

# Oil Market Review in Japan No. 24/2018

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 13-19 week moved within a range between \$68.59 per barrel and \$71.12/bbl.

On September 20, the October contract turned down for the first time in three days as a wait-and-see mood grew ahead of a September 23 meeting of OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries' ministerial market monitoring committee, following U.S. President Donald Trump's twitter message urging OPEC countries to immediately lower crude oil prices. The key contract closed at \$70.80/bbl, down \$0.32/bbl from the previous day.

On September 21, buying and selling were mixed on speculation about a potential oil production expansion agreement of OPEC and non-OPEC oil producing countries ahead of their meeting. However, the key contract rallied later on a growing expectation that these countries would give up on such agreement. A Baker Hughes report that the number of operating U.S. oil-drilling rigs decreased by one from a week earlier to 866 had little impact on the crude oil futures market. The November contract, which replaced the October contract as the key front-month contract on the day, gained \$0.46/bbl to \$70.78/bbl.

On September 24, the key contract rose further as OPEC and non-OPEC oil producing countries gave up on a production expansion agreement at a meeting of their ministerial market monitoring committee in Alger on September 23 by concluding that sufficient crude oil was supplied to the market. Buying was also supported by the dollar's depreciation that made crude oil futures prices relatively lower. The November contract gained \$1.30/bbl to \$72.08/bbl.

On September 25, the key contract increased for the third straight trading day on growing concerns about a tighter global supply-demand balance following the previous day's bullish sentiment, while U.S. President Trump in his address to the United Nations General Assembly criticized OPEC for raising crude oil prices. The November contract rose by \$0.20/bbl to \$72.28/bbl.

On September 26, the key contract turned down for the first time in four trading days as market players felt a loosening supply-demand balance on a weekly EIA (Energy Information Administration) report that U.S. crude oil and gasoline inventories increased from a week earlier. The November contract lost \$0.71/bbl to \$71.57/bbl.

The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market moved in a range between \$75.70/bbl and \$77.40/bbl in the September 13-19 week. It closed at \$77.60/bbl on September 20, at \$76.90/bbl on September 21, at \$79.40/bbl on September 25 and at \$79.60/bbl on September 26.

On the foreign exchange market in the September 13-19 week, the dollar moved within a range between 111.43 and 112.30 yen. It changed hands at 112.38 yen in late trading on September 20, at 112.61 yen on September 21, at 113.02 yen on September 25 and at 112.93 yen on September 26.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 27, the average crude oil import CIF price in the September 1-10 period stood at 52,978 yen/kl (kiloliter), down 453 yen/kl from the previous 10-day period. In dollars, the price was \$76.05/bbl, down \$0.50/bbl. The average exchange rate was 110.74 yen to the dollar.

All major Japanese Motouri (petroleum products wholesalers) raised their wholesale prices by 1.0 yen/l for the fourth week of September 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 September 25 rose by 0.6 yen/l from a week earlier for gasoline, by 0.5 yen/l for diesel oil and by 8 yen for kerosene on an 18-liter tank basis. These prices rose for the fourth straight week. As crude oil cost almost leveled off in the third week of September, all major Motouri companies kept their wholesale prices unchanged from the previous week for gasoline, diesel oil and kerosene.

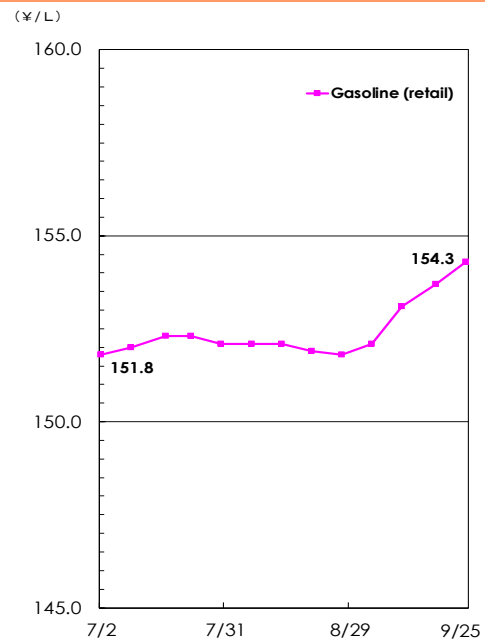
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	9/16 ~ 9/22	3,411	▲ 63	▼ -
	Topper capacity utilization rate (%)	"	87.1	▲ 1.6	▼ -
	Crude oil inventories (1,000 kl)	9/22	12,295	▼ -758	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/25	77.39	▲ 2.50	▲ 23.1
	WTI crude oil (NYMEX) (\$/bbl)	9/24	72.08	▲ 3.17	▲ 19.9
	Crude oil import CIF price (\$/bbl)	Early Sep	76.05	▼ -0.50	▲ 24.54
	①Crude oil import CIF price (yen/kl)	"	52,978	▼ -453	▲ 17,505
	②Yen-dollar exchange rate (yen/dollar)	"	110.74	▲ 0.23	▼ -1.26
	TTS exchange rate (yen/dollar)	9/25	114.02	▼ -1.19	▼ -0.49



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/16 ~ 9/22	918	▼ -149	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	898	▲ 83	▼ -	
	Exports	"	85	▼ -56	▲ -	
	Inventories	9/22	1,600	▼ -66	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/18 ~ 9/24	69.6	▲ 0.4	▲ 17.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/18 ~ 9/24	69.6	▲ 0.9	▲ 16.8
		(TOCOM/ Chubu)	9/21	67.3	▼ -2.0	▲ 14.8
	Retail prices [weekly trend] (published by ANRE)	9/25	154.3	▲ 0.6	▲ 22.0	

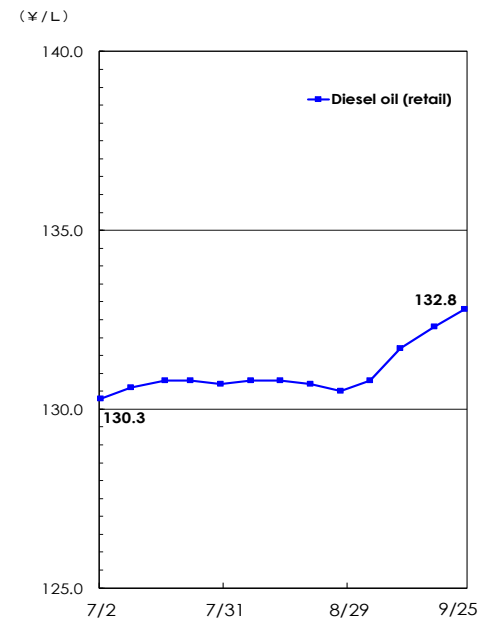
\*Gyoten and futures prices are before tax



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

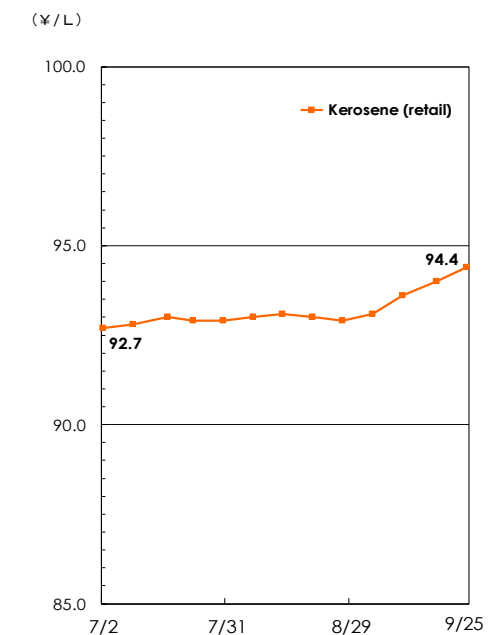
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/16 ~ 9/22	799	▼ -16	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	630	▲ 6	▲ -	
	Exports	"	192	▼ -2	▲ -	
	Inventories	9/22	1,553	▼ -23	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/18 ~ 9/24	71.1	▲ 0.6	▲ 21.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/18 ~ 9/24	71.3	▲ 1.8	▲ 22.3
		(TOCOM/ Chubu)	9/21	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/25	132.8	▲ 0.5	▲ 21.7	

\*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	9/16 ~ 9/22	194	▼ -24	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	148	▲ 22	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	9/22	2,495	▲ 45	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/18 ~ 9/24	71.2	▲ 0.9	▲ 20.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/18 ~ 9/24	71.5	▲ 0.5	▲ 19.3
		(TOCOM/ Chubu)	9/21	72.0	▲ 0.5	▲ 18.3
	Retail prices [weekly trend] (published by ANRE)	9/25	94.4	▲ 0.4	▲ 18.0	



## Relevant Information

### 1 Overseas crude oil prices

On September 26, the most frequently traded crude oil futures contract on NYMEX dropped for the first time in four trading days as market players felt a loosening supply-demand balance on the EIA's report that U.S. crude oil inventories posted a weekly increase of 1.9 million barrels instead of a market-forecast decline of 1.3 million barrels, while gasoline inventories logged an increase of 1.9 million barrels, faster than a market-forecast rise of 800,000 barrels. The U.S. Federal Reserve's decision to raise interest rates on the day had been well discounted into prices, having little impact on the market. The November contract lost \$0.71/bbl to \$71.57/bbl. The December contract fell by \$0.69/bbl to \$71.41/bbl.

According to the EIA, the average U.S. retail price of gasoline as of September 24 rose by 0.3 cents per gallon from a week earlier to \$2.844/gal (85.3 yen/l). The average diesel oil price increased by 0.3 cents/gal to \$3.271/gal (98.1 yen/l). The gasoline price rose for the third straight week, while the diesel price increased for the fifth 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 16-22 week stood at 291,000 barrels per day, down 9,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 63,000 kl from the previous week to 3,411,000 kl. From a year earlier, it declined by 153,000 kl. The topper capacity utilization rate stood at 87.1%, up 1.6 points from the previous week and down 3.9 points from a year earlier.

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

Output was down 13.9% for gasoline, up 0.8% for jet fuel, down 11.0% for kerosene, down 1.9% for diesel oil, up 2.5% for Fuel Oil A and down 0.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 24,000 kl, down 18,000 kl from the previous week. Diesel oil exports aggregated 192,000 kl, down 2,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel Oil A/C and increased for other petroleum products. From a year earlier, shipments decreased for gasoline, jet fuel and kerosene and increased for others. Gasoline shipments increased by 10.2% from the previous week to 898,000 kl for the first rise in three weeks, remaining below 1 million kl for three weeks on end. Shipments totaled 92,000 kl for jet fuel (down 46.4% from the previous

week), 148,000 kl for kerosene (up 17.3%), 630,000 kl for diesel oil (up 1.0%), 195,000 kl for Fuel Oil A (down 5.3%) and 217,000 kl for Fuel Oil C (down 13.3%).

(Unit: 1,000 kl)

	This week (9/16 ~ 9/22)	Previous week (9/9 ~ 9/15)	From a week earlier
Gasoline	898	815	▲ 83 (10%)
Jet fuel	92	172	▼ -80 (-47%)
Kerosene (heating Oil)	148	126	▲ 22 (17%)
Diesel oil	630	624	▲ 6 (1%)
Fuel oil A	195	206	▼ -11 (-5%)
Fuel Oil C	217	250	▼ -33 (-13%)
<b>Total</b>	<b>2,180</b>	<b>2,193</b>	<b>▼ -13 (-1%)</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 September 22 decreased from a week earlier for gasoline and diesel oil and increased for others. From a year earlier, inventories decreased for gasoline and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,600,000 kl, down 66,000 kl from a week earlier and down 104,000 kl from a year earlier.

Kerosene inventories totaled 2,495,000 kl, up 45,000 kl from a week earlier and up 48,000 kl from a year earlier.

Diesel oil inventories totaled 1,553,000 kl, down 23,000 kl from a week earlier and up 25,000 kl from a year earlier.

Fuel Oil A inventories totaled 711,000 kl, up 3,000 kl from a week earlier and down 45,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,129,000 kl, up 8,000 kl from a week earlier and up 2,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/22)	Previous week (9/15)	From a week earlier
Gasoline	1,600	1,666	▼ -66 (-4%)
Jet fuel	1,038	1,001	▲ 37 (4%)
Kerosene (heating Oil)	2,495	2,450	▲ 45 (2%)
Diesel oil	1,553	1,576	▼ -23 (-1%)
Fuel oil A	711	708	▲ 3 (0%)
Fuel Oil C	2,129	2,121	▲ 8 (0%)
<b>Total</b>	<b>9,526</b>	<b>9,522</b>	<b>▲ 4 (0.0%)</b>

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

In the September 18-24 week, crude oil cost apparently increased from the previous week as slight crude oil prices hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices in the week rose in a 123-124 yen/l range for gasoline and in a 70-72 yen/l range for diesel oil and increased and leveled off in a 70-72 yen/l range for kerosene.

Offshore barge spot prices in the week rose in a 125-127 yen/l range for gasoline and increased sharply in a 72-74 yen/l range for diesel oil and in a 70-73 yen/l range for kerosene.

The key futures price in the week rose sharply and fell back in a 122-125 yen/l range for gasoline, increased steeply in a 70-73 yen/l range for diesel oil and rose in a 70-72 yen/l range for kerosene.

Major Motouri companies raised their wholesale prices by 1.0-1.5 yen/l for gasoline, diesel oil and kerosene.

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

All spot petroleum products prices increased in all markets. Among them, diesel oil prices posted particularly sharp increases. Offshore barge spot prices scored faster hikes than other spot prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the September 18-24 week) that influences Motouri's wholesale prices applied to the first week of October (September 27-October 3) rose by 0.4 yen/l for gasoline, by 0.9 yen/l for kerosene and by 0.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.3 yen/l for gasoline, by 0.2 yen/l for kerosene and by 2.2 yen/l for diesel oil.

The key futures price rose by 0.9 yen/l for gasoline, by 0.5 yen/l for kerosene and by 1.8 yen/l for diesel oil.

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

For the first week of October, major Motouri companies raised their wholesale prices by 1.0-1.5 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 (9/18 ~ 9/24)	Previous week (9/11 ~ 9/17)	From a week earlier
<b>Spot Prices</b> Regular	69.6	69.2	▲ 0.4
Kerosene	71.2	70.3	▲ 0.9
Diesel oil	71.1	70.5	▲ 0.6

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (9/18 ~ 9/24)	Previous week (9/11 ~ 9/17)	From a week earlier
<b>Futures Price</b> Regular	69.6	68.7	▲ 0.9
Kerosene	71.5	71.0	▲ 0.5
Diesel oil	71.3	69.5	▲ 1.8

Above prices are before tax.

Reference (September 18 - September 24 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.4	▲ 0.9	▲ 0.6
Kerosene	▲ 0.9	▲ 0.5	▲ 0.7
Diesel oil	▲ 0.6	▲ 1.8	▲ 1.2
Fuel Oil A	▲ 0.7		

(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 25 rose by 0.6 yen/l from a week earlier to 154.3 yen/l for gasoline, by 0.5 yen/l to 132.8 yen for diesel oil and by 0.4 yen/l to 94.4 yen/l for kerosene (on an 18-liter tank basis, the kerosene price increased by 8 yen to 1,700 yen). These prices rose for the fourth straight week. The gasoline price represented the highest level in 45 months, remaining above 150 yen/l for 18 weeks on end since May 28. Gasoline prices increased in 41 of Japan's 47 prefectures, leveled off in two and dropped in four. The lowest gasoline price among the prefectures was 149.7 yen/l in Saitama Prefecture (up 0.3 yen/l from a week earlier). The second lowest was 150.3 yen/l in Tokushima (up 1.0 yen/l). The highest price was 163.2 yen/l in Nagasaki (up 0.5 yen/l). Posting the largest price hike of 2.8 yen/l was Hokkaido (154.8 yen/l). Logging the steepest price decline of 0.2 yen was Kanagawa (151.6 yen/l). Gasoline prices leveled off in Aichi and Nara.

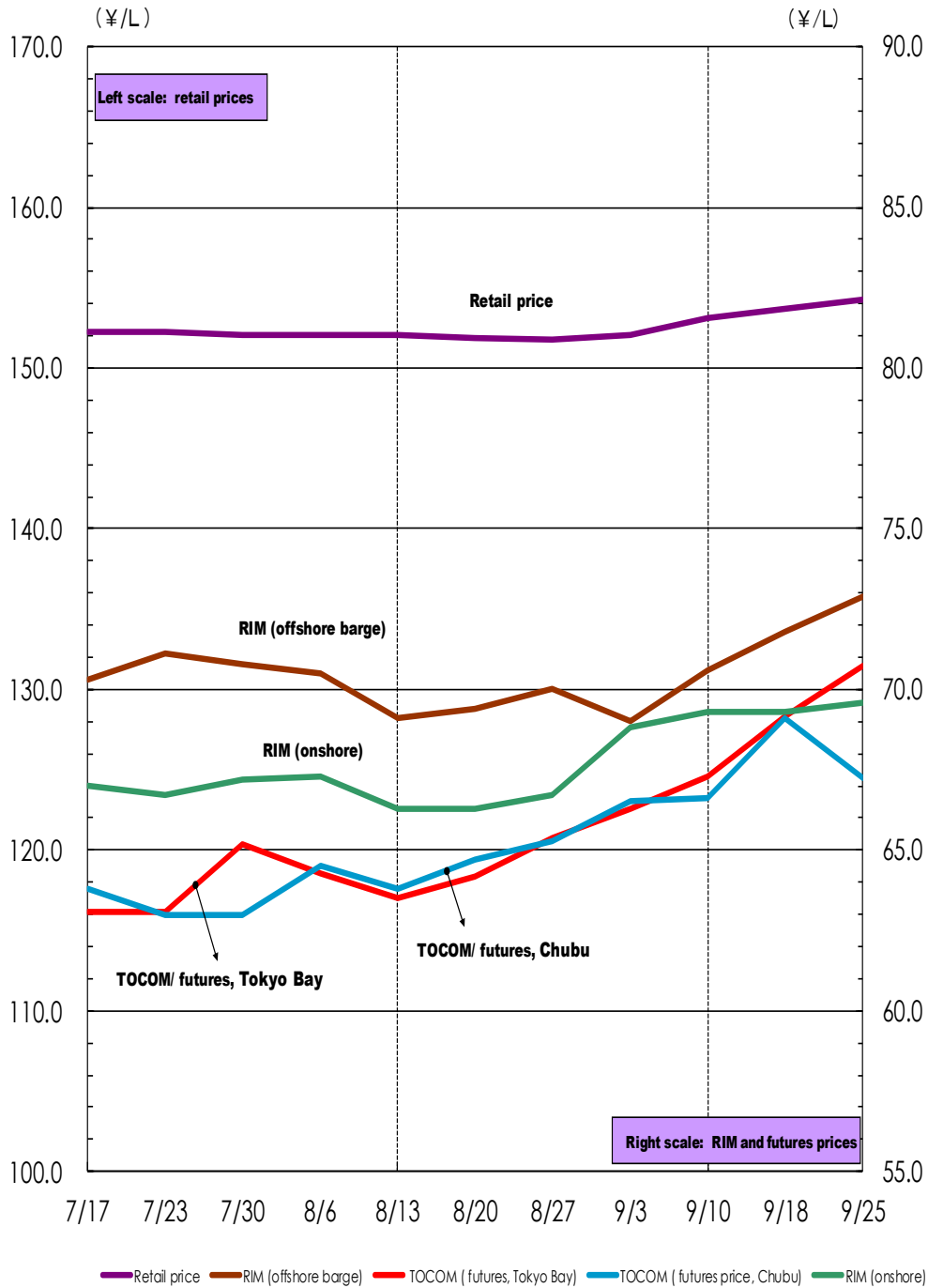
As crude oil cost rose last week, all major Motouri companies raised their wholesale prices by 1.0-1.5 yen/l from the previous week for gasoline, diesel oil and kerosene. Crude oil cost increased this week as slight crude oil price hikes coincided with the yen's depreciation against the dollar. Retail gasoline prices are expected to rise next week (as of October 1).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/25)	Previous week (9/18)	From a week earlier	Latest high	
<b>Retail Price</b> Regular	154.3	153.7	▲ 0.6	08/8/4	185.1
Kerosene	94.4	94.0	▲ 0.4	08/8/11	132.1
Diesel oil	132.8	132.3	▲ 0.5	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

(2018/7/17 ~ 2018/9/25)



(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. 25 for 2018) will be announced at 14:00 on October 12.

## 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).