

Oil Market Review in Japan No. 45/2018

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the February 14-20 week moved within a firm range between \$54.41 per barrel and \$56.92/bbl.

On February 21, the key contract turned down for the first time in seven trading days as the EIA (Energy Information Administration) in a weekly report said that U.S. crude oil inventories in the previous weekend posted a weekly increase of 3.7 million barrels against a market-forecast rise of 3.1 million barrels and that U.S. oil output in the latest week reached a record 12 million barrels per day. However, the fall was limited as gasoline and middle distillate inventories decreased from a week earlier and market players kept their hopes on the impact of OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries' coordinated production cut. The April contract, which became the front-month contract on the day, closed at \$56.96/bbl, down \$0.20/bbl from the previous trading day.

On February 22, the April contract rallied to a three-month high as hopes grew about U.S.-China trade talks. A Baker Hughes report said that the number of operating U.S. oil-drilling rigs decreased by four from a week earlier to 853. The key contract gained \$0.30/bbl to \$57.26/bbl, the highest since November 12.

On February 25, the key contract turned down with a heavy loss on U.S. President Donald Trump's Twitter message checking the OPEC production cut by noting that crude oil prices were rising excessively. Profit-taking selling was seen after the previous day's rise to a three-month high. The April contract fell by \$1.78/bbl to \$55.48/bbl.

On February 26, the key contract posted a slight rally as President Trump's Twitter message on the previous day and a forecast weekly increase in U.S. crude oil inventories before the next day's weekly inventory report were countered by an OPEC source's reported remark that the OPEC-plus coordinated production cut could be extended until late this year, as well as by the dollar's appreciation against the euro that made crude oil futures prices relatively lower. The April contract closed at \$55.50/bbl, up \$0.02/bbl.

On February 27, the key contract rose substantially as market players felt a tightening supply-demand balance on an EIA report that U.S. crude oil inventories showed a weekly plunge of 8.6 million barrels against a market-forecast increase. The April contract gained \$1.44/bbl to \$56.94/bbl.

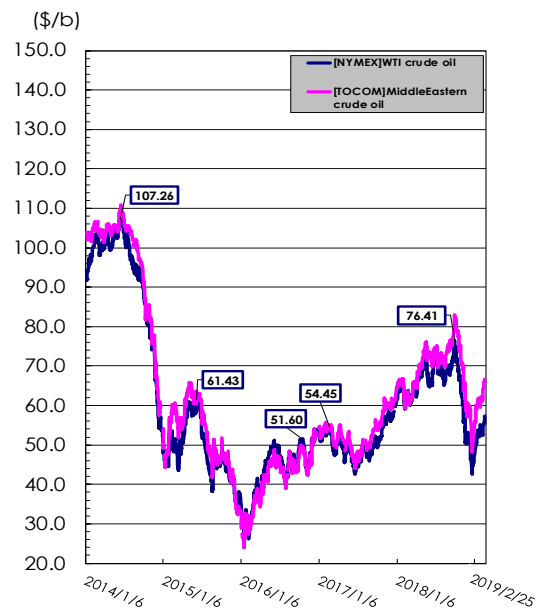
The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market moved in a range between \$64.80/bbl and \$66.70/bbl in the February 14-20 week. It closed at \$67.30/bbl on February 21, at \$67.20/bbl on February 22, at \$67.00/bbl on February 25, at \$64.70/bbl on February 26 and at \$65.30/bbl on February 27.

On the foreign exchange market in the February 14-20 week, the dollar moved within a range between 110.44 and 110.98 yen. It changed hands at 110.70 yen in late trading on February 21, at 110.78 yen on February 22, at 110.78 yen on February 25, at 111.01 yen on February 26 and at 110.59 yen on February 27.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 27, the average crude oil import CIF price in the February 1-10 period stood at 42,876 yen/kl (kiloliter), up 715 yen/kl from the previous 10-day period. In dollars, the price was \$62.31/bbl, down \$0.60/bbl. The average exchange rate was 109.40 yen to the dollar.

Japan's average retail price on February 25 increased by 1.0 yen/l from a week earlier for gasoline, by 0.9 yen/l for diesel oil and by 8 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the second straight week. As crude oil cost rose in the fourth week of February, major Motouri companies raised their wholesale prices by 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)	2/17 ~ 2/23	3,531	▼ -51	▼ -
	Topper capacity utilization rate (%)	"	90.2	▼ -1.3	▼ -
	Crude oil inventories (1,000 kl)	2/23	12,050	▼ -274	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/25	66.23	▲ 0.10	▲ 2.6
	WTI crude oil (NYMEX) (\$/bbl)	2/25	55.48	▼ -0.61	▼ -8.4
	Crude oil import CIF price (\$/bbl)	Early Feb	62.31	▲ 0.60	▼ -5.96
	① Crude oil import CIF price (yen/kl)	"	42,876	▲ 715	▼ -4,069
	② Yen-dollar exchange rate (yen/dollar)	"	109.40	▼ -0.77	▼ -0.07
	TTS exchange rate (yen/dollar)	2/25	111.78	▼ -0.24	▼ -3.86

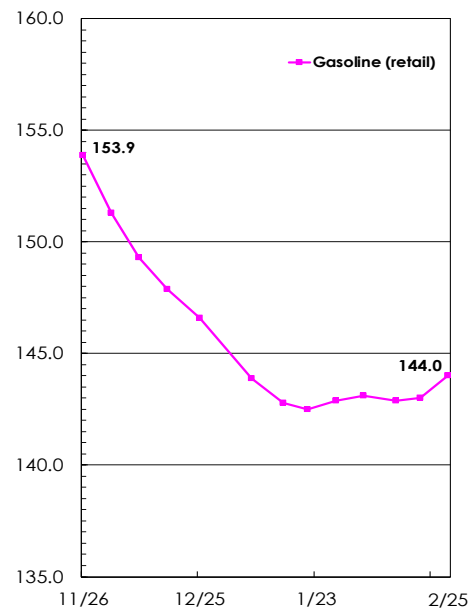


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/17 ~ 2/23	971	▼ -68	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	973	▲ 146	▲ -	
	Exports	"	105	▼ -75	▼ -	
	Inventories	2/23	1,631	▼ -106	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/19 ~ 2/25	58.1	▲ 1.2	➡ 0.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/19 ~ 2/25	55.9	▲ 0.8	▲ 0.1
		(TOCOM/ Chubu)	2/25	58.5	▲ 0.7	▲ 2.0
	Retail prices [weekly trend] (published by ANRE)	2/25	144.0	▲ 1.0	▼ -0.4	

*Gyoten and futures prices are before tax

(¥/L)

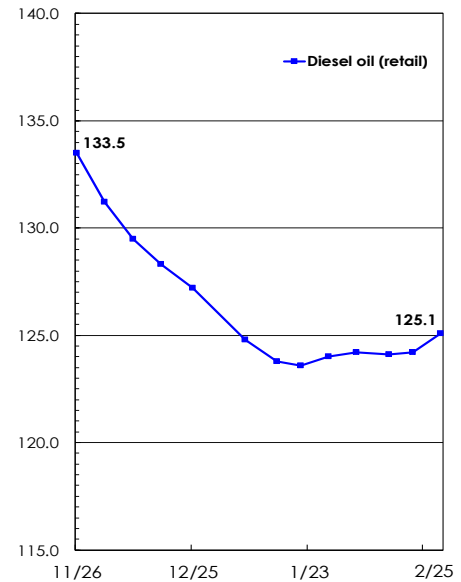


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/17 ~ 2/23	805	▼ -12	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	699	▲ 104	▼ -	
	Exports	"	246	▲ 95	▲ -	
	Inventories	2/23	1,480	▼ -140	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/19 ~ 2/25	61.6	▲ 1.2	▲ 2.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/19 ~ 2/25	63.5	▲ 1.1	▲ 2.7
		(TOCOM/ Chubu)	2/25	-	-	-
	Retail prices [weekly trend] (published by ANRE)	2/25	125.1	▲ 0.9	▲ 2.4	

*Gyoten and futures prices are before tax

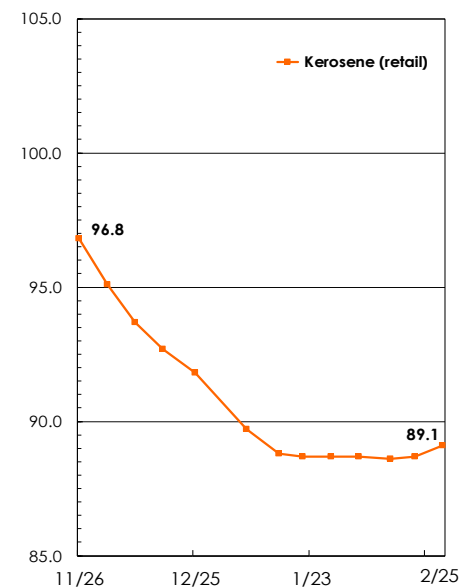
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/17 ~ 2/23	306	▼ -120	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	500	▲ 7	▼ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	2/23	1,539	▼ -194	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/19 ~ 2/25	61.2	▲ 1.2	▼ -3.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/19 ~ 2/25	61.3	▲ 1.9	▼ -0.4
		(TOCOM/ Chubu)	2/25	59.0	▼ -1.5	▼ -1.0
	Retail prices [weekly trend] (published by ANRE)	2/25	89.1	▲ 0.4	▲ 1.0	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On February 27, the most frequently traded crude oil futures contract on NYMEX rose further with a substantial gain as market players felt a tightening oil supply-demand balance on an IEA report that U.S. crude oil inventories posted the largest weekly decline in six weeks of 8.6 million barrels against a market-forecast increase of 2.8 million barrels while net U.S. oil imports declined by 1.4 million barrels per day from the previous week to a record low of 2.6 million bpd and on a media report that Saudi Arabian Energy Minister Khalid al-Falih said OPEC was taking a measured approach to supply cuts, responding to Twitter comments from U.S. President Trump. The April contract gained \$1.44/bbl to \$56.94/bbl. The May contract rose by \$1.40/bbl to \$57.37/bbl.

According to the EIA, the average U.S. retail price of gasoline as of February 25 rose by 7.3 cents per gallon from a week earlier to \$2.390/gal (70.5 yen/l). The average diesel oil price increased by 4.2 cents/gal to \$3.048/gal (89.9 yen/l). The gasoline price increased for the third straight week, while the diesel price went up for the second consecutive 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 February 17-23 week stood at 109,000 bpd, down 18,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 51,000 kl from the previous week to 3,531,000 kl. From a year earlier, it decreased by 112,000 kl. The topper capacity utilization rate stood at 90.2%, down 1.3 points from the previous week and down 2.8 points from a year earlier.

Production increased from the previous week for jet fuel and Fuel Oil C and decreased for other petroleum products. Output was down 6.5% for gasoline, up 80.9% for jet fuel, down 28.1% for kerosene, down 1.5% for diesel oil, down 7.8% for Fuel Oil A and up 1.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 15,000 kl, up 13,000 kl from the previous week. Diesel oil exports aggregated 246,000 kl, up 95,000 kl.

Shipments (excluding imports) in the week decreased from the previous week for jet fuel and Fuel Oil C and increased for other petroleum products. From a year earlier, shipments rose for gasoline and jet fuel and declined for others. Gasoline shipments increased by 17.6% from the previous week to 973,000 kl for the first rise in two weeks, remaining below 1 million kl for eight months on end. Shipments totaled 31,000 kl for jet fuel (down 59.4% from the previous week), 500,000 kl for kerosene

(up 1.3%), 699,000 kl for diesel oil (up 17.5%), 307,000 kl for Fuel Oil A (up 15.5%) and 241,000 kl for Fuel Oil C (down 13.6%).

(Unit: 1,000 kl)

	This week (2/17 ~ 2/23)	Previous week (2/10 ~ 2/16)	From a week earlier
Gasoline	973	827	▲ 146 (18%)
Jet fuel	31	77	▼ -46 (-60%)
Kerosene (heating Oil)	500	493	▲ 7 (1%)
Diesel oil	699	595	▲ 104 (17%)
Fuel oil A	307	266	▲ 41 (15%)
Fuel Oil C	241	279	▼ -38 (-14%)
Total	2,751	2,537	▲ 214 (8%)

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 23 increased from a week earlier for jet fuel and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and increased for others.

Gasoline inventories totaled 1,631,000 kl, down 106,000 kl from a week earlier and down 16,000 kl from a year earlier.

Kerosene inventories totaled 1,539,000 kl, down 194,000 kl from a week earlier and up 340,000 kl from a year earlier.

Diesel oil inventories totaled 1,480,000 kl, down 140,000 kl from a week earlier and up 289,000 kl from a year earlier.

Fuel Oil A inventories totaled 787,000 kl, down 31,000 kl from a week earlier and up 109,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,950,000 kl, down 29,000 kl from a week earlier and up 66,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/23)	Previous week (2/16)	From a week earlier
Gasoline	1,631	1,737	▼ -106 (-6%)
Jet fuel	837	720	▲ 117 (16%)
Kerosene (heating Oil)	1,539	1,733	▼ -194 (-11%)
Diesel oil	1,480	1,620	▼ -140 (-9%)
Fuel oil A	787	818	▼ -31 (-4%)
Fuel Oil C	1,950	1,979	▼ -29 (-1%)
Total	8,224	8,607	▼ -383 (-4.4%)

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

In the February 19-25 week, crude oil cost might have risen sharply from the previous week as crude oil price increased substantially with the yen leveling off against the dollar.

Onshore cargo spot prices during the February 19-25 week sharply rose and weakened slightly in a 111-113 yen/l range for gasoline, in a 60-63 yen/l range for diesel oil and in a 60-62 yen/l range for kerosene.

Offshore barge spot prices during the week rose and leveled off in a 113-114 yen/l range for gasoline, leveled off in a 63-64 yen/l range for diesel oil and increased sharply and stayed flat in a 60-62 yen/l range for kerosene.

The key futures price during the week fluctuated wildly and rose in a 108-111 yen/l range for gasoline, dropped in a 63-64 yen/l range for diesel oil and soared and weakened in a 60-62 yen/l range for kerosene.

For the next week, 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

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 19-25 week) that influences Motouri's wholesale prices applied to the first week of March (February 28-March 6) rose by 1.2 yen/l from the previous week for gasoline, kerosene and diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.6 yen/l for gasoline, by 1.4 yen/l for kerosene and by 1.0 yen/l for diesel oil.

The key futures price rose by 0.8 yen/l for gasoline, by 1.9 yen/l for kerosene and by 1.1 yen/l for diesel oil.

For the first week of March, major Motouri companies raised their wholesale prices by 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 (2/19 ~ 2/25)	Previous week (2/12 ~ 2/18)	From a week earlier
Spot Prices	Regular	58.1	56.9	▲ 1.2
	Kerosene	61.2	60.0	▲ 1.2
	Diesel oil	61.6	60.4	▲ 1.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (2/19 ~ 2/25)	Previous week (2/12 ~ 2/18)	From a week earlier
Futures Price	Regular	55.9	55.1	▲ 0.8
	Kerosene	61.3	59.4	▲ 1.9
	Diesel oil	63.5	62.4	▲ 1.1

Above prices are before tax.

Reference (February 19 - February 25 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▲ 1.2	▲ 0.8	▲ 1.0	
Kerosene	▲ 1.2	▲ 1.9	▲ 1.6	
Diesel oil	▲ 1.2	▲ 1.1	▲ 1.2	
Fuel Oil A	▲ 1.6			

(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 February 25 increased by 1.0 yen/l from a week earlier to 144.0 yen/l for gasoline, by 0.9 yen/l to 125.1 yen/l for diesel oil and by 8 yen to 1,604 yen for kerosene on an 18-liter tank basis (or by 0.4 yen/l to 89.1 yen/l). The gasoline, diesel and kerosene prices rose for the second straight week. Gasoline prices increased in 40 of Japan's 47 prefectures, remained unchanged in three and decreased in four. The lowest gasoline price among the prefectures was 137.6 yen/l in Tokushima Prefecture (up 0.7 yen/l from a week earlier). The second lowest was 138.6 yen/l in Saitama (up 1.2 yen/l). The highest price was 155.2 yen/l in Nagasaki (up 0.2 yen/l). Logging the sharpest price rise of 2.2 yen/l was Tochigi (142.6 yen/l). Gasoline prices leveled off in Kochi, Kagawa and Fukuoka. Posting the steepest decline of 0.3 yen/l was Iwate (140.0 yen/l).

As crude oil cost rose substantially last week, major Motouri companies raised their wholesale prices by 2.0-2.5 yen for gasoline, diesel oil and kerosene for this week.

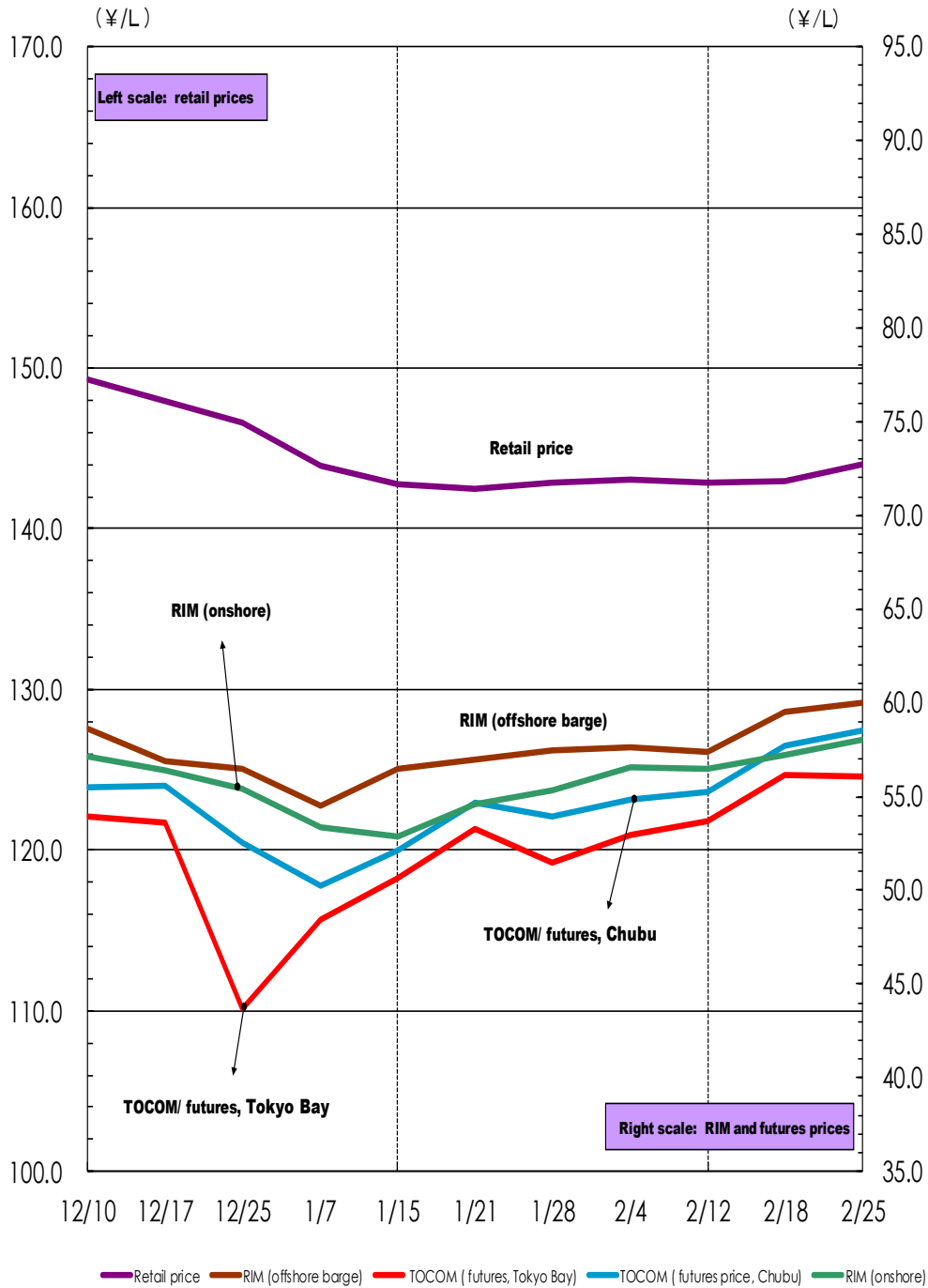
Crude oil cost soared this week as crude oil prices rose substantially, with the yen leveling off against the dollar. Motouri raised their wholesale prices for next week by 1.0 yen/l for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to rise next week (as of March 4).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (2/25)	Previous week (2/18)	From a week earlier	Latest high
Retail Price	Regular	144.0	143.0	▲ 1.0	08/8/4 185.1
	Kerosene	89.1	88.7	▲ 0.4	08/8/11 132.1
	Diesel oil	125.1	124.2	▲ 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

(2018/12/10 ~ 2019/2/25)



(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. 46 for 2018) will be announced at 14:00 on March 15.

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).