

UPDATE: South African fuel prices to ease in the coming month – 16 August 2016

- Preliminary estimates from the Central Energy Fund suggest that petrol and diesel prices could decrease by 65 cents per litre (c/l) and 89 c/l, respectively, on 7 September 2016. This could bring the retail price of petrol (95 unleaded) to R11.70 per litre from the current level of R12.35 per litre. At the same time, diesel price (0.05%) could decrease to R10.07 per litre from the current levels of R10.96 per litre (**Chart 1**).
- The key driver behind this expected decrease is the strengthening Rand against the US Dollar, as well as relatively lower Brent crude price. This month the Rand has strengthened by 6% against the US Dollar, averaging at R13.61, compared to an average of R14.40 in July 2016. At the same time, Brent crude oil price has averaged \$44.66 a barrel, down by 4% from July 2016 average price of US\$46.66 a barrel.
- In grain production, diesel makes up roughly 11% of the total production costs. At the moment, the industry is at final stages of harvesting, therefore fuel usage is at relatively lower levels across many farming regions.
- That said, grain deliveries are still ongoing in some areas of the country, consequently fuel consumption could be higher amongst grain transport participants. In the week ending 05 August 2016, South Africa’s total maize producer deliveries for “week 1 to 14” were estimated at 5.2 million tons. With total maize production estimated at 7.3 million tons, this suggests that more maize is yet to be delivered in the coming weeks. Additionally, a large part of the expected grain imports could be transported by road. Given that, 80% of South Africa’s grain¹ is normally transported by road (**Chart 2**). Therefore, the expected fuel price decrease might bring much needed relief in the food sector and consumers.

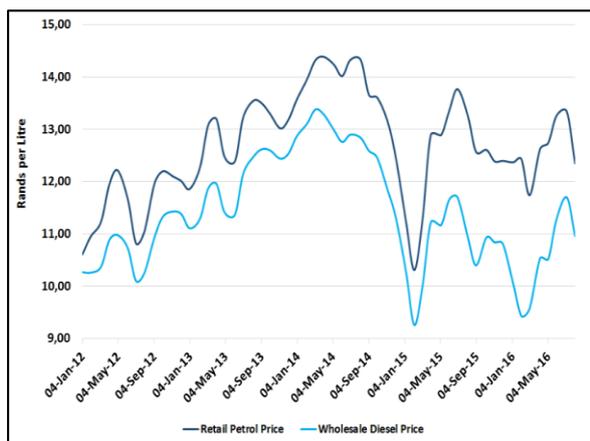


Figure 1: Retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

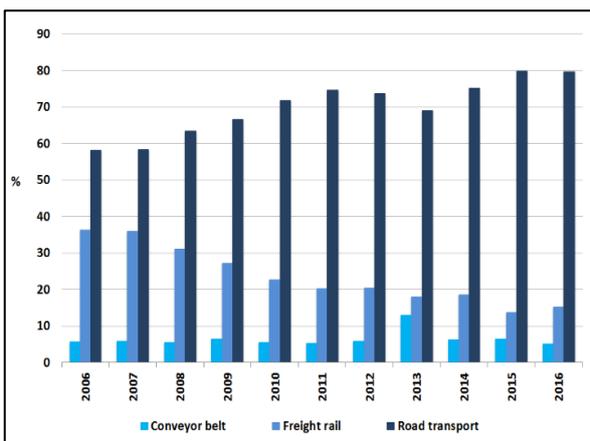


Figure 2: South African grain transport by component

Source: SAGIS, Agbiz Research

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¹ In this context “grain” represents only maize and wheat.

