
Chinese fuel price to have limited impact on economy

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Xinhua reported that China's latest fuel price hike from Tuesday would certainly pinch the pockets of consumers, but may not leave a lasting impact on the nation's economic recovery.

Gasoline, diesel and jet fuel prices in the country were raised by as much as 11 percent from Tuesday, the third increase this year and the second in June, to reflect recent price changes in the global oil market.

According to a survey by the Chinese web portal Sina.com, more than 90% of the 180,000 respondents said they had decided to drive less in response to the price hike and more than 94% thought fuel prices are too high now.

National Development and Reform Commission, the nation's top economic planning agency in a statement said that pump prices for 90 octane gasoline in Beijing was set at roughly CNY 5.71 a liter or about USD 3.16 dollars a gallon. That compares to an average of USD 2.69 a gallon in the United States.

China's retail fuel prices are controlled by the government under a mechanism introduced in December that takes into account of crude prices, taxes and a profit margin for refiners.

The country may adjust fuel prices when crude prices change more than 4% over 22 straight working days. Crude oil futures have risen 60% to more than 70 dollars a barrel this year from a July record on signs of a global recovery. However, economists and analysts believe this round of price hike will not have any direct and obvious impact on the Chinese economy, which is largely fueled by coal.

Mr Lin Boqiang director of the China Center for Energy Economics Research at Xiamen University said that "As China only needs oil to supply 20 percent of its energy consumption, costlier oil will not make things as bad as costlier coal."

Mr Lin said that "However, the economy will be hurt if higher crude prices drive up coal prices."

(Sourced from Xinhua)

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