

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1956 [NW2114E]
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1956. Mr M M Dlamini (EFF) to ask the Minister of Finance:

What has he found to be the impact of petrol price increases on the Government finances?

NW2114E

REPLY:

The fuel price is mainly affected by two conditions – local currency exchanges and the global oil prices. In the earlier part of the fiscal year up until May, increases in the international oil price have been the main drivers of local fuel price hikes. Since the start of June, international oil prices have moderated somewhat while the rand has steadily weakened against the US dollar, with the average cost of per dollar having climbed from around the R12.50/\$ mark to roughly R13.50/\$.

Increases in the price of petrol have the largest impact on departments whose services delivery mandates involve significant car travel, which accordingly to the 2018 Estimates of National Expenditure for inventory of fuel, oil and gas are the following departments: Police, Independent Police Investigative Directorate, Health, Correctional Services, as well as Defence and Military Veterans. Analysis of spending on goods and services by national and provincial departments between 2013/14 and 2016/17 shows that spending on fuel has continued to grow faster than CPI inflation. In addition to these baselines, departments do not receive additional funding when petrol prices rise, and must absorb the spending pressures within their budgets.

From a government revenue perspective, since the general fuel levy and Road Accident Fund levy are fixed annually per litre of petrol, increases in the fuel price do not have a direct impact. However, there might be an indirect impact if fewer of petrol are sold as a result of the higher price.