

Oil Market Review in Japan No. 03/2019

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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 April 4-10 week moved within a range between \$62.10 per barrel and \$64.61/bbl.

On April 11, the May contract turned down as the IEA (International Energy Agency) in its monthly oil market report pointed out potential downside risks for oil demand through global economic deceleration while leaving its oil demand outlook for 2019 unchanged. Downward pressure on oil futures also came from a media report that quoted sources close to the matter as saying that if Iran and Venezuela continued to reduce oil production, OPEC (Organization of the Petroleum Exporting Countries) would choose to increase production. The key contract closed at \$63.58/bbl, down \$1.03/bbl from the previous day.

On April 12, the May contract rallied on Libyan National Oil Corporation Chairman Mustafa Sanalla's remark indicating a possible halt to the state-run company's oil production amid the escalating civil war and on a sharp decline in Venezuelan oil production in March as noted in the previous day's monthly IEA report. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two from a week earlier to 833 for the second straight weekly rise. The key contract gained \$0.31/bbl to \$63.89/bbl.

On April 15, the May contract turned down on a TASS news agency report quoting Russian Finance Minister Anton Siluanov as indicating that Russia and OPEC could decide to increase oil production to compete with the United States for greater market shares, pushing down crude oil prices to around \$40/bbl. The key contract lost \$0.49/bbl to \$63.40/bbl.

On April 16, the key contract rebounded on concern about a further oil production decline through the escalation of Libya's civil war and economic sanctions on Iran and Venezuela. However, the rebound was restricted by Russia's recent negative attitude toward the potential extension of the OPEC-plus concerted production cut and a U.S. crude oil inventory increase forecast ahead of the next day's weekly EIA (Energy Information Administration) oil inventory report. The May contract increased by \$0.65/bbl to \$64.05/bbl.

On April 17, the key contract turned down as the EIA reported that U.S. crude oil inventories posted a weekly decrease of 1.4 million barrels, slower than a fall reported by the API (American Petroleum Institute) on the previous day, and that gasoline inventories logged a slower-than-expected fall of 1.2 million barrels. The crude oil inventory fall was the first in four weeks. The May contract lost \$0.29/bbl to \$63.76/bbl.

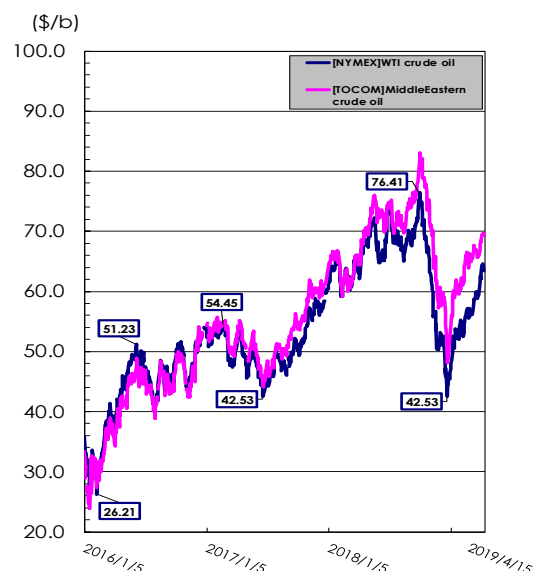
The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$68.90/bbl and \$70.40/bbl in the April 4-10 week. It closed at \$70.40/bbl on April 11, at \$70.10/bbl on April 12, at \$70.30/bbl on April 15, at \$70.00/bbl on April 16 and at \$71.20/bbl on April 17.

On the foreign exchange market in the April 4-10 week, the dollar moved within a range between 111.20 and 111.81 yen. It changed hands at 111.11 yen in late trading on April 11, at 111.80 yen on April 12, at 112.01 yen on April 15, at 112.00 yen on April 16 and at 112.14 yen on April 17.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 17, the average crude oil import CIF price in the March 21-31 period stood at 46,869 yen/kl (kiloliter), up 824 yen/kl from the previous 10-day period. In dollars, the price was \$66.83/bbl, up \$1.04/bbl. The average exchange rate was 111.48 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in March came to 45,818 yen/kl, up 2,934 yen/kl from the previous month. In dollars, the price was \$65.52/bbl, up \$3.33/bbl. The average exchange rate was 111.17 yen to the dollar.

Japan's average retail price on April 15 increased by 1.0 yen/l from a week earlier for gasoline, by 0.9 yen/l for diesel oil and by 10 yen for kerosene on an 18-liter tank basis. The gasoline, diesel and kerosene prices rose for the ninth straight week. As crude oil cost rose in the third week of April, Motouri companies raised their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

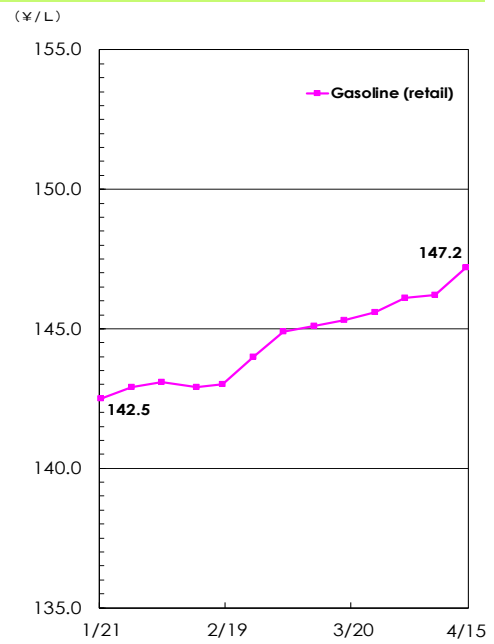
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	4/7 ~ 4/13	3,476	▼ -33	▼ -	
	Topper capacity utilization rate (%)	"	88.8	▼ -0.8	▼ -	
	Crude oil inventories (1,000 kl)	4/13	12,905	▲ 813	▲ -	
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/15	69.42	▼ -0.05	▲ 1.6	
	WTI crude oil (NYMEX) (\$/bbl)	4/15	63.40	▼ -1.00	▼ -2.8	
	Crude oil import CIF price (\$/bbl)	Late Mar	66.83	▲ 1.04	▲ 0.04	
	① Crude oil import CIF price (yen/kl)	"	46,869	▲ 824	▲ 2,105	
	② Yen-dollar exchange rate (yen/dollar)	"	111.48	▼ -0.21	▼ -4.92	
	TTS exchange rate (yen/dollar)	4/15	113.01	▼ -0.57	▼ -4.50	



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/7 ~ 4/13	939 ▲ 12	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	929 ▼ -47	▲ -	
	Exports	"	0 ➡ 0	▼ -	
	Inventories	4/13	1,581 ▲ 11	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/9 ~ 4/15	64.1 ▲ 1.4	▲ 4.1	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/9 ~ 4/15	61.6 ▲ 1.5	▲ 1.7
		(TOCOM/Chubu)	4/15	64.0 ▲ 1.5	▲ 4.5
	Retail prices [weekly trend] (published by ANRE)	4/15	147.2 ▲ 1.0	▲ 3.9	

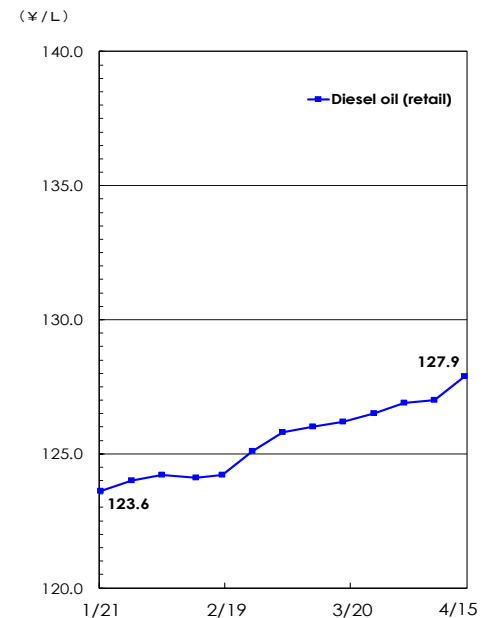
*Gyoten and futures prices are before tax



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

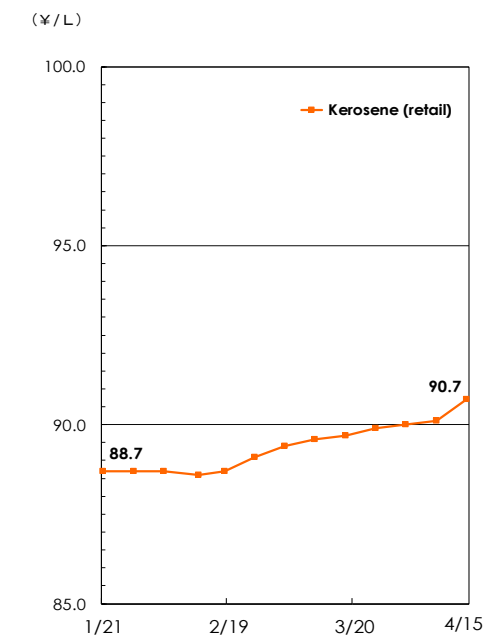
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	4/7 ~ 4/13	732 ▼ -45	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	647 ▲ 19	▲ -	
	Exports	"	142 ▲ 56	▲ -	
	Inventories	4/13	1,340 ▼ -58	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/9 ~ 4/15	66.3 ▲ 1.2	▲ 5.0	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/9 ~ 4/15	66.7 ▲ 0.6	▲ 5.7
		(TOCOM/Chubu)	4/15	-	-
	Retail prices [weekly trend] (published by ANRE)	4/15	127.9 ▲ 0.9	▲ 5.9	

*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	4/7 ~ 4/13	206 ▼ -21	▲ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	267 ▼ -109	▼ -	
	Exports	"	0 ➡ 0	➡ -	
	Inventories	4/13	1,121 ▼ -61	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	4/9 ~ 4/15	66.3 ▲ 1.7	▲ 4.3	
	Futures [front-month contract/closing price]	(TOCOM/Tokyo Bay)	4/9 ~ 4/15	65.5 ▲ 1.5	▲ 4.8
		(TOCOM/Chubu)	4/15	64.2 ➡ 0.0	▲ 3.7
	Retail prices [weekly trend] (published by ANRE)	4/15	90.7 ▲ 0.6	▲ 3.0	



Relevant Information

1 Overseas crude oil prices

On April 17, the most frequently traded crude oil futures contract on NYMEX turned down as the EIA reported that U.S. crude oil inventories posted a weekly decrease of 1.4 million barrels, far slower than a drop released by the API on the previous day, against a market forecast increase of 1.7 million barrels, while gasoline inventories logged a decline of 1.2 million barrels against a market-forecast fall of 2.1 million barrels. A reported division in the OPEC-plus group over the extension of the group's concerted production cut into the second half of this year also contributed to the downturn. The EIA-reported crude oil inventory decrease was the first in four weeks. The May contract closed at \$63.76/bbl, down \$0.29/bbl. The June contract fell by \$0.32/bbl to \$63.87/bbl.

According to the EIA, the average U.S. retail price of gasoline as of April 15 rose by 8.3 cents per gallon from a week earlier to \$2.828/gal (84.3 yen/l). The average diesel oil price increased by 2.5 cents/gal to \$3.118/gal (93.0 yen/l). The gasoline price increased for the 10th straight week, while the diesel price rose for the second 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 April 7-13 week stood at 248,000 barrels per day, up 4,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 33,000 kl from the previous week to 3,476,000 kl. From a year earlier, it decreased by 174,000 kl. The topper capacity utilization rate stood at 88.8%, down 0.8 points from the previous week and down 4.4 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and Fuel Oil A and decreased for other petroleum products. Output was up 1.3% for gasoline, up 3.8% for jet fuel, down 9.4% for kerosene, down 5.8% for diesel oil, up 9.2% for Fuel Oil A and down 5.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 7,000 kl, up 7,000 kl from the previous week. Diesel oil exports aggregated 142,000 kl, up 56,000 kl.

Shipments (excluding imports) in the week increased from the previous week for diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil C and fell for others. Gasoline shipments decreased by 4.8% from the previous week to 929,000 kl for the second straight weekly drop, remaining below 1 million kl for 15 months on end. Shipments totaled 76,000 kl for jet fuel (down 5.5% from the previous week),

267,000 kl for kerosene (down 29.1%), 647,000 kl for diesel oil (up 3.1%), 200,000 kl for Fuel Oil A (down 12.8%) and 186,000 kl for Fuel Oil C (up 95.4%).

(Unit: 1,000 kl)

	This week (4/7 ~ 4/13)	Previous week (3/31 ~ 4/6)	From a week earlier
Gasoline	929	976	▼ -47 (-5%)
Jet fuel	76	81	▼ -5 (-6%)
Kerosene (heating Oil)	267	376	▼ -109 (-29%)
Diesel oil	647	628	▲ 19 (3%)
Fuel oil A	200	229	▼ -29 (-13%)
Fuel Oil C	186	95	▲ 91 (96%)
Total	2,305	2,385	▼ -80 (-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 13 increased from a week earlier for gasoline, jet fuel and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories increased for Fuel Oil A and decreased for others.

Gasoline inventories totaled 1,581,000 kl, up 11,000 kl from a week earlier and down 162,000 kl from a year earlier.

Kerosene inventories totaled 1,121,000 kl, down 61,000 from a week earlier and down 289,000 kl from a year earlier.

Diesel oil inventories totaled 1,340,000 kl, down 58,000 kl from a week earlier and down 25,000 kl from a year earlier.

Fuel Oil A inventories totaled 752,000 kl, up 9,000 kl from a week earlier and up 39,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,916,000 kl, down 31,000 kl from a week earlier and down 96,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/13)	Previous week (4/6)	From a week earlier
Gasoline	1,581	1,570	▲ 11 (1%)
Jet fuel	971	876	▲ 95 (11%)
Kerosene (heating Oil)	1,121	1,182	▼ -61 (-5%)
Diesel oil	1,340	1,398	▼ -58 (-4%)
Fuel oil A	752	743	▲ 9 (1%)
Fuel Oil C	1,916	1,947	▼ -31 (-2%)
Total	7,681	7,716	▼ -35 (-0.5%)

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

In the April 9-15 week, crude oil cost might have risen from the previous week, as crude oil price hikes exceeded the effect of the yen's slight appreciation.

Onshore cargo spot prices during the April 9-15 week shot up and leveled off in a 116-119 yen/l range for gasoline, in a 64-67 yen/l range for diesel oil and in a 64-67 yen/l range for kerosene.

Offshore barge spot prices during the week shot up and leveled off in a 117-120 yen/l range for gasoline, rose and leveled off in a 67-68 yen/l range for diesel oil and increased and fell back in a 65-67 yen/l range for kerosene.

The key futures price during the week soared in a 114-117 yen/l range for gasoline, rose in a 66-68 yen/l range for diesel oil and increased and fell back in a 65-66 yen/l range for kerosene.

For the next week, Motouri companies raised their wholesale prices by 1.0 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 9-15 week) that influences Motouri's wholesale prices applied to the fourth week of April (April 18-24) rose by 1.4 yen/l from the previous week for gasoline, by 1.7 yen/l for kerosene and by 1.2 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.9 yen/l for gasoline, by 1.9 yen/l for kerosene and by 0.5 yen/l for diesel oil.

The key futures price rose by 1.5 yen/l for gasoline, by 1.5 yen/l for kerosene and by 0.6 yen/l for diesel oil.

For the fourth week of April, major Motouri companies increased their wholesale prices by 1.0 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 (4/9 ~ 4/15)	Previous week (4/2 ~ 4/8)	From a week earlier
Spot Prices			
Regular	64.1	62.7	▲ 1.4
Kerosene	66.3	64.6	▲ 1.7
Diesel oil	66.3	65.1	▲ 1.2

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)	
[Average]	This week (4/9 ~ 4/15)	Previous week (4/2 ~ 4/8)	From a week earlier
Futures Price			
Regular	61.6	60.1	▲ 1.5
Kerosene	65.5	64.0	▲ 1.5
Diesel oil	66.7	66.1	▲ 0.6

Above prices are before tax.

Reference (April 9 - April 15 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 1.4	▲ 1.5	▲ 1.5
Kerosene	▲ 1.7	▲ 1.5	▲ 1.6
Diesel oil	▲ 1.2	▲ 0.6	▲ 0.9
Fuel Oil A	▲ 1.1		

(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 April 15 increased by 1.0 yen/l from a week earlier to 147.2 yen/l for gasoline, by 0.9 yen/l to 127.9 yen/l for diesel oil and by 10 yen to 1,632 yen for kerosene on an 18-liter tank basis (or by 0.6 yen/l to 90.7 yen/l). The gasoline, diesel and kerosene prices rose for the ninth straight week. Gasoline prices increased in 42 of Japan's 47 prefectures, remained unchanged in four and decreased in one. The lowest gasoline price among the prefectures was 140.5 yen/l in Tokushima Prefecture (up 2.2 yen/l from a week earlier). The second lowest was 142.4 yen/l in Saitama (up 0.6 yen/l). The highest price was 157.7 yen/l in Nagasaki (unchanged). Logging the sharpest price rise of 2.8 yen/l was Okayama (145.2 yen/l). Gasoline prices leveled off in Nagasaki and three other prefectures. The only prefecture logging a gasoline price fall was Kagawa, where the price dropped by 0.1 yen/l to 145.6 yen/l.

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

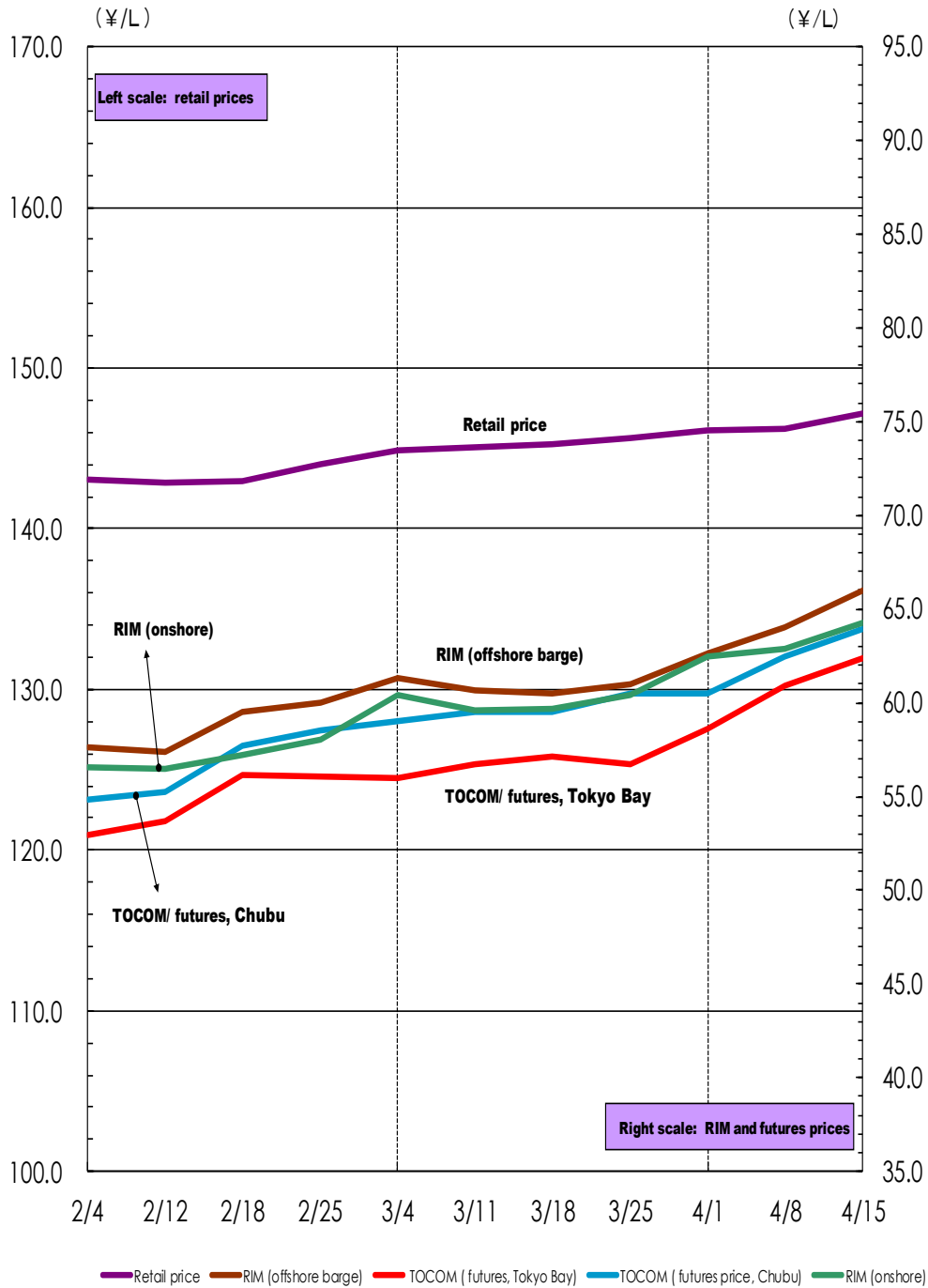
Crude oil cost increased this week as crude oil price hikes exceeded the effect of the yen's slight appreciation against the dollar. Motouri raised their wholesale prices by 1.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to rise next week (as of April 22).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)		
	This week (4/15)	Previous week (4/8)	From a week earlier	Latest high
Retail Price				
Regular	147.2	146.2	▲ 1.0	08/8/4 185.1
Kerosene	90.7	90.1	▲ 0.6	08/8/11 132.1
Diesel oil	127.9	127.0	▲ 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

(2019/2/4 ~ 2019/4/15)



(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. 4 for 2019) will be announced at 14:00 on May 10.

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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).