

Oil Market Review in Japan No. 43/2018

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the January 31-February 6 week moved within a firm range between \$53.66 per barrel and \$55.26/bbl.

On February 7, the March contract turned down as the European Union's downward revision of the eurozone's real GDP growth projection in 2019 and uncertainties about U.S.-China trade talks stimulated concerns about global economic deceleration and the Libyan national forces' recapture of the El Sharara oilfield led to expectations of the resumption of oil production there. The key contract closed at \$52.64/bbl, down \$1.37/bbl from the previous market day.

On February 8, the March contract staged a small rally despite concerns about global economic deceleration as market players viewed a coordinated production by OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries as making smooth progress. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by seven from a week earlier to 854. The key contract gained \$0.08/bbl to \$52.72/bbl.

On February 11, the key contract turned down on a report that U.S.-China vice-ministerial trade talks in Beijing made no progress. The March contract lost \$0.31/bbl to \$52.41/bbl.

On February 12, the key contract rebounded as hopes on a tighter supply-demand balance grew on a monthly OPEC report that the oil cartel's production in January declined by 0.797 million barrels per day from the previous month to 30.806 million bpd and on Saudi Arabian Energy Minister Khalid al-Falih's remark that the oil kingdom would reduce March oil production by 0.5 million bpd from an earlier planned level to 9.8 million bpd. The March contract closed the day at \$53.10/bbl, up \$0.69/bbl.

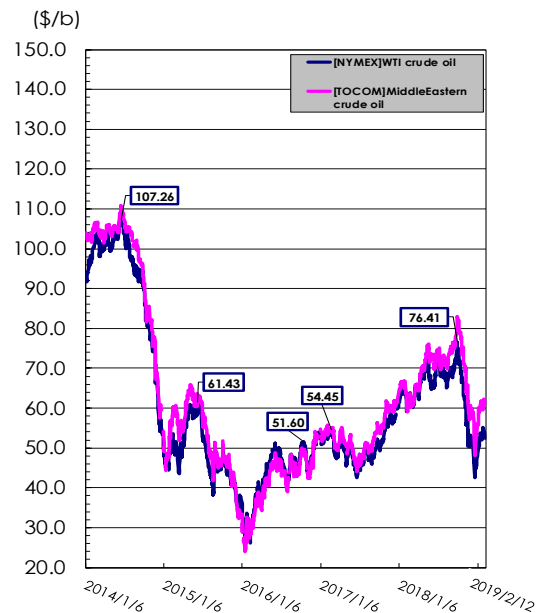
On February 13, the key contract rose further on a U.S. crude oil inventory decline against a market-forecast increase in a weekly API (American Petroleum Institute) report and a fall in inventories at the WTI delivery point of Cushing, although a weekly EIA (Energy Information Administration) report included a faster-than-expected weekly rise in U.S. crude oil inventories. The March contract gained \$0.80/bbl to \$53.90/bbl.

The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market moved in a range between \$60.70/bbl and \$62.90/bbl in the January 31-February 6 week. It closed at \$62.50/bbl on February 7, at \$61.40/bbl on February 8, at \$61.90/bbl on February 12 and at \$63.40/bbl on February 13.

On the foreign exchange market in the January 31-February 6 week, the dollar moved within a range between 108.94 and 110.03 yen. It changed hands at 109.94 yen in late trading on February 7, at 109.84 yen on February 8, at 110.55 yen on February 12 and at 110.55 yen on February 13.

Japan's average retail price on February 12 decreased by 0.2 yen/l from a week earlier for gasoline, by 0.1 yen/l for diesel oil and by 2 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices fell for the first time in three weeks. As crude oil cost rose in the second week of February, major Motouri companies raised their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

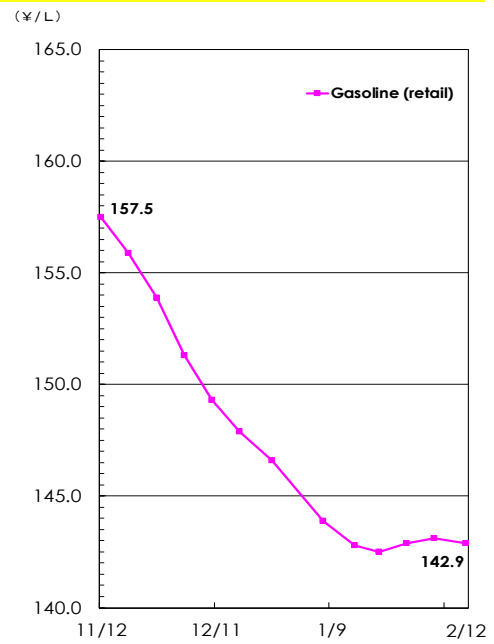
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	2/3 ~ 2/9	3,560	▲ 28	▼ -
	Topper capacity utilization rate (%)	"	90.9	▲ 0.7	▼ -
	Crude oil inventories (1,000 kl)	2/9	11,801	▼ -916	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/12	61.56	▼ -0.79	▲ 2.2
	WTI crude oil (NYMEX) (\$/bbl)	2/11	52.41	▼ -2.15	▼ -6.9
	Crude oil import CIF price (\$/bbl)	Mid Jan	62.05	▼ -3.65	▼ -2.53
	①Crude oil import CIF price (yen/kl)	"	42,276	▼ -3,814	▼ -3,405
	②Yen-dollar exchange rate (yen/dollar)	"	108.32	▲ 3.22	▲ 4.14
	TTS exchange rate (yen/dollar)	2/12	111.55	▼ -1.02	▼ -1.82



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/3 ~ 2/9	974	▲ 17	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	915	▲ 26	▼ -	
	Exports	"	21	▼ -204	▼ -	
	Inventories	2/9	1,705	▲ 38	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/5 ~ 2/11	56.5	▲ 0.5	▼ -4.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/5 ~ 2/11	53.1	▲ 1.5	▼ -4.6
		(TOCOM/ Chubu)	2/8	55.5	▲ 0.7	▼ -1.4
	Retail prices [weekly trend] (published by ANRE)	2/12	142.9	▼ -0.2	▼ -2.0	

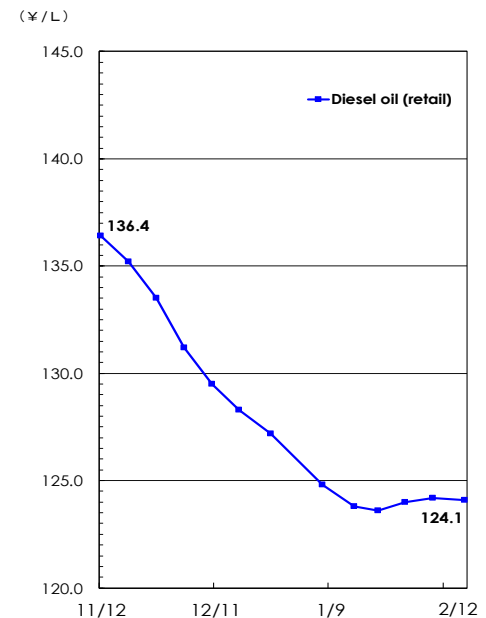
*Gyoten and futures prices are before tax



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

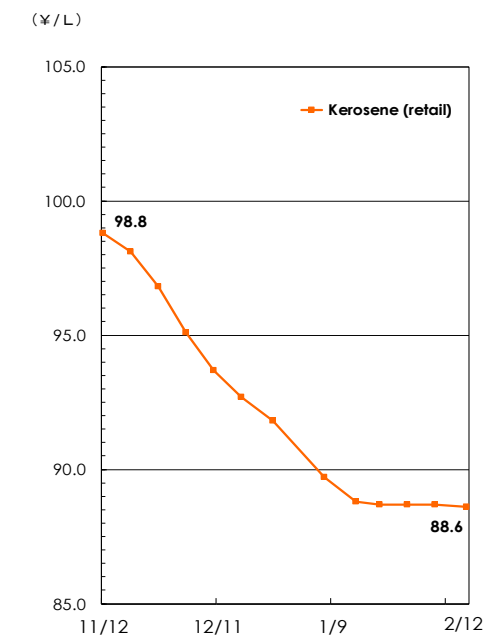
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/3 ~ 2/9	878	▲ 10	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	697	▼ -34	▲ -	
	Exports	"	241	▲ 50	▼ -	
	Inventories	2/9	1,549	▼ -60	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/5 ~ 2/11	60.0	▲ 0.1	▼ -1.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/5 ~ 2/11	62.2	▲ 1.0	▲ 2.2
		(TOCOM/ Chubu)	2/8	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/12	124.1	▼ -0.1	▲ 1.2	

*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	2/3 ~ 2/9	412	▼ -67	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	512	▲ 12	▼ -	
	Exports	"	20	▼ -51	▲ -	
	Inventories	2/9	1,801	▼ -120	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/5 ~ 2/11	59.8	▲ 0.1	▼ -5.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/5 ~ 2/11	59.1	▲ 0.1	▼ -5.3
		(TOCOM/ Chubu)	2/8	59.0	▼ -2.0	▼ -5.8
	Retail prices [weekly trend] (published by ANRE)	2/12	88.6	▼ -0.1	▲ 0.5	



Relevant Information

1 Overseas crude oil prices

On February 13, the most frequently traded crude oil futures contract on NYMEX rose further on a weekly U.S. crude oil inventory decrease of 1 million barrels against a market-forecast increase in the previous day's API report and a reported crude oil inventory fall at the WTI delivery point of Cushing, although U.S. crude oil inventories in the EPA report posted an increase of 3.6 million barrels against a market-forecast rise of 2.7 million barrels. The rise was supported by a stock market rise that came on hopes placed on U.S.-China trade talks and a budget agreement between Democrats and Republicans in U.S. Congress. The March contract closed at \$53.90/bbl, up \$0.80/bbl. The April contract gained \$0.84/bbl to \$54.31/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 11 rose by 2.2 cents per gallon from a week earlier to \$2.276/gal (66.1 yen/l). The average diesel oil price remained unchanged at \$2.966/gal (86.1 yen/l). The gasoline price increased for the first time in two 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 February 3-9 week stood at 128,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week increased by 28,000 kl from the previous week to 3,560,000 kl. From a year earlier, it decreased by 82,000 kl. The topper capacity utilization rate stood at 90.9%, up 0.7 points from the previous week and down 2.1 points from a year earlier.

Production decreased from the previous week for jet fuel and kerosene and increased for other petroleum products. Output was up 1.8% for gasoline, down 10.7% for jet fuel, down 13.9% for kerosene, up 1.2% for diesel oil, up 14.5% for Fuel Oil A and up 30.5% for Fuel Oil C. Fuel Oil C imports in the week totaled 2,000 kl, down 39,000 kl from the previous week. Diesel oil exports aggregated 241,000 kl, up 50,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for diesel oil and Fuel Oil A and increased for other petroleum products. From a year earlier, shipments rose for diesel oil and Fuel Oil A and declined for others. Gasoline shipments increased by 2.9% from the previous week to 915,000 kl for the second straight weekly rise, remaining below 1 million kl for six months on end. Shipments totaled 113,000 kl for jet fuel (up 10.1% from the previous week), 512,000 kl for kerosene (up

2.3%), 697,000 kl for diesel oil (down 4.7%), 289,000 kl for Fuel Oil A (down 7.9%) and 234,000 kl for Fuel Oil C (up 46.8%).

(Unit: 1,000 kl)

	This week (2/3 ~ 2/9)	Previous week (1/27 ~ 2/2)	From a week earlier
Gasoline	915	889	▲ 26 (3%)
Jet fuel	113	102	▲ 11 (11%)
Kerosene (heating Oil)	512	500	▲ 12 (2%)
Diesel oil	697	731	▼ -34 (-5%)
Fuel oil A	289	314	▼ -25 (-8%)
Fuel Oil C	234	159	▲ 75 (47%)
Total	2,760	2,695	▲ 65 (2%)

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 February 9 increased from a week earlier for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and increased for others.

Gasoline inventories totaled 1,705,000 kl, up 38,000 kl from a week earlier and down 16,000 kl from a year earlier.

Kerosene inventories totaled 1,801,000 kl, down 120,000 kl from a week earlier and up 526,000 kl from a year earlier.

Diesel oil inventories totaled 1,549,000 kl, down 60,000 kl from a week earlier and up 231,000 kl from a year earlier.

Fuel Oil A inventories totaled 795,000 kl, up 6,000 kl from a week earlier and up 109,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,055,000 kl, down 49,000 kl from a week earlier and up 119,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/9)	Previous week (2/2)	From a week earlier
Gasoline	1,705	1,667	▲ 38 (2%)
Jet fuel	753	757	▼ -4 (-1%)
Kerosene (heating Oil)	1,801	1,921	▼ -120 (-6%)
Diesel oil	1,549	1,609	▼ -60 (-4%)
Fuel oil A	795	789	▲ 6 (1%)
Fuel Oil C	2,055	2,104	▼ -49 (-2%)
Total	8,658	8,847	▼ -189 (-2.1%)

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

In the February 5-11 week, crude oil cost apparently rose from the previous week as crude oil price hikes coincided with the yen's depreciation against the dollar.

Onshore cargo spot prices during the February 5-11 week fell slightly in a 110-111 yen/l range for gasoline, in a 59-61 yen/l range for diesel oil and in a 59-60 yen/l range for kerosene.

Offshore barge spot prices during the week decreased slightly in a 111-112 yen/l range for gasoline, leveled off a 62-63 yen/l range for diesel oil and fell in a 59-61 yen/l range for kerosene.

The key futures price during the week fluctuated and fell in a 106-108 yen/l range for gasoline, leveled off in a 62-63 yen/l range for diesel oil and declined sharply in a 58-60 yen/l range for kerosene.

For the next week, major Motouri companies raised their wholesale prices by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene.

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

Spot prices this week increased from the previous week's averages for all petroleum products in all markets.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the February 5-11 week) that influences Motouri's wholesale prices applied to the third week of February (February 14-20) rose by 0.5 yen/l for gasoline, by 0.1 yen/l for kerosene and by 0.1 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.3 yen/l for gasoline, by 1.7 yen/l for kerosene and by 0.8 yen/l for diesel oil.

The key futures price rose by 1.5 yen/l for gasoline, by 0.1 yen/l for kerosene and by 1.0 yen/l for diesel oil.

For the third week of February, major Motouri companies raised their wholesale prices by 0.5-1.0 yen 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 (2/5 ~ 2/11)	Previous week (1/29 ~ 2/4)	From a week earlier
Spot Prices			
Regular	56.5	56.0	▲ 0.5
Kerosene	59.8	59.7	▲ 0.1
Diesel oil	60.0	59.9	▲ 0.1

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
	This week (2/5 ~ 2/11)	Previous week (1/29 ~ 2/4)	From a week earlier
Futures Price			
[Average]			
Regular	53.1	51.6	▲ 1.5
Kerosene	59.1	59.0	▲ 0.1
Diesel oil	62.2	61.2	▲ 1.0

Above prices are before tax.

Reference (February5 - February11 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 0.5	▲ 1.5	▲ 1.0	
Kerosene	▲ 0.1	▲ 0.1	▲ 0.1	
Diesel oil	▲ 0.1	▲ 1.0	▲ 0.5	
Fuel Oil A	▼ -0.1			

(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 February 12 dropped by 0.2 yen/l from a week earlier to 142.9 yen/l for gasoline, by 0.1 yen/l to 124.1 yen/l for diesel oil and by 2 yen to 1,595 yen for kerosene on an 18-liter tank basis (or by 0.1 yen/l to 88.6 yen/l). The gasoline, diesel and kerosene prices decreased for the first time in three weeks. Gasoline prices increased in 11 of Japan's 47 prefectures, remained unchanged in nine and decreased in 27. The lowest gasoline price among the prefectures was 136.8 yen/l in Tokushima Prefecture (down 0.6 yen/l from a week earlier). The second lowest was 137.3 yen/l in Saitama Prefecture (unchanged). The highest price was 155.0 yen/l in Nagasaki (unchanged). Logging the sharpest price rise of 1.0 yen/l was Tottori (141.3 yen/l). Posting the steepest decline of 2.0 yen/l was Yamaguchi (139.2 yen/l).

As crude oil cost leveled off last week, major Motouri companies kept their wholesale prices unchanged for gasoline, diesel oil and kerosene for this week.

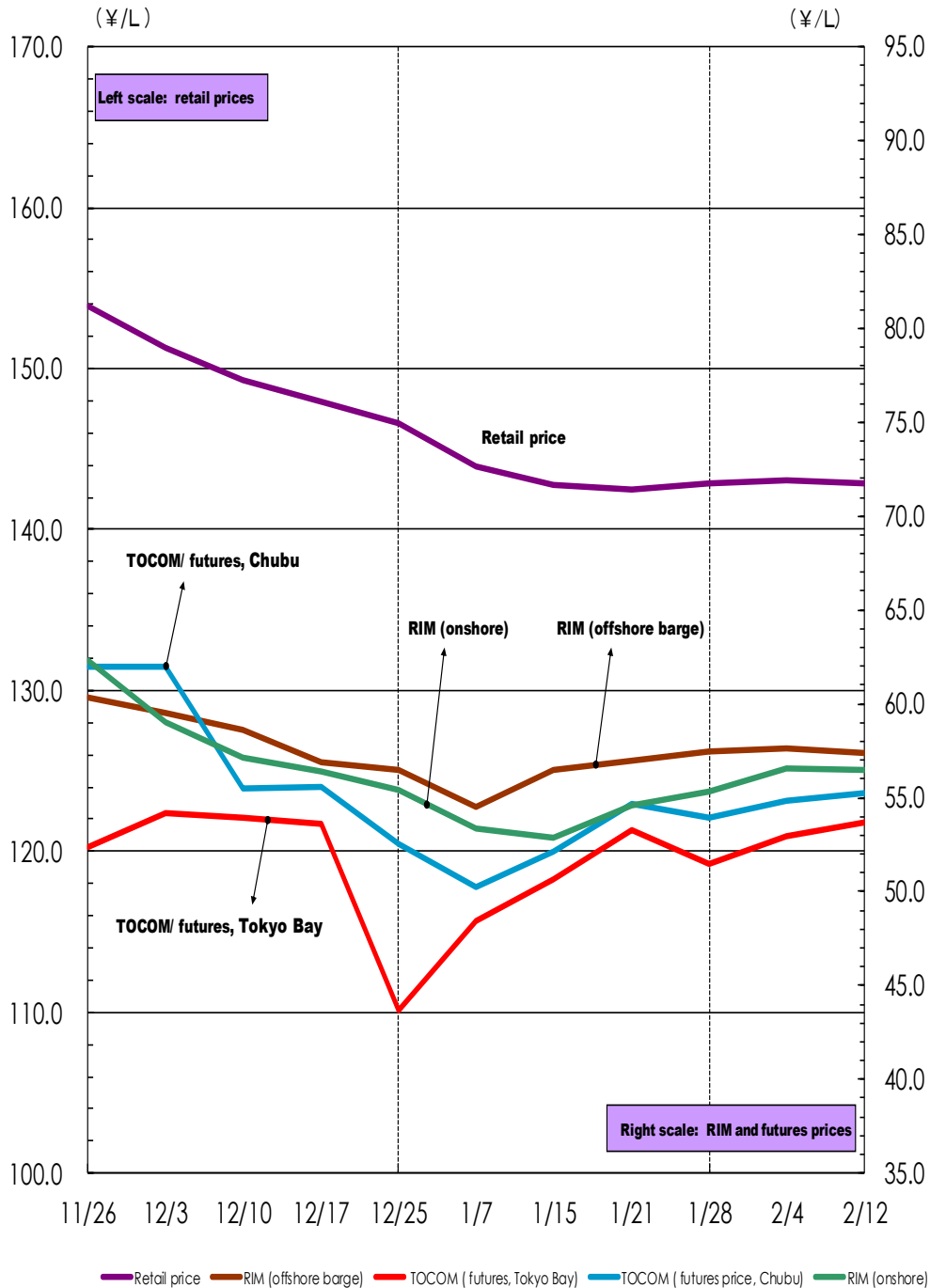
Crude oil cost rose this week as crude oil price hikes coincided with the yen's depreciation against the dollar. Motouri raised their wholesale prices for next week by 0.5-1.0 yen/l for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to slightly rise next week (as of February 18).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (2/12)	Previous week (2/4)	From a week earlier	Latest high	
Retail Price					
Regular	142.9	143.1	▼ -0.2	08/8/4	185.1
Kerosene	88.6	88.7	▼ -0.1	08/8/11	132.1
Diesel oil	124.1	124.2	▼ -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

(2018/11/26 ~ 2019/2/12)



(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. 44 for 2018) will be announced at 14:00 on March 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).