

A successive fuel price drop on the horizon for July

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It's expected that fuel prices for July could be going down. According to the information from the Central Energy Fund, petrol and diesel prices are likely to decrease on 05 July 2017. Petrol (95) is expected to decrease by 66 cent per litre (c/l) and diesel (0.05%) by 59 c/l.

Final fuel price changes will however depend on the performance of the rand and the movements in international product prices. As seen on the table below, both the movements in international product prices and exchange rate are contributing towards a price decrease.

ANALYSIS MOVEMENT OF AVERAGE OVER/(UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	62.835	56.068	56.695
Movement in Exchange Rate	3.196	3.067	3.091
Average Unit Over/(Under) Recovery	66.031	59.134	59.785

Source: Central Energy Fund

Economic factors affecting fuel prices

Brent crude oil prices came under pressure this week, extending losses and currently trading at a 7-month low. This is mainly due to an increasing global oil supply. Several key oil producers have increased their oil production which has overshadowed high compliance by OPEC and non-OPEC producers who have curbed supply in order to support the oil prices. At the time of writing, Brent crude oil was trading at around US\$44.56 per barrel.

The local currency was trading below the R13 mark in June, mainly supported by some economic data released that gave support to the rand. However, the rand started off the week on weaker levels amid a report by the Public Protector which suggests that changes to the currency laws be effected in the Constitution. At the time of writing, the rand was trading at around R13.02 to the dollar.

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