

UPDATE: South African fuel prices set to drop next month – 15 November 2016

- Preliminary estimates from the Central Energy Fund suggest that petrol (**95 ULP Inland**) and diesel (**0.05% Wholesale Inland**) prices could decline by 45 cents per litre (c/l) and 39 c/l, respectively, on 07 December 2016. This could bring the retail price of petrol down to R12.60 per litre from the current level of R13.05 per litre. At the same time, diesel price could drop to R10.96 per litre from the current level of R11.35 per litre (see **Chart 1**).
- This expected fuel price decrease is mainly underpinned by the recent fall in Brent crude oil prices, which have been trading below the US\$50 per barrel mark for the past 11 days. Brent crude oil price has largely been underpinned by large global supplies, as well as uncertainty regarding OPEC's planned production freeze. This month, Brent crude oil price averaged US\$46.09 a barrel, down by 10% from October 2016 average price of US\$51.44 a barrel. Moreover, the strengthening of the ZAR/US\$ exchange also played a positive role on the expected fuel decrease. This month, the Rand slightly strengthened by 1% against the US Dollar, averaging at R13.75 (This compared to an average of R13.94 in October 2016).
- This relief is set to come at a time when most summer crops farmers will already be towards the final stages of plantings. That said, producers in the western regions of the country will still be within the optimal planting window, therefore in a better position to possibly benefit from the expected price decrease (see **Chart 2**). Overall, the agricultural sector is in the summer crop growing season, therefore, fuel consumption is likely to remain at relatively higher levels over the coming months. Given the expected fuel price decrease, it would be ideal for farmers and agribusinesses to slow down on fuel purchases this month and only start re-stocking up next month. In doing that, they could potentially save 3% for every litre of petrol and diesel purchased, respectively. This could come handy given the current economic environment.

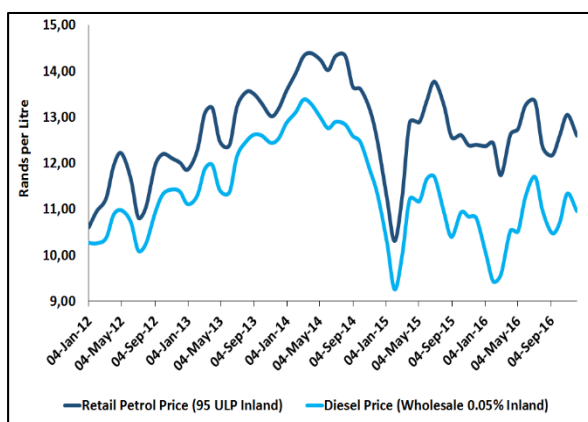


Chart 1: Retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

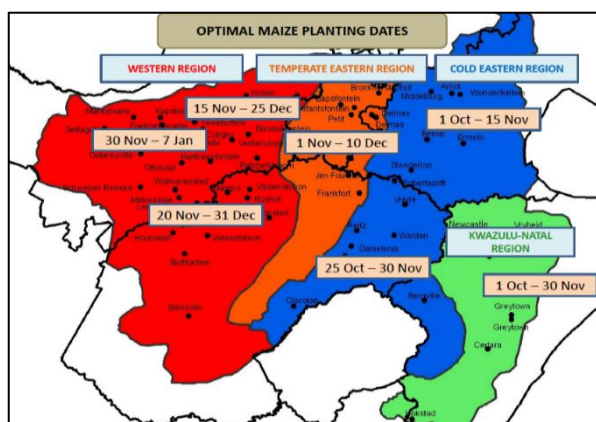


Chart 2: RSA optimal maize planting dates

Source: Grain SA, Agbiz Research

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