

March 2017 Fuel price change small, but strong forecast can already be made for April
24 February 2017

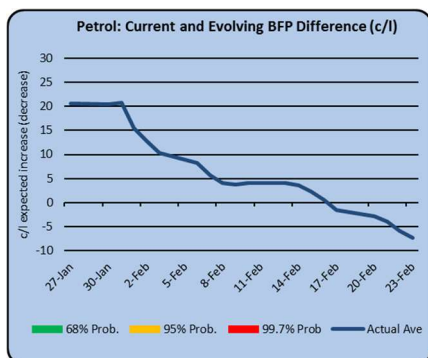
Both diesel and petrol BFP rates will drop in March, by 2c/l and 7c/l respectively.

The changes to be made are all within the forecast we made over the last 3 weeks, and marginally outperforming the expected 1 standard deviation margin of error.

The trending strength of the Rand over this pricing cycle has meant that while the BFP will drop an expected 7c/l, from 620.87c/l to 613.87c/l, the final day's observation is 584.43 c/l. the effect of this is that we can already make a strong forecast for the expected price change in April. At this stage, there is a greater than 75% chance of a drop in the BFP in April. The expected decrease is around 17c/l, but with a high margin of error of 24c/l. If prices stay near their current levels, by next week the confidence of a price drop in April will be more than 90%.

This will go some way to alleviating the pain caused by the 39c/l increase due to the revised taxes and levies as announced by the Finance minister in his 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)	0.0%	100.0%	(7)	0
Diesel 500ppm Wholesale	11.63	(0.90)	0.0%	100.0%	(2)	0



The graphs to the left show the current average price difference between market rates and the current Basic Fuel Price (BFP).

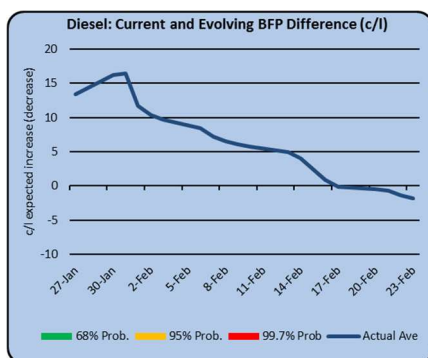
They are based on market data from 27 Jan – 23 Feb, comprising all 20 data points in the current cycle.

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.