

# Oil Market Review in Japan No. 46/2019

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the February 20-26 week moved within a range between \$48.73 per barrel and \$53.78/bbl.

On February 27, the April contract dropped for the fifth straight trading day as concern about a global recession grew amid the expansion of the new coronavirus epidemic. Goldman Sachs forecast major U.S. companies' profit growth rate at zero for 2020. The U.S. stock market took a plunge. Financial markets generally became bearish. The key contract closed at \$47.09/bbl, down \$1.64/bbl from the previous day.

On February 28, the key contract extended its losing streak to six trading days and slipped below \$45/bbl as concern grew about an oil demand fall accompanying a global economic slowdown. Media reports that Saudi Arabia would propose 1 million barrels per day in additional joint production cuts at a March 5-6 meeting of OPEC (Organization of the Petroleum Exporting Countries) and other oil-producing countries failed to lead to proactive buying. Baker Hughes reported that the number of operating U.S. oil-drilling rigs fell by one from a week earlier to 678. The April contract finished \$2.33/bbl lower at \$44.76/bbl.

On March 2, the key contract rallied for the first time in seven trading days, encouraged by reports that the U.S. Federal Reserve and other major central banks were considering monetary easing measures including interest rate cuts. Also supporting the rally was a growing view that Russia would reverse its negative attitude on additional oil production cuts at a weekend OPEC-plus meeting. The April contract gained \$1.99/bbl to \$46.75/bbl.

On March 3, the key contract rose further as the Fed's announcement of emergency interest rate cuts led to growing hopes for an economic pickup and the dollar's depreciation against the euro. Speculation about the OPEC-plus group's expected enhancement of joint production cuts also supported the rise. The April contract gained \$0.43/bbl to \$47.18/bbl.

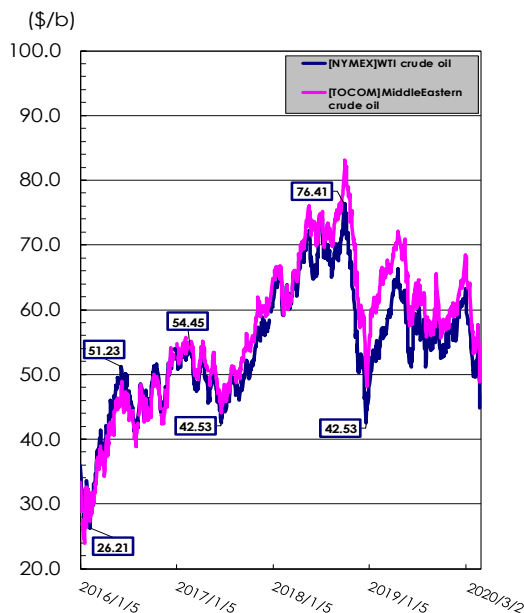
On March 4, the key contract turned down for the first time in three days as Russia was reported as opposing additional joint oil production cuts to be considered at an extraordinary OPEC meeting on March 5 and a ministerial OPEC-plus meeting on March 6 in response to economic stagnation through the new coronavirus epidemic. The decline was restricted by a weekly EIA (Energy Information Administration) oil inventory report including a far-slower-than-forecast weekly increase in U.S. crude oil inventories. The April contract lost \$0.40/bbl to \$46.78/bbl.

The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market ranged between \$52.70/bbl and \$57.50/bbl in the February 20-26 week. It closed at \$50.60/bbl on February 27, at \$48.50/bbl on February 28, at \$50.30/bbl on March 2, at \$51.60/bbl on March 3 and at \$51.60/bbl on March 4.

On the foreign exchange market in the February 20-26 week, the dollar moved within a range between 110.31 and 112.11 yen. It changed hands at 110.32 yen in late trading on February 27, at 109.43 yen on February 28, at 107.66 yen on March 2, at 108.24 yen on March 3 and at 107.36 yen on March 4.

Japan's average retail price on March 2 fell by 0.2 yen/l from a week earlier for gasoline, by 0.2 yen/l for diesel oil and by 3 yen for kerosene on an 18-liter tank basis. The gasoline price dropped for the sixth straight week. The diesel oil and kerosene prices declined for the fifth straight week. As crude oil cost plunged in the first week of March, Motouri companies cut their wholesale prices by 4.0 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)	2/23 ~ 2/29	3,219	▼ -83	▼ -
	Topper capacity utilization rate (%)	"	82.2	▼ -2.1	▼ -
	Crude oil inventories (1,000 kl)	2/29	10,755	▼ -10	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/2	50.85	▼ -3.97	▼ -14.0
	WTI crude oil (NYMEX) (\$/bbl)	3/2	46.75	▼ -4.68	▼ -9.8
	Crude oil import CIF price (\$/bbl)	Early Feb	71.71	▲ 0.89	▲ 9.45
	① Crude oil import CIF price (yen/kl)	"	49,482	▲ 753	▲ 6,548
	② Yen-dollar exchange rate (yen/dollar)	"	109.70	▼ -0.31	▼ -0.06
	TTS exchange rate (yen/dollar)	3/2	108.66	▲ 3.25	▲ 4.37

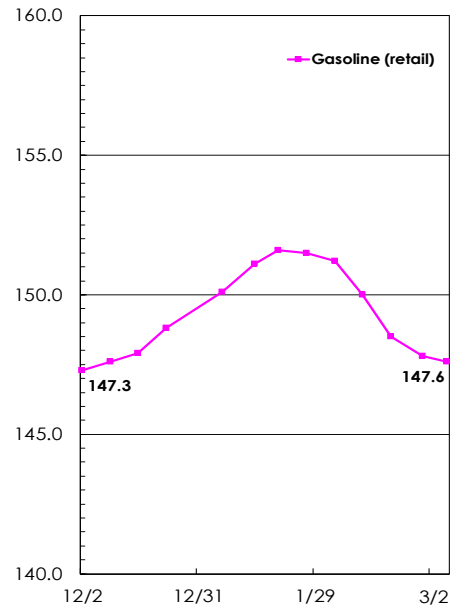


(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/23 ~ 2/29	939	▲ 56	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	833	▼ -19	▼ -	
	Exports	"	79	▲ 60	▼ -	
	Inventories	2/29	1,723	▲ 28	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/25 ~ 3/2	55.4	▲ 0.5	▼ -4.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/25 ~ 3/2	49.9	▼ -3.8	▼ -5.1
		(TOCOM/ Chubu)	3/2	49.5	▼ -5.5	▼ -9.5
	Retail prices [weekly trend] (published by ANRE)	3/2	147.6	▼ -0.2	▲ 2.7	

\*Gyoten and futures prices are before tax

(¥/L)

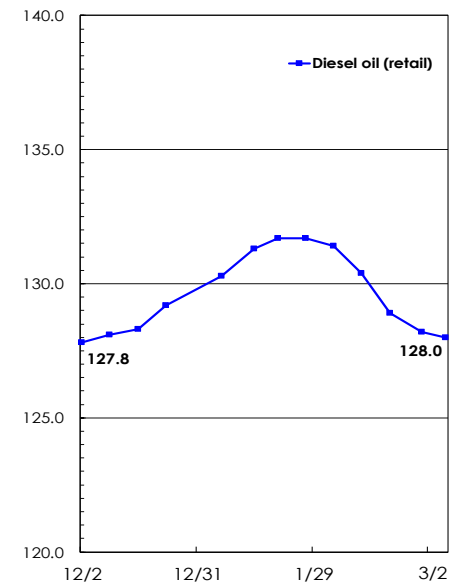


(Unit: 1,000 kl, yen/l)

Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/23 ~ 2/29	766	▲ 22	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	582	▼ -138	▼ -	
	Exports	"	303	▲ 125	▲ -	
	Inventories	2/29	1,341	▼ -119	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/25 ~ 3/2	59.0	▲ 0.7	▼ -4.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/25 ~ 3/2	59.6	▼ -3.3	▼ -4.4
		(TOCOM/ Chubu)	3/2	-	-	-
	Retail prices [weekly trend] (published by ANRE)	3/2	128.0	▼ -0.2	▲ 2.2	

\*Gyoten and futures prices are before tax

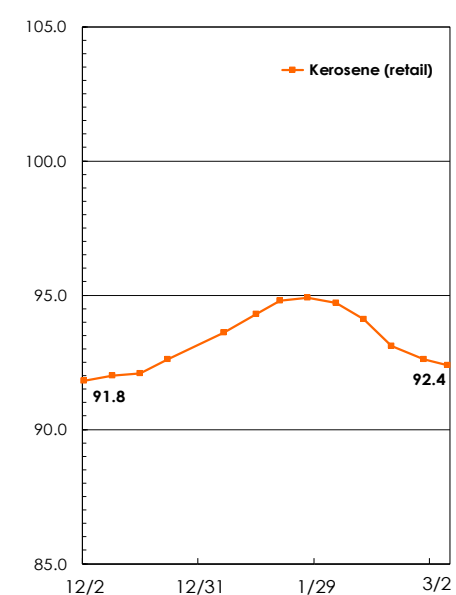
(¥/L)



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

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/23 ~ 2/29	348	▲ 84	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	386	▼ -78	▲ -	
	Exports	"	0	➡ 0	➡ -	
	Inventories	2/29	1,562	▼ -37	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/25 ~ 3/2	58.1	▲ 0.2	▼ -4.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/25 ~ 3/2	52.0	▼ -4.3	▼ -9.6
		(TOCOM/ Chubu)	3/2	53.0	▼ -5.0	▼ -6.0
	Retail prices [weekly trend] (published by ANRE)	3/2	92.4	▼ -0.2	▲ 3.0	

(¥/L)



## Relevant Information

### 1 Overseas crude oil prices

On March 4, buying outpaced selling in early trading on NYMEX. As Russia was reported as opposing a proposal for 1 million bpd in additional joint oil production cuts to be considered at an extraordinary OPEC meeting on March 5 and a ministerial OPEC-plus meeting on March 6 in response to concern over economic stagnation through the new coronavirus epidemic, however, the most frequently traded oil futures contract on NYMEX turned down for the first time in three days. The decline was apparently restricted by the Fed's emergency interest cuts on the previous day, as well as the weekly EIA report that included a weekly increase of 0.8 million barrels against a market-forecast rise of 3.1 million barrels in U.S. crude oil inventories and faster-than-forecast drops in gasoline and middle distillate inventories. The April contract lost \$0.40/bbl to \$46.78/bbl. The May contract declined by \$0.38/bbl to \$46.95/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 2 decreased by 4.3 cents per gallon from a week earlier to \$2.423/gal (69.5 yen/l). The average diesel oil price fell by 3.1 cents/gal to \$2.851/gal (81.7 yen/l). The gasoline price fell for the third straight week. The diesel price dropped for the eighth 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 February 23-29 week stood at 370,000 barrels per day, up 13,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 83,000 kl from the previous week to 3,219,000 kl. From a year earlier, it decreased by 377,000 kl. The topper capacity utilization rate stood at 82.2%, down 2.1 points from the previous week and down 9.6 points from a year earlier.

Production decreased from the previous week for jet fuel and Fuel Oil C and increased for other petroleum products. Output was up 6.4% for gasoline, down 6.7% for jet fuel, up 31.8% for kerosene, up 2.9% for diesel oil, up 15.4% for Fuel Oil A and down 2.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kiloliters, up 4,000 kl from the previous week. Diesel oil exports aggregated 303,000 kl, up 125,000 kl.

Shipments (excluding imports) in the week increased from the previous week for Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for kerosene and declined for other petroleum products. Gasoline shipments decreased by 2.3% from the previous week to 833,000 kl for the third straight weekly fall, remaining below 1 million kl for 28 weeks on end. Shipments totaled 10,000 kl for jet fuel (down 76.5% from the previous week), 386,000 kl for kerosene (down 17.0%), 582,000 kl for diesel oil (down 19.2%), 209,000 kl

for Fuel Oil A (down 20.7%) and 106,000 kl for Fuel Oil C (up 8.2%).

(Unit: 1,000 kl)

	This week (2/23 ~ 2/29)	Previous week (2/16 ~ 2/22)	From a week earlier
Gasoline	833	852	▼ -19 (-2%)
Jet fuel	10	41	▼ -31 (-76%)
Kerosene (heating Oil)	386	464	▼ -78 (-17%)
Diesel oil	582	720	▼ -138 (-19%)
Fuel oil A	209	264	▼ -55 (-21%)
Fuel Oil C	106	98	▲ 8 (8%)
<b>Total</b>	<b>2,126</b>	<b>2,439</b>	<b>▼ -313 (-13%)</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 February 29 increased from a week earlier for gasoline and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline and jet fuel and shrank for other petroleum products.

Gasoline inventories totaled 1,723,000 kl, up 28,000 kl from a week earlier and up 134,000 kl from a year earlier.

Kerosene inventories totaled 1,562,000 kl, down 37,000 kl from a week earlier and down 34,000 kl from a year earlier.

Diesel oil inventories totaled 1,341,000 kl, down 119,000 kl from a week earlier and down 168,000 kl from a year earlier.

Fuel Oil A inventories totaled 708,000 kl, up 20,000 kl from a week earlier and down 82,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,805,000 kl, down 62,000 kl from a week earlier and down 155,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (2/29)	Previous week (2/22)	From a week earlier
Gasoline	1,723	1,695	▲ 28 (2%)
Jet fuel	790	843	▼ -53 (-6%)
Kerosene (heating Oil)	1,562	1,599	▼ -37 (-2%)
Diesel oil	1,341	1,460	▼ -119 (-8%)
Fuel oil A	708	688	▲ 20 (3%)
Fuel Oil C	1,805	1,867	▼ -62 (-3%)
<b>Total</b>	<b>7,929</b>	<b>8,152</b>	<b>▼ -223 (-2.7%)</b>

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

During the week to March 2, crude oil cost plunged as sharp crude oil price drops coincided with the yen's appreciation against the dollar.

Onshore cargo spot prices during the week rose and plunged in a 107-111 yen/l range for gasoline, in a 58-60 yen/l range for diesel oil and in a 56-60 yen/l range for kerosene.

Offshore barge spot prices during the week rose and fell back steeply in a 108-113 yen/l range for gasoline, increased and fell in a 60-62 yen/l range for diesel oil and plunged in a 52-58 yen/l range for kerosene.

The key futures price during the week spiraled down in a 101-107 yen/l range for gasoline, in a 58-62 yen/l range for diesel oil and in a 49-55 yen/l range for kerosene.

For the next week, Motouri companies reduced their wholesale prices by 4.0 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 in the week to March 2 dropped from their respective averages in the February 18-24 week, excluding onshore cargo spot prices for gasoline, diesel oil and kerosene and offshore barge spot prices for diesel.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the week to March 2) rose by 0.5 yen/l from the previous week for gasoline, by 0.2 yen/l for kerosene and by 0.7 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.1 yen/l for gasoline and by 2.1 yen/l for kerosene and rose by 0.5 yen/l for diesel oil.

The key futures price fell by 3.8 yen/l for gasoline, by 4.3 yen/l for kerosene and by 3.3 yen/l for diesel oil.

For the second week of March, Motouri companies cut their wholesale prices by 4.0 yen/l for gasoline, diesel oil and kerosene.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (2/25 ~ 3/2)	Previous week (2/18 ~ 2/24)	From a week earlier
<b>Spot Prices</b>			
Regular	55.4	54.9	▲ 0.5
Kerosene	58.1	57.9	▲ 0.2
Diesel oil	59.0	58.3	▲ 0.7

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (2/25 ~ 3/2)	Previous week (2/18 ~ 2/24)	From a week earlier
<b>Futures Price</b>			
Regular	49.9	53.7	▼ -3.8
Kerosene	52.0	56.3	▼ -4.3
Diesel oil	59.6	62.9	▼ -3.3

Above prices are before tax.

Reference (February 25 - March 2 actual data)

Products	Spot	Futures	Average
Gasoline	▲ 0.5	▼ -3.8	▼ -1.6
Kerosene	▲ 0.2	▼ -4.3	▼ -2.0
Diesel oil	▲ 0.7	▼ -3.3	▼ -1.3
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 March 2 decreased by 0.2 yen/l from a week earlier to 147.6 yen/l for gasoline, by 0.2 yen/l to 128.0 yen/l for diesel oil and by 3 yen to 1,663 yen for kerosene on an 18-liter tank basis (or by 0.2 yen/l to 92.4 yen/l). The gasoline price fell for the sixth straight week. The diesel oil and kerosene prices dropped for the fifth straight week.

Gasoline prices increased in eight of Japan's 47 prefectures, leveled off in six and decreased in 33. The lowest gasoline price among the prefectures was 141.7 yen/l in Saitama (down 0.2 yen/l from a week earlier). The second lowest was 142.3 yen/l in Ishikawa (unchanged). The highest price was 160.5 yen/l in Nagasaki (down 0.4 yen/l). Average gasoline prices leveled off in Oita and five other prefectures. Mie posted the largest price hike of 0.7 yen/l to 147.3 yen/l. Tokushima logged the largest price fall of 2.1 yen/l to 145.5 yen/l.

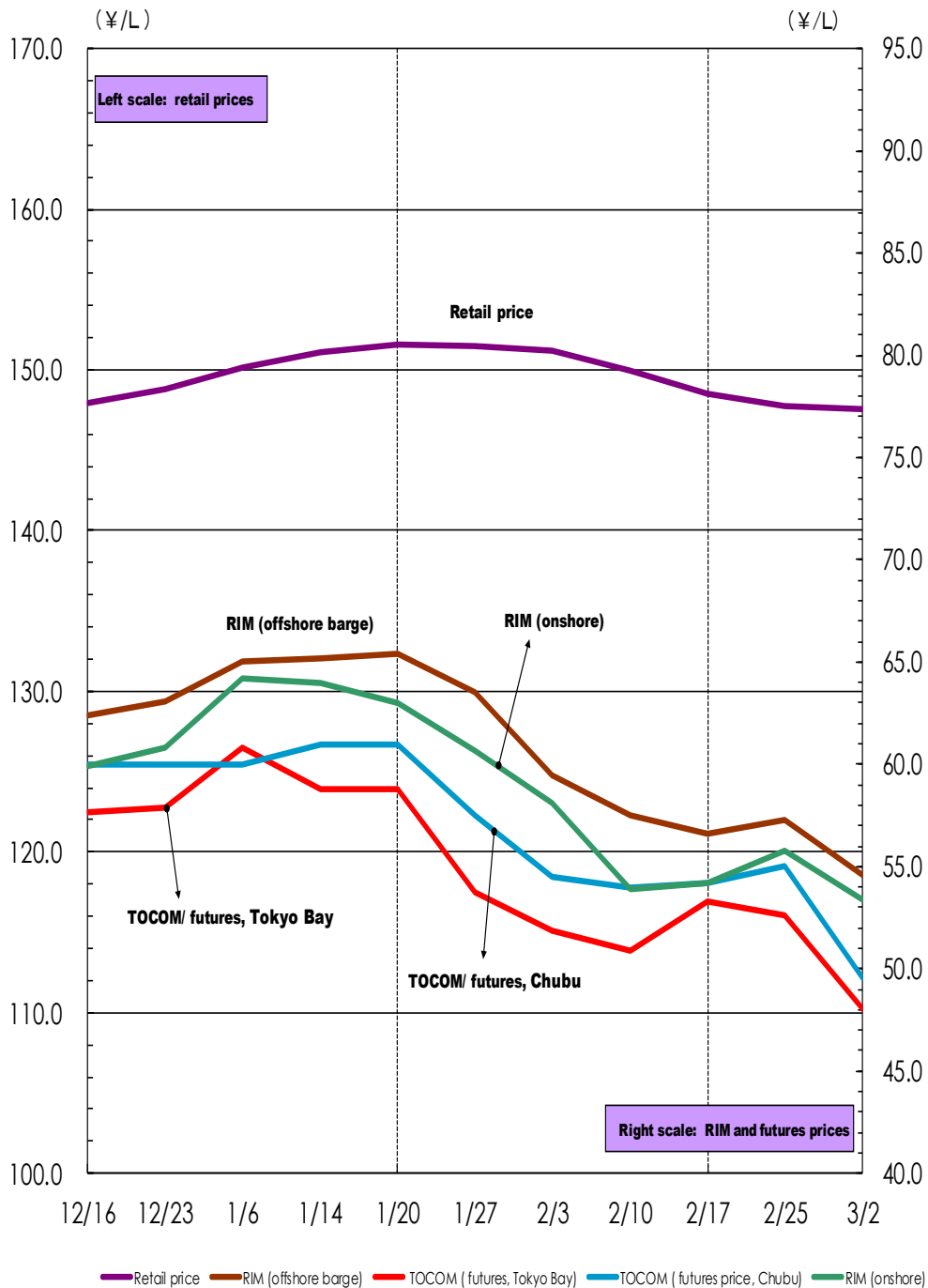
As crude oil cost rose last week, Motouri companies raised their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost plunged this week as sharp crude oil price falls coincided with the yen's appreciation against the dollar. Motouri companies reduced their wholesale prices by 4.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices on the next price survey day (March 9) are expected to decline from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)		
	This week (3/2)	Previous week (2/25)	From a week earlier	Latest high
<b>Retail Price</b>				
Regular	147.6	147.8	▼ -0.2	08/8/4 185.1
Kerosene	92.4	92.6	▼ -0.2	08/8/11 132.1
Diesel oil	128.0	128.2	▼ -0.2	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

(2019/12/16 ~ 2020/3/2)



(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. 47 for 2019) will be announced at 14:00 on March 20.

## 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).