

Oil Market Review in Japan No. 29/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the January 14-January 20 week moved within a range of \$52.36 per barrel and \$53.57/bbl.

On January 21, the March contract turned down for the first time in three trading days. The American Petroleum Institute (API) announced the increase in the U.S. domestic crude oil inventory on this day, which was against the market expectation. Moreover, the market expected that the EIA (Energy Information Administration) would announce the increase in the U.S. domestic crude oil inventory in its Weekly Report on the following day. The March contract, which replaced the February contract as the key front-month contract, closed at \$53.13/bbl down \$0.18/bbl from the previous day.

On January 22, the key contract turned down further due to concerns over the diminishing oil demand. The two-day delayed EIA Weekly Report due to a three-day holiday and the presidential inauguration, announced that the U.S. domestic crude oil inventory increased by 4.4 million bbl from the previous week, which was against the market expectation of the decrease by 1.2 million bbl. Other factors causing price drop were the report of new outbreaks of the coronavirus in China and bear trend in the U.S. stock market. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by two units from a week earlier to 289 units, increasing for the ninth straight week. The March contract finished \$0.86/bbl lower at \$52.27/bbl.

On January 25, the February contract rebounded for the first time in three trading days due to production cuts in oil-producing countries amid rough buying and selling prices. In the Organization of the Petroleum Exporting Countries (OPEC), Iraq announced its crude oil production cut in January and February 2021 to cover 2020's violated production increase. Also, there were the reports that Libya would partially suspend its crude oil shipments and that the current compliance rate of the cooperative crude oil production cut by the OPEC plus Countries was 85%. There were signs of improvement in supply and demand. The price rise was also supported by the agreement between the U.S. Biden administration and the Congress on additional economic package. The March contract gained \$0.50/bbl to \$52.77/bbl from the previous weekend.

On January 26, the key contract turned down slightly due to concerns over new outbreaks of coronavirus all over the world. However, the price drop was limited by the reports that the International Monetary fund (IMF) made upward revision of its forecast on the world economic growth rate for the year 2021 upward by 0.3 percentage points to plus 5.5% and unknown explosions in Riyadh, the capital city of Saudi Arabia, limited the downside. The March contract lost \$0.16/bbl to \$52.61/bbl.

On January 27, the key contract rebounded by the announcement of the EIA that the U.S. domestic crude oil inventory decreased by 9.9 million bbl from the previous week, which was against the market expectation. However, the price rise was restricted by the announcement of the increase in the gasoline inventory and concerns over the new outbreaks of the coronavirus. The March contract gained \$0.24/bbl to \$52.85/bbl.

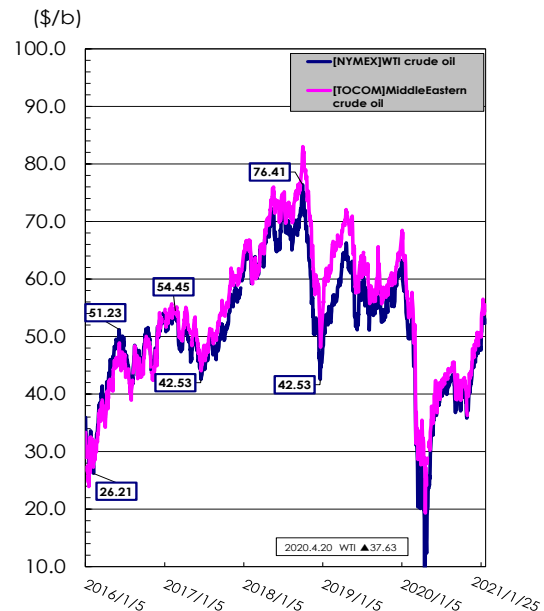
The Asian benchmark crude oil of Dubai for March delivery on the Tokyo market ranged between \$54.30/bbl and \$56.00/bbl in the January 14-January 20 week. It closed at \$55.70/bbl on January 21, at \$55.00/bbl on January 22, at \$55.10/bbl on January 25, at \$55.10/bbl on January 26, at \$55.80/bbl on January 27.

On the foreign exchange market in the January 14-January 20 week, the dollar moved within a range of 103.74 yen and 103.95 yen. It changed hands at 103.61 yen in late trading on January 21, at 103.53 yen on January 22, at 103.84 yen on January 25, at 103.77 yen on January 26, at 103.68 yen on January 27.

According to preliminary 10-day trade statistics released by the Ministry of Finance on January 28, the average crude oil import CIF price for Japan in the early January period stood at 31,169 yen/kl (kiloliter), up 1,791 yen/kl from the previous 10-day period. In dollars, the price was \$47.86/bbl, up \$2.90/bbl. The average exchange rate was 103.55 yen to the dollar.

Japan's average retail price on January 25 gained by 1.3 yen/l from a week earlier for gasoline and gained by 1.3 yen/l for diesel oil and gained by 17 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the ninth straight week. Diesel oil price increased for the ninth straight week. Kerosene price increased for the ninth straight week. As crude oil cost almost leveled off for the fourth week of January, Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the next week.

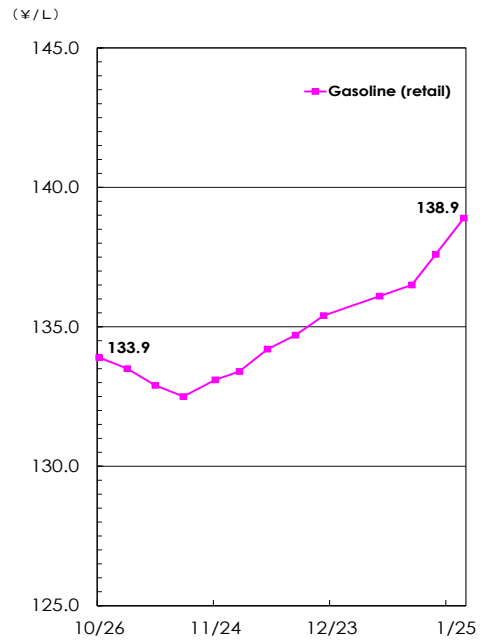
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	1/17 ~ 1/23	3,110	▲ 111	▼ —
	Topper capacity utilization rate (%)	"	80.8	▲ 2.9	▼ —
	Crude oil inventories (1,000 kl)	1/23	10,985	▲ 188	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/25	54.45	▲ 0.57	▼ -2.6
	WTI crude oil (NYMEX) (\$/bbl)	1/25	52.77	▼ -0.21	▼ -0.4
	Crude oil import CIF price (\$/bbl)	Early Jan	47.86	▲ 2.90	▼ -22.47
	① Crude oil import CIF price (yen/kl)	"	31,169	▲ 1,791	▼ -17,185
	② Yen-dollar exchange rate (yen/dollar)	"	103.55	▲ 0.35	▲ 5.76
	TTS exchange rate (yen/dollar)	1/25	104.84	▼ -0.01	▲ 5.22



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	1/17 ~ 1/23	839 ▼ -30	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	755 ▼ -35	▼ -	
	Exports	"	107 ▲ 77	▲ -	
	Inventories	1/23	2,061 ▼ -23	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/19 ~ 1/25	49.4 ▼ -0.1	▼ -12.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/19 ~ 1/25	46.8 ▼ -0.1	▼ -9.4
		(TOCOM/ Chubu)	1/25	49.7 ▲ 0.5	▼ -7.8
	Retail prices [weekly trend] (published by ANRE)	1/25	138.9 ▲ 1.3	▼ -12.6	

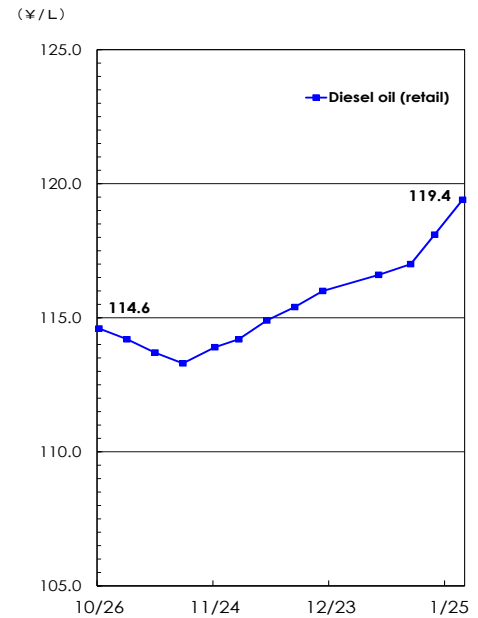
*Gyoten and futures prices are before tax



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

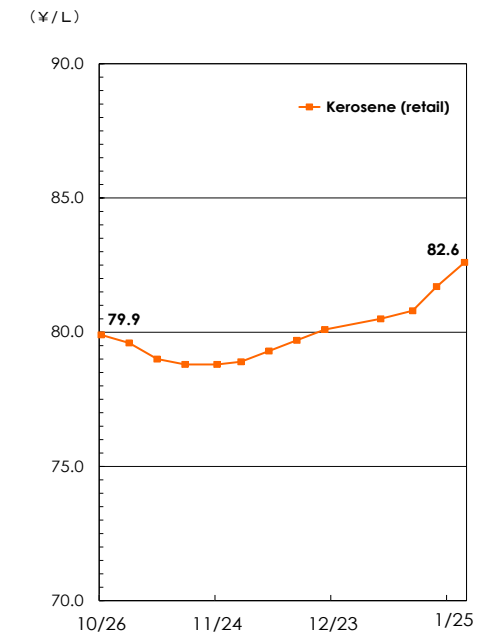
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	1/17 ~ 1/23	653 ▲ 44	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	659 ▲ 68	▼ -	
	Exports	"	93 ▲ 43	▼ -	
	Inventories	1/23	1,723 ▼ -100	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/19 ~ 1/25	52.2 ➡ 0.0	▼ -13.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/19 ~ 1/25	53.2 ▼ -0.4	▼ -12.9
		(TOCOM/ Chubu)	1/25	-	-
	Retail prices [weekly trend] (published by ANRE)	1/25	119.4 ▲ 1.3	▼ -12.3	

*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	1/17 ~ 1/23	442 ▼ -126	▼ -	
	Imports	"	n.d.	n.d.	
	Shipments	"	398 ▼ -233	▲ -	
	Exports	"	74 ▲ 15	▲ -	
	Inventories	1/23	2,115 ▼ -29	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	1/19 ~ 1/25	52.1 ▲ 0.1	▼ -12.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	1/19 ~ 1/25	50.4 ▼ -0.8	▼ -9.7
		(TOCOM/ Chubu)	1/25	51.0 ▼ -1.0	▼ -10.0
	Retail prices [weekly trend] (published by ANRE)	1/25	82.6 ▲ 0.9	▼ -12.3	



Relevant Information

1 Overseas crude oil prices

On January 27, WTI crude oil futures price on NYMEX rebounded by expectation for an improvement in supply and demand. The EIA announced that the U.S. domestic crude oil inventory decreased by 9.9 million bbl from the previous week, which was against the market expectation of the increased by 0.4 million bbl. However, gasoline inventory increased by 2.5 million bbl (against the market expectation of the increase by 1.8 million bbl) and middle distillates inventory decreased by 0.8 million bbl (against the market expectation of the decrease by 0.4 million bbl) from the previous week. However, the price rise was restricted by concerns over the new outbreaks of the coronavirus and bearish trend in the U.S. stock market. The March contract gained \$0.24/bbl to \$52.85/bbl from the previous day. The April contract gained \$0.21/bbl to \$52.73/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of January 25 increased by 1.3 cents per gallon from a week earlier to \$2.392/gal (66.2yen/l). The average diesel oil price increased by 2.0 cents/gal to \$2.716/gal (75.1yen/l). The gasoline price increased for the ninth straight week. Diesel oil price increased for the 12th 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 January 17-January 23 week in 2021 stood at 157,000 barrels per day, down 129,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 111,000 kl from the previous week to 3,110,000 kl. From a year earlier, it decreased by 306,000 kl. The topper capacity utilization rate stood at 80.8%, up 2.9 points from the previous week and down 6.5 points from a year earlier.

Production decreased from the previous week for gasoline and kerosene and increased for other petroleum products. Output was down 3.5% for gasoline, up 47.2% for jet fuel, down 22.2% for kerosene, up 7.2% for diesel oil, up 7.6% for Fuel Oil A and up 8.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 5,000 kl from the previous week. Diesel oil exports aggregated 93,000 kl, up 43,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for diesel and Fuel Oil A and decreased for other petroleum products. From a year earlier, shipments declined for gasoline, jet fuel and diesel and expanded for other petroleum products. Gasoline shipments decreased by 4.5% from the previous week to 755,000 kl, decreasing for the first time in two weeks. Shipments totaled 36,000 kl for jet fuel (down 68.1% from the previous week), 398,000 kl for kerosene (down 37.0%), 659,000 kl for diesel oil (up 11.5%), 271,000 kl for Fuel Oil A (up 0.6%) and 195,000 kl for Fuel Oil C (down 20.4%).

(Unit: 1,000 kl)

	This week (1/17 ~ 1/23)	Previous week (1/10 ~ 1/16)	From a week earlier
Gasoline	755	790	▼ -35 (-4%)
Jet fuel	36	112	▼ -76 (-68%)
Kerosene (heating Oil)	398	631	▼ -233 (-37%)
Diesel oil	659	591	▲ 68 (12%)
Fuel oil A	271	269	▲ 2 (1%)
Fuel Oil C	195	245	▼ -50 (-20%)
Total	2,314	2,638	▼ -324 (-12%)

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 January 23 increased from a week earlier for jet fuel and Fuel Oil C and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel, Fuel Oil A and Fuel Oil C and expanded for other petroleum products.

Gasoline inventories totaled 2,061,000 kl, down 23,000 kl from a week earlier and up 266,000 kl from a year earlier.

Kerosene inventories totaled 2,115,000 kl, down 29,000 kl from a week earlier and up 24,000 kl from a year earlier.

Diesel oil inventories totaled 1,723,000 kl, down 100,000 kl from a week earlier and up 151,000 kl from a year earlier.

Fuel Oil A inventories totaled 733,000 kl, down 14,000 kl from a week earlier and down 20,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,861,000 kl, up 10,000 kl from a week earlier and down 51,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/23)	Previous week (1/16)	From a week earlier
Gasoline	2,061	2,084	▼ -23 (-1%)
Jet fuel	726	725	▲ 1 (0%)
Kerosene (heating Oil)	2,115	2,144	▼ -29 (-1%)
Diesel oil	1,723	1,823	▼ -100 (-5%)
Fuel oil A	733	747	▼ -14 (-2%)
Fuel Oil C	1,861	1,851	▲ 10 (1%)
Total	9,219	9,374	▼ -155 (-1.7%)

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

During the January 19-January 25 week, crude oil cost in yen almost leveled off from the previous week with the almost leveled off in crude oil price and the almost leveled-off yen to the US dollar. For the next week,

Motouri companies maintained their wholesale prices for gasoline, kerosene and diesel oil from the previous week.

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

All Spot petroleum products prices in the January 19-January 25 week increased for all oil products in all trading compared to the period of January 12-January 18 except for decreased all futures and onshore spot gasoline prices and leveled off onshore diesel and offshore kerosene prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the January 19-January 25 week) decreased by 0.1 yen/l from the previous week (January 12-January 18) for gasoline, increased by 0.1 yen/l for kerosene and leveled off for diesel oil. For the latest period of January 19-January 25, price decreased in a 102-103 yen/l range for gasoline; and decreased after the slight increase in a 51-52 yen/l range for kerosene; and decreased after the fluctuation in a 51-52 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 1.0 yen/l for gasoline, leveled off for kerosene and increased by 1.1 yen/l for diesel oil for the January 19-January 25 week from the previous week. Offshore cargo spot prices during the week (January 19-January 25) almost leveled off in a 105 yen/l range for gasoline and decreased slightly in a 51 yen/l range for kerosene and increased in a 53-54 yen/l range for diesel oil from the previous week.

The key average futures price decreased by 0.1 yen/l for gasoline, decreased by 0.8 yen/l for kerosene and decreased by 0.4 yen/l for diesel oil from the previous week. The key futures price during the period of January 19-January 25 decreased slightly after the increase in a 100 yen/l range for gasoline, decreased after the slight increase in a 50 yen/l for kerosene and decreased slightly after the increase in a 52-53 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (1/19 ~ 1/25)	Previous week (1/12 ~ 1/18)	From a week earlier
Spot Prices	Regular	49.4	49.5	▼ -0.1
	Kerosene	52.1	52.0	▲ 0.1
	Diesel oil	52.2	52.2	➡ 0.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (1/19 ~ 1/25)	Previous week (1/12 ~ 1/18)	From a week earlier
Futures Price	Regular	46.8	46.9	▼ -0.1
	Kerosene	50.4	51.2	▼ -0.8
	Diesel oil	53.2	53.6	▼ -0.4

Above prices are before tax.

Reference (January 19 - January 25 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.1	▼ -0.1	▼ -0.1
Kerosene	▲ 0.1	▼ -0.8	▼ -0.3
Diesel oil	➡ 0.0	▼ -0.4	▼ -0.2
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 January 25 increased by 1.3 yen/l from a week earlier to 138.9 yen/l for gasoline, increased by 1.3 yen/l to 119.4 yen/l for diesel oil and increased by 17 yen to 1,487 yen for kerosene on an 18-liter tank basis (increased by 0.9 yen/l to 82.6 yen/l) from the previous week. The gasoline price increased for the ninth straight week. Diesel oil price increased for the ninth straight week. Kerosene price increased for the ninth straight week.

Gasoline prices increased in 46 prefectures, leveled off in one prefecture and decreased in no prefectures. The lowest gasoline price among the prefectures was 131.5 yen/l in Tokushima (up 1.6 yen/l from a week earlier). The second lowest was 133.3yen/l in Miyagi (up 0.4 yen/l). The highest price was 148.0 yen/l in Kagoshima (up 1.3 yen/l). Kanagawa logged the largest price gain of 3.4 yen/l to 137.5 yen/l. The price leveled off in Kochi. The price decreased in no prefectures.

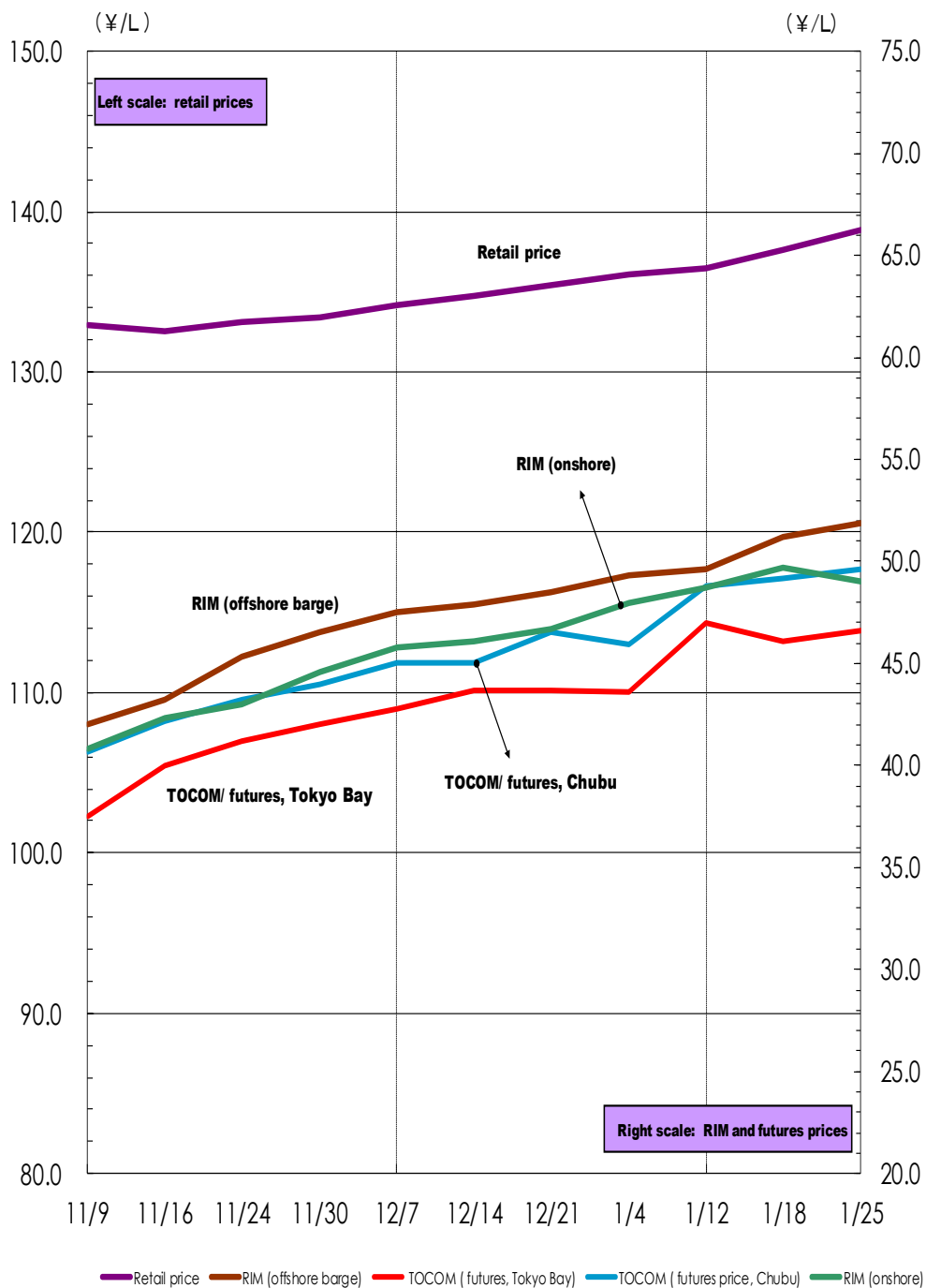
Crude oil cost in yen leveled off for the period from January 19-January 25 with the almost leveled off crude oil price and the almost leveled off yen to the US dollar. Motouri companies maintained their wholesale prices for gasoline, diesel oil and kerosene for the period from January 28 to February 3 Retail gasoline price on the next price survey day (February 1) are expected to level off from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (1/25)	Previous week (1/18)	From a week earlier	Latest high
Retail Price	Regular	138.9	137.6	▲ 1.3	08/8/4 185.1
	Kerosene	82.6	81.7	▲ 0.9	08/8/11 132.1
	Diesel oil	119.4	118.1	▲ 1.3	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

(2020/11/9 ~ 2021/1/25)



(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. 30 for 2020) will be announced at 14:00 on February 12.

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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).