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Fuel prices drop further as global crude prices fall

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EARLY CHRISTMAS: Prices of petrol, diesel and kerosene were all lowered in yesterday's review.

BY RICHARD MUNGAI

KENYANS continue to benefit from falling global oil prices with a further price slash on domestic pump prices yesterday.

The Energy Regulatory Commission cut prices by an average of Sh4.46 per litre of petrol, kerosene and diesel and promised a further reduction in January in view of the falling crude oil prices in the international market.

Nairobi residents will now pay Sh90.85 for a litre of diesel, Sh71.37 for kerosene and Sh102.01 for Super Petrol.

Mombasa has the lowest prices with diesel retailing at Sh87.54, petrol at Sh98.68 and kerosene at Sh68.61.

Maximum prices will be charged in Mandera at Sh104.66 per litre of diesel while Super Petrol will go for Sh115.82.

"Global prices of crude oil have fallen drastically in the past few months and naturally Kenyans expect the retail prices of petroleum to fall accordingly," ERC director general Joseph Ng'ang'a said yesterday when he announced the new prices. The next review is set for January 14.

ERC said the average landed cost of imported diesel decreased by 5.3 per cent from $790.61 per tonne in October to $748.73 per tonne in November.

The price of a barrel of Brent crude which was trading at $115 in June was on Friday down to $63 a barrel.

Ng'ang'a said the prevailing international prices will be reflected in the local pumps after one month or so because Kenya's petroleum imports take 30-45 days to arrive.

He however said the main cost component of the local petroleum pump prices is the landed cost of the petroleum product which contributes about 56 per cent, followed by taxes and levies at 29 per cent.

"Further the petroleum products imported into Kenya are paid in US dollars," he said.

The Kenya shilling has recently weakened against the dollar and last Wednesday it touched a three year low at 90.55/65 per dollar.

"Consequently, any benefits arising from changes in international prices are adjusted taking account of the prevailing exchange rate which for the period under review has deteriorated by 0.87 per cent compared to the previous period," said Ng'ang'a.

Analysts on the other hand have attributed the price fall on international crude prices to increased oil production by Opec and a slowed market demand by major oil consumers such as China. However the Organisation for Petroleum Exporting Countries has refused to cut output.

Egerton graduates clinch Safaricom award

BY RICHARD MUNGAI

A team of Egerton University graduates have won Sh1.7 million in the 2014 Safaricom appwiz challenge.

They developed a mobile-based web application that allows youth to access campus news.

Safaricom said the solution dubbed Magazine Reel compiles news stories and notices from university administration campuses and presents it in an easy-to-read format that suits university students.

"While there are many people who still wait to watch the news every evening and read newspapers every morning, there are many tech-savvy youth who would rather access the news content through their smart devices," Safaricom director for strategy and innovation Joseph Ogutu said.

Guide Rig , a communication and marketing solution for businesses was the overall runners up in the challenge and it was awarded Sh1.2 million.

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EAST AFRICA RISING AS INVESTORS SHIFT ATTENTION

The price of oil continued to sink with Brent Crude which was trading above $110 a barrel in June trading at $61.85 while Nymex West Texas Intermediate which traded above $100 a barrel in June closed at $57.81 on Friday. This exponential collapse in the price of oil has impaled previously high-flying oil producers in Africa.

For example, The Nigerian Stock Exchange All Share Index fell to 30,763.38 in Lagos on Friday, the lowest level since January 2013.

The Nigeria All Share has dropped almost 30 per cent from this year's high in July and fell 7.4 per cent last week and the price earnings ratio in Nigeria is now at par with Zimbabwe which trades on a ratio of 8.14.

The Nairobi All Share Index is valued at 11.4, while Russia's Micex Index is at 4.6 times estimated earnings. The Naira has fallen 10 per cent since June 19 and was last at 181.30 versus the dollar. Two hundred is a given and we might even see 220 versus the dollar.

The Angolan Kwanza [Angola is the second biggest oil producer in Sub-Saharan Africa after Nigeria] is at a record low. Both countries are like Russia and are praying for a 'Hail-Mary' pass. It's not going to happen.

Capital Economics estimates that Nigeria's current account surplus of 3.5 per cent of gross domestic product may reverse to a deficit of a similar magnitude next year, while Angola's surplus of four per cent could turn into a shortfall of 14 per cent.

In May I was invited by the IMF to Maputo for the IMF and Mozambique's big flagship Africa conference and said "Africarising but no longer in the rising tide floats all boats way it was in 2012 and 2013" I was not wrong.

In contrast to Nigeria and Angola, where everyone is hitting the 'eject button', investors have shifted their attention to East Africa. Since June 19 when Brent Crude peaked at $115.71 a barrel, The Dar-Es-Salaam Index has surged 22 per cent, Uganda is +18 per cent and the Nairobi All Share is +9.4 per cent. This is a dramatic shift and investors are hunting for exposure to countries that are net importers of fuel, which remains the situation in East Africa. The cratering of fuel will send inflation lower and boost our economies. I have not seen the new fuel price structure [which was set to be released yesterday] but barring any curve balls, we are set to see Super Petrol sharply below a hundred shillings.

Whilst Nigeria's naira has slumped 10 per cent against the dollar since June 19, most of 24 African currencies tracked by Bloomberg after Malawi's kwacha, the Kenyan shilling has slid 3.5 per cent, while Tanzania's currency has dropped 3.2 per cent and Uganda's 6.2 per cent over the same dates.

The International Monetary Fund is forecasting GDP growth of seven per cent next year in Tanzania, 6.3 per cent in Uganda and 6.2 per cent in Kenya.

Nigeria's finance ministry on December 10 cut its growth forecast by one percentage point to 5.3 per cent, while Capital Economics estimates Angola's economy will contract by about two per cent. The lower oil price structure is set to translate into a further upsizing of East Africa's GDP expansion and a further downshifting of West Africa's.

This column represents Satchu's personal opinion.