



Economics | March 28, 2022

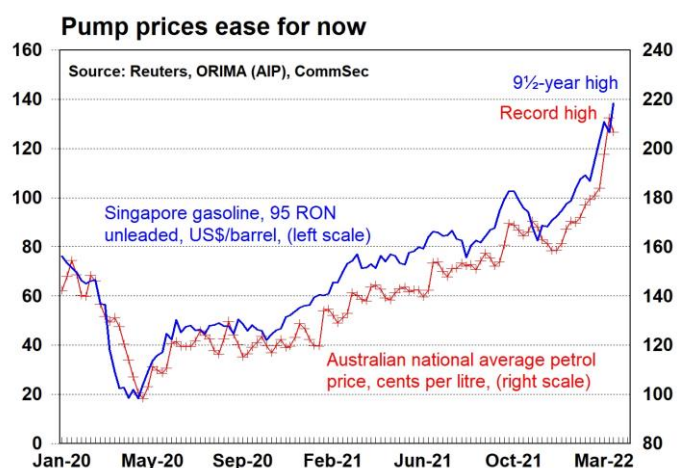
Petrol prices ease. Federal budget focus on fuel excise.

Weekly oil market update

- According to the Australian Institute of Petroleum, the national average unleaded petrol price fell by 5.8 cents a litre to 206.7 c/l last week, down from record highs of 212.5 c/l in the previous week.
- Today, the wholesale or Terminal Gate Price (TGP) price sits at 188.8 c/l, up by 1.6 cents a litre over the week. Since the low on 8 December 2021, the wholesale petrol price has increased by a massive 47.6 cents a litre.
- Last week the benchmark Singapore gasoline price rose by US\$11.71 or 9.3 per cent to a 9½-year high (since April 8, 2012) of US\$138.31 a barrel. It was the biggest lift in dollar terms in 13½ years (since June 8, 2008).
- Tomorrow's federal budget could include a reduction in the fuel excise tax, currently levied at 44.2c/l.

What does it all mean?

- Retail unleaded petrol prices eased from record highs last week, but east coast pump prices are still as high as 221.9 cents a litre (c/l) in Sydney, 215.8c/l in Brisbane and 219.3c/l in Melbourne today, according to real-time fuel app MotorMouth. Prices are highest nationwide in Hobart, with some servos today charging as much as 227.9c/l.
- Unleaded fuel prices are likely to remain high with the unleaded Australian terminal gate (TGP) or wholesale price lifting to 188.8c/l today. The TGP had fallen from all-time highs of 198.2c/l on March 14 to 185.6c/l on March 22.
- International crude oil prices – the biggest influence on Aussie petrol prices – notched their first weekly gain in three weeks. The Brent crude price rose by US\$12.72 or 11.8 per cent to US\$120.65 a barrel. And the US Nymex crude price rose by US\$9.20 or 8.8 per cent to US\$113.90 a barrel, the second biggest dollar gain since 2011.
- Australia imports most of its refined petroleum product from Asia. Last week, the benchmark Singapore gasoline price rose by US\$11.71 or 9.3 per cent to US\$138.31 a barrel – the biggest lift in US dollar terms in 13½ years (since June 8, 2008). In Aussie dollar terms, the Singapore gasoline price jumped by \$11.20 or 6.5 per cent to \$183.78 a barrel or 115.58 cents a litre – both all-time highs.
- Oil prices rose last week as European Union (EU) policymakers continued to debate how the bloc can reduce its reliance on Russian exports. Germany said it plans to eventually wean itself off Russian energy, though warned that a near-term embargo is not possible because of the potential damage it would cause to its economy.
- In Asian trade today, benchmark oil prices have declined around 2.5 per cent as a resurgence of Covid-19 cases in China – the world's largest crude importer – could potentially weigh on crude demand. Bloomberg reported that authorities in Shanghai will lockdown half the city in an attempt to curtail a virus outbreak.
- Also weighing on prices was the announcement yesterday that Yemen's Houthi rebels would halt



IMPORTANT INFORMATION AND DISCLAIMER FOR RETAIL CLIENTS

The Economic Insights Series provides general market-related commentary on Australian macroeconomic themes that have been selected for coverage by the Commonwealth Securities Limited (CommSec) Chief Economist. Economic Insights are not intended to be investment research reports.

This report has been prepared without taking into account your objectives, financial situation or needs. It is not to be construed as a solicitation or an offer to buy or sell any securities or financial instruments, or as a recommendation and/or investment advice. Before acting on the information in this report, you should consider the appropriateness and suitability of the information, having regard to your own objectives, financial situation and needs and, if necessary, seek appropriate professional of financial advice.

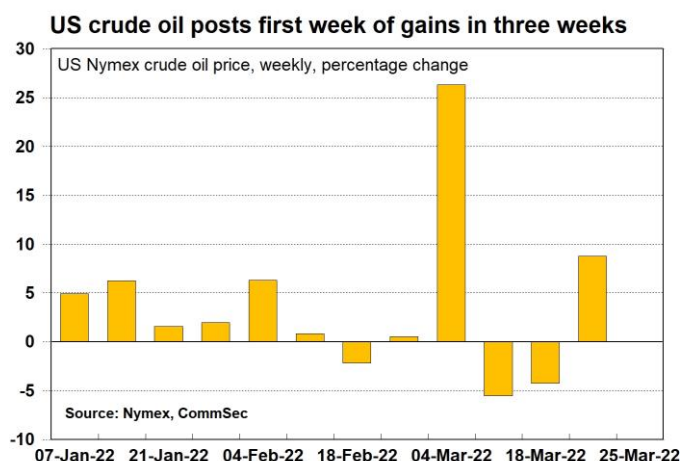
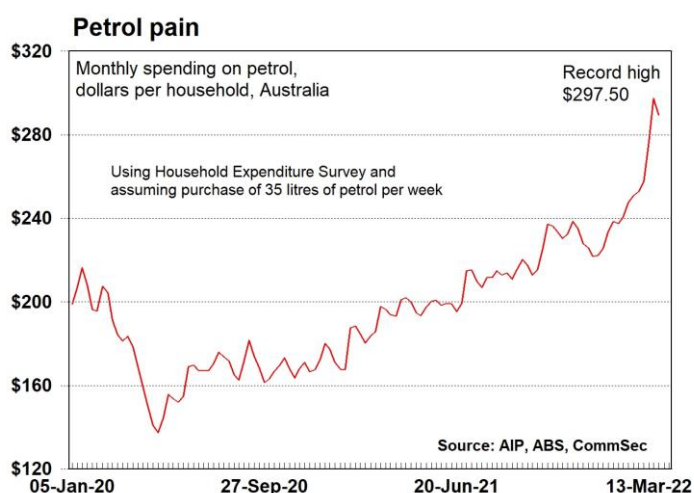
CommSec believes that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made based on information available at the time of its compilation, but no representation or warranty is made as to the accuracy, reliability or completeness of any statements made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed by any other member of the Commonwealth Bank of Australia group of companies.

CommSec is under no obligation to, and does not, update or keep current the information contained in this report. Neither Commonwealth Bank of Australia nor any of its affiliates or subsidiaries accepts liability for loss or damage arising out of the use of all or any part of this report. All material presented in this report, unless specifically indicated otherwise, is under copyright of CommSec.

This report is approved and distributed in Australia by Commonwealth Securities Limited ABN 60 067 254 399, a wholly owned but not guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. This report is not directed to, nor intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or that would subject any entity within the Commonwealth Bank group of companies to any registration or licensing requirement within such jurisdiction.

attacks on Saudi Arabia for three days. The rebel forces have targeted key oil infrastructure, including Aramco's facilities in Jeddah.

- Also complicating the near-term outlook for oil markets are reports that the US government is considering another release of oil from its Strategic Petroleum Reserve (SPR) to boost dwindling crude supplies. US and other members of the International Energy Agency (IEA) have so far released about 60 million barrels from reserves. Reuters is reporting today that the release of another 30 million barrels could be imminent. US crude supplies in the SPR fell by 4.2 million barrels last week to 571.3 million barrels, the lowest since May 2002, according to the Energy Information Administration (EIA).
- The US national average unleaded petrol price was US\$4.23 per gallon late last week, about 10 cents per gallon below the recent record high, according to the American Automobile Association. But oil analysts have said that gasoline prices could lift to between US\$5 and US\$6 per gallon in some parts of the country as demand increases ahead of the summer holiday driving season.
- Record high petrol prices are also adding to worries about cost of living pressures for Aussie households, with budgets being stretched to the limit. Filling up the car with petrol is one of the biggest weekly purchases for families. CommSec estimates that it is costing the average family \$289.38 a month to fill up the car with petrol, an extra \$66.20 compared with the start of the year.
- With an election looming, the Morrison Government has announced plans in tomorrow night's federal budget to help households with rising cost of living pressures. For motorists, relief could come at the bowser. Both the Treasurer and Prime Minister have hinted at a cut to the fuel excise tax of 44.2 cents per litre, which is indexed to the Consumer Price Index (CPI) and adjusted twice a year.
- In terms of possible options, Treasurer Josh Frydenberg could announce a temporary freeze on fuel excise indexation. This freeze would be introduced across the next two (August 2022 and February 2023) scheduled fuel excise tax indexation periods. While this would assist in helping keeping prices marginally lower, it would not have an immediate effect on prices at the pump and would likely take effect later this year.
- Alternatively, the Treasurer could announce a temporary cut to the fuel excise tax and a freeze on indexation. The federal government could opt to entirely remove fuel excise for a period of time, or it could temporarily cut the fuel excise rate by a certain amount and also freeze indexation. The UK and New Zealand governments have both recently reduced fuel excise taxes for a period of time.
- As reported in The Australian newspaper yesterday the Morrison Government could cut the fuel excise tax temporarily for a period of six months by between 10-20 cents. While a short-term reduction in fuel taxes would provide relief to households, it would also reduce government revenue that would need to be replaced.
- According to the government's mid-year economic and fiscal update (MYEFO) in December, around \$20.7 billion in revenue is expected to be collected from petrol and diesel taxes in 2021/22. However, after fuel tax rebates for non-road use, the Australian Automobile Association estimates that net fuel revenue is around \$11 billion per fiscal year. If the fuel excise tax was halved for 6-12 months, it would cost the government around \$5 billion.
- And while a fuel tax cut could prove to be popular politically, there is still a risk that a reduction in the fuel excise could be largely offset by a spike in the crude oil price if the Russian-Ukraine conflict escalates, Houthi rebels intensify their attacks on Saudi Aramco or the global diesel shortage worsens. And OPEC oil producers are scheduled to meet this Thursday to discuss the market outlook and whether they should boost output further.



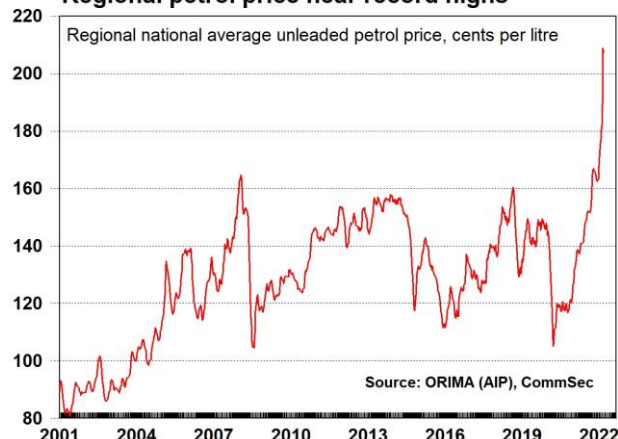
Weekly oil market update

- Last week, the **Brent crude price** rose by US\$12.72 or 11.8 per cent to US\$120.65 a barrel. And the **US Nymex crude price** rose by US\$9.20 or 8.8 per cent to US\$113.90 a barrel.
- Last week, the **benchmark Singapore gasoline price** rose by US\$11.71 or 9.3 per cent to a 9½-year high of US\$138.31 a barrel – the biggest lift in US dollar terms in 13½ years (since June 8, 2008).
- In Aussie dollar terms, the **Singapore gasoline price** jumped by \$11.20 or 6.5 per cent to \$183.78 a barrel or 115.58 cents a litre – both all-time highs.
- According to the Australian Institute of Petroleum, the **national average unleaded petrol price** fell by 5.8 cents a litre to 206.7 c/l last week, down from a record 212.5 c/l in the previous week. **Metropolitan** prices fell 8.0c/l to 206.3c/l and **regional prices** eased by 1.4c/l to 207.4c/l. Last week, prices hit record highs of 209.4c/l in Darwin.
- The **national average wholesale or Terminal Gate Price (TGP) unleaded petrol price** was down by 8.5 cents last week to 186.6c/l. Today, the TGP price sits at 188.8 c/l, up by 1.6 cents a litre over the week. Since the low on December 8, 2021, the wholesale petrol price has increased by a massive 47.6 cents a litre.
- **MotorMouth** records the following average retail prices for unleaded fuel today: Sydney 203.1c/l; Melbourne 198.2c/l; Brisbane 201.7c/l; Adelaide 194.5c/l; Perth 201.3c/l; Hobart 221.5c/l; Darwin 209.0c/l; and Canberra 208.1c/l.

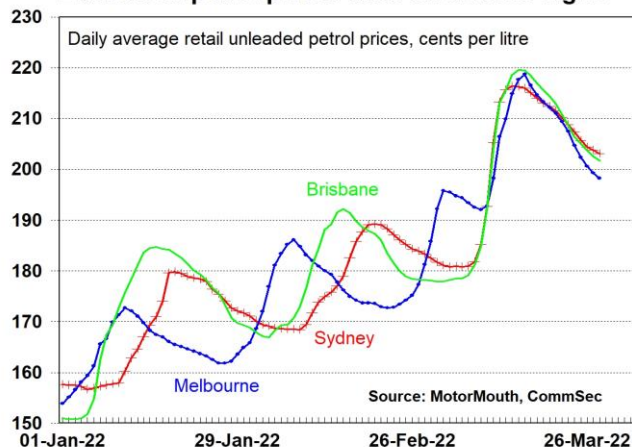
Ryan Felsman, Senior Economist

Twitter: [@CommSec](https://twitter.com/CommSec)

Regional petrol price near record highs



East coast petrol prices ease off all-time highs



Unleaded petrol prices: Mind the gap

