

Monthly Fuel Price Report – May 2017



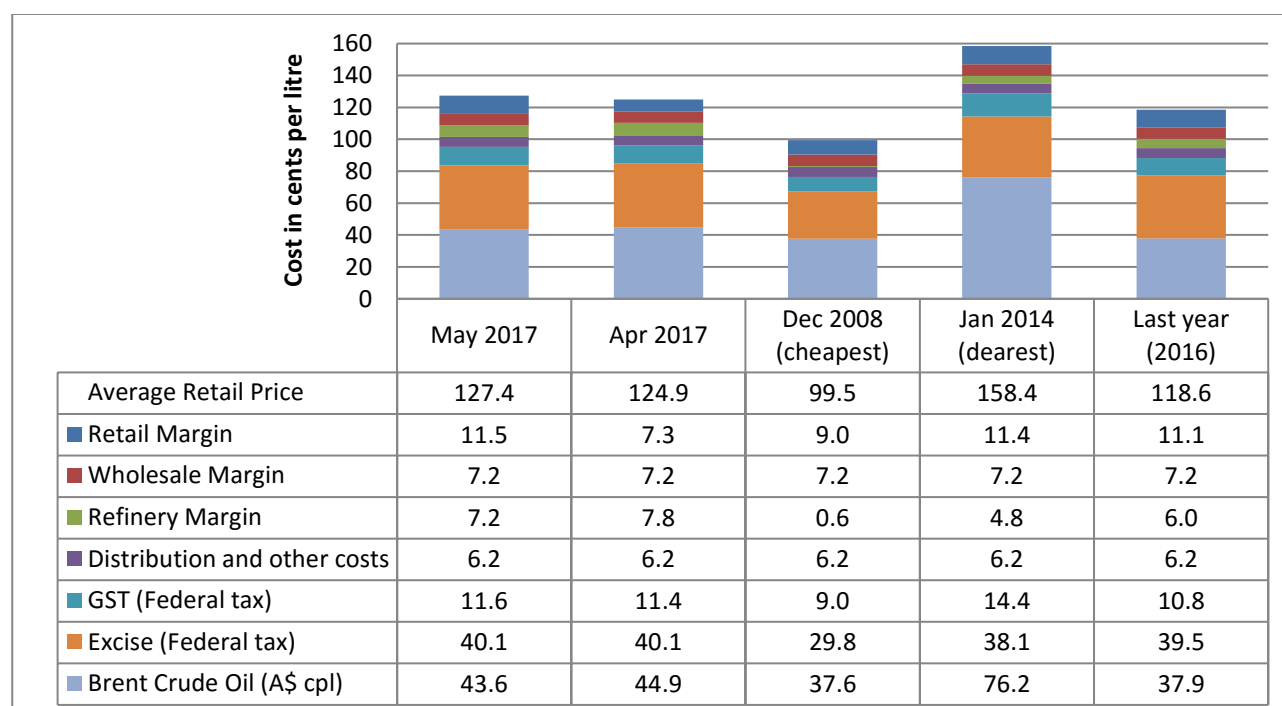
5 June 2017

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for May 2017.

Key points

- At 127.4 cpl, the average Brisbane ULP price for May was 2.5 cpl higher than April. This increase was due to an increase in fuel company margins rather than an increase in input costs. Indicative retail margins were 4.2 cpl higher at 11.5 cpl.
- Brisbane regained its usual position as the most expensive of the five large capital cities in May, after being the second cheapest in April. ULP sold in Sydney, Perth, Adelaide and Melbourne was cheaper than Brisbane by 4.1 cpl, 1.1 cpl, 0.8 cpl and 0.6 cpl, respectively.
- Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 3.9 cpl, 2.3 cpl and 0.3 cpl, respectively.
- The average price of ULP across regional Queensland in May was 131.5 cpl, 0.5 cpl higher than April. The average diesel price was 129.3 cpl, unchanged from April.
- Miles had the cheapest average Queensland ULP price in May at 7.5 cpl cheaper than Brisbane. Toowoomba, Bundaberg, Whitsunday and Maryborough were also cheaper than Brisbane.
- Miles had the cheapest diesel in Queensland (7.8 cpl cheaper than Brisbane), followed by Childers and Maryborough.
- The average price of LPG in Brisbane was 75.2 cpl, 0.4 cpl lower than April, but fuel company margins on LPG increased again for the fourth month in a row.

ULP cost breakdown in Brisbane

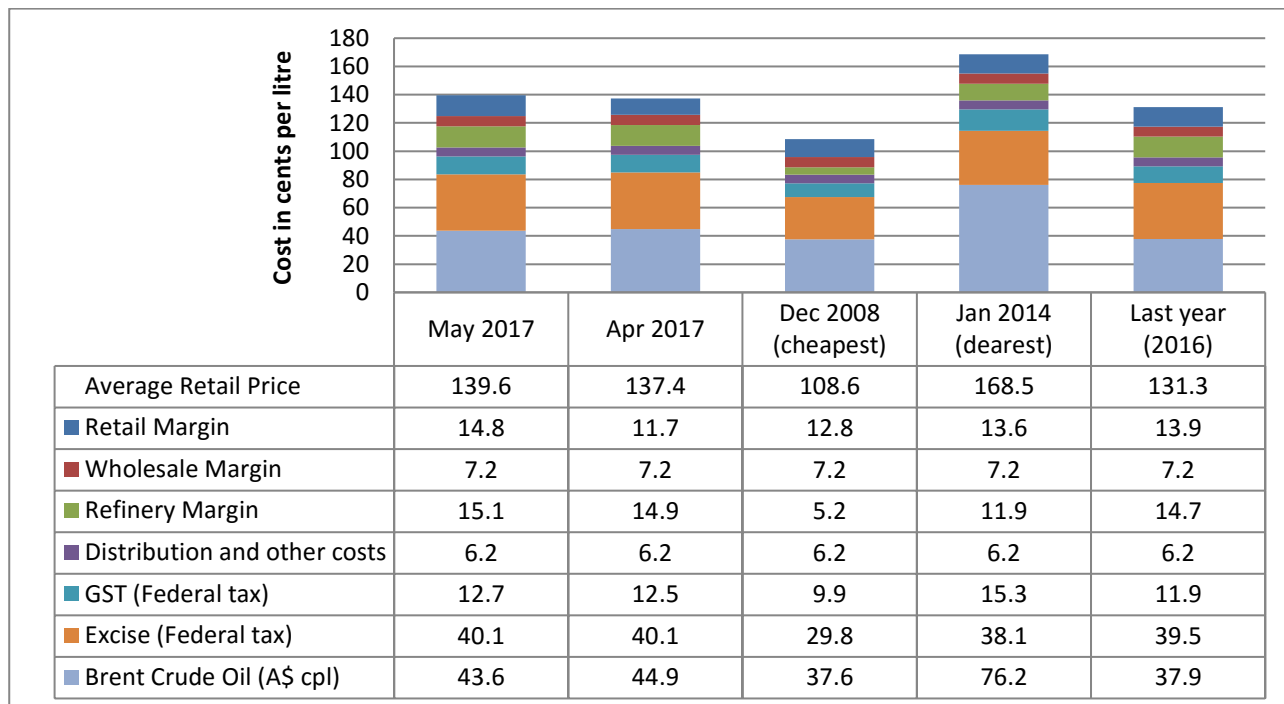


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for May 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of ULP in Brisbane in May was 127.4 cpl, 2.5 cpl higher than April. Indicative retail margins, at 11.5 cpl, were 4.2 cpl higher than April. Refiner margins increased in May and were 0.6 cpl higher than April.

PULP 95 cost breakdown in Brisbane



Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

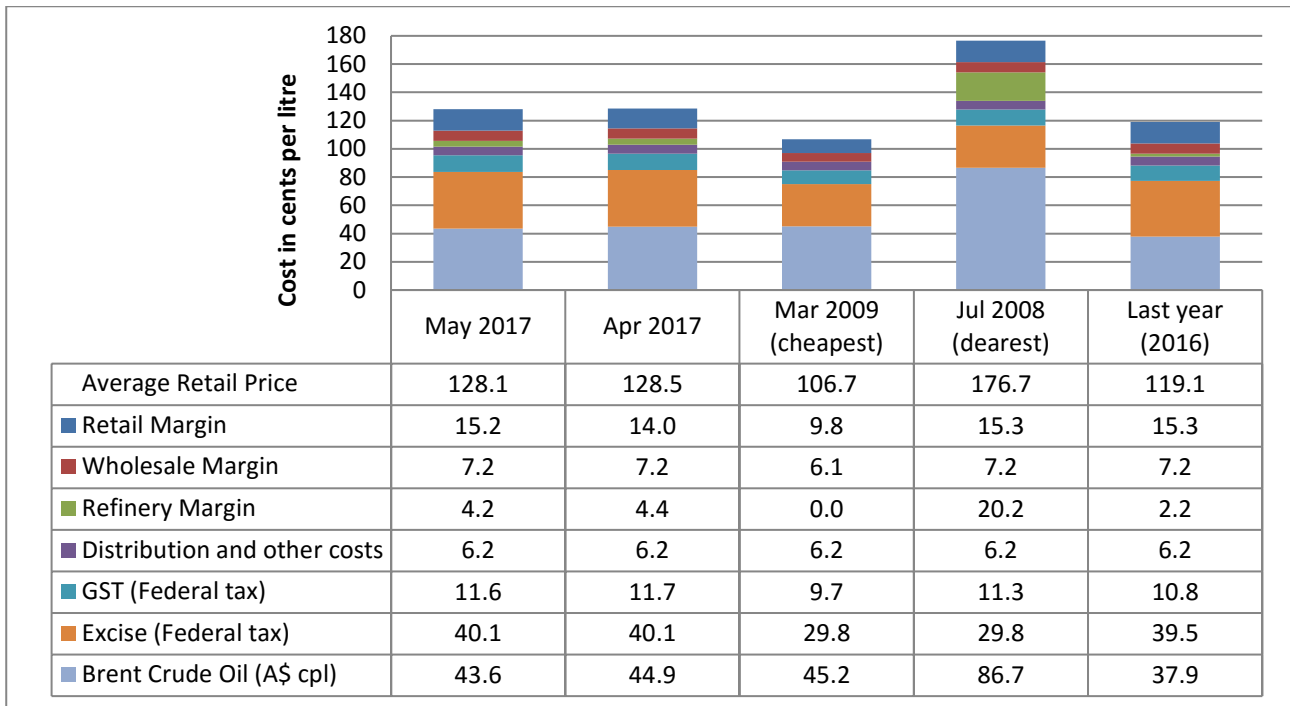
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for May 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in May was 139.6 cpl, 2.2 cpl higher than April, and 12.2 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in April was 12.5 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 14.8 cpl, were 3.1 cpl higher than April. Refiner margins increased in May and were 0.2 cpl greater than April.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for May 2017. For comparison, the cost breakdown for last month, last year, March 2009 – the cheapest month and July 2008 – the most expensive month observed in recent years (since 2008), is also displayed.

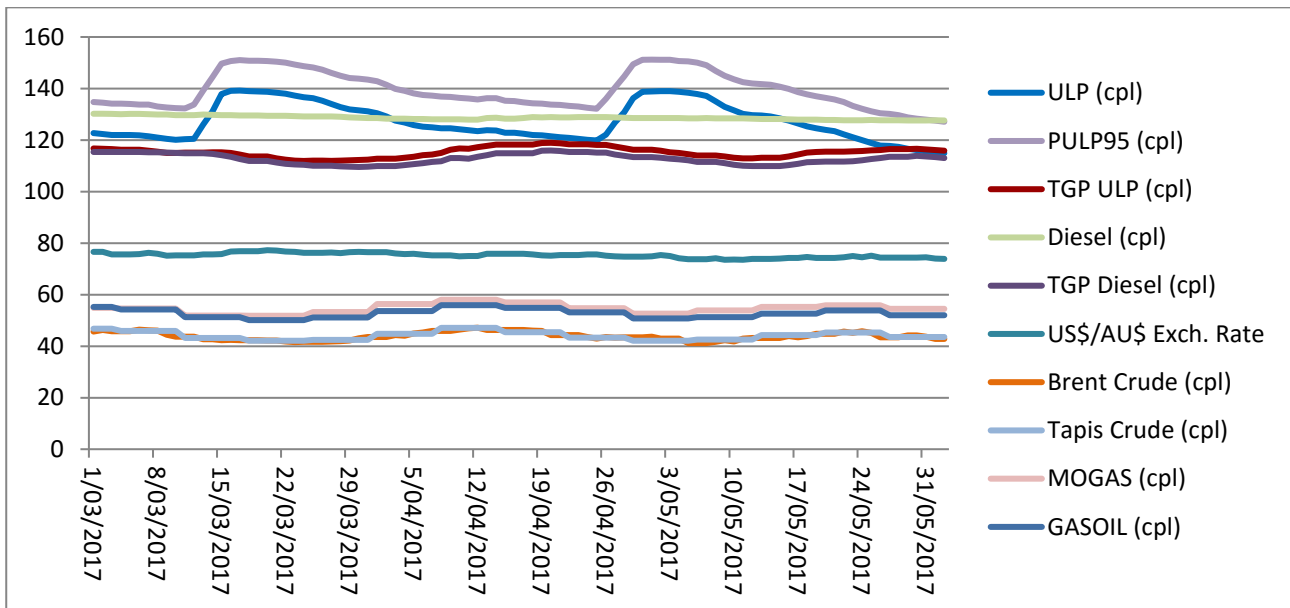
The average price of diesel in May, at 128.1 cpl, was 0.4 cpl lower than April. However, Indicative retail margins increased in May by 1.2 cpl and refinery margins decreased by 0.2 cpl. At 15.2 cpl, indicative retail margins on diesel remained substantially higher than RACQ considers to be reasonable.



Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

Price trends

The graph below displays the average Brisbane retail ULP, PULP95 and diesel prices, the ULP TGP, the daily Brent crude oil price, the weekly Tapis crude oil, the weekly MOGAS and GASOIL prices in cents per litre (A\$), and the US\$/A\$ exchange rate in US\$ cents per AS\$.



There was one partial price cycle observed in Brisbane in May 2017. The first cycle started on 25 April, with the average price peaking on 2 and 3 May. Prices then fell slowly throughout the rest of May. At the time of writing the Brisbane ULP market was in the cheapest phase of the cycle, with indicative retail margins falling below zero.

The average price of Brent in May was slightly lower than April at A\$69.3/bbl (US\$51.5/bbl) or 43.6 cpl. Brent started May at A\$69.3/bbl (US\$52.1/bbl) and ended the month largely unchanged at A\$69.5/bbl (US\$51.8/bbl). It fell to local low of A\$65.5/bbl (US\$48.3/bbl) on 5 May, then it rose to a local high point of A\$72.7/bbl (US\$54.2/bbl) on 24 May immediately prior to the OPEC meeting, before softening for the rest of May.

The OPEC oil producer cartel met in Vienna on 25 May and agreed to extend the duration of their production cut agreement for a further nine months. However, many observers had expected OPEC to also increase the depth of the production cut. Despite the extension of the agreement, the price of oil fell as the depth of the cuts was not increased.

Comparison to other capital cities

The table below presents the average May prices and retail margins on ULP and diesel for Australia's capital cities, with the change compared to April in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	126.6 (2.9)	11.3 (4.6)	124.2 (1.3)	11.2 (3)
Brisbane	127.4 (2.5)	11.5 (4.2)	128.1 (-0.4)	15.2 (1.2)
Canberra	129.0 (-0.2)	13.7 (1.5)	130.1 (0.1)	17.2 (1.8)
Darwin	130.0 (-0.4)	14.8 (1.4)	130.6 (0.7)	17.6 (2.4)
Hobart	139.0 (-1.5)	23.8 (0.2)	137.5 (-0.6)	24.5 (1.0)
Melbourne	126.8 (0.7)	11.5 (2.4)	127.8 (-0.5)	14.8 (1.1)
Perth	126.3 (0.4)	11.0 (2.1)	130.8 (-0.2)	17.8 (1.5)
Sydney	123.3 (-1.8)	8.1 (-0.1)	125.8 (-0.6)	12.8 (1.1)

* The retail margin is the average retail price minus the average local TGP and local freight costs (assumed to be the same as Brisbane: 1.04cpl). The TGP varies between cities.

After being the second cheapest of the five large capitals in April, Brisbane regained its usual position as the most expensive in May. Brisbane was more expensive than Sydney, Perth, Adelaide and Melbourne by 4.1 cpl, 1.1 cpl, 0.8 cpl and 0.6 cpl respectively. Canberra, Darwin and Hobart were 1.6 cpl, 2.6 cpl and 11.6 cpl more expensive respectively.

Much of the price difference between the capital cities is due to the alignment of the price cycles rather than due to a change in retailer pricing policy. The average Brisbane ULP price in May was similar to the whole of cycle average, however the May average price in other large capitals was lower than the whole of cycle average. If the whole price cycle was taken into account and not just the 31 days of May, Brisbane would even more expensive compared to the other capitals.

Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 3.9 cpl, 2.3 cpl and 0.3 cpl, respectively. Canberra, Darwin, Perth and Hobart were more expensive by 2.0 cpl, 2.5 cpl, 2.7 cpl and 9.4 cpl, respectively.

Comparison of the SEQ metropolitan centres

Ipswich was the cheapest centre in SEQ to buy ULP in May, with an average price of 122.4 cpl, 2.5 cpl higher than the April average. Moreton Bay was the second cheapest centre in SEQ, 3.4 cpl dearer than Ipswich. The Sunshine Coast was the most expensive SEQ centre, 9.9 cpl dearer than Ipswich.

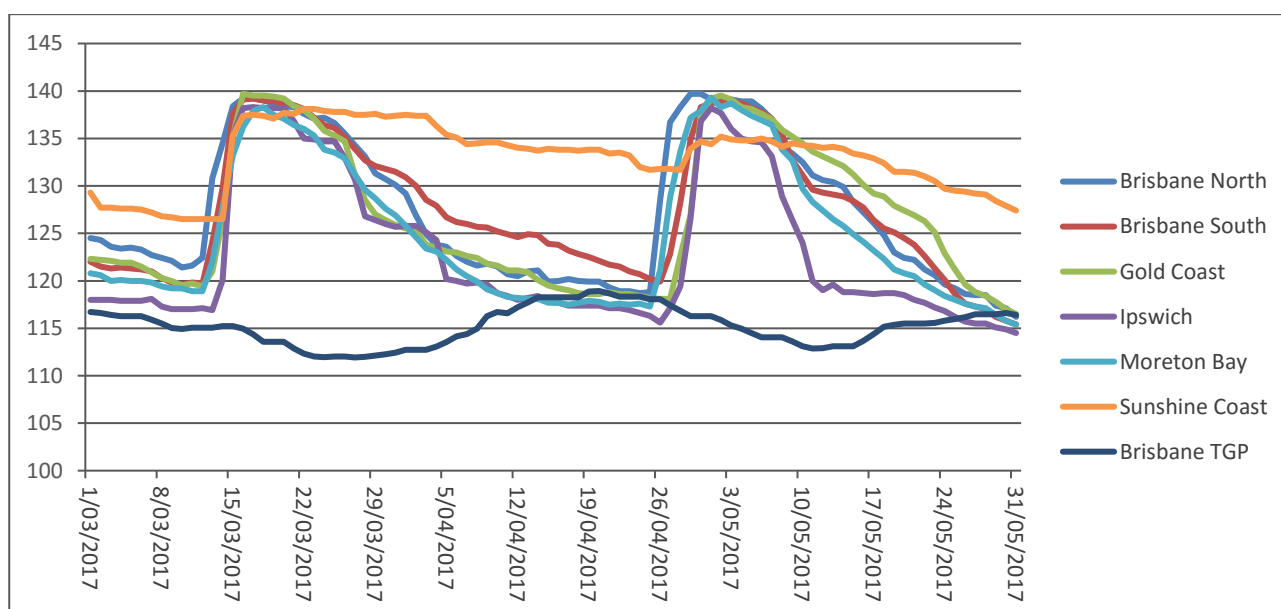
Ipswich was also the cheapest SEQ centre to buy diesel, with an average price of 126.5 cpl, followed by Moreton Bay and Brisbane South, 0.7 cpl and 1.3 cpl dearer than Ipswich, respectively. As with ULP, the Sunshine Coast was the most expensive, with diesel selling for 130.2 cpl.

The table below presents the average May prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to April in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	127.5 (3.6)	8.9 (5.3)	128.8 (-0.2)	13.6 (1.5)
Brisbane South	127.3 (2.0)	8.7 (3.7)	127.8 (-0.5)	12.6 (1.2)
Gold Coast	129.4 (7.9)	10.1 (9.6)	128.9 (-0.1)	13.1 (1.6)
Ipswich	122.4 (2.5)	3.5 (4.2)	126.5 (-0.7)	11.0 (1.0)
Moreton Bay	125.8 (4.4)	6.9 (6.1)	127.2 (-0.7)	11.7 (1.0)
Sunshine Coast	132.3 (-1.8)	12.9 (-0.1)	130.2 (0.1)	14.2 (1.8)

* The retail margin is the average retail price minus the average Brisbane TGP and varying local freight costs.

The graph below displays the average retail ULP in the six regions in South East Queensland, and the average TGP in Brisbane for March, April and May.



As can be observed in the graph most of the centres in SEQ follow a distinct price cycle. A higher level of discounting can be observed in Ipswich, reflecting the more competitive nature of this market. In contrast, ULP prices on the Sunshine Coast were largely unchanged between mid-March and mid-May. There was some evidence of a price hike in late April, but the average price only increased by 3 cpl. The reason for this is twofold, firstly large parts of the Sunshine Coast no longer follow a price cycle, and the areas that continue to follow a cycle do not vary by the same extent as is observed elsewhere in SEQ. The Sunshine Coast price cycle appears to be limited to Caloundra, Maroochydore and the immediate surrounds. In these areas, the discounting is substantially less than is observed in the rest of SEQ.

Fuel prices across Queensland

The average price of ULP across regional Queensland in May was 131.5 cpl, 0.5 cpl higher than the April

average of 131.0 cpl. The average diesel price was 129.3 cpl, unchanged from April.

Miles was the cheapest centre to buy ULP in May, and was 7.5 cpl cheaper than Brisbane. The average price of ULP in Miles was 119.9 cpl. Retailers in Miles were selling ULP at below cost and indicative retail margins in Miles were less than zero, at negative 1.9 cpl. ULP sold in Toowoomba, Bundaberg, Whitsunday and Maryborough was also cheaper than Brisbane.

The most expensive regional centres listed were Innisfail and Blackwater, with an average price of 144.9 cpl and 144.4 cpl respectively in May. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices¹.

Sixteen of the 34 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (7.8 cpl cheaper than Brisbane), followed by Childers and Maryborough (both 3.4 cpl cheaper than Brisbane). Ayr, Mount Isa, Charters Towers, Warwick, Goondiwindi, Toowoomba, Townsville, Bowen, Gladstone, Hervey Bay, Kingaroy, Ingham and Gympie were also cheaper than the Brisbane price in May. Roma was the most expensive listed regional centre for diesel, at 135.7 cpl¹. Travelling 140km west from Miles to Roma, the price of ULP increases by 7.7 cpl and the price of diesel increases by 15.4 cpl.

The table below presents the average May prices and retail margins on ULP and diesel for Queensland localities, with the change compared to April in parentheses.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	127.4 (2.5)	11.5 (4.2)	128.1 (-0.4)	15.2 (1.2)
Gold Coast	129.4 (7.9)	12.8 (9.6)	128.9 (-0.1)	15.4 (1.6)
Sunshine Coast	132.3 (-1.8)	15.5 (-0.1)	130.2 (0.1)	16.6 (1.8)
Atherton	139.9 (-1.2)	20.4 (0.5)	134.9 (0.0)	18.8 (1.7)
Ayr	129.9 (-0.8)	10.7 (0.9)	125.0 (-0.6)	9.2 (1.0)
Biloela	137.8 (-0.1)	17.9 (1.5)	135.0 (0.9)	18.6 (2.6)
Blackwater	144.4 (-0.1)	22.8 (1.6)	132.5 (-1.0)	14.3 (0.7)
Bowen	131.9 (-1.8)	11.6 (-0.1)	126.6 (0.0)	9.7 (1.7)
Bundaberg	125.7 (-1.2)	3.6 (0.4)	130.2 (-0.6)	11.6 (1.1)
Cairns	140.1 (-0.1)	21.3 (1.6)	133.6 (-1.9)	18.2 (-0.2)
Charleville	129.4 (0.1)	3.5 (1.8)	129.9 (0.0)	7.4 (1.7)
Charters Towers	128.3 (-2.6)	8.6 (-0.9)	126.1 (-0.7)	9.8 (1.0)
Childers	127.8 (-0.5)	6.2 (1.2)	124.7 (-0.4)	6.6 (1.2)
Dalby	130.8 (-3.6)	10.2 (-1.9)	128.5 (-0.7)	11.4 (0.9)
Emerald	142.9 (0.0)	20.6 (1.7)	128.7 (0.0)	9.8 (1.7)
Gladstone	127.4 (-1.0)	8.7 (0.7)	126.8 (0.3)	11.6 (2.0)
Goondiwindi	132.9 (-2.2)	10.9 (-0.5)	126.4 (-0.4)	7.9 (1.3)
Gympie	127.6 (-0.4)	7.5 (1.3)	127.6 (-0.5)	10.9 (1.1)
Hervey Bay	133.8 (-2.7)	12.5 (-1.0)	126.8 (-1.4)	8.9 (0.2)
Ingham	136.4 (-0.6)	16.9 (1.1)	127.2 (-0.7)	11.1 (1.0)
Innisfail	144.9 (0.0)	25.3 (1.7)	135.2 (0.3)	19.0 (1.9)
Kingaroy	135.9 (0.0)	15.4 (1.7)	127.0 (-0.1)	9.9 (1.6)

¹ RACQ does not have an exhaustive list of regional centres in Queensland. In discussing the cheapest or dearest centre in Queensland, it is implied that this only refers to the centres listed in the table. There may be other centres, not listed, that are more or less expensive.

Longreach	143.2 (-0.2)	16.7 (1.5)	130.2 (0.1)	7.1 (1.7)
Mackay	129.9 (-0.8)	11.3 (0.9)	130.6 (0.1)	15.4 (1.7)
Mareeba	129.5 (-1.0)	10.1 (0.7)	128.8 (0.1)	12.8 (1.7)
Maryborough	126.6 (-0.1)	5.7 (1.6)	124.7 (-0.1)	7.2 (1.6)
Miles	119.9 (2.3)	-1.9 (4.0)	120.3 (1.0)	1.9 (2.7)
Moranbah	129.8 (0.2)	9.2 (1.8)	129.7 (0.1)	12.6 (1.8)
Mount Isa	143.2 (0.0)	15.8 (1.7)	125.6 (-0.5)	1.7 (1.2)
Rockhampton	139.2 (-0.3)	19.4 (1.4)	129.1 (-0.7)	12.8 (1.0)
Roma	127.6 (-2.3)	4.3 (-0.6)	135.7 (-0.8)	15.9 (0.9)
Toowoomba	122.0 (-8.8)	2.3 (-7.1)	126.4 (-3.3)	10.1 (-1.6)
Townsville	128.7 (-1.8)	10.3 (-0.1)	126.4 (-0.6)	11.5 (1.1)
Tully	139.5 (-0.6)	19.4 (1.1)	130.3 (-1.2)	13.6 (0.5)
Warwick	129.9 (-2.4)	9.8 (-0.7)	126.1 (0.0)	9.4 (1.6)
Whitsunday	126.2 (-0.4)	6.3 (1.3)	134.9 (0.0)	18.4 (1.7)
Yeppoon	139.9 (0.0)	19.7 (1.7)	129.9 (-1.0)	13.2 (0.7)

* The retail margin is the average retail price minus the average local TGP and local freight costs. The TGP and freight costs vary between cities. This indicative margin is calculated on the monthly average TGP and retail price.

The ACCC's Report on the Cairns Petrol Market

On 29 May the ACCC published their in-depth study in to the Cairns ULP market. They concluded that ULP prices in Cairns were substantially higher than the five large capital city markets. In 2016 Cairns motorists were paying 11 cpl more than motorists in the five large capitals. In addition, petrol stations in Cairns were more profitable than the Australian average. The average net profit per site was 38% higher than the national average. The high price was attributed to weak competition.

Cairns is not the only centre in Queensland in which retailers are charging excessively high prices. The table below displays the average retail ULP price and the indicative retail margins for Queensland centres with retail margins similar to those observed in Cairns.

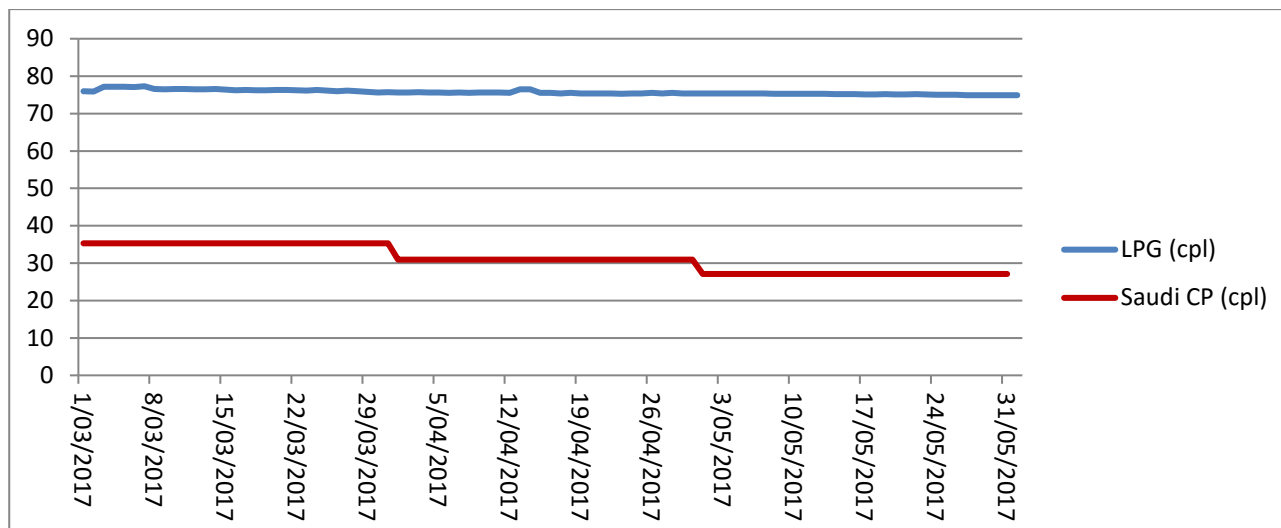
Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)
Blackwater	144.4	22.8
Cairns	140.1	21.3
Emerald	142.9	20.6
Atherton	139.9	20.4
Yeppoon	139.9	19.7
Rockhampton	139.2	19.4
Tully	139.5	19.4

It is likely that the conclusions drawn by the ACCC on the Cairns ULP market are equally applicable to the ULP markets in Blackwater, Cairns, Emerald, Atherton, Yeppoon, Rockhampton and Tully.

Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in May was 75.2 cpl, 0.4 cpl lower than April. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in May was 28.2 cpl, 3.5 cpl higher than April and 10.5 cpl higher than February. The price difference between the retail price and the Saudi CP has increased every month for the last four months.

The chart below displays the average retail price of LPG in Brisbane and the Saudi CP.



Outlook

Since February 2017 the price of WTI has traded in a range between US\$50 and US\$55 per barrel, with Brent two or three dollars more expensive. The market dynamics suggest oil will continue to trade in this price band. The OPEC production cut is placing upward pressure on the price, but it is considered to be too small and compliance is too poor to produce a substantial price increase. A deeper cut is unlikely as reduced supply would increase prices and a substantial price increase is likely to benefit US shale oil producers. The current price is considered slightly too low to lead to a large increase in shale oil production. A price slightly above US\$50 appears to balance OPEC efforts to bolster prices and a potential increase in shale oil production. This balance is expected to remain in place in the current market.

The strength of the Chinese economy has a substantial effect on the oil price. China is one of the largest users and importers of oil. When the Chinese economy is growing strongly the oil price tends to strengthen, as the Chinese economy has softened, so has the oil price.

The next monthly fuel price report will be released in early July.

Data sources

All data presented in this report are RACQ calculations using Informed Sources (Australia), FUELtrac, RBA, AIP and Bloomberg.com data.