

# World Energy Focus

What makes daily fluctuation of global oil prices?

Due to the fact that Thailand has not owned any large oil field, about 90% of domestic oil consumption is imported; therefore, local oil prices are sensitive to the global trend of oil prices. As the matter of fact, any forecast on oil prices is very sophisticated because oil is the commodity product which used worldwide; therefore, there are so many uncontrollable factors both direct and indirect that influent the global oil price movement.

The main factors include:

**structural factors** such as demand and supply in which whenever there is an imbalance between the two, there will be price adjustment. The causes for imbalance are the economic growth, climate changes, changes in production capacity of the oil producers, the changes in supply policy of the oil producers, the changes in oil reserves of the world large oil consumers, and etc.

**psychological factors** There is unique characteristic in the oil market; that is, trading is much more sensitive toward news and rumors compared to other markets, especially the sensitivity toward the political and economic movement such as wars or critical issues occurred amongst the large oil producing countries and the world large consumers of oil particularly the countries in the Middle East and United States of America. Political tension and protest as well as any agreement made and announced by the OPEC.

**technical factors** particularly the statistical data. The statistic of the price movement in the past is important because it is also used to consider the current price level. It affects trading decision because it somehow influences the oil price in the future market which is largely speculative.

All the 3 factors which influence the global oil prices mentioned above affect domestic oil prices as well. And the foreign exchange is another factor which indicates local oil prices. Every US\$1 changes in foreign exchange would affect the cost by 23 satang per liter (at the Baht 35 per US dollar conversion rate).

By now, what affect daily fluctuation of global oil prices and how do they influent domestic retail prices are probably understood. Understanding of the price movement and its mechanism will help bring about appropriate planning on energy consumption. Of course, Thai consumers ought to focus on energy-saving planning and turn to alternative fuels in order to help strengthen the country's energy stability. There are gasohol 95 and 91 which are cheaper than gasoline 95 and 91 by Baht 3.30 and 2.80 per liter respectively. There is also bio diesel which is 70 satang per liter cheaper than diesel, and natural gas for vehicles (NGV) which is only Baht 8.50 per kilogram.

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