



Economics | March 7, 2022

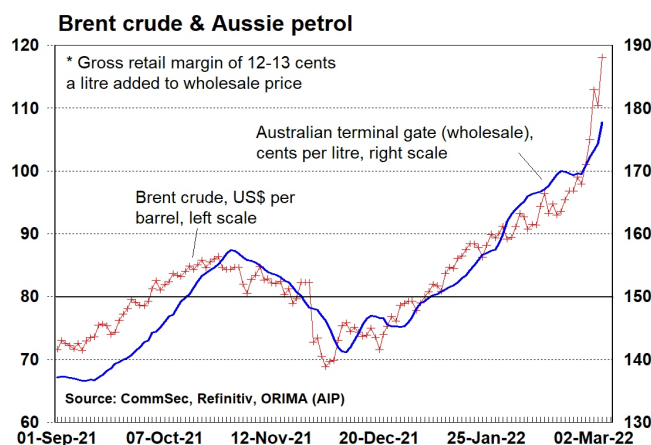
Oil watch: Petrol to soar above \$2 a litre

Weekly oil market update

- On Friday, the Brent crude price rose by US\$7.65 a barrel or 6.9 per cent to a 9-year high of US\$118.11 a barrel. Over the week, Brent rose by US\$20.18 or 20.6 per cent.
- According to the Australian Institute of Petroleum (AIP), the national average unleaded petrol price rose by 3.3 cents to a record 183.9 cents a litre (c/l) last week.
- Job advertisements rose by 8.4 per cent in February to a 13½-year high of 228,170 available positions.

What does it all mean?

- Global oil prices rose sharply on Friday and in Asian trade today the Brent futures contract briefly touched US\$139.13 a barrel. Investors fear direct sanctions on the Russian oil sector. Russia is the world's second largest oil exporter, exporting 4 million to 5 million barrels of oil daily. So the risk is that global oil supplies could be sharply curtailed.
- Any hope that more oil could be added to the global market, pushing down prices, was dashed last week when the OPEC+ group (includes Russia) stuck to its plans of only gradually lifting oil supplies. An extra 400,000 barrels per day will be added to production quotas in April.
- Last Tuesday, members of the International Energy Agency, which include the US and Japan, agreed to release 60 million barrels of crude from their reserves. But it failed to slow the lift in global crude prices.
- The main factor that could provide a break on rising oil prices is a nuclear agreement between the US and Iran. If that deal were to be consummated then Iran could add 1 million barrels per day of oil to global supply.
- The ready-reckoner is that a lift in the crude oil price of US\$1 a barrel leads to an extra 1 cent a litre added to Aussie pump prices (assuming no change in the Aussie dollar or petrol station gross margins).
- There is a lag of a few weeks before higher crude prices are reflected at Aussie pumps. The national average petrol price lifted 10 cents a litre after a US\$10 barrel increase in crude oil over December. There was a similar 10 cent lift in February to \$1.80 a litre after Brent crude rose from US\$79 a barrel to \$89 a barrel in January. Brent crude is now at US\$128 a barrel so the Australian average pump price is on course to hit \$2.10-\$2.20 a litre over the next few weeks.
- The Australian terminal gate or wholesale price is around \$1.78 a litre. Add a gross retail margin of 12-13 cents a litre and the national average price is likely to lift to \$1.90 a litre. And based on the US\$20 lift in Brent crude last week, average Aussie petrol prices will soon be \$2.10 a litre.
- The average Australian family is spending a record \$257.46 a month on petrol, up \$35 from the beginning of 2022. That is effectively 'dead' money or a tax on consumption, meaning that consumers have to either cut back on non-essential spending or dip into savings.
- Goods with a high transport component such as fresh food also are likely to become more expensive, boosting the rate of inflation. And taxis, ride-sharing services and airfares



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could also become more expensive if the price of crude oil remains elevated.

What do you need to know?

Weekly oil market update

- On Friday, the Brent crude price rose by US\$7.65 a barrel or 6.9 per cent to a 9-year high of US\$118.11 a barrel. And the US Nymex crude price rose by US\$8.01 or 7.4 per cent to US\$115.68 a barrel - the highest level since September 2008. Over the week, Brent rose by US\$20.18 or 20.6 per cent. Nymex crude rose by US\$24.09 or 26.3 per cent.
- Last week, the **benchmark Singapore gasoline price** rose by US\$8.82 or 7.7 per cent to a 7½-year high of US\$123.52 a barrel (highest since July 27, 2014). In Aussie dollar terms, the Singapore gasoline price lifted by \$8.50 or 5.3 per cent to a record high of \$167.85 a barrel or 105.57 cents a litre.
- According to the **Australian Institute of Petroleum (AIP)**, the national average unleaded petrol price rose by 3.3 cents per litre to a record 183.9c/l in the week to March 6. Last week, petrol prices hit record average highs in Melbourne (191.3c/l), Hobart (196.9c/l), Darwin (189.7c/l) and Canberra (188.6c/l).
- The national weekly average '**metropolitan**' retail petrol price rose by 3.3 cents last week to 184.4 cents per litre.
- The national weekly average '**regional**' retail petrol price rose by 3.1 cents last week to 182.9 cents per litre.
- The **national average wholesale (TGP) petrol price** rose by 4.0 cents last week to 173.6 cents per litre. Today, the TGP price sits at a record 178.3 c/l, up by 7.5 cents from the previous week. Since the low on December 8 – a space of just three months – the wholesale petrol price has risen by 37 cents a litre.
- The **smoothed gross retail margin** fell from 12.15 c/l to a 15-week low of 12.00 c/l last week.
- MotorMouth** records the following average retail prices for unleaded fuel today: Sydney 180.9c/l; Melbourne 193.2c/l; Brisbane 179.0c/l; Adelaide 176.9c/l; Perth 179.7c/l; Hobart 199.7c/l (record high); Darwin 189.8c/l (record high) and Canberra 194.3c/l (record high).

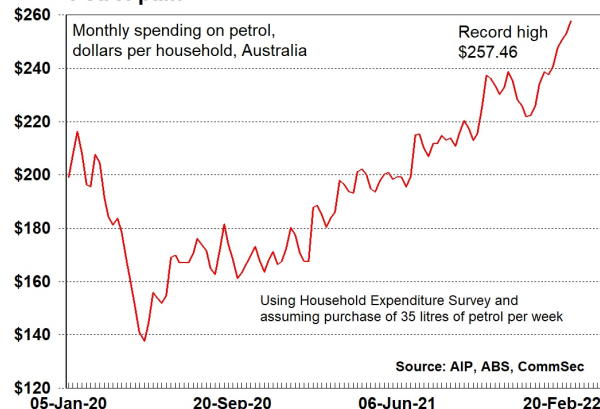
ANZ job advertisement series

- In February 2022, job ads rose by 8.4 per cent, lifting from 210,499 to a 13½-year high of 228,170 (highest since September 2008). The lift in job ads follows falls of 0.7 per cent in January and 5.4 per cent in December. Job ads are up 31.5 per cent on the year and 46.3 per cent above pre-Covid levels in January 2020.

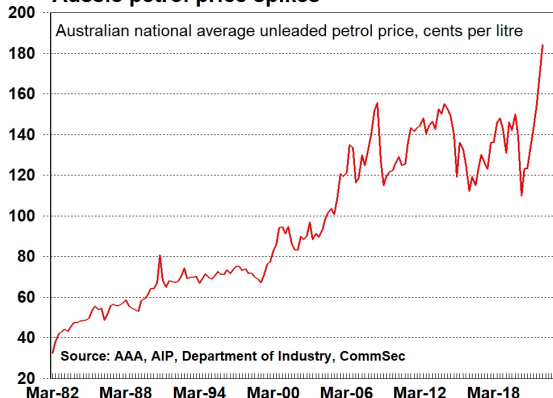
Craig James, Chief Economist

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Petrol pain



Aussie petrol price spikes



Job hiring intentions at 13½-year highs

