

INSOLVENCY & BUSINESS RESCUE

When Fuel Costs Become the Inflection Point

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Rising fuel prices are once again dominating economic commentary in South Africa. Business Day reports that the JSE just had its worst month since the 2008 financial crisis, with the all share index having plunged almost 14% in March 2026. While the immediate focus is often on inflation and consumer impact, the implications for business are more complex. This article considers how fuel cost increases are increasingly acting as a trigger for financial distress across key sectors, and why early intervention is critical in preserving value.

South African businesses are well accustomed to operating under sustained pressure. Load-shedding, elevated interest rates, civil unrest, constrained demand and margin compression have become embedded features of the commercial environment. The ongoing crisis in the Middle East has sharply brought into focus the volatility of markets and where the increased price of oil are set to drive inflation to unprecedented levels worldwide.

What distinguishes a sharp increase in fuel prices is not merely the additional cost, it is the role fuel can play as an inflection point: the moment at which existing pressure translates into financial distress for corporates.

Fuel is a uniquely systemic input. It underpins logistics, distribution, production and service delivery across most sectors of the economy. When fuel prices increase, businesses experience an immediate escalation in operating costs, often without the ability to respond in real time. Unlike many other cost drivers, fuel cannot be deferred or meaningfully reduced without operational consequence.

In our current financial environment, this is pivotal. Projected increases come at a time when many businesses are already operating with limited liquidity buffers. Fuel, in this context, does not create distress in isolation. It exposes underlying fragilities and accelerates them.

The impact is most acutely felt in working capital.

Even where fuel is procured through fleet cards, bulk supply arrangements or credit facilities, the cost is incurred immediately and settles over short cycles, typically within 7 to 30 days. The result is that while payment may not be instantaneous, the pressure on cash flow is both rapid and concentrated. At the same time, revenue (particularly in sectors with extended debtor terms) lags behind. This creates a familiar but critical dynamic: costs increase now, while recovery follows later, if at all.

It is at this point that the inflection occurs.

In practice, the early indicators are rarely dramatic, but they are consistent and ever creeping. Businesses begin to stretch creditor payment cycles, rely more heavily on overdrafts and short-term facilities, and experience mounting pressure on stock and inventory funding. Liquidity tightens, often despite turnover remaining stable or only marginally reduced. These developments may not yet constitute formal insolvency, but they are frequently the precursors to it.

Certain sectors are particularly exposed. Transport and logistics businesses experience a direct and immediate escalation in operating costs. Retail and manufacturing absorb the increase through supply chain and distribution channels, often without the ability to pass costs through in real time. Construction and mining operations face higher input costs across plant, fuel and contractor pricing.

Agriculture warrants particular attention. Diesel is a critical input for planting, harvesting and irrigation, meaning that rising fuel costs affect not only on-farm operations but the broader agricultural value chain, including storage, transport and ultimately food pricing. In a sector already exposed to climate variability and input cost volatility, fuel increases can quickly shift marginal operations into distress.

From a restructuring and insolvency perspective, fuel is seldom identified as the primary cause of failure. Formal proceedings typically refer to an inability to pay debts as they fall due, breaches of funding arrangements or sustained creditor pressure. In reality, however, fuel price shocks often act as the catalyst, the event that removes the remaining margin for error in an already constrained business.

Importantly, this is not a question of long-term profitability. Businesses rarely fail because they are unviable over time. They fail because they run out of cash in the short term. That distinction is critical.

The practical implication is that businesses should not wait for distress to crystallise. Those operating in fuel-sensitive sectors should be actively stress-testing cash flow assumptions, reassessing pricing and pass-through mechanisms, and engaging with funders and key creditors at an early stage. In appropriate circumstances, early consideration of restructuring options including negotiating a compromise of debt, a reconfiguration of unwieldy overhead costs, negotiations with landlords for better terms; all feature in what simply needs to be done in a potentially constrained trading environment. When all of this has an impact on the ability to trade on a solvent basis, the timely intervention of a business rescue process, may preserve significantly more value than reactive intervention.

The difference between resilience and distress is often not strategy, but timing.

In the current environment, fuel price increases are accelerating that timeline. Businesses experiencing pressure should engage early to assess liquidity and restructuring options. Once cash flow pressure crystallises into default, the range of available solutions narrows significantly.



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