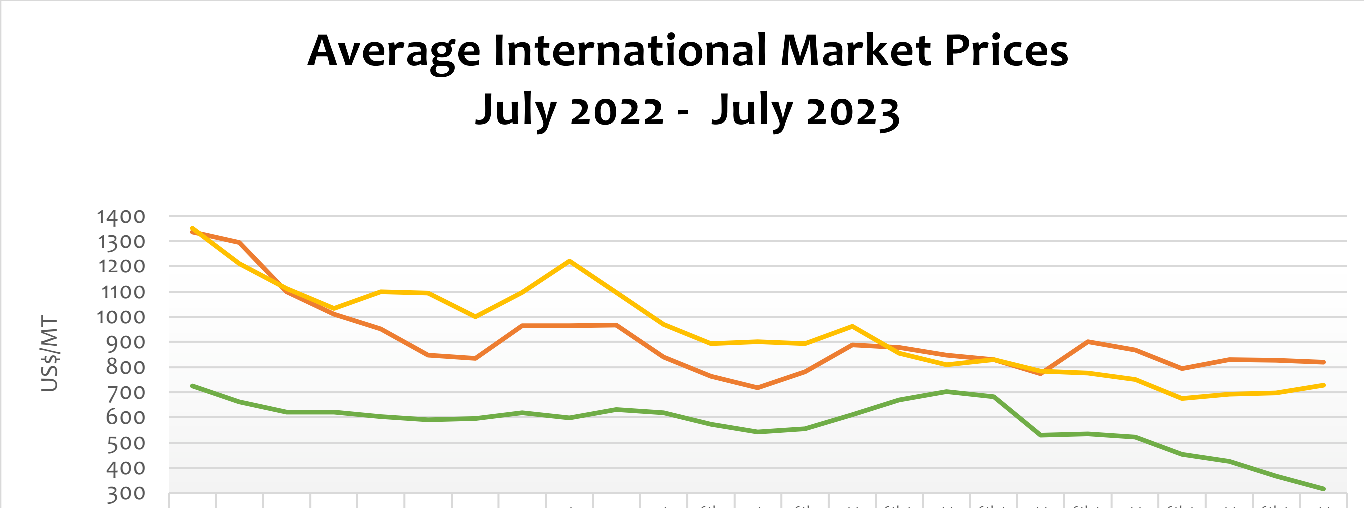
CBOD MARKET OUTLOOK

1st to 15th July 2023 Pricing Window

Refined Products Price Review and Outlook

The international market prices of finished petroleum products in the 12th to 26th June 2023 pricing window, which are the premiums used in pricing petroleum products from 1st to 15th July 2023, changed marginally compared to the previous selling window. Crude oil prices at the world market declined by about 1.6% to about USD74.27/bbl. The average price of Petrol and LPG on the world market declined by 0.78% and 13.80% respectively while diesel rose by 4.53%. On average, global petroleum product prices continue to tumble due to the gloomy global economic outlook amidst the fears of interest rate hikes by various central banks. The consequences of the rising inflation in the US and EU have led to the US Federal Reserve and other central banks increasing interest rates to unprecedented levels to mitigate its adverse impact on the various economies.



	1-15 July 2022	16-31 July 2022	1-15 Aug 2022	16-31 Aug 2022	1-15 Sept 2022	16-30 Sept 2022	1 - 15 Oct 2022	16 - 31 Oct 2022	1st - 15th Nov 2022	16th - 30th Nov	1st - 15th Dec 2022	16th - 30th Dec 2022	1st - 15th Jan 2023	16th - 31st Jan 2023	1st to 15th Feb 2023	16th to 28th Feb 2023	1st to 15th Mar 2023	16th to 31st March 2023	1st to 15th April 2023	16th to 30th April 2023	1st to 15th May 2023	16th to 31st May 2023	1st to 15th June 2023	16th to 30th June 2023	1st to 15th July 2023
Gasoline	1336	1296	1099	1010	951	847	834	965	963	968	839	764	718	780	888	878	848	830	773	900	868	795	829	826	819
Gasoil	1352	1211	1113	1032	1099	1093	1001	1097	1221	1097	970	892	900	894	961	854	809	829	784	777	750	675	691	697	729
LPG	725	663	620	620	603	591	596	618	598	630	618	573	543	555	611	669	703	681	530	535	523	453	427	367	316

Some major oil-producing countries continue to worry about this downward trajectory despite various attempts to influence prices upwards through output cuts within the period.

In addition to the fears of the bleak global economic outlook and the rising interest and inflation rates in the US, the slump in petroleum prices in quarter two was largely attributed to the uncertainties regarding the US debt ceiling bill.

The international market prices of Petrol, Diesel, and LPG changed from an average of US$826.08/mt, US$697.47/mt, and US$366.61/mt to US$819.61/mt, US$729.07/mt, and US$316.02/mt respectively. LPG prices have been falling consistently since the first selling window of March this year. Some industry experts are attributing the recent slump in prices to the gloomy global economy fostered by the weak economic performance of China, which has been outweighed by the global supply of crude.

According to Reuters News, the economic recovery witnessed in the first quarter of the year lost momentum, compelling China's central bank to cut some key interest rates in June, nearly for the first time in one year. China's industrial output grew by about 3.5% in May compared to a growth of about 5.6% in April while the retail sales index, which measures consumers' confidence, slummed to about 12.7% in May from about 18.6% in April. With this weakening momentum in the world's largest importer of crude, product prices will most likely continue a downward trend in the coming quarter.

On a year-on-year basis, Petrol, Diesel, and LPG declined by 38.68%, 46.06%, and 56.42% respectively. On a year-to-date basis, Diesel and LPG have declined by 19.02% and 41.84% respectively, while Petrol surged by 14.16%.

FuFeX30 And Spot Rates

The Fufex30[1] is a 30-day forward GHS/USD FX rate for the petroleum downstream industry. It is estimated using the average quoted indicative forward forex rate from major oil financing banks adjusted by the covered-interest parity pricing model. The Fufex30 for the first selling window of July (1st to 15th July 2023) is estimated at **GHS12.0000/USD**, which is the weighted average of quoted indicative 30-day forward forex rate from major oil financing banks as monitored on the market and the Bank of Ghana FX auction rate to the BIDECs. The applicable indicative spot rate for cash sales is **GHS11.8500/USD** based on average spot rates from commercial banks.

[1] The Fufex30 is a 30-day Ghs/USD forward fx rate used as a benchmark rate for BIDECs ex-ref price estimations.

The Ex-refinery Price Indicator (Xpi)

The Ex-ref price indicator (Xpi) is computed using the referenced international market prices usually adopted by BIDECs, factoring the CBOD economic breakeven benchmark premium for a given window and converted from USD/mt to GHS/ltr using the *FuFex30* for sales on credit *and* spot *FX rate* for sales on cash.

$$XPI = \frac{(\text{International Market Price+ CBOD Benchmark Premium}) \times \text{Fufex30/Spot FX}}{\text{Conversion Factor}}$$

Taxes, Levies, and Regulatory Margins

The National Petroleum Authority reviewed the UPPF and Fuel Marking Margins upwards by GHP28/ltr and GHP5/ltr respectively in the second pricing window of May. The upward review of the UPPF, according to the Regulator, is to ensure effective freight rates for the transportation of petroleum products to retail outlets. The review of the Fuel Marking Margin is to guarantee consumers quality fuels. Hence, Total taxes, levies, and regulatory margins on petroleum products for the 16^{th} to 30^{th} June 2023 selling window stood at GHP296/ltr for petrol, GHP294/ltr for diesel, and GHP201/kg for LPG. These accounted for 25% of the ex-pump prices of petrol and diesel and 19% of the ex-pump price of LPG in the selling window under consideration.

Selling Window 16^{th} to 30^{th} June 2023

TRM Components	Gasoline (GHP/ltr)	Gasoil (GHP/ltr)	LPG (GHP/KG)
ENERGY DEBT RECOVERY LEVY	49	49	41
ROAD FUND LEVY	48	48	-
ENERGY FUND LEVY	1	1	-
PRICE STABILISATION & RECOVERY LEVY	16	14	14
SANITATION & POLLUTION LEVY	10	10	-
ENERGY SECTOR RECOVERY LEVY	20	20	18
PRIMARY DISTRIBUTION MARGIN	13	13	-
BOST MARGIN	9	9	-
FUEL MARKING MARGIN	5	9	-
SPECIAL PETROLEUM TAX	46	46	48
UPPF	75	75	75
DISTRIBUTION/PROMOTION MARGIN	-	-	5
TOTAL	296	294	201

OMC Pricing Performance: 16th to 30th June 2023

Consumers continue to enjoy relatively lower pump prices since the beginning of the year when the international refined product prices began to tumble, and the cedi also gained ground against the dollar. Compared to November 2022 when prices escalated significantly to about GHS18.1370 and GHS20.4270 per liter of petrol and diesel, ex-pump prices for petrol and diesel have fallen since then by about 34% and 46% for petrol and diesel respectively in the second selling window of June 2023. From the beginning of the year, pump prices of petrol and diesel have fallen by about 4% and 18% respectively. However, as the pump price of diesel has fallen by 11% compared to the same period last year, that of petrol is about 9% higher compared to the same period.

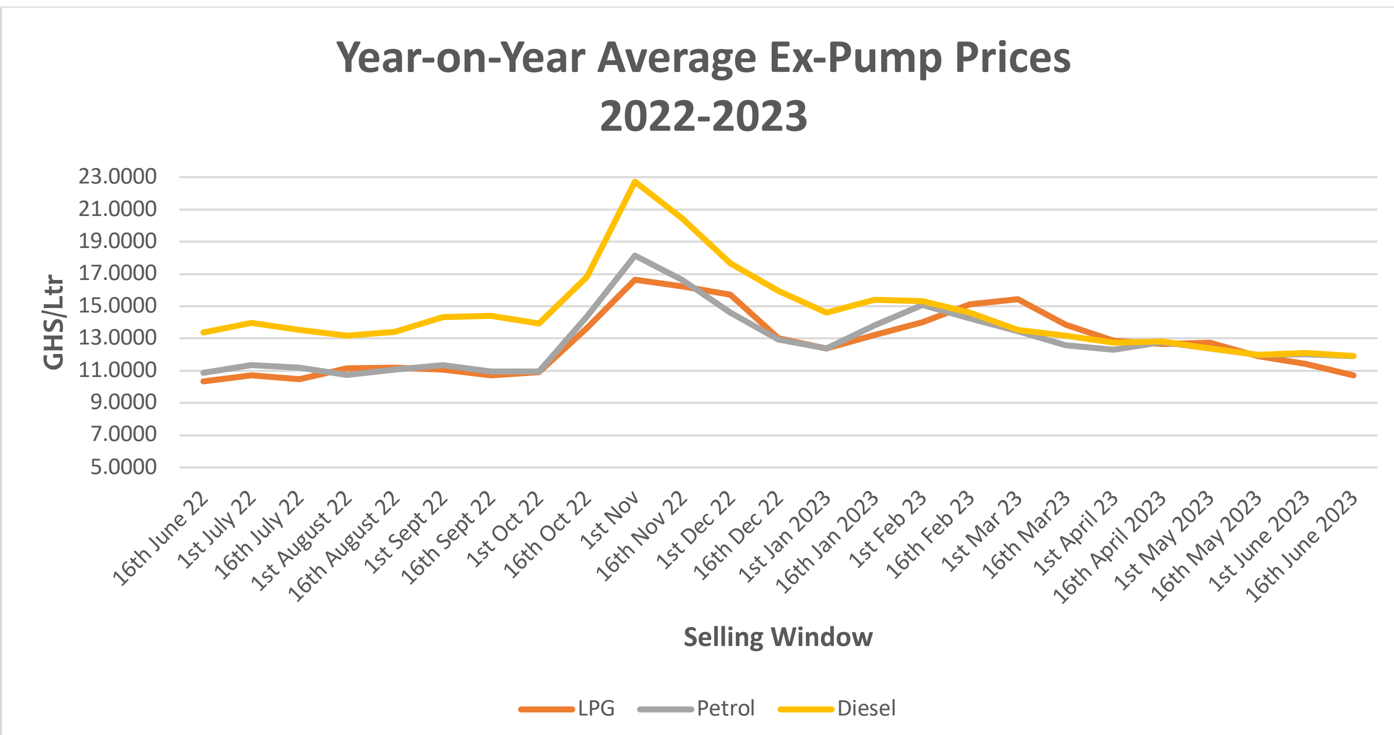
The fall in pump prices in the second selling window of June has largely been attributed to the slight appreciation of the cedi when the IMF executive Board approved the US$3 billion credit facility for Ghana. Moreover, international oil prices fell significantly within the period due to the rising fears of global economic recession and the uncertainty regarding the US Debt ceiling.

It is largely admitted that FX is a major determinant of petroleum prices at the pumps. The increase in pump prices is mostly accounted for by the depreciation of the cedi. This reinforces the need for government interventions aiming at achieving lower pump prices to target the stabilization of the local currency and making FX available to BDCs at competitive rates. The IMF bailout to the country is projected to stabilize the cedi and reduce the risk of FX losses associated with the importation of petroleum products because of exchange rate uncertainties.

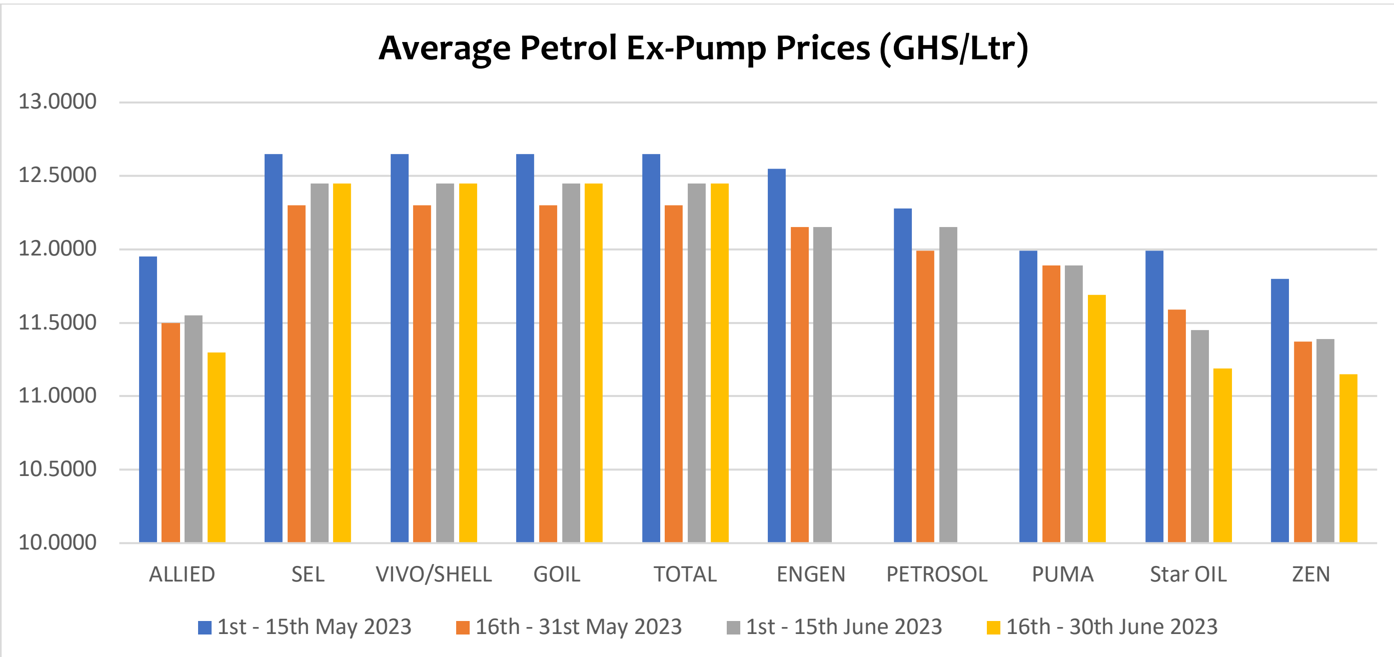
SUMMARY REPORT OF BANK OF GHANA FX AUCTIONS TO BIDECs		
Window	**Percentage Offered**	**Auction FX Rate (GHS/USD)**
1st – 15th Nov 2022	36%	13.2474
16th – 30th Nov 2022	57%	13.3138
1st – 15th Dec 2022	59%	13.3390
16th – 31st Dec 2022	83%	9.4656
1st – 15th Jan 2023	60%	9.5579
16th – 31st Jan 2023	48%	10.5151
1st – 15th Feb 2023	29%	10.9875
16th – 28th Feb 2023	27%	11.9095

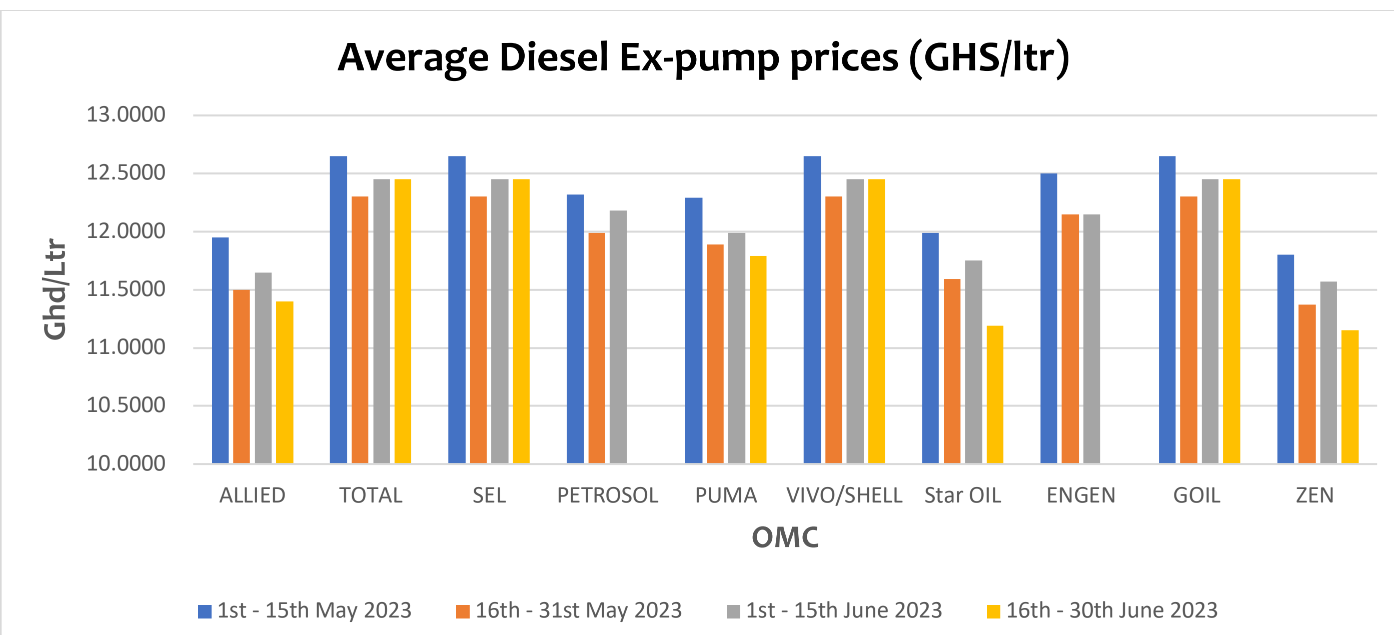
1st – 15th March 2023	29%	12.1203
16th – 31st March 2023	21%	12.0158
1st – 15th April 2023	20%	12.0000
16th – 30th April 2023	24%	11.4467
1st – 15th May 2023	20%	11.7575
16th – 31st May 2023	26%	11.6943
1st – 15th June 2023	39%	11.1657
16th – 30th June 2023	33%	11.1781

The BoG's bi-weekly FX auction to BIDECs in the window under review for the purchase of petroleum products was 33% of BIDECs' bid. BoG auctioned US$20 million at a rate of GHS11.1781/USD to BIDECs for the purchase of petroleum products in the 16th to 30th June selling window. The FX rate auctioned by BoG to BIDECs was a slight appreciation of 0.11% compared to the previous auction rate.



The pump price of Petrol and Diesel declined marginally by 1.2% and 1.6% to an average of GHS11.8913/ltr and GHS11.9163/ltr respectively in the selling window respectively. LPG price per kilogram declined from an average of GHS15.4300/kg mid-February this year to an average of GHS12.6500/kg in the first selling window of April, representing a fall of about 18%. This represents a year-on-year LPG price increase of about 74%, further indicating that the pump price of LPG has declined by about 913% since the first of January 2023. For the first time since October 2022, LPG per kilogram is being sold below GHS11.000.





Removal of Petrol Subsidies in Nigeria

The pump price of petrol has almost tripled in Nigeria after the infant Tinibu government removed the decades-old petrol subsidy. Nigerians over the years have been enjoying highly subsidized petrol prices, which fostered the activities of black-market operators and led to fuel shortages. According to the IMF, the Nigerian government spent close to $10 billion on subsidies for fuel in 2022 alone.

However, the biggest policy shift in the first month of Bola Tinibu's government was the removal of the fuel subsidies which energy experts have long warned were responsible for the bizarre petroleum downstream sector. While some laud the new government for this new policy others are skeptical of its economic impact and warn that politics might force the government to reverse course. An attempt to reduce the subsidy a decade ago provoked protests, forcing the government to backtrack.

The delay in payment of fuel subsidies to importers has usually led to fuel shortages, smuggling of petrol to neighboring countries like Benin, Cameroon, and Niger, and the popular petrol black market.

According to Reuters News, petrol prices have tripled after the abolition of the petrol subsidy in June. This has significantly impacted millions of households and small businesses that rely on petrol for power and has led to an unprecedented surge in transport costs for workers and farmers taking produce to market.

Due to the fears of rising inflation and the associated increase in cost of living as a result of the removal of the subsidies, labor unions are calling on the government to impose a six-fold hike in the minimum wage.

Deregulation of petrol will cause actual prices to be reflected and will increase the interest of many investors to invest in the sector.