

Press release – FNB

Fourth consecutive fuel hike will hit the consumer

Commentary from Paul Makube, senior agricultural economist at FNB AgriBusiness

03 July 2018 – As expected, another fuel hike is scheduled for midnight Wednesday 4th which is going to hit the consumers hard.

According to the Department of Energy, petrol (95 ULP & LRP) will increase by 26 and 23 cents a litre for the two grades of petrol respectively. The diesel prices go up by 24 and 22 cents a litre for the two grades (0.05% and 0.005% sulphur) respectively. This means the 95 ULP petrol will reach a record high of R16.02 a litre and R15.80 a litre for the inland and the coastal areas respectively. The cost of the 0.05% (wholesale) grade of diesel will be R14.45/l.

While consumer inflation (CPI) remains contained within the target range of 3% to 6% as set by the SARB, consumers can expect the cost of traveling and transporting goods to start rising immediately. Particularly hit will be the poorest households who spend a large portion of their income on transport.

The cost of producing and transporting agriculture commodities will also come under pressure as over 80% of grain is transported by road. These costs will eventually be passed on to the consumer up the value chain as businesses struggle to absorb the added costs. Grain is currently harvested and heading for the silos, this becomes an added cost although some producers purchase diesel in advance.

The new season will begin on a negative note with almost all inputs in grain production increasing. The higher crude oil price is a double whammy due to the direct influence on the fuel price and the indirect influence on oil derivatives such as fertiliser, pesticides and herbicides all of which are inputs in crop farming. The consumer will simply have to ride this wave out.

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