

Covid-19 drives petrol prices; Car prices soar

Petrol Prices; Used vehicle market

- **Fuel prices:** Last week the national average price of unleaded petrol fell by 3.6 cents a litre to 139.2 cents per litre (c/l), according to the Australian Institute of Petroleum.
- **Used car prices:** Used vehicle prices rose by 2.4 per cent last week. The Datium Insights-Moody's Analytics Used Vehicle Price Index increased by 40 per cent on a year-ago basis in March. This is the highest rate of appreciation for a series that goes back to 1999.

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.

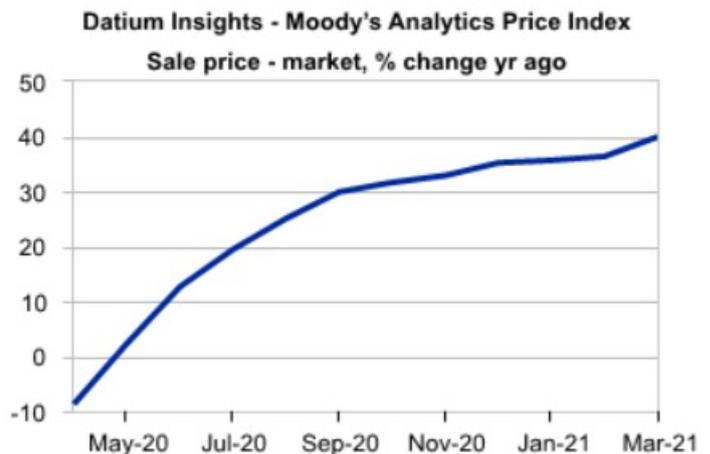
What does it all mean?

- Global oil prices rose on Friday following the release of strong US and European economic data. Brent crude rose by US71 cents or 1.1 per cent to US\$66.11 a barrel. And the US Nymex price also added US71 cents or 1.2 per cent to US\$62.14 a barrel. But crude oil prices fell over the week due to the resurgence of Covid-19 infections in India and Japan, the world's third and fourth largest oil importers. Over the week Brent fell 1.0 per cent and the Nymex dropped 1.6 per cent.
- The resurgence of Covid-19 cases across the globe is the key factor determining the outlook for oil demand, crude oil prices, and in turn, petrol prices in Australia. The most common petrol price across Australia over the next few weeks is likely to be \$1.40 a litre – if you can fill up below this price, you are doing well. The wholesale price is just above \$1.26 a litre and the retail margin is around 15-16 cents a litre.
- Filling up the car with petrol is the single biggest weekly family purchase and a key influence on consumer spending. The higher petrol price is likely to be a key factor in the softening of consumer spending intentions. The average household is spending around \$220 a month to fill the car up with petrol, up around \$60 a month from the lows almost a year ago.
- So far in April, used car prices are up 2.4 per cent on March. So prices remain around 40 per cent up on a year ago. The higher prices for used cars are causing buyers to favour new models – that is, if they can secure the stock. The global car market remains tight due to production problems – in large part due to shortages of key computer chips.

What do you need to know?

Weekly petrol prices

- Last week the national average price of unleaded petrol fell by 3.6 cents a litre to 139.2 cents per litre (c/l) according to the Australian Institute of Petroleum. Metropolitan prices fell by 5.1 cents to 140.3 c/l and regional prices were down by 0.5 cents to 137.2 c/l.
- **Average unleaded petrol prices across states and territories over the past week were:** Sydney (-3.1 cents to 150.5 c/l), Melbourne (-11.2 cents to 137.9 c/l), Brisbane (-6.0 cents to 134.1 c/l),



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Adelaide (-0.9 cents to 133.9 c/l), Perth (+0.5 cents at 139.0 c/l), Darwin (flat at 139.8 c/l), Canberra (flat at 140.1 c/l) and Hobart (+0.4 cents to 143.4 c/l).

- **The smoothed gross retail margin (2-month rolling average)** for unleaded petrol rose from 16.23 cents per litre to 16.33 cents a litre (24-month average: 15.82 cents a litre).
- The **national average diesel petrol price** fell by 0.2 cents a litre to 134.6 cents a litre over the past week. The **metropolitan** price was down by 0.3 cents a litre to 133.2 cents a litre and the **regional** price lost 0.1 cents a litre to 135.7 cents a litre.
- **Last week**, the national average unleaded Terminal Gate Price (TGP) was up by 1.3 cents to 126.0 cents a litre. And the **terminal gate diesel price** was up by 1.5 cents to 120.8 cents a litre.
- **Today**, the average unleaded TGP stands at 126.5 cents a litre, up 1.5 cents over the week. But the **terminal gate diesel price** is up 0.9 cents from a week ago to 121 cents a litre.
- **MotorMouth** records the following average retail prices for **unleaded fuel** in capital cities today: Sydney 147.6c/l; Melbourne 134.8c/l; Brisbane 135.7c/l; Adelaide 141.2c/l; Perth 129.7c/l; Hobart 143.4c/l; Darwin 140.0c/l; and Canberra 140.1c/l.
- **Last week the key Singapore gasoline price** fell by US\$2.36 or 3.1 per cent to US\$74.00 a barrel. In Australian dollar terms, the Singapore gasoline price fell by \$2.90 or 2.9 per cent to \$95.69 a barrel or 60.18 cents a litre.

Weekly used vehicle market – April 26

- Datium Insights have reported the following results for the week to April 26:
 - *“Prices were up last week (+2.4 per cent) with ex-council vehicles rebounding (+13.1 per cent) after the prior week’s falls*
 - *Supply rose once again (+21.5 per cent) after the Easter long weekend slowdown*
 - *Clearance rates also increased (+4.3 per cent)*
 - *Prices for the top 15 traded vehicles were mixed with the Holden Colorado (-3.2 per cent) and Mazda CX-5 (-3.2 per cent) seeing the largest falls*
 - *Stock still remains considerably low”*
- The Datium Insights-Moody’s Analytics Used Vehicle Price Index increased by 40 per cent on a year-ago basis in March. This is the highest rate of appreciation for a series that goes back to 1999. Car prices rose by 38.1 per cent, while truck prices increased by 44.5 per cent. Vehicle retention value, measured as price/MSRP, rose by 39.3 per cent compared with a year earlier, with the car component increasing by 35.7 per cent and the truck component rising by 42.7 per cent.

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 issue a monthly reading on used vehicle prices. 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.

What are the implications for investors?

- Covid-19 case numbers and the variable speed of vaccine rollouts are the key factors influencing global oil prices, thus affecting the outlook for energy producers and discretionary consumer retailers.

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