



5C PETROL INCREASE A BAND AID FOR A BROKEN LEG

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The Cape Chamber welcomes the decision not to increase the price of diesel and to reduce the petrol price increase to only 5 cents a litre but warns that this remedy may prove to be a band aid for a broken leg.

The problem is that the rand has already weakened further to R15.22 to the US dollar and the price of Brent Crude oil increased to 78 US dollar per barrel.

Both numbers are going in the wrong direction for us and it may not be possible to avoid shock increases in October.

In addition, South Africa has slipped into a technical recession so a shrinking economy would make dealing with rising fuel prices even more difficult than it has been in recent months.

Sadly much of the damage has been self-inflicted. There are international emerging economies problems, but what has really spooked investors is the land issue and expropriation without compensation. We could not have picked a worse time for the debate.

This followed even more details on the mismanagement and the corruption in State Owned Enterprises and the country's credit down-grades.

One of the things we need to do to get out of this hole is to rebuild confidence in our economy and our ability to recover, but we seem to be doing all the wrong things. We are dealing with a broken leg but our best idea appears to be a band aid.

Janine Myburgh

Cape Chamber of Commerce and Industry



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