

Fuel price relief despite increase in fuel levy

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Fuel price changes for April are providing a possibility for a decrease on fuel prices despite a 39 cents increase on fuel levy. According to the information from the Central Energy Fund, petrol and diesel prices are likely to decline 05 April 2017.

It is expected that Petrol (95) could go down by 49 cent per litre (c/l) and diesel (0.05%) by 25 c/l.

Final fuel price changes will however depend on the performance of the rand and the movements in international product prices. As seen on the table below, the movements in international product prices are contributing towards a price decrease.

ANALYSIS MOVEMENT OF AVERAGE OVER/(UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	53.070	28.972	28.480
Movement in Exchange Rate	(3.816)	(3.805)	(3.751)
Average Unit Over/(Under) Recovery	49.254	25.167	24.655

Source: Central Energy Fund

Economic factors affecting fuel prices

Brent crude oil prices have been trading at a 3-month low this week following accelerated US drilling which has threatened OPEC's efforts to reduce global supply. The EIA sees output at major U.S shale players reaching 4.96 million barrels a day in April, the highest since March 2016. At the time of writing, Brent crude oil was trading at around US\$51.41 per barrel.

Current USD/ZAR exchange rate weakened to the R13 following an announcement by Stats SA that 2016 Q4 GDP had contracted by 0.3%. The Rand has since remained steady amid hints that the Federal Reserve System (FED) is likely to hike interest rates on Wednesday, 15 March 2017 which threatens the possibility of a weaker Rand. At the time of writing, the rand was trading at R13.17 to the dollar.