

Monthly Fuel Price Report – July 2018



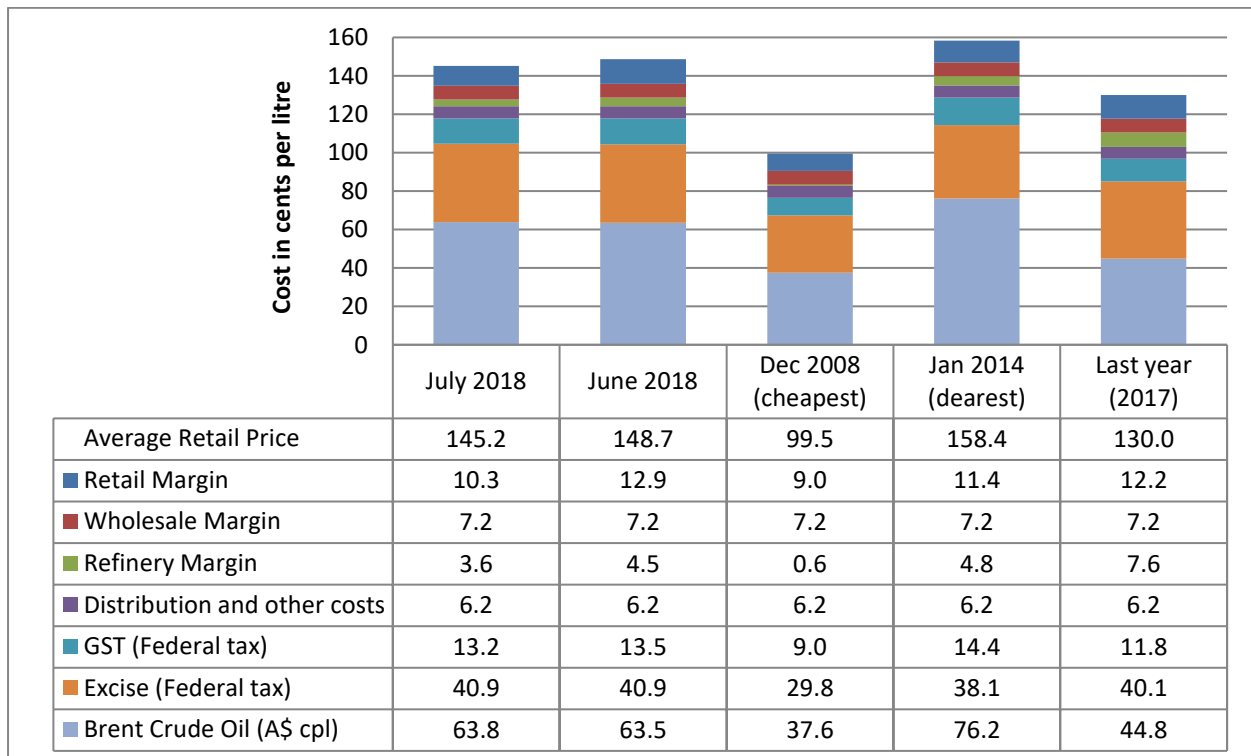
3 August 2018

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for July 2018.

Key points

- The average price of ULP in Brisbane in July was 145.2 cpl, 3.5 cpl lower than June. This decrease was due to a drop fuel company margins, rather than a drop in oil prices. Brisbane ULP was more expensive than Sydney, Adelaide and Melbourne by 4.3 cpl, 2.2 cpl and 0.3 cpl respectively.
- The average Brisbane price of diesel in July was 2.0 cpl lower than June, at 154.5 cpl. This was due to a slight decrease in fuel company margins. While indicative retail margins have fallen compared to June, they remain high compared to historic margins.
- The average price of ULP across regional Queensland in July was 152.4 cpl, 1.9 cpl lower than June. The average diesel price in regional Queensland was 152.1 cpl, 1.2 cpl lower than June.
- Gympie had the cheapest average ULP and diesel prices in regional Queensland in July. At 145.1 cpl, ULP sold in Gympie was marginally (0.1cpl) cheaper than Brisbane and at 147.3 cpl, diesel was 7.2 cpl cheaper than Brisbane.
- Mount Isa had the highest ULP price in July (159.4 cpl) and Biloela had the highest diesel price (159.9 cpl).
- Fuel excise increased on 1 August 2018. Excise on petrol and diesel increased from 40.9 cpl to 41.2 cpl, from 36.8 cpl to 37.1 cpl on E10 and from 13.3 cpl to 13.4 cpl on LPG.

ULP cost breakdown in Brisbane



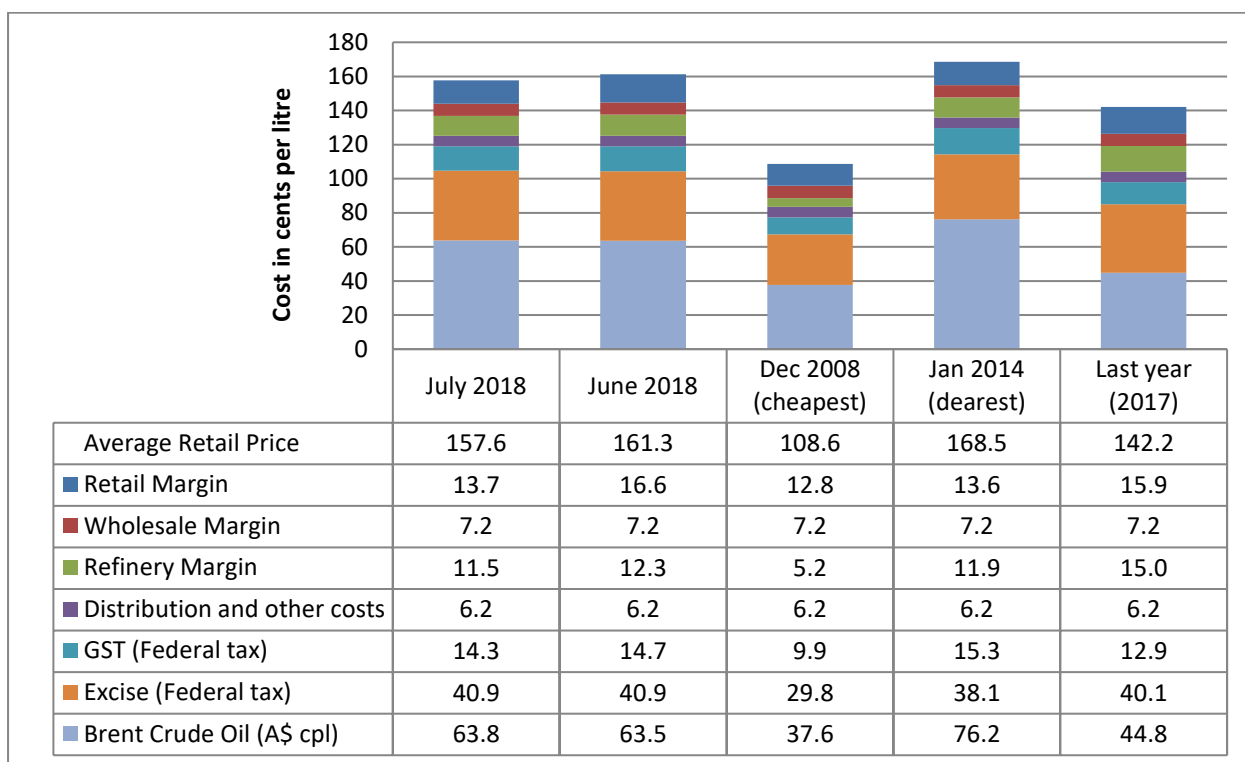
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for July. 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 July was 145.2 cpl, 3.5 cpl lower than June. Indicative retail margins, at 10.3 cpl, were 2.6 cpl lower than June. Indicative refinery margins were 0.9 cpl lower at 3.6 cpl. The drop in the retail price was due to a fall in fuel company margins and retail prices fell despite a slight increase in the oil price.

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 July. 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.



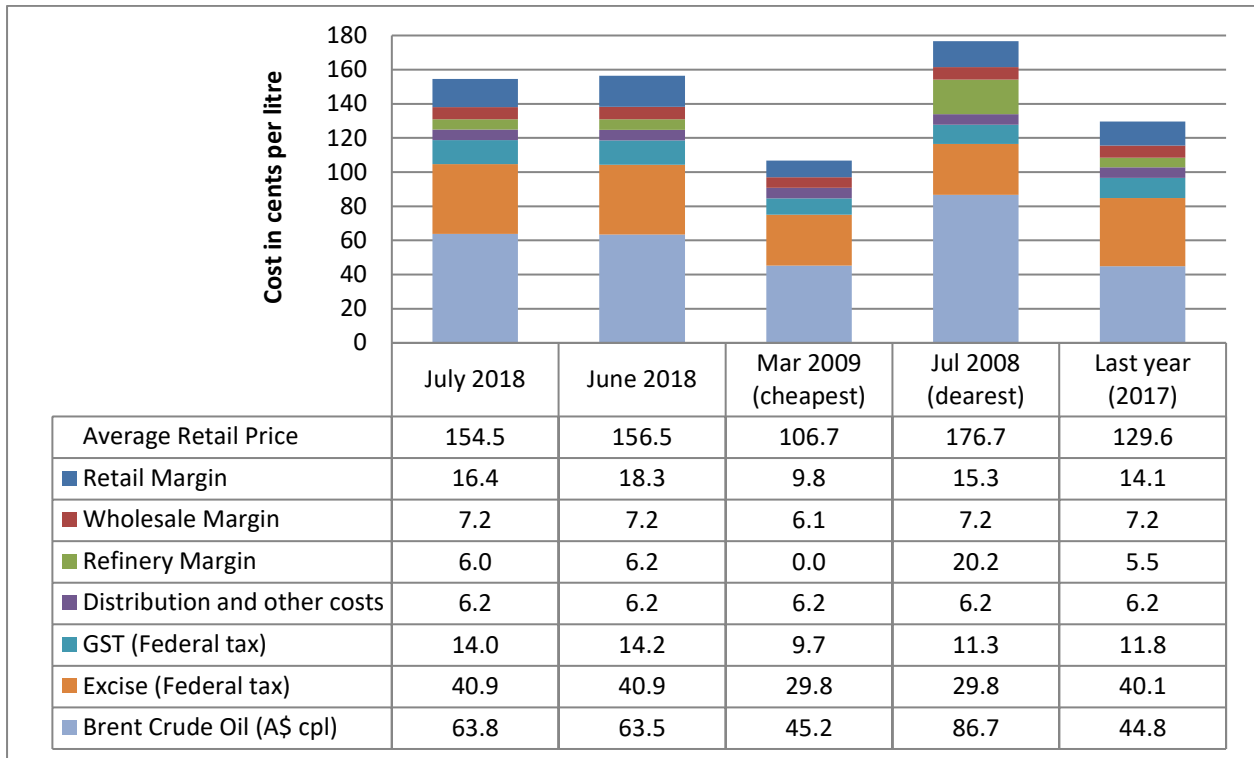
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of PULP 95 in Brisbane in July was 157.6 cpl, 3.7 cpl lower than June and 12.4 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 is 0.2 cpl lower than June, when it was 12.6 cpl. Indicative retail margins for PULP 95, at 13.7 cpl, were 2.9 cpl lower than June. Refinery margins fell by 0.8 cpl in July.

Diesel cost breakdown in Brisbane

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

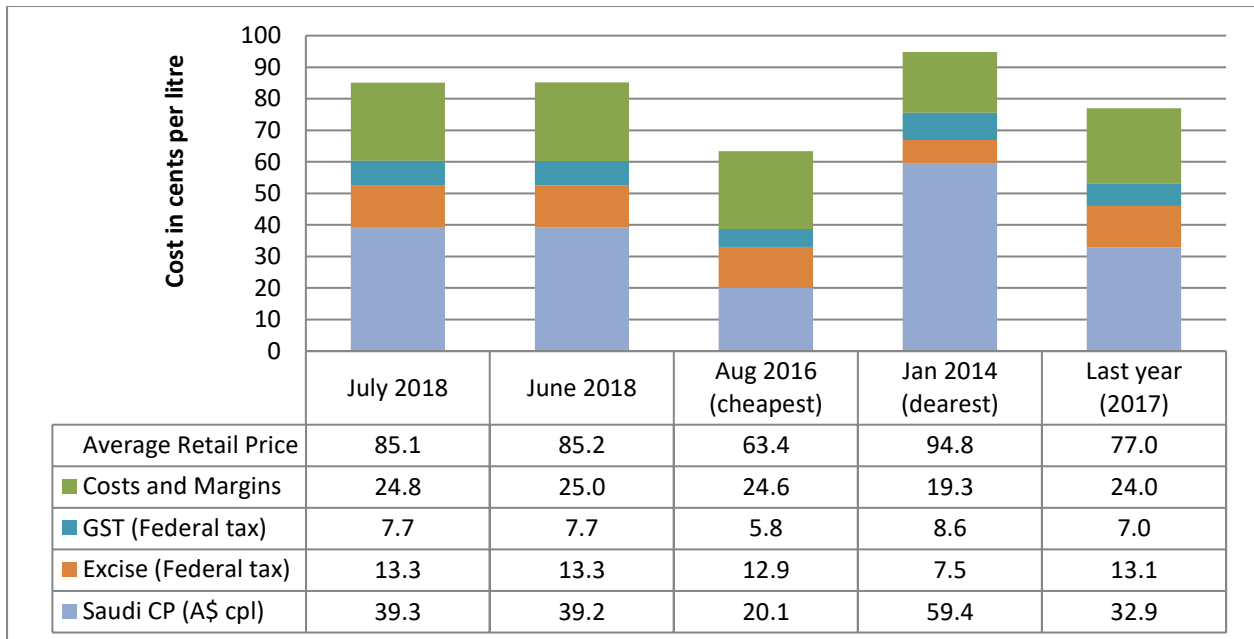
The average price of diesel in July, at 154.5 cpl, was 2.0 cpl lower than June. Indicative retail margins decreased by 1.9 cpl, and refinery margins fell by 0.2 cpl.



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

Liquid Petroleum Gas (LPG)

The chart below shows the cost breakdown for a litre of LPG sold in Brisbane for July. 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.



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 July was 85.1 cpl, 0.1 cpl lower than June. Fuel company margins and costs decreased to 24.8 cpl, 0.2 cpl lower than June.

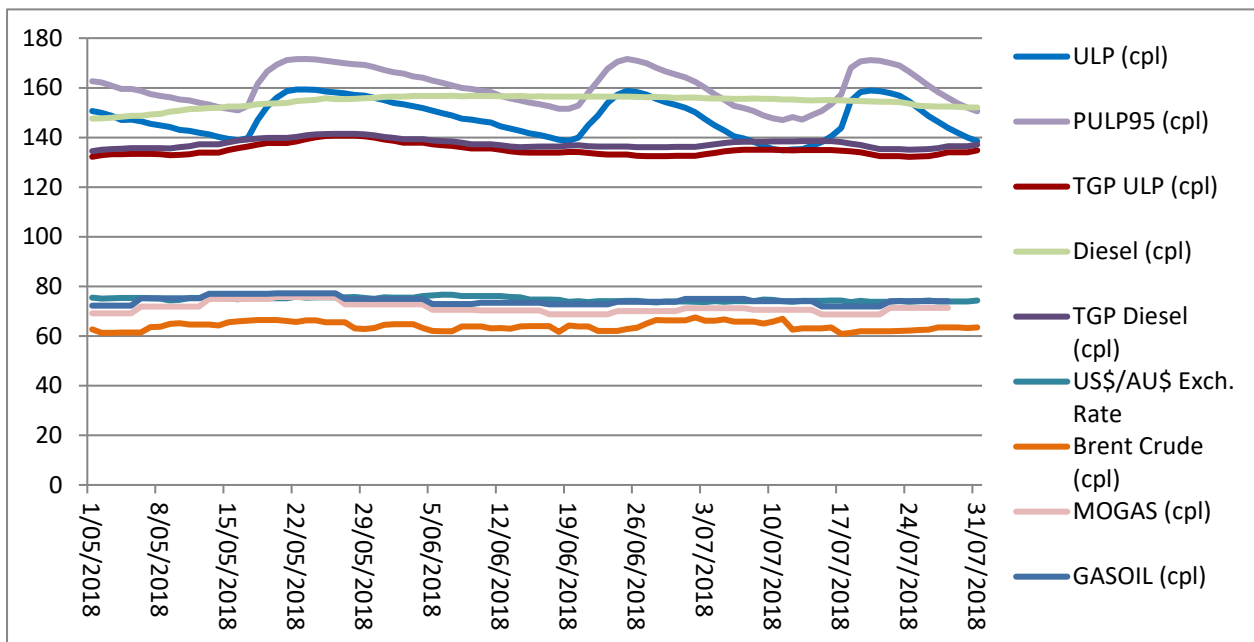
The Saudi CP for August is 41.6 cpl, 2.3 cpl higher than July.

Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly excise increases in line with CPI. As a result, on 1 August 2018 the excise charged on petrol and diesel increased from 40.9 cpl to 41.2 cpl, from 36.8 cpl to 37.1 cpl on E10 and from 13.3 cpl to 13.4 cpl on LPG.

Price trends

There were two partial price cycles observed in the Brisbane ULP market in July. The first cycle started on 19 June, prices peaked on 25 June, and the cycle ended on 11 July. The second cycle started on 12 July and prices peaked on 20 July. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



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

The average price of Brent in July was A\$0.5/bbl higher than June, at A\$101.5/bbl (US\$75.2/bbl) or 63.8 cpl. In May Brent had hit a 3.5 year high, and this saw prices remain elevated for most of June and July. Brent started July at A\$107.3/bbl (US\$79.2/bbl) and softened to a local low point on 17 July of A\$96.7.0/bbl (US\$71.8/bbl). Brent strengthened in the second half of July, ending the month at A\$100.9/bbl (US\$75.0/bbl).

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	145.2 (-3.5)	10.3 (-2.6)	154.5 (-2.0)	16.4 (-1.9)
Adelaide	143.0 (0.5)	7.8 (1.2)	146.8 (-6.5)	8.0 (-6.4)
Canberra	154.1 (-0.7)	19.3 (0.2)	156.4 (-0.4)	17.8 (-0.3)
Darwin	156.7 (1.1)	17.6 (1.8)	156.2 (0.6)	14.4 (0.7)
Hobart	158.3 (0.9)	18.8 (1.4)	160.5 (0.1)	17.8 (0.1)
Melbourne	144.9 (-2.9)	10.4 (-2.2)	152.5 (-2.3)	14.4 (-2.2)
Perth	146.7 (-1.4)	12.3 (-0.8)	156.0 (-1.2)	18.1 (-1.1)
Sydney	140.9 (-5.5)	6.1 (-4.6)	151.8 (-1.2)	13.3 (-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.

Sydney was the cheapest capital, with an average ULP price 4.3 cpl lower than Brisbane. ULP sold in Brisbane was more expensive than Sydney, Adelaide and Melbourne 4.3 cpl, 2.2 cpl and 0.3 cpl respectively. Perth, Canberra, Darwin and Hobart were 1.5 cpl, 8.9 cpl, 11.5 cpl and 13.1 cpl more expensive than Brisbane respectively.

Diesel sold in Brisbane was more expensive than Adelaide, Sydney and Melbourne by 7.7 cpl, 2.7 cpl and 1.9 cpl, respectively. Perth, Darwin, Canberra and Hobart were more expensive by 1.5 cpl, 1.7 cpl, 1.9 cpl and 6.0 cpl, respectively.

Comparison of the SEQ metropolitan centres

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	147.9 (-3.4)	12.9 (-2.6)	156.3 (-1.4)	18.3 (-1.3)
Brisbane South	144.2 (-3.5)	9.2 (-2.7)	153.9 (-2.2)	15.8 (-2.1)
Gold Coast	142.4 (-2.7)	6.8 (-1.9)	153.1 (-1.6)	14.4 (-1.6)
Ipswich	146.9 (-1.1)	11.6 (-0.3)	152.1 (-2.2)	13.7 (-2.2)
Moreton Bay	145.4 (-2.0)	10.2 (-1.2)	153.6 (-1.3)	15.2 (-1.3)
Sunshine Coast	146.6 (-0.8)	10.8 (0.0)	151.1 (-1.9)	12.2 (-1.8)

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

The Gold Coast was the cheapest centre in SEQ to buy ULP in July, with an average price of 142.4 cpl. It was followed by Brisbane South with an average price of 144.2 cpl. Brisbane North was the most expensive SEQ centre, at 5.5 cpl dearer than the Gold Coast and 3.7 cpl dearer than Brisbane South.

The Sunshine Coast was the cheapest SEQ centre to buy diesel with an average price of 151.1 cpl, followed by Ipswich, which was 1.0 cpl dearer than the Sunshine Coast. Brisbane North was the most expensive, at 5.2 cpl dearer than the Sunshine Coast.

ULP prices across SEQ were 0.8 cpl to 3.5 cpl cheaper than June. ULP indicative retail margins were 2.6 cpl and 2.7 cpl lower than June in Brisbane North and Brisbane South respectively. Sunshine Coast margins were unchanged from June, and the other centres were down by up to 2 cpl. Diesel prices were 1.3 cpl to 2.2 cpl lower than June, as were margins.

Fuel prices across Queensland

The average price of ULP across regional Queensland in July was 152.4 cpl, 1.9 cpl lower than June, when the average price was 154.3. The average diesel price was 152.1 cpl, 1.2 cpl lower than June when the average price was 153.3 cpl.

Gympie was the cheapest Queensland regional centre (outside SEQ) to buy ULP (and diesel) in July. At 145.1 cpl, Gympie was 0.1 cpl cheaper than Brisbane. All other centres outside of SEQ were more expensive than Brisbane. The most expensive regional centre listed was Mount Isa. With an average price of 159.4 cpl in July, it was 14.2 cpl more expensive than Brisbane. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices¹.

Gympie also had the cheapest diesel in Queensland (147.3 cpl, 7.2 cpl cheaper than Brisbane). Of the 33 regional centres monitored by RACQ, 23 were cheaper than Brisbane for diesel. These centres were: Gympie, Miles, Roma, Mount Isa, Gladstone, Bundaberg, Maryborough, Moranbah, Childers, Bowen, Goondiwindi, Warwick, Mareeba, Toowoomba, Emerald, Ingham, Whitsunday, Townsville, Hervey Bay, Kingaroy, Cairns, Mackay and Dalby. Biloela was the most expensive regional centre for diesel at 159.9 cpl¹, 5.4 cpl higher than Brisbane.

Regional ULP retail margins were higher than those charged in Brisbane with the exception of the Gold Coast, Bundaberg, Gympie, Miles and Moranbah. With exception of Biloela, diesel retail margins in regional centres were lower than Brisbane.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	145.2 (-3.5)	10.3 (-2.6)	154.5 (-2.0)	16.4 (-1.9)
Gold Coast	142.4 (-2.7)	6.8 (-1.9)	153.1 (-1.6)	14.4 (-1.6)
Sunshine Coast	146.6 (-0.8)	10.8 (0.0)	151.1 (-1.9)	12.2 (-1.8)
Atherton	154.4 (-0.6)	14.8 (-1.0)	155.4 (-1.5)	13.3 (-2.1)
Biloela	156.0 (0.1)	16.9 (0.7)	159.9 (0.1)	17.7 (0.2)
Blackwater	nd	nd	155.2 (0.3)	11.3 (0.4)
Bowen	151.8 (-4.1)	11.2 (-3.5)	151.6 (-4.2)	9.1 (-4.2)
Bundaberg	146.3 (-3.2)	7.9 (-2.4)	150.4 (-2.5)	8.9 (-2.5)
Cairns	155.0 (-0.9)	16.1 (-1.3)	153.9 (-1.0)	12.5 (-1.6)
Charters Towers	154.1 (-2.3)	14.1 (-1.7)	156.6 (-0.7)	14.7 (-0.7)
Childers	149.7 (-2.5)	11.9 (-1.7)	151.4 (-2.4)	10.4 (-2.3)
Cunnamulla	nd	nd	158.9 (0.0)	12.6 (0.1)
Dalby	154.2 (-0.9)	17.3 (-0.1)	154.4 (-1.0)	14.3 (-0.9)

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.

Emerald	156.8 (0.4)	15.2 (1.0)	152.9 (-1.1)	8.3 (-1.0)
Gladstone	152.5 (-1.0)	14.5 (-0.3)	149.8 (-2.5)	8.9 (-2.4)
Goondiwindi	154.1 (-0.8)	15.8 (0.0)	151.6 (-1.8)	10.2 (-1.7)
Gympie	145.1 (-3.3)	8.6 (-2.5)	147.3 (-2.0)	7.8 (-1.9)
Hervey Bay	154.4 (-0.4)	16.7 (0.4)	153.7 (-0.8)	12.9 (-0.7)
Ingham	155.3 (-1.0)	15.5 (-0.4)	153.0 (0.4)	11.3 (0.4)
Innisfail	157.9 (0.1)	18.2 (-0.2)	157.9 (0.1)	15.7 (-0.5)
Kingaroy	151.6 (-2.2)	14.8 (-1.4)	153.8 (-1)	13.8 (-0.9)
Longreach	159.0 (0.0)	13.3 (0.7)	156.0 (0.4)	7.3 (0.5)
Mackay	155.8 (-1.3)	16.8 (-0.6)	154.1 (-1.2)	13.1 (-1.2)
Mareeba	153.0 (-2.4)	13.5 (-2.7)	152.3 (-1.5)	10.3 (-2.1)
Maryborough	149.4 (-2.6)	12.1 (-1.7)	150.6 (-1.4)	10.2 (-1.3)
Miles	146.7 (-3.8)	8.6 (-3.0)	148.8 (-2.0)	7.5 (-1.9)
Moranbah	149.9 (-1.2)	9.0 (-0.5)	151.0 (0.2)	8.1 (0.2)
Mount Isa	159.4 (-0.2)	11.8 (0.3)	149.7 (0.5)	0.1 (0.5)
Rockhampton	154.9 (-1.1)	15.9 (-0.5)	155.2 (-0.8)	13.1 (-0.8)
Roma	155.1 (-0.4)	15.5 (0.4)	149.4 (-1.2)	6.6 (-1.1)
Toowoomba	146.9 (-5.6)	10.8 (-4.8)	152.6 (-1.5)	13.4 (-1.4)
Townsville	153.9 (-1.6)	15.3 (-1.0)	153.4 (-1.4)	12.9 (-1.4)
Tully	155.9 (-0.9)	15.7 (-1.3)	155.7 (-0.8)	13.0 (-1.4)
Warwick	150.3 (-3.9)	14.0 (-3.1)	151.7 (-1.5)	12.1 (-1.5)
Whitsunday	152.1 (-2.1)	11.9 (-1.4)	153.2 (0.0)	11.0 (0.0)
Yeppoon	154.5 (-3.7)	15.0 (-3.0)	154.6 (-2.9)	12.2 (-2.9)

* 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.

Outlook

The increases in Saudi Arabian and Russian oil production following the OPEC meeting on 22 June led to a softening of oil prices in the first half of July. However, across the month the price of oil was higher in July compared to June. A strong US dollar subdued oil prices in US dollar terms, while a weaker Australian dollar made imported oil more expensive.

The US trade war with China has been subduing international trade. This has led to weaker growth, lower demands for oil and subsequently it has placed downward pressure on the oil price.

The risk of supply disruptions through the Straits of Hormuz is considered by commentators to be an underestimated risk to future oil supply. The US and Iran have been increasingly combative in their war of words, with Iran holding a relatively weak position compared to their position in 2012. The threat of a military closure of the Straits of Hormuz is believed to be underestimated and not fully accounted for in the current oil price. In addition to this risk, Saudi Arabia has suspended oil shipments through the Red Sea following an attack on two of its oil tankers by Yemen's Iran-aligned Houthi movement. Usually such tensions would have placed substantial upward pressure on the oil price.

US crude inventories as reported by the US Energy Information Administration remains a key indicator and predictor of oil price movements. Draw downs on US oil and petroleum reserves lead to increases in the oil price, while increases in the stockpiles lead to price falls. An unexpected draw down in the last week of July helped strengthen the oil price.

US inventories, shale oil production, the OPEC production cuts and geopolitical tension in the Middle East will remain significant influences on oil prices in August.

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

Data sources

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