

Fuel Snapshot

03 March 2025

The Namibian Ministry of Mines and Energy has announced the second consecutive fuel price hike for this year, with the latest adjustment taking effect on Wednesday, 5th March 2025. Petrol and diesel prices will each increase by 50 cents per liter.

This price hike comes despite a strengthening Namibian Dollar and a decline in global oil prices, which have been driven by weakening demand and rising supply from OPEC & non-OPEC countries, particularly the United States, which has significantly increased its oil production. OPEC has stated that Saudi Arabia and Russia will contribute to the gradually rising supply. The decline in demand was attributed to reduced consumption from China, and economic uncertainty. Additionally, Global geopolitical tensions, exacerbated by U.S. trade policies, including potential tariff increases on Canadian and Mexican exports, have influenced global oil markets and, in turn, Namibia's fuel pricing. The 50-cent increase represents a 2.4% rise in both petrol and diesel products, while Brent futures and US Crude both decreased by 1.6% and 2.0% respectively¹.

According to the Ministry's fuel pricing model, petrol recorded an under-recovery of 17.54 cents per liter, justifying the increase. However, Diesel 50ppm and Diesel 10ppm showed over-recoveries of 4.13 cents and 13.18 cents per liter, respectively, indicating that domestic factors played a significant role in the final price adjustment. At the same time, the Ministry's latest data indicates a marginal decline in fuel barrel prices. In February 2025, Petrol 95 averaged USD 87.32 per barrel, down 0.09% from January. Diesel 50ppm fell 3.02% to USD 91.42 per barrel, while Diesel 10ppm dropped 3.08% to USD 91.50 per barrel, this suggests that domestic factors, along with cautious international market projections, had a greater impact on the pricing decision.

Key Domestic Factors Behind the Hike

In addition to global market dynamics, the Ministry highlighted two key domestic factors influencing the price adjustment:

1. **A sharp increase in the national minimum wage** for fuel retail service workers, which more than doubled from N\$7.20 per hour to N\$18 per hour. This significant wage increase has placed additional pressure on businesses in the sector, necessitating a rise in dealer margins to maintain employment levels and business viability.
2. **Unmet funding needs for road maintenance** under the Road Fund Administration (RFA). The annual N\$0.50 per liter fuel levy, intended for road maintenance, has failed to generate sufficient revenue due to adverse fuel price movements.

Outlook

The increase in fuel prices is likely to contribute to inflationary pressures in Namibia, particularly in transportation and logistics, as higher fuel costs are passed on to consumers. This could result in higher prices for goods and services, particularly in sectors that heavily rely on fuel, such as agriculture, retail, and manufacturing. For households, the rise in fuel prices could put a strain on

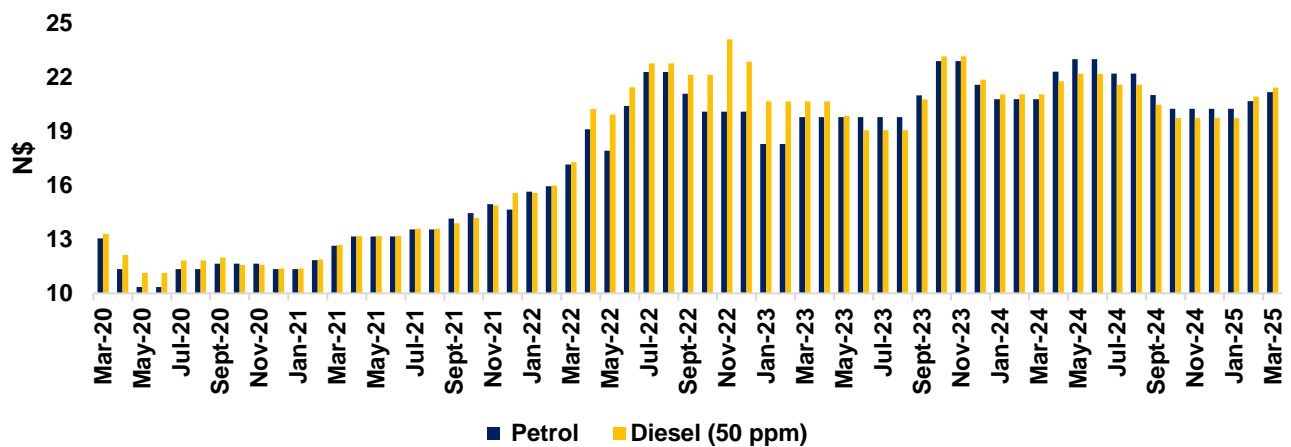
¹ According to Reuters

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personal budgets, especially for those with limited disposable income. Daily expenses, including commuting costs, public transport fares, and the prices of essential goods, may also be affected.

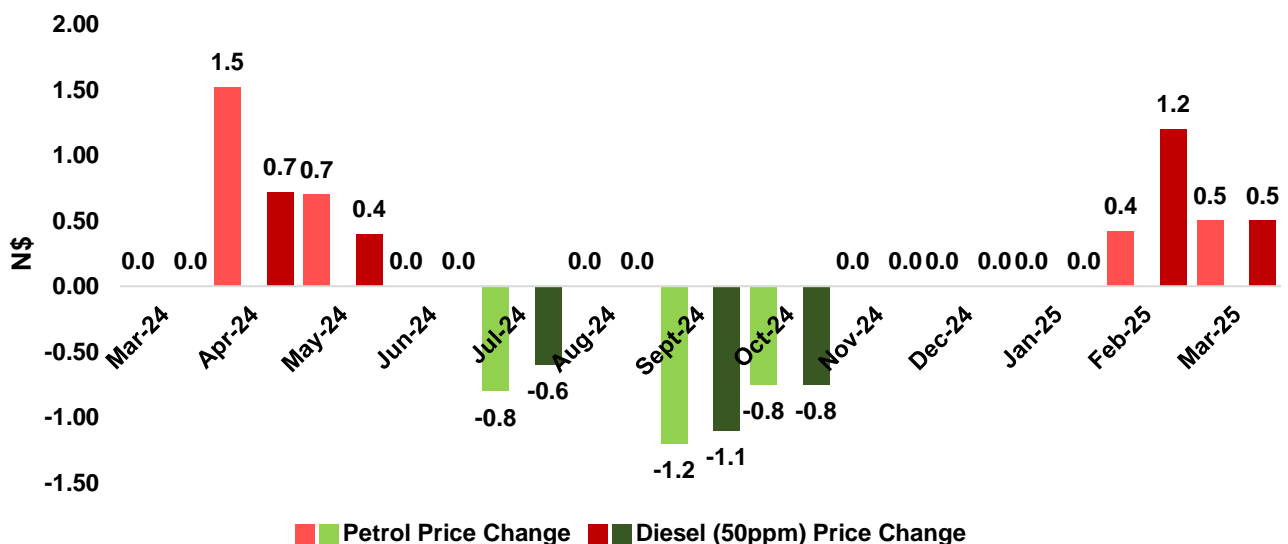
Looking ahead, fuel prices are expected to remain sensitive to fluctuations in the international market, especially due to geopolitical developments, OPEC+ production policies, and shifts in the global economy. Domestically, the government's efforts to balance business sustainability, wage equity, and funding for road maintenance will continue to play a critical role in shaping future fuel pricing decisions in the short to medium term.

Figure 1: Walvis Bay Fuel Price, March 2020 - March 2025



Source: MME & NAMCOR

Figure 2: Fuel Price Changes, March 2024- March 2025



Source: MME & NAMCOR