

DOMESTIC FUEL PRICES ARE LIKELY TO DECREASE IN AUGUST: 20 July 2015

Producers and the general public experienced fuel price increases earlier this month. However, we are likely to receive some relief next month. On 5 August 2015, petrol and diesel prices are expected to decrease by 35 and 61 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 decrease 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	37.159	63.392	61.143
Movement in Exchange Rate	(2.294)	(2.014)	(2.034)
Average Unit Over / (Under) Recovery	34.865	61.378	59.109

Source: Central Energy Fund

Rand and Brent Crude Oil View

This morning (10h19am), the Rand was quoted at R12.42 to the US dollar. The Rand depreciation against the US dollar has mostly been in line with the US dollar strength against some of the major currencies. Moreover, the Rand has been trading at generally low levels as domestic economic indicators continued to disappoint, as well as prevailing uncertainty about the timing and pace of US policy normalisation. However, the main focus this week is on 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.

The Brent crude oil price has generally been under pressure, after the announcement of the Iranian nuclear deal which will lead to lifting of sanctions against Iran. Nonetheless, Iran will only start increasing its oil supplies in 2016. This might lead to a decrease in Brent crude oil prices, though the decrease might not be as significant as last year's oil price decrease.

Wandile Sihlobo, Tel: +2712 816 8045 or Email: wandile.sihlobo@grainsa.co.za

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