DOMESTIC FUEL PRICES ARE LIKELY TO DECREASE IN SEPTEMBER 2015: 26 Aug. 15

Fuel accounts for approximately 11% of the total variable costs of maize production. The expected decrease in fuel prices might benefit grain farmers who will be preparing their fields for the 2015/16 production year. On 2 September 2015, petrol and diesel prices are expected to decrease by 68 and 53 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)*. If the value of the Rand did not weaken, price decreases would have been even more significant.

ANALYSIS MOVEMENT OF AVERAGE OVER / (UNDER) RECOVERY			
	Petrol 95	**Diesel 0.05%**	**Diesel 0.005%**
Movement in International Product Prices	91.430	73.943	71.605
Movement in Exchange Rate	(23.851)	(21.162)	(21.472)
Average Unit Over / (Under) Recovery	67.579	52.780	50.133

Source: Central Energy Fund

Rand and Brent Crude Oil View

At midday the Rand was quoted at R13.15 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. Analysts also attribute the Rand weakness to rising concerns of strike action in the mining sector, raising expectation of a US interest rate hike, low global commodity prices on the back of weakening Chinese demand and increased chance of credit rating downgrade.

The Brent crude oil price has generally been under pressure on the back of expected increases in supplies. OPEC has increased its output by almost 1.4 million barrels per day since January 2015. Moreover, Iran is expected to add significant supplies in the world market early next year. At the time of writing, Brent crude was traded at US$43.52 per barrel.

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