

UPDATE: South African fuel prices set to increase next month – 16 January 2017

- **Preliminary estimates from the Central Energy Fund suggest that petrol (95 ULP Inland) and diesel (0.05% Wholesale Inland) prices could increase by 44 cents per litre (c/l) and 38 c/l, respectively, on 01 February 2017. This could bring the retail price of petrol up to R13.77 per litre from the current level of R13.33 per litre. At the same time, wholesale diesel price could increase to R11.79 per litre from the current level of R11.41 per litre (see Chart 1).**
- This expected fuel price increase is largely underpinned by higher Brent crude oil prices, which have been trading above the US\$50 per barrel mark since 01 December 2016. This month, Brent crude oil price averaged US\$55.87 a barrel, up by 2% from December 2016 average price of US\$54.98 a barrel. Brent crude prices have generally been supported by expectations that OPEC and other oil producers will cut output as part of a deal to curb global oversupply.
- The impact of the ZAR/US\$ exchange, which is also a determinant factor of domestic fuel prices, has been minimal this month. The Rand strengthened by 1% against the US Dollar, averaging at R13.66 - compared to an average of R13.86 in December 2016. Moreover, these minimal gains in the ZAR/US\$ exchange were offset by the higher Brent crude oil price.
- **Implications** – February month could see a relatively lower fuel consumption in primary agriculture, as planting season will already be over. However, the agribusinesses, particularly logistics companies could see an increase in activity due to expected grains and oilseeds imports over the next few months. One of the major commodities to be imported is maize. The total maize imports currently stand at 1.78 million tons, which is 66% of the seasonal import forecast (2.70 million tons). The balance is set to be imported over the next three months. Worth noting is that about 80% of South Africa's grain is normally transported by road, therefore, the expected fuel price increase will add pressure on the food value chain (see Chart 2).

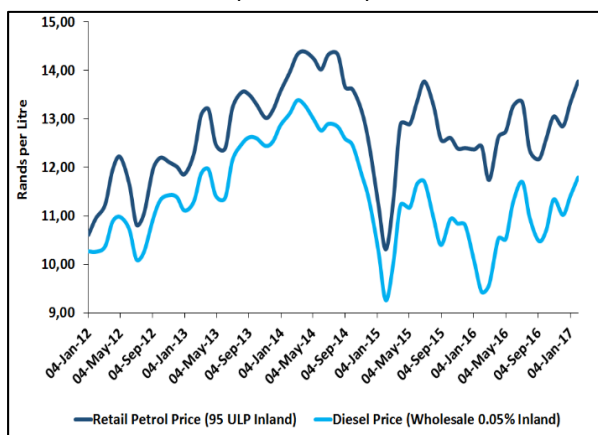


Chart 1: Retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

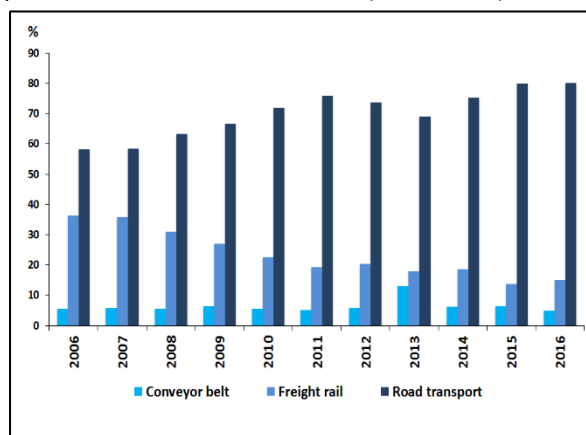


Chart 2: South African grain transport by component

Source: SAGIS, Agbiz Research

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