

Oil Market Review in Japan No. 2/2021

April 16, 2021, Friday Released every Friday

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

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan
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 25-March 31 week moved within a range of \$58.56 per barrel and \$61.56/bbl.

On April 1, the May contract rebounded significantly. The OPEC (Organization of the Petroleum Exporting Countries) plus Countries JMMC (Joint Ministerial Monitoring Committee) was held online and agreed that the current cooperative crude oil production cut of 6.9 million bbl/d would be eased by 0.35 bbl/d in May, 0.45 million bbl/d in June and set the level of 5.76 million bbl/d from July 2021 onward. In addition, Saudi Arabia announced that it would reduce its voluntary crude oil production cut of 1 million bbl/d by 0.25 million bbl/d in May, 0.35 million bbl/d in June and 0.40 million bbl/d from July 2021 onward. The market players welcomed OPEC plus Countries' plan of phased easing of its cooperative crude oil production cut in response to growing demand; or a sign that OPEC Plus showed confidence in the recovery of oil demand. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by 13 units from a week earlier to 337 units, increasing for the third straight week. The May contract closed at \$61.45/bbl up \$2.29/bbl from the previous day.

On April 2, the market closed for Good Friday.

On April 5, the key contract turned down due to awareness of easing supply and demand caused by the OPEC plus Countries easing of its cooperative crude oil production cut. The EU and Iran started a consultation on resumption of the nuclear agreement with upcoming U.S. return, which raised concerns over the early restart of Iranian crude oil export. Moreover, the market players feared the new outbreak of the coronavirus in Europe. The May contract closed at \$58.65/bbl down \$2.80/bbl from the previous day.

On April 6, the key contract rebounded by the favorable outlook of the world economy. The IMF (International Monetary Fund) made an upward revision of the forecast for the annual world economic growth rate for 2021 to 6.0% (up 0.6 points from the previous forecast). Both U.S. and China saw improvements in their non-manufacturing business condition index. The price rise was also supported by the U.S. EIA (Energy Information Administration) downward revision of the U.S. domestic crude oil production forecast for 2021 in its monthly report and the view that it would take some time for improvement in the U.S. and Iran relationship. The May contract as the key front-month contract, gained \$0.68/bbl to \$59.33/bbl from the previous day.

On April 7, the key contract rose further due to the decrease in the U.S. domestic crude oil inventory, which was more than the market expectation in the U.S. EIA's weekly report and an optimistic outlook for the world economy. However, the price rise was restricted by the U.S. EIA's announcement of the increase in the U.S. domestic gasoline demand. The May contract gained \$0.44/bbl to \$59.77/bbl from the previous day.

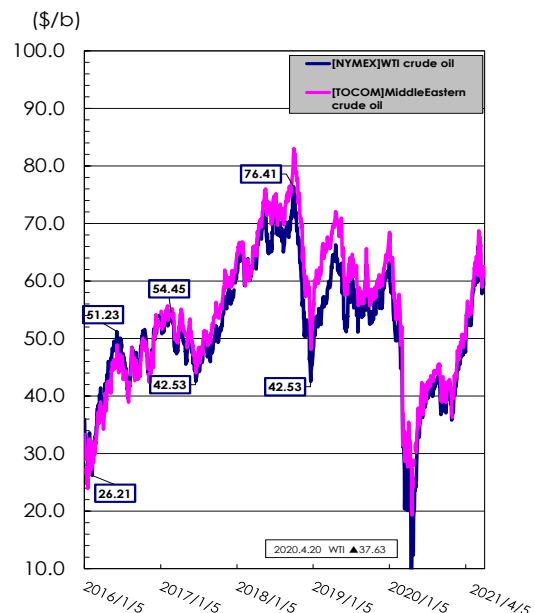
The Asian benchmark crude oil of Dubai for May delivery on the Tokyo market ranged from \$61.90/bbl to \$63.80/bbl in the March 25-March 31 week. It closed at \$61.80/bbl on April 1, at \$63.20/bbl on April 2, at \$62.30/bbl on April 5, at 61.30/bbl on April 6, at \$61.00/bbl on April 7.

On the foreign exchange market in the March 25-March 31 week, the dollar moved within a range of 108.88 yen and 110.71 yen. It changed hands at 110.84 yen in late trading on April 1, at 110.66 yen on April 2, at 110.64 yen on April 5, at 110.29 yen on April 6, at 109.82 yen on April 7.

According to preliminary 10-day trade statistics released by the Ministry of Finance on April 7, the average crude oil import CIF price for Japan in the early March period stood at 40,889 yen/kl (kiloliter), up 1,266 yen/kl from the previous 10-day period. In dollars, the price was \$60.95/bbl, up \$1.35/bbl. The average exchange rate was 106.66 yen to the dollar.

Japan's average retail price on April 5 unchanged from a week earlier for gasoline and gained by 0.1 yen/l for diesel oil and gained by 6 yen/l for kerosene on an 18-liter tank basis. The gasoline price stopped increasing for the first time in 19 weeks. Diesel oil price increased for the 19th straight week. Kerosene price increased for the 19th straight week. As crude oil cost increased for the first week of April, Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the next week.

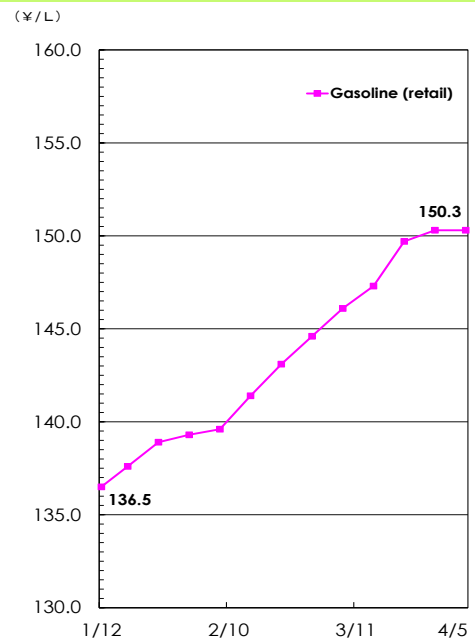
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	3/28 ~ 4/3	2,673	▼ -133	▼ -
	Topper capacity utilization rate (%)	"	69.5	▼ -3.4	▼ -
	Crude oil inventories (1,000 kl)	4/3	10,224	▼ -62	▼ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	4/5	61.70	▲ 0.62	▲ 26.2
	WTI crude oil (NYMEX) (\$/bbl)	4/5	58.65	▼ -2.91	▲ 32.6
	Crude oil import CIF price (\$/bbl)	Mid Mar	60.95	▲ 1.35	▼ -1.21
	① Crude oil import CIF price (yen/kl)	"	40,889	▲ 1,266	▼ -1,339
	② Yen-dollar exchange rate (yen/dollar)	"	106.66	▼ -0.96	▲ 1.34
	TTS exchange rate (yen/dollar)	4/5	111.64	▼ -1.01	▼ -1.68



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/28 ~ 4/3	806	▼ -82	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	786	▼ -53	▲ -	
	Exports	"	83	▼ -58	▼ -	
	Inventories	4/3	1,743	▼ -62	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/30 ~ 4/5	59.8	▼ -0.2	▲ 24.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/30 ~ 4/5	56.7	▲ 2.1	▲ 28.8
		(TOCOM/ Chubu)	4/5	58.5	▲ 1.6	▲ 29.5
	Retail prices [weekly trend] (published by ANRE)	4/5	150.3	➡ 0.0	▲ 16.6	

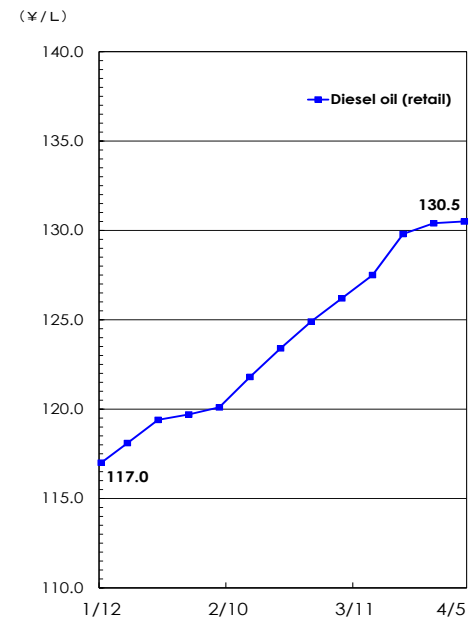
*Gyoten and futures prices are before tax



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

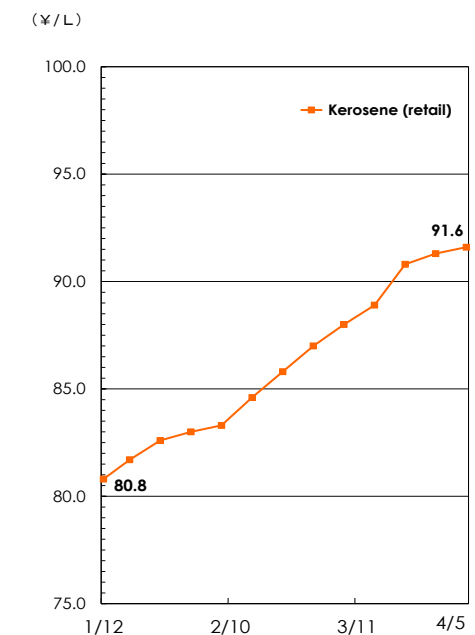
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	3/28 ~ 4/3	741	▲ 6	▲ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	572	▼ -10	▼ -	
	Exports	"	114	▲ 89	▼ -	
	Inventories	4/3	1,468	▲ 55	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/30 ~ 4/5	61.9	▼ -0.4	▲ 23.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/30 ~ 4/5	62.7	▲ 2.7	▲ 21.0
		(TOCOM/ Chubu)	4/5	-	-	-
	Retail prices [weekly trend] (published by ANRE)	4/5	130.5	▲ 0.1	▲ 15.6	

*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	3/28 ~ 4/3	132	▼ -123	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	223	▲ 19	▼ -	
	Exports	"	0	➡ 0	▼ -	
	Inventories	4/3	1,430	▼ -91	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	3/30 ~ 4/5	61.1	▲ 0.5	▲ 22.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	3/30 ~ 4/5	56.5	▲ 0.9	▲ 24.0
		(TOCOM/ Chubu)	4/5	59.1	▲ 2.4	▲ 21.1
	Retail prices [weekly trend] (published by ANRE)	4/5	91.6	▲ 0.3	▲ 8.9	



Relevant Information

1 Overseas crude oil prices

On April 7, WTI crude oil futures price on NYMEX rose further by the optimistic view on the world economic outlook. On this day, the U.S. EIA announced that the U.S. domestic crude oil inventory decreased by 1.2 million bbl from the previous week, which was much more than the market expectation of the decrease by 0.4 million bbl. In addition, the IMF made an upward revision of the annual world economic growth forecast for 2021 on the previous day. However, the price rise was restricted by the following two factors. The U.S. EIA announced that the U.S. domestic gasoline inventory increased by 4 million bbl, which was against the market expectation of the decrease by 0.2 million bbl. The EU authorities showed suspicion of a side effect of blood clots caused by AstraZeneca's vaccine. The May contract gained \$0.44/bbl to \$59.77/bbl from the previous day. The June contract gained \$0.44/bbl to \$59.81/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of April 5 increased by 0.5 cents per gallon from a week earlier to \$2.857/gal (84.2 yen/l). The average diesel oil price decreased by 1.7 cents/gal to \$3.144/gal (92.6 yen/l). The gasoline price increased for the first time in two weeks. Diesel oil price decreased 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 March 28-April 3 week in 2021 stood at 719,000 barrels per day, increasing by 109,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week decreased by 133,000 kl from the previous week to 2,673,000 kl. From a year earlier, it decreased by 336,000 kl. The topper capacity utilization rate stood at 69.5%, down 3.4 points from the previous week and down 7.4 points from a year earlier.

Production increased from the previous week for jet fuel and diesel oil and decreased for other petroleum products. Output was down 9.3% for gasoline, up 41.1% for jet fuel, down 48.2% for kerosene, up 0.8% for diesel oil, down 5.3% for Fuel Oil A and down 7.4% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, unchanged from the previous week. Diesel oil exports aggregated 114,000 kl, up 89,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for jet fuel and kerosene and decreased for other petroleum products. From a year earlier, shipments expanded for gasoline, jet fuel and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 6.2% from the previous week to 786,000 kl, decreasing for the first time in two weeks. Shipments totaled 117,000 kl for jet fuel (up 88.5% from the previous week), 223,000 kl for kerosene (up 9.4%), 572,000 kl for diesel oil (down 1.8%), 156,000 kl for Fuel Oil A (down 30.1%) and 150,000 kl for Fuel Oil C (down 5.2%).

(Unit: 1,000 kl)

	This week (3/28 ~ 4/3)	Previous week (3/21 ~ 3/27)	From a week earlier
Gasoline	786	839	▼ -53 (-6%)
Jet fuel	117	62	▲ 55 (89%)
Kerosene (heating Oil)	223	204	▲ 19 (9%)
Diesel oil	572	582	▼ -10 (-2%)
Fuel oil A	156	222	▼ -66 (-30%)
Fuel Oil C	150	158	▼ -8 (-5%)
Total	2,004	2,067	▼ -63 (-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 3 increased from a week earlier for jet fuel, diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories shrank for gasoline and jet fuel and expanded for other petroleum products.

Gasoline inventories totaled 1,743,000 kl, down 62,000 kl from a week earlier and down 43,000 kl from a year earlier.

Kerosene inventories totaled 1,430,000 kl, down 91,000 kl from a week earlier and up 20,000 kl from a year earlier.

Diesel oil inventories totaled 1,468,000 kl, up 55,000 kl from a week earlier and up 290,000 kl from a year earlier.

Fuel Oil A inventories totaled 737,000 kl, up 39,000 kl from a week earlier and up 27,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,762,000 kl, down 25,000 kl from a week earlier and up 41,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (4/3)	Previous week (3/27)	From a week earlier
Gasoline	1,743	1,805	▼ -62 (-3%)
Jet fuel	767	762	▲ 5 (1%)
Kerosene (heating Oil)	1,430	1,521	▼ -91 (-6%)
Diesel oil	1,468	1,413	▲ 55 (4%)
Fuel oil A	737	698	▲ 39 (6%)
Fuel Oil C	1,762	1,787	▼ -25 (-1%)
Total	7,907	7,986	▼ -79 (-1.0%)

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

During the March 30-April 5 week, crude oil cost in yen increased from the previous week with the increase in crude oil price and the depreciation of the yen to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 1.0 yen/l 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 March 30-April 5 week decreased for all oil products in all trading except for the increased all futures and onshore kerosene prices compared to the period of March 23-March 29.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the March 30-April 5 week) decreased by 0.2 yen/l from the previous week (March 23-March 29) for gasoline, increased by 0.5 yen/l for kerosene and decreased by 0.4 yen/l for diesel oil. For the latest period of March 30-April 5, the price decreased in a 113-114 yen/l range for gasoline; and almost leveled off after the increase in a 60-61 yen/l range for kerosene; decreased in a 61-62 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.4 yen/l for gasoline, decreased by 0.4 yen/l for kerosene and decreased by 0.2 yen/l for diesel oil for the March 30-April 5 week from the previous week. Offshore cargo spot prices during the week (March 30-April 5) leveled off after the decrease in a 114 yen/l range for gasoline and rebounded after the decrease in a 56-57 yen/l range for kerosene and leveled off in a 63 yen/l range for diesel oil from the previous week.

The key average futures price increased by 2.1 yen/l for gasoline, increased by 0.9 yen/l for kerosene and increased by 2.7 yen/l for diesel oil from the previous week. The key futures price during March 30-April 5 increased after the fluctuation in a 109-111 yen/l range for gasoline, rebounded after the decrease in a 55-56 yen/l for kerosene and almost leveled off after the fluctuation in a 61-63 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (3/30 ~ 4/5)	Previous week (3/23 ~ 3/29)	From a week earlier
Spot Prices	Regular	59.8	60.0	▼ -0.2
	Kerosene	61.1	60.6	▲ 0.5
	Diesel oil	61.9	62.3	▼ -0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (3/30 ~ 4/5)	Previous week (3/23 ~ 3/29)	From a week earlier
Futures Price	Regular	56.7	54.6	▲ 2.1
	Kerosene	56.5	55.6	▲ 0.9
	Diesel oil	62.7	60.0	▲ 2.7

Above prices are before tax.

Reference (March 30 - April 5 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.2	▲ 2.1	▲ 1.0
Kerosene	▲ 0.5	▲ 0.9	▲ 0.7
Diesel oil	▼ -0.4	▲ 2.7	▲ 1.1
Fuel Oil A	▼ -1.0		

(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 5 leveled off from a week earlier to 150.3 yen/l for gasoline, increased by 0.1 yen/l to 130.5 yen/l for diesel oil and increased by 6 yen to 1,649 yen for kerosene on an 18-liter tank basis (increased by 0.3 yen/l to 91.6 yen/l) from the previous week. The gasoline price stopped increasing for the first time in 19 weeks. Diesel oil price increased for the 19th straight week. Kerosene price increased for the 19th straight week.

Gasoline prices increased in 16 prefectures, leveled off in one prefecture and decreased in 30 prefectures. The lowest gasoline price among the prefectures was 144.0 yen/l in Tokushima (up 0.1 yen/l from a week earlier). The second-lowest was 145.2 yen/l in Saitama (down 0.9 yen/l). The highest price was 159.1 yen/l in Kagoshima (up 0.9 yen/l). Tokyo logged the largest price gain of 2.5 yen/l to 152.9 yen/l. The price leveled off in Saga (152.5 yen/l). Shimane logged the largest price fall of 2.3 yen/l to 151.0 yen/l.

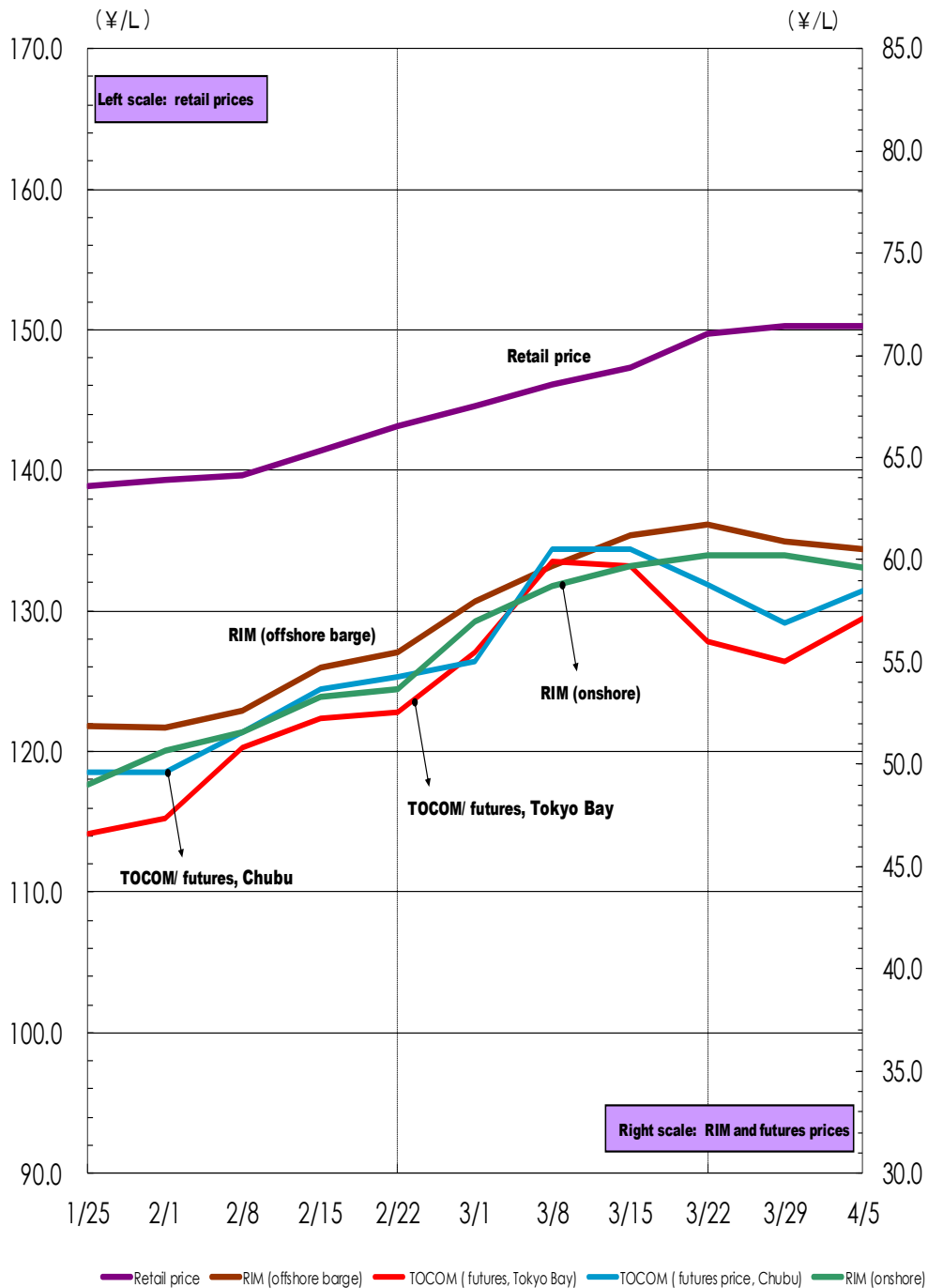
Crude oil cost in yen increased for the period from March 30-April 5 with the increase in crude oil price and the depreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.0 yen/l for gasoline, diesel oil and kerosene for the period from April 8 to April 14. Retail gasoline price on the next price survey day (April 12) is expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (4/5)	Previous week (3/29)	From a week earlier	Latest high
Retail Price	Regular	150.3	150.3	➡ 0.0	08/8/4 185.1
	Kerosene	91.6	91.3	▲ 0.3	08/8/11 132.1
	Diesel oil	130.5	130.4	▲ 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

(2021/1/25 ~ 2021/4/5)



(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 2021) will be announced on April 23.

On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

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).