

## February 2017 fuel price increases slightly lower than forecast last week

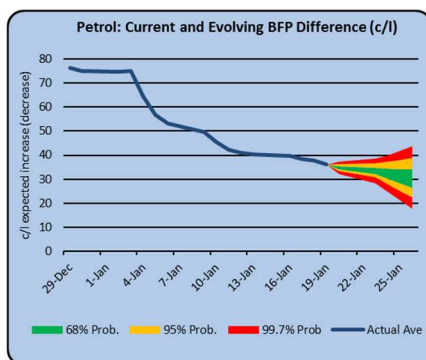
20 January 2017

Last week our forecast indicated at 33c/l increase for petrol (+/- 10c) and a 29c/l increase in diesel (+/- 9c). Due to a marginally stronger Rand and lower international product prices over the past week, the forecast increases have dropped, but within last week's stated margin of error.

The margin of error this week is much lower than last week due to fewer averaging days remaining in the cycle. There seems to be a small error in the CEF averaging data this month that could affect this forecast by up to 2 c/l.

We mentioned last week that the likelihood of a price drop in March looked good despite no strong statistical case. We maintain this view given the falling daily BFP rate, which will likely end the current cycle somewhere around 20c/l lower than where the BFP for February will be set. This increases our confidence of a fall in prices in March. Next week we will be able to provide greater clarity on this.

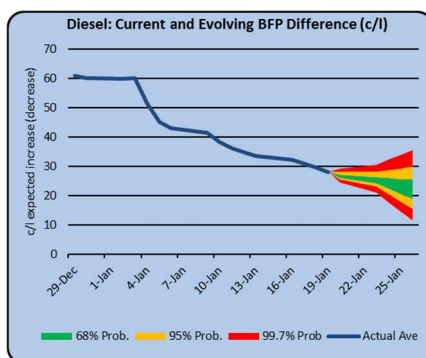
Next price change takes place on 01-Feb-17	Inland Price (R/l)	Current (Under)/Over recovery (c/l)	Probability of increase	Probability of decrease	Price Change Expected (c/l)	Margin of error (c/l)
Petrol 95 Retail	13.33	(34.30)	100.0%	0.0%	30	3.7
Diesel 500ppm Wholesale	11.41	(26.11)	100.0%	0.0%	22	3.3



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 – 19 Jan, comprising 16 of the 21 data points in the current cycle, and 10,000 possible price scenarios for the remaining 5 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 65% 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.