

Oil Market Review in Japan No. 45/2022

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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 February 9 - February 15 week moved within a range of \$70.86 per barrel and \$80.14/bbl.

On February 16, the key contract turned down slightly due to concerns about recession based on a continuation of the interest rate rise. Market players responded to the U.S. Wholesale Price Index and the announcement of the robust most recent number of apply for unemployment benefits. Furthermore, financial interests made statements of a continuation of an active interest rate rise. However, the oil price was supported by an upward revision of the world oil demand for 2023 by OPEC (Organization of the Petroleum Exporting Countries) and IEA (International Energy Agency) until the day before. The March contract closed at \$78.49/bbl down \$0.10/bbl from the previous trading day.

On February 17, the key contract turned down further for the fourth straight trading day due to concerns about recession by the strong expectations for a continuation of an active interest rate rise as one of the countermeasures for inflation in the background of recent robust economic indicators of the U.S. In addition, the market players recognized a sense of oil demand and supply relaxation, because Russia's crude oil production had not reduced in despite of setting the upper limit of Russia's crude oil export price and policy of crude oil production cut from March 2023. The March contract closed at \$76.34/bbl down \$2.15/bbl from the previous trading day.

On February 20, the market was closed due to President's Day.

On February 21, the key contract turned down for the fifth straight trading day by the expectations of a continuation of interest rate rise as one of the countermeasures for inflation. The U.S. Purchasing Manager's Index (PMI) recorded above 50 for the first time in eight months. The U.S. economic indicators logged good performance. The market players recognized the robust growth of the U.S. economy. The March contract closed at \$76.16/bbl down \$0.18/bbl from the previous trading day.

On February 22, the key contract turned down for the sixth straight trading day. The FRB (Federal Reserve Board) published minutes of meeting for the decision of interest rate raise by 0.25% on February 1. In addition, it was announced that all the members unanimously recognized the need for a continuation of interest rate rise. The Eurostat announced that natural gas demand decreased by 20% from August 2022 to January 2023 in Europe, which was another factor for oil price decline. The U.S. EIA (Energy Information Agency) would announce the U.S. domestic inventory for crude oil and oil products on February 23 due to President's Day. The April contract, which replace the March contract as the key-front month contract, closed at \$73.95/bbl down \$2.41/bbl from the previous trading day.

The Asian benchmark crude oil of Dubai for April delivery on the Tokyo market ranged from \$82.40/bbl to \$84.50/bbl on February 9 - February 15 week. It closed at \$84.30/bbl on February 16, at \$82.60/bbl on February 17, at \$82.10/bbl on February 20, at \$81.60/bbl on February 21, at \$81.00/bbl on February 22.

On the foreign exchange market in the February 9- February 15 week, the dollar moved within a range of 131.64 yen and 132.79 yen. It changed hands at 134.15 yen in late trading on February 16, at 134.40 yen on February 17, at 134.45 yen on February 20, at 134.32 yen on February 21, at 134.90 yen on February 22.

According to preliminary 10-day trade statistics released by the Ministry of Finance on February 16, the average crude oil import CIF price for Japan in the late January period stood at 71,576 yen/kl (kiloliter), down 1,766 yen/kl from the previous 10-day period. In dollars, the price was \$87.12/bbl, down \$0.81/bbl. The average exchange rate was 130.62 yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance on February 16, the average crude oil import CIF price for Japan in the January period stood at 73,234 yen/kl (kiloliter), down 9,209 yen/kl from the previous 10-day period. In dollars, the price was \$88.14/bbl, down \$6.85/bbl. The average exchange rate was 132.09 yen to the dollar.

Japan's average retail price on February 20 leveled off from a week earlier for gasoline, increased by 0.1 yen/l for diesel oil, and leveled off for kerosene on an 18-liter tank basis. The gasoline price stopped decreasing for the first time in three weeks. Diesel oil price increased for the first time in three weeks. Kerosene price stopped decreasing for the first time in three weeks. The national average gasoline price was 167.4 yen/l and mitigation measures against the extreme change in fuel oil were invoked again. The subsidy for the next week was 18.7 yen/l.

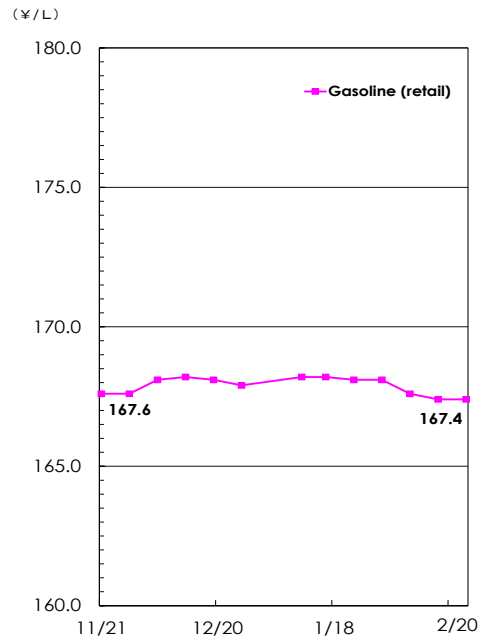
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	2/12 ~ 2/18	3,059	▼ -114	▼ -
	Topper capacity utilization rate (%)	"	82.5	▼ -3.1	▲ -
	Crude oil inventories (1,000 kl)	2/18	10,836	▲ 983	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	2/20	80.82	▼ -1.95	▼ -7.9
	WTI crude oil (NYMEX) (\$/bbl)	2/21	76.16	▼ -3.98	▼ -16.2
	Crude oil import CIF price (\$/bbl)	Late Jan	87.12	▼ -0.81	▲ 7.43
	①Crude oil import CIF price (yen/kl)	"	71,576	▼ -1,766	▲ 13,967
	②Yen-dollar exchange rate (yen/dollar)	"	130.62	▲ 2.00	▼ -15.69
	TTS exchange rate (yen/dollar)	2/20	135.45	▼ -2.67	▼ -19.39



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

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/12 ~ 2/18	1,000	▲ 44	▲ —	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	763	▼ -55	▲ —	
	Exports	"	259	▲ 147	▲ —	
	Inventories	2/18	1,705	▼ -22	▼ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/14 ~ 2/20	71.6	▲ 0.9	▼ -7.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/14 ~ 2/20	73.0	➡ 0.0	▼ -6.1
		(TOCOM/ Chubu)	2/20	74.7	▲ 1.1	▼ -3.5
	Retail prices [weekly trend] (published by ANRE)	2/20	167.4	➡ 0.0	▼ -4.6	

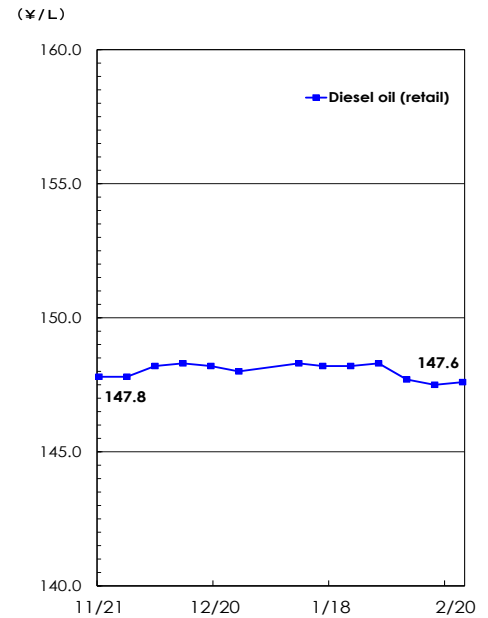
*Gyoten and futures prices are before tax



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

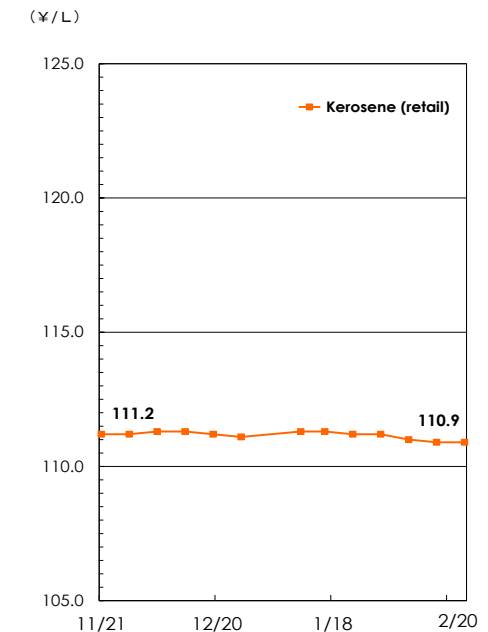
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	2/12 ~ 2/18	742	▼ -7	▲ —	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	585	▼ -67	▲ —	
	Exports	"	72	▼ -118	▼ —	
	Inventories	2/18	1,300	▲ 86	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/14 ~ 2/20	74.4	▲ 0.7	▼ -6.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/14 ~ 2/20	76.6	▲ 0.2	▼ -8.1
		(TOCOM/ Chubu)	2/20	—	—	—
	Retail prices [weekly trend] (published by ANRE)	2/20	147.6	▲ 0.1	▼ -4.1	

*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	2/12 ~ 2/18	275	▼ -38	▼ —	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	372	▼ -90	▼ —	
	Exports	"	15	▼ -35	▲ —	
	Inventories	2/18	1,462	▼ -112	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	2/14 ~ 2/20	75.1	▲ 0.6	▼ -5.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	2/14 ~ 2/20	75.5	▲ 0.5	▼ -4.8
		(TOCOM/ Chubu)	2/20	76.5	▼ -1.5	▼ -4.5
	Retail prices [weekly trend] (published by ANRE)	2/20	110.9	➡ 0.0	▼ -1.3	



Relevant Information

1 Overseas crude oil prices

On the crude oil futures market for this week (from February 16 to February 22), WTI end price logged \$78.49/bbl on February 16 and turned down further consecutive trading days due to concerns about recession by the expectations for a continuation and prolongation of an active interest rate rise in the background of the announcement of the robust U.S. economic indicators. WTI end price logged \$73.95/bbl on February 22.

The U.S. EIA (Energy Information Agency) would announce the U.S. domestic inventory for crude oil and oil products on February 23, one working day delay due to consecutive holidays.

According to the EIA, the average U.S. retail price of gasoline as of February 20 decreased by 1.1 cents per gallon from a week earlier to \$3.379/gal (120.8 yen/l), decreasing for the third straight week. The average U.S. retail price of diesel oil decreased by 6.8 cents per gallon from a week earlier to \$4.376/gal (156.4 yen/l), decreasing for the third straight week.

Baker Hughes reported on February 17 that the number of operating U.S. oil-drilling rigs decreased by two units from a week earlier to 607 units, decreasing 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 February 12 - February 18 week in 2023 stood at 169,000 barrels per day, increasing by 64,000 bpd from the previous week (total capacity remained at 3,331,000 bpd).

Crude oil throughput in the week decreased by 114,000 kl from the previous week to 3,059,000 kl. From a year earlier, it decreased by 73,000 kl. The topper capacity utilization rate stood at 82.5%, down 3.1 points from the previous week and up 1.1 points from a year earlier.

Production increased from the previous week for gasoline and jet fuel and decreased for other petroleum products. Output was up 4.6% for gasoline, up 2.0% for jet fuel, down 12.0% for kerosene, down 0.9% for diesel oil, down 4.2% for Fuel Oil A, and down 14.8% for Fuel Oil C. Fuel Oil C imports in the week totaled 6,000 kl, down 117,000 kl from the previous week. Diesel oil exports aggregated 72,000 kl, down 118,000 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 expanded for gasoline and diesel oil and declined for other oil products. Gasoline shipments decreased by 6.7% from the previous week to 763,000 kl, decreasing for the first time in two weeks. Shipments totaled 62,000 kl for jet fuel (down 33.1% from the previous week), 372,000 kl for kerosene (down 19.4%

from the previous week), 585,000 kl for diesel oil (down 10.3% from the previous week), 262,000 kl for Fuel Oil A (down 8.4% from the previous week), and 218,000 kl for Fuel Oil C (down 12.1% from the previous week).

	This week (2/12 ~ 2/18)	Previous week (2/5 ~ 2/11)	From a week earlier
Gasoline	763	818	▼ -55 (-7%)
Jet fuel	62	92	▼ -30 (-33%)
Kerosene (heating Oil)	372	462	▼ -90 (-19%)
Diesel oil	585	652	▼ -67 (-10%)
Fuel oil A	262	286	▼ -24 (-8%)
Fuel Oil C	218	248	▼ -30 (-12%)
Total	2,262	2,558	▼ -296 (-12%)

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 February 18 increased for diesel oil and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories decreased for gasoline and increased for other petroleum products.

Gasoline inventories totaled 1,705,000 kl, down 22,000 kl from a week earlier and down 47,000 kl from a year earlier.

Kerosene inventories totaled 1,462,000 kl, down 112,000 kl from a week earlier and up 176,000 kl from a year earlier.

Diesel oil inventories totaled 1,300,000 kl, up 86,000 kl from a week earlier and up 4,000 kl from a year earlier.

Fuel Oil A inventories totaled 688,000 kl, up 4,000 kl from a week earlier and up 16,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,712,000 kl, down 17,000 kl from a week earlier and up 75,000 kl from a year earlier.

	This week (2/18)	Previous week (2/11)	From a week earlier
Gasoline	1,705	1,727	▼ -22 (-1%)
Jet fuel	736	788	▼ -52 (-7%)
Kerosene (heating Oil)	1,462	1,574	▼ -112 (-7%)
Diesel oil	1,300	1,214	▲ 86 (7%)
Fuel oil A	688	684	▲ 4 (1%)
Fuel Oil C	1,712	1,729	▼ -17 (-1%)
Total	7,603	7,716	▼ -113 (-1.5%)

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

During February 14 – February 20, crude oil cost in yen increased by 1.5 yen/l from a week earlier with an increase in crude oil price and the depreciation of the yen to the U.S. dollar.

For the next week of February 23– March 1, Motouri companies increased their real wholesale prices for gasoline, kerosene, and diesel oil by 0.1 yen/l from a week earlier, because a subsidy of 18.7 yen/l from this week was added to an increase in the cost of 18.8 yen/l including the previous week’s subsidy of 17.3 yen/l.

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

Spot petroleum products prices in the February 14– February 20 week increased for all oil products in all trading except for the decreased offshore kerosene price and the leveled off gasoline futures price compared to the period of February 7– February 13.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo, and Hanshin -- for February 14– February 20) increased by 0.9 yen/l from the previous week for gasoline and increased by 0.6 yen/l for kerosene and increased by 0.7 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.8 yen/l for gasoline, decreased by 0.1 yen/l for kerosene and increased by 0.4 yen/l for diesel oil on February 14– February 20 week from the previous week. The key average futures price leveled off for gasoline and increased by 0.5 yen/l for kerosene and increased by 0.2 yen/l for diesel oil from a week earlier.

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

	This week (2/14 ~ 2/20)	Previous week (2/7 ~ 2/13)	From a week earlier
Spot Prices Regular	71.6	70.7	▲ 0.9
Kerosene	75.1	74.5	▲ 0.6
Diesel oil	74.4	73.7	▲ 0.7

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

	This week (2/14 ~ 2/20)	Previous week (2/7 ~ 2/13)	From a week earlier
Futures Price Regular	73.0	73.0	▶ 0.0
Kerosene	75.5	75.0	▲ 0.5
Diesel oil	76.6	76.4	▲ 0.2

Above prices are before tax.

Reference (February 14 - February 20 actual data)

(Unit: yen/l)

Products	Spot	Futures	Average
Gasoline	▲ 0.9	▶ 0.0	▲ 0.4
Kerosene	▲ 0.6	▲ 0.5	▲ 0.5
Diesel oil	▲ 0.7	▲ 0.2	▲ 0.4
Fuel Oil A	▲ 0.6		

(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 February 20 leveled off from a week earlier at 167.4 yen/l for gasoline, increased by 0.1 yen/l to 147.6 yen/l for diesel oil and leveled off at 1,997 yen for kerosene on an 18-liter tank basis (leveled off at 110.9 yen/l) from a week earlier. The gasoline price stopped decreasing for the first time in three weeks. Diesel oil price increased for the first time in three weeks. Kerosene price stopped decreasing for the first time in three weeks.

Gasoline prices increased in 18 prefectures, leveled off in five prefectures, and decreased in 24 prefectures. The lowest gasoline price among the prefectures was 160.0 yen/l in Tokushima. The second lowest was 160.2 yen/l in Miyagi. The highest price was 181.3 yen/l in Nagasaki. Aichi logged the largest price hike of 2.0 yen/l from the previous week. The price leveled off in Nagano and four other prefectures. Kyoto logged the largest price fall of 0.8 yen/l. Retail gasoline price on the next price survey day February 27 is expected to level off or fluctuate slightly from a week earlier.

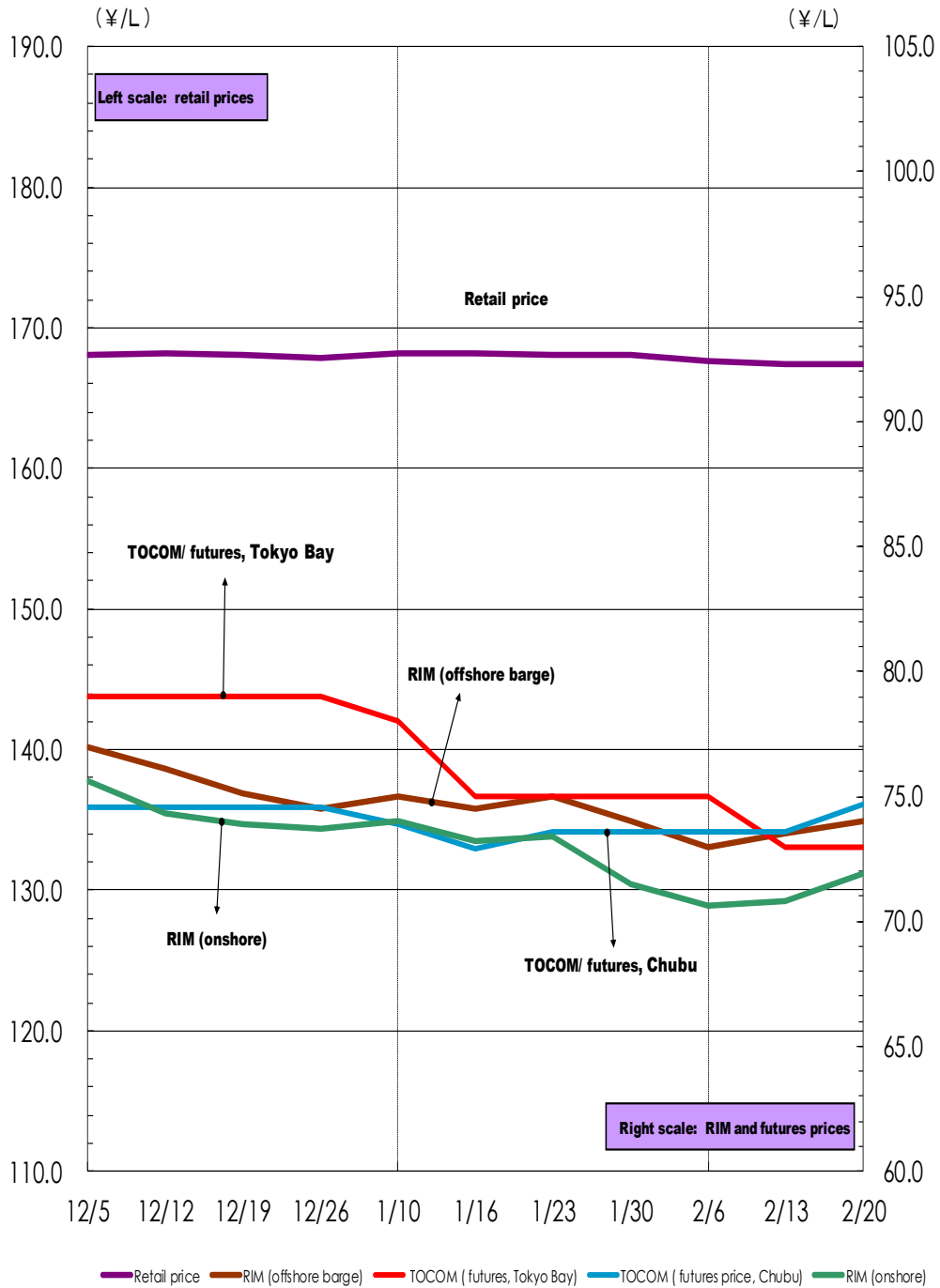
(Published by ANRE)[Weekly trend] (Unit: yen/l)

	This week (2/20)	Previous week (2/13)	From a week earlier	Latest high
Retail Price Regular	167.4	167.4	▶ 0.0	08/8/4 185.1
Kerosene	110.9	110.9	▶ 0.0	08/8/11 132.1
Diesel oil	147.6	147.5	▲ 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

(2022/12/5 ~ 2023/2/20)



(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. 46 for 2022) will be announced on March 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 MUFG Bank 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).