

Fuel price drop likely in December

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Fuel prices are likely to decrease in December easing pressure from the previous hikes. Information from the Central Energy Fund suggests that petrol and diesel prices are pointing towards a decrease on 07th December 2016.

It is expected that Petrol (95) could go down by 47 cents per litre (c/l), diesel by 40 c/l.

Final fuel price changes will depend on the performance of the rand and the movements in international product prices, but for now both factors have been working in favour of a price drop. As seen in the table below; it is clear that both factors are contributing to the current over recovery of fuel prices.

ANALYSIS MOVEMENT OF AVERAGE OVER/(UNDER) RECOVERY			
	<i>Petrol 95</i>	<i>Diesel 0.05%</i>	<i>Diesel 0.005%</i>
Movement in International Product Prices	38.340	32.538	31.736
Movement in Exchange Rate	8.302	8.095	8.160
Average Unit Over/(Under) Recovery	46.642	40.634	39.896

Source: Central Energy Fund

Economic factors affecting fuel prices

Brent crude oil prices started the month below the \$50 mark and have extended declines at the back of increased stockpiles in the US and uncertainty surrounding OPEC's decision to limit output. Lower oil prices are supportive of a decrease in domestic fuel prices. At the time of writing, Brent crude oil was quoted at around \$46.10 per barrel.

The rand started the month on a good foot at the back of a seemingly stable political climate in South Africa; trading below the R14 mark to the US dollar. It has since retreated following the US presidential elections, which rendered a Trump victory, however, the current ZAR/USD average is below the average of the previous month, which supports a price drop. At the time of writing, the rand was quoted at around R14.24 to the US dollar.