***Press Release*** ***11th November 2014***

**FUEL PUMP PRICE REDUCTION INSIGNIFICANT SAYS THE JCTR**

The Jesuit Centre for Theological Reflection has dismissed the recent fuel pump price reductions in the country as being insignificant and too marginal. Whereas the price of crude oil on the international market has dropped significantly around 27 Percent during the last half of the year on account of oversupply originating from international stock build-up from the steady increase in fuel self – sufficiency of the United States as the highest international consumer.

It is without dispute that fuel is an essential factor not only in the cost of doing business but also in the cost of living especially in Zambia. It is unfortunate that the slump in crude oil prices on the international market is not being translated into real and meaningful reductions on the local market. These reductions have not had an effect on the food and transport costs that are cardinal to the lives of many Zambians. This means that the basic goods and services still remains high leaving majority of the people in poverty as can be seen in the November Basic Needs Basket figures.

From the month of October 2014 to the month of November 2014, there has been a considerable increase in the cost of living owing to the weakening kwacha against major currencies. This increase comes at a time when fuel, which is a major factor of production has been slightly reduced by the ERB. The cost of living for the month of November 2014 as measured by ***JCTR’s Basic Needs Basket*** (BNB) for an average family of five living in Lusaka is **K3, 694.44**. This shows an increase of **K58.61** from October’s BNB which stood at **K3, 635.83**. The increase is mainly attributed to the increase in the following items that contributed significantly to the increase; *Charcoal* by **K13.00** per 90Kg bag, *Beans* by **K3.68** per Kg and *Beef* by **K3.28** per Kg from the previous month of October. In contrast, other commodities showed marginal decreases in pricing namely, Dry *Fish* which decreased by **K6.48** per Kg, *Salt* decreased by **K0.62** per kg and *Petroleum Jelly (Vaseline)* which decreased by **K0.57** per 500ml.

Government and the Energy regulation Board (ERB) must be taken to task to account for the marginal pump price reduction averaging little under 10 percent while on the international scene crude oil has significantly reduced by about 35 percent. The Energy Regulation Board has reviewed fuel pump prices downwards by K0.49, K0.54 and K0.44 for petrol, diesel and kerosene respectively. Accordingly, the revised prices are averaging K9.89 for diesel from K10.38 and Petrol from K9.19 to K9.73; while kerosene prices have slumped to K6.77 from K7.21.

However, we beseech the government to make public the feedstock procurement contract to bring to light the terms and duration of this contract and the attendant provisions regarding pricing mechanisms. Whereas other countries in the sub region are on their third and fourth reduction Zambia is on its second reduction after the initial November fuel pump price. While we are alive to the economic reality that prices of commodities tend to be sticky in the short-run we are nevertheless convinced that the large margins of the slump in crude oil on the international market must translate into some meaningful relief to local consumers despite the fact that Zambia imports feedstock as opposed to pure crude oil.

Therefore, it is our expectation as the Jesuit Centre for Theological Reflection that crude oil price reductions on the international market will translate into real and meaningful reductions in the pump price of fuel which will invariably lead to price reductions in the cost of essential basic commodities that are listed on the Basic Needs Basket. As things stand we are convinced that fuel pricing mechanisms in Zambia are distorted and rife with unnecessary opportunity costs stemming from many fuel taxes. How else do we account for the lack of a pragmatic and meaningful transmission effects of crude oil reductions to consumers and ordinary citizens alike? Further, it is our expectation that the crude oil price reductions will arrest the marginal depreciation of the kwacha and stifle some inflationary pressure which affects the prices of goods and services.

In conclusion therefore, we appeal for some relief to the cost of doing business in Zambia emanating from cost reductions in productive inputs as they relate to industrial fuels on account of fuel pump reductions with the sincere hope for cost reductions in essential basic needs commodities.

**For more information, contact the Social and Economic Development Programme of**

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