

Monthly Fuel Price Report

- August 2019



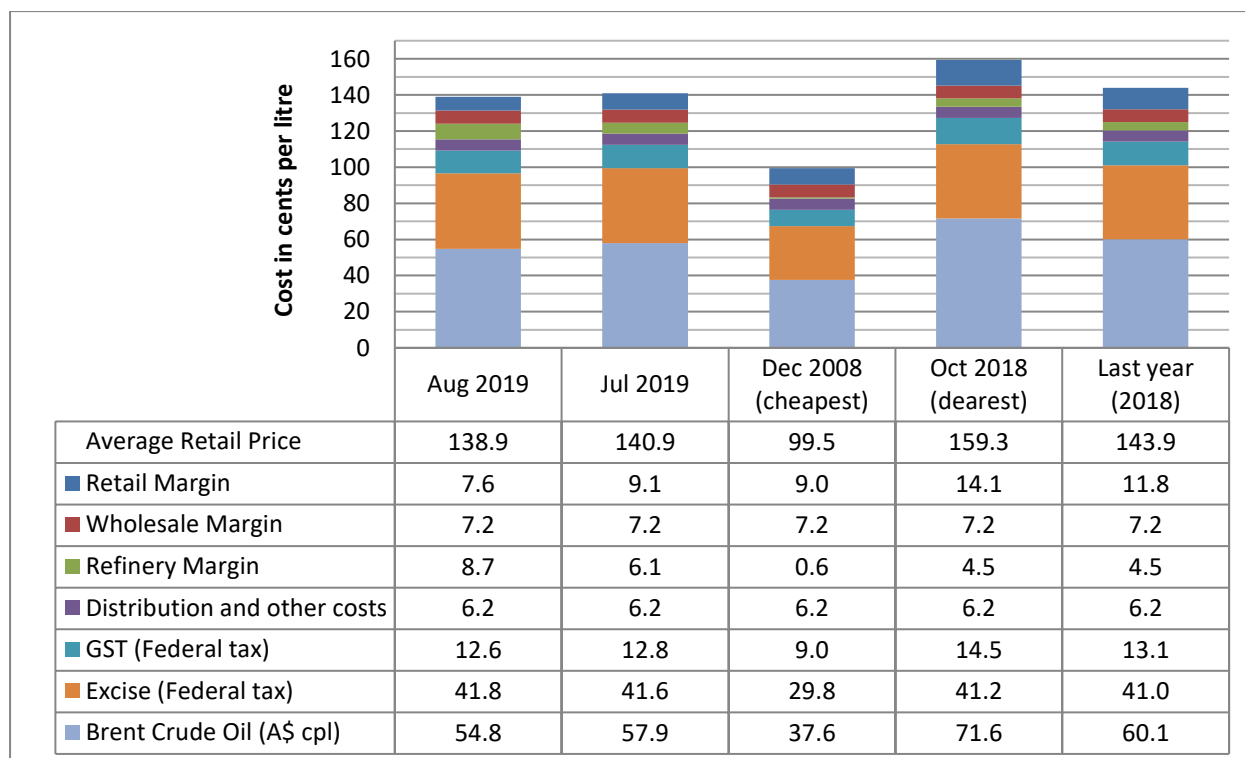
4 September 2019

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

Key points

- At 138.9 cpl, the average ULP price in Brisbane in August was 2.0 cpl lower than July.
- This decrease in the retail price was due to a fall in the oil price. While, indicative retail ULP margins in Brisbane were down 1.5 cpl from July, indicative refinery margins were up by 2.6 cpl.
- Brisbane was one of cheapest capital cities in August. Darwin and Perth were marginally cheaper at 138.7 cpl and 138.8 cpl, respectively.
- At 145.3 cpl, the average Brisbane diesel price in August was 0.6 cpl lower than July.
- Brisbane was the cheapest capital city for diesel. Melbourne, Perth and Darwin were 0.6 cpl, 1.5 cpl and 1.6 cpl dearer than Brisbane, respectively.
- The average ULP price in regional Queensland in August was 138.2, 0.8 cpl lower than July. The average diesel price in regional Queensland was down 0.3 cpl, at 146.0 cpl.
- Indicative retail margins and retail prices, on ULP and diesel, decreased in most (but not all) centres in regional Queensland.
- Price corrections were observed in the ULP markets in Kingaroy, Childers, Rockhampton and Ingham. In these centres ULP prices in August were 5 to 8 cpl higher than July.

ULP cost breakdown in Brisbane



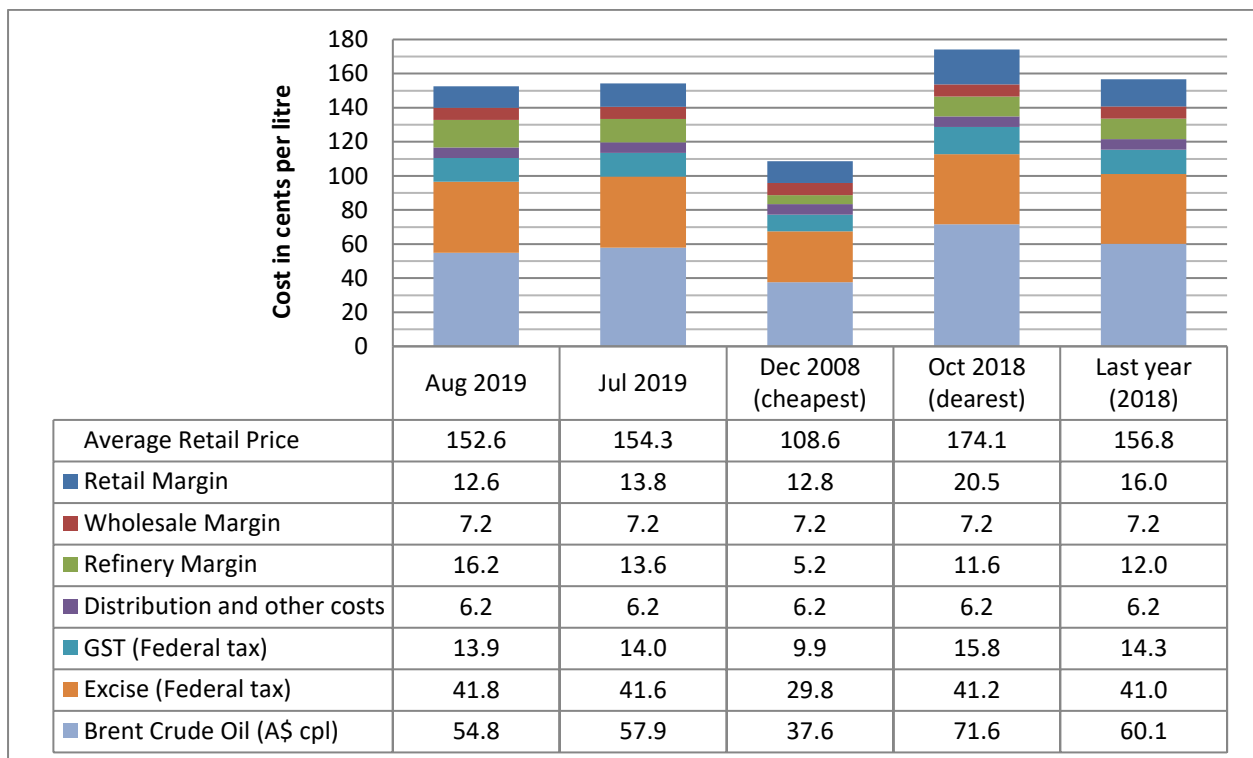
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for August. 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 138.9 cpl the average price of ULP in Brisbane in August was 2.0 cpl lower than the July average. Indicative retail margins, at 7.6 cpl, were 1.5 cpl lower than July. Indicative ULP refinery margins, at 8.7 cpl, were 2.6 cpl higher than July. Total margins (retail, wholesale and refinery) at 23.5 cpl, were 1.1 cpl higher than July, when they were 22.4 cpl.

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 August. 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.

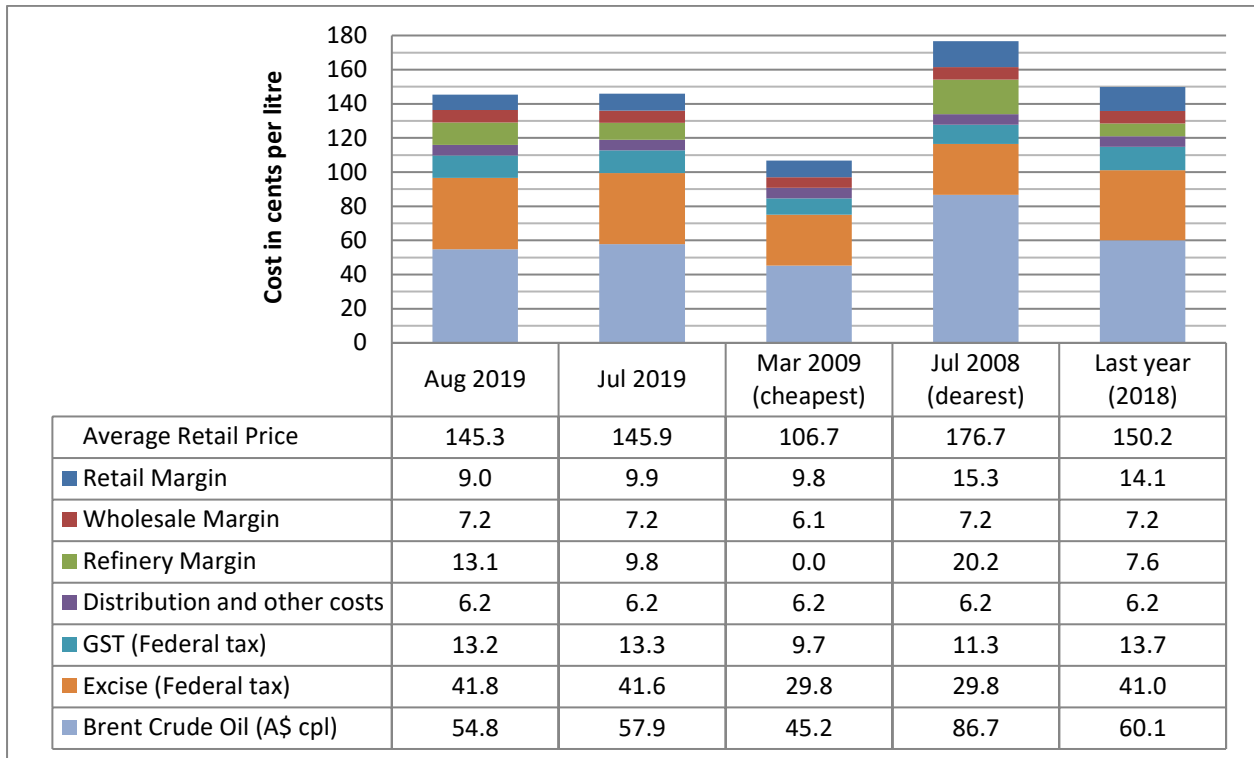


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in August was 152.6 cpl, 1.7 cpl lower than July. The price difference between ULP and PULP 95 was 13.7 cpl, 0.3 cpl wider than in July. Indicative retail margins for PULP 95, at 12.6 cpl, were 1.2 cpl lower than July. Refinery margins at 16.2 cpl, 2.6 cpl higher than July, cancelling out all decrease in retail margins. Total margins, at 36.0 cpl, were 1.4 cpl higher than July.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for August. 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.

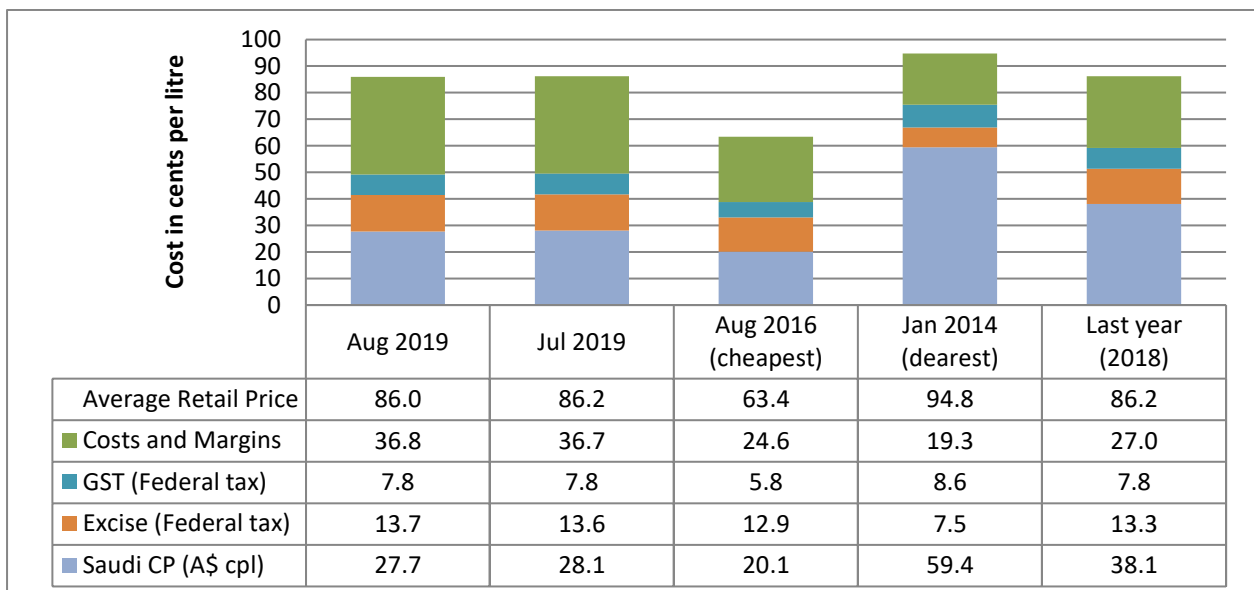


Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of diesel in August, at 145.3 cpl, was 0.6 cpl lower than July. Indicative retail margins, at 9.0 cpl, were down by 0.9 cpl and refinery margins were up by 3.3 cpl at 13.1 cpl. Total margins (retail, wholesale and refinery) in August at 29.3 cpl, were 2.4 cpl higher than the those in July (26.9 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 chart above shows the cost breakdown for a litre of LPG sold in Brisbane for August. 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.

The average retail price of LPG in Brisbane in August was 86.0 cpl, 0.2 cpl lower than July. The fall in the retail price is similar fall in the Saudi CP. Although, recent months larger falls in the Saudi CP have been observed, and fuel companies have used the falls in the wholesale costs of LPG to bolster margins. Fuel company margins and costs in August, at 36.8 cpl, were 9.8 cpl higher than the average for 2018.

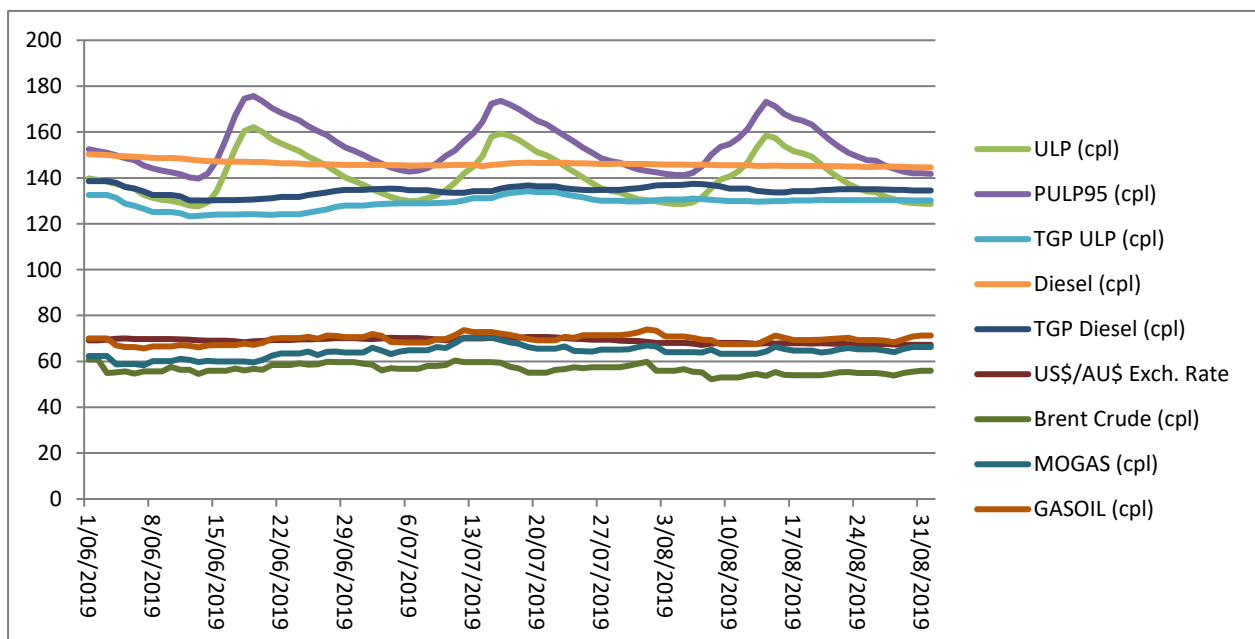
The Saudi CP for September at 27.5 cpl, was 0.2 cpl lower than August. This slight fall in the Saudi CP follows substantial falls observed in recent months and should lead to a fall in retail LPG prices. However, past fuel company behaviour suggests they will use the fall in the Saudi CP to bolster their margins, rather than pass these savings onto motorists.

Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly increases. As a result, on 5 August the excise charged on petrol (excluding E10) and diesel increased from 41.6 cpl to 41.8 cpl, from 38.5 cpl to 38.7 cpl on E10, and from 13.6 cpl to 13.7 cpl on LPG.

Price trends

The final days of one cycle and most of a complete price cycle were observed in Brisbane in August. The first cycle started on 7 July and prices peaked on 16 July. Prices then fell steadily through the rest of July and into early August. The second cycle started on 6 August and prices peaked on 13 August. Average ULP prices then fell steadily for the rest of August and into early September. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



Like July, the August price hike was unusually long. Typically the Brisbane ULP market takes six days to move from the lowest to highest price, the July price hike took ten days and the August hike eight days for all retailers to hike their prices. This 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. This behaviour is often observed in the Sydney ULP market and is potentially a sign of increased competition in Brisbane. This is likely to be result of the Queensland Government's mandatory fuel price reporting programme.

The average price of Brent in August at 87.2 A\$/bbl (59.1 US\$/bbl) or 54.8 cpl, was 4.8 A\$/bbl lower than July. The monthly average Brent price in August fell below 90 A\$/bbl or 60 US\$/bbl for the first time since January 2019. Brent started August at 95.1 A\$/bbl (65.2 US\$/bbl). While some fluctuations were observed in August the overall trend was downwards. Brent ended August at 88.3 A\$/bbl (59.4 US\$/bbl).

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	138.9 (-2.0)	7.6 (-1.5)	145.3 (-0.6)	9.0 (-0.9)
Adelaide	140.7 (-4.2)	9.8 (-3.7)	147.3 (-0.7)	10.9 (-1.0)
Canberra	141.6 (-0.9)	11.4 (-0.3)	152.1 (-0.3)	16.1 (-0.6)
Darwin	138.7 (-1.4)	3.2 (-0.8)	146.9 (-0.4)	6.8 (-0.5)
Hobart	151.0 (-0.2)	14.1 (0.2)	159.0 (-0.3)	17.0 (-0.7)
Melbourne	139.7 (-2.6)	9.4 (-2.1)	145.9 (-0.6)	9.8 (-0.8)
Perth	138.8 (-1.1)	8.4 (-0.5)	146.8 (-1.0)	10.6 (-1.1)
Sydney	139.6 (0.2)	9.5 (0.8)	147.1 (-0.5)	11.1 (-0.7)

* 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 one of the cheapest capital cities in August. The average prices of ULP in Darwin, Perth and Brisbane were within 0.2 cpl of each other. With an average price of 138.7 cpl, 138.8 cpl and 138.9 cpl respectively, these cities were at least 0.7 cpl cheaper than Sydney, the next cheapest capital. Melbourne, Adelaide, Canberra and Hobart were 0.8 cpl, 1.8 cpl, 2.7 cpl and 12.1 cpl dearer, respectively dearer than Brisbane.

At 145.3 cpl, Brisbane Diesel was cheaper than all the other capitals. Brisbane was cheaper than Melbourne, Perth and Darwin by 0.6 cpl, 1.5 cpl and 1.6 cpl, respectively.

Comparison of the SEQ metropolitan centres

The cheapest centre in SEQ to buy ULP was Ipswich, with an average price of 135.9 cpl, followed by the Gold Coast at 136.8 cpl. Central Brisbane was the most expensive area in SEQ at 140.8 cpl, 4.9 cpl dearer than Ipswich.

Brisbane North was the cheapest SEQ centre to buy diesel with an average price of 144.2 cpl, closely followed by Logan at 144.4 cpl, a reversal of the two cheapest spots in July. Like ULP, Central Brisbane was the most expensive at 148.1 cpl, 3.9 cpl dearer than Brisbane North.

The table below presents the average August prices and retail margins on ULP and diesel for SEQ

metropolitan centres, with the change compared to July in parentheses. This analysis separates Brisbane into central, northern, southern and bayside regions.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Central Brisbane	140.8 (-2.1)	9.5 (-1.6)	148.1 (-0.4)	11.7 (-0.7)
Brisbane North	139.0 (-1.5)	7.8 (-1.0)	144.2 (0.0)	7.9 (-0.3)
Brisbane South	137.2 (-3.2)	5.9 (-2.7)	144.7 (-1.3)	8.4 (-1.6)
Brisbane Bayside/Redlands	140.5 (-3.4)	9.3 (-2.9)	147.1 (-1.8)	10.8 (-2.0)
Logan	139.7 (-2.1)	8.4 (-1.6)	144.4 (0.7)	8.1 (0.4)
Ipswich	135.9 (-1.5)	4.3 (-1.0)	144.8 (-1.1)	8.1 (-1.3)
Moreton Bay	139.2 (-1.2)	7.6 (-0.7)	144.8 (-0.3)	8.1 (-0.6)
Gold Coast	136.8 (-1.6)	4.9 (-1.1)	145.0 (-0.2)	8.0 (-0.5)
Sunshine Coast	140.1 (2.1)	8.0 (2.6)	145.3 (0.0)	8.1 (-0.3)

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

ULP and diesel prices in most SEQ centres were lower than those observed in July. Average ULP prices across SEQ were 1 cpl to 3 cpl lower than July. Except the Sunshine Coast, which was 2.1 cpl dearer in August. Diesel prices in most centres in August were 1 cpl to 2 cpl lower than July. The average Brisbane North diesel price was unchanged and Brisbane Bayside/Redlands was up by 0.7 cpl.

Fuel prices across Queensland

The average price of ULP across regional Queensland in August was 138.2 cpl, 0.8 cpl lower than July when the average price was 139.0 cpl. The average diesel price was 146.0 cpl, 0.3 cpl lower than July when the average price was 146.3 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	138.9 (-2.0)	7.6 (-1.5)	145.3 (-0.6)	9.0 (-0.9)
Atherton	144.0 (-1.8)	8.5 (-1.3)	149.7 (-0.2)	9.8 (-0.5)
Beaudesert	148.4 (2.0)	16.3 (2.5)	150.1 (0.7)	12.9 (0.4)
Biloela	149.7 (0.0)	15.2 (0.4)	153.1 (-0.6)	13.8 (-0.9)
Blackwater	159.9 (0.0)	23.6 (0.4)	149.6 (0.1)	8.6 (-0.2)
Bowen	140.8 (-3.5)	4.1 (-3.0)	147.7 (0.0)	7.4 (-0.2)
Bundaberg	133.3 (2.3)	-1.4 (2.7)	141.4 (1.0)	1.6 (0.7)
Cairns	138.3 (-2.2)	3.6 (-1.7)	147.4 (-0.4)	8.3 (-0.6)
Charters Towers	144.7 (-0.3)	8.6 (0.1)	149.8 (0.0)	10.2 (-0.2)
Childers	143.5 (6.3)	9.3 (6.8)	146.2 (0.3)	7.0 (0.0)
Dalby	135.9 (-2.6)	2.6 (-2.1)	147.4 (-1.3)	9.1 (-1.5)
Emerald	149.9 (0.0)	12.9 (0.4)	149.4 (-0.3)	7.7 (-0.6)
Gladstone	136.1 (1.5)	2.7 (2.0)	143.5 (0.1)	5.4 (-0.2)
Goondiwindi	131.8 (2.2)	-2.8 (2.7)	142.8 (1.3)	3.1 (1.0)
Gympie	132.2 (-2.4)	-0.6 (-1.9)	144.3 (1.2)	6.5 (0.9)

Hervey Bay	140.7 (-1.7)	6.7 (-1.2)	149.3 (-1.3)	10.2 (-1.5)
Ingham	147.7 (5.0)	11.8 (5.5)	149.6 (3.0)	10.2 (2.8)
Innisfail	137.5 (-4.3)	2.0 (-3.8)	149.3 (-0.6)	9.3 (-0.9)
Kingaroy	139.9 (7.4)	6.7 (7.9)	142.5 (-0.6)	4.2 (-0.9)
Lockyer Valley	138.2 (-3.4)	5.9 (-2.9)	147.4 (-0.1)	10.1 (-0.3)
Longreach	153.4 (-2.2)	12.2 (-1.7)	155.0 (-0.9)	9.1 (-1.2)
Mackay	140.0 (-4.7)	5.6 (-4.4)	147.6 (-1.1)	9.4 (-1.3)
Mareeba	144.8 (0.9)	9.5 (1.4)	151.7 (-0.2)	11.9 (-0.4)
Maryborough	137.7 (0.9)	4.0 (1.4)	140.5 (-0.3)	1.8 (-0.5)
Miles	133.5 (-0.1)	-1.0 (0.4)	138.2 (0.2)	-1.3 (-0.1)
Moranbah	138.8 (0.0)	2.5 (0.3)	144.7 (0.2)	4.5 (-0.1)
Mount Isa	148.3 (-2.8)	4.6 (-2.3)	147.9 (-1.2)	0.6 (-1.4)
Nambour	137.2 (0.4)	5.1 (0.9)	145.0 (0.2)	7.8 (-0.1)
Noosa	143.3 (4.7)	11.0 (5.2)	143.2 (-0.1)	5.9 (-0.4)
Rockhampton	141.7 (6.2)	7.3 (6.6)	144.3 (0.5)	5.2 (0.1)
Roma	132.3 (0.0)	-3.6 (0.5)	141.3 (-1.7)	0.4 (-1.9)
Somerset	140.9 (3.2)	8.7 (3.7)	142.1 (-0.3)	4.9 (-0.6)
Toowoomba	133.9 (-0.8)	1.5 (-0.4)	144.0 (-0.8)	6.6 (-1.1)
Townsville	135.6 (-1.6)	0.8 (-1.2)	147.1 (0.1)	8.8 (-0.1)
Tully	143.7 (-2.9)	7.7 (-2.4)	149.8 (-0.2)	9.3 (-0.4)
Warwick	132.3 (-1.6)	-0.4 (-1.1)	142.0 (-1.9)	4.3 (-2.1)
Whitsunday	130.9 (-1.6)	-4.7 (-1.3)	141.4 (-0.9)	1.8 (-1.1)
Yeppoon	135.0 (-1.3)	0.2 (-0.9)	141.5 (-1.7)	1.9 (-2.0)

* 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 130.9 cpl, Whitsunday was the cheapest Queensland regional centre to buy ULP in August. Whitsunday was 8.0 cpl cheaper than Brisbane. Goondiwindi was the second cheapest at 131.8 cpl, 0.9 cpl dearer than Whitsunday, and 7.1 cpl cheaper than Brisbane. Gympie, Roma, Warwick, Bundaberg, Miles, Toowoomba, Yeppoon, Townsville, Dalby, Gladstone, Nambour, Innisfail, Maryborough, Lockyer Valley, Cairns and Moranbah were also cheaper than Brisbane. The most expensive regional centres for ULP was Blackwater¹. With an average ULP price of 159.9 cpl, Blackwater was 21.0 cpl more expensive than Brisbane.

Miles had the cheapest diesel in Queensland at 138.2 cpl, 7.1 cpl cheaper than Brisbane. Maryborough, Roma, Bundaberg, Whitsunday, Yeppoon, Warwick, Somerset, Kingaroy, Goondiwindi, Noosa, Gladstone, Toowoomba, Gympie, Rockhampton, Moranbah and Nambour were also cheaper than Brisbane. Longreach was the most expensive regional centre for diesel at 153.4 cpl¹, 8.1 cpl higher than Brisbane.

In 24 out of the 37 regional centres monitored by RACQ, ULP retail margins were lower than those charged in Brisbane. The lowest indicative retail margin was observed in Whitsunday (negative 4.7 cpl), 12.3 cpl lower than Brisbane, and the highest margins were observed in Blackwater (23.6 cpl), 16.0 cpl higher than Brisbane.

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.

Diesel indicative retail margins were lower than Brisbane in 24 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Miles (negative 1.3 cpl), 10.3 cpl lower than Brisbane. Biloela had the highest indicative retail margin (13.8 cpl), 4.8 cpl greater than Brisbane.

Price corrections were observed in July in the ULP markets in Kingaroy, Childers, Rockhampton and Ingham. In these centres the average price in August was 5 to 7 cpl greater than July. A price correction occurs when indicative retail margins in a town or city fall close to zero. Low margins can be due to competition or an increase in the TGP. Rather than steadily increasing their prices, fuel companies hike their price to a more profitable level. The mechanism of a price correction is similar to a price hike in SEQ, although corrections do not occur regularly or cyclically, and therefore are not a price cycle.

Outlook

Factors constraining oil supply and those reducing demand were evenly balanced in August. This led to a relatively low and stable oil price. There was an apparent warming of the relationship between the US and China, raising hopes of a pathway to end the trade war between the two countries. However, a reduction in tariffs is yet to eventuate.

If international trade and political tensions remain at the current level, it is most likely that supply-side restrictions and demand-side weakness would balance out leading to a Brent oil price sitting close to 60 US\$/bbl.

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

Data sources

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