

DOMESTIC FUEL PRICES ARE LIKELY TO INCREASE IN JUNE: 18 May 2015

Earlier this month, we saw a slight decrease in domestic fuel prices. However, significant fuel price increases can be expected next month. On 3 June 2015, petrol and diesel prices are expected to increase by 48 and 56 cents per litre, respectively.

Contributing Factors to Diesel and Petrol Price changes

The domestic fuel prices are mainly influenced by international product prices, as well as exchange rate movements. The international product prices are currently the main contributing factor towards the expected under recovery of domestic fuel prices (*see table below*).

ANALYSIS MOVEMENT OF AVERAGE OVER / (UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	(52.404)	(59.968)	(56.230)
Movement in Exchange Rate	4.431	4.320	4.337
Average Unit Over / (Under) Recovery	(47.973)	(55.649)	(51.893)

Source: Central Energy Fund

Rand and Brent Crude Oil View

Last week, the Rand reached firm levels, as the US dollar was weighed down by weak economic data, which suggested that the US Fed might delay interest rate hikes. The main focus this week is the domestic inflation data which is due for release on Wednesday, as well as the Monetary Policy Committee's decision on interest rates which is due for release on Thursday. At midday (12h00), the Rand was trading around R11.84 to the US dollar.

The Brent crude oil price received support from reports of tension in Yemen and Iraq, which might disrupt supplies. Additionally, forecasts of high Brent crude oil demand from Petroliaam Nasional Berhad (PETRONAS) also added to the price support. Nonetheless, large supplies remain in the world market. At midday (12h00), the Brent crude oil price was trading around \$67.12 a barrel.

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