

REPORT: DAILY FUEL PRICE EXPECTATION

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FUEL PRICE EXPECTATIONS FOR SEPTEMBER 2014

For more information contact:

Wandile Sihlobo at Tel: +2786 004 7446 or Email: wandile.sihlobo@grainsa.co.za

The latest report from the Central Energy Fund shows that on Wednesday, the 3rd of September 2014; petrol and diesel prices might decrease by 68 and 18 cents per litre, respectively.

The main driving factors behind the domestic fuel prices are the international product price movements, as well as the exchange rate movements. The international price movements are currently the main contributing factor to the expected fuel price decrease.

ANALYSIS MOVEMENT OF AVERAGE OVER/ (UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	68.588	18.990	18.111
Movement in Exchange Rate	(0.958)	(1.004)	(1.010)
Average Unit Over/ (Under) Recovery	67.629	17.985	17.100

Source: Central Energy Fund

The domestic currency further weakened after Moody's downgraded all four major banks (ABSA, RMB, Standard and Nedbank). At mid-day (12:00), the rand was trading around R10.6985 to the US dollar. The annual inflation rate in July 2014 eased at 6,3%, which is 0,3% lower than the corresponding annual rate of 6,6% in June.

Brent crude oil prices are still at soft levels, owing to increasing supplies from Iraq and Libya, despite violence in these countries. On the other hand, there are still some lingering concerns about the tension between Ukraine and Russia. Russia is the world's second largest oil producer and there are concerns that the geopolitical tensions might affect the oil supplies. Additionally, Brent crude oil prices are expected to recover in a medium-long term, owing to expected global demand.

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