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COMMENTARY

The Recent Global Oil Crisis: Implications for South Africa and KwaZulu-Natal

MOSES KOTANE RESEARCH INSTITUTE
RESEARCH SERVICES UNIT

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1. Introduction

In early March 2026, global oil markets experienced a profound shock as Brent crude prices surged past $115 per barrel, driven by escalating military confrontation between Israel and Iran and the subsequent disruption to shipping through the Strait of Hormuz. This represents one of the most severe oil price spikes since the 1970s energy crises, with prices rising nearly 50 percent from pre-crisis levels of approximately $77 per barrel in February 2026. The strategic vulnerability of global energy markets has been laid bare. The Strait of Hormuz, through which approximately 20 to 25 percent of global oil exports and 20 percent of liquefied natural gas (LNG) flow, became a contested maritime zone as hostilities escalated. The immediate consequence was a sharp contraction in available supply, forcing international shipping lines to divert vessels around the Cape of Good Hope a rerouting that adds approximately two weeks to voyage times and significantly increases fuel consumption and freight costs.

For South Africa, a net importer of crude oil and refined petroleum products, this external shock arrives at a particularly inopportune moment. The domestic economy had been showing tentative signs of recovery, with the National Treasury projecting GDP growth of 1.6 percent for 2026, up from an estimated 1.4 percent in 2025. The energy crisis that crippled the economy for much of the past decade had shown meaningful improvement, with loadshedding largely eliminated from April 2024 onward. Yet the oil crisis threatens to reignite inflationary pressures, compress household disposable income, and undermine the fragile investor confidence that had begun to return.

For the province of KwaZulu-Natal, the implications are especially acute. The Port of Durban, Africa's busiest and most strategically important maritime gateway has experienced increased vessel traffic as shipping lines divert from Middle Eastern routes. While this diversion presents certain opportunities for port revenue and ancillary services, the province's manufacturing, agricultural, and logistics sectors face severe cost pressures from rising diesel and petrol prices. Moreover, the province's road freight industry, which moves goods between Durban and the inland economic hub of Gauteng, is particularly exposed to fuel cost inflation. This commentary provides an in-depth analysis of the global oil crisis, examining its roots, its economic costs, and its differentiated impacts on South Africa and KwaZulu-Natal. Drawing on the Moses Kotane Research Institute's mandate to offer practical insights for informed decision-making, this commentary concludes with targeted policy recommendations for mitigating the crisis's effects and building long-term resilience against future oil price volatility.

2. Roots of the Crisis

The 2026 oil crisis cannot be understood as a singular event. Rather, it represents the convergence of long-term structural trends in global oil markets with an acute geopolitical shock that exposed fundamental vulnerabilities in the international energy system.

2.1. Geopolitical Trigger

The immediate catalyst for the price surge was the escalation of military conflict between Israel and Iran in late February and early March 2026. Unlike previous episodes of Middle Eastern tension that produced temporary price spikes followed by rapid corrections, this confrontation directly threatened the Strait of Hormuz the narrow maritime chokepoint between the Persian Gulf and the Gulf of Oman. The strategic significance of the Strait cannot be overstated. According to the International Energy Agency, approximately one-fifth of global oil liquids transit through this waterway. For neighboring Gulf states, the dependence is even more extreme: Qatar exports virtually all its liquefied natural gas through the Strait, while Kuwait, Iraq, and Saudi Arabia rely on it for the majority of their crude exports. The conflict triggered an immediate "geopolitical risk premium" of approximately $18 per barrel added to global oil prices. This premium reflects market anticipation of potential supply disruptions, including the possibility of Iranian mining operations in the Strait, military engagements affecting tanker traffic, and insurance markets refusing to underwrite vessels transiting the region.

2.2. Supply-Side Pressures

While the Hormuz crisis provided the immediate trigger, the severity of the price response was amplified by underlying supply-side vulnerabilities that had been developing for years. The Organisation of the Petroleum Exporting Countries and its allies (OPEC+), which had maintained production discipline through much of the post-pandemic period, entered 2026 in a state of internal tension. According to analysis from China's State Council Development Research Centre, OPEC+ had already initiated a (production increase cycle) in 2025, with cumulative production target increases reaching 2.88 million barrels per day. This expansion came at a time when global demand growth was already moderating, creating a supply overhang that had depressed prices through much of 2025.

However, the capacity of OPEC+ to respond to the Hormuz crisis was constrained by significant internal heterogeneity. While Saudi Arabia, the United Arab Emirates, and Kuwait maintained spare capacity of approximately 2 million barrels per day, other members faced severe limitations. Russia, subject to ongoing Western sanctions, saw its production growth

slow to just 120,000 barrels per day in 2025, with further constraints expected in 2026. Iraq and Iran, both heavily impacted by infrastructure underinvestment, consistently produced below their quota targets. The result was a market in which the usual OPEC+ stabilisation mechanism proved inadequate. The cartel announced a pause in further production increases for the first quarter of 2026, but this gesture did little to offset the immediate supply shock from Hormuz.

2.3. The Logistics Crisis

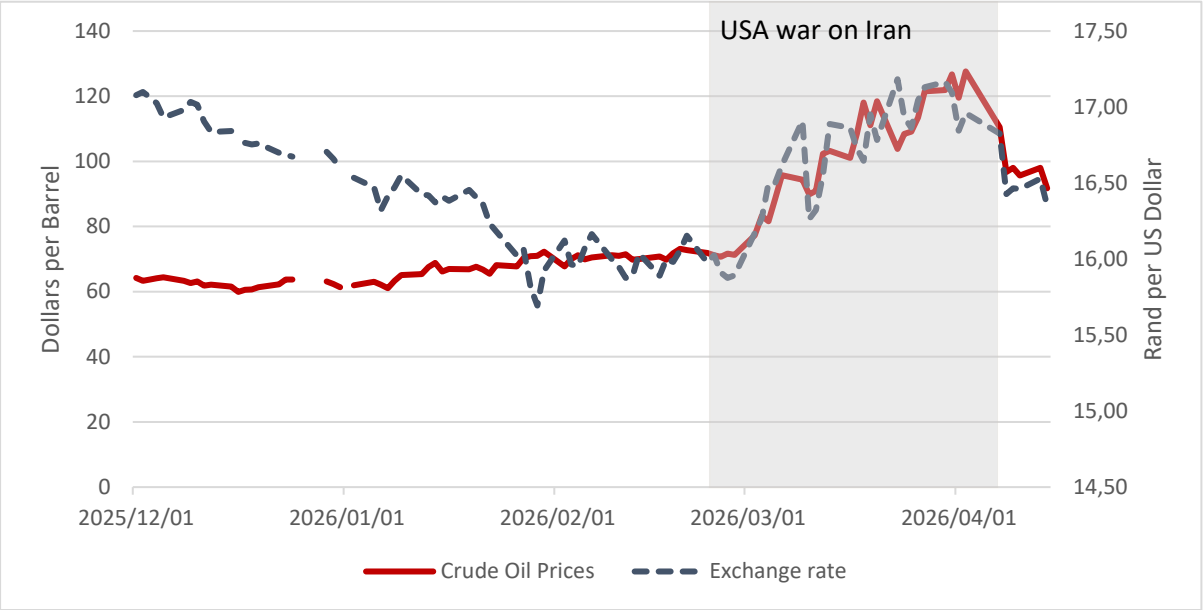
Perhaps the most consequential transmission mechanism from geopolitical conflict to consumer prices has been the disruption to global shipping logistics. With the Strait of Hormuz rendered (high-risk) for commercial transit, major shipping lines have initiated large-scale diversions around the Cape of Good Hope. This rerouting has profound cost implications. The voyage from the Middle East to Europe via the Cape adds approximately 10 to 14 days to journey times, significantly increasing fuel consumption, crew costs, and vessel wear. For a typical Very Large Crude Carrier (VLCC), the additional fuel cost alone can exceed $500,000 per voyage. The impact on freight rates has been dramatic. According to industry data, VLCC freight rates on the Middle East China route increased to approximately $2.40 per barrel in 2025, up from lower levels in previous years. The Hormuz crisis has added further upward pressure, with shipping lines passing increased costs and insurance premiums to customers. Importantly for South Africa, this rerouting has produced a paradoxical effect: while the crisis has increased the cost of shipping goods globally, it has also increased traffic through South African ports. The Port of Durban and Cape Town have reported increased vessel calls for refuelling, crew changes, and limited cargo handling. Transnet National Ports Authority has documented rising demand for bunkering services and ship repairs, presenting a potential partial offset to the crisis's negative impacts.

3. Economic Costs of Global Oil Shocks

The escalation of the United States aggression on Iran and the disruption of the Strait of Hormuz have triggered a sharp increase in global oil prices, imposing high economic costs on oil-importing economies such as South Africa. The Strait of Hormuz facilitates the transit of approximately 20% of globally traded crude oil, making it a critical choke point in the global energy system. Disruptions to the route, whether through partial closure, military tensions, or heightened shipping risks, have reduced effective global supply and introduced a substantial geopolitical risk premium into oil prices. As reflected in Figure 3.1, crude oil prices surge from

approximately USD 61.47 per barrel in January 2026 to USD 93.67 per barrel by April 2026, representing an increase of over 50% within a short period. The upward trend reflects both actual supply constraints and anticipatory market behaviour driven by uncertainty.

Figure 3.1. Daily crude oil prices and exchange rate



Source: FRED of ST. LOUIS

A key economic cost arises through South Africa's import dependence on crude oil and refined petroleum products. South Africa imports the majority of its crude oil requirements, exposing it directly to global oil shocks. As indicated in Table 3.1, increases in Brent crude prices were accompanied by a substantial surge in domestic fuel prices, with petrol and diesel prices rising significantly over the same period. The Department of Mineral Resources and Energy (DMRE) attributes the increases to higher international product prices and exchange rate depreciation, as captured in the Basic Fuel Price (BFP) formula. The exchange rate channel further amplifies the shock: as oil prices surge, demand for foreign currency increases, contributing to the rand's depreciation. Figure 3.1 illustrates this co-movement, showing that periods of rising oil prices are associated with a weaker rand. This creates a compounded effect, whereby the domestic cost of fuel rises more than proportionately to the increase in global oil prices (Turlybekova, 2026).

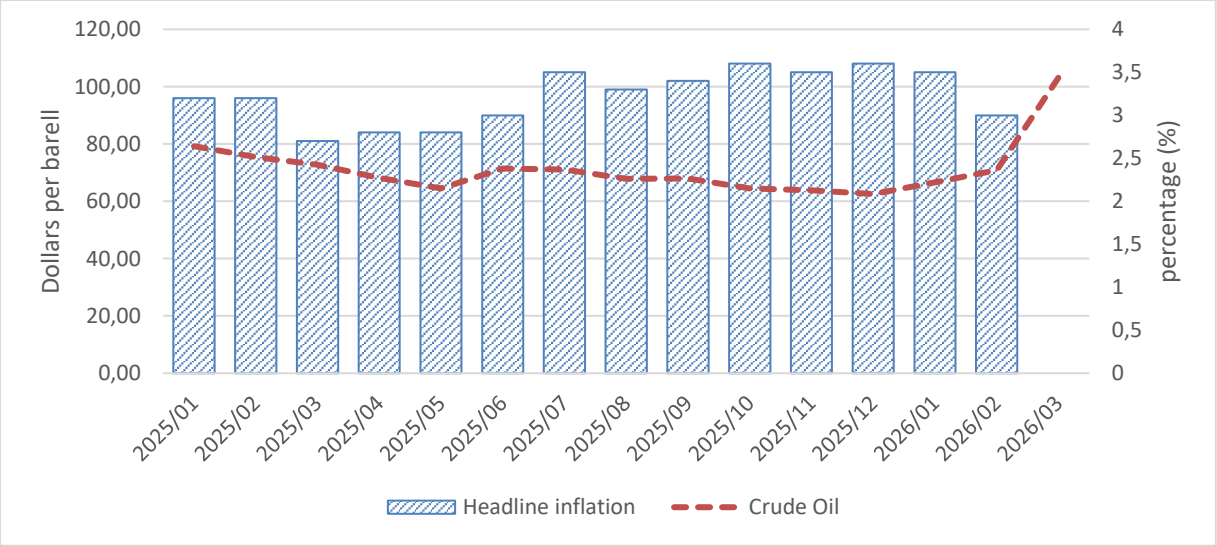
Table 3.1. Basic fuel prices and crude oil prices

Date	Petrol 93 Unleaded	Petrol 95 Unleaded	Diesel 0.05Sulphur%	Diesel 0.005% Sulphur	Illuminating Paraffin	MRGP (unspecified)	MRGP Saldanha	Exchange Rate (Rand/US$)	Avg. Dated Brent Crude
Jan 26	900.171	911.17	972.631	983.031	993.13	11 056.14	12 603.99	16.85	61.47
Feb 26	835.17	846.17	922.63	927.03	940.13	11 296.78	12 878.33	16.31	64.08
Mar 26	855.17	866.17	984.63	991.03	984.13	11 470.61	13 076.49	16	69.08
Apr 26	1436.17	1447.2	1996.63	2017.03	2147.1	12 281.95	14 001.42	16.64	93.67

Source: DMRE

Inflationary pressures represent another major cost of the oil shock. Fuel prices are a direct component of the consumer price index (CPI) and increases in petrol and diesel prices feed into broader price levels through transportation and production costs (Mishra, Dash & Padhan, 2026). Figure 3.2 demonstrates a clear positive relationship between crude oil prices and headline inflation. Empirical evidence suggests that fuel price increases in South Africa have strong second-round effects, particularly on food prices and logistics-intensive sectors (Ngobeni & Dagume, 2025). Recent estimates indicate that a sustained increase in oil prices can raise headline inflation by between 0.5 and 1.0 percentage points, depending on the magnitude and persistence of the shock (SARB, 2023). This erodes real household income and reduces consumption, particularly among lower-income groups.

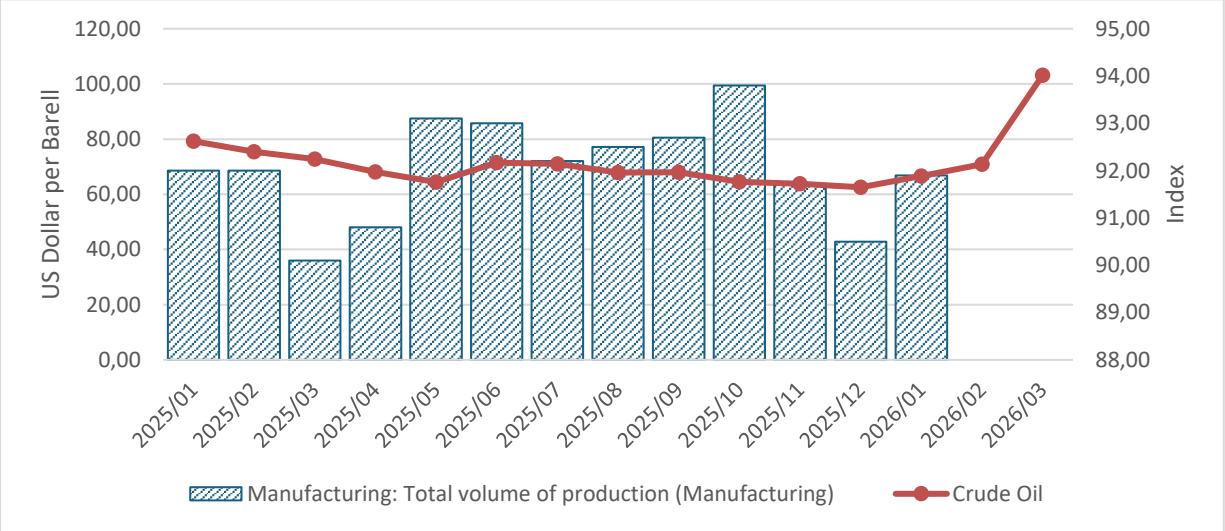
Figure 3.2. Headline inflation and crude oil prices



Source: STATS SA and FRED ST. LUOIS

At the production level, higher oil prices increase input costs for firms, particularly in energy-intensive sectors such as manufacturing, transport, and agriculture (Quinton, Jenkins & Olasehinde-Williams, 2026). Figure 3.3 shows an inverse relationship between crude oil prices and manufacturing activity, suggesting that rising energy costs are associated with declining industrial output. This reflects the broader macroeconomic effect of oil shocks as negative supply shocks, which reduces productive capacity and increases cost pressures simultaneously. The manufacturing sector, which contributes approximately 13% to South Africa's GDP, is particularly vulnerable to such cost increases, with potential spillover effects on employment and investment.

Figure 3.3. Manufacturing index and Crude oil prices



Source: SARB and FRED ST. LUOIS

Moreover, the external sector absorbs significant costs from the oil shock. South Africa's oil import bill increases substantially when global prices rise, contributing to a deterioration of the trade balance. For instance, a USD 10 increase in the oil price is estimated to raise South Africa's import bill by approximately R40–R50 billion annually, depending on exchange rate conditions (National Treasury, 2023). Table 3.2 highlights the scale of diesel and crude oil imports, underscoring the structural vulnerability of the economy to external energy shocks. The resulting current account pressures contribute to further exchange rate depreciation, reinforcing the inflationary cycle (Buheji, 2026).

In KwaZulu-Natal, the economic costs are amplified by the province's structural dependence on transport, logistics, and manufacturing. As home to the ports of Durban and Richards Bay, which together handle over 60% of South Africa's seaborne trade, the province is highly

exposed to increases in shipping and fuel costs. Rising oil prices increase freight and logistics costs, raising the overall cost structure of economic activity within the province. In addition, KZN's manufacturing and agricultural sectors face higher input costs due to increased diesel and energy prices. These cost pressures are transmitted through supply chains, contributing to higher food prices and reduced industrial competitiveness.

4. Impact on South Africa

Global oil price shocks, intensified by the United States war on Iran and disruptions in the Strait of Hormuz, have exerted broad macroeconomic pressures on South Africa through inflation, exchange rate depreciation, and reduced economic activity. Empirical evidence indicates that oil price increases are strongly transmitted to domestic macroeconomic variables, with significant pass-through effects to inflation and output (Ngobeni & Dagume, 2026; Pamba, 2024). This is consistent with recent trends, where Brent crude oil prices increased by over 50% between January and April 2026 (from about USD 61 to USD 93 per barrel), contributing to rising fuel costs and broader price pressures. The literature further highlights that oil shocks often generate asymmetric and persistent effects on food inflation, particularly through higher transport and input costs (Majenge, Mpungose & Msomi, 2025), while also disrupting global supply chains, including fertiliser markets, thereby increasing agricultural production costs (Buheji, 2026).

These dynamics are especially concerning developing economies, where oil price volatility has been shown to exacerbate food insecurity and reduce household welfare (Khatri et al, 2024). In addition, oil price shocks interact with exchange rate fluctuations and capital flows, amplifying macroeconomic instability (Sunde, 2025). In the South African context, these effects are reflected in rising inflationary pressures; however, it is important to note that official inflation data for March 2026 is not yet available and is scheduled for release on 22 April 2026 by Statistics South Africa, limiting a full real-time assessment of the most recent shock. Overall, the current oil price surge underscores the vulnerability of South Africa to external energy shocks, with implications for inflation, growth, and household welfare.

4.1. Vulnerable Communities

The social impacts of the oil crisis in KZN are likely to be severe, particularly for the province's large population of low-income and unemployed residents. Urban poor communities in eThekwini, uMsunduzi, and other municipalities rely heavily on minibus taxis for mobility.

Higher fuel prices inevitably translate into higher fares, reducing real income for commuters who can least afford it. For unemployed individuals seeking work, higher transport costs can make job-seeking economically irrational, potentially increasing long-term unemployment. Rural communities face additional challenges. Many rural areas lack reliable access to public transport, forcing residents to rely on private vehicles or informal transport options that become more expensive as fuel prices rise. The distribution of social grants, a lifeline for millions of South Africans, depends on reliable transport to reach pay points and beneficiaries. The provincial government's capacity to respond is constrained by fiscal pressures. KZN MEC for Finance. Francois Rodgers has noted that reductions in the provincial equitable share have amounted to approximately R80 billion over the past nine years (National Budget Commentary, 2026). This fiscal squeeze limits the province's ability to fund social protection programmes or subsidize transport for vulnerable populations.

5. Conclusion

The global oil crisis of March 2026 represents one of the most severe external shocks to confront the South African economy since the 2008 financial crisis. The convergence of acute geopolitical conflict in the Middle East with chronic structural vulnerabilities in global oil markets has produced price increases that threaten to derail a fragile economic recovery and inflict severe hardship on vulnerable households. For South Africa as a whole, the crisis arrives at a moment of tentative optimism. The energy crisis that defined the past decade had shown meaningful improvement, with loadshedding largely eliminated and the National Treasury projecting modest but positive GDP growth. The oil crisis threatens to reverse these gains, reigniting inflation, compressing household disposable income, and undermining investor confidence on which sustained recovery depends.

For the province of KwaZulu-Natal, the crisis presents a paradoxical combination of threat and opportunity. The Port of Durban has benefited from increased shipping traffic as vessels divert from the Strait of Hormuz, potentially enhancing the province’s position as a regional logistics hub. Yet the provinces’ manufacturing, agricultural, and logistics sectors face severe cost pressures from rising diesel and petrol prices, while vulnerable communities struggle with higher transport costs and food price inflation. The policy response must be multi-layered and carefully calibrated. In the short term, the temporary reduction in the general fuel levy provides meaningful relief, but government should consider additional targeted measures to protect the most vulnerable populations. In the medium term, accelerating the energy transition, enhancing

logistics efficiency, and building strategic petroleum reserves will reduce South Africa's vulnerability to future oil price shocks.

For KZN specifically, the province should establish monitoring and response capacity, support small-scale agriculture, expand public transport subsidies, and invest in local fuel storage. These measures, while not solving the crisis, can mitigate its worst impacts and build resilience against future volatility. The ultimate lesson of the 2026 oil crisis is one that South Africa has learned repeatedly over the past decade: in a globalised economy characterised by complex supply chains and geopolitical uncertainty, energy security is not a luxury but a necessity. The investments and reforms required to achieve that security are significant, but the cost of inaction measured in forgone growth, lost jobs, and human suffering is far greater. The Moses Kotane Research Institute will continue to monitor the crisis evolution, update its analysis as new data becomes available, and provide practical insights to support informed decision-making at all levels of government.

6. Policy Responses and Recommendations

The global oil crisis necessitates a multi-layered policy response that balances immediate consumer relief with long-term structural resilience. In the short term, the Moses Kotane Research Institute (MKRI) endorses the joint intervention by the South African government to temporarily reduce the general fuel levy by R3.00 per litre from April to May 2026. While this measure is expected to lower pump prices by approximately 15%, it remains a "blunt instrument" that provides relief to all motorists regardless of income. Consequently, the MKRI recommends more targeted interventions, such as transport subsidies for minibus taxi commuters, working capital relief for small-scale logistics operators, and expanded social grants for vulnerable households. To prevent exploitation during this period, the Competition Commission must strengthen price monitoring and anti-profiteering measures across the fuel and food retail sectors.

For medium-term stability, South Africa must address its structural dependence on imported fossil fuels by accelerating the energy transition. This includes expanding the national electric vehicle (EV) charging network, incentivizing commercial EV adoption, and exploring green hydrogen production. Improving logistics efficiency is equally vital; the MKRI calls for the acceleration of Transnet's turnaround plan, specifically focusing on shifting freight from road to rail and enhancing port efficiency through private sector participation. Additionally, the

government should investigate establishing strategic petroleum reserves equivalent to 30 to 60 days of consumption to act as a buffer against future supply shocks.

At the provincial level, the KwaZulu-Natal government should establish a dedicated Fuel Price Monitoring and Response Unit to coordinate local mitigation efforts. Targeted support for the province's agricultural sector is essential, including diesel subsidies for small-scale farmers and extension services for fuel-efficient farming techniques. Provincial authorities should also work with municipalities to expand public transport subsidies and invest in local fuel storage infrastructure to reduce vulnerability to supply disruptions. Ultimately, while welcoming the temporary levy reductions, the MKRI advocates for a more permanent restructuring of the fuel levy to enhance economic competitiveness and a faster shift toward domestic energy diversification through renewables and the unlocking of offshore oil and gas potential.

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Moses Kotane Research Institute
Tel: 0312661777
https://mkri.institute/
Email: info@moseskotane.com
Address: 190 K.E Masinga Road, Durban, 4001