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Rise in Fuel Prices and Their Impact on Consumers

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Introduction

Since the fuel price hike in February 2023, the Cameroonian government has recorded a further 15% increase in the pump price of premium fuel (super) and diesel, meanwhile, they were recovering from a major shortage of premium fuel that was largely attributed to delays in delivery and hurt the economy. Henceforth, the price of a liter of premium fuel, which used to cost 750 FCFA, has risen to 850 FCFA at gas stations, an increase of 110 FCFA. The price of a liter of diesel has risen to 828 FCFA from 725 FCFA, an increase of 108 FCFA.

This increase is justified, among other things, by the need to absorb the growing budgetary constraints facing the State and to avoid tensions in the supply of petroleum products to the national market. To mitigate the impact of this decision on consumers, the government has announced the rapid implementation of accompanying measures.

These include a 5% increase in the basic salary of civil servants, the opening of dialogue with the private sector, and the reduction of certain tax and customs duties in the road transport sector. However, these measures, although justified by the government and despite the accompanying

measures, will not be without consequences for consumers. The increase in private sector minimum wage should be FCFA 80,000 and future increases should not exceed inflation as businesses will bear the brunt of labor shortages or employ irregular workers.

Rising Fuel Prices have a Major Impact on Household Budgets

The impact of rising fuel prices is directly reflected in household transport budgets. Given the very low purchasing power of Cameroonian households, such a price hike would exacerbate living conditions. As a result of increased household mobility, due to longer distances and more frequent journeys, rising fuel prices will have a major impact on household spending. **Some households will be forced to cut back on their activities. This inevitably calls their lifestyles into question.**

The current rise in fuel prices could naturally increase costs for interurban and peri-urban transport operators, who depend on fuel to run their vehicles. Cameroon's transport agencies could **very quickly revalue their fare structure** (Touristique Express, Danay Express etc.) This would then be reflected in ticket prices, making transport more expensive for users. This would also undoubtedly have an impact on cab fares, and consumers in this sector will naturally be affected. As they have to travel long distances to work, they are vulnerable. They will be forced **to cut back on other budget items**, change modes of transport, reduce the frequency of their journeys or cut out reasons for travel.

However, even if the government envisaged a 5% increase in the basic salary of civil servants, followed by other mitigating measures, this would not reduce the vulnerability of all social strata, as this is a structural policy and sustainability issue that the State must address.

Most Business Sectors Face Rising Costs

Indeed, the current rise in fuel prices may increase the costs of some companies, as well as the costs of contracts currently being performed. Transport service providers, such as travel agencies, are directly affected by the increase and must factor it into their costs, including companies who ship goods, whether they have their means of transport or use a logistics provider. Not forgetting small and medium-sized businesses, for whom travel is essential and indispensable to their

activities. Companies can pass on these additional costs in the prices of products and services to maintain their profit margins. In some cases, companies may decide to cut back on other links in the logistics chain to cover transport costs.

As agriculture is a key sector of the Cameroonian economy, rising fuel prices can increase the cost of agricultural production, including the cost of transporting agricultural produce, and this affects profitability.

Conclusion

Rising fuel prices will undoubtedly hurt consumers. It could have a major impact on household budgets, and most sectors of activity would be affected. This could lead to higher inflation. The Cameroonian government should take appropriate measures to mitigate the consequences. We propose suspending VAT on imported products such as pasta and rice to support households. We recommend investment in oil refining to reduce dependence on international countries. This should follow the rapid repayment of SONARA's debts and the usefulness of special funds in this respect.

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