Monthly Fuel Price Report – October 2017

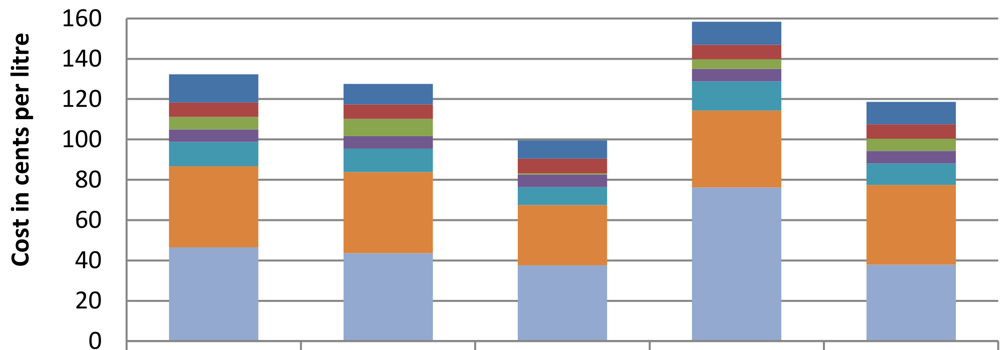
3 November 2017

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for October 2017.

Key points

- The average price of ULP in Brisbane in October was 132.3 cpl. Indicative retail margins were 3.7 cpl higher at 13.9 cpl and refiner margins were 2.2 cpl lower at 6.3 cpl.
- Brisbane was the most expensive of the all the capitals except Hobart. ULP sold in Adelaide, Perth, Melbourne, Darwin, Sydney and Canberra was cheaper than Brisbane by 6.3 cpl, 2.5 cpl, 2.1 cpl, 1.6 cpl, 0.8 cpl and 0.6 cpl respectively.
- The average price of diesel in Brisbane in October at 129.7 cpl was 2.1 cpl higher than September. Adelaide, Sydney, Melbourne and Perth were cheaper than Brisbane by 3.1 cpl, 2.4 cpl, 1.7 cpl and 0.7 cpl respectively.
- The average price of ULP across regional Queensland in October was 131.7 cpl, 1.6 cpl higher than the September average of 130.1 cpl. The average diesel price was 130.7 cpl, 3.1 cpl higher than September.
- Dalby had the cheapest average ULP price in regional Queensland in October, at 125.0 cpl, 7.3 cpl cheaper than Brisbane. The cheapest average diesel price was 125.2 cpl, and was available in Miles. This was price 4.5 cpl cheaper than Brisbane.
- The average price of LPG in Brisbane was 80.7 cpl, 5.5 cpl higher than September. The price difference between the Brisbane LPG retail price and the Saudi CP was 22.1 cpl, 0.7 cpl less than September.

ULP cost breakdown in Brisbane



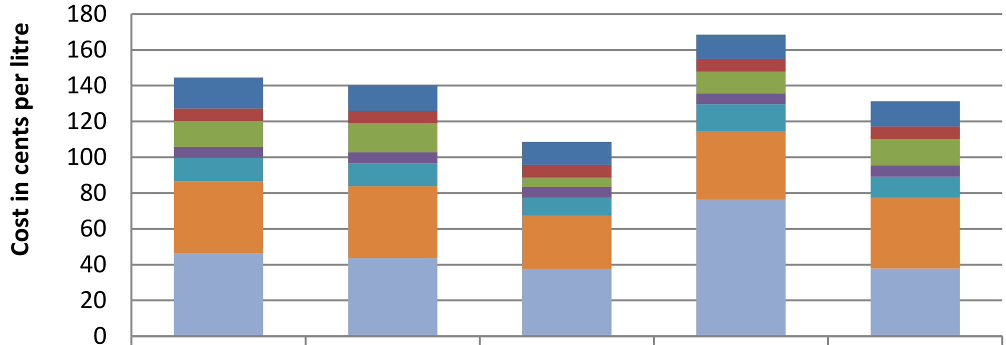
	Oct 2017	Sep 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	132.3	127.6	99.5	158.4	118.6
Retail Margin	13.9	10.2	9.0	11.4	11.1
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	6.3	8.5	0.6	4.8	6.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.0	11.6	9.0	14.4	10.8
Excise (Federal tax)	40.3	40.3	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	46.4	43.6	37.6	76.2	37.9

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 2017. 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 October was 132.3 cpl, 4.7 cpl higher than September. Indicative retail margins, at 13.9 cpl, were 3.7 cpl higher than September. Refiner margins were 2.2 cpl lower in October.

PULP 95 cost breakdown in Brisbane



	Oct 2017	Sep 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	144.5	140.2	108.6	168.5	131.3
Retail Margin	17.2	14.0	12.8	13.6	13.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	14.2	16.1	5.2	11.9	14.7
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	13.1	12.7	9.9	15.3	11.9
Excise (Federal tax)	40.3	40.3	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	46.3	43.6	37.6	76.2	37.9

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

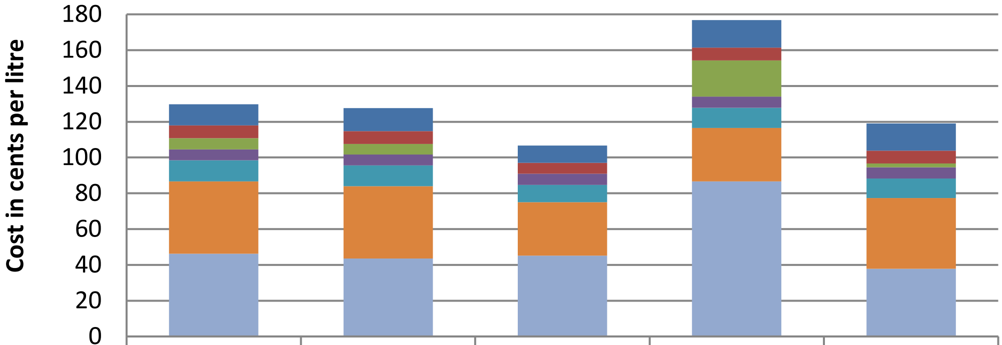
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for October 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in October was 144.5 cpl, 4.3 cpl higher than September, and 12.2 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in September was 12.6 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 17.2 cpl, were 3.2 cpl higher than September. Refiner margins decreased by 1.9 cpl in October.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for October 2017. 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 October, at 129.7 cpl, was 2.1 cpl higher than September. Indicative retail margins decreased in October by 1.2 cpl, but refinery margins increased by 0.4 cpl.



	Oct 2017	Sep 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2016)
Average Retail Price	129.7	127.6	106.7	176.7	119.1
Retail Margin	11.7	12.9	9.8	15.3	15.3
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	6.2	5.8	0.0	20.2	2.2
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.8	11.6	9.7	11.3	10.8
Excise (Federal tax)	40.3	40.3	29.8	29.8	39.5
Brent Crude Oil (A$ cpl)	46.3	43.6	45.2	86.7	37.9

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

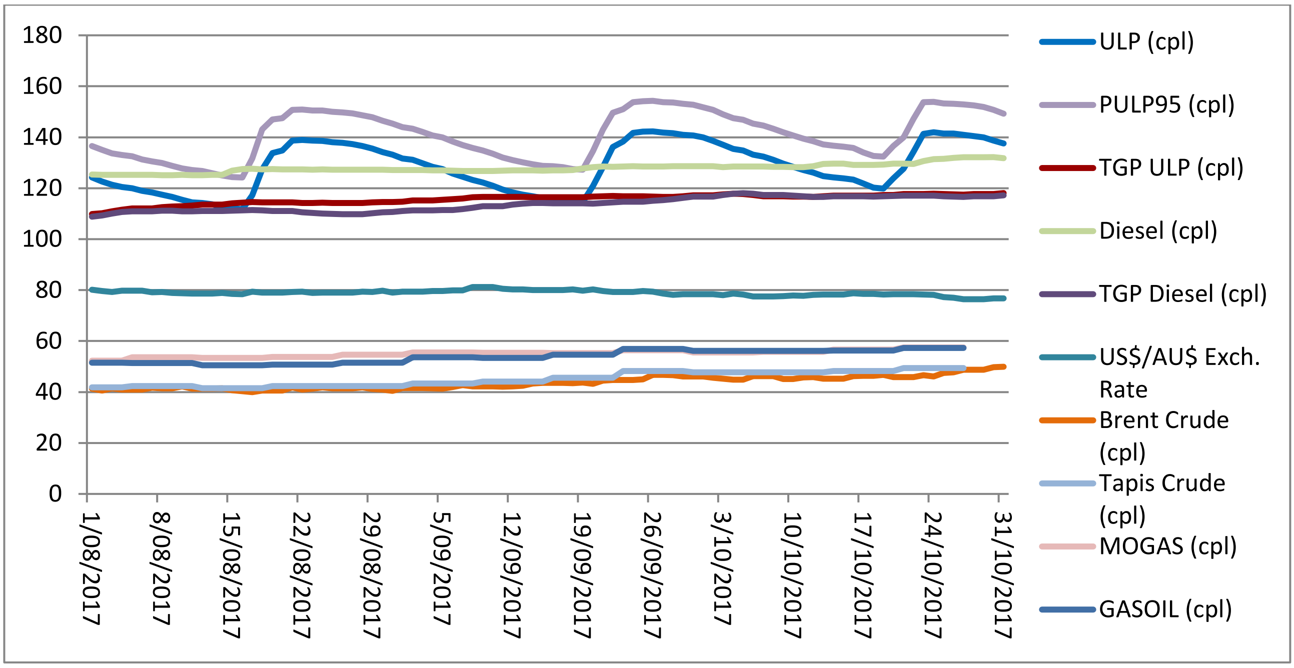
Price trends

There were two partial price cycles observed in the Brisbane ULP market in October 2017. The first cycle started on 20 September, prices peaked on 26 September, and the cycle ended on 18 October. The second cycle started on 19 October, peaked on 24 October and remained high for the rest of month. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

The price hike that signalled the start of the second price cycle in October started on Friday, 19 October. Historically price hikes usually start on Monday, Tuesday or occasionally Wednesday, with Tuesday being the most common. In the last few months this trend has shifted towards price hikes starting towards the end of the week. The last four hikes started on a Friday, Wednesday, Thursday and Saturday.

The average price of Brent in October was A$4.5/bbl higher than September, at A$73.8/bbl (US$57.4/bbl) or 43.6 cpl. Brent started October at A$72.4 /bbl (US$56.8/bbl) and steadily strengthened throughout October. Brent ended the month A$7.0 higher at A$79.4/bbl (US$60.9/bbl). On 30 October, the Brent price in US$ exceeded US$60, and on 1 November, the Brent price exceeded A$80, both for the first time since July 2015. The steady increase in the oil price has been driven by OPEC’s 1.8 million barrel per day production cut deal, a reduction in US oil inventories and a decline in the US Shale Oil rig count.

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



Comparison to other capital cities

The table below presents the average October prices and retail margins on ULP and diesel for Australia's 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)
Adelaide	126.0 (-1.3)	7.4 (-2.3)	126.6 (3.5)	7.8 (0.1)
Brisbane	132.3 (4.7)	13.9 (3.7)	129.7 (2.1)	11.7 (-1.2)
Canberra	131.7 (3.2)	13.2 (2.3)	132.3 (2.8)	13.5 (-0.6)
Darwin	130.7 (2.0)	12.2 (1.0)	131.1 (1.8)	12.3 (-1.6)
Hobart	135.5 (0.2)	17.0 (-0.8)	137.2 (0.9)	18.4 (-2.4)
Melbourne	130.2 (4.3)	11.7 (3.3)	128.0 (1.7)	9.1 (-1.7)
Perth	129.8 (2.9)	11.2 (1.9)	129.0 (1.8)	10.2 (-1.6)
Sydney	131.5 (7.1)	12.9 (6.2)	127.3 (1.9)	8.5 (-1.5)

* 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 of all the capitals, except Hobart, in October for ULP. ULP sold in Brisbane was more expensive than Adelaide, Perth, Melbourne, Darwin, Sydney and Canberra by 6.3 cpl, 2.5 cpl, 2.1 cpl, 1.6 cpl, 0.8 cpl and 0.6 cpl respectively. Hobart was 3.2 cpl more expensive than Brisbane.

Brisbane was the most expensive of the five largest capitals. Diesel sold in Adelaide, Sydney, Melbourne and Perth was cheaper than Brisbane by 3.1 cpl, 2.4 cpl, 1.7 cpl and 0.7 cpl, respectively. Darwin, Canberra and Hobart were more expensive by 1.4 cpl, 2.6 cpl and 7.5 cpl respectively.

Comparison of the SEQ metropolitan centres

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

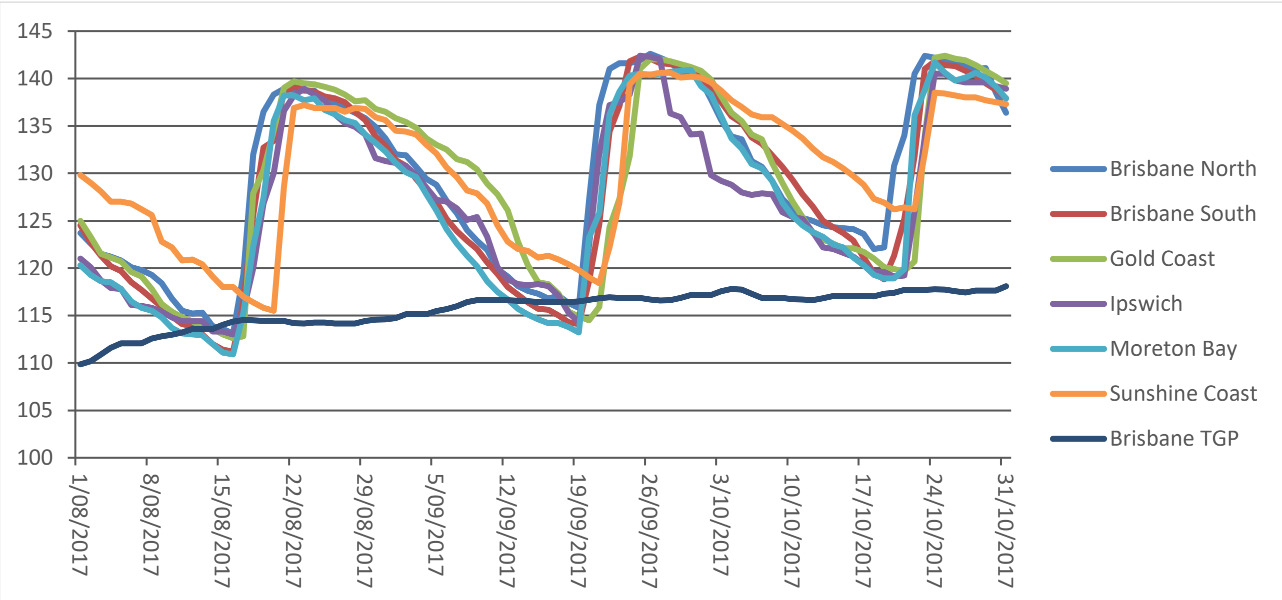
City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	132.7 (3.6)	11.6 (2.6)	131.2 (2.4)	13.1 (-1.0)
Brisbane South	132.2 (5.1)	11.1 (4.1)	129.2 (2.1)	11.2 (-1.3)
Gold Coast	131.4 (2.3)	9.7 (1.3)	129.6 (1.0)	10.9 (-2.4)
Ipswich	128.9 (1.1)	7.6 (0.1)	127.7 (2.1)	9.4 (-1.3)
Moreton Bay	130.7 (4.2)	9.4 (3.2)	129.5 (1.9)	11.1 (-1.5)
Sunshine Coast	134.1 (5.0)	12.3 (4.0)	130.4 (1.8)	11.5 (-1.6)

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

Ipswich was the cheapest centre in SEQ to buy ULP (and diesel) in October, with an average price of 128.9 cpl. It was followed by Moreton Bay, with an average price of 130.7 cpl. SEQ average ULP prices in October were 1.1 cpl to 5.1 cpl higher than in September. The Sunshine Coast was the most expensive SEQ centre, at 5.2 cpl dearer than Ipswich.

Ipswich was the cheapest SEQ centre to buy diesel with an average price of 127.7 cpl, followed by Brisbane South and Moreton Bay, that were 1.5 cpl and 1.8 cpl dearer than Ipswich respectively. Brisbane North was the most expensive, at 3.5 cpl dearer than Ipswich.

The graph below displays the average retail ULP in the six regions in South East Queensland, and the average TGP in Brisbane for August, September and October.



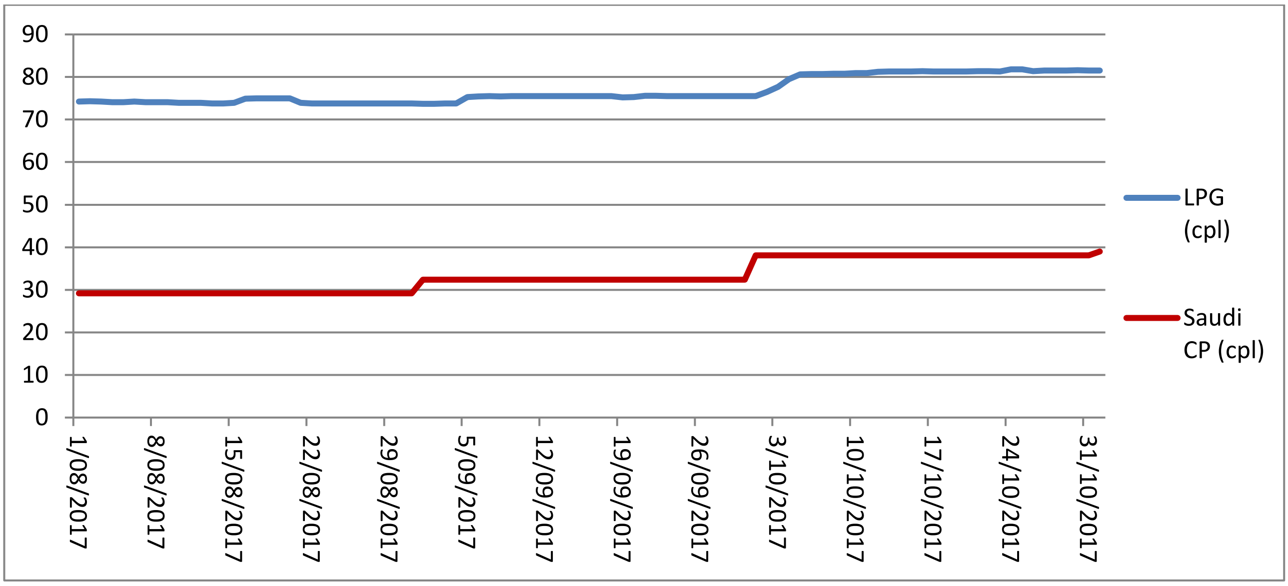
As can be observed in the graph above, all the centres in SEQ follow a distinct price cycle. A higher level of discounting can be observed in Ipswich and Moreton Bay, reflecting the more competitive nature of these markets. In contrast, ULP prices on the Sunshine Coast were substantially higher through most of the price cycle, reflecting the lower level of competition on the Sunshine Coast. Sunshine Coast retailers were often the last to increase their prices, and the average price did not reach the same high point as was observed in the rest of SEQ.

Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in October was 80.7 cpl, 5.5 cpl higher than September. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in October was 22.1 cpl, 0.7 cpl lower than September, and 4.4 cpl higher than February.

The Saudi CP for November 2017, at 39.0 cpl, is 0.9 cpl higher than October 2017. As fuel company margins on LPG are already excessively high, there is no valid reason for fuel companies to pass this increase on to motorists.

The chart below displays the average retail price of LPG in Brisbane and the Saudi CP.



Fuel prices across Queensland

The average price of ULP across regional Queensland in October was 131.7 cpl, 1.6 cpl higher than the September. The average diesel price was 130.7 cpl, 3.1 cpl higher than September.

Eighteen of the 33 regional centres monitored by RACQ were cheaper than Brisbane for ULP. Dalby was the cheapest centre in Queensland to buy ULP in October, at 7.3 cpl less than Brisbane. Bundaberg, Maryborough, Miles, Whitsunday, Toowoomba, Childers, Roma, Townsville, Gladstone, Hervey Bay, Gympie, Charters Towers, Warwick, Mareeba, Mackay, Bowen and Tully were also cheaper than Brisbane. The most expensive regional centre listed was Longreach, with an average price of 145.1 cpl in October, 12.8 cpl more expensive than Brisbane. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices[1].

Twelve of the 33 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (4.5. cpl cheaper than Brisbane), followed by Maryborough (3.3 cpl cheaper than Brisbane). Tully, Dalby, Ingham, Kingaroy, Goondiwindi, Mareeba, Hervey Bay, Warwick, Bundaberg and Gladstone were also cheaper than the Brisbane. Whitsunday was the most expensive regional centre for diesel, at 139.3 cpl[1].

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.

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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.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	132.3 (4.7)	13.9 (3.7)	129.7 (2.2)	11.7 (-1.2)
Gold Coast	131.4 (2.3)	12.4 (1.3)	129.6 (1.0)	10.9 (-2.4)
Sunshine Coast	134.1 (5.0)	14.9 (4.0)	130.4 (1.8)	11.5 (-1.6)
Atherton	138.1 (0.2)	16.2 (-0.8)	134.0 (2.1)	12.7 (-1.3)
Biloela	136.2 (3.4)	13.9 (2.4)	134.8 (2.0)	13.1 (-1.4)
Blackwater	138.3 (0.4)	14.3 (-0.6)	132.0 (1.5)	8.6 (-1.9)
Bowen	131.5 (1.6)	8.8 (0.6)	129.8 (3.9)	7.6 (0.5)
Bundaberg	125.5 (-0.5)	1.1 (-1.5)	128.9 (2.3)	5.0 (-1.1)
Cairns	138.2 (0.1)	17.0 (-0.9)	133.3 (2.0)	12.7 (-1.4)
Charters Towers	130.0 (1.7)	7.9 (0.7)	132.0 (1.5)	8.6 (-1.9)
Childers	127.7 (1.5)	3.7 (0.5)	129.8 (3.9)	7.6 (0.5)
Cunnamulla	nd	nd	133.9 (0.0)	5.2 (-3.4)
Dalby	125.0 (3.1)	2.0 (2.1)	127.2 (4.5)	4.8 (1.1)
Emerald	138.2 (0.3)	13.5 (-0.7)	133.6 (.05)	9.4 (1.6)
Gladstone	128.6 (2.8)	7.5 (1.8)	129.0 (4.8)	8.5 (1.4)
Goondiwindi	134.5 (1.4)	10.1 (0.4)	128.1 (1.9)	4.4 (-1.5)
Gympie	129.6 (2.4)	7.1 (1.4)	130.4 (3.1)	8.5 (-0.3)
Hervey Bay	129.3 (2.0)	5.6 (1.0)	128.5 (3.8)	5.3 (0.4)
Ingham	134.2 (1.1)	12.3 (0.1)	127.6 (3.2)	6.3 (-0.2)
Innisfail	132.4 (1.2)	10.4 (0.2)	132.5 (1.2)	11.1 (-2.2)
Kingaroy	133.2 (1.3)	10.2 (0.3)	127.8 (2.2)	5.5 (-1.2)
Longreach	145.1 (0.9)	16.2 (-0.1)	135.8 (4.3)	7.5 (0.9)
Mackay	130.8 (1.5)	9.8 (0.5)	133.8 (4.0)	13.4 (0.6)
Mareeba	130.3 (0.9)	8.5 (-0.1)	128.4 (1.5)	7.2 (-1.9)
Maryborough	125.5 (1.8)	2.1 (0.8)	126.4 (3.1)	3.6 (-0.3)
Miles	125.7 (1.2)	1.5 (0.2)	125.2 (3.8)	1.6 (0.4)
Moranbah	133.1 (2.9)	10.2 (1.9)	131.8 (2.2)	9.5 (-1.2)
Mount Isa	141.2 (1.0)	11.4 (0.0)	130.8 (4.2)	1.6 (0.8)
Rockhampton	133.9 (1.2)	11.7 (0.2)	131.2 (2.9)	9.7 (-0.5)
Roma	127.8 (2.9)	2.1 (1.9)	136.7 (1.7)	11.6 (-1.7)
Toowoomba	127.4 (0.7)	5.2 (-0.3)	130.1 (3.9)	8.6 (0.5)
Townsville	128.5 (3.3)	7.7 (2.3)	131.2 (3.4)	11.0 (0.0)
Tully	132.2 (2.3)	9.6 (1.3)	127.1 (1.9)	5.1 (-1.5)
Warwick	130.2 (2.3)	7.7 (1.3)	128.8 (6.0)	6.9 (2.6)
Whitsunday	126.6 (2.1)	4.3 (1.1)	139.3 (3.8)	17.6 (0.4)
Yeppoon	133.1 (1.6)	10.5 (0.6)	132.3 (2.5)	10.3 (-0.9)

* 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

Almost a year after it was announced, the OPEC production cut appears to be having an effect on oil prices, with prices creeping over US$60 per barrel at the end of October. The oil price increase is occurring despite on-going non-compliance problems with some OPEC members and production increases in Libya and Nigeria. OPEC are due to meet on 30 November and are expected to extend their production cut beyond the current end date in March 2018.

For much of the last year the decreases in OPEC production was offset by increases in US shale oil production. However, shale oil production appears to be slowing with the rig count falling in October.

Looking forward there may be further local spikes in the oil price as the market responds to new information, however the underlying trend is likely to be a slow and steady increase. In the next few months prices are likely to sit around US$60 per barrel.

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

Data sources

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