Monthly Fuel Price Report - October 2019

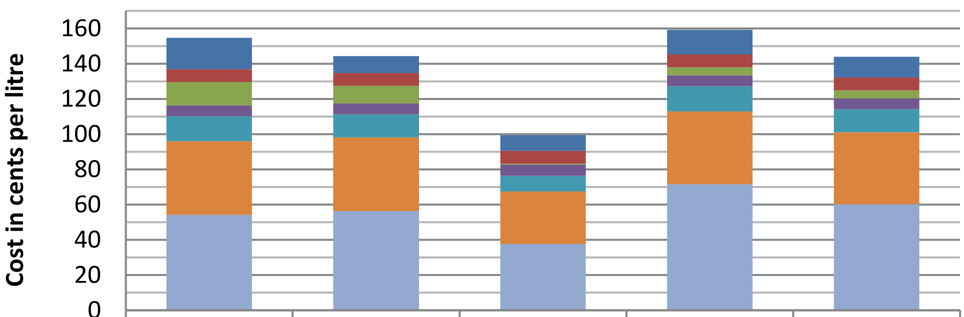
5 November 2019

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for October 2019.

Key points

- At 154.7 cpl, the average ULP price in Brisbane in October was 10.3 cpl higher than September.
- The increase was due to the shortening of the price cycle, leading to two high points in October, rather than a substantial increase in whole-of-cycle prices and retail margins.
- Indicative retail margins in Brisbane, at 17.9 cpl, were 8.1 cpl higher than September. Indicative ULP refinery margins, at 13.3 cpl, were 3.3 cpl higher than September.
- Brisbane was the most expensive large capital city in October for ULP, and the second most expensive of all capitals.
- At 149.6 cpl, the average Brisbane diesel price in October was 3.7 cpl higher than September.
- Brisbane was the second most expensive large capital city for diesel. Of the large capitals, only Sydney was more expensive, with an average diesel price 0.6 cpl higher than Brisbane.
- The average ULP price in regional Queensland in October was 147.1 cpl, 7.4 cpl higher than September. The average diesel price in regional Queensland was up 2.8 cpl, at 149.4 cpl.
- Indicative retail margins, on ULP and diesel, increased in most (but not all) centres in regional Queensland.
- Noosa was the most expensive centre to buy ULP in October, with an average price of 160.3 cpl.

ULP cost breakdown in Brisbane



	Oct 2019	Sep 2019 (last month)	Dec 2008 (cheapest)	Oct 2018 (dearest)	2018 (last year)
Average Retail Price	154.7	144.4	99.5	159.3	143.9
Retail Margin	17.9	9.8	9.0	14.1	11.8
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	13.3	10.0	0.6	4.5	4.5
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	14.1	13.1	9.0	14.5	13.1
Excise (Federal tax)	41.8	41.8	29.8	41.2	41.0
Brent Crude Oil (A$ cpl)	54.2	56.3	37.6	71.6	60.1

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 October 2019. For comparison, the cost breakdown for last month, last year, October 2018 - the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.

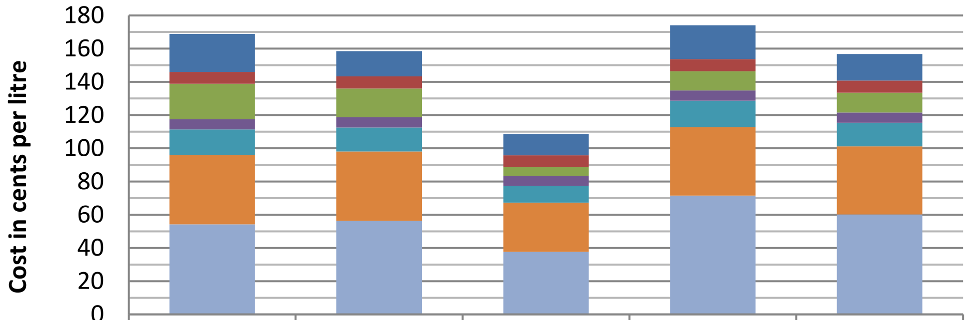
At 154.7 cpl the average price of ULP in Brisbane in October was 10.3 cpl higher than the September average. Indicative retail margins, at 17.9 cpl, were 8.1 cpl higher than September. Indicative ULP refinery margins, at 13.3 cpl, were 3.3 cpl higher than September. Total margins (retail, wholesale and refinery) at 38.4 cpl, were 11.4 cpl higher than September, when they were 27.0 cpl.

The increase in the Brisbane average ULP price was partly due to changes in the price cycle. In recent years the price cycle has been about a month long. This alignment led to the whole-of-cycle and monthly averages being reasonably similar. In recent months the price cycle has shortened the last cycle being 23 days long, and two high points were observed in October. This led to an increase in the average price for October, relative to September when only one high point was observed.

Considering the whole cycle (for the cycle running 25/09/19 to 17/10/19), the average ULP price in Brisbane was 151.0 cpl, 3.7 cpl lower than the October average.

PULP 95 cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane in October. For comparison, the cost breakdown for last month, last year, October 2018 – the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.



	Oct 2019	Sep 2019 (last month)	Dec 2008 (cheapest)	Oct 2018 (dearest)	2018 (last year)
Average Retail Price	168.8	158.5	108.6	174.1	156.8
Retail Margin	22.8	15.3	12.8	20.5	16.0
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	21.3	17.3	5.2	11.6	12.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	15.3	14.4	9.9	15.8	14.3
Excise (Federal tax)	41.8	41.8	29.8	41.2	41.0
Brent Crude Oil (A$ cpl)	54.2	56.3	37.6	71.6	60.1

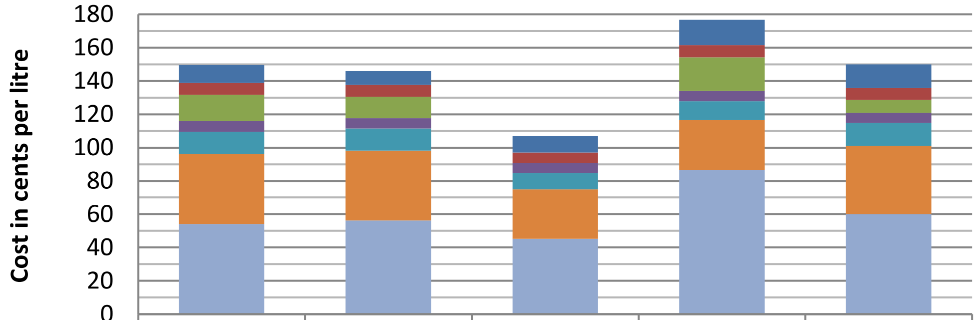
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in October was 168.8 cpl, 10.3 cpl higher than September. The price difference between ULP and PULP 95 was 14.1 cpl, unchanged from September. Indicative retail margins for PULP 95, at 22.8 cpl, were 7.5 cpl higher than September. Refinery margins at 21.3 cpl, were 4.0 cpl higher than September. Total margins, at 51.3 cpl were 11.5 cpl higher than September when they were 39.8 cpl.

Like ULP, the PULP 95 price was inflated by the shift in the price cycle and two high points falling in October.

Diesel cost breakdown in Brisbane

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



	Oct 2019	Sep 2019 (last month)	Mar 2009 (cheapest)	Jul 2008 (dearest)	2018 (last year)
Average Retail Price	149.6	145.9	106.7	176.7	150.2
Retail Margin	10.8	8.2	9.8	15.3	14.1
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	15.8	12.9	0.0	20.2	7.6
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	13.6	13.3	9.7	11.3	13.7
Excise (Federal tax)	41.8	41.8	29.8	29.8	41.0
Brent Crude Oil (A$ cpl)	54.2	56.3	45.2	86.7	60.1

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

The average price of diesel in October, at 149.6 cpl, was 3.7 cpl higher than September. Indicative retail margins, at 10.8 cpl, were up by 2.6 cpl and refinery margins were up by 2.9 cpl at 15.8 cpl. Total margins (retail, wholesale and refinery) in October at 33.8 cpl, were 5.5 cpl higher than the those in September (28.3 cpl).

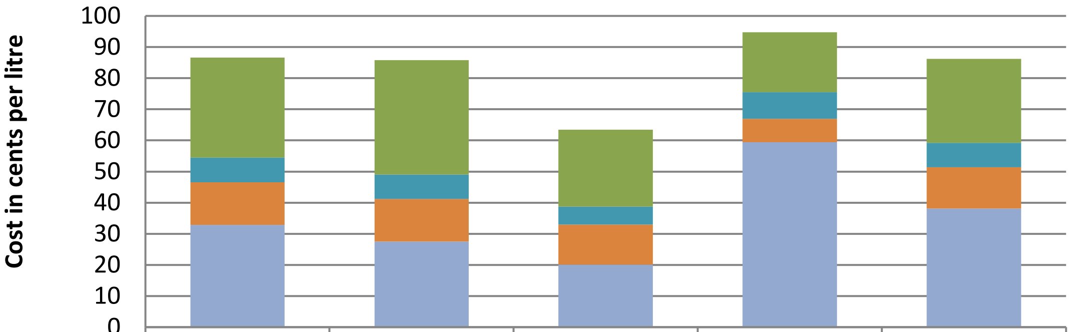
Liquid Petroleum Gas (LPG)

Data on LPG pricing is limited compared to petrol and diesel. Subsequently, it is not possible to calculate retail, wholesale and refinery margins. The alternative measure calculates the difference between the international benchmark price (the Saudi Aramco Contract Price – the Saudi CP) and the pre-tax retail price. This measure captures all fuel company margins and costs.

The average retail price of LPG in Brisbane in October was 86.6 cpl, 0.8 cpl higher than September. Fuel company margins and costs in October, at 32.1 cpl, were 4.7 cpl lower than September.

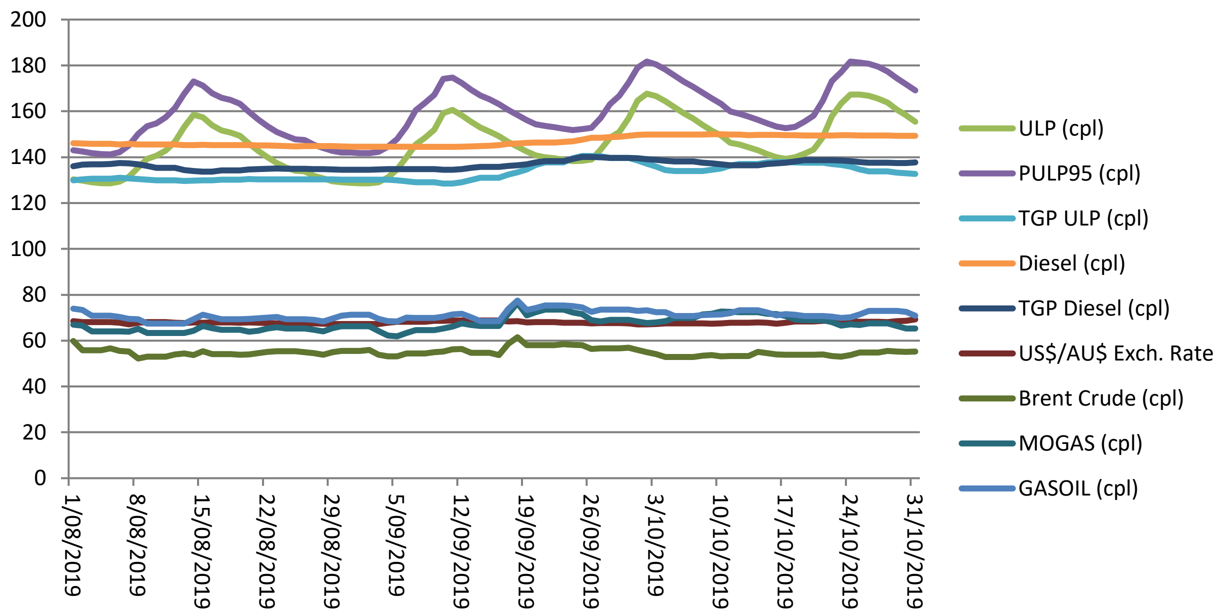
The recently published Saudi CP for November, at 33.7 cpl, was 0.8 cpl higher than October. As fuel company margins on LPG are substantial higher than historic margins, fuel companies should be able to absorb this increase in the Saudi CP without increasing retail prices.

The chart below shows the cost breakdown for a litre of LPG sold in Brisbane for October. For comparison, the cost breakdown for last month, last year, August 2016 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2012), is also displayed.



	Oct 2019	Sep 2019 (last month)	Aug 2016 (cheapest)	Jan 2014 (dearest)	2018 (last year)
Average Retail Price	86.6	85.8	63.4	94.8	86.2
Costs and Margins	32.1	36.8	24.6	19.3	27.0
GST (Federal tax)	7.9	7.8	5.8	8.6	7.8
Excise (Federal tax)	13.7	13.7	12.9	7.5	13.3
Saudi CP (A$ cpl)	32.9	27.5	20.1	59.4	38.1

Price trends



Two partial price cycles and two high points were observed in the Brisbane ULP market in October. The first cycle started on 25 September and prices peaked on 2 October. Average ULP prices then fell steadily until they reached a low point on 17 October, at which point prices started to rise again before peaking (for the second time in October) on 24 and 25 October. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

The average price of Brent in October at 86.1 A$/bbl (58.5 US$/bbl) or 54.2 cpl, was 3.4 A$/bbl lower than September. Brent started October at 88.9 A$/bbl (59.7 US$/bbl). Brent quickly fell to low point of 84.1 A$/bbl (56.8 US$/bbl) on 4 October. At the same time the Australian dollar strengthened compared to the US dollar. Subsequently the A$ price of Brent was down 1.1 A$/bbl or 0.7 cpl over the month, but the US$ price increased by 1.2 US$/bbl.

The Singapore MOGAS and GASOIL prices (and local TGPs) were elevated compared to the oil price. This led to the increase in refinery margins observed in the analyses above. MOGAS and GASOIL prices were elevated due to supply constrictions in the Asia Pacific region. A breakdown at a crude oil receiving facility in Port Dickson, Malaysia forced the closure of two neighbouring refineries and a reduction in the availability of refined products.

Changes to the price cycle

Like September, the October price hike was unusually long, and the discounting phase was relatively short. Prior to 2019 the Brisbane ULP market took six days to move from the lowest to highest price, the October price hikes took eight days for all retailers to hike their prices, with other recent price hikes lasting 10 days. This change was due to many retailers holding a cheaper price for longer than usual, and when they eventually hiked their prices, they hiked to an intermediate price rather than the common high price.

The changes in the price cycle have led to an increase in the number of days when cheaper fuel was available in the Greater Brisbane ULP market. In 2019 (1 Jan to 30 Sept), the average ULP price in Brisbane was cheap (returning an indicative retail margins of 6 cpl or less, or a gross margin of 7 cpl or less) on 35.3 days per quarter, nine more days than 2018. In 2018, 26.3 cheap days per quarter were observed.

At the same time as the increase in availability of cheaper fuel, there has been an increase in the highest prices observed during the price hike. During recent hikes, the majors and the supermarkets have attempted to hike prices to record high prices. During the price starting on 18/10/19, the majors and the supermarkets increased their ULP prices to 173.9 cpl, the highest common high price observed in Brisbane. If the other fuel companies had followed this lead, the average ULP price in Brisbane would have hit a new all-time high. However, the small chains and independents did not follow this lead, instead they held cheap prices for longer, and when they eventually jumped, they moved to a moderately high price substantially lower than 173.9 cpl.

These changes are likely to be a result of increased competition driven by the introduction of the Queensland Government's mandatory fuel price reporting scheme.

Comparison to other capital cities

The table below presents the average October prices and retail margins on ULP and diesel for Australian capital cities, with the change compared to September in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	154.7 (10.3)	17.9 (8.1)	149.6 (3.8)	10.8 (2.6)
Adelaide	149.6 (0.9)	13.2 (-1.4)	149.0 (2.3)	10.3 (1.1)
Canberra	148.1 (4.8)	12.8 (2.8)	154.5 (2.0)	16.1 (0.9)
Darwin	147.1 (7.4)	6.3 (5.4)	145.8 (-0.5)	3.5 (-1.4)
Hobart	155.4 (3.6)	13.4 (1.6)	160.8 (1.5)	16.5 (0.4)
Melbourne	149.5 (3.5)	13.7 (1.2)	149.3 (3.1)	10.9 (2.0)
Perth	144.7 (3.4)	9.0 (1.4)	149.0 (2.4)	10.7 (1.5)
Sydney	152.1 (7.5)	16.8 (5.5)	150.2 (2.7)	11.8 (1.6)

* 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.

Brisbane was the most expensive large capital city in October, and the second most expensive of all capitals. The average ULP prices in Perth, Darwin, Canberra, Melbourne, Adelaide and Sydney were cheaper than Brisbane by 10.0 cpl, 7.6 cpl, 6.6 cpl, 5.2 cpl, 5.1 cpl and 2.6 cpl respectively. Only Hobart with a ULP price of 155.4 cpl was more expensive than Brisbane. The Brisbane ULP price was inflated by the shift in the price cycle and subsequently two high points falling in October. Two high points were also observed in Sydney, and like Brisbane, Sydney prices were similarly elevated.

At 149.6 cpl, Brisbane Diesel was more expensive than Darwin, Adelaide, Perth and Melbourne by 3.9 cpl, 0.6 cpl, 0.6 cpl and 0.3 cpl, respectively.

Comparison of the SEQ metropolitan centres

The cheapest centre in SEQ to buy ULP was Ipswich, with an average price of 151.2 cpl, followed by the Sunshine Coast at 152.9 cpl. Central Brisbane was the most expensive area in SEQ at 158.5 cpl, 7.3 cpl dearer than Ipswich.

Gold Coast was the cheapest SEQ centre to buy diesel with an average price of 148.8 cpl, closely followed by Ipswich and Moreton Bay, both at 149.1 cpl. Like ULP, Central Brisbane was the most expensive at 151.1 cpl, 2.3 cpl dearer than Ipswich. The price difference between the cheapest and dearest diesel price at 2.3 cpl was substantially lower than ULP, for which the difference was 7.3 cpl.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Central Brisbane	158.5 (10.6)	21.7 (8.5)	151.1 (2.8)	12.2 (1.6)
Brisbane North	156.4 (9.5)	19.6 (7.3)	149.6 (4.4)	10.8 (3.2)
Brisbane South	153.7 (11.3)	16.9 (9.2)	149.2 (3.9)	10.3 (2.7)
Brisbane Bayside/ Redlands	156.0 (13.5)	19.3 (11.3)	150.4 (3.7)	11.6 (2.5)
Logan	154.5 (10.3)	17.7 (8.1)	149.6 (4.5)	10.7 (3.3)
Ipswich	151.2 (10.1)	14.2 (7.9)	149.1 (3.9)	9.9 (2.7)
Moreton Bay	154.1 (10.2)	17.0 (8.0)	149.1 (3.7)	9.9 (2.5)
Gold Coast	153.0 (12.6)	15.6 (10.4)	148.8 (3.5)	9.3 (2.3)
Sunshine Coast	152.9 (7.5)	15.3 (5.4)	149.6 (3.4)	10.0 (2.2)

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

The table above presents the average October prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to September in parentheses. This analysis separates Brisbane into central, northern, southern and bayside regions.

Fuel prices across Queensland

The average price of ULP across regional Queensland in October was 147.1 cpl, 7.4 cpl higher than September when the average price was 139.7 cpl. The average diesel price was 149.4 cpl, 2.8 cpl higher than September when the average price was 146.6 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	154.7 (10.3)	17.9 (8.1)	149.6 (3.8)	10.8 (2.6)
Atherton	149.4 (5.5)	8.3 (3.3)	149.7 (0.0)	7.2 (-1.2)
Beaudesert	149.9 (3.9)	12.3 (1.7)	153.4 (3.6)	13.7 (2.5)
Biloela	149.7 (0.0)	9.7 (-2.1)	152.9 (-0.2)	11.3 (-1.3)
Blackwater	159.9 (0.0)	18.2 (-2.1)	153.6 (3.3)	10.3 (2.2)
Bowen	146.9 (5.0)	4.7 (2.9)	149.7 (2.0)	7.0 (1.0)
Bundaberg	141.6 (5.5)	1.4 (3.3)	145.8 (3.4)	3.5 (2.2)
Cairns	148.8 (9.3)	8.5 (7.1)	150.2 (2.3)	8.5 (1.1)
Charters Towers	149.9 (4.4)	8.3 (2.3)	150.7 (0.5)	8.7 (-0.5)
Childers	148.5 (4.8)	8.8 (2.6)	149.8 (3.5)	8.0 (2.3)
Dalby	146.0 (7.1)	7.3 (4.9)	148.4 (1.5)	7.6 (0.3)
Emerald	149.9 (0.0)	7.5 (-2.1)	150.1 (0.5)	6.0 (-0.7)
Gladstone	139.6 (4.2)	0.8 (2.1)	145.2 (2.3)	4.7 (1.2)
Goondiwindi	138.7 (4.4)	-1.4 (2.3)	148.9 (4.0)	6.7 (2.8)
Gympie	141.1 (4.3)	2.9 (2.1)	149.5 (4.6)	9.1 (3.4)
Hervey Bay	145.5 (3.5)	6.0. (1.4)	150.5 (1.1)	8.9 (-0.1)
Ingham	149.9 (1.7)	8.5 (-0.4)	151.7 (1.7)	9.9 (0.7)
Innisfail	149.5 (9.4)	8.4 (7.2)	150.9 (1.4)	8.3 (0.2)
Kingaroy	144.9 (3.7)	6.2 (1.6)	146.9 (3.6)	6.1 (2.4)
Lockyer Valley	149.6 (8.4)	11.9 (6.3)	149.5 (2.3)	9.6 (1.1)
Longreach	159.7 (4.6)	13.1 (2.4)	159.7 (3.9)	11.5 (2.8)
Mackay	149.0 (9.9)	9.2 (7.7)	150.4 (2.6)	9.7 (1.4)
Mareeba	149.9 (4.3)	9.0 (2.1)	152.8 (0.9)	10.5 (-0.3)
Maryborough	145.8 (7.3)	6.7 (5.1)	146.7 (3.7)	5.5 (2.5)
Miles	139.7 (4.6)	-0.3 (2.5)	141.0 (1.6)	-1.1 (0.5)
Moranbah	144.6 (5.7)	2.9 (3.6)	148.3 (2.2)	5.6 (1.0)
Mount Isa	158.6 (9.9)	9.4 (7.8)	151.7 (3.3)	2.0 (2.3)
Nambour	149.0 (4.3)	11.4 (2.1)	149.1 (3.7)	9.4 (2.5)
Noosa	160.3 (12.5)	22.6 (10.3)	149.2 (5.0)	9.4 (3.8)
Rockhampton	148.8 (7.9)	9.0 (5.7)	148.8 (3.5)	7.3 (2.4)
Roma	141.7 (7.3)	0.3 (5.1)	149.1 (6.1)	5.6 (4.9)
Somerset	148.1 (6.7)	10.4 (4.6)	147.1 (3.5)	7.3 (2.3)
Toowoomba	144.5 (5.7)	6.6 (3.5)	149.4 (4.3)	9.4 (3.1)

Townsville	148.8 (11.2)	8.6 (9.1)	150.6 (2.7)	9.9 (1.7)
Tully	149.4 (6.5)	7.8 (4.3)	149.8 (0.0)	6.7 (-1.2)
Warwick	143.7 (9.1)	5.5 (6.9)	147.0 (3.5)	6.7 (2.3)
Whitsunday	143.3 (9.9)	2.2 (7.7)	142.1 (0.7)	0.1 (-0.5)
Yeppoon	145.9 (8.3)	5.6 (6.2)	149.4 (6.0)	7.5 (4.9)

* 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.

With an average ULP price of 138.7 cpl, Goondiwindi was the cheapest Queensland regional centre to buy ULP in October. Goondiwindi was 16.0 cpl cheaper than Brisbane. Gladstone was the second cheapest at 139.6 cpl, 0.9 cpl dearer than Goondiwindi, and 15.1 cpl cheaper than Brisbane. Miles, Gympie, Bundaberg, Roma, Whitsunday, Warwick, Toowoomba, Moranbah, Kingaroy, Hervey Bay, Maryborough, Yeppoon, Dalby, Bowen, Somerset, Childers, Cairns, Rockhampton, Townsville, Mackay, Nambour, Atherton, Tully, Innisfail, Lockyer Valley, Biloela, Beaudesert, Charters Towers, Emerald, Ingham and Mareeba were also cheaper than Brisbane. The most expensive regional centre for ULP was Noosa[1]. With an average ULP price of 160.3 cpl, Noosa was 5.6 cpl more expensive than Brisbane.

Miles had the cheapest diesel in Queensland at 141.0 cpl, 8.6 cpl cheaper than Brisbane. Whitsunday, Gladstone, Bundaberg, Maryborough, Kingaroy, Warwick, Somerset, Moranbah, Dalby, Rockhampton, Goondiwindi, Nambour, Roma, Noosa, Toowoomba, Yeppoon, Gympie and Lockyer Valley were also cheaper than Brisbane. Longreach was the most expensive regional centre for diesel at 159.1 cpl[1], 10.1 cpl higher than Brisbane.

In 35 out of the 37 regional centres monitored by RACQ, ULP indicative retail margins were lower than those charged in Brisbane. The lowest indicative retail margin was observed in Goondiwindi (negative 1.4 cpl), 19.3 cpl lower than Brisbane, and the highest margins were observed in Noosa (22.6 cpl), 4.7 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 34 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Miles (negative 1.1 cpl), 11.9 cpl lower than Brisbane. Beaudesert had the highest indicative retail margin (13.7 cpl), 2.9 cpl greater than Brisbane.

Outlook

Oil prices were relatively stable in October and are likely to remain so in November, leading to a Brent oil price sitting close to 60 US$/bbl. The weakness in the global economy (caused in part by the US/China trade war) has dampened economic growth and demand for oil. The fall in demand remains greater than the supply restrictions caused by the OPEC+ production cut. OPEC and OPEC+ will next meet on 5 and 6 December 2019. It is widely expected that OPEC and OPEC+ will deepening their production cut in an attempt to bolster prices.

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

Data sources

All data presented in this report are RACQ calculations using OPIS data.

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[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.