

Fuel Prices

December 2014

Release date: 30 January 2015

<i>\$TOP</i>	Dec 14	Nov 14	Oct 14	Sep 14
Petrol	2.53	2.66	2.78	2.74
Diesel	2.60	2.68	2.81	2.83
Kerosene	2.08	2.14	2.26	2.28

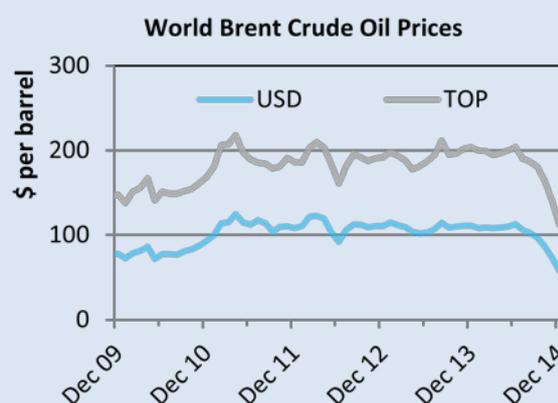
All domestic fuel prices continued to fall

Retail prices of all fuel products fell in December 2014. The fall was driven largely by a 14.6% decline in world oil prices in November. The oil price reduction was caused mainly by increases in world oil supply, particularly in the US, and lower global demand. A mild hurricane season in the Gulf of Mexico has allowed oil production facilities to operate with minimal disruption. Moreover, the use of hydraulic fracturing in the US and fewer restrictions on US oil supply have increased supply. The depreciation of the Tongan pa'anga against the US dollar by 1.9% over the month, however, partially offsets the fall in global oil prices.

All fuel retail prices also declined over the year to December 2014 driven mainly by the fall in world oil prices over the period. The changes in fuel prices equates roughly to a 0.5 percentage point subtraction from inflation over the year.

NRBT anticipates that all local fuel prices will continue on a downward trend by mid-January to reflect December's 19.8% decline of world oil prices. Global oil prices are predicted to remain below US\$55 a barrel until July 2015 which further supports expectations. However,

Box 1: Falling world oil prices, 2014



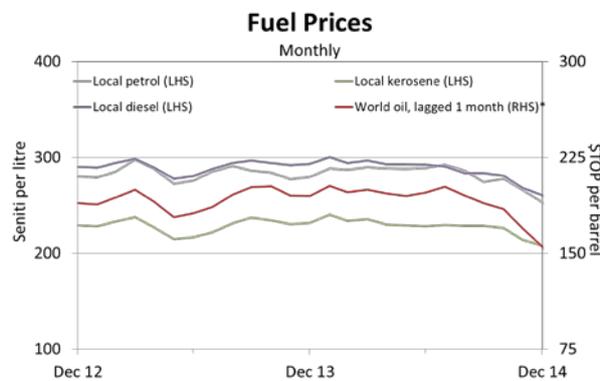
World oil prices had been fairly stable between 2010 and mid-2014, at around US\$110 a barrel. However, since June 2014 prices have more than halved. Brent crude oil has now dipped below US\$50 a barrel for the first time since May 2009 and US crude has also fallen below US\$50 a barrel.

political tensions in some oil-producing countries, particularly in the Middle East, together with unforeseeable events pose a risk that fuel prices may increase in the near future.

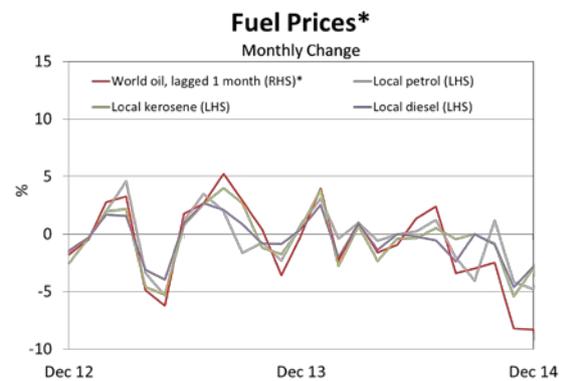
Fuel Prices						
	As at mid-month (\$T/litre)				Year-ended growth (%)	
	Dec 14	Nov 14	Oct 14	Dec 13	Dec 14	Dec 13
Petrol	2.53	2.66	2.78	2.80	-0.59	0.31
Diesel	2.60	2.68	2.81	2.93	-1.47	0.10
Kerosene	2.08	2.14	2.26	2.31	-0.45	0.22
World oil price*	139.87	163.75	180.72	202.39	-2.53	1.67

* Converted to TOP, per barrel

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



* Average price, month-ended
Sources: Reuters; Ministry of Commerce, Tourism and Labour



* Average price, month-ended
Sources: Reuters; Ministry of Commerce, Tourism and Labour