

Fuel down, rand risk looms

Commenting on unaudited month-end fuel price data released by the Central Energy Fund, the AA has said that fuel prices for April will be lower than in March, even accounting for the 39 cents a litre rise in fuel taxes which take effect at the end of March.



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"International petroleum prices continued to ease during March on the back of increased global oil stocks which have mostly blunted OPEC's recent production restrictions," the AA said.

"Over the same period, the rand performed strongly against the US dollar, notwithstanding recent events."

The Association said, even with the fuel tax hikes, petrol was expected to drop by around 24 cents a litre, diesel by nine cents, and illuminating paraffin by ten cents.

Uncertainty persists

"However, the last day's developments have shown that uncertainty persists around key political figures in the Ministry of Finance," the AA commented.

"In our view, the Presidency was ill-advised to call off the Treasury's international roadshow at such short notice with so little

detail given. The resultant sharp weakening of the rand again demonstrates the importance of political and fiscal stability to investors."

The AA said that any further political shocks which weakened the rand would directly result in increased transport costs, as well as higher domestic costs for those who use paraffin for heating, cooking and lighting.

"Lower-income citizens are disproportionately affected by fuel price hikes arising from rand weakness. The government's lack of sensitivity towards investor risk appetite is directly contributing to increased hardship for the poor," the Association concluded.

[Note: On 1 April, an additional 30 cents will be added to the general fuel levy, bringing it up to R3.15 a litre, and an additional nine cents will be added to the Road Accident Fund levy, bringing it up to R1.63 a litre.

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