

Oil Market Review in Japan No. 39/2022

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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 December 22 - January 4 week moved within a range of \$72.84 per barrel and \$80.26/bbl.

On January 5, the key contract rebounded for the first time in three trading days. According to the U.S. EIA (Energy Information Administration) Weekly Report, the U.S. domestic inventory increased for crude oil, but decreased for the middle distillates including heating oil more than the market expectations. In addition, market players bought crude oil futures for bargain hunting in response to low oil price on the previous trading day. The February contract closed at \$73.67/bbl up \$0.83/bbl from the previous trading day.

On January 6, the key contract rose slightly due to a sense of undervalued crude oil futures price by the ongoing depreciation of the U.S. dollar against the main foreign currencies. However, the oil price rise was restricted by the following two factors. First, according to the U.S. Employment Statistics, there was an increase in the number of employees in the non-agricultural sector and their average hourly wage, but their degree of increase decelerated. Second, the market players were concerned about the new outbreaks of the coronavirus due to the deregulation by China. The February contract closed at \$73.77/bbl up \$0.10/bbl from the previous trading day.

On January 9, the key contract rose for the third straight trading day to the expectation for recovery of the Chinese economy. The Chinese Government announced an increase in the second crude oil import quota by 20% compared to the previous year for 2023. In addition, China abandoned the zero-corona policy and deregulated various restrictions related to the coronavirus. The February contract closed at \$74.63/bbl up \$0.86/bbl from the previous trading day.

On January 10, the key contract rose for the fourth straight trading day to the expectations for an increase in oil demand. The U.S. EIA expected a robust increase in crude oil demand. The U.S. EIA projected 112 million b/d of crude oil demand for 2024, increasing by 1.72 million b/d compared to the projection for 2023. The February contract closed at \$75.12/bbl up \$0.49/bbl from the previous trading day.

On January 11, the contract rose for the fifth straight trading day to the strengthened expectations for economic recovery. The market players welcomed China's deregulation of restrictions related to the coronavirus. In addition, the market players were less concerned about prolonged interest rate rise due to the deteriorating U.S. economic indicators. The U.S. domestic inventory increased significantly for crude oil against the market expectations, but that didn't have much effect on the market. The February contract closed at \$77.41/bbl up \$2.29/bbl from the previous trading day.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged from \$77.70/bbl to \$80.90/bbl on December 22 - January 4 week. It closed at \$75.70/bbl on January 5, at \$76.10/bbl on January 6, at \$76.40/bbl on January 10, at \$76.50/bbl on January 11.

On the foreign exchange market in the December 22 - January 4 week, the dollar moved within a range of 131.01 yen and 134.16 yen. It changed hands at 132.16 yen in late trading on January 5, at 133.74 yen on January 6, at 131.85 yen on January 10, at 132.40 yen on January 11.

According to preliminary 10-day trade statistics released by the Ministry of Finance on January 11, the average crude oil import CIF price for Japan in the mid-December period stood at 82,263 yen/kl (kiloliter), down 3,060 yen/kl from the previous 10-day period. In dollars, the price was \$95.26/bbl, down \$1.62/bbl. The average exchange rate was 137.30 yen to the dollar.

Japan's average retail price on January 10 increased by 0.3 yen/l from a week earlier for gasoline and increased by 0.3 yen/l for diesel oil and increased by 4 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the first time in three weeks. Diesel oil price increased for the first time in three weeks. Kerosene price increased for the first time in three weeks. The national average gasoline price was 168.2 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy for the next week was 15.6 yen/l.

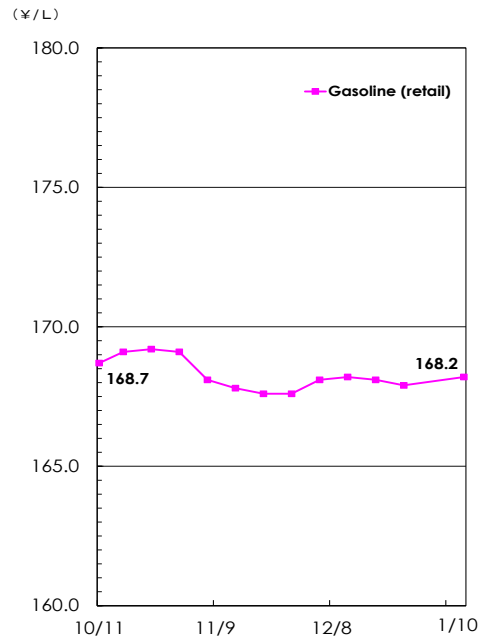
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	1/1 ~ 1/7	3,221	▲ 40	▲ -
	Topper capacity utilization rate (%)	"	86.9	▲ 1.1	▲ -
	Crude oil inventories (1,000 kl)	1/7	10,930	▼ -600	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	1/10	75.01	▲ 0.37	▼ -3.4
	WTI crude oil (NYMEX) (\$/bbl)	1/9	74.63	▼ -2.30	▼ -3.6
	Crude oil import CIF price (\$/bbl)	Mid Dec	95.26	▼ -1.62	▲ 12.95
	① Crude oil import CIF price (yen/kl)	"	82,263	▼ -3,060	▲ 23,251
	② Yen-dollar exchange rate (yen/dollar)	"	137.30	▲ 2.71	▼ -23.31
	TTS exchange rate (yen/dollar)	1/10	132.85	▼ -0.84	▼ -16.51



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/1 ~ 1/7	912	▼ -60	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	655	▼ -343	▼ -	
	Exports	"	169	▼ -5	▲ -	
	Inventories	1/7	1,704	▲ 88	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/27 ~ 1/9	74.8	▲ 1.0	▲ 0.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/27 ~ 1/9	78.5	▼ -0.5	▲ 7.0
		(TOCOM/ Chubu)	1/6	73.9	▼ -0.7	▼ -0.6
	Retail prices [weekly trend] (published by ANRE)	1/10	168.2	▲ 0.3	▲ 1.7	

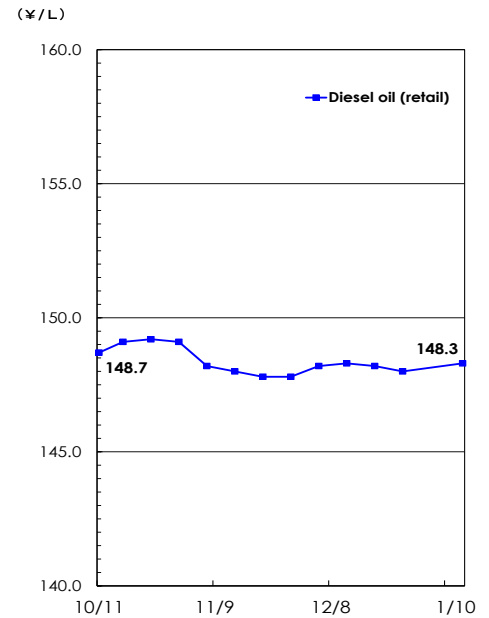
*Gyoten and futures prices are before tax



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

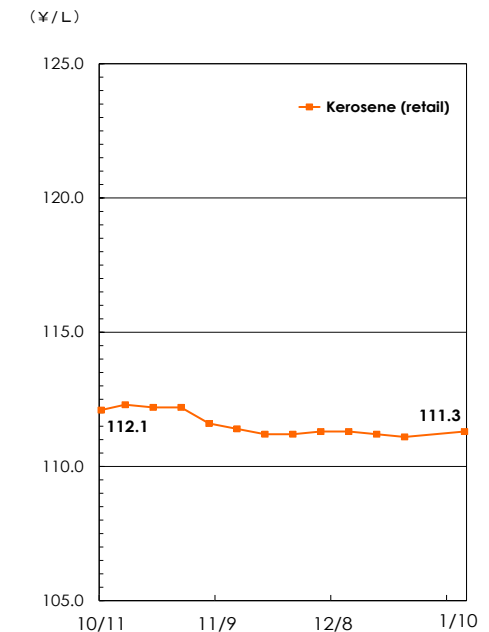
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	1/1 ~ 1/7	617	▼ -166	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	330	▼ -197	▼ -	
	Exports	"	166	▼ -20	▲ -	
	Inventories	1/7	1,577	▲ 122	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/27 ~ 1/9	77.4	▲ 1.7	▲ 1.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/27 ~ 1/9	77.5	▲ 1.1	▲ 2.2
		(TOCOM/ Chubu)	1/6	-	-	-
	Retail prices [weekly trend] (published by ANRE)	1/10	148.3	▲ 0.3	▲ 1.9	

*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	1/1 ~ 1/7	393	▼ -49	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	278	▼ -292	▼ -	
	Exports	"	44	▲ 20	▼ -	
	Inventories	1/7	2,329	▲ 71	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/27 ~ 1/9	78.5	▲ 1.4	▲ 4.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/27 ~ 1/9	78.5	▼ -0.2	▲ 3.7
		(TOCOM/ Chubu)	1/6	78.0	▶ 0.0	▲ 1.5
	Retail prices [weekly trend] (published by ANRE)	1/10	111.3	▲ 0.2	▲ 3.9	



Relevant Information

1 Overseas crude oil prices

On the crude oil futures market for this week (from January 5 to January 11), WTI end price rose for the fifth straight trading day due to receding excessive concerns about recession. The market had no big events during the week. The WTI end price moved from \$73.67/bbl on January 5 to \$77.41/bbl on January 11.

According to the U.S. EIA Weekly Report announced on January 5, the U.S. domestic inventory as of December 30 increased by 1.7 million bbl for crude oil, which was slightly more than the market expectations of an increase by 1.2 million bbl. However, the U.S. domestic inventory decreased by 1.4 million bbl for the middle distillates including heating oil, which was more than the market expectations of a decrease by 0.4 million bbl.

According to the U.S. EIA Weekly Report announced on January 11, the U.S. domestic inventory as of January 6 increased by 19 million bbl for crude oil, which was against the market expectations of a decrease by 2.2 million bbl. However, that didn't have much effect on the market.

According to the EIA, the average U.S. retail price of gasoline as of January 9 increased by 3.6 cents per gallon from a week earlier to \$3.259/gal (115.9 yen/l), increasing for the second straight week. The average U.S. retail price of diesel oil decreased by 3.4 cents per gallon from a week earlier to \$4.549/gal (161.7 yen/l), decreasing for the first time in two weeks.

Baker Hughes reported on January 6 that the number of operating U.S. oil-drilling rigs decreased by three units from a week earlier to 618 units, decreasing for the third 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 toppler capacity in the January 1 - January 7 week in 2023 stood at 35,000 barrels per day, decreasing by 0 bpd from the previous week (total capacity remained at 3,331,000 bpd).

Crude oil throughput in the week increased by 40,000 kl from the previous week to 3,221,000 kl. From a year earlier, it increased by 7,000 kl. The toppler capacity utilization rate stood at 86.9%, up 1.1 points from the previous week and up 3.4 points from a year earlier.

Production increased from the previous week for jet fuel and Fuel Oil C and decreased for other petroleum products. Output was down 6.2% for gasoline, up 190.5% for jet fuel, down 11.1% for kerosene, down 21.2% for diesel oil, down 12.3% for Fuel Oil A, and up 14.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 0 kl, down 40,000 kl from the previous week. Diesel oil exports aggregated 166,000 kl, down 20,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for all oil products. From a year earlier, shipments declined for all oil products. Gasoline shipments decreased by 34.4% from the previous week to 655,000 kl, decreasing for the first time in two weeks. Shipments totaled 43,000 kl for jet fuel (down 53.6% from the previous week), 278,000 kl for kerosene (down 51.3% from the previous week),

330,000 kl for diesel oil (down 37.4% from the previous week), 162,000 kl for Fuel Oil A (down 32.2% from the previous week), and 160,000 kl for Fuel Oil C (down 31.9% from the previous week).

(Unit: 1,000 kl)

	This week (1/1 ~ 1/7)	Previous week (12/25 ~ 12/31)	From a week earlier
Gasoline	655	998	▼ -343 (-34%)
Jet fuel	43	94	▼ -51 (-54%)
Kerosene (heating Oil)	278	570	▼ -292 (-51%)
Diesel oil	330	527	▼ -197 (-37%)
Fuel oil A	162	240	▼ -78 (-33%)
Fuel Oil C	160	235	▼ -75 (-32%)
Total	1,628	2,664	▼ -1,036 (-39%)

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 7 decreased for Fuel Oil C and increased for other petroleum products. From a year earlier, inventories decreased for diesel oil, Fuel Oil A, and Fuel Oil C and increased for other petroleum products.

Gasoline inventories totaled 1,704,000 kl, up 88,000 kl from a week earlier and up 144,000 kl from a year earlier.

Kerosene inventories totaled 2,329,000 kl, up 71,000 kl from a week earlier and up 190,000 kl from a year earlier.

Diesel oil inventories totaled 1,577,000 kl, up 122,000 kl from a week earlier and down 12,000 kl from a year earlier.

Fuel Oil A inventories totaled 743,000 kl, up 38,000 kl from a week earlier and down 16,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,752,000 kl, down 59,000 kl from a week earlier and down 82,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (1/7)	Previous week (12/31)	From a week earlier
Gasoline	1,704	1,616	▲ 88 (5%)
Jet fuel	872	768	▲ 104 (14%)
Kerosene (heating Oil)	2,329	2,258	▲ 71 (3%)
Diesel oil	1,577	1,455	▲ 122 (8%)
Fuel oil A	743	705	▲ 38 (5%)
Fuel Oil C	1,752	1,811	▼ -59 (-3%)
Total	8,977	8,613	▲ 364 (4.2%)

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

During January 3 – January 9, crude oil cost in yen decreased by 2.0 yen/l from a week earlier with a decrease in crude oil price and an appreciation of the yen to the US dollar.

For the next week of January 12– January 18, Motouri companies increased their real wholesale prices for gasoline, kerosene, and diesel oil by 2.8 yen/l from a week earlier, because a subsidy of 15.6 yen/l from this week was added to an increase in cost of 12.8 yen/l including the previous week’s subsidy of 14.8 yen/l.

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

Spot petroleum products prices in the December 27– January 9 week increased for all oil products in all trading except for the decreased gasoline futures and kerosene futures prices compared to the period of December 20– December 26.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for December 27– January 9) increased by 1.0 yen/l from the previous week for gasoline and increased by 1.4 yen/l for kerosene and increased by 1.7 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.7 yen/l for gasoline, increased by 1.9 yen/l for kerosene and increased by 0.5 yen/l for diesel oil on December 27– January 9 week from the previous week.

The key average futures price decreased by 0.5 yen/l for gasoline and decreased by 0.2 yen/l for kerosene and increased by 1.1 yen/l for diesel oil from a week earlier.

(RIM) (Unit: yen/l)
[4-district average lorry rack price]

	This week (12/27 ~ 1/9)	Previous week (12/20 ~ 12/26)	From a week earlier
Regular	74.8	73.8	▲ 1.0
Kerosene	78.5	77.1	▲ 1.4
Diesel oil	77.4	75.7	▲ 1.7

Spot Prices

(TOCOM) (Unit: yen/l)
[Front-month contract/closing price] [Average]

	This week (12/27 ~ 1/9)	Previous week (12/20 ~ 12/26)	From a week earlier
Regular	78.5	79.0	▼ -0.5
Kerosene	78.5	78.7	▼ -0.2
Diesel oil	77.5	76.4	▲ 1.1

Futures Price

Above prices are before tax.

Reference (December 27 -January 9 actual data)

(Unit: yen/l)

Products	Spot	Futures	Average
Gasoline	▲ 1.0	▼ -0.5	▲ 0.3
Kerosene	▲ 1.4	▼ -0.2	▲ 0.6
Diesel oil	▲ 1.7	▲ 1.1	▲ 1.4
Fuel Oil A	▲ 1.3		

(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 10 increased by 0.3 yen/l from a week earlier to 168.2 yen/l for gasoline, increased by 0.3 yen/l to 148.3 yen/l for diesel oil and increased by 4 yen/l to 2,004 yen for kerosene on an 18-liter tank basis (increased by 0.2 yen/l to 111.3 yen/l) from a week earlier. The gasoline price increased for the first time in three weeks. Diesel oil price increased for the first time in three weeks. Kerosene price increased for the first time in three weeks.

Gasoline prices increased in 25 prefectures, leveled off in eight prefectures, and decreased in 14 prefectures. The lowest gasoline price among the prefectures was 160.3 yen/l in Miyagi. The second lowest was 162.7 yen/l in Tokushima and Aomori. The highest price was 181.2 yen/l in Nagasaki. Tokushima logged a price hike of 2.6 yen/l from the previous week. The price leveled off in Yamagata and seven other prefectures. Fukushima and Tokyo logged the largest price fall of 0.5 yen/l. Retail gasoline price on the next price survey day January 16 is expected to decrease slightly from a week earlier.

(Published by ANRE)[Weekly trend] (Unit: yen/l)

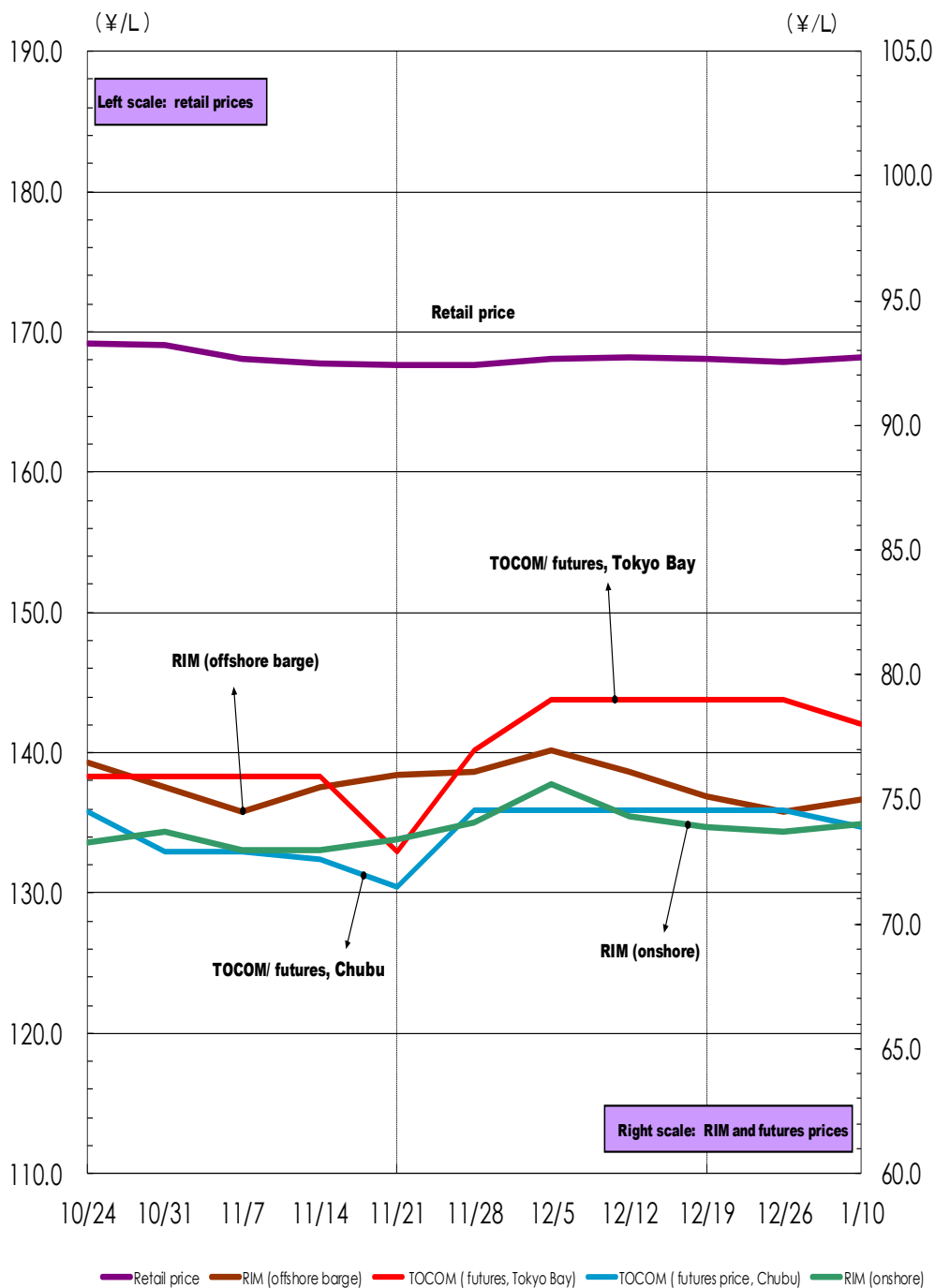
	This week (1/10)	Previous week (12/26)	From a week earlier	Latest high
Regular	168.2	167.9	▲ 0.3	08/8/4 185.1
Kerosene	111.3	111.1	▲ 0.2	08/8/11 132.1
Diesel oil	148.3	148.0	▲ 0.3	08/8/4 167.4

Retail Price

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

(2022/10/24 ~ 2023/1/10)



(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. 40 for 2022) will be announced on January 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).