

ANOTHER FUEL PRICE HIKE FOR SEPTEMBER

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According to the press release from the Central Energy Fund, on Wednesday, the 6th of September 2017; petrol price (95) is going to increase by 47 cents per litre (c/l) and diesel price by 44 c/l. The Minister of Energy has approved a retail margin increase on petrol of 4.6 c/l with effect from 06 September 2017.

Domestic fuel prices are mainly influenced by the international price movements as well as movements in the exchange rate. As per the below table, it's clear that the movements in exchange rates and movements in International Product Prices both contributed 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	(59.312)	(41.342)	(42.012)
Movement in Exchange Rate	(2.879)	(2.739)	(2.769)
Average Unit Over/(Under) Recovery	(62.191)	(44.081)	(44.781)

Source: Central Energy Fund

Economic factors affecting the Petrol and Diesel Prices

The average Rand/US dollar for the current period is R13.22, weaker than R13.15 of the previous period. The depreciation of the rand has led to an increase in the contribution to the Basic Fuels Price, as seen in the movements in exchange rate. At the time of writing, the Rand was trading at around R12.93 to the dollar.

Recently, Brent crude oil prices remained relatively volatile, with gains capped by rising US production. Damage caused by Hurricane Harvey last week caused refineries to shut down, causing a backlog of oil supplies which supported US gasoline prices. It is expected that production would commence this week however US petroleum recovery could take months. At the time of writing, Brent crude oil was trading at around US\$52.26 per barrel.