

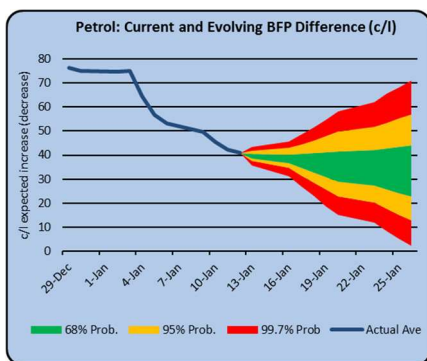
February 2017 fuel price increases will add pain to consumers' new year  
13 January 2017

Consumers' post-Christmas blues are set to continue as fuel prices will rise again on February<sup>st</sup> Our forecast of last week indicated an expectation of a 38c/l increase in Unleaded 95 Petrol. This has diminished marginally to 33c/l (+/- 10.6 c/l) as the Rand strengthened over the past week. Our expectation for Diesel is that the wholesale price will increase by 29c/l (+/- 9.3c/l). However, our certainty of price increases has increased to 100%.

These expectations are better than the current under-recovery because the daily under-recoveries are less than the average so far this month.

Although it's too early to make any sort of statistical forecast for what March might bring, if the oil prices and the USD ZAR exchange rate remain near current levels, some small relief might be forthcoming.

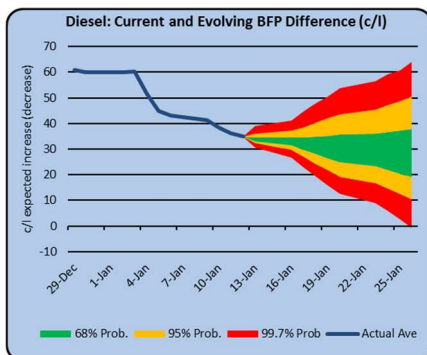
Next price change takes place on 01-Jan-17	Inland Price (R/l)	Current (Under)/Over recovery (c/l)	Probability of increase	Probability of decrease	Price Change Expected (c/l)	Margin of error (c/l)
Petrol 95 Retail	13.33	(40.84)	100.0%	0.0%	33	10.6
Diesel 500ppm Wholesale	11.41	(34.90)	99.8%	0.2%	29	9.3



The graphs to the left show the current average price difference between market rates and the current Basic Fuel Price (BFP) and varying ranges of future outcomes based on 1, 2 and 3 standard deviations.

They are based on market data from 29 Dec – 12 Jan, comprising 11 of the 21 data points in the current cycle, and 10,000 possible price scenarios for the remaining 10 business days.

The forecasts are formulated based on actual historical moves, using specifically designed forecasting tools, and not on subjective market predictions for the oil price or the USD/ZAR exchange rate.



As with any statistical forecast, as more data becomes available, the forecast will become increasingly accurate, and the range of possible price changes will reduce.

Back testing of our forecasts shows that at this stage of the cycle our forecast is within the margin of error 60% of the time, as opposed to the statistically expected outcome of 68%.

All data is sourced from data published by CEF, including historical data from March 2014. <http://www.cefgroup.co.za/petrol-price/>

Contact Jayson Dunne on 082 900 1561 or 010 900 4951 for more information.

Rubicon Risk Advisory Services specialises in Monte Carlo simulation, assisting executives in their decision-making processes, avoiding many common psychological traps such as Confirmation Bias, Cognitive Dissonance and Group Think.