

Oil Market Review in Japan No. 22/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the August 30-September 5 week moved within a range between \$68.72 per barrel and \$70.25/bbl.

On September 6, the key contract dropped further as the dollar's appreciation was combined with a weekly EIA (Energy Information Administration) report including a weekly gasoline inventory increase of 1.8 million barrels against a market-forecast decrease of 800,000 barrels and a middle distillate inventory increase of 3.1 million barrels against a market-forecast rise of 700,000 barrels. The EIA report, which came one day behind the usual schedule due to the Labor Day holiday, also included a crude oil inventory decline of 4.3 million barrels, far faster than the market-forecast 1.3 million barrels. The October contract closed at \$67.77/bbl, down \$0.95/bbl from the previous day.

On September 7, the October contract almost leveled off as selling on the dollar's appreciation making crude oil futures relatively lower and robust U.S. jobs data leading to cautions against interest rate hikes countered buying on lingering concerns about a decline in crude oil supply from Iran. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by two from a week earlier to 860. The key contract lost \$0.02/bbl to \$67.75/bbl.

On September 10, the key contract fell for the fourth straight day as a crude oil inventory increase at the WTI delivery point of Cushing came despite a strong hurricane's approach to the U.S. Southeast. The October contract lost \$0.21/bbl to \$67.54/bbl.

On September 11, the key contract rebounded for the first time in five trading days on concerns about a fall in crude oil supply from Iran and a tighter supply-demand balance amid the hurricane's approach and a reported armed attack on the head office of Libya's National Oil Company. The October contract gained \$1.71/bbl to \$69.25/bbl.

On September 12, the key contract rose further as the dollar's depreciation making crude oil futures relatively lower was combined with a far faster weekly fall in U.S. crude oil inventories as reported by the EIA. The October contract gained \$1.12/bbl to \$70.37/bbl.

The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market moved in a range between \$75.60/bbl and \$76.30/bbl in the August 30-September 5 week. It closed at \$75.20/bbl on September 6, at \$74.60/bbl on September 7, at \$75.40/bbl on September 10, at \$75.80/bbl on September 11 and at \$77.50/bbl on September 12.

On the foreign exchange market in the August 30-September 5 week, the dollar moved within a range between 110.99 and 111.76 yen. It changed hands at 111.26 yen in late trading on September 6, at 110.51 yen on September 6, at 110.51 yen on September 7, at 110.93 yen on September 10, at 111.45 yen on September 11 and at 111.58 yen on September 12.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 7, the average crude oil import CIF price in the August 11-20 period stood at 54,047 yen/kl (kiloliter), down 260 yen/kl from the previous 10-day period. In dollars, the price was \$77.15/bbl, down \$0.15/bbl. The average exchange rate was 111.36 yen to the dollar.

Major Japanese Motouri (petroleum products wholesalers) raised their wholesale prices for the second week of September by 1.5 yen/l (litter) from the previous week for gasoline, diesel oil and kerosene (heating oil). Crude oil acquisition cost rose as crude oil prices increased substantially, with the yen depreciating against the dollar slightly.

Japan's average retail price on September 10 rose by 1.0 yen/l from a week earlier for gasoline, by 0.9 yen/l for diesel oil and by 9 yen for kerosene on an 18-liter tank basis. These prices rose for the second straight week. As crude oil cost increased in the first week of September, Motouri companies raised their wholesale prices by 2.0-2.5 yen/l from the previous week for gasoline, diesel oil and kerosene.

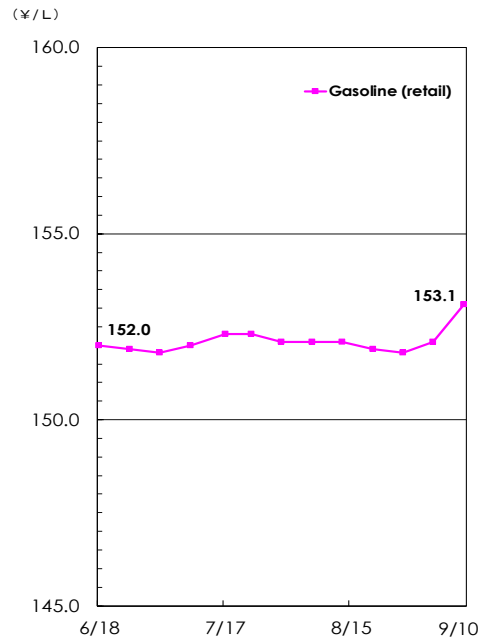
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	9/2 ~ 9/8	3,421	▼ -167	▼ -
	Topper capacity utilization rate (%)	"	87.4	▼ -4.2	▼ -
	Crude oil inventories (1,000 kl)	9/8	12,815	▼ -553	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/10	74.41	▼ -0.26	▲ 22.2
	WTI crude oil (NYMEX) (\$/bbl)	9/10	67.54	▼ -2.33	▲ 19.5
	Crude oil import CIF price (\$/bbl)	Mid Aug	77.15	▼ -0.15	▲ 28.17
	① Crude oil import CIF price (yen/kl)	"	54,047	▼ -260	▲ 19,915
	② Yen-dollar exchange rate (yen/dollar)	"	111.36	▲ 0.34	▼ -0.58
	TTS exchange rate (yen/dollar)	9/10	111.93	▲ 0.06	▼ -2.49



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/2 ~ 9/8	979	▼ -60	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	966	▼ -60	▲ -	
	Exports	"	24	▲ 24	▼ -	
	Inventories	9/8	1,555	▼ -11	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/4 ~ 9/10	69.5	▲ 1.5	▲ 19.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/4 ~ 9/10	67.0	▲ 0.8	▲ 16.7
		(TOCOM/ Chubu)	9/10	66.6	▲ 0.1	▲ 16.6
	Retail prices [weekly trend] (published by ANRE)	9/10	153.1	▲ 1.0	▲ 21.8	

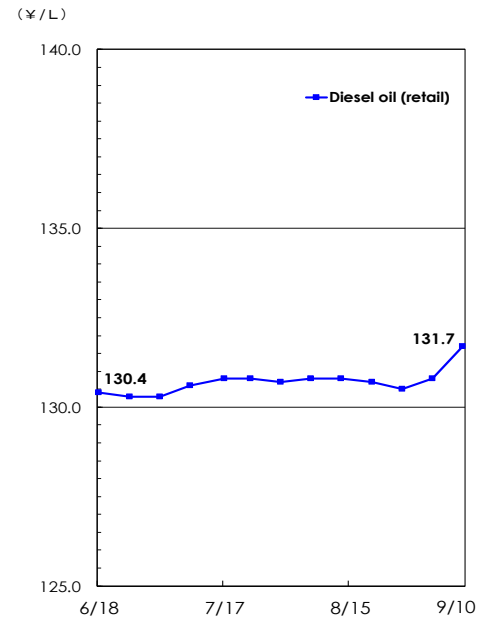
*Gyoten and futures prices are before tax



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

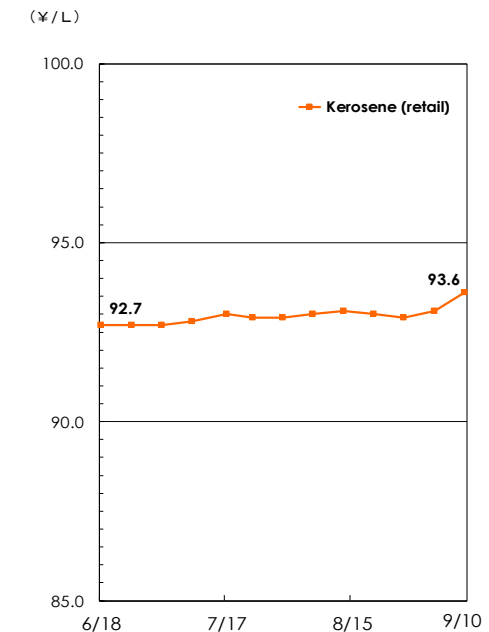
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/2 ~ 9/8	927	▲ 47	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	651	▲ 31	▲ -	
	Exports	"	269	▼ -59	▲ -	
	Inventories	9/8	1,580	▲ 6	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/4 ~ 9/10	70.4	▲ 1.8	▲ 22.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/4 ~ 9/10	69.0	▲ 0.2	▲ 21.0
		(TOCOM/ Chubu)	9/10	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/10	131.7	▲ 0.9	▲ 21.4	

*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	9/2 ~ 9/8	309	▲ 62	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	168	▲ 23	▲ -	
	Exports	"	0	▼ -5	➡ -	
	Inventories	9/8	2,358	▲ 141	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/4 ~ 9/10	70.1	▲ 1.6	▲ 21.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/4 ~ 9/10	69.9	▲ 0.4	▲ 20.8
		(TOCOM/ Chubu)	9/10	70.0	➡ 0.0	▲ 21.5
	Retail prices [weekly trend] (published by ANRE)	9/10	93.6	▲ 0.5	▲ 17.5	



Relevant Information

1 Overseas crude oil prices

On September 12, the most frequently traded crude oil futures contract on NYMEX rose further as resurging concerns about a fall in crude oil supply from Iran, growing concerns about a tighter supply-demand balance on the developing hurricane's approach to the U.S. Southeast and the dollar's depreciation against the euro making crude oil futures relatively lower were combined with a far faster weekly fall of 2.6 million barrels in U.S. crude oil inventories than a market-forecast 800,000 barrels as reported by the EIA. The October contract gained \$1.12/bbl to \$70.37/bbl. The November contract increased by \$1.12/bbl to \$70.16/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 10 rose by 0.9 cents per gallon from a week earlier to \$2.833/gal (83.7 yen/l). The average diesel oil price increased by 0.6 cents/gal to \$3.258/gal (96.2 yen/l). The gasoline price rose for the first time in two weeks, while the diesel price increased for the third 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 September 2-8 week stood at 64,000 barrels per day, up 64,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week decreased by 167,000 kl from the previous week to 3,421,000 kl. From a year earlier, it declined by 125,000 kl. The topper capacity utilization rate stood at 87.4%, down 4.2 points from the previous week and down 3.1 points from a year earlier.

Production increased from the previous week for kerosene, diesel oil and Fuel Oil C and decreased for other petroleum products.

Output was down 5.8% for gasoline, down 55.5% for jet fuel, up 25.2% for kerosene, up 5.4% for diesel oil, down 7.5% for Fuel Oil A and up 12.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 33,000 kl, down 9,000 kl from the previous week. Diesel oil exports aggregated 269,000 kl, down 59,000 kl.

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

Gasoline shipments decreased by 5.9% from the previous week to 966,000 kl for the first fall in two weeks, slipping below 1 million kl for the first time in two weeks.

Shipments totaled 40,000 kl for jet fuel (down 79.6%

from the previous week), 168,000 kl for kerosene (up 15.8%), 651,000 kl for diesel oil (up 4.9%), 202,000 kl for Fuel Oil A (down 6.7%) and 136,000 kl for Fuel Oil C (down 44.3%).

(Unit: 1,000 kl)

	This week (9/2 ~ 9/8)	Previous week (8/26 ~ 9/1)	From a week earlier
Gasoline	966	1,026	▼ -60 (-6%)
Jet fuel	40	198	▼ -158 (-80%)
Kerosene (heating Oil)	168	145	▲ 23 (16%)
Diesel oil	651	620	▲ 31 (5%)
Fuel oil A	202	216	▼ -14 (-6%)
Fuel Oil C	136	245	▼ -109 (-44%)
Total	2,163	2,450	▼ -287 (-12%)

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 September 8 decreased from a week earlier for gasoline and Fuel Oil A and increased for others. From a year earlier, inventories decreased for gasoline and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,555,000 kl, down 11,000 kl from a week earlier and down 157,000 kl from a year earlier.

Kerosene inventories totaled 2,358,000 kl, up 141,000 kl from a week earlier and up 31,000 kl from a year earlier.

Diesel oil inventories totaled 1,580,000 kl, up 6,000 kl from a week earlier and up 78,000 kl from a year earlier.

Fuel Oil A inventories totaled 709,000 kl, down 27,000 kl from a week earlier and down 68,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,117,000 kl, up 82,000 kl from a week earlier and up 30,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/8)	Previous week (9/1)	From a week earlier
Gasoline	1,555	1,566	▼ -11 (-1%)
Jet fuel	1,136	1,099	▲ 37 (3%)
Kerosene (heating Oil)	2,358	2,217	▲ 141 (6%)
Diesel oil	1,580	1,574	▲ 6 (0%)
Fuel oil A	709	736	▼ -27 (-4%)
Fuel Oil C	2,117	2,035	▲ 82 (4%)
Total	9,455	9,227	▲ 228 (2.5%)

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

In the September 4-10 week, crude oil cost apparently leveled off from the previous week as crude oil prices' slight rise countered the yen's slight appreciation against the dollar.

Onshore cargo spot prices in the week rose sharply and fell back slightly in a 122-124 yen/l range for gasoline, in a 69-71 yen/l range for diesel oil and in a 69-71 yen/l range for kerosene.

Offshore barge spot prices in the week rose in a 122-125 yen/l range for gasoline, leveled off in a 70-71 yen/l range for diesel oil and dropped in a 69-71 yen/l range for kerosene

The key futures price in the week rose in a 120-122 yen/l range for gasoline, leveled off in a 69-70 yen/l range for diesel oil and fell slightly in a 69-71 yen/l range for kerosene.

All major Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene

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

Other than offshore barge prices for diesel oil that leveled off, spot petroleum products prices increased. Onshore cargo prices increased remarkably.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the September 4-10 week) that influences Motouri's wholesale prices applied to the third week of September (September 13-19) rose by 1.5 yen/l for gasoline, by 1.6 yen/l for kerosene and by 1.8 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.1 yen/l for gasoline and by 0.3 yen/l for kerosene and leveled off for diesel oil.

The key futures price rose by 0.8 yen/l for gasoline, by 0.4 yen/l for kerosene and by 0.2 yen/l for diesel oil.

Crude oil cost almost leveled off as slight crude oil price hikes coincided with the yen's slight appreciation against the dollar.

For the third week of September, major Motouri companies left their wholesale prices unchanged 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 (9/4 ~ 9/10)	Previous week (8/28 ~ 9/3)	From a week earlier
Spot Prices Regular	69.5	68.0	▲ 1.5
Kerosene	70.1	68.5	▲ 1.6
Diesel oil	70.4	68.6	▲ 1.8

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
	This week (9/4 ~ 9/10)	Previous week (8/28 ~ 9/3)	From a week earlier
Futures Price Regular	67.0	66.2	▲ 0.8
Kerosene	69.9	69.5	▲ 0.4
Diesel oil	69.0	68.8	▲ 0.2

Above prices are before tax.

Reference (September 4 - September 10 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.5	▲ 0.8	▲ 1.2
Kerosene	▲ 1.6	▲ 0.4	▲ 1.0
Diesel oil	▲ 1.8	▲ 0.2	▲ 1.0
Fuel Oil A	▲ 1.7		

(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 September 10 rose by 1.0 yen/l from a week earlier to 153.1 yen/l for gasoline, by 0.9 yen/l to 131.7 yen for diesel oil and by 0.5 yen/l to 93.6 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 9 yen to 1,685 yen). These prices rose for the second straight week. The gasoline price represented the highest level in 45 months, remaining above 150 yen/l for 16 weeks on end. Gasoline prices increased in 43 of Japan's 47 prefectures and levelled off in four. The lowest gasoline price among the prefectures was 148.1 yen/l in Saitama Prefecture (up 0.5 yen/l from a week earlier). The second lowest was 149.1 yen/l in Tokushima (up 1.1 yen/l). The highest price was 161.7 yen/l in Nagasaki (unchanged). Posting the largest price hike of 2.1 yen/l was Tottori (151.1 yen/l). Gasoline prices levelled off in Nagasaki, Kochi, Shiga and Wakayama.

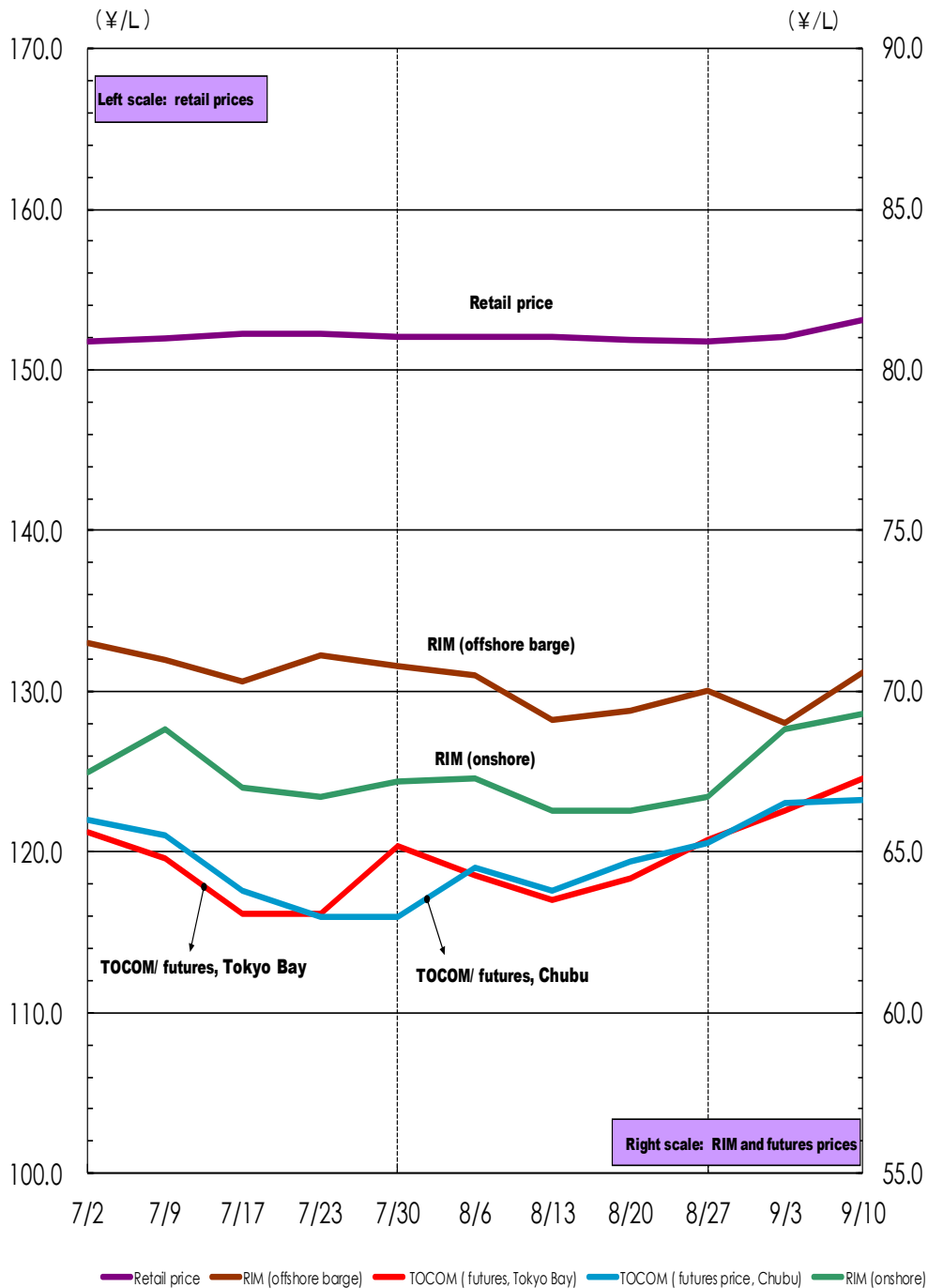
As crude oil cost leveled off in the previous week, all major Motouri companies kept their wholesale prices unchanged from the previous week for gasoline, diesel oil and kerosene. Crude oil cost leveled off this week as slight crude oil price hikes countered the yen's slight appreciation against the dollar. Retail gasoline prices are expected to rise slightly next week (as of September 10) as wholesale price hikes are passed on to retail prices.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/10)	Previous week (9/3)	From a week earlier	Latest high	
Retail Price Regular	153.1	152.1	▲ 1.0	08/8/4	185.1
Kerosene	93.6	93.1	▲ 0.5	08/8/11	132.1
Diesel oil	131.7	130.8	▲ 0.9	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

(2018/7/2 ~ 2018/9/10)



(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. 23 for 2018) will be announced at 14:00 on September 28.

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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).