

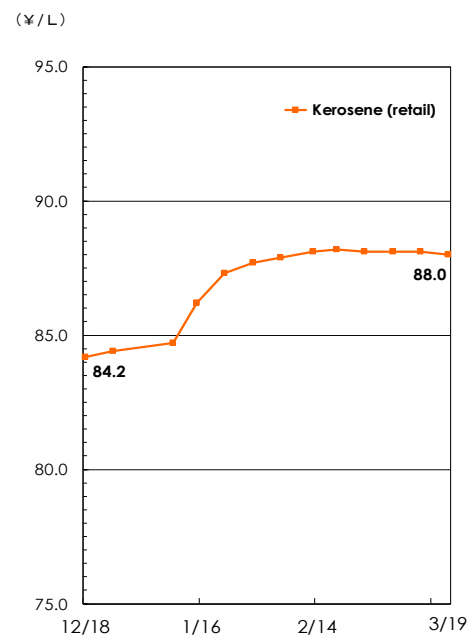
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	3/11 ~ 3/17	740 ▲ 15	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	602 ▼ -19	▼ —	
	Exports	"	52 ▼ -120	▼ —	
	Inventories	3/17	1,285 ▲ 86	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/13 ~ 3/19	59.0 ▼ -0.6	▲ 7.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/13 ~ 3/19	62.0 → 0.0	▲ 16.0
		(TOCOM/ Chubu)	3/19	—	—
	Retail prices [weekly trend] (published by ANRE)	3/19	122.2 ▼ -0.1	▲ 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	3/11 ~ 3/17	317 ▼ -85	▼ —	
	Imports	"	n.d.	n.d.	
	Shipments	"	288 ▼ -57	▼ —	
	Exports	"	0 → 0	→ —	
	Inventories	3/17	1,372 ▲ 29	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/13 ~ 3/19	62.0 ▼ -1.1	▲ 12.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/13 ~ 3/19	59.7 ▼ -0.6	▲ 13.3
		(TOCOM/ Chubu)	3/19	59.5 ▼ -1.5	▲ 12.5
	Retail prices [weekly trend] (published by ANRE)	3/19	88.0 ▼ -0.1	▲ 9.9	



## Relevant Information

### 1 Overseas crude oil prices

On March 21, the most frequently traded WTI crude futures contract rose further on NYMEX as the EIA in its weekly U.S. oil inventory report said crude oil inventories posted a weekly fall of 2.6 million barrels against a market-forecast decline of 2.6 million barrels and as market players acknowledged a Saudi Arabia-Iran confrontation anew. The crude oil inventory decrease came for the first time in four weeks. On the previous day, President Trump and Crown Prince Mohammed reaffirmed their hardline attitude against Iran. The May contract, which replaced the April contract as the front-month contract on the day, gained \$1.63/bbl to \$65.17/bbl. The front-month contract exceeded \$65/bbl for the first time in one month and a half since early February. The June contract rose by \$1.64/bbl to \$64.95/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 19 rose by 3.9 cents per gallon from a week earlier to \$2.598/gal (73.3 yen/l). The average diesel oil price decreased by 0.4 cents/gal to \$2.972/gal (83.9 yen/l). The gasoline price rose for the first time in two weeks, while the diesel price fell 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 in the March 11-17 week stood at 65,000 bpd, up 39,000 bpd from the previous week (total capacity stood at 3,519,000 bpd). Crude oil throughput in the week increased by 69,000 kl from the previous week to 3,658,000 kl. From a year earlier, it fell by 25,000 kl. The topper capacity utilization rate stood at 93.4%, down 1.8 points from the previous week and up 6.1 points from a year earlier.

Output decreased from the previous week for kerosene and Fuel Oil C and increased for other petroleum products. Output was up 1.5% for gasoline, up 44.6% for jet fuel, down 21.2% for kerosene, up 2.1% for diesel oil, down 5.1% for Fuel Oil A and down 3.6% for Fuel Oil C. Fuel Oil C imports in the week totaled less than 1,000 kl, down 183,000 kl from the previous week. Diesel oil exports aggregated 52,000 kl, down 120,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments increased for Fuel Oil A and C while decreasing for others. Gasoline shipments increased by 1.8% from the previous week to 893,000 kl. They increased week on week for the first time in two weeks and declined year on year for the first time in two weeks, remaining below 1 million kl for 11 weeks on end. Shipments totaled 66,000 kl for jet fuel (up 54.6% from the previous week), 288,000 kl for kerosene (down 16.6%), 602,000 kl for diesel oil

(down 3.1%), 255,000 kl for Fuel Oil A (down 1.6%) and 285,000 kl for Fuel Oil C (up 4.7%).

(Unit: 1,000 kl)

	This week (3/11 ~ 3/17)	Previous week (3/4 ~ 3/10)	From a week earlier
Gasoline	893	877	▲ 16 (2%)
Jet fuel	66	145	▼ -79 (-54%)
Kerosene (heating Oil)	288	345	▼ -57 (-17%)
Diesel oil	602	621	▼ -19 (-3%)
Fuel oil A	255	259	▼ -4 (-2%)
Fuel Oil C	285	272	▲ 13 (5%)
<b>Total</b>	<b>2,389</b>	<b>2,519</b>	<b>▼ -130 (-5%)</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 March 17 decreased from a week earlier only for Fuel Oil C and increased for other petroleum products. From a year earlier, inventories rose only for kerosene and fell for others.

Gasoline inventories totaled 1,712,000 kl, up 14,000 kl from a week earlier and down 24,000 kl from a year earlier.

Kerosene inventories totaled 1,372,000 kl, up 29,000 kl from a week earlier and up 159,000 kl from a year earlier.

Diesel oil inventories totaled 1,285,000 kl, up 86,000 kl from a week earlier and down 312,000 kl from a year earlier.

Fuel Oil A inventories totaled 697,000 kl, down 31,000 kl from a week earlier and down 82,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,864,000 kl, down 57,000 kl from a week earlier and down 119,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/17)	Previous week (3/10)	From a week earlier
Gasoline	1,712	1,698	▲ 14 (1%)
Jet fuel	866	711	▲ 155 (22%)
Kerosene (heating Oil)	1,372	1,343	▲ 29 (2%)
Diesel oil	1,285	1,199	▲ 86 (7%)
Fuel oil A	697	666	▲ 31 (5%)
Fuel Oil C	1,864	1,921	▼ -57 (-3%)
<b>Total</b>	<b>7,796</b>	<b>7,538</b>	<b>▲ 258 (3.4%)</b>

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

In the March 13-19 week, crude oil cost apparently increased slightly as crude oil prices rose a little, with the yen leveling off against the dollar.

Onshore cargo spot prices between March 13 and 19 fell and rose back slightly in a 110-112 yen/l range for gasoline, fell in a 58-60 yen/l range for diesel oil and decreased in a 61-63 yen/l range for kerosene.

Offshore barge spot prices in the week leveled off and rose in a 116-117 yen/l range for gasoline, leveled off in a 61-62 yen/l range for diesel oil and dropped in a 60-63 yen/l range for kerosene.

The key futures price in the week declined and rose back in a 108-109 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and dropped and rose back slightly in a 59-61 yen/l range for kerosene.

Motouri companies left their wholesale prices unchanged or cut them by 0.5 yen/l for gasoline and kept prices unchanged for diesel oil and kerosene.

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

Among spot petroleum product prices, offshore barge spot prices for gasoline rose with futures diesel prices leveling off as in the previous week. All others declined.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the March 13-19 week) that influences Motouri's wholesale prices applied to the fourth week of March (March 22-28) fell by 0.5 yen/l from the previous week for gasoline, by 1.1 yen/l for kerosene and by 0.6 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.5 yen/l for gasoline and dropped by 3.9 yen/l for kerosene and by 0.1 yen/l for diesel oil. The key futures price fell by 0.6 yen/l for gasoline and kerosene and leveled off for diesel oil. Crude oil cost increased slightly as crude oil prices rose a little, with the yen leveling off against the dollar.

For the fourth week of March, Motouri companies kept their wholesale prices unchanged or cut them by 0.5 yen/l for gasoline and left diesel oil and kerosene prices unchanged. 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 (3/13 ~ 3/19)	Previous week (3/6 ~ 3/12)	From a week earlier
<b>Spot Prices</b>			
Regular	57.3	57.8	▼ -0.5
Kerosene	62.0	63.1	▼ -1.1
Diesel oil	59.0	59.6	▼ -0.6

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (3/13 ~ 3/19)	Previous week (3/6 ~ 3/12)	From a week earlier
<b>Futures Price</b>			
Regular	54.5	55.1	▼ -0.6
Kerosene	59.7	60.3	▼ -0.6
Diesel oil	62.0	62.0	➡ 0.0

Above prices are before tax.

Reference (March 13 - March 19 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.5	▼ -0.6	▼ -0.6	
Kerosene	▼ -1.1	▼ -0.6	▼ -0.8	
Diesel oil	▼ -0.6	➡ 0.0	▼ -0.3	
Fuel Oil A	▼ -0.6			

(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 March 19 decreased by 0.3 yen/l from a week earlier to 143.5 yen/l for gasoline, by 0.1 yen/l to 122.2 yen/l for diesel oil and by 0.1 yen/l to 88.0 yen/l for kerosene (on an 18-liter tank basis, the kerosene price fell by 1.0 yen to 1,584 yen). The gasoline price dropped for the fifth straight week. The diesel price declined for the fourth consecutive week. The kerosene price fell for the first time in two weeks. Gasoline prices increased in four of Japan's 47 prefectures, remained unchanged in six and decreased in 37. The lowest gasoline price among the prefectures was 137.0 yen/l in Tokushima Prefecture (down 0.9 yen/l from a week earlier). The second lowest was 139.0 yen/l in Saitama (down 0.4 yen/l). The highest price was 151.8 yen/l in Nagasaki (unchanged). Posting the largest price hike of 0.5 yen/l was Miyagi (141.7 yen/l). Logging the largest price drop of 2.9 yen/l was Okinawa (148.6 yen/l).

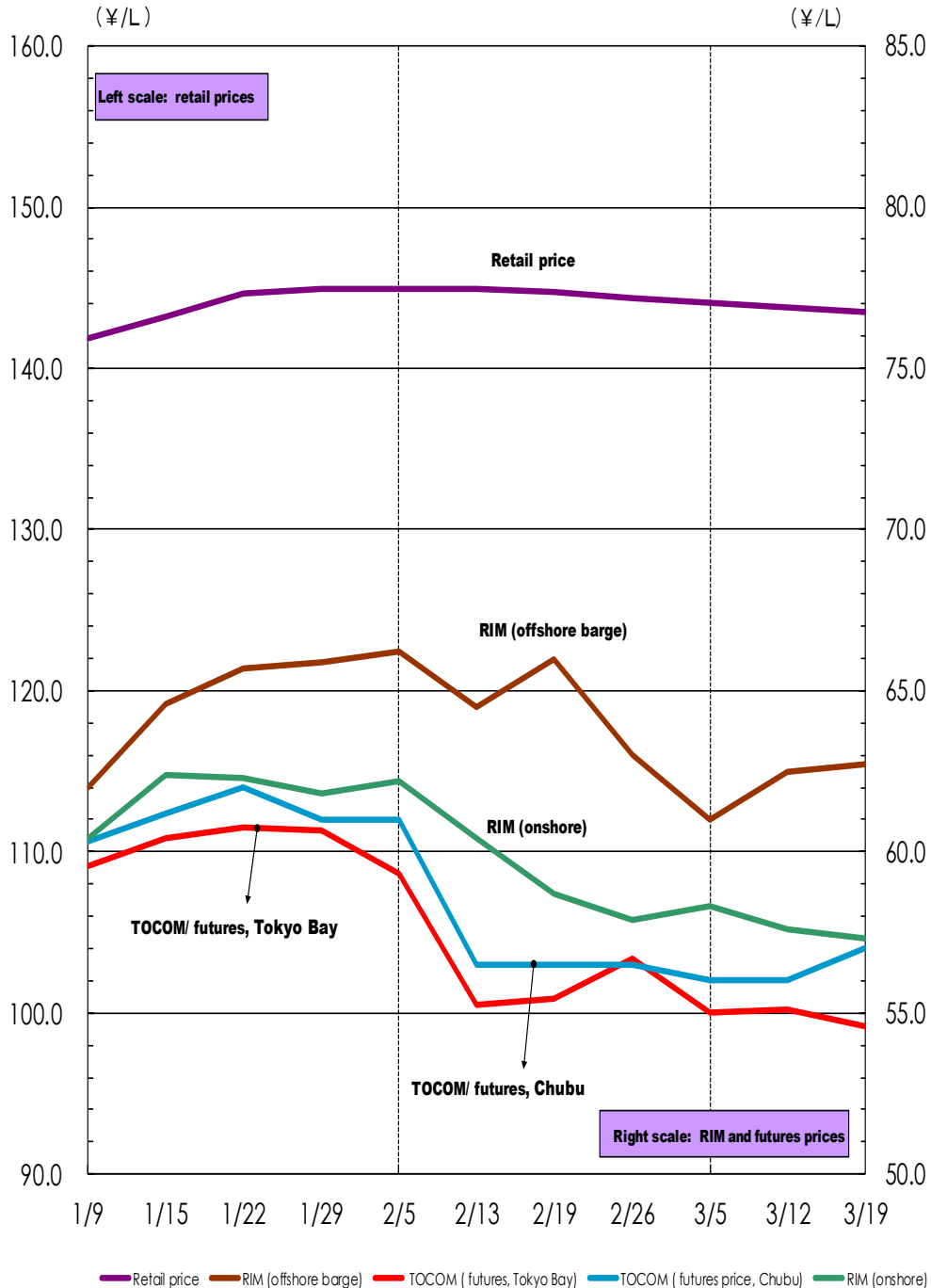
While crude oil cost decreased in the previous week, Motouri companies cut their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene. The average retail gasoline price fell for the fifth straight week. This week, crude oil cost decreased slightly as crude oil prices dropped a little, with the yen leveling off against the dollar. Retail gasoline and kerosene prices are expected to level off next week (as of March 26).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (3/19)	Previous week (3/12)	From a week earlier	Latest high	
<b>Retail Price</b>					
Regular	143.5	143.8	▼ -0.3	08/8/4	185.1
Kerosene	88.0	88.1	▼ -0.1	08/8/11	132.1
Diesel oil	122.2	122.3	▼ -0.1	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

(2018/1/9 ~ 2018/3/19)



(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. 49 for 2017) will be announced at 14:00 on April 6.

## On use of this report

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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).