

March 2017 Fuel Price set for a small drop before potential tax or levy changes  
17 February 2017

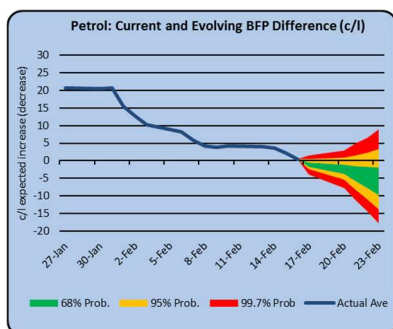
Last week were marginally in favour of a small price rise, but with low certainty. However, the strength of the rand over the last week has altered this to a high level of certainty of a small price drop.

Last week we forecast a hike with 56% likelihood, being a 2c/l price hike for petrol with an 11c/l margin of error. This week we see a 92% likelihood of a price drop, with the expected drop at 6c/l and a margin of error of 3.9c/l. Our Forecast for Diesel has undergone a very similar change.

As we mentioned over the last 2 weeks, the present parliamentary timetable has meant that direction was likely to be driven by political event. This has not been the case, and in fact the rand seems to have shrugged off all parliamentary activity.

We must remind readers that our forecast considers only the Rand price of the petroleum product (as per CEF) when making forecasts, and it's highly likely that our forecast price drop will be reversed by increased taxes or levies imposed by the Treasury in next week's budget speech.

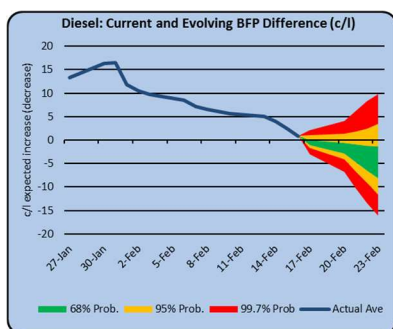
| Next price change takes place on 01-Mar-17 | Inland Price (R/l) | Current (Under)/Over recovery (c/l) | Probability of increase | Probability of decrease | Price Change Expected (c/l) | Margin of error (c/l) |
|--|--------------------|-------------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------|
| Petrol 95 Retail                           | 13.62              | (0.47)                              | 8.0%                    | 92.0%                   | (6)                         | 3.9                   |
| Diesel 500ppm Wholesale                    | 11.63              | (0.90)                              | 9.6%                    | 90.4%                   | (5)                         | 3.4                   |



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 27 Jan – 16 Feb, comprising 10 of the 20 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 75% 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>

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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.