

Oil Market Review in Japan No. 20/2021

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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 August 5-August 18 week moved within a range of \$65.46 per barrel and \$69.25/bbl.

On August 19, the September contract turned down for the sixth straight week due to concerns over oil demand in the future in the background of a slowdown of the economic recovery caused by the new outbreaks of the coronavirus worldwide. Market players also saw a sense of overvalued crude oil futures price amid the appreciation of the U.S. dollar caused by the speculation of the end of the U.S. monetary easing measures within the year. Another factor pushing down the price was the increase in the U.S. domestic gasoline inventory from the previous week despite the driving season period which was announced on the previous day. The September contract closed at \$63.69/bbl down \$1.77/bbl from the previous day.

On August 20, the September contract turned down for the seventh straight week due to concerns over the decrease in oil demand caused by the new outbreaks of the COVID-19 variants worldwide. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by eight units from a week earlier to 405 units. The September contract closed at \$62.32/bbl down \$1.37/bbl from the previous day.

On August 23, the key contract rebounded for the first time in eight trading days. The market players saw bull trend due to a sense of undervalued crude oil futures price from the previous week trading and the depreciation of the U.S. dollar in the foreign exchange market by the rising expectations for postponement of the financial easing measures by the FRB (Federal Reserve Board). The price rise was also supported by rebound of stock prices in major countries. The October contract, which replaced the September contract as the key front-month contract, gained \$3.50/bbl to \$65.64/bbl from the previous day.

On August 24, the key contract rose further on buying after the previous week's dip. The price rise was also supported by an accident of an oil field off the coast of Mexico, which deprived about 25% of crude oil production (about 0.42 million bbl/d) of the country. The October contract gained \$1.90/bbl to \$67.54/bbl from the previous day.

On August 25, the key contract rose further for the third straight trading day. The market players expected an optimistic forecast for oil demand. According to the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic inventory decreased for crude oil for the third straight week and decreased for gasoline more than the market expectation. The October contract gained \$0.82/bbl to \$68.36/bbl from the previous day.

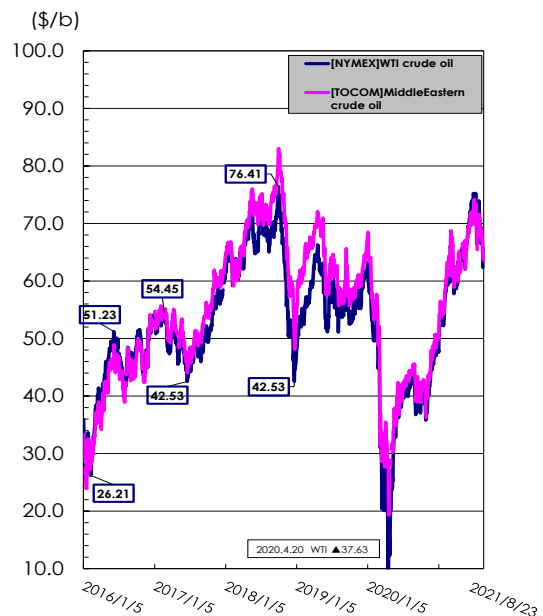
The Asian benchmark crude oil of Dubai for October delivery on the Tokyo market ranged from \$68.50/bbl to \$70.30/bbl in the August 5-August 18 week. It closed at \$66.10/bbl on August 19, at \$65.50/bbl on August 20, at \$65.60/bbl on August 23, at \$68.30/bbl on August 24, at \$69.70/bbl on August 25.

On the foreign exchange market in the August 5-August 18 week, the dollar moved within a range of 109.23 yen and 110.69 yen. It changed hands at 109.99 yen in late trading on August 19, at 109.89 yen on August 20, at 109.85 yen on August 23, at 109.77 yen on August 24, at 109.86 yen on August 25.

According to preliminary 10-day trade statistics released by the Ministry of Finance on August 18, the average crude oil import CIF price for Japan in the late July period stood at 50,822 yen/kl (kiloliter), down 176 yen/kl from the previous 10-day period. In dollars, the price was \$73.23/bbl, up \$0.05/bbl. The average exchange rate was 110.34 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance on the same day, the average crude oil import CIF price for Japan in July stood at 49,874 yen/kl (kiloliter), up 2,278 yen/kl from the previous month. In dollars, the price was \$71.72/bbl, up \$2.61/bbl. The average exchange rate was 110.56 yen to the dollar.

Japan's average retail price on August 23 lost by 0.4 yen/l from a week earlier for gasoline and lost by 0.3 yen/l for diesel oil and lost by 4.0 yen for kerosene on an 18-liter tank basis. The gasoline price decreased for the first time in three weeks. Diesel oil price decreased for the first time in three weeks. Kerosene price decreased for the first time in 38 weeks. As crude oil cost decreased significantly for the fourth week of August, Motouri companies decreased their wholesale prices by 2.0 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

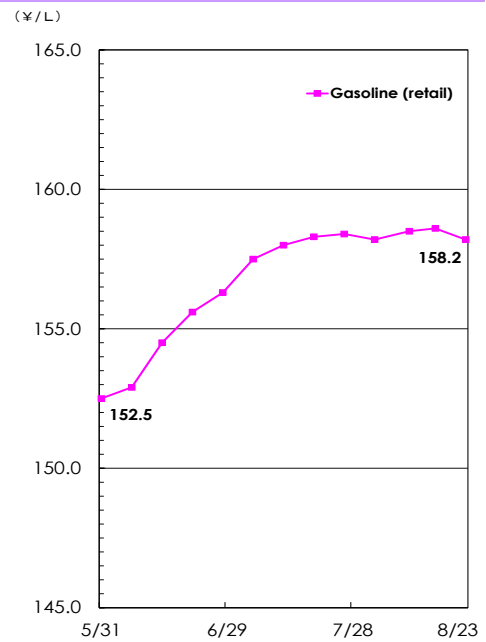
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	8/15 ~ 8/21	2,966	▲ 90	▲ —
	Topper capacity utilization rate (%)	"	77.1	▲ 2.4	▲ —
	Crude oil inventories (1,000 kl)	8/21	10,649	▲ 657	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	8/23	63.60	▼ -3.83	▲ 19.4
	WTI crude oil (NYMEX) (\$/bbl)	8/23	65.64	▼ -1.65	▲ 23.0
	Crude oil import CIF price (\$/bbl)	Late Jul	73.23	▲ 0.05	▲ 40.45
	① Crude oil import CIF price (yen/kl)	"	50,822	▼ -176	▲ 28,712
	② Yen-dollar exchange rate (yen/dollar)	"	110.34	▲ 0.45	▼ -3.12
	TTS exchange rate (yen/dollar)	8/23	110.85	▼ -0.34	▼ -4.05



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/15 ~ 8/21	835	▼ -103	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	695	▼ -265	▼ -	
	Exports	"	40	▲ 8	▲ -	
	Inventories	8/21	1,977	▲ 99	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/17 ~ 8/23	65.5	▼ -0.7	▲ 21.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/17 ~ 8/23	62.2	▼ -2.7	▲ 22.5
		(TOCOM/ Chubu)	8/23	63.8	▼ -0.2	▲ 22.3
	Retail prices [weekly trend] (published by ANRE)	8/23	158.2	▼ -0.4	▲ 22.9	

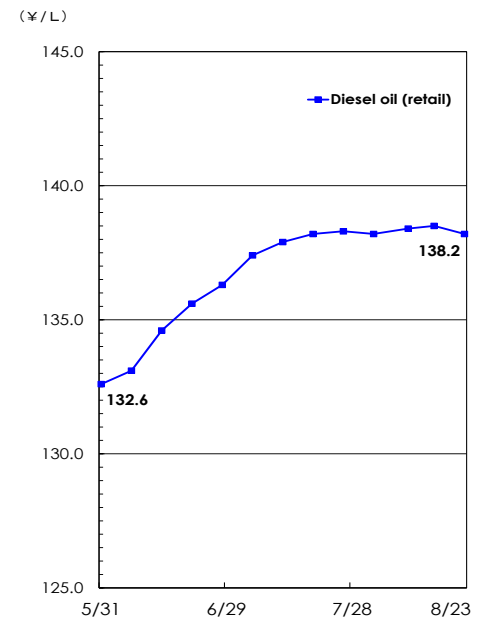
*Gyoten and futures prices are before tax



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

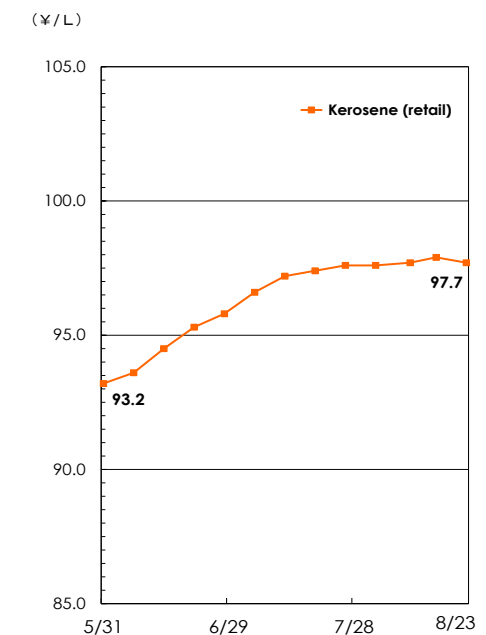
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	8/15 ~ 8/21	718	▲ 36	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	437	▲ 7	▼ -	
	Exports	"	71	▼ -148	▲ -	
	Inventories	8/21	2,088	▲ 210	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/17 ~ 8/23	66.7	▼ -0.8	▲ 19.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/17 ~ 8/23	65.1	▼ -1.6	▲ 16.6
		(TOCOM/ Chubu)	8/23	-	-	-
	Retail prices [weekly trend] (published by ANRE)	8/23	138.2	▼ -0.3	▲ 22.4	

*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	8/15 ~ 8/21	166	▲ 59	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	91	▲ 19	▲ -	
	Exports	"	0	▼ -22	▶ -	
	Inventories	8/21	2,087	▲ 75	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	8/17 ~ 8/23	65.9	▼ -1.0	▲ 19.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	8/17 ~ 8/23	60.2	▼ -1.5	▲ 18.1
		(TOCOM/ Chubu)	8/23	62.0	▼ -2.0	▲ 17.5
	Retail prices [weekly trend] (published by ANRE)	8/23	97.7	▼ -0.2	▲ 16.6	



Relevant Information

1 Overseas crude oil prices

On August 25, WTI crude oil futures price on NYMEX rose further for the third straight trading day. According to the U.S. EIA Weekly Report announced on this day, the U.S. domestic inventory decreased by 3 million bbl from the previous week for crude oil, decreasing for the third straight week and decreased by 2.2 million bbl for gasoline which was more than the market expectation. Shipment of oil products returned to the level of March 2020, the before-coronavirus pandemic period. These factors raised the expectation for the increase in the oil demand in the future, which brought about bull trend in the market. The October contract gained \$0.82/bbl to \$68.36/bbl from the previous day. The November contract gained \$0.81/bbl to \$68.06/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of August 23 decreased by 2.9 cents per gallon from a week earlier to \$3.145/gal (92.0 yen/l). The average diesel oil price decreased by 3.2 cents per gallon to \$3.324/gal (97.2 yen/l). The gasoline price decreased for the first time in four weeks. Diesel oil price decreased for the third straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

Crude oil throughput in the week increased by 90,000 kl from the previous week to 2,966,000 kl. From a year earlier, it increased by 204,000 kl. The topper capacity utilization rate stood at 77.1%, up 2.4 points from the previous week and up 6.6 points from a year earlier.

Production decreased from the previous week for gasoline, jet fuel and increased for other petroleum products. Output was down 11.0% for gasoline, down 29.5% for jet fuel, up 55.2% for kerosene, up 5.2% for diesel oil, up 33.7% for Fuel Oil A, and up 13.1% 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 71,000 kl, down 148,000 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 kerosene and Fuel Oil C and declined for other petroleum products. Gasoline shipments decreased by 27.6% from the previous week to 695,000 kl, decreasing for the first time in three weeks. Shipments totaled 46,000 kl for jet fuel (up 21.4% from the previous week), 91,000 kl for kerosene (up 26.8% from the previous week), 437,000 kl for diesel oil (up 1.8% from the previous week), 165,000 kl for Fuel Oil A (up 77.6% from the previous week), and 213,000 kl for Fuel Oil C (up 68.5% from the previous week).

(Unit: 1,000 kl)

	This week (8/15 ~ 8/21)	Previous week (8/8 ~ 8/14)	From a week earlier
Gasoline	695	960	▼ -265 (-28%)
Jet fuel	46	38	▲ 8 (21%)
Kerosene (heating Oil)	91	72	▲ 19 (26%)
Diesel oil	437	430	▲ 7 (2%)
Fuel oil A	165	93	▲ 72 (77%)
Fuel Oil C	213	126	▲ 87 (69%)
Total	1,647	1,719	▼ -72 (-4%)

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 August 21 decreased from a week earlier for Fuel Oil A and Fuel Oil C and increased for other petroleum products. From a year earlier, inventories declined for kerosene and expanded for other petroleum products.

Gasoline inventories totaled 1,977,000 kl, up 99,000 kl from a week earlier and up 188,000 kl from a year earlier.

Kerosene inventories totaled 2,087,000 kl, up 75,000 kl from a week earlier and down 305,000 kl from a year earlier.

Diesel oil inventories totaled 2,088,000 kl, up 210,000 kl from a week earlier and up 221,000 kl from a year earlier.

Fuel Oil A inventories totaled 739,000 kl, down 7,000 kl from a week earlier and up 40,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,913,000 kl, down 27,000 kl from a week earlier and up 26,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (8/21)	Previous week (8/14)	From a week earlier
Gasoline	1,977	1,878	▲ 99 (5%)
Jet fuel	809	802	▲ 7 (1%)
Kerosene (heating Oil)	2,087	2,012	▲ 75 (4%)
Diesel oil	2,088	1,878	▲ 210 (11%)
Fuel oil A	739	746	▼ -7 (-1%)
Fuel Oil C	1,913	1,940	▼ -27 (-1%)
Total	9,613	9,256	▲ 357 (3.9%)

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

During August 17-August 23, crude oil cost in yen decreased significantly from a week earlier with the decrease in crude oil price and the appreciation of the yen to the US dollar.

For the next week of August 26-September 1, Motouri companies decreased their wholesale prices by 2.0 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 August 17-August 23 week decreased for all oil products in all trading compared to the period of August 10-August 16.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the August 17-August 23 week) decreased by 0.7 yen/l from a week earlier (August 10-August 16 week) for gasoline, decreased by 1.0 yen/l for kerosene and decreased by 0.8 yen/l for diesel oil. For the latest period of August 17-August 23, the price decreased in a 119 yen/l range for gasoline; and decreased in a 65-66 yen/l range for kerosene; decreased in a 66-67 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.0 yen/l for gasoline, decreased by 1.4 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil for the August 17-August 23 week from a week earlier. Offshore cargo spot prices during August 10-August 16 decreased in a 120-121 yen/l range for gasoline and decreased in a 62-63 yen/l range for kerosene and decreased in a 67-68 yen/l range for diesel oil from a week earlier.

The key average futures price decreased by 2.7 yen/l for gasoline, decreased by 1.5 yen/l for kerosene and decreased by 1.6 yen/l for diesel oil from a week earlier. The key futures price during August 17-August 23 decreased in a 115-117 yen/l range for gasoline, increased after the significant decrease in a 58-61 yen/l for kerosene and decreased significantly in a 62-66 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (8/17 ~ 8/23)	Previous week (8/10 ~ 8/16)	From a week earlier
Spot Prices	Regular	65.5	66.2	▼ -0.7
	Kerosene	65.9	66.9	▼ -1.0
	Diesel oil	66.7	67.5	▼ -0.8

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (8/17 ~ 8/23)	Previous week (8/10 ~ 8/16)	From a week earlier
Futures Price	Regular	62.2	64.9	▼ -2.7
	Kerosene	60.2	61.7	▼ -1.5
	Diesel oil	65.1	66.7	▼ -1.6

Above prices are before tax.

Reference (August 17 - August 23 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.7	▼ -2.7	▼ -1.7
Kerosene	▼ -1.0	▼ -1.5	▼ -1.2
Diesel oil	▼ -0.8	▼ -1.6	▼ -1.2
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 23 decreased by 0.4 yen from a week earlier to 158.2 yen/l for gasoline, decreased by 0.3 yen to 138.2 yen/l for diesel oil and decreased by 4 yen to 1,758 yen for kerosene on an 18-liter tank basis (decreased by 0.2 yen to 97.7 yen/l) from a week earlier. The gasoline price decreased for the first time in three weeks. Diesel oil price decreased for the first time in three weeks. Kerosene price decreased for the first time in 38 weeks.

Gasoline prices increased in 12 prefectures, leveled off in five prefectures and decreased in 30 prefectures. The lowest gasoline price among the prefectures was 151.6 yen/l in Saitama (down 1.0 yen/l from a week earlier). The second lowest was 152.4 yen/l in Miyagi (down 1.0 yen/l). The highest price was 167.5 yen/l in Nagasaki (down 0.8 yen/l). Hyogo and Ibaraki logged the largest price gain of 0.3 yen/l to 155.4 yen/l and 154.7 yen/l respectively. The price leveled off in Kyoto and other four prefectures. Akita logged the largest price fall of 2.2 yen/l to 153.6 yen/l.

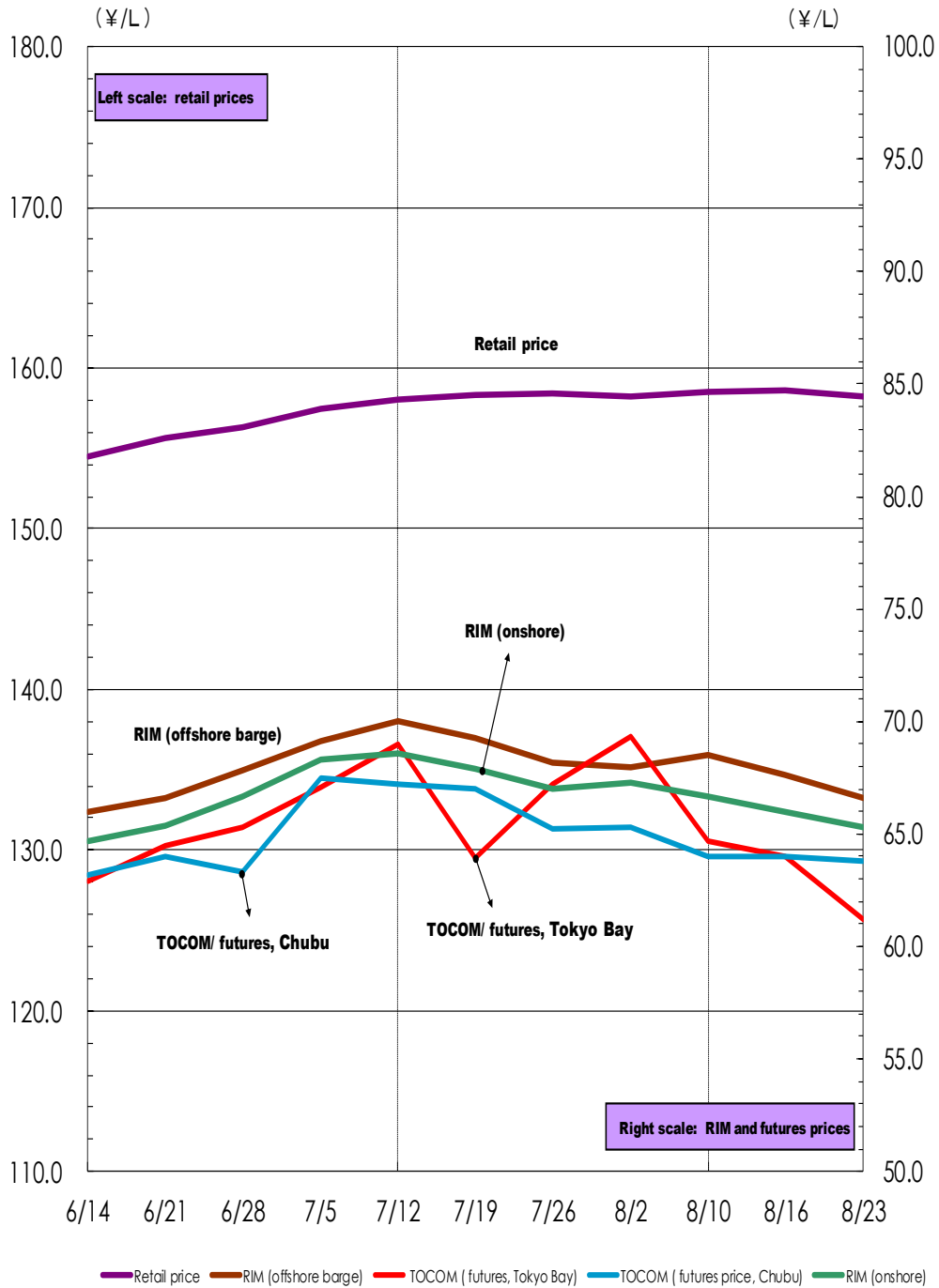
Crude oil cost in yen decreased significantly for the period from August 17-August 23 with the significant decrease in crude oil price and the appreciation of the yen to the US dollar. Motouri companies decreased their wholesale prices by 2.0 yen/l for gasoline, diesel oil and kerosene for the period from August 26-September 1. Retail gasoline price on the next price survey day (August 30) is expected to decrease from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (8/23)	Previous week (8/16)	From a week earlier	Latest high
Retail Price	Regular	158.2	158.6	▼ -0.4	08/8/4 185.1
	Kerosene	97.7	97.9	▼ -0.2	08/8/11 132.1
	Diesel oil	138.2	138.5	▼ -0.3	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

(2021/6/14 ~ 2021/8/23)



(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. 21 for 2021) will be announced on September 10.

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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).