

October 27, 2016 FUEL REPORT

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Fuel Price changes render no relief

No relief in sight as fuel prices are expected to increase again in November. Estimates from the Central Energy fund suggest that the petrol (95) and diesel (0.05%) prices could increase on 2 November 2016 by 45 cents per litre (c/l) and 63c/l, respectively.

From the table below, it is clear that the increase in international product prices was the main contributor to the current under recovery of fuel prices.

ANALYSIS MOVEMENT OF AVERAGE OVER/(UNDER) RECOVERY			
	<i>Petrol 95</i>	<i>Diesel 0.05%</i>	<i>Diesel 0.005%</i>
Movement in International Product Prices	(47.140)	(65.517)	(65.556)
Movement in Exchange Rate	1.642	1.609	1.618
Average Unit Over/(Under) Recovery	(45.499)	(63.907)	(63.937)

Source: Central Energy Fund

Economic factors affecting the Petrol and Diesel Prices

Brent crude oil traded well above the \$50 mark since the beginning of October following OPEC's decision to cut supply. However, with the recent increases in the US stockpiles, we saw a decline where oil prices were hovering slightly above the \$50 mark. Higher Brent crude oil prices may lead to increased domestic fuel prices. At the time of writing, Brent crude oil was trading at US\$50.17 per barrel.

The current ZAR/USD average is below the average of the previous month, however, the rand depreciated against the US dollar following political issues surrounding the Finance Minister, Pravin Gordhan in the previous weeks. We have seen a recovery of the rand this week but the movements in the exchange rate are not enough to support a decrease in the diesel prices. At the time of writing, the rand was trading at around R13.88 to the US dollar.

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