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PRICE OF FUEL



SOUTH Africa's latest fuel price increases are set to hit household budgets, transport costs and inflation, with economists warning that the pressure could persist into 2027. | CHATGPT

Fuel shock pushes South African consumers towards a costly festive season

ASHLEY LECHMAN

SOUTH African motorists face the most expensive petrol prices on record after the latest fuel price increases, with economists warning that the shock will extend well beyond the pump and could put further pressure on inflation, interest rates and household finances.

The increases, announced by Mineral and Petroleum Resources Minister Gwede Mantashe, take effect from Wednesday, October 7.

The price of 95 octane petrol rises by R3.33 a litre, while 93 octane petrol increases by R3.12.

Diesel prices will rise by R2.84 a litre for the lower sulphur grade and R3.24 for the higher grade, while illuminating paraffin and LPG prices are also increasing.

Frank Blackmore, Lead Economist at KPMG South Africa, said the sharp increases were largely driven by higher international energy prices, with oil rising from about \$88 a barrel to around \$101 during the period under review.

At the same time, the rand provided little relief, remaining at about R16.21 to the United States (US) dollar.

"This increase is a notable increase and puts us at the most expensive petrol prices we've seen to date," Blackmore said.

He warned that the impact would extend into the broader economy because South Africa remains heavily reliant on road freight.

"With inefficient rail system, most of the goods in South Africa need to be transported by truck, and those trucks primarily operate on diesel fuel," Blackmore said. The combination of higher fuel prices and transport costs is expected to feed into inflation, potentially pushing it closer to 5%.

Blackmore said this could also increase the prospect of another interest rate increase in November, putting further pressure on consumers already dealing with higher living costs.

Pressure builds on household budgets
The latest increase comes after petrol prices have already climbed sharply during the year.

According to Neil Roets, CEO of Debt Rescue, 95 unleaded petrol has risen from around R20 a litre in March to more than R30 a litre.

A 45 litre tank that cost just over R900 in March now costs more than R1,350, representing a substantial increase for households that rely on private vehicles for everyday travel. "We at Debt Rescue are deeply concerned about the speed and scale of the latest fuel price increases, because the impact on consumers extends far beyond what motorists pay at the pump," Roets said.

He said fuel and transport were largely non discretionary expenses, meaning consumers still need to travel to work, take children to school and meet everyday responsibilities regardless of how much fuel costs.

As transport absorbs more household income, consumers may be forced to cut spending elsewhere, including groceries, healthcare, insurance and savings.

Roets also warned that the impact would not be limited to motorists.

Higher diesel costs are expected to increase expenses across logistics, agriculture and freight, with businesses potentially passing some of these additional costs on to consumers through higher prices for food and other essentials.

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