

UPDATE: South African fuel prices set to increase next month – 19 October 2016

- Preliminary estimates from the Central Energy Fund suggest that petrol and diesel prices could increase by 47 cents per litre (c/l) and 65 c/l, respectively, on 02 November 2016. This could bring the retail price of petrol (95 unleaded) up to R13.07 per litre from the current level of R12.60 per litre. At the same time, diesel price (0.05%) could increase to R11.36 per litre from the current level of R10.71 per litre (**Chart 1**).
- This expected fuel price increase is underpinned mainly by the recent rise in Brent crude oil prices, which have been trading above the US\$50 per barrel for the past 12 days. Brent crude oil price gained support following last month's agreement by OPEC members to freeze oil production between 32.5 million and 33.0 million barrels per day—details of this will be discussed at the next OPEC meeting. This month, Brent crude oil price averaged \$51.88 a barrel, up by 10% from September 2016 average price of US\$47.36 a barrel. Although the ZAR/USD exchange usually plays a key role in determining domestic fuel prices, this month it had minimal impact— in fact, the Rand slightly strengthened by 0.2% against the US Dollar, averaging at R14.00 (This compared to an average of R14.03 in September 2016).
- At this time of the year, planting period, crop farmers use large volumes of fuel. In grain production, **fuel accounts for approximately 11% of the total variable costs**. Farmers in the eastern side of the country have started with soil preparation, with sowing activity set to continue until early January 2017 (**Chart 2**). Therefore, it would be ideal for farmers and agribusinesses to consider stocking fuel before the end of this month. In doing that, they could potentially save 4% and 6% for every litre of petrol and diesel purchased, respectively. This could come handy given the current economic environment. Weather forecasts currently present a promising position for the country, with expected rainfall varying between 10 and 70 millimetres over the next 16 days.

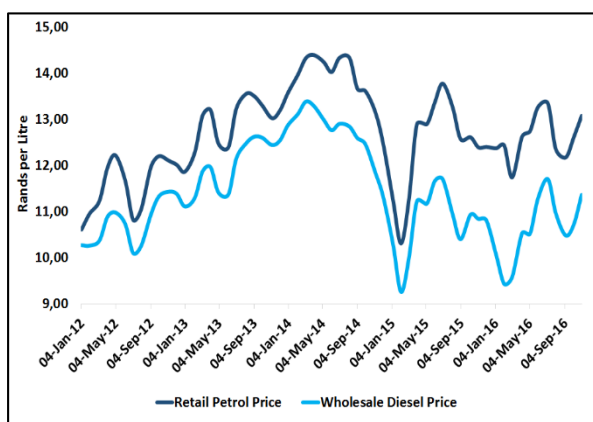


Chart 1: Retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

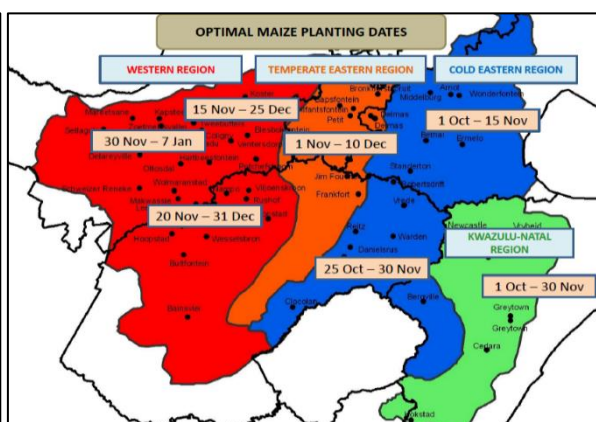


Chart 2: RSA optimal maize planting dates

Source: Grain SA, Agbiz Research

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