

## SIGNIFICANT FUEL PRICE INCREASES EXPECTED IN APRIL: 10 March 2015

*The Rand has significantly weakened to its lowest levels since December 2001. As of today (10 March 2015), the Rand has weakened by 5% month-on-month. At the same time, Brent crude oil prices gained a mere 0.1%. As of 1 April a fuel levy of 80.5 (50c/l Road Accidents fund and 30.5c/l general fuel tax) cents per litre will come into effect. Consequently, in the coming month, we expect a significant increase in domestic fuel prices. On 1 April 2015, petrol and diesel prices are expected to increase by R1.92 and R1.57 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 of these factors are contributing to the 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	(101.802)	(67.226)	(67.706)
Movement in Exchange Rate	(9.740)	(9.629)	(9.709)
Average Unit Over / (Under) Recovery	(111.542)	(76.855)	(77.415)

Source: Central Energy Fund

### Rand and Brent Crude Oil View

The Rand is at its weakest levels against the US dollar since 2001 as emerging market currencies tumbled. This comes after Friday's US payroll report indicated that the US economy added more jobs than market expectations. The US unemployment rate fell to 5.5%, the lowest in almost seven years, as employers added 295 000 jobs in February, compared with 239 000 the previous month.

The improving labour market in the US is fuelling speculation that the US Fed might raise interest rates, a move that would draw capital to the dollar and away from emerging markets, including South Africa. The significant fall in the Rand value highlight the

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vulnerability of emerging market currencies to an earlier than anticipated US interest rate hike. At midday (12h00pm), the Rand was trading around R12.25 to the US dollar.

Brent crude oil price is receiving some support from ongoing geopolitical tension in the Middle East (Libya and Iraq). At midday (12h00pm) the Brent crude oil was trading around \$57.76 a barrel.

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