

REPORT: DAILY FUEL PRICE EXPECTATION

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FUEL PRICE EXPECTATIONS FOR SEPTEMBER 2014

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Petrol and diesel prices are expected to decrease on the 3rd of September by 68 and 20 cents per litre, respectively.

Domestic fuel prices are mainly influenced by the international product prices, as well as the exchange rate movements. Currently, the international product prices are the main contributor 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	68.916	21.565	20.862
Movement in Exchange Rate	(1.267)	(1.322)	(1.330)
Average Unit Over/ (Under) Recovery	67.649	20.243	19.533

Source: Central Energy Fund

The rand, along with other emerging markets currencies continue to trade at weak levels, owing to renewed geopolitical concerns from the Ukraine. Additionally, weaker than expected producer price index (PPI) also negatively influenced the rand movements. July producer inflation (PPI) dropped marginally 8% y-o-y, from 8.1% y-o-y in June, well below the market expectations of 7.9%. This morning (11:40am), the rand was trading around R10.6125 to the US dollar.

Brent crude oil prices were slightly supported by renewed Russia-Ukraine tension, as well as stronger than expected US economic growth. The US Commerce Department noted that the country's GDP grew by 4.2% in the second quarter, better than market expectations of 3.9%, hence raising concerns for stronger demand. However, oil prices are expected to remain at soft levels, owing to increasing supplies from Iraq and Libya, despite violence in these countries.

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