

A 2% uptick in fuel price on the cards in August 2017

After experiencing two consecutive monthly declines, fuel price is set to increase on 02 August 2017. A notable uptick will be on diesel price which could be 2% from the previous month, whereas petrol might only increase by a mere 0.6%. Although this fuel price increase is set to come during a relatively quiet period in the agricultural sector, maize and some horticultural growing areas will still be at final stages of harvesting. Also worth noting is that more than 80% of South Africa's grain is transported by road, thus increasing the exposure of the sector to fuel price fluctuations.

- Diesel (0.05% Wholesale Inland) and petrol (95 ULP Inland) prices could increase by 20 cents per litre (c/l) and 8 c/l respectively, on 02 August 2017. This increase could lift the wholesale diesel price to R11.17 per litre from R10.97 per litre in July 2017. At the same time, the retail price of petrol could increase to R12.94 per litre from the current level of R12.86 per litre.
- This expected fuel price increase is largely on the back of relatively higher Brent crude oil prices, which averaged US\$51.75 a barrel this month, up by 8% from June 2017. The ZAR/USD exchange also played a major role, after weakening by 3% from the previous month, averaging R13.33 this month.
- Given the expected fuel prices increase, the agricultural sector will experience an upward pressure on input costs, as this coincides with the harvesting period for maize and some horticulture growing areas of the country. In addition, agribusinesses that operate in the aforementioned industries will also feel the pressure, particularly the ones that operate in the transport space.

Wandile Sihlobo (wandile@agbiz.co.za)

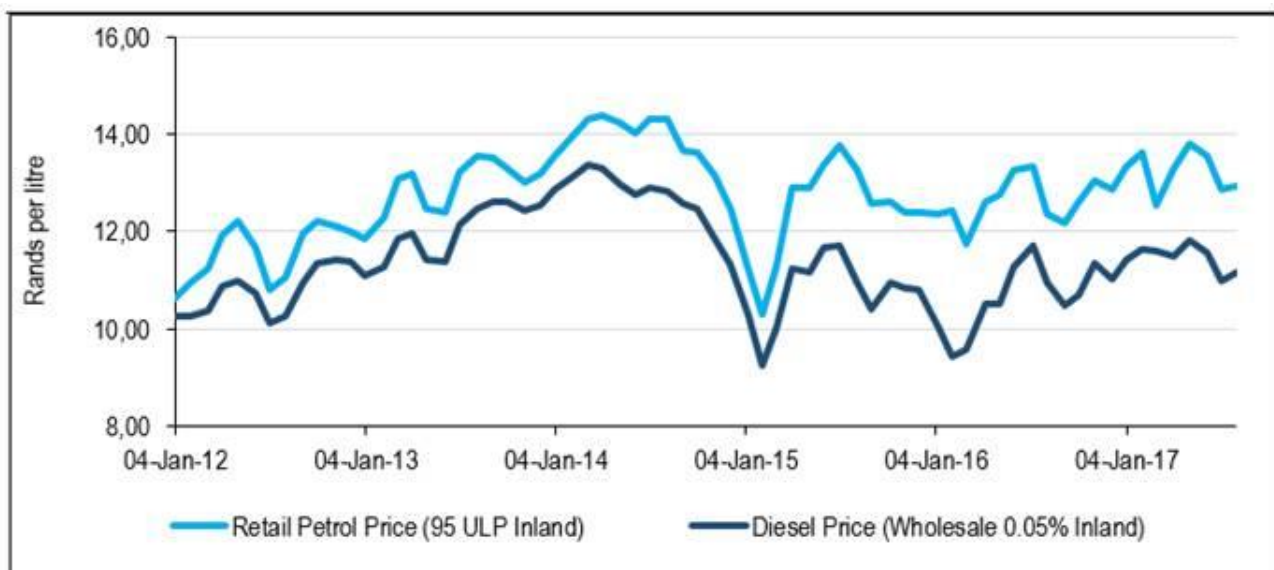


Chart 1: SA retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

Disclaimer: Everything has been done to ensure the accuracy of this information, however, AGBIZ takes no responsibility for any loss or damage incurred due to the usage of this information.