

Directorate of Economic Policy  
and Research

# Annual Fuel Pricing Structure Report



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**Statistics and Forecasting  
Unit**

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## **Executive Summary**

The Fuel Pricing Structure Report for 2023 provides a comprehensive analysis of global fuel prices, exchange rates, and their impact on the Gambian economy. Key highlights include a decline in average platts prices for PMS, AGO, and JET, driven by global energy market dynamics. Exchange rate fluctuations underscore the need for policy coordination to mitigate risks and ensure economic stability. The report also addresses the financial impact of increasing pump prices and recommends gradual adjustments to match growing platts prices and reduce subsidies. By implementing these recommendations, the government can promote transparency, sustainability, and inclusive growth in the fuel sector

## 1. Introduction

This report provides an overview of the fuel pricing structure for the year 2023, covering global fuel prices, exchange rate analysis, pump price calculations, financial impact assessment, and key recommendations for 2024. Understanding the fuel pricing structure is crucial for economic planning and informs policymakers about its direct influence on the Gambian economy, including consumer spending, business costs, and macroeconomic indicators like inflation and international trade.

The overall average prices for Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), and Jet fuel (JET) declined from 2022 to 2023 due to various factors including the global energy crisis triggered by Russia's invasion of Ukraine. This decline was further influenced by the slowdown in global gas demand, increased deployment of renewables, and improved energy efficiency standards. Notably, the Middle East crisis had minimal impact on the industry.

Exchange rates remained elevated in 2023, with the Dalasi depreciating rapidly against the Dollar. This depreciation was primarily driven by weaknesses in the balance of payments and uncertainty about exchange rate policies, leading to higher commodity prices and reduced consumer purchasing power.

The calculated pump price is determined by changes in global oil prices, exchange rates, and other fixed cost drivers. Discrepancies between the calculated and current pump prices indicate whether changes in global oil prices are fully passed on to consumers or if the government is subsidizing or gaining a surplus.

## 2. Overview of Fuel Prices in 2023

Platts are important in determining oil price dynamics and helps to provide revealing information in understanding and assessing short- and long-term impacts of oil price shocks on economies around the world. Trends of petroleum products notably Petrol (**PMS**), Diesel (AGO) and Kero (Jet) manifested some high-side volatility from 2014 to 2023. Looking at figure 1 below, **PMS**, **AGO** and **KERO** tends to be moving in same direction over time for almost a decade. Average platts prices plateaued from **US\$ 1058.32**, **US\$ 1026.09**, **US\$ 1103.39** to **US\$ 891.53** **US\$ 766.27**, **US\$ 830.78** for **PMS**, **AGO** and **KERO** respectively from 2022 to 2023. The sharp decline of platts in 2020, can be tied to the global lockdown and travel restrictions around the world, and to

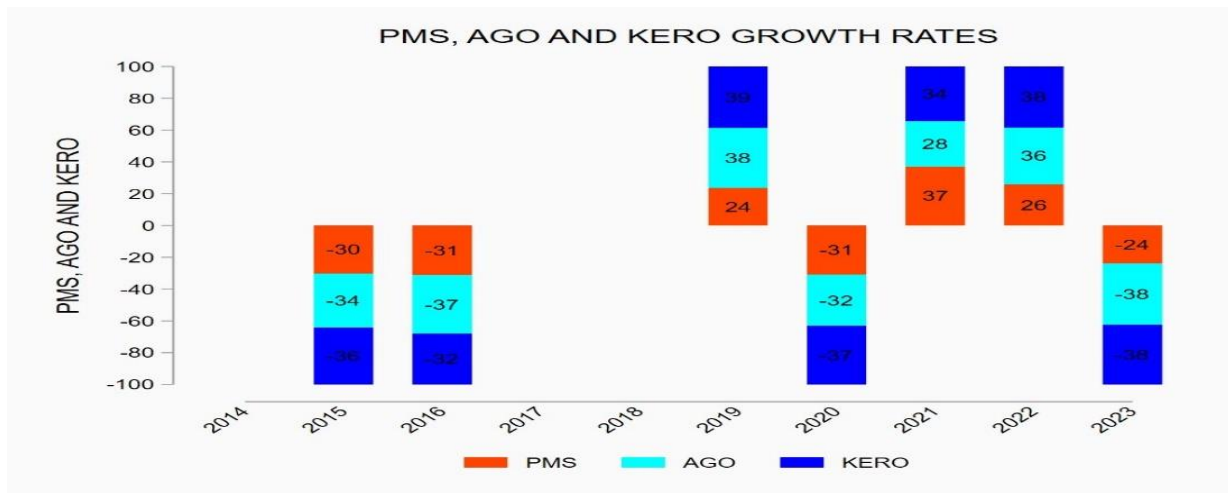
a greater extend, with the effects of supply chain disruptions. Average platt prices starts to partially recover in 2021, with an ambitious record high prices and peaked in 2022, then subsequently starts to take a downward trend from around 2022 into 2023. It is noteworthy, to mention that the sudden and dramatic increase in average platt prices could be associated with the Russian-Ukraine war and other exogenous shocks. The decline in platts in 2023 could be associated with major economic responses such as reopening of economic activities and the impact of effective fiscal and monetary policies in boosting resilience, to curtail the alarming global inflations as a result of increasing commodity prices.

Figure 1: Platt Prices



Source: Mofea

Figure 2: Growth Rates in the Platts Prices



Source: Mofea

### 3. Exchange Rate Analysis for 2023:

The evaluation of exchange rate movements against the USD throughout 2023 and 2022 is crucial for understanding the dynamics of fuel pricing and its implications for economic stability. In this section, we delve into the intricacies of the GMD (Gambian Dalasi) exchange rate, examining its fluctuations, impacts, challenges, and opportunities encountered during the year.

#### *3.1 Evaluation of GMD exchange rate movements against the USD throughout 2023.*

In 2023 and 2022 month to month, the Gambian Dalasi witnessed a series of fluctuations against the US dollar, influenced by various domestic and external factors. A comprehensive analysis reveals that the exchange rate experienced both appreciations and depreciations, with notable volatility in certain periods. In 2022, the Gambian Dalasi experienced marginal appreciation against the US dollar, occurring only in December by 0.26 percent, as depicted in Figure 4. However, 2023 witnessed a more pronounced pattern of exchange rate movements. The Dalasi appreciated against the US dollar in three months, with the highest appreciation recorded in April (4.24 percent), followed by October (3.07 percent), and May (1.47 percent), as illustrated in Figure 4. These appreciations were supported by stronger remittances, tourism inflows, and external budget funding and disbursements under an International Monetary Fund program. Conversely, in November, the Dalasi experienced its highest depreciation against the US dollar since 2020, amounting to about 5.18 percent. This significant depreciation underscores the volatility of the Dalasi against the US dollar, reflecting the influence of both domestic and external factors on currency dynamics.

Figure 3: Evolution of Exchange rate (GMD for US\$) in 2022 and 2023

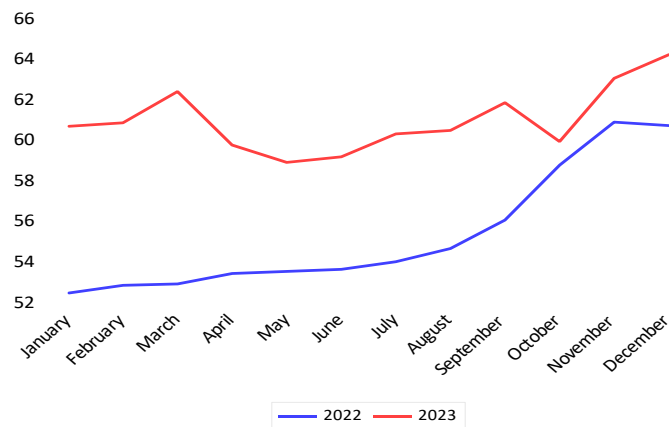
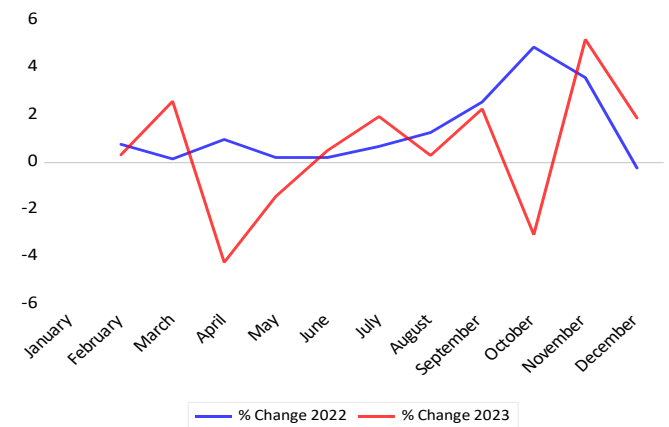


Figure 4: GMD against the US\$ Depreciation Appreciation in 2022 and 2023



### 3.2 Impact of exchange rate fluctuations on fuel prices and economic stability.

The volatility in the GMD exchange rate had significant implications for fuel prices and overall economic stability. The figures below provide insights into the magnitude and direction of exchange rate movements, which directly influenced the cost of imported petroleum products and, consequently, fuel prices for consumers.

Fig. 4.2.1 illustrates that, on average, fuel prices and exchange rates tend to move together throughout 2023, albeit with varying magnitudes of co-movement observed across different time periods. However, it is noteworthy that from the month of November onwards, fuel prices and exchange rates exhibit divergent movements, indicating a departure from their usual co-movement pattern. This divergence in movement can be attributed to the increase in the adjusted exchange rate from 3 percent to 4 percent, initiated in November.

In Fig. 6, the percentage changes in exchange rates, reflecting either depreciation or appreciation, demonstrate a similar directional movement to the percentage changes in pump prices of fuel, aligning with the observations from Fig. 5. However, during the months of November to December, the direction of movement tends to vary, deviating from the usual pattern.

The impact of exchange rate fluctuations on fuel prices extends beyond the realm of energy markets, influencing broader economic stability. Rapid or substantial changes in fuel prices can have cascading effects on inflation, consumer purchasing power, and overall economic activity.



Figure 5: Evolution of Exchange Rate and Pump Prices of Fuel in 2023

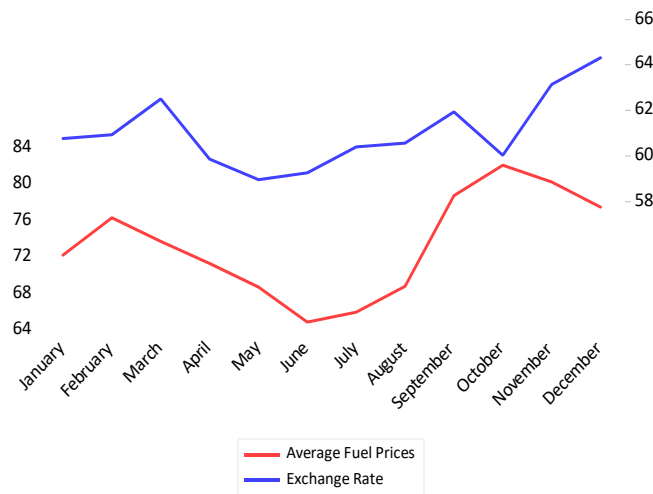
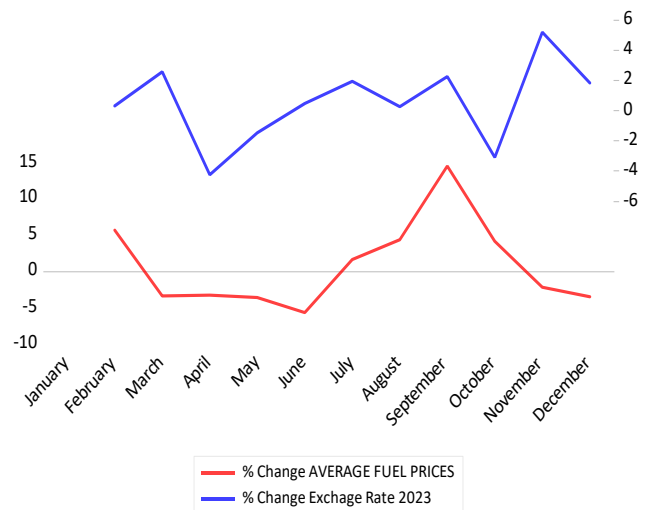


Figure 6: Change in Exchange Rate and Change in the Pump Prices of fuel in 2023



### 3.3 Challenges and opportunities related to currency exchange in 2023.

The year 2023 presented both challenges and opportunities in managing exchange rate dynamics. While appreciations in the Dalasi were supported by favorable external inflows, such as remittances and tourism, the subsequent depreciation highlighted the vulnerability of the currency to external shocks and speculative pressures.

Policy coordination and proactive measures are essential to mitigate the adverse impacts of exchange rate volatility on fuel prices, inflation, and overall economic stability. Strengthening currency risk management frameworks, enhancing transparency in monetary policy communication, and pursuing structural reforms to diversify the economy can contribute to reducing exchange rate volatility and fostering sustainable development.

In conclusion, the Exchange Rate Analysis for 2023 emphasizes the importance of monitoring and managing currency dynamics in the context of fuel pricing and economic stability. By understanding the drivers of exchange rate fluctuations and implementing appropriate policy responses, policymakers can mitigate risks and promote long-term growth and stability.

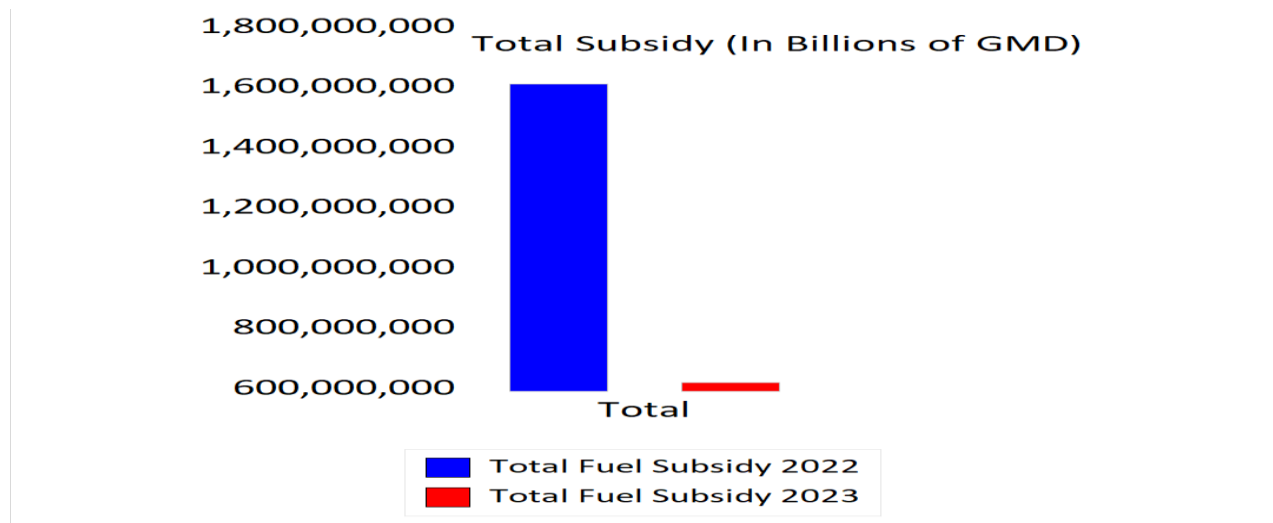
#### 4. TOTAL FUEL SUBSIDY

Total fuel subsidy and monthly average stood at **GMD 625.9 million** and **GMD 51.2 million** in 2023 respectively, compared to **GMD 1.6 billion** and **GMD 134.7 million** monthly average in 2022. This represents a negative growth rate of about **62.3 percent**, in fuel subsidy from 2022 to 2023.

On average, the government had been registering a subsidy based on our results. The government's investment on fuel in the form of subsidies is solely to enhance economic prudence and ensure a stable and minimal response of increasing fuel prices on economic activities, causing inflation and thereby impeding economic growth.

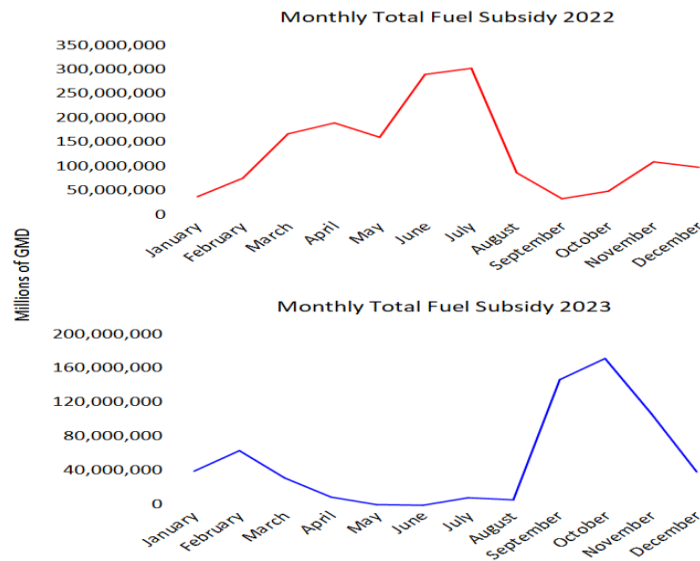
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Figure 7: Total Fuel Subsidy



Source: Mofea

Figure 8: Monthly Total Fuel subsidy 2022-2023

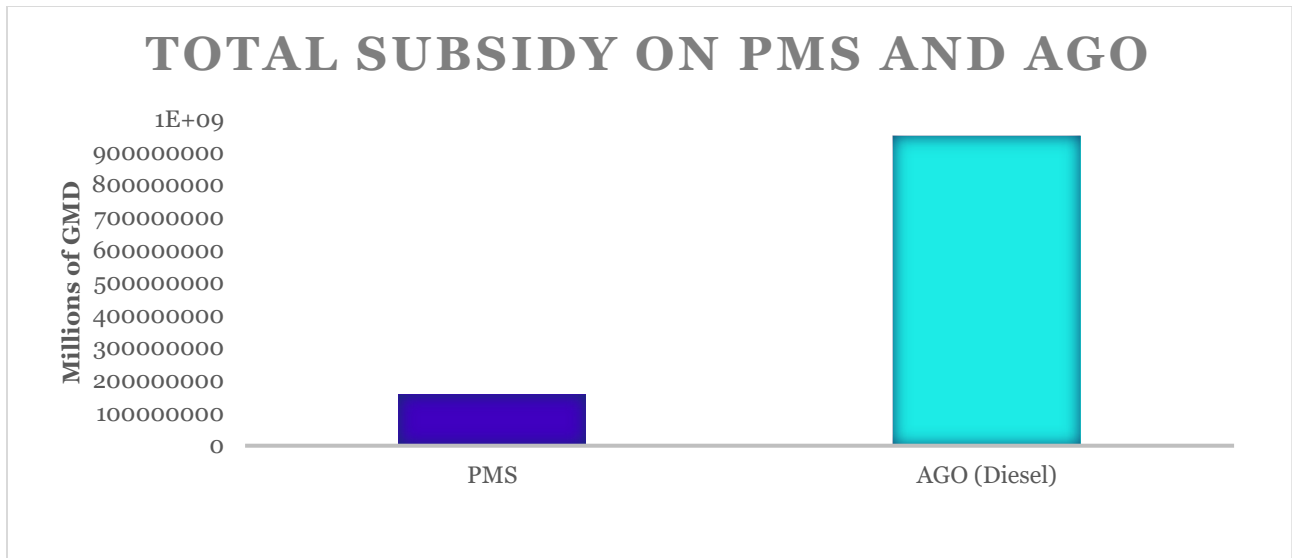


Source; Mofea

#### 4.1 Subsidy on PMS and AGO

**PMS** at the end of 2023 registered a total subsidy of **GMD 78.4 million**, an average surplus of **GMD 15.7 million**. **AGO** recorded total subsidy of **GMD 547.5 million**, an average subsidy of **GMD 54.7 million** in 2023. The government was heavily subsidizing petroleum products especially diesel (**AGO**) when platts were high. The government intervened heavily in 2022, by raising subsidies to ease off the inflationary pressures which was emanating from fuel prices and supporting OMCs (oil marketing companies).

Figure 9: Total subsidy on PMS and AGO

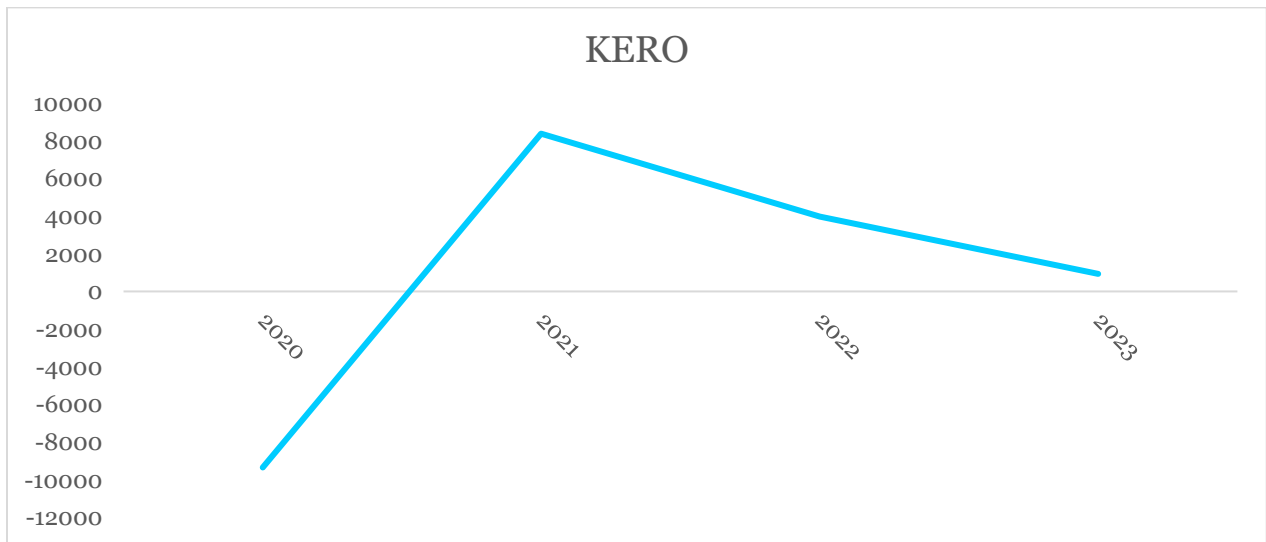


Source: Mofea

#### 4.2 Subsidy on KERO

On the other hand, the government was also subsidizing jet fuel in 2023 but lower than the figures in 2021 and 2022, this is because Kero is usually a full pass-through effect due to its low volume. Subsidy on **KERO** in 2023 appeared to be as low as **GMD 930.66**. The highest subsidy value recorded on **KERO** was in 2021 which registered about **GMD 8,378.2**.

Figure 10: Fuel Subsidy in KERO

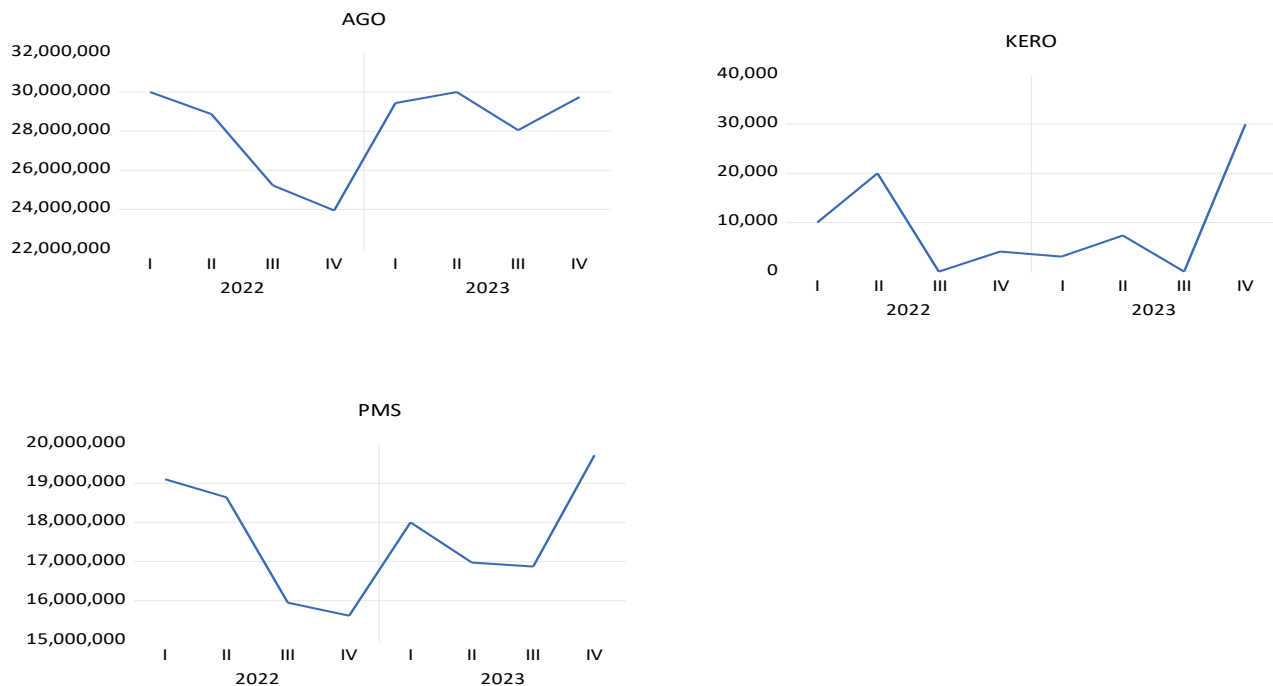


Source: Mofea

## 5. Total Volume of Fuel

At the end of 2023, the volumes of fuel types in The Gambia exhibit distinct patterns. Premium Motor Spirit (PMS) reached approximately 20,000,000 liters in Q4, showing a significant increase from earlier quarters. Automotive Gas Oil (AGO) also saw an increase, ending at about 30,000,000 liters. Kerosene (KERO), after a period of low volumes, experienced a dramatic rise to approximately 35,000 liters in Q4. These figures highlight a notable upsurge in fuel volumes across all categories in the final quarter of 2023.

Figure 11: Voume of Fuel Products



Comparing 2022 and 2023, we observe several trends. PMS displayed relatively stable volumes in 2023, with a notable rise in Q4 compared to a more volatile 2022. AGO exhibited a cyclical pattern but showed a general upward trend from mid-2022 to the end of 2023. KERO had significant fluctuations, with extremely low volumes in mid-2022 but a sharp increase in Q4 2023. These trends suggest an overall increase in fuel consumption or improved supply chain efficiency towards the end of 2023.

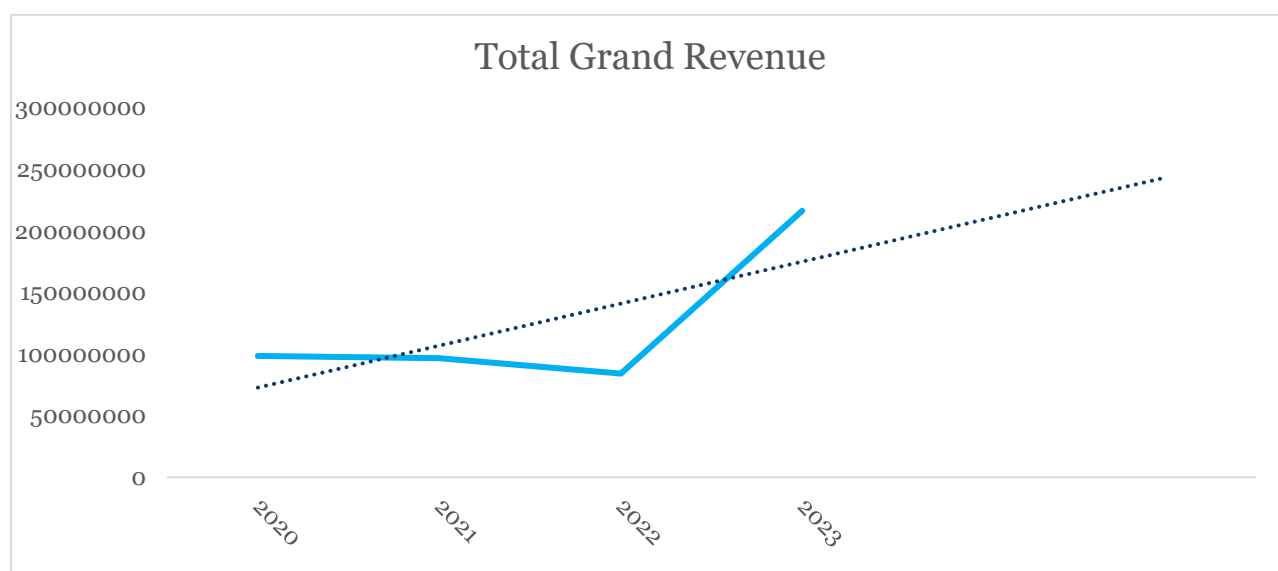
The fluctuations in fuel volumes have a direct impact on fuel prices and economic stability. Higher volumes of PMS and AGO at the end of 2023 could lead to more stable or reduced prices due to increased supply, benefiting consumers and the transportation sector. Conversely, the sharp rise in KERO volumes after a period of scarcity might stabilize domestic fuel prices, improving household energy security. These dynamics are crucial for maintaining economic stability, as fuel prices significantly influence inflation and overall economic activity.

The quarterly comparative analysis of fuel volumes for PMS, AGO, and KERO in The Gambia for 2022 and 2023 highlights significant trends and their potential impact on fuel prices and economic stability. Notable increases in fuel volumes towards the end of 2023 suggest an improving supply situation, which could lead to more stable prices and economic benefits. Continued monitoring and analysis are necessary to understand the underlying factors driving these trends and to ensure effective fuel management and policy implementation in The Gambia

## 6. Total Revenue on Fuel

Total revenue generated from fuel in 2023 registered an estimate of **GMD2.6 billion**, a monthly average of **GMD 219 million** compared to a total of **GMD1.3 billion** a monthly average of **GMD 84.1 million** in 2022, indicating about **157 percentage point** increment in total revenue since 2022. As clearly depicted on the graph below, total revenue is projected to continue an upward trend. However, the trend could be fairly offset by the recent policy by the government to reduce the trader's premium for diesel from 110.00 to 100.00 in the first quarter of 2024.

Figure 12: Total Grand Revenue

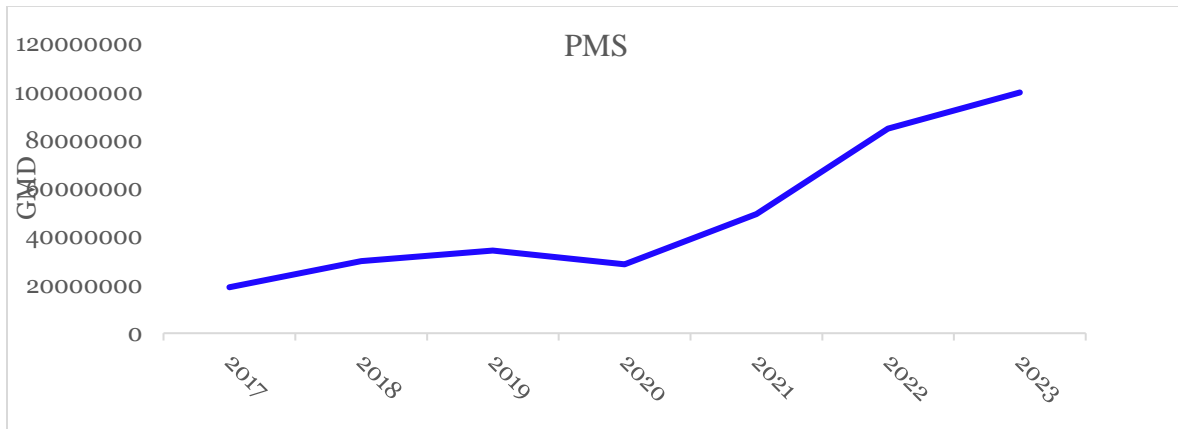


**Source: Mofea**

### PMS

Total revenue on **PMS** shows a mounting rebound since 2020, and appeared to reach its peak in 2023, with an actual amount **GMD 99.7 million** in 2023. The high level of revenue is mainly as a result of high collection of customs duty on oil and the effect of the dealer margin on **PMS** and **AGO**.

Figure 13: Revenue from PMS

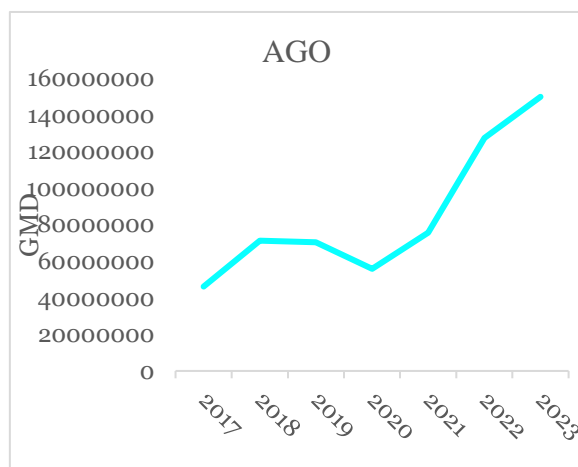


Source: Mofea

## AGO & KERO

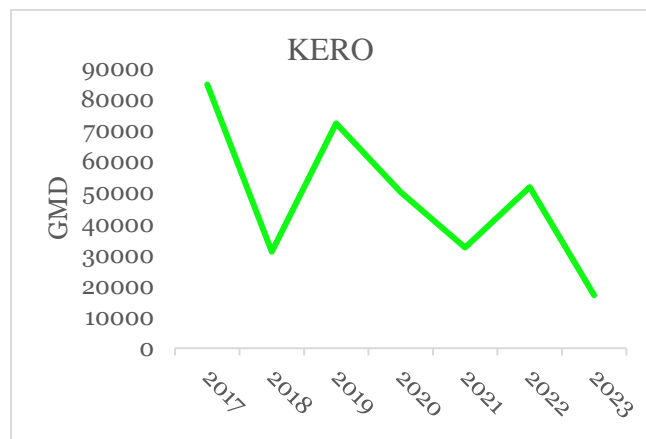
Revenue from **AGO** in 2023 stood at **GMD 149.8 million** compared to **GMD 127.3 million** in the previous year. Our analysis revealed that revenue from **PMS** and **AGO** seems to be taken positive trajectory looking ahead. Additionally, actual revenue on **KERO** in 2023 was **GMD 17,030.12** compared to **GMD 51,813.89** in 2022.

Figure 14: Revenue from AGO



Source: Mofea

Figure 15: Revenue from KERO



Source: Mofea



## 7. Pump Prices Calculation Mechanism

The pump prices calculation mechanism plays a pivotal role in determining the final retail price of fuel and ensuring transparency and fairness in pricing. It involves a comprehensive analysis of various factors, including global oil prices, exchange rates, taxes, transportation costs, distribution margins, and government subsidies.

1. **Global Oil Prices:** The mechanism considers fluctuations in global oil prices, which serve as a fundamental driver of fuel prices. Changes in oil prices, influenced by geopolitical events, supply and demand dynamics, and production decisions by oil-producing nations, directly impact the cost of fuel.
2. **Exchange Rates:** Exchange rate fluctuations, particularly against major currencies such as the US Dollar, significantly affect the cost of imported petroleum products. The mechanism takes into account currency movements to determine the purchasing power parity and adjust fuel prices accordingly.
3. **Taxes and Levies:** Government-imposed taxes, levies, and duties on fuel products contribute to the final retail price. These include excise taxes, value-added taxes (VAT), environmental levies, and import duties. The mechanism incorporates these taxes to calculate the total cost of fuel to consumers.
4. **Transportation and Distribution Costs:** The cost of transporting and distributing fuel from refineries to retail outlets is factored into the pump prices calculation. This includes expenses associated with transportation infrastructure, logistics, storage facilities, and marketing efforts by oil marketing companies.

5. **Distribution Margins:** Retail margins for fuel distributors and retailers are considered in the calculation mechanism. These margins cover operational expenses, overhead costs, and profit margins for distributors and retailers involved in the supply chain.
6. **Government Subsidies:** In cases where governments provide subsidies to stabilize fuel prices and mitigate the impact on consumers, the mechanism accounts for these subsidies. Subsidies aim to ensure affordability and accessibility of fuel while minimizing the financial burden on consumers.

By integrating these factors into the pump prices calculation mechanism, the government can establish transparent and equitable pricing structures that reflect market dynamics and promote economic stability. Regular monitoring and adjustments to the mechanism enable policymakers to respond effectively to changes in global oil markets, exchange rates, and economic conditions, ensuring fair pricing for consumers and sustainable management of fuel resources.

### *7.1 Challenges and Opportunities in 2023*

The year 2023 presented both challenges and opportunities in managing exchange rate dynamics. While appreciations in the Dalasi were supported by favorable external inflows, subsequent depreciations highlighted the vulnerability of the currency to external shocks and speculative pressures.

Policy coordination and proactive measures are essential to mitigate the adverse impacts of exchange rate volatility on fuel prices, inflation, and overall economic stability. Strengthening currency risk management frameworks, enhancing transparency in monetary policy communication, and pursuing structural reforms

can contribute to reducing exchange rate volatility and fostering sustainable development.

### *7.2 Financial Impact Assessment in 2023*

The year 2023 witnessed significant financial implications arising from fuel price fluctuations in the Gambian economy. The increase in pump prices had a widespread impact across various sectors, notably transportation, agriculture, and businesses. As fuel prices surged, transportation and logistics costs escalated, directly impacting the operational expenses of businesses and the disposable income of households. Consequently, the high pump prices contributed to domestic inflation, exerting additional pressure on the already strained purchasing power of consumers.

## 8. Policy Recommendations

1. **Gradual Adjustment Mechanism:** Implementing a gradual adjustment mechanism for fuel prices is paramount to aligning them with the growing rates of platts prices and exchange rates. This approach ensures that changes in global oil prices and currency valuations are reflected in domestic fuel prices over time, reducing the need for abrupt price hikes that could shock the economy and burden consumers.
2. **Enhanced Transparency and Communication:** Improving transparency in fuel pricing policies and communication is essential for building trust and accountability among stakeholders. Clear and consistent communication regarding the factors influencing fuel prices, such as global oil market trends and exchange rate fluctuations, enables consumers, businesses, and policymakers to make informed decisions and better understand the rationale behind price adjustments.
3. **Diversification of Energy Sources:** Diversifying energy sources beyond traditional fossil fuels is critical for reducing dependence on imported petroleum products and mitigating vulnerability to global oil price fluctuations. Investing in renewable energy initiatives, such as solar, wind, and hydropower, not only promotes energy security but also fosters environmental sustainability and reduces greenhouse gas emissions.
4. **Currency Risk Management:** Strengthening currency risk management frameworks is essential for managing the impact of exchange rate fluctuations on fuel prices and overall economic stability. Implementing hedging strategies and financial instruments to mitigate currency risks can help stabilize fuel prices and minimize the adverse effects of volatile exchange rates on consumers, businesses, and the economy.

5. **Long-Term Planning and Investment:** Long-term planning and investment in infrastructure, technology, and human capital are crucial for building resilience and promoting sustainable development in the energy sector. Investing in modern fuel distribution networks, storage facilities, and transportation infrastructure enhances efficiency, reduces operational costs, and improves access to affordable and reliable energy sources for all segments of society.
6. **Public Awareness and Education:** Increasing public awareness and education about energy conservation, efficiency measures, and alternative transportation options can help mitigate the impact of fuel price fluctuations on households and businesses. Promoting energy-efficient practices, such as fuel-efficient vehicles, public transportation, and energy-saving technologies, empowers consumers to reduce their fuel consumption and expenses while contributing to environmental sustainability.

## 9. Conclusion

The analysis presented in the Fuel Pricing Structure Report for 2023 underscores the intricate interplay between global energy markets, exchange rate dynamics, and domestic economic stability. As evidenced by the decline in average platts prices for key petroleum products and the volatility of exchange rates, fuel pricing remains a critical determinant of economic performance and consumer welfare in the Gambia. In response to these challenges, policymakers are urged to adopt a multifaceted approach that encompasses transparency, gradual adjustment mechanisms, and long-term planning. Enhancing transparency in fuel pricing policies and communication fosters trust and accountability among stakeholders, laying the foundation for sustainable economic growth.

Furthermore, the recommendation for gradual adjustments to fuel prices aligns with the need to reduce subsidies while mitigating the impact on consumers and businesses. By gradually aligning fuel prices with the growing rates of platts prices and exchange rates, the government can promote fiscal prudence and reduce dependence on subsidies, thus fostering a more resilient and sustainable fuel pricing framework.

Looking ahead, it is imperative for policymakers to prioritize capacity building, stakeholder engagement, and diversification of energy sources to navigate future challenges effectively. By embracing these strategies, the Gambia can chart a course towards energy security, economic stability, and inclusive growth in the years to come.

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