

Monthly Fuel Price Report - July 2019



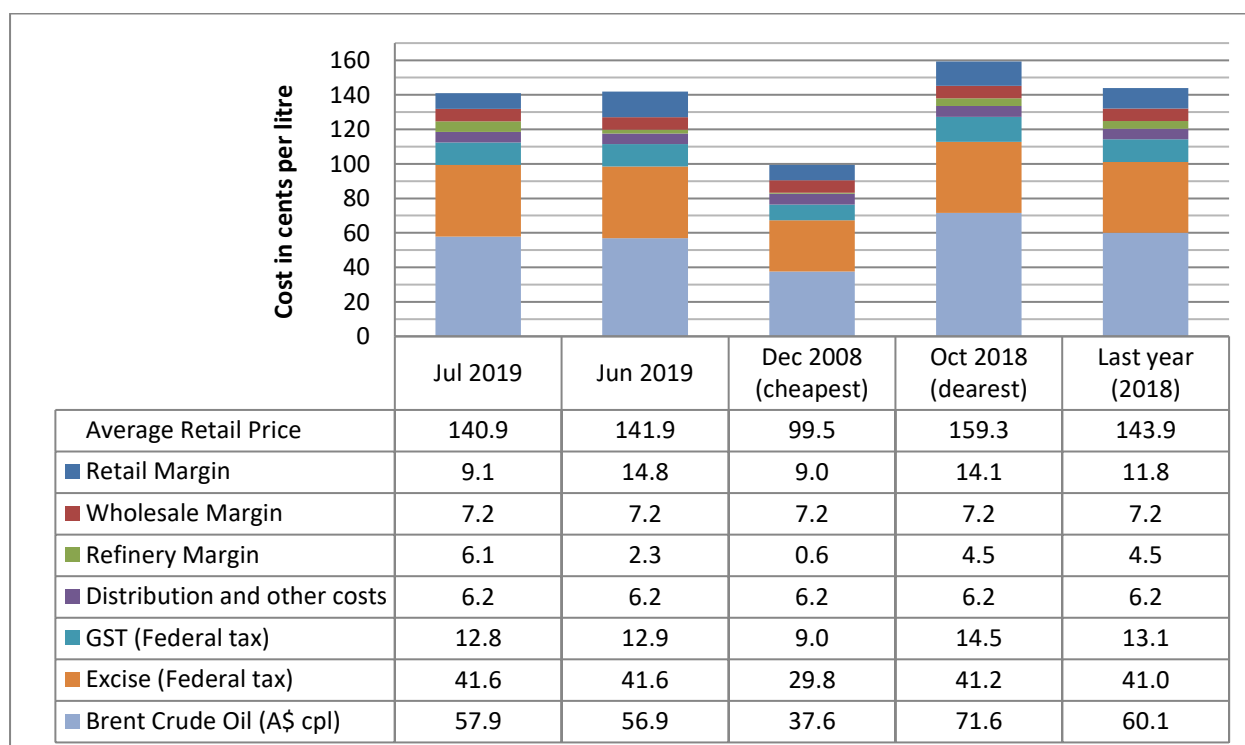
7 August 2019

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

Key points

- At 140.9 cpl, the average ULP price in Brisbane in July was 1.0 cpl lower than June.
- This decrease in the retail price was due to a fall in fuel company margins. Indicative retail ULP margins in Brisbane were down 5.7 cpl from June.
- Brisbane was the third cheapest of the large capital cities in July. Sydney and Perth were cheaper by 1.5 cpl and 1.0 cpl, respectively.
- At 145.9 cpl, the average Brisbane diesel price in July was 1.7 cpl lower than June.
- Brisbane was the cheapest of the large capital cities for diesel. Melbourne, Darwin and Sydney were the next cheapest, at 0.5 cpl, 1.4 cpl and 1.7 cpl dearer than Brisbane, respectively.
- The average ULP price in regional Queensland in July was 139.0, 3.4 cpl lower than June. The average diesel price in regional Queensland was down 1.5 cpl, at 146.3 cpl.
- A price cycle collapse was observed on the Sunshine Coast. While ULP prices in the rest of SEQ followed a normal price cycle, prices on the Sunshine Coast remained low throughout July.
- At 129.6 cpl, for the second month running, Goondiwindi had the cheapest ULP in regional Queensland. At 138.0 cpl, the cheapest diesel was found in Miles.
- Indicative retail margins, on ULP and diesel, decreased in most centres in regional Queensland.

ULP cost breakdown in Brisbane



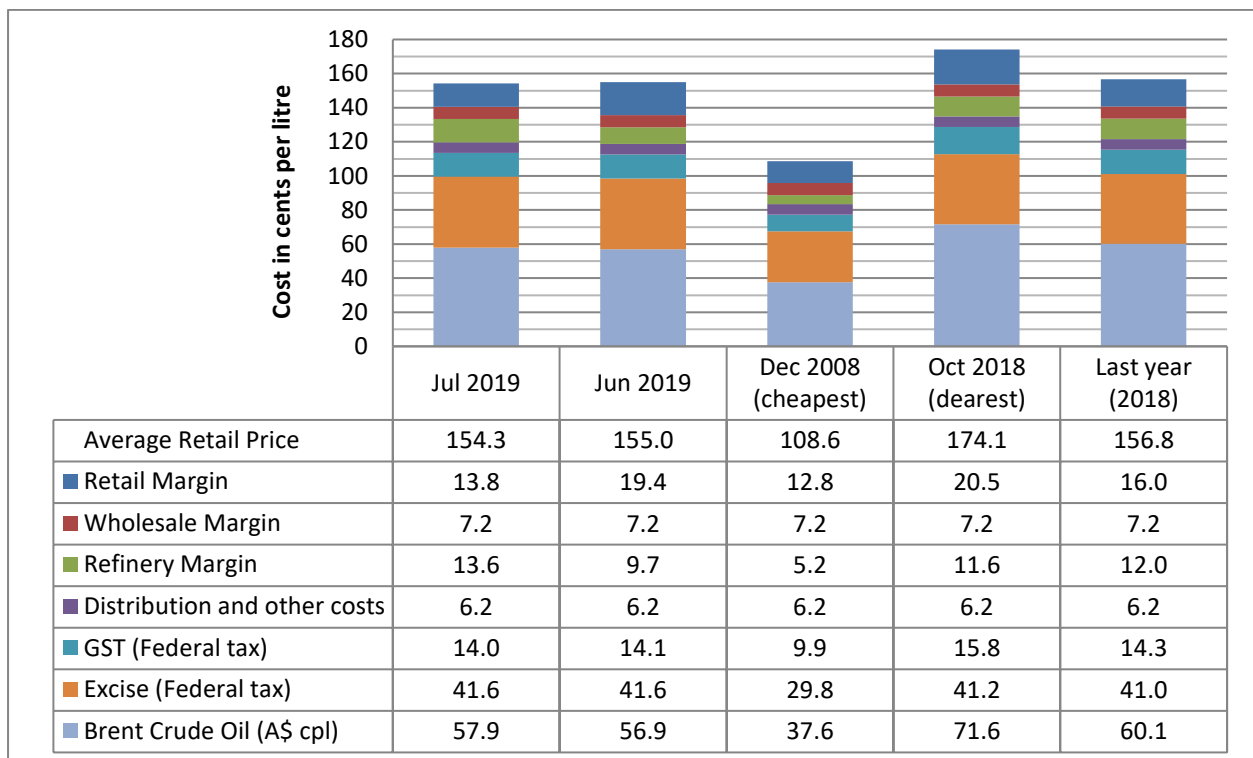
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

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, October 2018 - the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.

At 140.9 cpl the average price of ULP in Brisbane in July was 1.0 cpl lower than the June average. Indicative retail margins, at 9.1 cpl, were 5.7 cpl lower than June. Indicative ULP refinery margins, at 6.1 cpl, were 3.8 cpl higher than June. Total margins (retail, wholesale and refinery) at 22.4 cpl, were 1.9 cpl lower than July, when they were 24.3 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 July. 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.



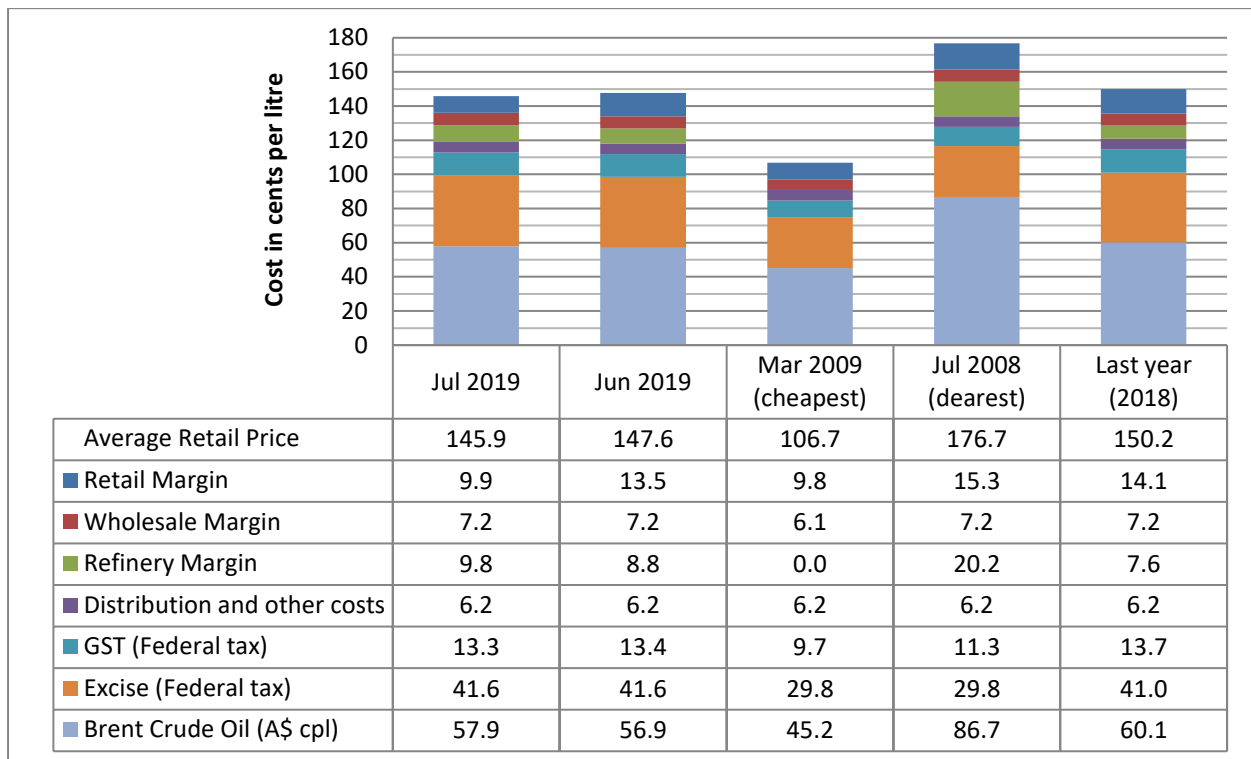
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in July was 154.3 cpl, 0.7 cpl lower than June. The price difference between ULP and PULP 95 was 13.4 cpl, 0.3 cpl wider than in June. Indicative retail margins for PULP 95, at 13.8 cpl, were 5.6 cpl lower than June. Refinery margins at 13.6 cpl, 3.9 cpl higher than June, balancing out some of the decrease in retail margins. Total margins, at 34.6 cpl, were 1.7 cpl lower than June.

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.

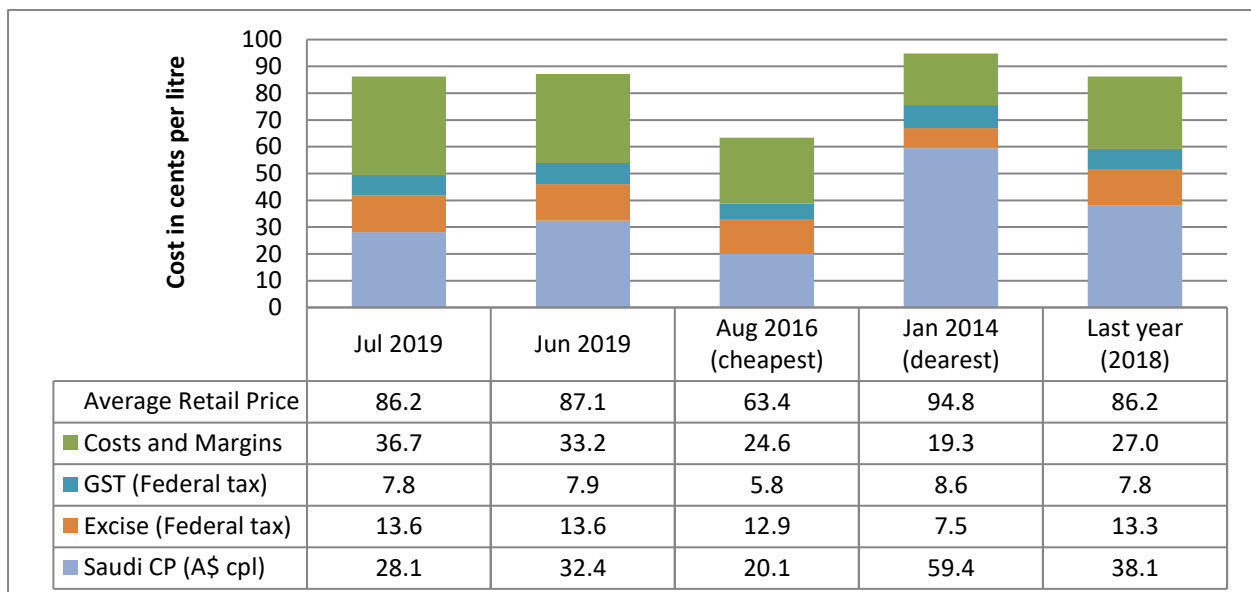
The average price of diesel in July, at 145.9 cpl, was 1.7 cpl lower than June. Indicative retail margins, at 9.9 cpl, were down by 3.6 cpl and refinery margins were up by 1.0 cpl at 9.8 cpl. Total margins (retail, wholesale and refinery) in July at 26.9 cpl, were 2.6 cpl lower than the those in June (29.5 cpl).



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

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 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.

The average retail price of LPG in Brisbane in July was 86.2 cpl, 0.9 cpl lower than June. The fall in the retail price is modest compared to the fall in the Saudi CP. Rather than passing these savings on to motorists, fuel companies have used the fall in the wholesale costs of LPG to bolster margins. Fuel company margins and costs, at 36.7 cpl, were 3.5 cpl higher than June. This follows a 6.1 cpl margin increase observed in June. Since May, fuel company margins on LPG have increased by 9.6 cpl.

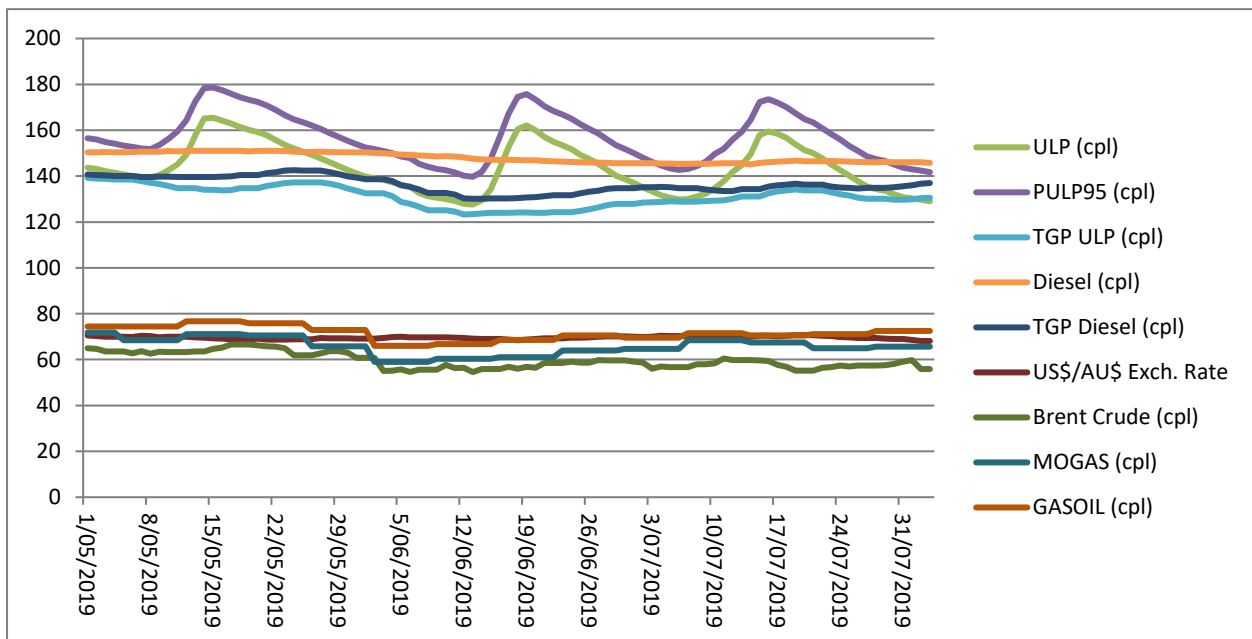
The Saudi CP for August at 27.7 cpl, was 0.4 cpl lower than July. This fall in the Saudi CP follows substantial falls observed in recent months and should lead to a fall in retail LPG prices. However, past fuel company behaviour suggests they will use this fall in the Saudi CP to bolster their margins, 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

Two partial price cycles were observed in Brisbane in July. The first cycle started on 14 June and prices peaked on 19 June. Prices then fell steadily through the rest of June and into early July. The second cycle started on 7 July and prices peaked on 16 July. Average ULP prices then fell steadily for the rest of July and into early August. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



The July price hike was unusually long. Typically the Brisbane ULP market takes six days to move from the lowest to highest price, in the July price hike retailers took ten days 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 July at 92.0 A\$/bbl (64.3 US\$/bbl) or 57.9cpl, was 1.5 A\$/bbl higher than June. While there was a slight price increase in the oil price in July, prices remain low compared to recent months, the monthly average oil price was last this low in February 2019.

Brent started July at 93.9 A\$/bbl (65.6 US\$/bbl). Prices fluctuated slightly through July, trading within a range of 90 to 96 A\$/bbl. The oil price ended July largely unchanged at 93.9 A\$/bbl (64.7 US\$/bbl).

Comparison to other capital cities

The table below presents the average July prices and retail margins on ULP and diesel for Australian 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	140.9 (-1.1)	9.1 (-5.7)	145.9 (-1.7)	9.9 (-3.6)
Adelaide	144.9 (6.4)	13.5 (1.8)	148.0 (-0.1)	11.8 (-1.9)
Canberra	142.4 (-1.6)	11.7 (-6.0)	152.5 (-0.5)	16.7 (-2.4)
Darwin	140.1 (-4.5)	4.0 (-9.3)	147.3 (-0.7)	7.3 (-2.7)
Hobart	151.2 (-1.4)	13.9 (-6.0)	159.3 (-0.9)	17.7 (-2.9)
Melbourne	142.3 (1.3)	11.5 (-3.3)	146.4 (-1.1)	10.6 (-3.0)
Perth	139.9 (2.3)	8.9 (-2.2)	147.7 (-2.1)	11.7 (-4.0)
Sydney	139.4 (-1.5)	8.7 (-5.9)	147.6 (-1.0)	11.9 (-2.8)

* 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 third cheapest of the five large capital cities. At 140.9 cpl, Brisbane was more expensive than Sydney, Perth and Darwin by 1.5 cpl, 1.0 cpl and 0.8 cpl, respectively. Melbourne, Canberra, Adelaide and Hobart were dearer than Brisbane by 1.4 cpl, 1.5 cpl, 4.0 cpl and 10.3 cpl, respectively.

At 145.9 cpl, Brisbane Diesel was cheaper than all the other capitals. It was cheaper than Melbourne, Darwin, Sydney, Perth, Adelaide, Canberra and Hobart by 0.5 cpl, 1.4 cpl, 1.7 cpl, 1.8 cpl, 2.1 cpl, 6.6 cpl and 13.4 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 central, northern, southern and bayside regions.

For the first month in 2019, the Gold Coast was not the cheapest centre in SEQ to buy ULP in July. The cheapest centre was Ipswich with an average price of 137.4 cpl, followed by the Sunshine Coast, with the Gold Coast falling to third. Brisbane Bayside/Redlands was the most expensive SEQ centre at 143.9 cpl, 6.5 cpl dearer than Ipswich.

The fall in the average price on the Sunshine, compared to June, was due a collapse in the price cycle. In early July, when markets across the rest of SEQ moved into a price hike, the Sunshine Coast market remained cheap. Cheap prices were maintained on the Sunshine Coast while the rest of SEQ experienced a complete price cycle. At the time of writing all SEQ markets were again in the cheap phase of the cycle.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Central Brisbane	142.8 (0.8)	11.1 (-3.9)	148.5 (-1.1)	12.4 (-3.1)
Brisbane North	140.5 (-1.1)	8.7 (-5.7)	144.3 (-3.1)	8.2 (-5.1)
Brisbane South	140.3 (-2.1)	8.5 (-6.8)	146.1 (-1.3)	10.0 (-3.3)
Brisbane Bayside/Redlands	143.9 (-1.7)	12.1 (-6.3)	148.9 (-1.8)	12.8 (-3.8)
Logan	141.8 (0.2)	10.0 (-4.4)	143.7 (-1.9)	7.6 (-3.9)
Ipswich	137.4 (-2.6)	5.4 (-7.2)	145.8 (-1.7)	9.5 (-3.6)
Moreton Bay	140.4 (-1.8)	8.3 (-6.4)	145.1 (-1.9)	8.7 (-3.9)
Gold Coast	138.4 (0.3)	6.0 (-4.4)	145.3 (-1.7)	8.6 (-3.7)
Sunshine Coast	138.1 (-4.5)	5.5 (-9.2)	145.3 (-1.1)	8.4 (-3.1)

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

Logan was the cheapest SEQ centre to buy diesel with an average price of 143.7 cpl, followed by Brisbane North, Moreton Bay, Gold Coast, Sunshine Coast, Ipswich, Brisbane South and Central Brisbane. Brisbane Bayside/Redlands was the most expensive at 148.9 cpl, 5.2 cpl dearer than Logan.

ULP and diesel prices in most SEQ centres were lower than those observed in June. Average ULP prices in Brisbane North, Brisbane South, Brisbane Bayside/Redlands, Ipswich, Moreton Bay and Sunshine Coast were 1 cpl to 3 cpl lower than June. ULP in Central Brisbane, Logan and Gold Coast was slightly more expensive than June. Diesel sold across SEQ in July was 1 cpl to 3 cpl lower than June.

Fuel prices across Queensland

The average price of ULP across regional Queensland in July was 139.0 cpl, 3.4 cpl lower than June when the average price was 142.4 cpl. The average diesel price was 146.3 cpl, 1.5 cpl lower than June when the average price was 147.8 cpl.

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	140.9 (-1.1)	9.1 (-5.7)	145.9 (-1.7)	9.9 (-3.6)
Atherton	145.8 (-2.8)	9.9 (-7.7)	149.9 (-0.5)	10.3 (-2.7)
Beaudesert	146.4 (3.7)	13.8 (-0.9)	149.4 (-0.7)	12.5 (-2.7)
Biloela	149.7 (0.0)	14.7 (-4.7)	153.7 (-0.2)	14.8 (-2.2)
Blackwater	159.9 (0.0)	23.2 (-4.7)	149.5 (-0.4)	8.8 (-2.4)
Bowen	144.3 (-1.2)	7.1 (-6.0)	147.7 (-0.5)	7.6 (-2.5)
Bundaberg	131.1 (-4.2)	-4.1 (-8.9)	140.4 (-2.4)	0.9 (-4.4)
Cairns	140.5 (-5.9)	5.3 (-10.8)	147.8 (-1.1)	8.9 (-3.3)

Charters Towers	145.0 (-1.5)	8.5 (-6.3)	149.8 (-0.2)	10.4 (-2.2)
Childers	137.1 (-3.2)	2.5 (-7.8)	145.9 (-1.9)	7.0 (-3.8)
Dalby	138.5 (-6.8)	4.7 (-11.4)	148.6 (-1.4)	10.6 (-3.3)
Emerald	149.9 (-2.2)	12.5 (-6.9)	149.7 (-1.3)	8.3 (-3.3)
Gladstone	134.6 (0.5)	0.8 (-4.2)	143.4 (-1.7)	5.6 (-3.7)
Goondiwindi	129.6 (-0.5)	-5.5 (-5.2)	141.5 (-4.1)	2.1 (-6.1)
Gympie	134.6 (-0.7)	1.3 (-5.3)	143.1 (-2.0)	5.6 (-4.0)
Hervey Bay	142.5 (-2.5)	8.0 (-7.2)	150.6 (-0.8)	11.8 (-2.8)
Ingham	142.7 (-0.4)	6.3 (-5.2)	146.7 (0.2)	7.4 (-1.8)
Innisfail	141.8 (-8.1)	5.8 (-13.0)	149.9 (-0.5)	10.2 (-2.7)
Kingaroy	132.5 (-2.0)	-1.2 (-6.6)	143.1 (-2.5)	5.1 (-4.5)
Lockyer Valley	141.6 (0.7)	8.8 (-4.0)	147.5 (-1.7)	10.4 (-3.6)
Longreach	155.6 (-1.5)	14.0 (-6.3)	155.9 (-1.5)	10.3 (-3.5)
Mackay	144.7 (-2.5)	10.0 (-7.3)	148.7 (-0.9)	10.7 (-3.0)
Mareeba	143.9 (-4.8)	8.1 (-9.7)	151.8 (0.0)	12.3 (-2.2)
Maryborough	136.8 (-0.9)	2.7 (-5.5)	140.8 (-4.3)	2.4 (-6.3)
Miles	133.6 (-1.0)	-1.4 (-5.6)	138.0 (-0.7)	-1.3 (-2.7)
Moranbah	138.8 (-3.3)	2.2 (-8.1)	144.6 (-2.5)	4.6 (-4.6)
Mount Isa	151.1 (-5.9)	6.9 (-10.7)	149.1 (-1.6)	2.0 (-3.6)
Nambour	136.7 (-6.6)	4.1 (-11.2)	144.8 (-1.4)	7.9 (-3.4)
Noosa	138.6 (-2.1)	5.9 (-6.7)	143.3 (-0.7)	6.3 (-2.7)
Rockhampton	135.6 (-5.0)	0.7 (-9.7)	143.9 (-1.9)	5.0 (-4.0)
Roma	132.2 (-3.2)	-4.2 (-7.8)	143.0 (-1.5)	2.3 (-3.5)
Somerset	137.7 (-2.3)	5.0 (-6.9)	142.4 (-3.4)	5.4 (-5.4)
Toowoomba	134.7 (-0.5)	1.8 (-5.1)	144.8 (-2.9)	7.6 (-4.8)
Townsville	137.2 (-5.6)	2.0 (-10.4)	146.9 (-0.4)	8.8 (-2.4)
Tully	146.6 (-2.0)	10.1 (-6.9)	150.0 (-0.8)	9.7 (-2.9)
Warwick	133.9 (-7.8)	0.7 (-12.5)	143.9 (-1.6)	6.4 (-3.6)
Whitsunday	132.5 (-5.9)	-3.5 (-10.7)	142.3 (-2.4)	3.0 (-4.5)
Yeppoon	136.3 (-5.2)	1.0 (-9.9)	143.2 (-1.3)	3.9 (-3.3)

* 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 129.6 cpl, Goondiwindi was the cheapest Queensland regional centre to buy ULP in July. Goondiwindi was 11.3 cpl cheaper than Brisbane. Bundaberg was the second cheapest at 131.1 cpl, 1.5 cpl dearer than Goondiwindi, and 9.8 cpl cheaper than Brisbane. Roma, Kingaroy, Whitsunday, Miles, Warwick, Gladstone, Gympie, Toowoomba, Rockhampton, Yeppoon, Nambour, Maryborough, Childers, Townsville, Somerset, Dalby, Noosa, Moranbah and Cairns 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 19.0 cpl more expensive than Brisbane.

Miles had the cheapest diesel in Queensland at 138.0 cpl, 7.9 cpl cheaper than Brisbane. Bundaberg, Maryborough, Goondiwindi, Whitsunday, Somerset, Roma, Gympie, Kingaroy, Yeppoon, Noosa, Gladstone, Rockhampton, Warwick, Moranbah, Nambour and Toowoomba were also cheaper than

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.

Brisbane. Longreach was the most expensive regional centre for diesel at 155.9 cpl¹, 10.0 cpl higher than Brisbane.

In 29 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 Goondiwindi (negative 5.5 cpl), 14.6 cpl lower than Brisbane, and the highest margins were observed in Blackwater (23.2 cpl), 14.1 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 26 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Miles (negative 1.3 cpl), 11.2 cpl lower than Brisbane. Biloela had the highest indicative retail margin (14.8 cpl), 4.9 cpl greater than Brisbane.

Outlook

The balance between reduced oil supply and reduced demand, tipped slightly towards reduced demand in July. This led to a relatively low and stable oil price. 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 the Brent oil price sitting in the low 60 US\$/bbl range.

Any sudden escalation in conflict in the Middle East could see oil prices spike dramatically. Direct conflict between the US and Iran would likely cause the oil price to spike to 100 US\$/bbl.

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

Data sources

All data presented in this report are RACQ calculations using OPIS, FUELtrac, RBA, AIP and Bloomberg.com data.