

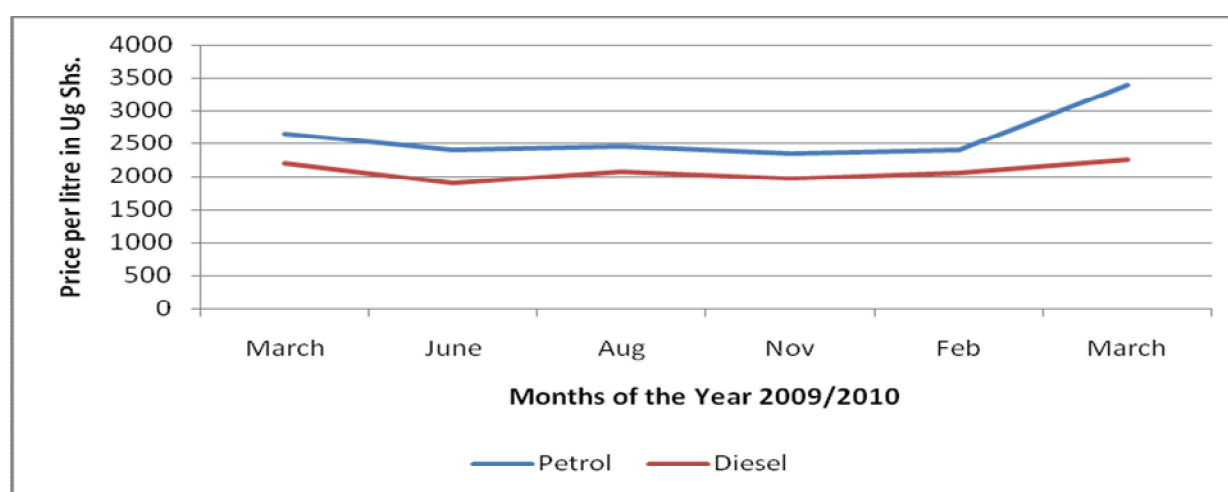
BRIEF NOTE

CURRENT FUEL PUMP PRICE VOLATILITY IN UGANDA

Background

Fuel pump prices in Uganda today have shot up following a continued depreciation of the shilling against the US Dollar¹ and reported shortages on the Kenyan and Ugandan markets due to interruptions in Arabian Gulf imports to Uganda coupled with low production from the Kenya Refinery that usually provides a back up for reduced imports². Currently, a litre of petrol ranges between Shs 2,900 and Shs 3,500 at various fuel pump stations³. For instance, Fuel prices have increased by over Ug Shs 1000 per litre i.e. from 2,500 to 3,500, representing a 40% increase. Table 1 below shows the trend of fuel pump prices from March 2009 to March 2010.

Table1: Trend of Fuel Prices for March 2009 to March 2010



Implications to the business community

This trend translates into increased costs of doing business in Uganda whereby transportation costs escalate resulting into further increases in overall commodity prices, hence persistent inflation. Transport costs continue to constitute a large percentage of about 40% of the total production and operational costs for most businesses today⁴, affecting the competitiveness of the Ugandan businesses. It should be noted that those businesses mainly dependant on thermal energy are bound to be affected most i.e. high transportation and energy costs.

Recommendation

The Private sector therefore urges the Government of Uganda to intervene and put in place fuel reservoirs to cushion such shocks in the economy and protect the business community for enhanced competitiveness in the region.

¹ US Dollar as major trading currency in Uganda; is now trading at Ug Shs. 2,100 from Ug.Shs. 1,890 in Dec. 09

² Report from Total Uganda Limited

³A quick Private Sector Foundation Uganda Survey around Fuel Stations in Kampala

⁴ Private Sector Foundation Uganda Platform for Action 2009