

Monthly Fuel Price Report

- May 2019



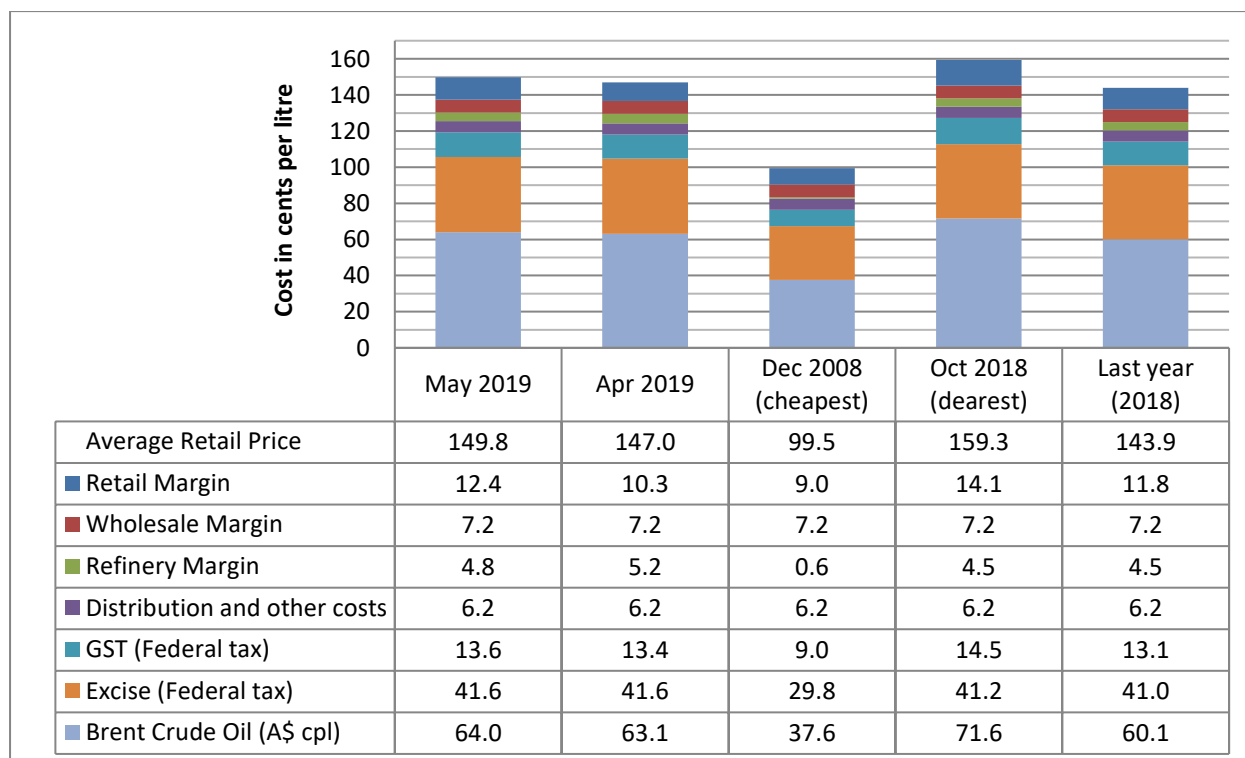
5 June 2019

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

Key points

- At 149.8 cpl, the average ULP price in Brisbane in May was 2.8 cpl higher than April.
- This increase was partly due to an increase in fuel company margins. Combined indicative retail and refinery margins were up 1.7 cpl compared to April.
- Brisbane was the fourth dearest of the large capital cities in May for ULP. Darwin was the cheapest capital city with a ULP price of at 144.6 cpl, 5.2 cpl cheaper than Brisbane.
- At 150.7 cpl, the average Brisbane diesel price in May was 1.1 cpl higher than April.
- Brisbane was the second cheapest of the large capital cities for diesel. Darwin was the cheapest capital. Diesel sold in Darwin, at 148.5 cpl, was cheaper than Brisbane by 2.2 cpl.
- The average ULP price in regional Queensland in May was 148.0 cpl, 1.9 cpl higher than April. The average diesel price in regional Queensland was up 1.3 cpl, at 149.7 cpl.
- The cheapest ULP and diesel in May was found in Miles, where the average price for ULP and diesel was 136.2 cpl and 142.1 cpl, respectively.
- Indicative retail margins were unusually low in many centres in regional Queensland. Indicative retail margins in Miles were negative 4.4 cpl on ULP and negative 2.7 cpl on diesel.

ULP cost breakdown in Brisbane



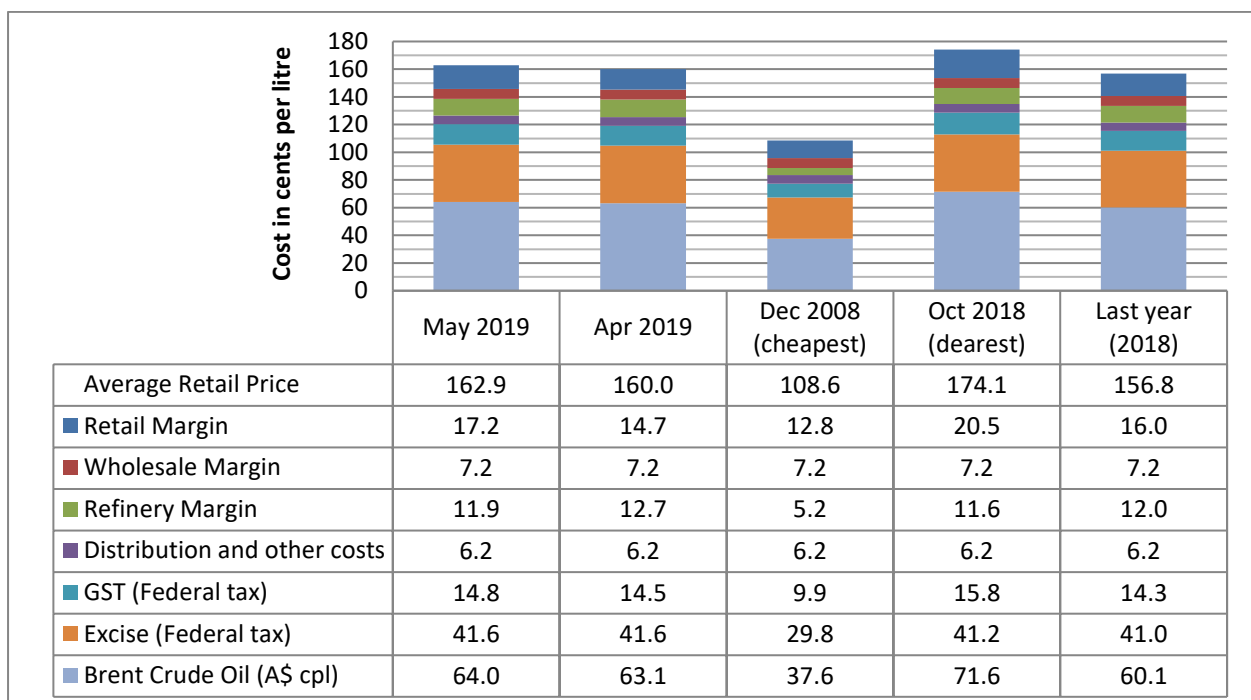
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for May. 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 149.8 cpl the average price of ULP in Brisbane in May was 2.8 cpl higher than the April average. Indicative retail margins, at 12.4 cpl, were 2.1 cpl higher than April, and the first month in 2019 when margins exceeded the 2018 average. Indicative ULP refinery margins at 4.8 cpl were 0.4 cpl lower than April.

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 May. 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.



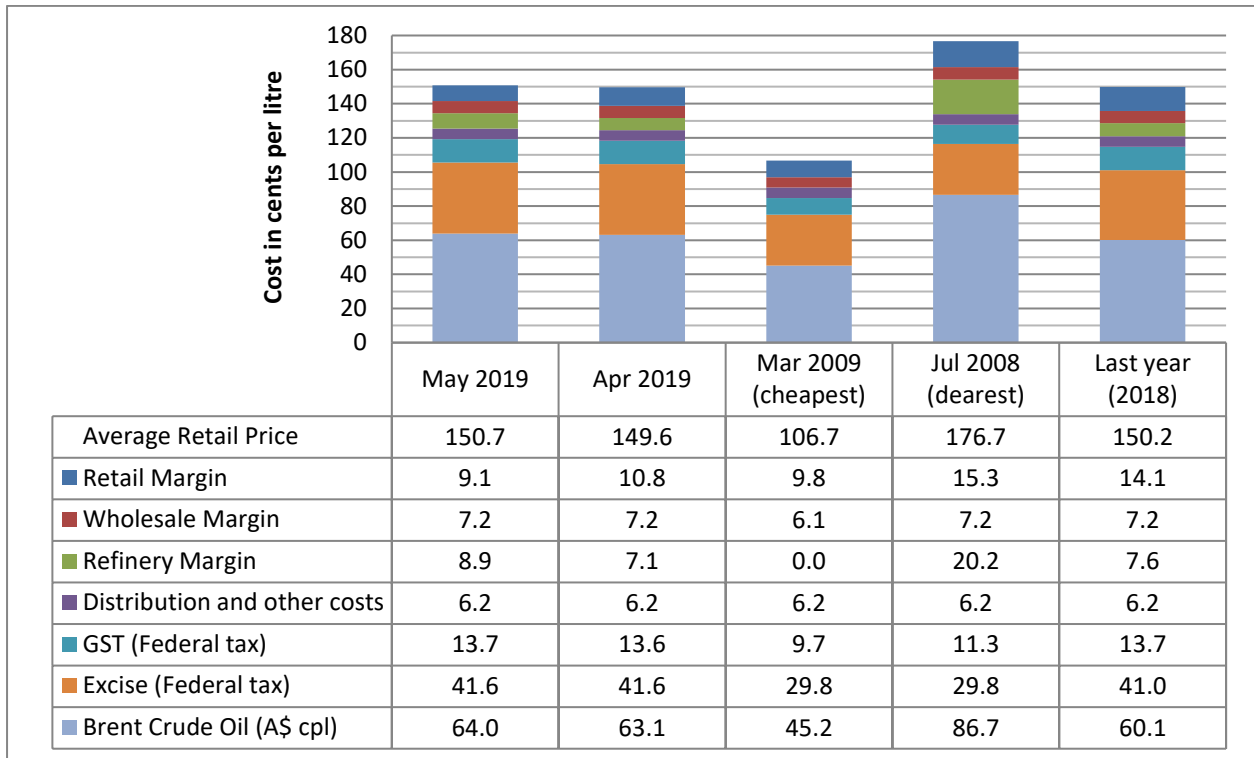
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in May was 162.9 cpl, 2.9 cpl higher than April. The price difference between ULP and PULP 95 was 13.1 cpl, 0.1 cpl wider than in April. Indicative retail margins for PULP 95, at 17.2 cpl, were 2.5 cpl higher than April. Refinery margins at 11.9 cpl, 0.8 cpl lower than April.

Diesel cost breakdown in Brisbane

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

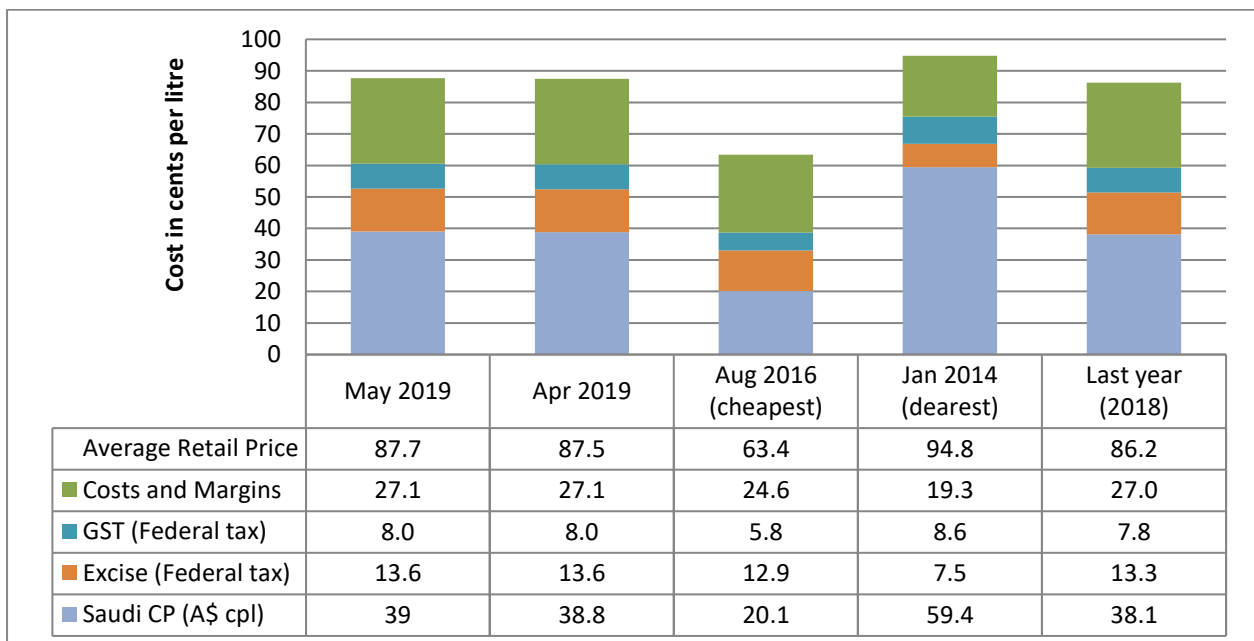
The average price of diesel in May, at 150.7 cpl, was 1.1 cpl higher than April. Indicative retail margins, at 9.1 cpl, were down by 1.7 cpl and refinery margins were up by 1.8 cpl at 8.9 cpl.



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 May. For comparison, the cost breakdown for last month, last year, August 2016 – the cheapest month and January 2014 – the

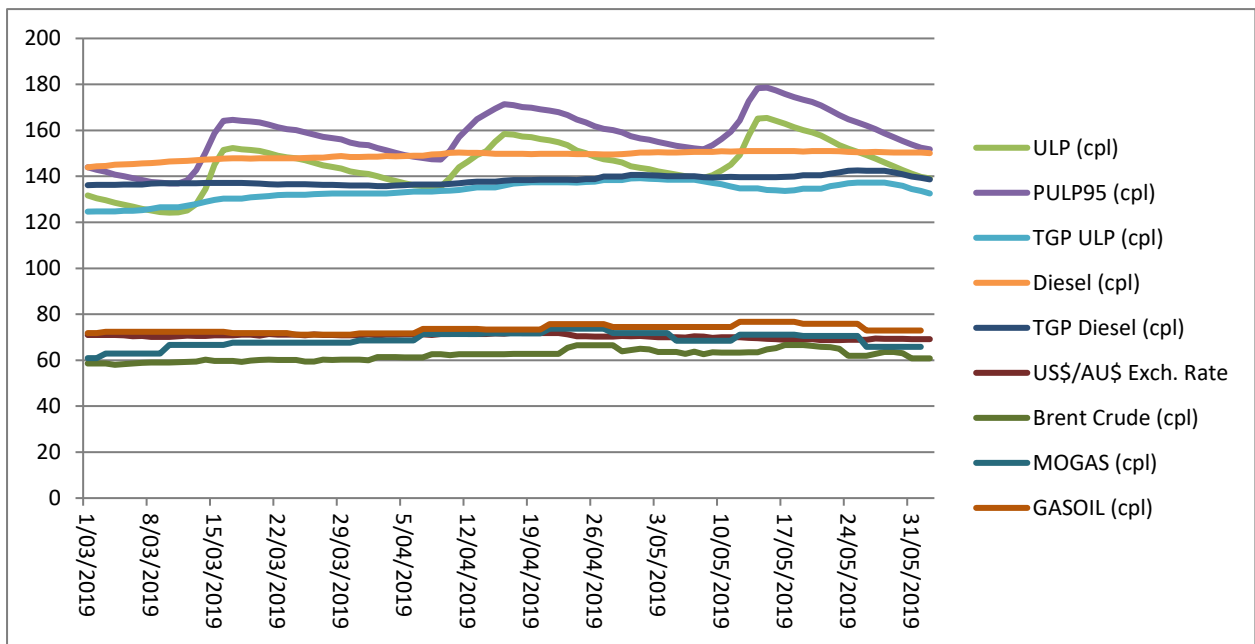
most expensive month observed in recent years (since 2012), is also displayed.

The average retail price of LPG in Brisbane in May was 87.7 cpl, 0.2 cpl higher than April. Fuel company margins and costs were unchanged at 27.1 cpl. Fuel company costs and margins in April were consistent with those charged in 2018.

The Saudi CP for June was 32.4 cpl, 6.6 cpl lower than May. This substantial fall in the Saudi CP should lead to a similar 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.

Price trends

Two partial price cycles were observed in Brisbane in May. The first cycle started on 9 April and prices peaked on 16 April. Prices then fell steadily through the rest of April and into early May. The second cycle started on 8 May and prices peaked on 15 May. Average ULP prices then fell steadily for the rest of May and into early June. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



The average price of Brent in May at A\$101.7/bbl (US\$70.7/bbl) or 64.0cpl, was A\$1.4/bbl higher than April. Brent started May at A\$103.2/bbl (US\$72.8/bbl) and softened in early May. The oil price spiked on May 17 at A\$105.9/bbl (US\$72.9/bbl), this spike was due to a soft Australian dollar, rather than a spike in the US\$ oil price. The Brent oil price then softened for the rest of May (in US\$ and A\$ terms) ending at A\$96.7/bbl (US\$66.9/bbl). The Brent price collapsed in early June. The Brent price on June 3, at A\$87.5 /bbl (US\$60.8 /bbl), was a four-month low. Brent was last this low in late January 2019.

Comparison to other capital cities

The table below presents the average May prices and retail margins on ULP and diesel for Australian 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)
Brisbane	149.8 (2.8)	12.4 (2.1)	150.7 (1.1)	9.1 (-1.7)
Adelaide	151.6 (6.3)	14.6 (5.6)	151.8 (0.5)	10.1 (-2.3)
Canberra	147.0 (3.3)	10.6 (2.6)	154.5 (1.2)	13.2 (-1.5)
Darwin	144.6 (3.4)	3.2 (2.6)	148.5 (1.0)	3.1 (-1.8)
Hobart	154.5 (5.0)	11.7 (4.5)	161.0 (1.9)	13.9 (-0.8)
Melbourne	147.6 (1.3)	11.1 (0.6)	149.8 (1.0)	8.4 (-1.8)
Perth	148.7 (4.7)	12.1 (4.0)	151.3 (2.1)	9.9 (-0.7)
Sydney	147.5 (1.3)	11.2 (0.7)	151.1 (1.3)	9.9 (-1.4)

* 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 fourth most expensive of the large capital cities in May. Darwin retained its position as the cheapest capital city to buy ULP with Canberra as the second cheapest. At 149.8 cpl, Brisbane was 5.2 cpl more expensive than Darwin, and more expensive than Canberra, Sydney, Melbourne and Perth by 2.8 cpl, 2.3 cpl, 2.2 cpl and 1.1cpl, respectively. Adelaide and Hobart were dearer than Brisbane by 1.8 cpl and 4.7 cpl, respectively.

Like ULP, Darwin had the cheapest diesel in May, followed by Melbourne, with Brisbane the third cheapest. Diesel sold in Brisbane was more expensive than Darwin and Melbourne by 2.2 cpl and 0.9 cpl, respectively. All other capitals were more expensive than Brisbane. Sydney, Perth, Adelaide, Canberra and Hobart were more expensive by 0.4 cpl, 0.6 cpl, 1.1 cpl, 3.8 cpl and 10.3 cpl, respectively.

Comparison of the SEQ metropolitan centres

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Central Brisbane	153.4 (3.1)	16.0 (2.4)	152.0 (1.2)	10.4 (-1.6)
Brisbane North	149.7 (2.6)	12.4 (1.9)	150.4 (1.0)	8.8 (-1.8)
Brisbane South	150.0 (4.4)	12.6 (3.6)	150.7 (1.2)	9.1 (-1.6)
Brisbane Bayside/ Redlands	151.2 (0.8)	13.8 (0.1)	152.4 (1.5)	10.8 (-1.3)
Logan	148.6 (1.4)	11.2 (0.7)	151.8 (1.2)	10.2 (-1.6)
Ipswich	147.6 (2.8)	9.9 (2.1)	149.7 (1.3)	7.8 (-1.5)
Moreton Bay	149.7 (3.3)	11.9 (2.6)	149.5 (0.9)	7.6 (-1.9)
Gold Coast	146.2 (4.1)	8.2 (3.4)	148.8 (1.0)	6.6 (-1.8)
Sunshine Coast	153.6 (5.7)	15.3 (5.0)	150.0 (1.4)	7.6 (-1.4)

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

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

Like every month so far in 2019, the Gold Coast was the cheapest centre in SEQ to buy ULP in May, with an average price of 146.2 cpl. It was followed by Ipswich, Logan, Brisbane North, Moreton Bay, Brisbane South, Brisbane Bayside/Redlands, Central Brisbane and the Sunshine Coast. The Sunshine Coast was the most expensive SEQ centre at 153.6 cpl, 7.4 cpl dearer than the Gold Coast.

The Gold Coast was also the cheapest SEQ centre to buy diesel with an average price of 148.8 cpl, followed by Moreton Bay, Ipswich, Sunshine Coast, Brisbane North, Brisbane South, Logan, Central Brisbane and Brisbane Bayside/Redlands. Brisbane Bayside/Redlands was the most expensive at 152.4 cpl, 3.6 cpl dearer than the Gold Coast.

ULP and diesel prices in all SEQ centres were higher than those observed in April. Average ULP prices in SEQ were 1 cpl to 6 cpl higher than April. Diesel sold in SEQ in May was 1 cpl or 2 cpl higher than April.

Fuel prices across Queensland

The average price of ULP across regional Queensland in May was 148.0 cpl, 1.9 cpl higher than April when the average price was 146.1 cpl. The average diesel price was 149.7 cpl, 1.3 cpl higher than April when the average price was 148.4 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	149.8 (2.8)	12.4 (2.1)	150.7 (1.1)	9.1 (-1.7)
Atherton	149.9 (2.3)	8.6 (1.8)	151.8 (1.3)	6.8 (-1.4)
Beaudesert	148.9 (3.1)	10.7 (2.4)	152.1 (2.8)	9.7 (0.0)
Biloela	149.9 (0.9)	9.4 (0.3)	151.9 (1.7)	7.5 (-1.0)
Blackwater	159.9 (0.0)	17.7 (-0.6)	154.1 (1.2)	7.9 (-1.4)
Bowen	149.3 (0.5)	6.6 (-0.1)	149.8 (0.1)	4.3 (-2.6)
Bundaberg	140.9 (3.0)	0.1 (2.3)	144.0 (0.5)	-1.0 (-2.2)
Cairns	151.3 (2.4)	10.7 (1.8)	150.6 (1.5)	6.3 (-1.2)
Charters Towers	149.6 (0.9)	7.5 (0.3)	150.9 (-0.1)	6.0 (-2.8)
Childers	149.6 (2.8)	9.3 (2.1)	151.2 (1.3)	6.7 (-1.5)
Dalby	148.0 (3.9)	8.7 (3.2)	151.7 (3.5)	8.2 (0.8)
Emerald	157.6 (1.9)	14.6 (1.3)	153.3 (1.5)	6.4 (-1.2)
Gladstone	143.2 (3.5)	3.9 (3.0)	147.8 (0.3)	4.5 (-2.4)
Goondiwindi	nd	nd	149.6 (-2.0)	4.7 (-4.8)
Gympie	147.6 (-1.0)	8.8 (-1.7)	146.4 (1.3)	3.4 (-1.5)
Hervey Bay	151.5 (1.5)	11.4 (0.8)	154.5 (2.8)	10.2 (0.0)
Ingham	143.0 (1.7)	1.1 (1.1)	146.7 (0.8)	2.0 (-1.9)
Innisfail	155.6 (2.3)	14.2 (1.8)	155.8 (0.5)	10.7 (-2.2)
Kingaroy	142.6 (2.5)	3.3 (1.8)	149.9 (0.5)	6.4 (-2.3)
Lockyer Valley	148.1 (2.6)	9.7 (1.9)	148.4 (1.8)	5.8 (-1.0)
Longreach	158.7 (0.3)	11.6 (-0.3)	155.8 (0.6)	4.7 (-2.1)
Mackay	151.4 (3.2)	11.3 (2.6)	151.2 (1.4)	7.8 (-1.3)
Mareeba	149.6 (2.1)	8.4 (1.6)	151.5 (1.7)	6.6 (-0.9)
Maryborough	146.9 (4.8)	7.2 (4.1)	149.8 (1.0)	5.8 (-1.8)
Miles	136.2 (2.1)	-4.4 (1.3)	142.1 (-0.9)	-2.7 (-3.7)
Moranbah	145.1 (5.2)	3.1 (4.6)	149.3 (0.4)	4.0 (-2.3)
Mt Isa	159.9 (0.1)	10.1 (-0.5)	152.3 (-0.9)	-0.3 (-3.6)
Nambour	156.0 (6.9)	17.7 (6.2)	149.5 (1.3)	7.0 (-1.5)
Noosa	153.3 (5.8)	14.9 (5.0)	149.2 (0.4)	6.6 (-2.3)

Rockhampton	147.1 (-0.9)	6.7 (-1.5)	147.5 (0.1)	3.1 (-2.5)
Roma	139.0 (3.0)	-3.0 (2.3)	145.8 (0.4)	-0.4 (-2.4)
Somerset	144.8 (3.5)	6.5 (2.8)	146.0 (1.4)	3.4 (-1.4)
Toowoomba	143.3 (3.4)	4.8 (2.7)	149.6 (1.1)	6.9 (-1.7)
Townsville	149.1 (1.0)	8.3 (0.4)	149.9 (2.0)	6.3 (-0.7)
Tully	149.6 (3.1)	7.7 (2.6)	149.5 (1.8)	3.8 (-0.9)
Warwick	148.4 (3.5)	9.6 (2.8)	149.3 (2.1)	6.3 (-0.7)
Whitsunday	141.5 (1.1)	0.1 (0.5)	145.5 (-0.5)	0.9 (-3.2)
Yeppoon	145.9 (-1.4)	5.1 (-2.0)	146.2 (0.0)	1.4 (-2.7)

* 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.

With an average ULP price of 136.2 cpl, Miles was the cheapest Queensland regional centre to buy ULP (and diesel) in May. Miles was 13.6 cpl cheaper than Brisbane. Neighbouring Roma at 139.0 cpl was the second cheapest centre in Queensland. Bundaberg, Whitsunday, Kingaroy, Ingham, Gladstone, Toowoomba, Somerset, Moranbah, Yeppoon, Maryborough, Rockhampton, Gympie, Dalby, Lockyer Valley, Warwick, Beaudesert, Townsville, Bowen, Charters Towers, Childers, Mareeba and Tully were also cheaper than Brisbane. The joint most expensive regional centres for ULP were Mount Isa and Blackwater¹. With an average ULP price of 159.9 cpl, Mount Isa and Blackwater were 10.1 cpl more expensive than Brisbane.

Miles also had the cheapest diesel in Queensland at 142.1 cpl, 8.6 cpl cheaper than Brisbane. Bundaberg, Whitsunday, Roma, Somerset, Yeppoon, Gympie, Ingham, Rockhampton, Gladstone, Lockyer Valley, Noosa, Moranbah, Warwick, Nambour, Tully, Goondiwindi, Toowoomba, Bowen, Maryborough, Kingaroy, Townsville and Cairns were also cheaper than Brisbane. Innisfail and Longreach were joint most expensive regional centre for diesel at 155.8 cpl¹, 5.1 cpl higher than Brisbane.

Indicative retail margins were unusually low in many centres in regional Queensland. This is likely to be due to the time lag between movements in the oil price and TGP, and movements in the retail price.

In 31 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 Miles (negative 4.4 cpl), 16.8 cpl lower than Brisbane, and the highest margins were observed in Blackwater and Nambour (17.7 cpl), 5.3 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 34 out of 37 regional centres. As with ULP, the lowest diesel indicative retail margins were observed in Miles (negative 2.7 cpl), 11.8 cpl lower than Brisbane. Innisfail had the highest indicative retail margin (10.7 cpl), 1.6 cpl greater than Brisbane.

Outlook

The balance between reduced oil supply and reduced demand, led to a relatively high degree of oil price volatility in May and in early June.

Supply side restrictions placed upward pressure on oil prices throughout most of May. While supply restrictions were observed in Venezuela and Libya, it was Iran that was most often in the news. This was

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.

due to US the toughening of sanctions against Iran and concerns about armed conflict in the Middle East. Other supply-limiting factors included the OPEC+ production cuts and falling shale oil production in the US.

In late May concerns about the health of the US economy overrode supply concerns. The escalation of the US/China trade war, especially the prohibition of US firms from working with the Chinese technology giant Huawei, and President Trump's recent announcement of the imposition of tariffs on Mexico have dampened the US economy. Some analysts are predicting the US economy will fall into a recession in the second half of 2019. A US recession with the associated fall in employment and economic activity will lower demand of oil and petroleum products and may help keep retail fuel prices down.

Both the US Energy information Administration and the American Petroleum Institute reported stockpile build ups or smaller than expected draw downs in May, suggesting demand of oil and petroleum products in the US is softening. This is another indicator of the downturn in the US economy.

With concerns about the economic health of the US out-weighting supply restrictions, it is likely that oil prices will stay subdued in June. This is likely to lead to lower retail fuel prices in June, than those observed in May. However, in the longer-term supply restrictions are likely to lead to an increase in 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 OPIS, FUELtrac, RBA, AIP and Bloomberg.com data.