

Oil Market Review in Japan No. 02/2019

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https://eneken.iej.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 March 28-April 3 week moved within a range between \$59.30 per barrel and \$62.58/bbl.

On April 4, the May contract fell further as the resurgence of concerns about a looser supply-demand balance on a weekly U.S. crude oil inventory increase in the previous day's weekly EIA (Energy Information Administration) report was coupled with the dollar's depreciation against the euro that made crude oil futures prices relatively higher. However, the fall was limited by an OPEC (Organization of the Petroleum Exporting Countries) production cut including a potential decline in supply from Iran and Venezuela. The key contract closed at \$62.10/bbl, down \$0.36/bbl from the previous day.

On April 5, the May contract rallied for the first time in three days on growing concerns about interruptions to Libyan oil supply as the Libyan National Army that controls the eastern part of Libya plagued with an east-west civil war ordered an advance to the Libyan capital of Tripoli controlled by an interim government. Supporting the rally were robust U.S. jobs data and an optimism about U.S.-China trade talks. However, Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 15 from a week earlier for the first rise in seven weeks. The key contract gained \$0.98/bbl to \$63.08/bbl.

On April 8, the key contract hit a five-month high with a substantial gain as oil supply risks such as the escalation of the Libyan civil war and the potential enhancement of economic sanctions on Iran and Venezuela were combined with a media report that the Chinese government was considering an economic stimulus package. The May contract increased by \$1.32/bbl to \$64.40/bbl.

On April 9, the key contract turned down as Russian Energy Minister Alexander Novak's negative remark on the extension of a concerted production cut by major oil producing countries came together with Russian President Vladimir Putin's statement that he was satisfied with current crude oil prices and would not support any uncontrollable hike in such prices. The May contract lost \$0.42/bbl to \$63.98/bbl.

On April 10, the key contract rebounded as a monthly OPEC report stated that an OPEC-plus concerted production cut was faster than a rise in production by other oil producing countries and a weekly EIA report included a substantial weekly fall in U.S. gasoline inventories. The May contract gained \$0.63/bbl to \$64.61/bbl.

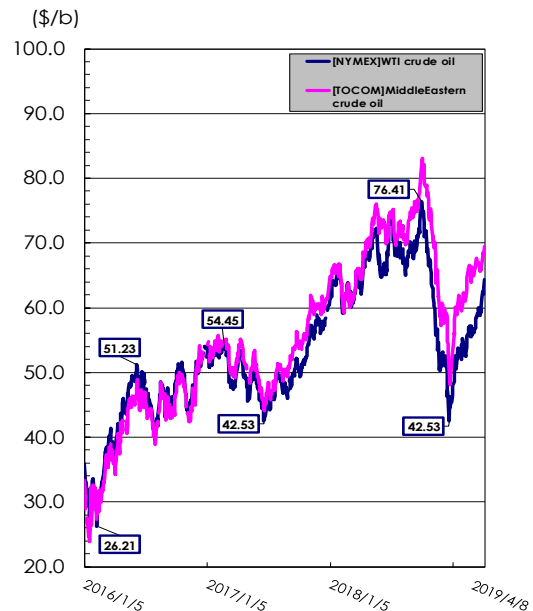
The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market moved in a range between \$66.90/bbl and \$69.40/bbl in the March 28-April 3 week. It closed at \$68.90/bbl on April 4, at \$68.90/bbl on April 5, at \$70.20/bbl on April 8, at \$70.60/bbl on April 9 and at \$70.10/bbl on April 10.

On the foreign exchange market in the March 28-April 3 week, the dollar moved within a range between 110.36 and 111.52 yen. It changed hands at 111.54 yen in late trading on April 4, at 111.81 yen on April 5, at 111.44 yen on April 8, at 111.42 yen on April 9 and at 111.20 yen on April 10.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 5, the average crude oil import CIF price in the March 11-20 period stood at 46,045 yen/kl (kiloliter), up 1,605 yen/kl from the previous 10-day period. In dollars, the price was \$65.79/bbl, up \$1.97/bbl. The average exchange rate was 111.21 yen to the dollar.

Japan's average retail price on April 8 increased by 0.1 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 rose for the eighth straight week. As crude oil cost rose in the second week of April, major Motouri companies raised their wholesale prices by 2.0 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)	3/31 ~ 4/6	3,509	▲ 20	▼	—	
	Topper capacity utilization rate (%)	"	89.6	▲ 0.5	▼	—	
	Crude oil inventories (1,000 kl)	4/6	12,093	▼ -449	▲	—	
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/8	69.47	▲ 2.49	▲	5.1	
	WTI crude oil (NYMEX) (\$/bbl)	4/8	64.40	▲ 2.81	▲	1.0	
	Crude oil import CIF price (\$/bbl)	Mid Mar	65.79	▲ 1.97	▼ -1.00		
	① Crude oil import CIF price (yen/kl)	"	46,045	▲ 1,605	▲	1,281	
	② Yen-dollar exchange rate (yen/dollar)	"	111.27	▼ -0.56	▼ -4.71		
	TTS exchange rate (yen/dollar)	4/8	112.44	▼ -0.34	▼ -4.57		

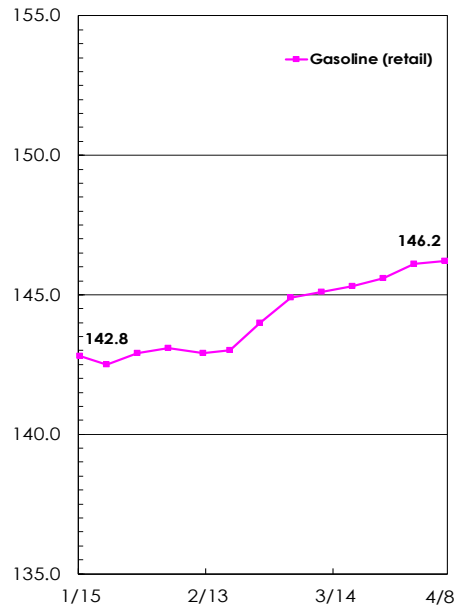


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/31 ~ 4/6	928	▼ -115	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	976	▲ 65	▼ -	
	Exports	"	0	▼ -122	▼ -	
	Inventories	4/6	1,570	▼ -49	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/2 ~ 4/8	62.7	▲ 1.4	▲ 2.7	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/2 ~ 4/8	60.1	▲ 2.3	▲ 1.9
		(TOCOM/Chubu)	4/8	62.5	▲ 2.0	▲ 3.8
	Retail prices [weekly trend] (published by ANRE)	4/8	146.2	▲ 0.1	▲ 2.9	

*Gyoten and futures prices are before tax

(¥/L)

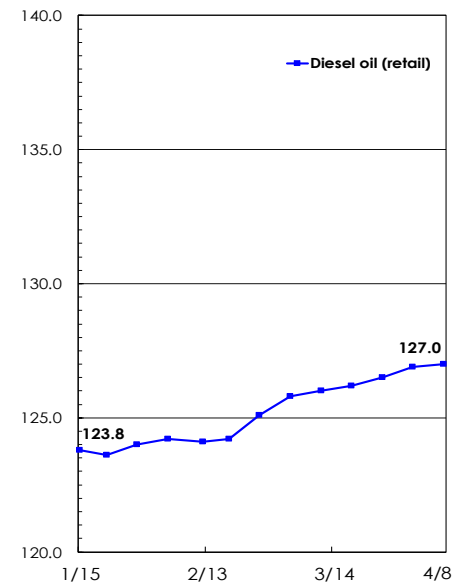


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/31 ~ 4/6	777	▼ -17	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	628	▼ -38	▼ -	
	Exports	"	86	▼ -296	▼ -	
	Inventories	4/6	1,398	▲ 64	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/2 ~ 4/8	65.1	▲ 0.2	▲ 3.9	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/2 ~ 4/8	66.1	▲ 1.2	▲ 5.2
		(TOCOM/Chubu)	4/8	-	-	-
	Retail prices [weekly trend] (published by ANRE)	4/8	127.0	▲ 0.1	▲ 5.0	

*Gyoten and futures prices are before tax

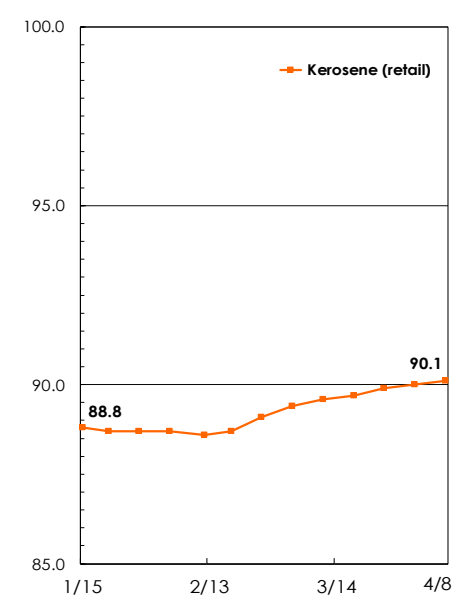
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/31 ~ 4/6	227	▼ -111	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	376	▲ 38	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	4/6	1,182	▼ -149	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/2 ~ 4/8	64.6	▲ 0.4	▲ 2.0	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/2 ~ 4/8	64.0	▲ 1.6	▲ 4.8
		(TOCOM/Chubu)	4/8	64.2	▲ 1.7	▲ 4.2
	Retail prices [weekly trend] (published by ANRE)	4/8	90.1	▲ 0.1	▲ 2.3	

(¥/L)



Relevant Information

1 Overseas crude oil prices

On April 10, the most frequently traded crude oil futures contract on NYMEX staged a rally as OPEC in its monthly report stated that an OPEC-plus concerted oil production cut in March outpaced an increase in other oil producing countries, with Venezuelan output slipping below 1 million barrels per day, and the EIA in its weekly report stated that U.S. gasoline inventories posted a weekly drop of 7.7 million barrels against a market-forecast decrease of 1 million barrels. However, the rally was restricted by the fact that U.S. crude oil inventories in the EIA report expanded by 7 million barrels for the third straight weekly rise, running counter to a market-forecast fall of 0.4 million barrels. The May contract closed at \$64.61/bbl, up \$0.63/bbl. The June contract rose by \$0.69/bbl to \$64.65/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 8 rose by 5.4 cents per gallon from a week earlier to \$2.745/gal (81.4 yen/l). The average diesel oil price decreased by 1.5 cents/gal to \$3.093/gal (91.8 yen/l). The gasoline price increased for the ninth straight week, while the diesel price rose 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 March 31-April 6 week stood at 244,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week increased by 20,000 kl from the previous week to 3,509,000 kl. From a year earlier, it decreased by 168,000 kl. The topper capacity utilization rate stood at 89.6%, up 0.5 points from the previous week and down 4.3 points from a year earlier.

Production increased from the previous week for jet fuel and decreased for other petroleum products. Output was down 11.0% for gasoline, up 21.0% for jet fuel, down 32.8% for kerosene, down 2.2% for diesel oil, down 9.6% for Fuel Oil A and down 32.3% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, down 2,000 kl from the previous week. Diesel oil exports aggregated 86,000 kl, down 296,000 kl.

Shipments (excluding imports) in the week increased from the previous week for gasoline, kerosene and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments expanded for jet fuel, kerosene and Fuel Oil A and fell for others. Gasoline shipments increased by 7.2% from the previous week to 976,000 kl for the first rise in two weeks, remaining below 1 million kl for 14 months on end. Shipments totaled 81,000 kl for jet fuel (down 38.4% from the previous

week), 376,000 kl for kerosene (up 11.2%), 628,000 kl for diesel oil (down 5.7%), 229,000 kl for Fuel Oil A (up 0.6%) and 95,000 kl for Fuel Oil C (down 46.1%).

(Unit: 1,000 kl)

	This week (3/31 ~ 4/6)	Previous week (3/24 ~ 3/30)	From a week earlier
Gasoline	976	911	▲ 65 (7%)
Jet fuel	81	131	▼ -50 (-38%)
Kerosene (heating Oil)	376	338	▲ 38 (11%)
Diesel oil	628	666	▼ -38 (-6%)
Fuel oil A	229	228	▲ 1 (0%)
Fuel Oil C	95	176	▼ -81 (-46%)
Total	2,385	2,450	▼ -65 (-3%)

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 April 6 increased from a week earlier for jet fuel, diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories increased for diesel oil and Fuel Oil C and decreased for others.

Gasoline inventories totaled 1,570,000 kl, down 49,000 kl from a week earlier and down 130,000 kl from a year earlier.

Kerosene inventories totaled 1,182,000 kl, down 149,000 from a week earlier and down 336,000 kl from a year earlier.

Diesel oil inventories totaled 1,398,000 kl, up 64,000 kl from a week earlier and up 74,000 kl from a year earlier.

Fuel Oil A inventories totaled 743,000 kl, down 13,000 kl from a week earlier and down 3,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,947,000 kl, up 43,000 kl from a week earlier and up 12,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/6)	Previous week (3/30)	From a week earlier
Gasoline	1,570	1,619	▼ -49 (-3%)
Jet fuel	876	808	▲ 68 (8%)
Kerosene (heating Oil)	1,182	1,331	▼ -149 (-11%)
Diesel oil	1,398	1,334	▲ 64 (5%)
Fuel oil A	743	756	▼ -13 (-2%)
Fuel Oil C	1,947	1,904	▲ 43 (2%)
Total	7,716	7,752	▼ -36 (-0.5%)

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

In the April 2-8 week, crude oil cost might have risen from the previous week, as crude oil price hikes coincided with the yen's depreciation.

Onshore cargo spot prices during the April 2-8 week rose in a 116-117 yen/l range for gasoline, fell slightly in a 64-66 yen/l range for diesel oil and leveled off in a 64-65 yen/l range for kerosene.

Offshore barge spot prices during the week rose in a 116-118 yen/l range for gasoline, leveled off in a 66-68 yen/l range for diesel oil and dropped and shot up in a 63-66 yen/l range for kerosene.

The key futures price during the week rose sharply in a 113-115 yen/l range for gasoline, rose and leveled off in a 65-67 yen/l range for diesel oil and shot up in a 63-65 yen/l range for kerosene.

For the next week, major Motouri companies raised their wholesale prices by 2.0 yen/l for gasoline, kerosene and diesel oil.

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

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

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the April 2-8 week) that influences Motouri's wholesale prices applied to the second week of April (April 11-17) rose by 1.4 yen/l from the previous week for gasoline, by 0.4 yen/l for kerosene and by 0.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.4 yen/l for gasoline, by 0.6 yen/l for kerosene and by 1.3 yen/l for diesel oil.

The key futures price rose by 2.3 yen/l for gasoline, by 1.6 yen/l for kerosene and by 1.2 yen/l for diesel oil.

For the third week of April, major Motouri companies increased their wholesale prices by 2.0 yen/l from the previous week 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 (4/2 ~ 4/8)	Previous week (3/26 ~ 4/1)	From a week earlier
Spot Prices	Regular	62.7	▲ 1.4
	Kerosene	64.6	▲ 0.4
	Diesel oil	65.1	▲ 0.2

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (4/2 ~ 4/8)	Previous week (3/26 ~ 4/1)	From a week earlier
Futures Price	Regular	60.1	▲ 2.3
	Kerosene	64.0	▲ 1.6
	Diesel oil	66.1	▲ 1.2

Above prices are before tax.

Reference (April 2 - April 8 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.4	▲ 2.3	▲ 1.8
Kerosene	▲ 0.4	▲ 1.6	▲ 1.0
Diesel oil	▲ 0.2	▲ 1.2	▲ 0.7
Fuel Oil A	▲ 0.2		

(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 April 8 increased by 0.1 yen/l from a week earlier to 146.2 yen/l for gasoline, by 0.1 yen/l to 127.0 yen/l for diesel oil and by 2 yen to 1,622 yen for kerosene on an 18-liter tank basis (or by 0.1 yen/l to 90.1 yen/l). The gasoline, diesel and kerosene prices rose for the eighth straight week. Gasoline prices increased in 29 of Japan's 47 prefectures, remained unchanged in six and decreased in 12. The lowest gasoline price among the prefectures was 138.3 yen/l in Tokushima Prefecture (up 0.5 yen/l from a week earlier). The second lowest was 141.8 yen/l in Saitama (up 0.2 yen/l). The highest price was 157.7 yen/l in Nagasaki (up 0.4 yen/l). Logging the sharpest price rise of 1.0 yen/l was Miyagi (145.2 yen/l). Gasoline prices leveled off in Kochi and five other prefectures. Posting the steepest decline of 0.6 yen/l were Hokkaido (146.6 yen/l) and Shizuoka (147.2 yen/l).

As crude oil cost fell last week, major Motouri companies cut their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for this week.

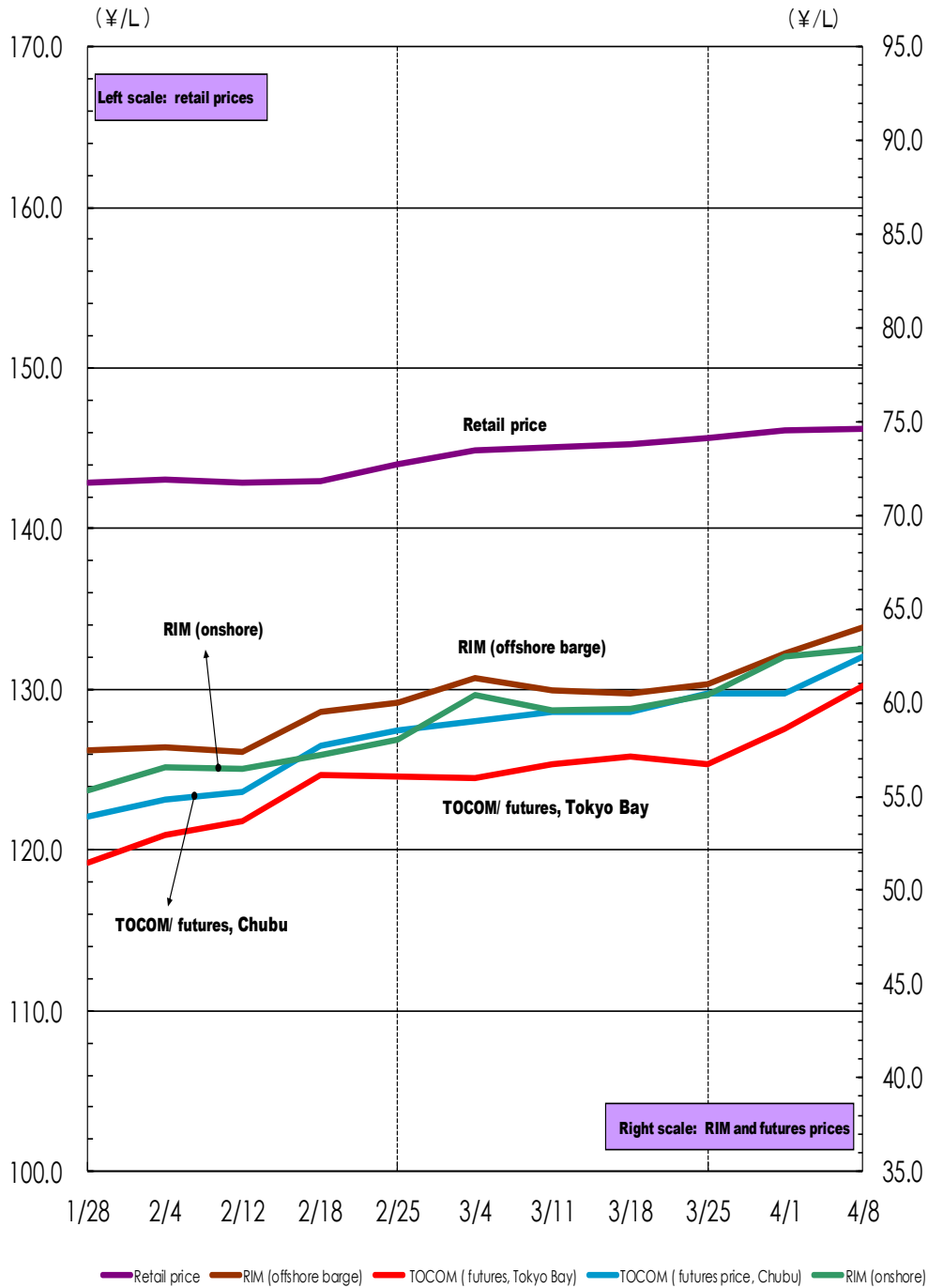
Crude oil cost increased this week as crude oil price hikes coincided with the yen's depreciation. Motouri raised their wholesale prices by 2.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to rise next week (as of April 15).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)				
	This week (4/8)	Previous week (4/1)	From a week earlier	Latest high		
Retail Price	Regular	146.2	146.1	▲ 0.1	08/8/4	185.1
	Kerosene	90.1	90.0	▲ 0.1	08/8/11	132.1
	Diesel oil	127.0	126.9	▲ 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

(2019/1/28 ~ 2019/4/8)



(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. 3 for 2019) will be announced at 14:00 on April 26.

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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).