

On the coming month, producers might see significant cut on fuel prices. Petrol and diesel prices are expected to respectively decrease by 75 and 52 cents per litre on December 3rd.

Contributing Factors to Diesel and Petrol Prices

The domestic fuel prices are mainly influenced by the international product prices, as well as the exchange rate movements. Currently, the exchange rate movement is contributing to the under-recovery of fuel prices, but overshadowed by international product prices (*see table below*).

ANALYSIS MOVEMENT OF AVERAGE OVER/ (UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	77.114	54.232	54.352
Movement in Exchange Rate	(1.952)	(2.051)	(2.069)
Average Unit Over/ (Under) Recovery	75.162	52.181	52.283

Source: Central Energy Fund

Rand and Brent Crude Oil View

The rand has slightly firmed against the US dollar, despite the Reserve’s Bank decision to keep the repo rate unchanged at 5.7%. The fact that the rand did not weaken after the rates announcement shows that market participants had expected the rates to remain unchanged. This morning (09:52am), the rand was trading around R10.9651 to the US dollar.

Brent crude oil prices are still trading at low levels, at 09:55am was around \$79.58 a barrel. The significant decreases in oil prices are due to reduction in US oil imports, slow economic growth in the Euro zone and China, as well as increase oil supplies from the OPEC. However, the speculations around the possibility of an OPEC production cut at their meeting on November 27th, as well as upbeat US economic data might provide support to oil prices.

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