

ECONOMY

South African households forced to rethink budgets as costs rise

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SOUTH African households are being forced to rethink their budgets as petrol prices climb above R30 a litre, with the latest increase expected to put further pressure on spending, transport costs and already stretched household finances.

For a household using 50 litres of petrol a week, the latest R3.33 a litre increase in 95 octane petrol translates into an additional R166.50 a week, or about R666 a month.

Tando Ngibe, senior manager at Budget Insurance, said the real impact of the fuel shock was not simply the amount motorists pay at the pump, but what higher fuel costs take away from other areas of household spending.

"This means that consumers are not just paying an average of R666 more a month on fuel, but their budgets will have to be squeezed even further to accommodate other daily expenses," Ngibe said.

He said households should review monthly spending across transport, groceries, subscriptions and debt repayments, while looking for opportunities to reduce unnecessary expenses and build a financial buffer.

"Budget is the key message for consumers: understand where your money is going, cut back where you can and, where possible, use any available financial room to reduce debt or build a buffer for future costs," Ngibe said.

From R20 to more than R30
The speed of the increases has also raised concerns about how quickly household budgets are being eroded.

Neil Roets, CEO of Debt Rescue,



PETROL prices above R30 a litre are forcing South African households to make difficult spending choices as fuel costs eat further into disposable income. | Supplied

said the latest increase comes after petrol prices climbed sharply from around R20 a litre in March.

In March, filling a 45 litre tank cost R913.50.

At R30.08 a litre, the same tank would now cost R1 353.60.

Roets said this means the cost of filling a tank has increased substantially in just seven months, while commuters are also facing higher transport costs.

"For households, the real concern

is not only the current price of fuel, but how quickly this essential expense has escalated in a short few months," Roets said.

"It is just not possible for family budgets to absorb repeated large increases such as these over such a short period of time.

"For many already financially distressed households, increases of this magnitude can be the point at which an already stretched monthly budget

becomes unsustainable," he said.

The pressure is particularly significant because travelling to work and other essential destinations is largely unavoidable for many consumers.

Roets said households could increasingly be forced to choose between essential expenses as transport absorbs a larger share of their income.

"Many families have already reduced discretionary spending and are now being forced to cut back on essential

expenses, including healthcare and medical aid, potentially leaving them more financially exposed when illness or accidents occur," Roets said.

The knock on effect

Higher fuel costs also extend beyond motorists, with increased diesel and transport costs likely to affect businesses involved in logistics, agriculture and freight.

Higher diesel and transport costs increase operating expenses across

South Africa's logistics, agricultural and freight sectors, where road transport plays a major role," Roets said.

"Over time, some of these additional costs are likely to filter through to consumers in the prices of food and other essential goods," the Debt Rescue CEO said.

This creates a second layer of pressure for households, which could face higher costs for everyday goods at the same time as their own transport expenses increase.

The fuel shock also comes after a recent interest rate increase, creating another potential squeeze on consumers with debt.

Investec chief economist Annabel Bishop has warned that the latest increase could push consumer inflation towards 5%, raising the prospect of another interest rate increase.

Roets said such a move would be particularly difficult for indebted households.

"For indebted consumers, another interest rate increase would place additional pressure on already financially constrained households at precisely the time that fuel, transport and other essential living costs are rising," he said.

With limited room in many household budgets, consumers are being urged to prioritise essential spending, reduce unnecessary costs and avoid taking on additional debt simply to cover recurring expenses.

For households already struggling to meet their financial obligations, Roets said professional assistance from a registered debt counsellor should be considered before debt becomes unmanageable.

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