

**DOMESTIC FUEL PRICES ARE LIKELY TO DECREASE IN MAY:** 14 April 2015

*Producers and the general public experienced significant fuel price increases earlier this month. However, we are likely to see some slight relief next month. On 6 May 2015, petrol and diesel prices are expected to decrease by 18 and 23 cents per litre, respectively.*

**Contributing Factors to Diesel and Petrol Prices**

The domestic fuel prices are mainly influenced by international product prices, as well as exchange rate movements. Currently, both these factors are contributing towards the over recovery of domestic fuel prices (*see table below*).

<b>ANALYSIS MOVEMENT OF AVERAGE OVER / (UNDER) RECOVERY</b>			
	<b>Petrol 95</b>	<b>Diesel 0.05%</b>	<b>Diesel 0.005%</b>
Movement in International Product Prices	15.818	20.435	20.042
Movement in Exchange Rate	2.278	2.216	2.241
Average Unit Over / (Under) Recovery	18.096	22.651	22.283

*Source: Central Energy Fund*

**Rand and Brent Crude Oil View**

The Rand is at its weakest level against the US dollar due to negative domestic and international factors. On the domestic front – electricity shortages remain a major risk. South Africa is experiencing the most serious electricity crises since 2008. On the international front – the strong US dollar continues to put negative pressure on the domestic currency. Additionally, disappointing Chinese trade data also added some negative pressure. Chinese exports fell by 15% year-on-year in March 2015, while imports dropped 12.7% year-on-year. China is one of South Africa’s leading trade partners. At midday (12h00), the Rand was trading around R12.13 to the US dollar.

The Brent crude oil price is receiving some support from an expected production decline of US shale oil. This is set to be the first monthly decline in four years. Nonetheless, there are

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still large supplies on the world market. Production in Saudi Arabia and Iraq is expected to increase. At midday (12h00), the Brent crude oil price was trading around \$58.14 a barrel.

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