

Fuel price drop likely in December

Date: 24 November 2016

By *Michelle Mokone*

Fuel prices are likely to decrease in December easing pressure from the previous hikes. Information from the Central Energy Fund suggests that petrol and diesel prices are pointing towards a decrease on 07th December 2016.

It is expected that Petrol (95) could go down by 42 cents per litre (c/l), diesel by 38 c/l.

Final fuel price changes will depend on the performance of the rand and the movements in international product prices, but for now both factors have been working in favour of a price drop. As seen in the table below; it is clear that both factors are contributing to the current over 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	39.071	35.194	34.373
Movement in Exchange Rate	3.204	3.119	3.144
Average Unit Over/(Under) Recovery	42.275	38.313	37.517

Source: Central Energy Fund

Economic factors affecting fuel prices

Brent crude oil prices started the month below the \$50 mark and have extended declines at the back of increased stockpiles in the US and uncertainty surrounding OPEC's decision to limit output. However, oil has been recovering ahead of an OPEC meeting which will be held later this month. According to Iranian Oil minister, oil may continue to extend gains to US\$55 a barrel if an agreement is reached and non-OPEC producers cooperate. At the time of writing, Brent crude oil was quoted at around US\$48.56 per barrel.

The rand started the month on a good foot at the back of a seemingly stable political climate in South Africa; trading below the R14 mark to the US dollar. It has since retreated following the US presidential elections, which rendered a Trump victory and a strengthening dollar, however, the current ZAR/USD average is below the average of the previous month, which supports a fuel price drop. At the time of writing, the rand was quoted at around R14.13 to the US dollar.

Disclaimer: The information herein has been obtained from various sources, the accuracy and/or completeness of which Grain SA does not guarantee and for which Grain SA accepts no liability. Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration.