

Oil Market Review in Japan No. 48/2019

March 27, 2020, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

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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 March 5-11 week moved within a range between \$31.13 per barrel and \$45.90/bbl.

On March 12, the April contract fell further on the expansion of the new coronavirus infection and an increase in the number of OPEC (Organization of the Petroleum Exporting Countries) members indicating plans to increase oil production after an OPEC-plus group meeting breakup. U.S. President Donald Trump imposed a 30-day ban on travel from Europe excluding the United Kingdom due to the expanding new coronavirus pandemic, which forced professional basketball games and Major League Baseball pre-season matches to be canceled in the United States. Among OPEC members, the United Arab Emirates, Kuwait and Nigeria indicated oil production expansion plans, following the suit of Saudi Arabia. The key contract closed at \$31.50/bbl, down \$1.48/bbl from the previous day.

On March 13, the key contract rallied as position adjustment and dip buying spread after the plunge until the previous day. A sharp rebound of the U.S. stock market supported oil futures prices. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by one from a week earlier to 683. The April contract finished \$0.23/bbl higher at \$31.73/bbl.

On March 16, the key contract turned down with a steep decline to the lowest level since mid-February 2016 as concern grew about the expansion of the new coronavirus pandemic's economic impacts amid a report that China's factory production in the first two months of this year posted a 13.5% year-on-year plunge, its worst decline in 30 years. Concern also increased about an oil price war through production expansion due to the cancellation of an OPEC-plus meeting scheduled for March 16-18. The U.S. stock market crashed. The Federal Reserve's emergency interest rate cut of 1 percentage point had no big impact on the market. The April contract lost \$3.03/bbl to \$28.70/bbl.

On March 17, the key contract declined further on concern about a potential global recession accompanying the new coronavirus pandemic and about oil production expansion by Saudi Arabia and other oil-producing countries after the OPEC-plus meeting breakup. The U.S. stock market posted the largest ever single-day drop. The April contract lost \$1.75/bbl to \$26.95/bbl.

On March 18, the key contract took another plunge to the lowest level since February 2002 as market players were concerned that oversupply would expand further due to an oil demand decline accompanying the new coronavirus pandemic and an increase in oil production by Saudi Arabia, Russia and other oil-producing countries following the OPEC-plus group meeting breakup. A weekly EIA (Energy Information Administration) oil inventory report stated that U.S. crude oil inventories at the end of the previous week increased for the eighth straight week. The April contract lost \$6.58/bbl to \$20.37/bbl.

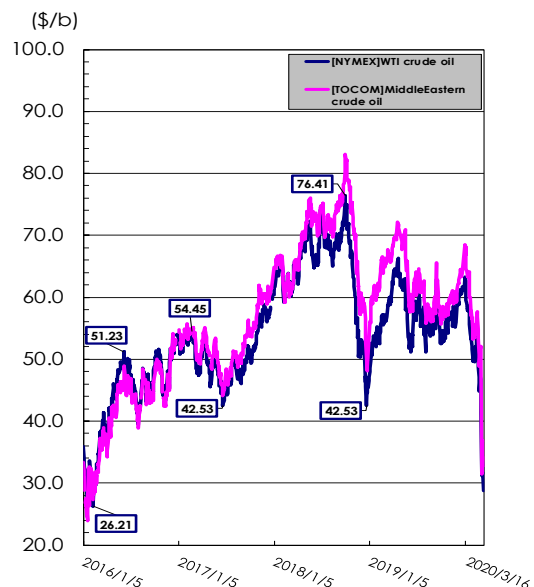
The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market ranged between \$31.30/bbl and \$51.30/bbl in the March 5-11 week. It closed at \$32.20/bbl on March 12, at \$32.70/bbl on March 13, at \$31.80/bbl on March 16, at \$31.10/bbl on March 17 and at \$29.10/bbl on March 18.

On the foreign exchange market in the March 5-11 week, the dollar moved within a range between 102.01 yen and 107.53 yen. It changed hands at 104.60 yen in late trading on March 12, at 105.17 yen on March 13, at 106.91 yen on March 16, at 106.60 yen on March 17 and at 107.39 yen on March 18.

According to preliminary 10-day trade statistics released by the Ministry of Finance on March 18, the average crude oil import CIF price for Japan in the February 21-29 period stood at 48,179 yen/kl (kiloliter), down 210 yen/kl from the previous 10-day period. In dollars, the price was \$69.84/bbl, down \$0.66/bbl. The average exchange rate was 109.69 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 for Japan in February stood at 48,644 yen/kl, up 327 yen/kl from the previous month. In dollars, the price was \$70.62/bbl, up \$0.35/bbl. The average exchange rate was 109.50 yen to the dollar.

Japan's average retail price on March 16 fell by 2.9 yen/l from a week earlier for gasoline, by 2.7 yen/l for diesel oil and by 33 yen for kerosene on an 18-liter tank basis. The gasoline price dropped for the eighth straight week. The diesel oil and kerosene prices declined for the seventh straight week. As crude oil cost plunged in the second week of March, Motouri companies cut their wholesale prices by 8.5-9.0 yen/l for gasoline, diesel oil and kerosene for the next week.

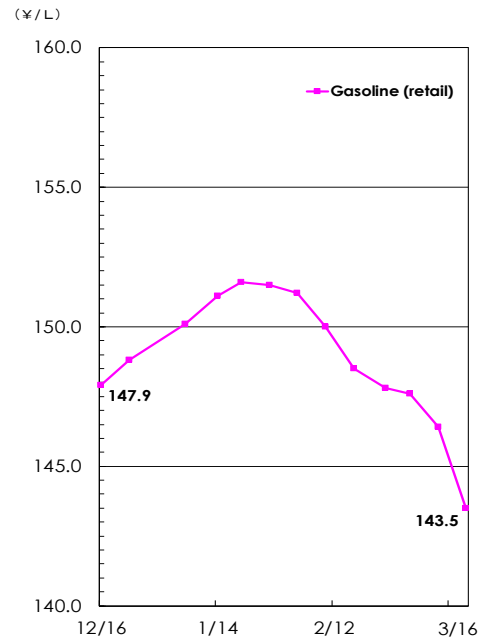
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kt)	3/8 ~ 3/14	3,232	▼ -53	▼ -
	Topper capacity utilization rate (%)	"	82.5	▼ -1.4	▼ -
	Crude oil inventories (1,000 kt)	3/14	11,238	▼ -61	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	3/16	32.81	▲ 1.43	▼ -33.9
	WTI crude oil (NYMEX) (\$/bbl)	3/16	28.70	▼ -2.43	▼ -30.4
	Crude oil import CIF price (\$/bbl)	Late Feb	69.84	▼ -0.66	▲ 7.58
	① Crude oil import CIF price (yen/kl)	"	48,179	▼ -210	▲ 5,245
	② Yen-dollar exchange rate (yen/dollar)	"	109.69	▼ -0.56	▼ -0.05
	TTS exchange rate (yen/dollar)	3/16	107.91	▼ -4.90	▲ 4.67



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

Gasoline			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	3/8 ~ 3/14	950	▲ 5	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	741	▼ -109	▼ -	
	Exports	"	72	▼ -67	▼ -	
	Inventories	3/14	1,817	▲ 138	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/10 ~ 3/16	45.4	▼ -6.1	▼ -14.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 3/10 ~ 3/16	36.4	▼ -8.8	▼ -20.7	
		(TOCOM/ Chubu) 3/16	37.5	▼ -13.0	▼ -22.0	
	Retail prices [weekly trend]	(published by ANRE) 3/16	143.5	▼ -2.9	▼ -1.8	

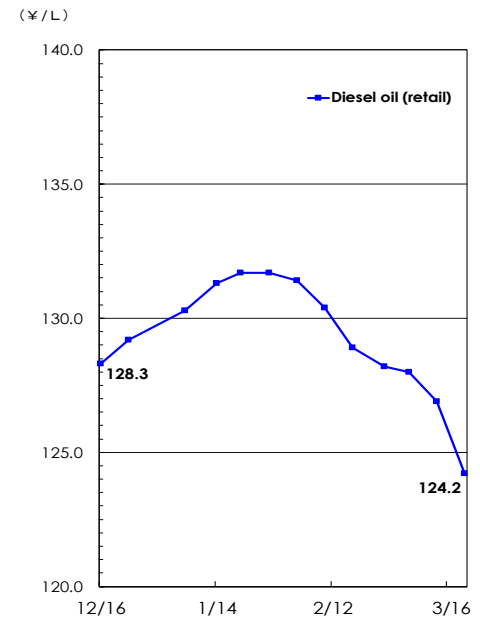
*Gyoten and futures prices are before tax



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

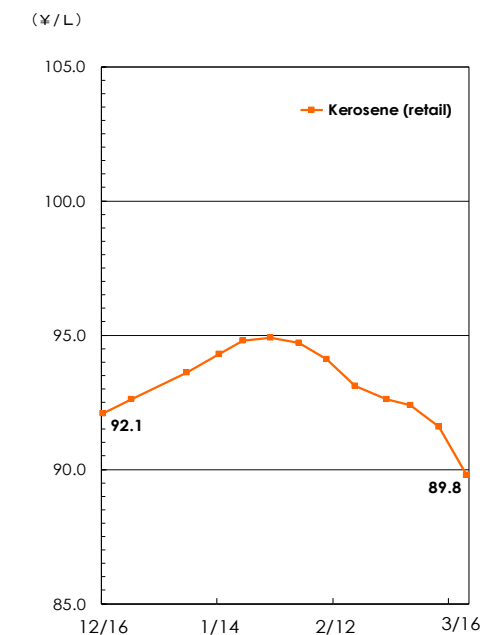
Diesel oil			This week		From a week earlier	From a year earlier
Supply/ Demand	Production	3/8 ~ 3/14	696	▼ -1	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	551	▼ -76	▼ -	
	Exports	"	55	▼ -49	▼ -	
	Inventories	3/14	1,398	▲ 91	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/10 ~ 3/16	51.5	▼ -4.7	▼ -11.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 3/10 ~ 3/16	51.6	▼ -5.3	▼ -13.0	
		(TOCOM/ Chubu) 3/16	-	-	-	
	Retail prices [weekly trend]	(published by ANRE) 3/16	124.2	▼ -2.7	▼ -2.0	

*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	3/8 ~ 3/14	208	▼ -137	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	256	▼ -175	▼ -	
	Exports	"	0	▼ -49	▶ -	
	Inventories	3/14	1,379	▼ -48	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price]	(RIM) 3/10 ~ 3/16	49.6	▼ -5.5	▼ -13.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay) 3/10 ~ 3/16	39.5	▼ -7.7	▼ -23.4	
		(TOCOM/ Chubu) 3/16	41.0	▼ -10.0	▼ -22.6	
	Retail prices [weekly trend]	(published by ANRE) 3/16	89.8	▼ -1.8	▲ 0.1	



Relevant Information

1 Overseas crude oil prices

On March 18, the most frequently traded oil futures contract on NYMEX took another plunge to the lowest level in 18 years and one month, since February 2002, as market players were concerned that oil oversupply would expand further due to an oil demand decline accompanying the new coronavirus pandemic and an increase from April in oil production by Saudi Arabia, Russia and other oil-producing countries following the OPEC-plus group meeting breakup. The U.S. stock market also plunged, leading investors to become more risk-off. As investors preferred cash, the dollar appreciated further on the foreign exchange market. The weekly EIA report said that U.S. crude oil inventories expanded for the eighth straight week, while U.S. oil production increased. The April contract lost \$6.58/bbl to \$20.37/bbl. The May contract declined by \$6.50/bbl to \$20.83/bbl.

According to the EIA, the average U.S. retail price of gasoline as of March 16 decreased by 12.7 cents per gallon from a week earlier to \$2.248/gal (64.0 yen/l). The average diesel oil price fell by 8.1 cents/gal to \$2.733/gal (77.8 yen/l). The gasoline price fell for the third straight week. The diesel price dropped for the 10th 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 March 8-14 week stood at 280,000 barrels per day, unchanged from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 53,000 kl from the previous week to 3,232,000 kl. From a year earlier, it decreased by 332,000 kl. The topper capacity utilization rate stood at 82.5%, down 1.4 points from the previous week and down 8.5 points from a year earlier.

Production increased from the previous week for gasoline, jet fuel and Fuel Oil C and decreased for other petroleum products. Output was up 0.6% for gasoline, up 3.1% for jet fuel, down 39.7% for kerosene, down 0.1% for diesel oil, down 16.3% for Fuel Oil A and up 6.5% for Fuel Oil C. Fuel Oil C imports in the week totaled almost zero, unchanged from the previous week. Diesel oil exports aggregated 55,000 kl, down 49,000 kl.

Shipments (excluding imports) in the week increased from the previous week for jet fuel and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for jet fuel and declined for other petroleum products. Gasoline shipments decreased by 12.9% from the previous week to 741,000 kl for the second straight weekly fall, remaining below 1 million kl for 30 weeks on end. Shipments totaled 98,000 kl for jet fuel (up 28.6% from the previous week), 256,000 kl for kerosene (down 40.6%), 551,000 kl for diesel oil (down 12.1%),

150,000 kl for Fuel Oil A (down 40.7%) and 154,000 kl for Fuel Oil C (up 24.9%).

(Unit: 1,000 kl)

	This week (3/8 ~ 3/14)	Previous week (3/1 ~ 3/7)	From a week earlier
Gasoline	741	850	▼ -109 (-13%)
Jet fuel	98	76	▲ 22 (29%)
Kerosene (heating Oil)	256	431	▼ -175 (-41%)
Diesel oil	551	627	▼ -76 (-12%)
Fuel oil A	150	252	▼ -102 (-40%)
Fuel Oil C	154	123	▲ 31 (25%)
Total	1,950	2,359	▼ -409 (-17%)

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 March 14 increased from a week earlier for kerosene and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories expanded for gasoline and shrank for other petroleum products.

Gasoline inventories totaled 1,817,000 kl, up 138,000 kl from a week earlier and up 196,000 kl from a year earlier.

Kerosene inventories totaled 1,379,000 kl, down 48,000 kl from a week earlier and down 61,000 kl from a year earlier.

Diesel oil inventories totaled 1,398,000 kl, up 91,000 kl from a week earlier and down 111,000 kl from a year earlier.

Fuel Oil A inventories totaled 727,000 kl, up 20,000 kl from a week earlier and down 60,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,820,000 kl, down 23,000 kl from a week earlier and down 142,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (3/14)	Previous week (3/7)	From a week earlier
Gasoline	1,817	1,679	▲ 138 (8%)
Jet fuel	779	752	▲ 27 (4%)
Kerosene (heating Oil)	1,379	1,427	▼ -48 (-3%)
Diesel oil	1,398	1,307	▲ 91 (7%)
Fuel oil A	727	707	▲ 20 (3%)
Fuel Oil C	1,820	1,843	▼ -23 (-1%)
Total	7,920	7,715	▲ 205 (2.7%)

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

During the March 10-16 week, 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 plunged in a 97-102 yen/l range for gasoline, in a 50-55 yen/l range for diesel oil and in a 48-52 yen/l range for kerosene.

Offshore barge spot prices during the week nose-dived in a 99-104 yen/l range for gasoline and in a 52-55 yen/l range for diesel oil and declined and rose back slightly in a 39-42 yen/l range for kerosene.

The key futures price during the week spiraled down in an 89-92 yen/l range for gasoline, dropped in a 51-53 yen/l range for diesel oil, and fluctuated and rose slightly in a 38-41 yen/l range for kerosene.

For the next week, Motouri companies reduced their wholesale prices by 8.5-9.0 yen/l for gasoline, kerosene and diesel oil.

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

All spot petroleum products prices in all markets in the March 10-16 week declined sharply from their respective averages in the March 3-9 week.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the March 10-16 week) fell by 6.1 yen/l from the previous week for gasoline, by 5.5 yen/l for kerosene and by 4.7 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 5.1 yen/l for gasoline, by 9.4 yen/l for kerosene and by 3.6 yen/l for diesel oil.

The key futures price fell by 8.8 yen/l for gasoline, by 7.7 yen/l for kerosene and by 5.3 yen/l for diesel oil.

For the fourth week of March, Motouri companies cut their wholesale prices by 8.5-9.0 yen/l for gasoline, diesel oil and kerosene.

(RIM) [4-district average lorry rack price]	(Unit: yen/l)		
	This week (3/10 ~ 3/16)	Previous week (3/3 ~ 3/9)	From a week earlier
Regular	45.4	51.5	▼ -6.1
Kerosene	49.6	55.1	▼ -5.5
Diesel oil	51.5	56.2	▼ -4.7

(TOCOM) [Front-month contract/closing price] [Average]	(Unit: yen/l)		
	This week (3/10 ~ 3/16)	Previous week (3/3 ~ 3/9)	From a week earlier
Regular	36.4	45.2	▼ -8.8
Kerosene	39.5	47.2	▼ -7.7
Diesel oil	51.6	56.9	▼ -5.3

Above prices are before tax.

Reference (March 10 - March 16 actual data)

Products	(Unit: yen/l)		
	Spot	Futures	Average
Gasoline	▼ -6.1	▼ -8.8	▼ -7.5
Kerosene	▼ -5.5	▼ -7.7	▼ -6.6
Diesel oil	▼ -4.7	▼ -5.3	▼ -5.0
Fuel Oil A	▼ -4.3		

(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 16 decreased by 2.9 yen/l from a week earlier to 143.5 yen/l for gasoline, by 2.7 yen/l to 124.2 yen/l for diesel oil and by 33 yen to 1,616 yen for kerosene on an 18-liter tank basis (or by 1.8 yen/l to 89.8 yen/l). The gasoline price fell for the eighth straight week. The diesel oil and kerosene prices dropped for the seventh straight week.

Gasoline prices decreased in all of Japan's 47 prefectures. The lowest gasoline price among the prefectures was 138.2 yen/l in Ishikawa (down 3.5 yen/l from a week earlier). The second lowest was 138.8 yen/l in Iwate (down 2.7 yen/l). The highest price was 156.0 yen/l in Nagasaki (down 3.0 yen/l). Hokkaido logged the largest price fall of 4.3 yen/l to 141.4 yen/l.

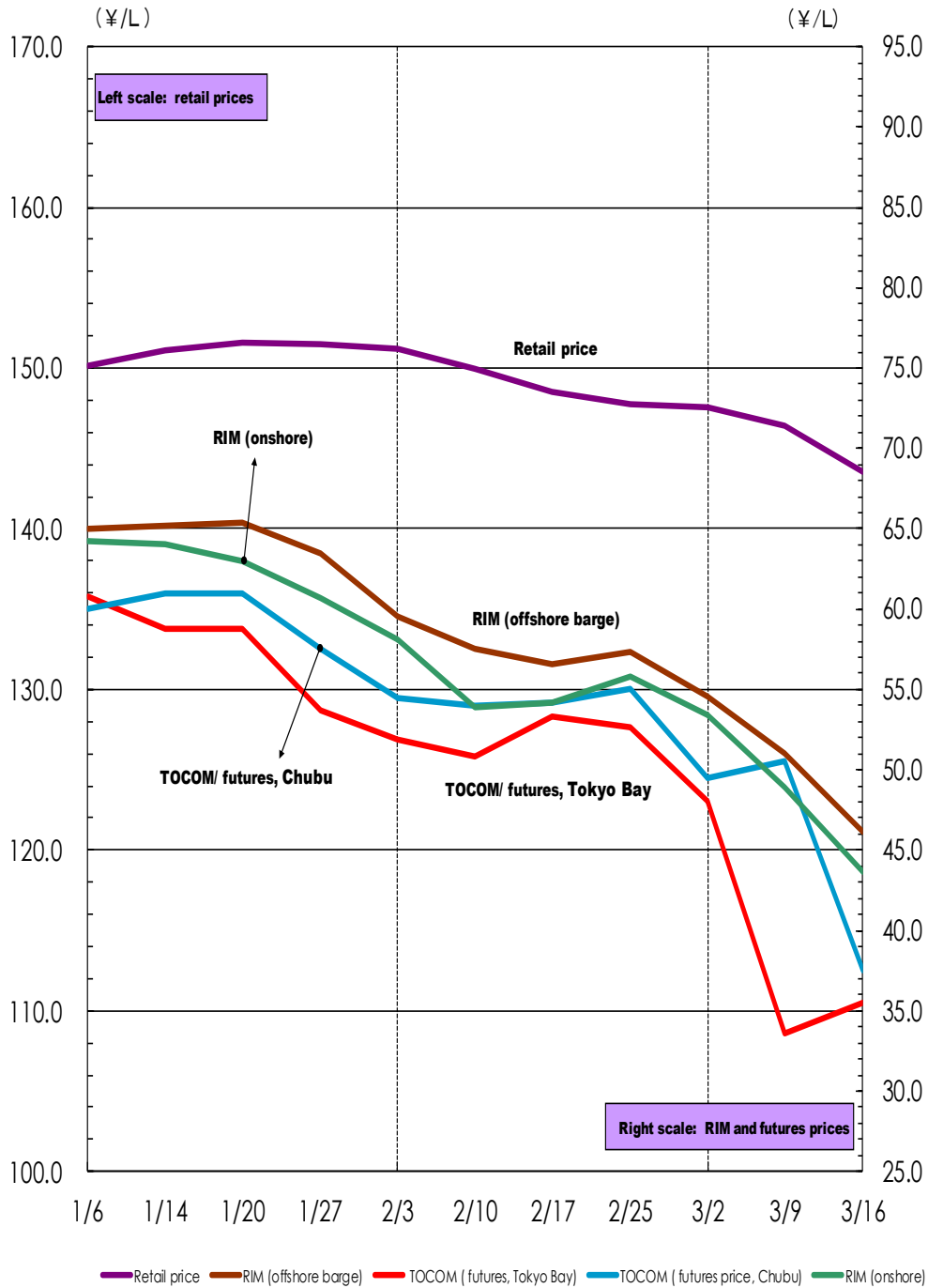
As crude oil cost declined sharply last week, Motouri companies cut their wholesale prices by 4.0-4.5 yen/l for gasoline, diesel oil and kerosene for this week. Crude oil cost plunged this week as sharp crude oil price falls coincided with the yen's appreciation. Motouri companies reduced their wholesale prices by 8.5-9.0 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices on the next price survey day (March 23) are expected to decline from a week earlier.

(Published by ANRE)[Weekly trend]	(Unit: yen/l)			
	This week (3/16)	Previous week (3/9)	From a week earlier	Latest high
Regular	143.5	146.4	▼ -2.9	08/8/4 185.1
Kerosene	89.8	91.6	▼ -1.8	08/8/11 132.1
Diesel oil	124.2	126.9	▼ -2.7	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

(2020/1/6 ~ 2020/3/16)



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

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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).