



THE ANTICIPATED FUEL PRICE HIKE IN APRIL IS LIKELY TO PUT MORE PRESSURE ON FOOD PRICES

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Fuel prices are adjusted on monthly basis, based on import parity prices. This means domestic fuel prices are set based on the cost of importing oil or fuel into the country. South Africa is a net-importer for oil and international oil price rates have a direct impact on domestic prices. In recent weeks, a surge increase in international oil prices has been observed across the globe, especially from the North American region due to higher demand linked to extreme winter conditions.

In April 2021, a significant increase in fuel prices is expected largely attributed to an increase from the global oil prices observed combined with the weakening rand against the dollar. A litre for petrol is estimated to increase by at least R1.16 to R17,48, while a litre for diesel will increase by R0.92 to R15,04. This means a litre of petrol will increase on average by 7% when compared to March 2021, and increase by 25% when compared to a year ago. A litre for diesel will increase by 6% when compared to March 2021, and by 18% when compared to a year ago. Additionally, the increase of 15% for fuel levy and 11% for road accident fund is likely to keep fuel prices elevated going forward.

While motorists are always at the forefront when fuel price increases, the agricultural industry is highly responsive to fuel price changes than other sectors for several reasons. For example, while fuel is used directly in agricultural production, other factors of production

represent a significant indirect use of fuel. When considering these factors, higher fuel prices increase the cost of production and transportation of food which is later transmitted to consumers, particularly staple foods such as maize meal, wheat and its products such as bread, and oilseeds. The reason for this is because the majority of these commodities in South Africa are transported largely by road thus sensitive to fuel price changes.

Because food prices both domestically and across the global market remain elevated since November 2020, the poor and vulnerable consumers across South Africa are going to feel the fuel prices hikes.

Though the consumer price index (CPI) data for March 2021 is yet to be published in order to make conclusive decision about food prices. Nonetheless, it's likely that food prices remained high due to issues such as the persistence in load shedding which is straining the country's economic recovery accompanied by a stagnant Covid-19 vaccine rollout processes. These factors together with fuel hikes are likely to keep food prices elevated during April.

The support grant provided by the state to the Covid-19 affected population does assist consumers, and it will be even more important in the coming weeks in light of these developments going forward and a possible extension might be needed in the near-term to further assist vulnerable consumers.