

UPDATE: SA fuel prices set to increase further in December 2017

The South African fuel prices could increase further on 06 December 2017. While it is relatively early to be certain about the scale, the current estimates suggest that prices of petrol and diesel might increase by 5% and 3% from the previous month. This is mainly driven by higher Brent crude oil prices, as well as a relatively weaker domestic currency. The increase will add pressure on farmers as it coincides with the planting period, particularly in the western regions for summer crops, where the optimal planting window for grains and oilseeds only closes in early January 2018. As we set out in our previous note, fuel makes up 11% of grain production costs, and a notable share is utilised during planting.

- Petrol (95 ULP Inland) and Diesel (0.05% Wholesale Inland) prices could increase by 74 cents per litre (c/l) and 63 (c/l) respectively, on 06 December 2017. This could subsequently lift the retail price of petrol to R14.47 per litre from the current level of R14.05 per litre – the highest levels on record in a dataset starting from January 2010. At the same time, the wholesale diesel price could increase to R12.75 per litre from R12.35 per litre in November 2017 – highest levels since August 2014.
- This expected fuel price increase is largely driven by relatively higher Brent crude oil prices, which averaged US\$62.52 a barrel this month, up by 8% from October 2017. The ZAR/USD exchange also played a major role, after weakening by 4% from the previous month, averaging R14.20 at the time of writing.
- Above all, the expected uptick in fuel prices will increase farmers' and agribusinesses' input costs, both in summer and winter crop-producing regions. Winter crop harvest process will still be underway in December 2017, especially the areas that planted late in the season. The agribusinesses that operate in the transport industry will also feel the pressure on input costs, as more than 80% of maize stock is transported by road.

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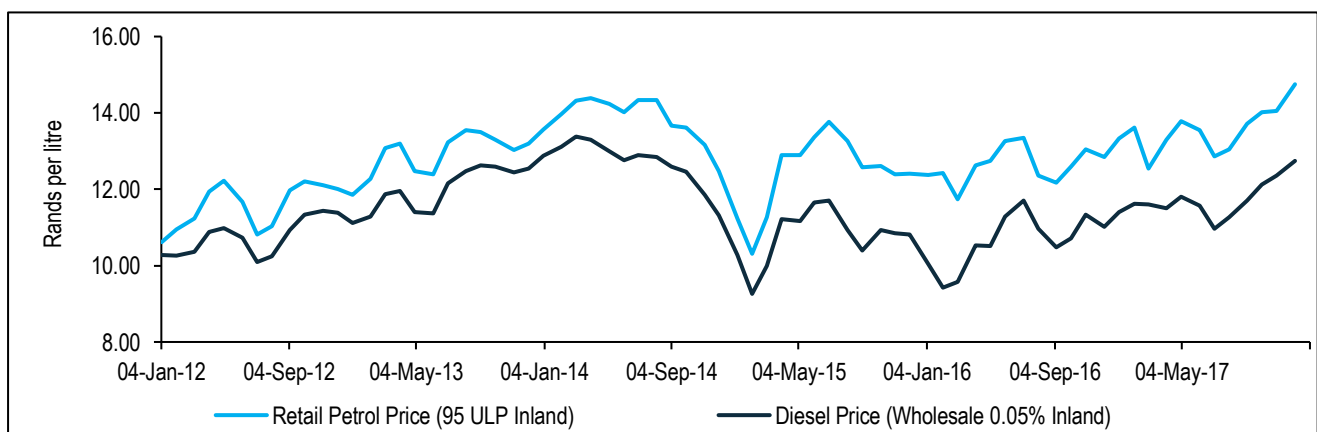


Chart 1: SA retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

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