

# Oil and rand in corona fuel crash

Globally destructive economic instability has pushed fuel prices into drastic retreat, leading to some very rare good news for South African motorists. This is according to the Automobile Association (AA), following the release of unaudited mid-month fuel price data by the Central Energy Fund.



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"Coming in the wake of March's record fuel price reductions, South Africa is probably set for a second month of record fuel price drops for some fuel types," the AA comments. "The irony is that this has come at a time where motorists and businesses are severely limited as to how they can use their vehicles."

The mid-month data showed petrol down by a massive R1,89 a litre, with illuminating paraffin dropping by R1,88 and diesel by R1,17.

## A reduction in global oil production

The AA says that the factors that initially caused the plunge in oil prices before the Covid-19 pandemic placed much of the world in lockdown, has now been resolved.

"The spat between Russia and Saudi Arabia has ended with an agreement which is expected to see global oil production reduced by nearly ten million barrels a day in a bid to support oil prices. However, it may be a case of too little, too late.

"World commerce has all but collapsed in the wake of the COVID-19 pandemic. Even assuming a rapid end to the pandemic, it will take many months for the global economy to work up a new head of steam, and possibly years before it returns to pre-COVID-19 levels. We expect it to be a long while before substantial oil price hikes are a reality," notes the AA.

## **Market remains highly volatile**

The AA says that even the rand's vast crash against the US dollar since March has not been enough to offset the steep decline in oil prices.

"The rand has gone from an average exchange rate against the dollar of R15,65 on 2 March to its current level of around R18,25. In any other circumstances, a crash of 17% in six weeks would see South Africans facing a massive fuel price hike. Instead, we are set for another large drop."

The AA says the market remains highly volatile and cautions these figures could be very different by month-end. "But as matters currently stand, when South Africans come out of lockdown at the end of April, fuel prices will be around three rand a litre lower than when they went in," the AA concludes.

It is expected that the fuel price will continue to drop during May.

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