

# Oil Market Review in Japan No. 18/2021

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## Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the July 22-July 28 week moved within a range of \$71.65 per barrel and \$72.39/bbl.

On July 29, the September contract rose further in response to robust oil demand. According to the announcement by the U.S. EIA (Energy Information Administration) on the previous day, the U.S. domestic inventory decreased from the previous week which was more than the market expectation for both crude oil and gasoline. The price rise was also supported by a sense of undervalued crude oil futures price due to the depreciation of the U.S. dollar to the Euro in the foreign exchange market and the bull trend in the U.S. stock market. The September contract closed at \$73.62/bbl up \$1.23/bbl from the previous day.

On July 30, the September contract rose further for the third straight trading day due to a continuous sense of tightening oil demand and supply. Most of the market players took a view that the new outbreaks of the COVID-19 variants would not have much impact on oil demand in the future. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by two units from a week earlier to 385 units. The September contract closed at \$73.95/bbl up \$0.33/bbl from the previous day.

On August 2, the key contract turned down significantly for the first time in four trading days. The Chinese manufacturing business condition index has deteriorated for the third consecutive month, which brought about the concerns over economic growth of China, one of the main supporters for the worldwide economic growth. Moreover, the U.S. business condition index has deteriorated from the previous month. The market players felt a sense of relaxing oil demand and supply due to the announcement that crude oil production by the OPEC (Organization of the Petroleum Exporting Countries) with the main contribution of Saudi Arabia reached 26.7 million bbl/d in July 2021, increasing by 0.61 million bbl/d from the previous month, the highest level for the first time in one year and three months since April 2020. The September contract lost \$2.69/bbl to \$71.26/bbl from the previous day.

On August 3, the key contract turned down further due to concerns over economic slowdown by the new outbreaks of the COVID-19 variants. New York City, being concerned over the new outbreaks of the COVID-19, set out a policy requiring proof of vaccination to enter indoor facilities such as restaurants. The bear trend in the U.S. stock market was also one of the factors pushing down prices. However, the price level was supported by the expectation for the decreasing in the U.S. domestic oil inventory from the previous week to be announced on the following day. The September contract lost \$0.70/bbl to \$70.56/bbl from the previous day.

On August 4, the key contract turned down further for the third straight trading day due to concerns over relaxing oil demand and supply in the future. According to the U.S. EIA announcement on this day, the U.S. domestic crude oil inventory increased from the previous week, contrary to the market expectation. The new outbreaks of the COVID-19 variants were additional matters to be concerned over. The September contract lost \$2.41/bbl to \$68.15/bbl from the previous day.

The Asian benchmark crude oil of Dubai for September delivery on the Tokyo market ranged from \$71.90/bbl to \$73.40/bbl in the July 22- July 28 week. It closed at \$73.60/bbl on July 29, at \$73.90/bbl on July 30, at \$72.90/bbl on August 2, at \$71.00/bbl on August 3, at \$70.90/bbl on August 4.

On the foreign exchange market in the July 22-July 28 week, the dollar moved within a range of 109.86 yen and 110.54 yen. It changed hands at 109.73 yen in late trading on July 29, at 109.49 yen on July 30, at 109.65 yen on August 2, at 109.33 yen on August 3, at 109.07 yen on August 4.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 6, the average crude oil import CIF price for Japan in the mid-July period stood at 50,998 yen/kl (kiloliter), up 3,771 yen/kl from the previous 10-day period. In dollars, the price was \$73.18/bbl, up \$5.26/bbl. The average exchange rate was 110.79 yen to the dollar.

Japan's average retail price on August 2 lost by 0.2 yen/l from a week earlier for gasoline and lost by 0.1 yen/l for diesel oil and leveled off for kerosene on an 18-liter tank basis. The gasoline price decreased for the first time in nine weeks. Diesel oil price decreased for the first time in nine weeks. Kerosene price stopped increasing for the first time in 35 weeks. As crude oil cost increased significantly for the first week of August, Motouri companies increased their wholesale prices by 1.5 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

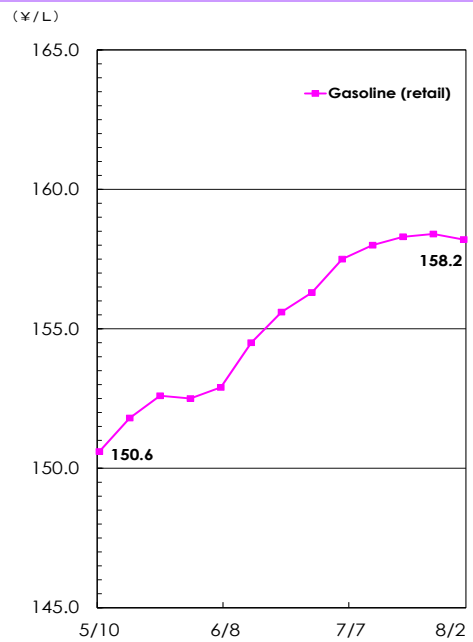
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	7/25 ~ 7/31	2,745	▲ 151	▲ —
	Topper capacity utilization rate (%)	"	71.3	▲ 3.9	▲ —
	Crude oil inventories (1,000 kl)	7/31	10,260	▼ -909	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/2	71.56	▲ 1.88	▲ 29.0
	WTI crude oil (NYMEX) (\$/bbl)	8/2	71.26	▼ -0.65	▲ 30.3
	Crude oil import CIF price (\$/bbl)	Mid Jul	73.18	▲ 5.26	▲ 40.40
	①Crude oil import CIF price (yen/kl)	"	50,998	▲ 3,771	▲ 28,888
	②Yen-dollar exchange rate (yen/dollar)	"	110.79	▼ -0.26	▼ -3.57
	TTS exchange rate (yen/dollar)	8/2	110.65	▲ 0.89	▼ -3.52



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/25 ~ 7/31	874 ▼ -20	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	919 ▼ -58	▲ -	
	Exports	"	24 ▼ -1	▲ -	
	Inventories	7/31	2,030 ▼ -70	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/27 ~ 8/2	67.1 ➡ 0.0	▲ 24.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/27 ~ 8/2	68.9 ▲ 4.4	▲ 27.9
		(TOCOM/ Chubu)	8/2	65.3 ▲ 0.1	▲ 23.3
	Retail prices [weekly trend] (published by ANRE)	8/2	158.2 ▼ -0.2	▲ 23.7	

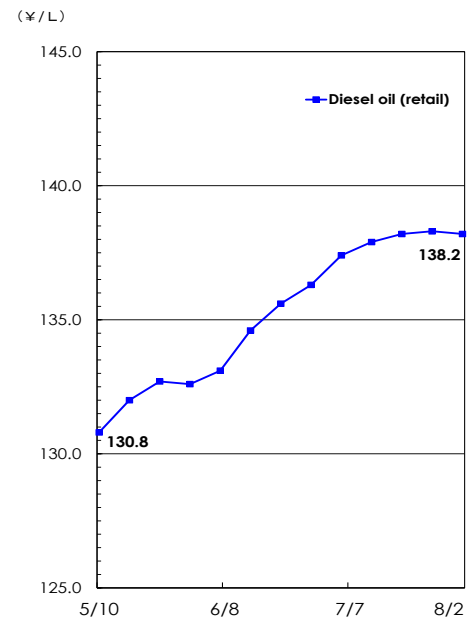
\*Gyoten and futures prices are before tax



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

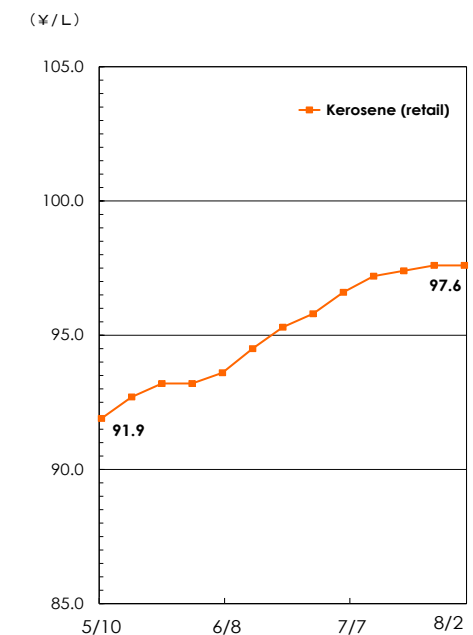
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	7/25 ~ 7/31	702 ▲ 65	▲ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	606 ▲ 113	▲ -	
	Exports	"	83 ▼ -66	▲ -	
	Inventories	7/31	1,794 ▲ 12	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/27 ~ 8/2	68.1 ▼ -0.4	▲ 22.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/27 ~ 8/2	68.7 ▲ 2.4	▲ 21.5
		(TOCOM/ Chubu)	8/2	-	-
	Retail prices [weekly trend] (published by ANRE)	8/2	138.2 ▼ -0.1	▲ 23.2	

\*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	7/25 ~ 7/31	141 ▼ -41	▼ -	
	Imports	"	n.a.	n.a.	
	Shipments	"	47 ▲ 9	▼ -	
	Exports	"	0 ➡ 0	▼ -	
	Inventories	7/31	2,001 ▲ 94	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	7/27 ~ 8/2	67.9 ▼ -0.1	▲ 21.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	7/27 ~ 8/2	62.0 ▲ 2.2	▲ 19.1
		(TOCOM/ Chubu)	8/2	64.8 ▼ -0.2	▲ 19.8
	Retail prices [weekly trend] (published by ANRE)	8/2	97.6 ➡ 0.0	▲ 17.2	



## Relevant Information

### 1 Overseas crude oil prices

On August 4, WTI crude oil futures price on NYMEX turned down significantly to less than \$70/bbl, the record low for the first time in about two weeks since July 20. According to the announcements by the U.S. EIA on this day, the U.S. domestic gasoline inventory decreased from the previous week as expected by the market, but crude oil increased by 3.6 million bbl from the previous week contrary to the market expectation. The market players were much concerned over relaxing oil demand and supply on the background of the outbreaks of the COVID-19 variants worldwide. Moreover, other factors pushing down crude oil price were sharp decline in the U.S. stock price and more-than-expected slump in the U.S. Employment Statistics. However, crude oil price was not much affected by attacks on an oil tanker off the coast of Oman near the Strait of Hormuz. The September contract lost \$2.41/bbl to \$68.15/bbl from the previous day. The October contract lost \$2.24/bbl to \$67.79/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 2 increased by 2.3 cents per gallon from a week earlier to \$3.159/gal (92.2 yen/l). The average diesel oil price increased by 2.5 cents per gallon to \$3.367/gal (98.3 yen/l). The gasoline price increased for the first time in two weeks. Diesel oil price increased for the first time in two weeks.

### 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 July 25-July 31 week in 2021 stood at 391,000 barrels per day, decreasing by 93,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week increased by 151,000 kl from the previous week to 2,745,000 kl. From a year earlier, it increased by 485,000 kl. The topper capacity utilization rate stood at 71.3%, up 3.9 points from the previous week and up 13.6 points from a year earlier.

Production increased from the previous week for jet fuel, kerosene and Fuel Oil C and decreased for other petroleum products. Output was down 2.2% for gasoline, up 1.9% for jet fuel, down 22.3% for kerosene, up 10.2% for diesel oil, down 10.2% for Fuel Oil A and up 3.9% for Fuel Oil C. Fuel Oil C imports in the week totaled 34,000 kl, up 30,000 kl from the previous week. Diesel oil exports aggregated 83,000 kl, down 66,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline and increased for other products. From a year earlier, shipments expanded for gasoline, diesel oil and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 5.9% from the previous week to 919,000 kl, decreasing for the first time in two weeks. Shipments totaled 74,000 kl for jet fuel (up 31.3% from the previous week), 47,000 kl for kerosene (up 23.0% from the previous week), 606,000 kl for diesel oil (up 23.1% from the previous week), 165,000 kl for Fuel Oil A (up 39.9% from the

previous week) and 206,000 kl for Fuel Oil C (up 0.4% from the previous week).

(Unit: 1,000 kl)

	This week (7/25 ~ 7/31)	Previous week (7/18 ~ 7/24)	From a week earlier
Gasoline	919	977	▼ -58 (-6%)
Jet fuel	74	57	▲ 17 (30%)
Kerosene (heating Oil)	47	38	▲ 9 (24%)
Diesel oil	606	493	▲ 113 (23%)
Fuel oil A	165	118	▲ 47 (40%)
Fuel Oil C	206	206	➡ 0 (0%)
<b>Total</b>	<b>2,017</b>	<b>1,889</b>	<b>▲ 128 (7%)</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 July 31 decreased from a week earlier for gasoline, jet fuel and Fuel Oil A and increased for other petroleum products. From a year earlier, inventories declined for jet fuel and expanded declined for other petroleum products.

Gasoline inventories totaled 2,030,000 kl, down 70,000 kl from a week earlier and up 370,000 kl from a year earlier.

Kerosene inventories totaled 2,001,000 kl, up 94,000 kl from a week earlier and up 96,000 kl from a year earlier.

Diesel oil inventories totaled 1,794,000 kl, up 12,000 kl from a week earlier and up 173,000 kl from a year earlier.

Fuel Oil A inventories totaled 714,000 kl, down 45,000 kl from a week earlier and up 21,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,888,000 kl, up 66,000 kl from a week earlier and up 56,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (7/31)	Previous week (7/24)	From a week earlier
Gasoline	2,030	2,100	▼ -70 (-3%)
Jet fuel	740	849	▼ -109 (-13%)
Kerosene (heating Oil)	2,001	1,907	▲ 94 (5%)
Diesel oil	1,794	1,782	▲ 12 (1%)
Fuel oil A	714	759	▼ -45 (-6%)
Fuel Oil C	1,888	1,822	▲ 66 (4%)
<b>Total</b>	<b>9,167</b>	<b>9,219</b>	<b>▼ -52 (-0.6%)</b>

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

During July 27-August 2, crude oil cost in yen increased from a week earlier with the increase in crude oil price and the slight appreciation of the yen to the US dollar.

For the next week of August 5-August 11, Motouri companies decreased their wholesale prices by 1.5 yen/l for gasoline, kerosene, and diesel oil from a week earlier.

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

Spot petroleum products prices in the July 27-August 2 week decreased for all oil products in all trading except for the increased all futures prices and offshore kerosene prices, and leveled off onshore gasoline price compared to the period of July 20-July 26.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the July 27-August 2 week) leveled off from a week earlier (July 20-July 26 week) for gasoline, decreased by 0.1 yen/l for kerosene and decreased by 0.4 yen/l for diesel oil. For the latest period of July 27-August 2, the price increased slightly in a 120-121 yen/l range for gasoline; and increased slightly in a 67-68 yen/l range for kerosene; increased slightly after the decrease in a 67-68 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline, increased by 0.3 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil for the July 27-August 2 week from a week earlier. Offshore cargo spot prices during the week July 27-August 2 decreased slightly in a 121-122 yen/l range for gasoline and almost leveled off in a 65 yen/l range for kerosene and decreased in a 68-69 yen/l range for diesel oil from a week earlier.

The key average futures price increased by 4.4 yen/l for gasoline, increased by 2.2 yen/l for kerosene and increased by 2.4 yen/l for diesel oil from a week earlier. The key futures price during July 27-August 2 increased significantly in a 121-123 yen/l range for gasoline, decreased slightly in a 61-62 yen/l range for kerosene and increased in a 68-69 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (7/27 ~ 8/2)	Previous week (7/20 ~ 7/26)	From a week earlier
Spot Prices	Regular	67.1	67.1	➡ 0.0
	Kerosene	67.9	68.0	▼ -0.1
	Diesel oil	68.1	68.5	▼ -0.4

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (7/27 ~ 8/2)	Previous week (7/20 ~ 7/26)	From a week earlier
Futures Price	Regular	68.9	64.5	▲ 4.4
	Kerosene	62.0	59.8	▲ 2.2
	Diesel oil	68.7	66.3	▲ 2.4

Above prices are before tax.

Reference (July 27 - August 2 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	➡ 0.0	▲ 4.4	▲ 2.2
Kerosene	▼ -0.1	▲ 2.2	▲ 1.1
Diesel oil	▼ -0.4	▲ 2.4	▲ 1.0
Fuel Oil A	▼ -0.8		

(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 August 2 decreased by 0.2 yen from a week earlier to 158.2 yen/l for gasoline, decreased by 0.1 yen to 138.2 yen/l for diesel oil and leveled off at 1,756 yen for kerosene on an 18-liter tank basis (leveled off at 97.6 yen/l) from a week earlier. The gasoline price decreased for the first time in nine weeks. Diesel oil price decreased for the first time in nine weeks. Kerosene price stopped increasing for the first time in 35 weeks.

Gasoline prices increased in 16 prefectures, leveled off in three prefectures and decreased in 28 prefectures. The lowest gasoline price among the prefectures was 152.4 yen/l in Tokushima (down 0.1 yen/l from a week earlier). The second lowest was 152.9 yen/l in Saitama (up 0.1 yen/l). The highest price was 168.3 yen/l in Nagasaki (up 0.1 yen/l). Okinawa logged the largest price gain of 1.0 yen/l to 165.0 yen/l. The price leveled off in Hiroshima and two other prefectures. Tokyo logged the largest price fall of 1.3 yen/l to 160.2 yen/l.

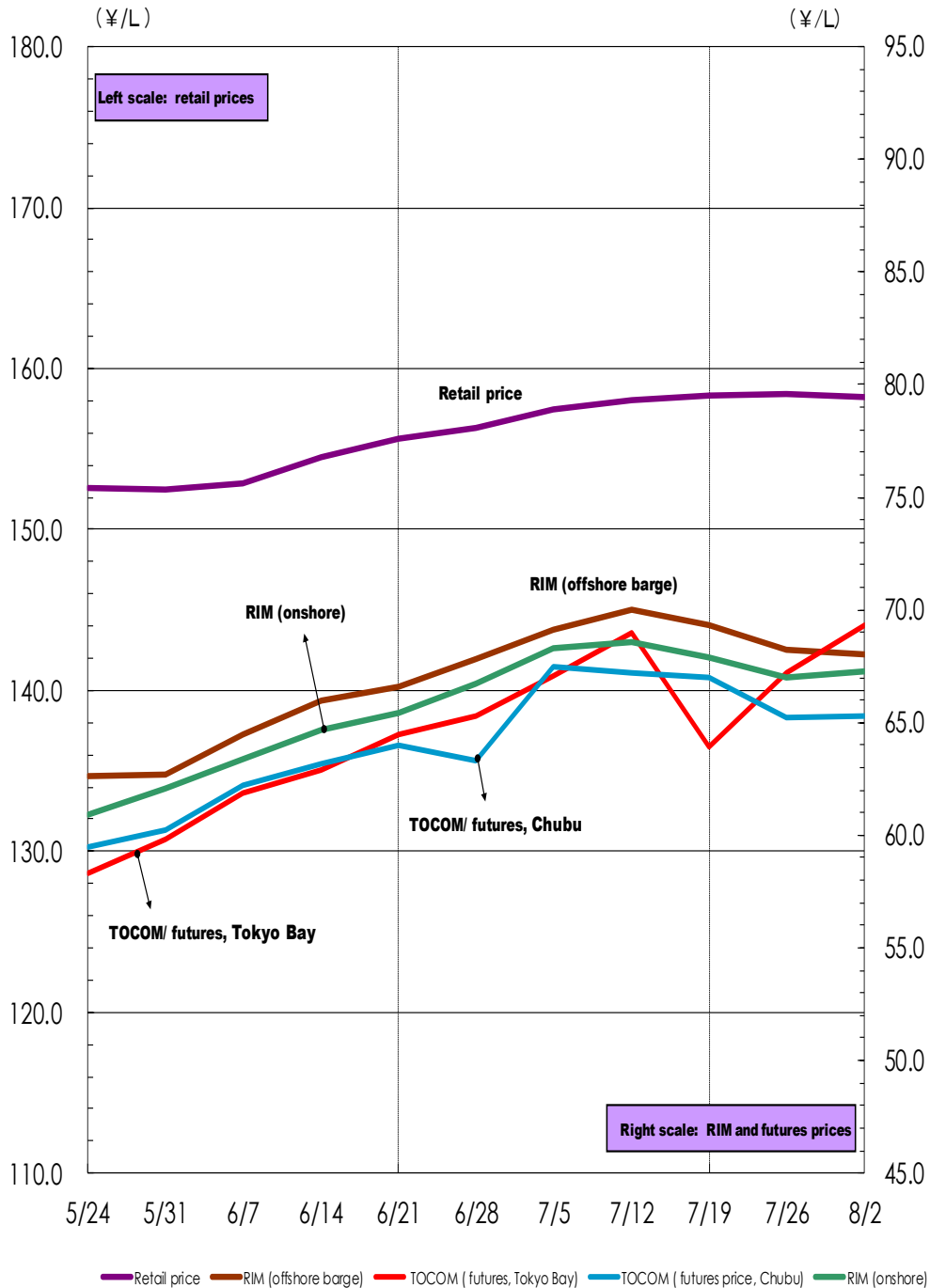
Crude oil cost in yen increased significantly for the period from July 27-August 2 with the significant increase in crude oil price and the slight appreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for the period from August 5-August 11. Retail gasoline price on the next price survey day (August 10) is expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/2)	Previous week (7/26)	From a week earlier	Latest high
Retail Price	Regular	158.2	158.4	▼ -0.2	08/8/4 185.1
	Kerosene	97.6	97.6	➡ 0.0	08/8/11 132.1
	Diesel oil	138.2	138.3	▼ -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

(2021/5/24 ~ 2021/8/2)



(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. 19 for 2021) will be announced on August 27.

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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).