

Biggest lift in used car prices in 21 years

Wholesale petrol price at 5-month low

Petrol Prices; Used car prices

- **Fuel prices:** The national average price of unleaded petrol fell by 3.0 cents to 116.8 cents a litre (c/l) last week according to the Australian Institute of Petroleum. Metropolitan prices fell by 3.8 cents to 116.1c/l with regional prices down by 1.3 cents to 118.2c/l.
- **Used car prices:** “Wholesale used-vehicle price appreciation hit a new high last month. The Datium Insights-Moody’s Analytics Used Vehicle Price Index increased 31.7 per cent on a year-ago basis in October. This is the highest rate for the series, which goes back to 1999.”
- **Card purchases:** The value of all credit & debit card purchases rose by 0.5 per cent in September. But card purchases were down 0.2 per cent on the year.

Movements in the petrol price can affect consumer spending, and in turn, prospects for retailers. Used car price data is useful in gauging activity levels in the motor vehicle market.

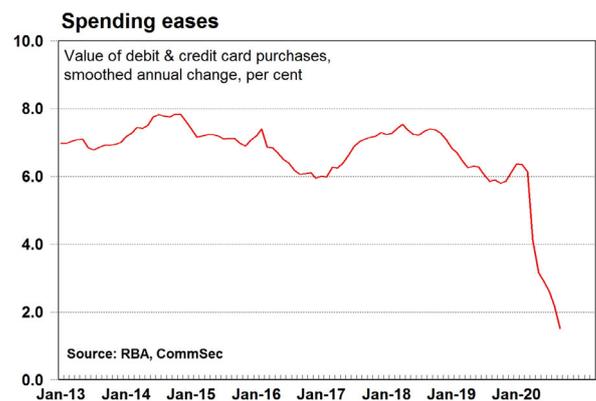
What does it all mean?

- Sydney pump prices have risen for nine days, so the days of cheaper petrol are a little way off. Melbourne prices have fallen for 15 days but remain relatively high. The discounting cycle has just ended in Brisbane and Adelaide, while the usual weekly discounting cycle is ending in Perth.
- But based on global prices and local wholesale prices, Australian pump prices are set to remain near historical lows – currently down around 27 cents or 18 per cent on a year ago.
- Used cars remain in short supply, and in response, prices of wholesale vehicles in October were up almost 32 per cent on a year ago – the fastest annual pace in 21 years of records. Global vehicle production has been disrupted by COVID-19. But on the demand side, more families are looking for second or third cars due to worries about travelling on public transport in the COVID-19 era.
- Before COVID-19 came onto the scene, Aussies were using debit cards in preference to credit cards. And those trends have been enhanced in the period since. ATMs have made a bit of a comeback as well. Aussies are squirreling away \$50 and \$100 notes – a similar fear response to events in the past like the global financial crisis. Also some JobKeeper and JobSeeker recipients are finding they have to go the ATM to get some emergency cash, whereas in the past some may have relied on cash wages.

What do the figures show?

Weekly petrol prices

- **The national average price of unleaded petrol fell by 3.0 cents to 116.8 cents a litre (c/l) last week according to the Australian Institute of Petroleum. Metropolitan prices fell by 3.8 cents to 116.1c/l with regional prices down by 1.3 cents to 118.2c/l.**



Craig James, Chief Economist
Twitter: @CommSec

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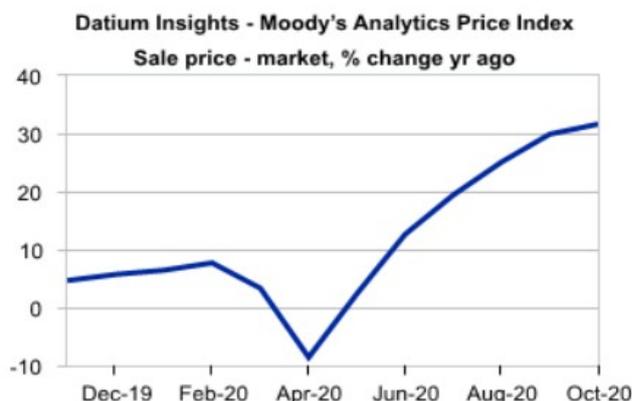
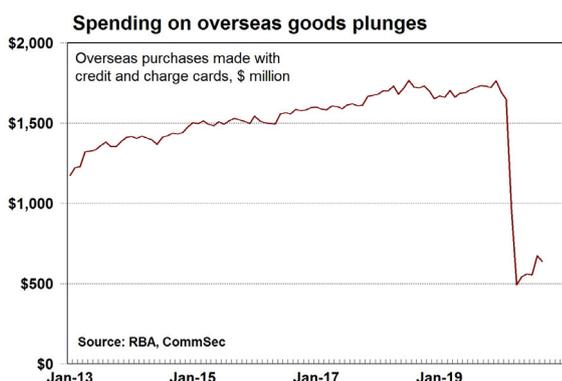
- **Average unleaded petrol prices across states and territories over the past week were:** Sydney (up by 2.5 cents to 111.2 c/l), Melbourne (down by 9.7 cents to 129.5 c/l), Brisbane (down by 6.8 cents to 109.3 c/l), Adelaide (down by 4.0 cents to 99.8 c/l), Perth (down by 0.4 cents to 116.6 c/l), Darwin (down by 0.4 cents to 116.7 c/l), Canberra (steady at 121.0 c/l) and Hobart (down by 0.2 cent to 123.0 c/l).
- **The smoothed gross retail margin (2-month rolling average)** for unleaded petrol fell from 16.88 cents to 16.28 cents (24-month average: 15.0 cents a litre).
- The **national average diesel petrol price** fell by 0.2 cents to 118.2 cents a litre over the past week. The **metropolitan** price fell by 0.2 cents to 116.9 cents a litre and the **regional** price was down 0.2 cents to 119.4 cents a litre.
- **Last week**, the national average unleaded Terminal Gate Price (TGP) was down by 2.3 cents to 100.3 cents a litre. The **terminal gate diesel price** fell by 1.1 cents to 98.6 cents a litre.
- Today, the average unleaded TGP stands at 99.6 cents a litre, down by 1.90 cents over the week. The **terminal gate diesel price** stands at 98.4 cents a litre, down 1.0 cents a litre over the week.
- **MotorMouth** records the following average retail prices for **unleaded fuel** in capital cities today: Sydney 106.7c/l; Melbourne 133.6c/l; Brisbane 111.9c/l; Adelaide 99.7c/l; Perth 109.6c/l; Hobart 123.1c/l; Darwin 116.8c/l; and Canberra 121c/l.
- **Last week the key Singapore gasoline price** rose by US\$2.45 or 5.8 per cent to US\$44.45 a barrel after falling by 8.1 per cent in the previous week. In Australian dollar terms, the Singapore gasoline price rose by US\$1.58 or 2.7 per cent to \$61.21 a barrel or 38.5 cents a litre after falling by 7.2 per cent in the prior week.

Used vehicle market

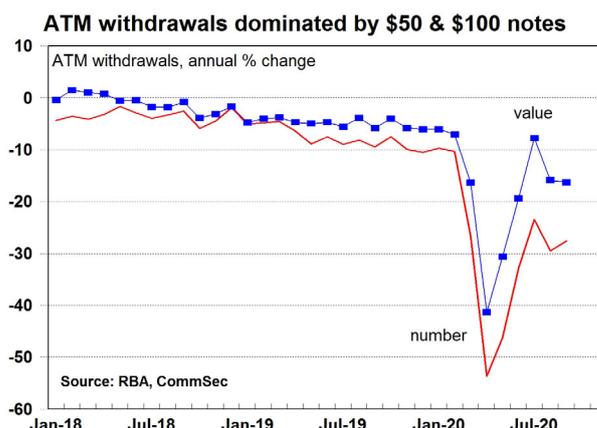
- Data analytics firm, Datium Insights, and Moody’s reported:
- *“Wholesale used-vehicle price appreciation hit a new high last month. The Datium Insights-Moody’s Analytics Used Vehicle Price Index increased 31.7 per cent on a year-ago basis in October. This is the highest rate for the series, which goes back to 1999. Car prices rose 25.9 per cent while truck prices increased 48 per cent. Vehicle retention value, measured as price/MSRP, rose 33 per cent compared with the same month last year, with the car component increasing 25.8 per cent and the truck component increasing 44.2 per cent.”*
- **Over the week to November 9, Datium Insights reported:** *“Prices were down this past week (-1.9 per cent) with only reposessions bucking the trend (+2.8 per cent). Light commercial (-4 per cent) and passenger vehicles (-3 per cent) led the decreases.*
- *Supply was also down (-21 per cent) with ex-leases (-33.2 per cent) leading the decrease.*
- *Clearance rates were also down (-7.8 per cent) although they remain at historic highs.*
- *Prices for top 15 traded vehicles were largely negative with the Mitsubishi Triton (-10 per cent) and Ford Escape (-5.6 per cent) seeing the largest decreases.”*

Credit and debit card lending - September

- **The average credit/charge card balance** lifted from 14-year lows in September, up by 0.4 per cent to \$2,733.03 in September. The average limit eased further from the July record high (highest in 26 years) of \$9,900.18 to \$9,878.82 in September. The average limit fell 0.1 per cent in both August and September.
- **The number of credit and charge card purchases** rose by 0.9 per cent in September but fell 6.2 per cent on the year.
- **The value of purchases made with credit and charge cards** rose by 1.0 per cent in September but was down by 14.8 per cent on a year ago.
- **The number of overseas purchases** fell by 6.8 per cent in September to be down 50.2 per cent on the year.



- The **value of overseas purchases** fell by 5.5 per cent in September to be down 63.2 per cent on the year.
- The **number** of debit card purchases rose by 2.1 per cent in September to be up 8.8 per cent on the year. The value of debit card purchases rose by 0.3 per cent to be up 13.9 per cent on the year.
- **By value, the sum of credit & debit card purchases** rose by 0.5 per cent in September. Card purchases were down 0.2 cent on the year. Smoothed annual growth (12-month average) eased from 2.2 per cent to 1.5 per cent.
- **The number of credit and charge card accounts** stood at a 12-year low in September at 13.8 million, down from 13.87 million in August.
- **The number of debit card accounts** rose less than 0.1 per cent to 34.59 million in September. Accounts are up 3.7 per cent on the year.
- The number of **ATM transactions** continues to fall. The annual average of ATM withdrawals hit 20-year lows in September at 35.7 million.



What is the importance of the economic data?

- **Weekly petrol prices** data are compiled by ORIMA Research on behalf of the Australian Institute of Petroleum (AIP). National average retail prices are calculated as the weighted average of each State/Territory metropolitan and non-metropolitan retail petrol prices, with the weights based on the number of registered petrol vehicles in each of these regions. AIP data for retail petrol prices is based on available market data supplied by MotorMouth.
- Data analytics firm, **Datium Insights**, provides a weekly report on the used vehicle market. Datium Insights and Moody’s Analytics also compile a monthly wholesale used car price series. The data assists in gauging the strength of a key component of consumer spending and provides insights on the Autos and components sector of the sharemarket.
- The Reserve Bank releases data on **credit and debit card transactions** each month. The credit card figures are useful in highlighting consumer borrowing and spending trends.

What are the implications for investors?

- Aussie car owners have witnessed a rare event in recent months – the value of their ride has increased, rather than decreased in value. Sellers of collectables have also reported increase demand for their products as well.
- The retail therapy witnessed in recent months is starting to fade. Investors will need to carefully watch the guidance from retailers. Having said this, most Aussies have now received their tax cuts and have boosted their savings buffers. The increase in spending power is a permanent, rather than temporary boost to spending power. As such a new wave of retail therapy may be in the offing.

Craig James, Chief Economist, CommSec
 Twitter: @CommSec

