

Debt-ridden consumers welcome fuel price drop

The drop in fuel price today of 67 cents will offer some relief to the deeply indebted South African consumers who collectively owe around R1.44 trillion.



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Neil Roets, CEO of one of South Africa's largest debt management firms, Debt Rescue, said there had been a steady decline in the ability by indebted consumers to repay loans.

"This decrease in the fuel price is going to help many South Africans who had been pushed into poverty by increases over the past months, including an 8% hike by Eskom, the 0.25% increase in the lending rate imposed by the SA Reserve Bank and an above-inflation rate increase in the costs of basic necessities such as food. Judging by available economic data, there may be a further decrease in the fuel price if the price of Brent Crude oil continues to decline."

Dawie Roodt, chief economist with the Efficient Group, said he was delighted with the decrease and that it would bring welcome relief to hard-pressed consumers. "It is definitely going to put a few extra rand in the pockets of consumers. Now would be a good time to pay off outstanding debts and try and build up a nest egg for a rainy day."

He ascribed the decrease largely to the decrease in the price of crude oil and said further decreases in crude oil prices could be on the cards. "The US is close to being self-sufficient in its oil demands thanks to new technologies such as shale gas extraction and reviving old oil wells with new methods of extracting remaining oil reserves."

Roets said a major problem still facing indebted consumers was the fact that unemployment figures remained high at around 24% overall and almost double that for young people between the ages of 16 and 34.

"With slow economic growth of 0.6% over the past quarter and consumers under severe financial pressure thanks to years of easy money from unsecured lenders and rising prices, the decrease comes at a time when this decline could help the overall economy and particularly the hard-pressed middleclass in South Africa."

He added that when the fuel price went up, goods and services rose in line with the increase. "However, when the petrol and diesel prices decrease, as they have now, we seldom see much in the line of decreases in overall prices, so consumers are still going to pay much the same prices for food and other important services such as electricity."

Debt review offers negotiating room

He said one of the best ways for distressed consumers to get out from under their mountains of debt was going under debt review. "This enables them to negotiate a repayment package deal with their creditors that is affordable and at the same time protect their assets against seizure by debt collectors."

A clear indication of just how stressed consumers had become was the steady increase in the number of consumers who were seeking relief by going under debt review. "We are seeing double digit growth in the number of new clients who are approaching us to help them out of their debt quagmire. Sadly, we are not able to help all of those individuals who are seeking relief because at the very least they have to be employed and have to be able to pay back an agreed sum of money that we negotiate for them with their creditors," Roets concluded.

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