

The AA predicts a looming fuel price hike of catastrophic proportions

According to the Automobile Association (AA), current data indicates a fuel price of catastrophic proportions at the end of October for November. The AA was commenting on the recent exchange rate and commodities data.



Source: [Fxabay](#)

The current picture is showing petrol up by 99c a litre, and diesel and illuminating paraffin higher by a whopping R1.42 a litre. This will push 95 ULP inland above R19/l (close to R19.30/l), and R17/l for diesel. Taking this potential increase into account, the price of a litre of fuel inland (95 ULP) will have increased from R14.86/l in January to R19.30/l in November – a 30% increase over 11 months.

“The hikes in diesel and illuminating paraffin would be the largest in South African history, bearing in mind that this is only based on half a month’s data. R20 a litre for petrol is now a realistic scenario before the end of 2021,” says the AA, adding that it sees little hope of improvement before the end of October.

“Brent Crude has broken through the \$85 per barrel mark and the basket of oil prices used to calculate South Africa’s oil price are following Brent higher. We note the concern this is generating in the USA, where President Biden was reported to have called on the OPEC+ cartel to increase oil output to stabilise prices. This has not generated a response from Opec+, and our view is that a response is not likely, since the current price pressures are beneficial to the cartel’s members,” the AA notes.

The association says it does not expect the oil price squeeze to ease in the short term, especially as the demand for oil will increase as the north enters its winter season.

The AA further notes that over the first half of October, the average Rand / US dollar exchange rate jumped from around R14.55 to the dollar to R14.90. It says the Rand is still far above its June level of below R13.50 to the dollar but that the strengthening trend lasting nearly 15 months was abruptly reversed in June.

The AA says there is also uncertainty regarding changes to the Slate Levy.

“The under-recovery to date this month has been vast, and the government will, in our view, have no option but to increase the Slate Levy to recover this deficit, making for a bigger hike,” it comments.

“South Africans are paying at the pumps for weak governance, as one of the key indicators of the price of fuel depends on the exchange rate,” the association concludes.

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