

# Oil Market Review in Japan No. 17/2018

**August 10, 2018, Friday** Released at 14:00 every Friday

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

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the July 19-25 week moved within a range between \$67.89 per barrel and \$70.46/bbl.

On July 26, the key contract rose for the third straight day as Saudi Arabian Energy Minister Khalid al-Falih announced to suspend crude oil exports via the Bab el-Mandeb Strait in response to Yemeni Houthi rebels' attack on a Saudi Arabian tanker in the Red Sea on the previous day and as U.S. President Donald Trump and European Commission President Jean-Claude Juncker agreed to avoid any trade war. The September contract closed at \$69.61/bbl, up \$0.31/bbl from the previous day.

On July 27, the key contract turned down for the first time in four days as profit-taking and position adjustment selling outpaced buying on the previous day's trading factors. Supporting selling was a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by three from a week earlier to 861. The September contract lost \$0.92/bbl to \$68.69/bbl.

On July 30, the key contract rallied with a steep gain and topped \$70/bbl for the first time in a week as buying came on the dollar's depreciation against the euro making crude oil futures prices relatively lower and on a media report that Kuwait was considering suspending crude oil shipments via the Bab el-Mandeb Strait. The rise was restricted by a Genscape report that crude oil inventories increased at the WTI delivery point of Cushing. The September contract gained \$1.44/bbl to \$70.13/bbl.

On July 31, the key contract turned down with a substantial loss as concerns about a tighter supply-demand balance faded away on a Reuters report that OPEC (Organization of the Petroleum Exporting Countries) crude oil production in July increased by 70,000 barrels per day from the previous month to 32.64 million bpd, the highest monthly record so far this year. Also supporting selling were the dollar's appreciation against the euro and the relaxation of tensions on U.S. President Trump's demonstration of his readiness to have talks with Iranian President Hassan Rouhani. The September contract lost \$1.37/bbl to \$68.76/bbl.

On August 1, the key contract fell further as fading concerns about a tighter supply-demand balance were combined with a surprise increase in U.S. crude oil inventories and the dollar's appreciation against the euro. The September contract lost \$1.10/bbl to \$67.66/bbl.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market moved in a range between \$70.70/bbl and \$72.90/bbl in the July 19-25 week. It closed at \$73.20/bbl on July 26, at \$73.50/bbl on July 27, at \$73.30/bbl on July 30, at \$73.60/bbl on July 31 and at \$72.10/bbl on August 1.

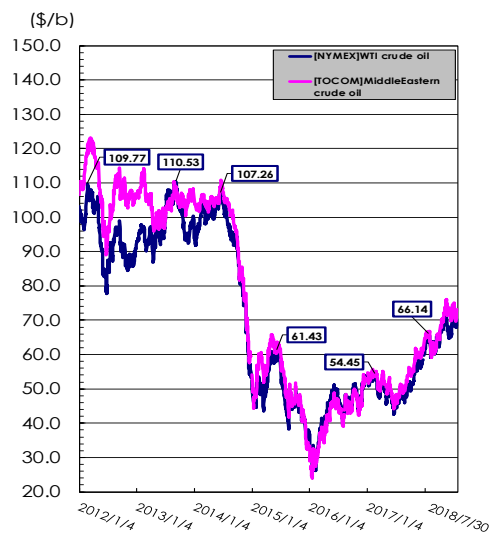
On the foreign exchange market in the July 19-25 week, the dollar moved within a range between 110.96 and 112.76 yen. It changed hands at 110.72 yen in late trading on July 26, at 111.12 yen on July 27, at 111.11 yen on July 30, at 111.01 yen on July 31 and at 111.84 yen on August 1.

According to preliminary 10-day trade statistics released by the Ministry of Finance on July 27, the average crude oil import CIF price in the July 1-10 period stood at 53,307 yen/kl (kiloliter), down 84 yen/kl from the previous 10-day period. In dollars, the price was \$76.95/bbl, down \$0.10/bbl. The average exchange rate was 110.15 yen to the dollar.

All major Japanese Motouri (petroleum products wholesalers) raised their wholesale prices for the first week of August by 1.0 yen/l (litter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose although crude oil price hikes were partially offset by the yen's appreciation.

Japan's average retail price on July 30 dropped by 0.2 yen/l from a week earlier for gasoline and by 0.1 yen/l for diesel oil and remained unchanged for kerosene on an 18-liter tank basis. The gasoline price fell for the first time in four weeks. The diesel price declined for the first time in five weeks. As crude oil cost decreased sharply in the fifth week of July, Motouri companies lowered their wholesale prices by 1.0-1.5 yen/l from the previous week 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)	7/22 ~ 7/28	3,479	▲ 21	▼ —
	Topper capacity utilization rate (%)	"	88.8	▲ 0.5	▼ —
	Crude oil inventories (1,000 kl)	7/28	12,247	▼ -978	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	7/30	72.78	▲ 2.13	▲ 21.8
	WTI crude oil (NYMEX) (\$/bbl)	7/30	70.13	▲ 2.24	▲ 20.0
	Crude oil import CIF price (\$/bbl)	Early Jul	76.95	▼ -0.10	▲ 28.60
	① Crude oil import CIF price (yen/kl)	"	53,307	▼ -84	▲ 19,118
	② Yen-dollar exchange rate (yen/dollar)	"	110.15	▲ 0.01	▲ 2.26
	TTS exchange rate (yen/dollar)	7/30	112.11	▼ -0.15	▼ -0.76

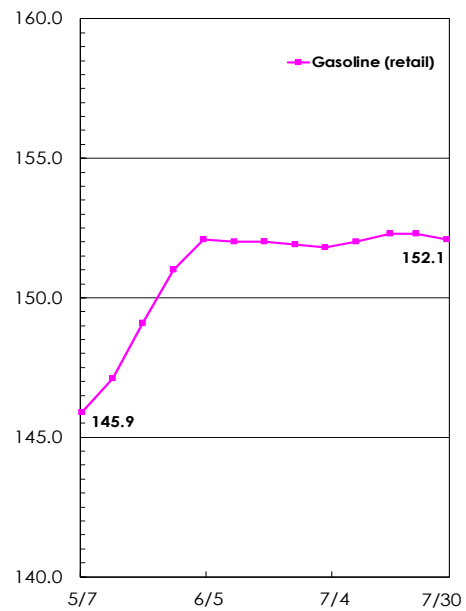


(Unit: 1,000 kl, yen/l)

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/22 ~ 7/28	1,081 ▲ 5	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	1,091 ▲ 48	▲ -	
	Exports	"	41 ▲ 3	▼ -	
	Inventories	7/28	1,483 ▼ -50	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/24 ~ 7/30	67.0 ▲ 0.2	▲ 17.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/24 ~ 7/30	64.7 ▲ 1.1	▲ 15.5
		(TOCOM/ Chubu)	7/30	63.0 ➡ 0.0	▲ 13.2
	Retail prices [weekly trend] (published by ANRE)	7/30	152.1 ▼ -0.2	▲ 21.1	

\*Gyoten and futures prices are before tax

(¥/L)

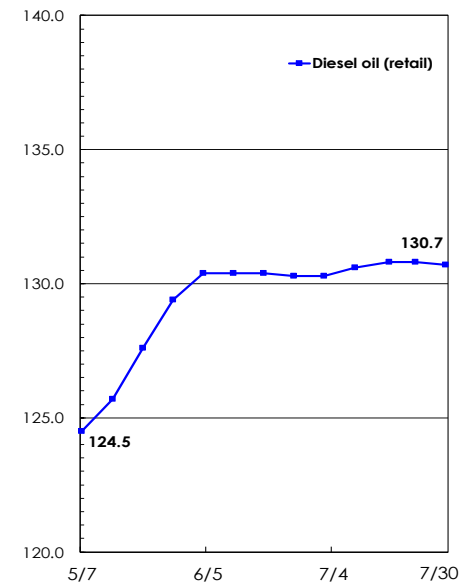


(Unit: 1,000 kl, yen/l)

Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/22 ~ 7/28	800 ▲ 49	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	678 ▲ 107	▲ -	
	Exports	"	121 ▼ -68	▼ -	
	Inventories	7/28	1,447 ▲ 1	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/24 ~ 7/30	68.3 ▼ -0.9	▲ 20.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/24 ~ 7/30	69.0 ▼ -1.2	▲ 21.0
		(TOCOM/ Chubu)	7/30	-	-
	Retail prices [weekly trend] (published by ANRE)	7/30	130.7 ▼ -0.1	▲ 20.7	

\*Gyoten and futures prices are before tax

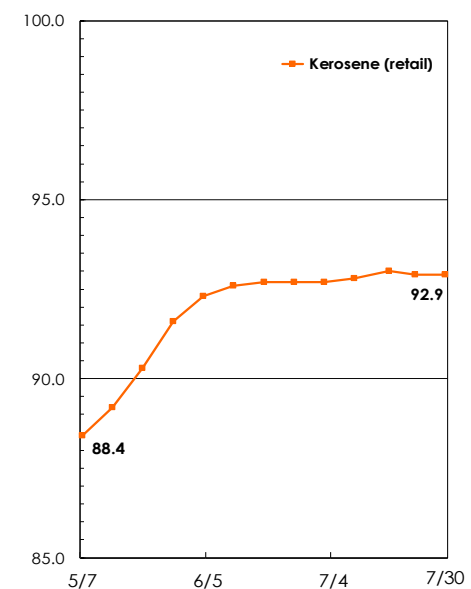
(¥/L)



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

Kerosene		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/22 ~ 7/28	188 ▲ 35	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	64 ▼ -11	▼ -	
	Exports	"	40 ▲ 35	▲ -	
	Inventories	7/28	1,704 ▲ 84	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/24 ~ 7/30	67.5 ▼ -0.8	▲ 19.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/24 ~ 7/30	67.3 ▲ 0.8	▲ 19.6
		(TOCOM/ Chubu)	7/30	69.0 ➡ 0.0	▲ 21.9
	Retail prices [weekly trend] (published by ANRE)	7/30	92.9 ➡ 0.0	▲ 16.8	

(¥/L)



## Relevant Information

### 1 Overseas crude oil prices

On August 1, the most frequently traded crude oil futures contract on NYMEX declined further as fading concerns about a tighter supply-demand balance and the dollar's appreciation against the euro were coupled with an EIA report that U.S. crude oil inventories posted a weekly increase of 3.8 million barrels against a market-forecast decrease of 1.3 million barrels, although gasoline inventories logged a decrease of 2.5 million barrels, faster than a market-forecast fall of 1.3 million barrels, in the beginning of the driving season. The September contract finished at \$67.66/bbl, down \$1.10/bbl from the previous day. The October contract lost \$1.13/bbl to \$66.50/bbl.

According to the EIA, the average U.S. retail price of gasoline as of July 30 rose by 1.5 cents per gallon from a week earlier to \$2.846/gal (84.2 yen/l). The average diesel oil price increased by 0.6 cents/gal to \$3.226/gal (95.4 yen/l). The gasoline price went up for the first time in two weeks, while the diesel price rose for the first time in three 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 in the July 22-28 week stood at 238,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 21,000 kl from the previous week to 3,479,000 kl. From a year earlier, it declined by 177,000 kl. The topper capacity utilization rate stood at 88.8%, up 0.5 points from the previous week and down 4.6 points from a year earlier.

Production decreased from the previous week for Fuel Oil A and increased for other petroleum products.

Output was up 0.4% for gasoline, up 29.7% for jet fuel, up 22.6% for kerosene, up 6.6% for diesel oil, down 3.1% for Fuel Oil A and up 8.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 58,000 kl, up 39,000 kl from the previous week. Diesel oil exports aggregated 121,000 kl, down 68,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline, diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil C and dropped for others.

Gasoline shipments increased by 4.6% from the previous week to 1,091,000 kl for the second straight weekly rise, remaining above 1 million kl for two weeks on end.

Shipments totaled 126,000 kl for jet fuel (down 9.9%

from the previous week), 64,000 kl for kerosene (down 14.9%), 678,000 kl for diesel oil (up 18.8%), 172,000 kl for Fuel Oil A (down 4.0%) and 382,000 kl for Fuel Oil C (up 58.1%).

	(Unit: 1,000 kl)		
	This week (7/22 ~ 7/28)	Previous week (7/15 ~ 7/21)	From a week earlier
Gasoline	1,091	1,043	▲ 48 (5%)
Jet fuel	126	139	▼ -13 (-9%)
Kerosene (heating Oil)	64	75	▼ -11 (-15%)
Diesel oil	678	571	▲ 107 (19%)
Fuel oil A	172	179	▼ -7 (-4%)
Fuel Oil C	382	242	▲ 140 (58%)
<b>Total</b>	<b>2,513</b>	<b>2,249</b>	<b>▲ 264 (12%)</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 July 28 increased from a week earlier for kerosene and diesel oil and decreased for other petroleum products. From a year earlier, inventories decreased for all petroleum products.

Gasoline inventories totaled 1,483,000 kl, down 50,000 kl from a week earlier and down 262,000 kl from a year earlier.

Kerosene inventories totaled 1,704,000 kl, up 84,000 kl from a week earlier and down 154,000 kl from a year earlier.

Diesel oil inventories totaled 1,447,000 kl, up 1,000 kl from a week earlier and down 15,000 kl from a year earlier.

Fuel Oil A inventories totaled 742,000 kl, unchanged from a week earlier and down 40,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,891,000 kl, down 66,000 kl from a week earlier and down 191,000 kl from a year earlier.

	(Unit: 1,000 kl)		
	This week (7/28)	Previous week (7/21)	From a week earlier
Gasoline	1,483	1,533	▼ -50 (-3%)
Jet fuel	1,011	1,058	▼ -47 (-4%)
Kerosene (heating Oil)	1,704	1,620	▲ 84 (5%)
Diesel oil	1,447	1,446	▲ 1 (0%)
Fuel oil A	742	742	➡ 0 (0%)
Fuel Oil C	1,891	1,957	▼ -66 (-3%)
<b>Total</b>	<b>8,278</b>	<b>8,356</b>	<b>▼ -78 (-0.9%)</b>

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

In the July 24-30 week, crude oil cost apparently rose from the previous week although crude oil price hikes were partially offset by the yen's appreciation against the dollar.

Onshore cargo spot prices between July 24 and 30 rose slightly in a 120-122 yen/l range for gasoline, fell and leveled off in a 68-69 yen/l range for diesel oil and decreased and leveled off in a 67-69 yen/l range for kerosene.

Offshore barge spot prices in the week fell slightly in a 124-125 yen/l range for gasoline, dropped in a 70-71 yen/l range for diesel oil and rose slightly in a 67-69 yen/l range for kerosene.

The key futures price in the week soared in a 117-119 yen/l range for gasoline, leveled off in a 69-70 yen/l range for diesel oil and increased in a 66-68 yen/l range for kerosene.

All major Motouri companies raised their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene.

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

Among spot petroleum products prices, gasoline prices rose in all markets. Diesel oil prices fell in all markets. For kerosene, onshore cargo prices decreased, with offshore barge prices leveling off. Kerosene futures rose.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the July 24-30 week) that influences Motouri's wholesale prices applied to the first week of August (August 2-8) rose by 0.2 yen/l for gasoline and fell by 0.8 yen/l for kerosene and by 0.9 yen/l for diesel oil. The average offshore barge spot price in Tokyo Bay rose by 0.4 yen/l for gasoline, leveled off for kerosene and fell by 0.5 yen/l for diesel oil. The key futures price increased by 1.1 yen/l for gasoline and by 0.8 yen/l for kerosene and dropped by 1.2 yen/l for diesel oil. Crude oil cost increased although crude oil price hikes were partially offset by the yen's appreciation against the dollar.

For the first week of August, all major Motouri companies raised their wholesale prices by 1.0 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 (7/24 ~ 7/30)	Previous week (7/17 ~ 7/23)	From a week earlier
Spot Prices	Regular	67.0	▲ 0.2
	Kerosene	67.5	▼ -0.8
	Diesel oil	68.3	▼ -0.9

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (7/24 ~ 7/30)	Previous week (7/17 ~ 7/23)	From a week earlier
Futures Price	Regular	64.7	▲ 1.1
	Kerosene	67.3	▲ 0.8
	Diesel oil	69.0	▼ -1.2

Above prices are before tax.

Reference (July 24 - July 30 actual data)			
Products	Spot	Futures	Average
Gasoline	▲ 0.2	▲ 1.1	▲ 0.7
Kerosene	▼ -0.8	▲ 0.8	➡ 0.0
Diesel oil	▼ -0.9	▼ -1.2	▼ -1.0
Fuel Oil A	▼ -0.8		

(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 July 30 fell by 0.2 yen/l from a week earlier to 152.1 yen/l for gasoline and by 0.1 yen/l to 130.7 yen/l for diesel oil and remained unchanged at 92.9 yen/l for kerosene (on an 18-liter tank basis as well, the kerosene price remained unchanged at 1,673 yen). The gasoline price dropped for the first time in four weeks, while remaining above 150 yen/l for 10 weeks on end. The diesel price fell for the first time in five weeks. Gasoline prices increased in 11 of Japan's 47 prefectures, leveled off in 10 including Hokkaido and dropped in 25.

The lowest gasoline price among the prefectures was 146.0 yen/l in Tokushima Prefecture (up 0.1 yen/l from a week earlier). The second lowest was 147.9 yen/l in Saitama (down 0.3 yen/l). The highest price was 160.9 yen/l in Nagasaki (unchanged). Posting the largest price hike of 0.2 yen/l were Shimane (154.8 yen/l), Kyoto (154.6 yen/l), Miyazaki (152.3 yen/l) and Wakayama (151.2 yen/l). Logging the largest fall of 0.9 yen/l was Aichi (149.7 yen/l).

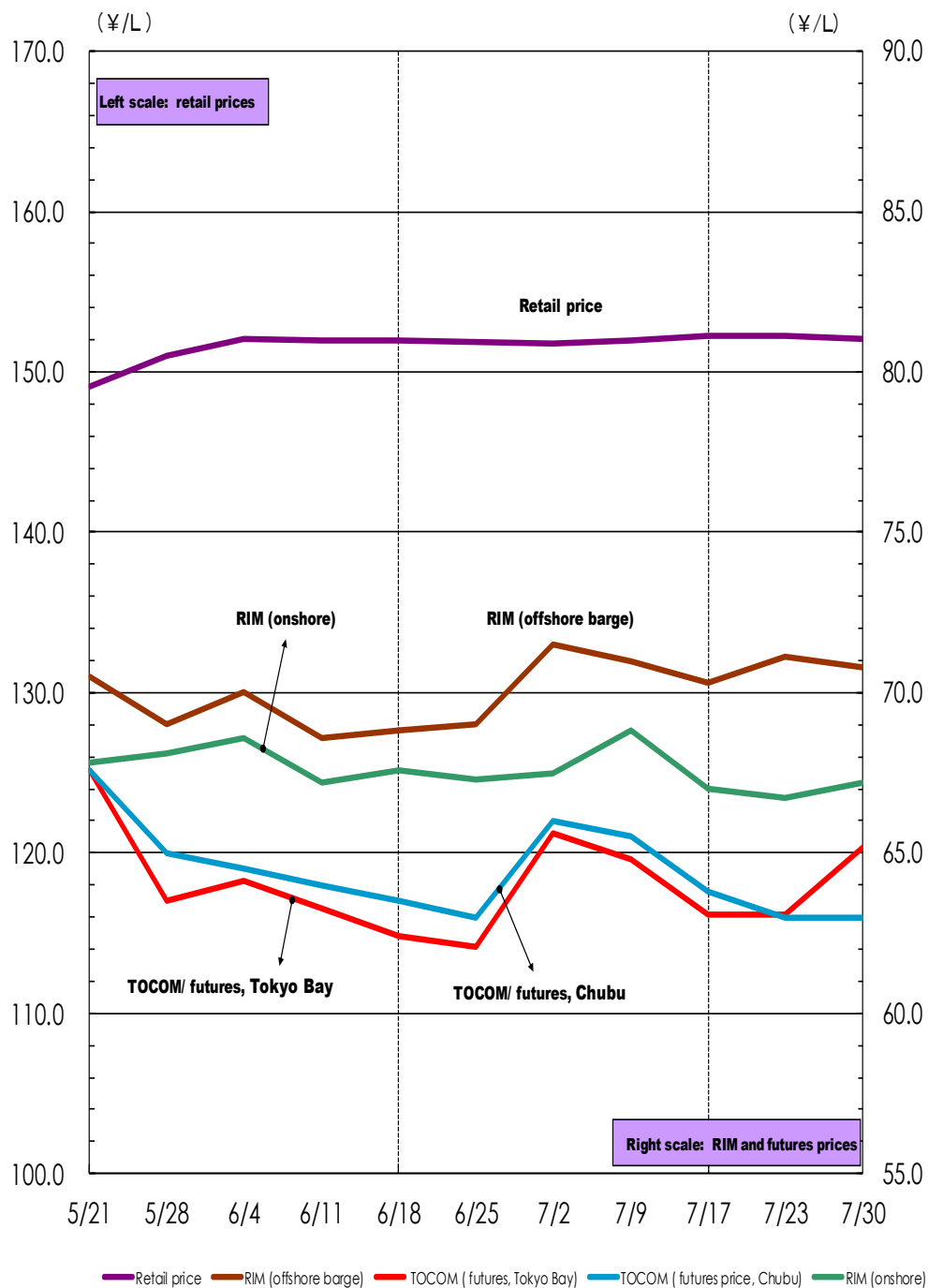
As crude oil cost fell sharply last week, Motouri companies cut their wholesale prices by 1.0-1.5 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost rose this week although crude oil price hikes were partially offset by the yen's appreciation against the dollar. Retail gasoline prices are expected to rise slightly next week (as of August 6).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (7/30)	Previous week (7/23)	From a week earlier	Latest high		
Retail Price	Regular	152.1	152.3	▼ -0.2	08/8/4	185.1
	Kerosene	92.9	92.9	➡ 0.0	08/8/11	132.1
	Diesel oil	130.7	130.8	▼ -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

(2018/5/21 ~ 2018/7/30)



(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 (<https://eneken.ieej.or.jp/en/>).  
The next issue (No. 18 for 2018) will be announced at 14:00 on August 24.

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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).