

Fuel Prices

Release date: 16 July 2014

July 2014

\$T	Jul 14	Jun 14	May 14	Apr 14
Petrol	2.92	2.89	2.88	2.88
Diesel	2.90	2.92	2.93	2.93
Kerosene	2.29	2.28	2.29	2.30

Fuel prices mixed as world oil price rises

Changes in retail fuel prices were mixed in July 2014. Diesel prices eased slightly, while petrol and kerosene prices rose reflecting fluctuations in the Singapore market. This follows a 2.4 per cent rise in world oil prices in June, as prices tend to take one month to flow through to the Tongan market. The exchange rate between the Tongan pa'anga and the USD has remained relatively steady over the month, having a negligible impact on prices.

In year-ended terms, all retail fuel prices increased, with kerosene rising the fastest. We don't anticipate this increase to make a major contribution to headline inflation over the year to July.

The average TOP price of oil over July to date is around 2.5 per cent lower than over June. We anticipate all local fuel price categories to fall by mid-August, particularly kerosene (-2.2 per cent). If our expectations are realised, it will ease roughly 0.09 percentage points from monthly inflation in August 2014. Tensions in the Middle East appear to be stabilising, reducing the risk of upwards pressure on near-term world oil prices. However, other factors affecting the world oil price over the remainder of July will have an important bearing on the August outcome.

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	\$TOP as at:*			Per cent change over the past:			
	Jul 14	Jun 14	Jul 13	1 month		3 months	1 year
	Actual	Actual	Actual	Actual	Last forecast	Actual	Actual
Petrol	2.92	2.89	2.85	1.20	1.62	1.37	2.43
Diesel	2.90	2.92	2.88	-0.56	1.47	-0.75	0.84
Kerosene	2.29	2.28	2.22	0.50	1.99	-0.27	3.24
First round contribution to inflation (ppts)**	N/A	N/A	N/A	0.03	0.08	0.03	0.10
Oil lagged 1 month	204.01	199.91	186.99	2.39	N/A	2.75	8.57

* Fuel prices are per litre and oil prices are per barrel.

** NRBT estimate.

Sources: Bank of England; Bloomberg; Ministry of Commerce, Tourism and Labour.

