

Oil Market Review in Japan No. 31/2021

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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 October 28-November 3 week moved within a range of \$80.86 per barrel and \$84.05/bbl.

On November 4, the key contract turned down for the third straight trading day due to the prevailing selling trend despite Members of OPEC Plus decision on postponement of an additional increase in crude oil production. The December contract closed at \$78.81/bbl down \$2.05/bbl from the previous day, the lowest level for the first time in about one month. The Member of OPEC Plus decided to maintain the current framework of crude oil production increase by 0.4 million bbl/d for every month in December 2021 in its meeting held on November 4. The market players saw continuing robust oil demand exceeding supply with economic resumption. The buying trend is preceded by the expectation for tightening current demand and supply. However, the selling trend prevailed afterward. The Member of OPEC Plus maintained its cooperative crude oil production as expected by the market players. Most of the market players made an immediate profit-taking sale after the Member of OPEC Plus decision.

On November 5, the key contract rebounded for the first time in four trading days. The December contract closed at \$81.27/bbl up \$2.46/bbl from the previous day. According to the U.S. Employment Statistics for October 2021 released in the morning, the number of U.S. employees increased more than expected. The market players raised speculations for increasing energy demand. The buying trend prevailed by the anticipation for continuing tight oil demand and supply.

On November 8, the key contract rose further by the expectation for tightening oil demand and supply due to rising expectations for the worldwide economic recovery. The December contract closed at \$81.93/bbl, up \$0.66/bbl from the previous day. The Bill on Infrastructure Investment of about USD 1 trillion, one of the main policies of the U.S. Biden Administration, was passed in the House of Representatives. The buying trend continued by the expectation for economic recovery. In addition, the U.S. Government deregulated immigration restrictions on foreign tourists under the conditions of having been vaccinated for the new coronavirus. Many countries followed suit. The oil price was also supported by the expectation for increasing jet fuel demand worldwide.

On November 9, the key contract rose further for the third straight trading day. The December contract closed at \$84.15/bbl up \$2.22/bbl from the previous day. The buying trend prevailed by the expectation for maintaining high price level in the background of increasing crude oil demand caused by the worldwide economic recovery. In addition, the market players expected that the Bill on Infrastructure Investment of about USD 1 trillion passed in the House of Representatives on November 5 would support the U.S. economic recovery and increasing crude oil demand. The U.S. Government would permit the immigration of foreign tourists under the conditions of presenting a vaccination certificate for the new coronavirus. The market players also strongly expected an increase in the movement of people and activation of the U.S. economy.

On November 10, the key contract turned down for the first time in four trading days and closed at \$81.34/bbl down \$2.81/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on November 10, the U.S. domestic inventory increased for crude oil. The price rise was restricted by the expectation for releasing the U.S. SPR (Strategic Petroleum Reserve).

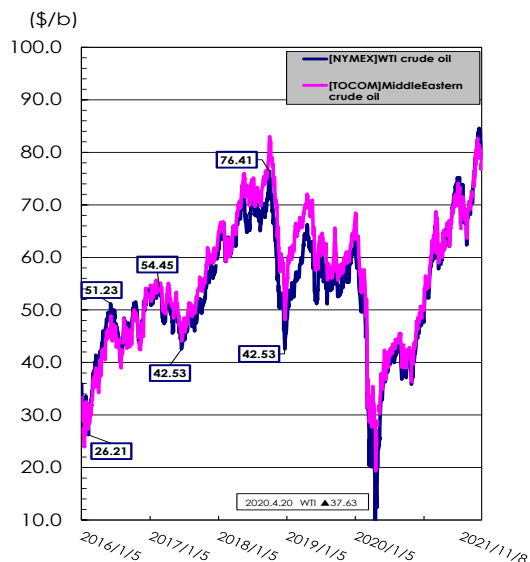
The Asian benchmark crude oil of Dubai for December delivery on the Tokyo market ranged from \$81.30/bbl to \$82.80/bbl in October 28-November 3 week. It closed at \$79.20/bbl on November 4, at \$78.30/bbl on November 5, at \$81.90/bbl on November 8, at \$81.60/bbl on November 9, at \$83.60/bbl on November 10.

On the foreign exchange market in the October 28-November 3 week, the dollar moved within a range of 113.67 yen and 114.11 yen. It changed hands at 114.14 yen in late trading on November 4, at 113.78 yen on November 5, at 113.62 yen on November 8, at 113.27 yen on November 9, at 112.86 yen on November 10.

According to preliminary 10-day trade statistics released by the Ministry of Finance on November 8, the average crude oil import CIF price for Japan in the mid-October period stood at 53,506 yen/kl (kiloliter), up 1,079 yen/kl from the previous 10-day period. In dollars, the price was \$76.40/bbl, up \$0.55/bbl. The average exchange rate was 111.34 yen to the dollar.

Japan's average retail price on November 8 gained by 0.3 yen/l from a week earlier for gasoline and gained by 0.3 yen/l for diesel oil and gained by 10 yen for kerosene on an 18-liter tank basis. The gasoline price increased for the 10th straight week. Diesel oil price increased for the 10th straight week. Kerosene price increased for the 10th straight week. As crude oil cost decreased for the second week of November, Motouri companies decreased their wholesale prices by 0.5 yen/l from a week earlier for gasoline, diesel oil and kerosene for the next week.

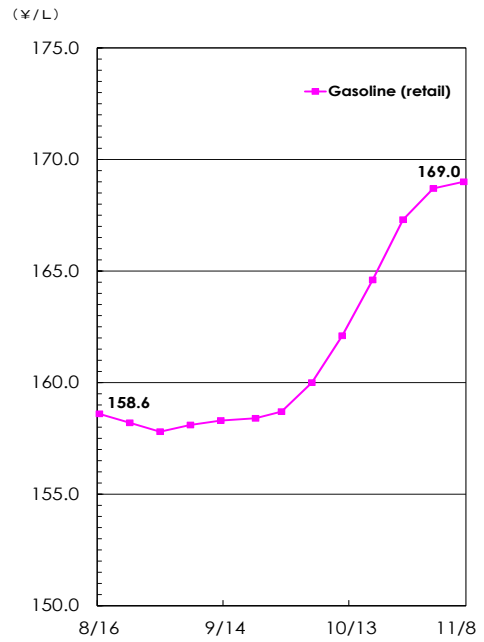
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	10/31 ~ 11/6	2,696	▲ 55	▲ —
	Topper capacity utilization rate (%)	"	70.0	▲ 1.4	▲ —
	Crude oil inventories (1,000 kl)	11/6	9,304	▲ 222	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	11/8	79.87	▲ 0.21	▲ 39.5
	WTI crude oil (NYMEX) (\$/bbl)	11/8	81.93	▼ -2.12	▲ 41.6
	Crude oil import CIF price (\$/bbl)	Mid Oct	76.40	▲ 0.55	▲ 31.86
	① Crude oil import CIF price (yen/kl)	"	53,506	▲ 1,079	▲ 23,949
	② Yen-dollar exchange rate (yen/dollar)	"	111.34	▼ -1.45	▼ -5.83
	TTS exchange rate (yen/dollar)	11/8	114.62	▲ 0.47	▼ -10.27



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

Gasoline		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/31 ~ 11/6	928 ▲ 92	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	744 ▲ 19	▼ —	
	Exports	"	179 ▲ 42	▲ —	
	Inventories	11/6	1,555 ▲ 5	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/2 ~ 11/8	77.0 ▼ -0.2	▲ 36.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/2 ~ 11/8	75.9 ▼ -0.5	▲ 38.1
		(TOCOM/ Chubu)	11/8	77.0 ➡ 0.0	▲ 36.3
	Retail prices [weekly trend] (published by ANRE)	11/8	169.0 ▲ 0.3	▲ 36.1	

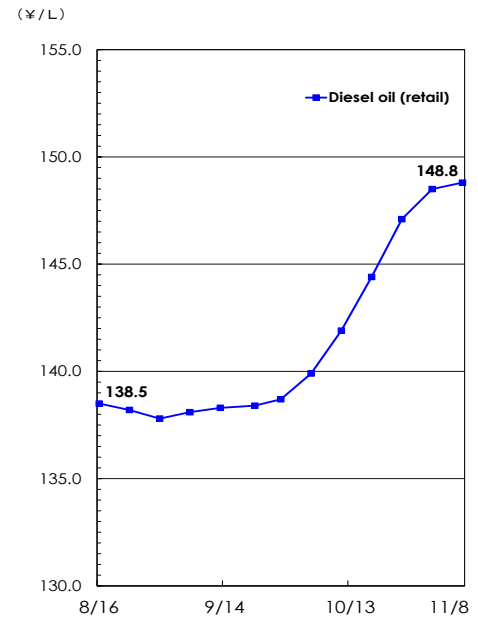
*Gyoten and futures prices are before tax



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

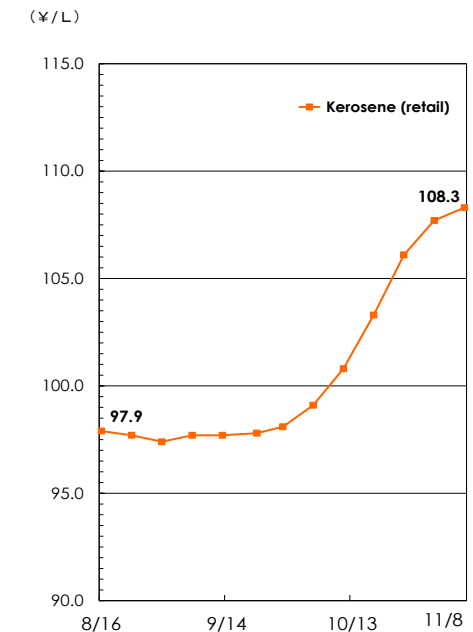
Diesel oil		This week	From a week earlier	From a year earlier	
Supply/ Demand	Production	10/31 ~ 11/6	646 ▼ -64	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	594 ▲ 29	▼ —	
	Exports	"	94 ▼ -106	▲ —	
	Inventories	11/6	1,341 ▼ -42	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/2 ~ 11/8	77.8 ▼ -1.0	▲ 34.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/2 ~ 11/8	79.6 ▲ 0.1	▲ 33.4
		(TOCOM/ Chubu)	11/8	—	—
	Retail prices [weekly trend] (published by ANRE)	11/8	148.8 ▲ 0.3	▲ 35.1	

*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	10/31 ~ 11/6	289 ▲ 61	▲ —	
	Imports	"	n.a.	n.a.	
	Shipments	"	134 ▼ -103	▼ —	
	Exports	"	0 ➡ 0	▼ —	
	Inventories	11/6	2,757 ▲ 155	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	11/2 ~ 11/8	77.8 ▼ -0.9	▲ 35.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	11/2 ~ 11/8	76.1 ▼ -0.4	▲ 35.2
		(TOCOM/ Chubu)	11/8	77.2 ➡ 0.0	▲ 34.5
	Retail prices [weekly trend] (published by ANRE)	11/8	108.3 ▲ 0.6	▲ 29.3	



Relevant Information

1 Overseas crude oil prices

On November 11, WTI crude oil futures price on NYMEX turned down for the first time in four trading days. The December contract closed at \$81.34/bbl down \$2.81/bbl from the previous day. The January contract closed at \$80.06/bbl down \$2.50/bbl from the previous day. According to the U.S. EIA (Energy Information Administration) Weekly Report released on November 10, the U.S. domestic inventory increased for crude oil for the third straight week. Some people observed that a large amount of decrease in the U.S. SPR in recent years caused the increase in crude oil inventory. Some market players expected that the U.S. Government would release SPR to a large extent soon for restraining gasoline price rise. The U.S. dollar appreciated against major currencies in the foreign exchange market. The U.S. dollar is likely to appreciate further due to concerns over inflation. A sense of overvalued crude oil futures, denominated in dollar transactions also caused the selling trend.

According to the EIA, the average U.S. retail price of gasoline as of November 8 increased by 2.0 cents per gallon from a week earlier to \$3.410/gal (103.1 yen/l). The average diesel oil price increased by 0.3 cents per gallon to \$3.730/gal (112.8 yen/l). The gasoline price increased for the sixth straight week. Diesel oil price increased for the eighth 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 October 31-November 6 week in 2021 stood at 466,000 barrels per day, decreasing by 53,000 bpd from the previous week (total capacity remained at 3,458,000 bpd). Crude oil throughput in the week increased by 55,000 kl from the previous week to 2,696,000 kl. From a year earlier, it increased by 63,000 kl. The topper capacity utilization rate stood at 70.0%, up 1.4 points from the previous week and up 1.6 points from a year earlier.

Production decreased from the previous week for diesel oil and increased for other petroleum products. Output was up 11.0% for gasoline, up 11.6% for jet fuel, up 26.9% for kerosene, down 9.0% for diesel oil, up 28.1% for Fuel Oil A, and up 11.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 4,000 kl, up 4,000 kl from the previous week. Diesel oil exports aggregated 94,000 kl, down 106,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for gasoline and diesel oil and decreased for other products. From a year earlier, shipments expanded for jet fuel and declined for all petroleum products. Gasoline shipments increased by 2.6% from the previous week to 744,000 kl, increasing for the first time in three weeks. Shipments totaled 71,000 kl for jet fuel (down 19.9% from the previous week), 134,000 kl for kerosene (down 43.6% from the previous week), 594,000 kl for diesel oil (up 5.2% from the previous week), 161,000 kl for Fuel Oil A (down 13.1% from the previous week), and 123,000 kl for Fuel Oil C (down 25.1% from the previous week).

(Unit: 1,000 kl)

	This week (10/31 ~ 11/6)	Previous week (10/24 ~ 10/30)	From a week earlier
Gasoline	744	725	▲ 19 (3%)
Jet fuel	71	89	▼ -18 (-20%)
Kerosene (heating Oil)	134	237	▼ -103 (-43%)
Diesel oil	594	565	▲ 29 (5%)
Fuel oil A	161	185	▼ -24 (-13%)
Fuel Oil C	123	165	▼ -42 (-25%)
Total	1,827	1,966	▼ -139 (-7%)

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 November 6 decreased for diesel oil and increased for other petroleum products. From a year earlier, inventories declined for all petroleum products.

Gasoline inventories totaled 1,555,000 kl, up 5,000 kl from a week earlier and down 382,000 kl from a year earlier.

Kerosene inventories totaled 2,757,000 kl, up 155,000 kl from a week earlier and down 154,000 kl from a year earlier.

Diesel oil inventories totaled 1,341,000 kl, down 42,000 kl from a week earlier and down 267,000 kl from a year earlier.

Fuel Oil A inventories totaled 752,000 kl, up 41,000 kl from a week earlier and down 22,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,772,000 kl, up 14,000 kl from a week earlier and down 76,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (11/6)	Previous week (10/30)	From a week earlier
Gasoline	1,555	1,550	▲ 5 (0%)
Jet fuel	718	712	▲ 6 (1%)
Kerosene (heating Oil)	2,757	2,602	▲ 155 (6%)
Diesel oil	1,341	1,383	▼ -42 (-3%)
Fuel oil A	752	711	▲ 41 (6%)
Fuel Oil C	1,772	1,758	▲ 14 (1%)
Total	8,895	8,716	▲ 179 (2.1%)

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

During November 2-November 8, crude oil cost in yen decreased from a week earlier with the decrease in crude oil price and the leveled off yen to the US dollar.

For the next week of November 11-November 17, Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, kerosene, and diesel oil from a week earlier. During November 2-November 8, crude oil cost in yen decreased from a week earlier with the decrease in crude oil price and the leveled off yen to the US dollar. For the next week of November 11-November 17, Motouri companies decreased their wholesale prices by 0.5 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 November 2-November 8 week decreased for all oil products in all trading except for the increased diesel oil futures compared to the period of October 26-November 1.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for the November 2-November 8) decreased by 0.2 yen/l from a week earlier (October 26-November 1) for gasoline, decreased by 0.9 yen/l for kerosene and decreased by 1.0 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 0.9 yen/l for gasoline, decreased by 0.7 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil for the November 2-November 8 week from a week earlier.

The key average futures price decreased by 0.5 yen/l for gasoline, decreased by 0.4 yen/l for kerosene and increased by 0.1 yen/l for diesel oil from a week earlier.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (11/2 ~ 11/8)	Previous week (10/26 ~ 11/1)	From a week earlier
Spot Prices	Regular	77.0	77.2	▼ -0.2
	Kerosene	77.8	78.7	▼ -0.9
	Diesel oil	77.8	78.8	▼ -1.0

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (11/2 ~ 11/8)	Previous week (10/26 ~ 11/1)	From a week earlier
Futures Price	Regular	75.9	76.4	▼ -0.5
	Kerosene	76.1	76.5	▼ -0.4
	Diesel oil	79.6	79.5	▲ 0.1

Above prices are before tax.

Reference (November 2 - November 8 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▼ -0.2	▼ -0.5	▼ -0.3
Kerosene	▼ -0.9	▼ -0.4	▼ -0.6
Diesel oil	▼ -1.0	▲ 0.1	▼ -0.5
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 November 8 increased by 0.3 yen from a week earlier to 169.0 yen/l for gasoline, increased by 0.3 yen to 148.8 yen/l for diesel oil and increased by 10 yen to 1,949 yen for kerosene on an 18-liter tank basis (increased by 0.6 yen/l to 108.3 yen/l) from a week earlier. The gasoline price increased for the 10th straight week. Diesel oil price increased for the 10th straight week. Kerosene price increased for the 10th straight week.

Gasoline prices increased in 25 prefectures, leveled off in nine prefectures and decreased in 13 prefectures. The lowest gasoline price among the prefectures was 163.7 yen/l in Tokushima. The second lowest was 163.9 yen/l in Iwate. The highest price was 176.4 yen/l in Nagasaki and Kagoshima. The price increased in Kouchi, logging the largest price gain of 2.2 yen/l and other 24 prefectures. The price leveled off in Nagano and other eight prefectures. The price decreased in Aichi, logging the largest price fall of 0.6 yen/l and other 12 prefectures.

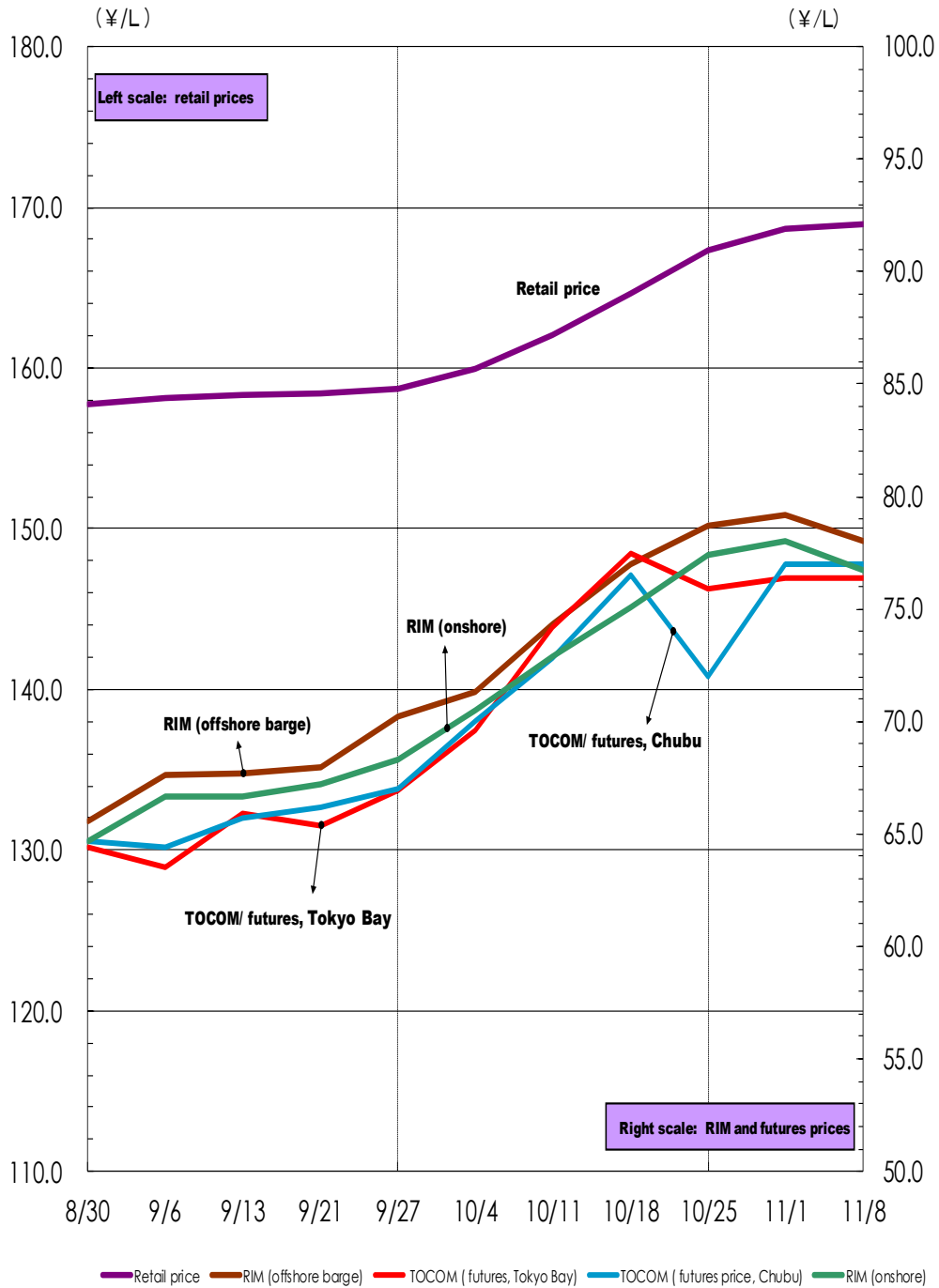
Crude oil cost in yen decreased for the period from November 2-November 8 with the decrease in crude oil price and the leveled off yen to the US dollar. Motouri companies decreased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from November 11-November 17. Retail gasoline price on the next price survey day (November 15) is expected to maintain from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (11/8)	Previous week (11/1)	From a week earlier	Latest high
Retail Price	Regular	169.0	168.7	▲ 0.3	08/8/4 185.1
	Kerosene	108.3	107.7	▲ 0.6	08/8/11 132.1
	Diesel oil	148.8	148.5	▲ 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

(2021/8/30 ~ 2021/11/8)



(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. 32 for 2021) will be announced on November 26.

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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).