Twitter Thread by The_Chartist ■



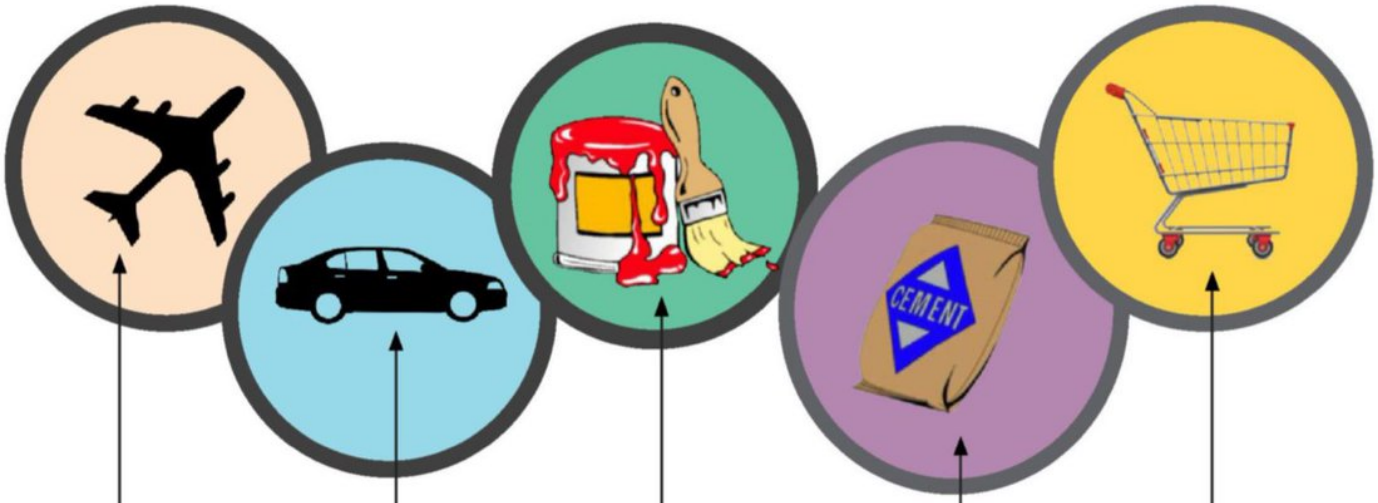
The_Chartist ■
@nison_steve



Impact of crude oil on various sectors…

Impact on Sectors

Higher crude prices pose bad implications for some prominent business across sectors such as:



Aviation: Lofty crude oil prices impairs profitability as aviation turbine fuel (ATF) forms a huge chunk of the operating costs of airlines and at present, passenger load factors aren't adequate to compensate for the rise in costs. Ergo, leading to an uptick in the cost of air tickets and curtailing demand. However, with the government restoring scheduled domestic operations from October 18, 2021, this is expected to help aviation companies ease the impact of rising crude prices.

Automobile : Steep crude prices translate to higher petrol and diesel prices, posing an inflationary risk to consumer demand. Rise in freight rates doesn't augur well for commercial vehicles' demand in the near term. In contrast, the impact on passenger and two-wheeler vehicle demand is relatively smaller.

Paints: Inflated crude prices are not desirable for paint companies as a large share of their input costs are crude oil-linked. For example, crude oil and the derivatives account for half of the costs of Asian Paints.

Cement: Higher oil prices adversely impact cement firms as they thrust petroleum coke prices. Fuel and power expenses account for 25 per cent to 30 per cent of the sector's total operating cost and increased freight costs further truncate margins.

FMCG: From securing raw material to packaging of finished products, fast-moving consumer goods companies bear the brunt of elevated oil prices at every level. In order to safeguard margins these companies then implement price hikes on products in an attempt to pass the burden of this high input cost to consumers, which impacts market demand and end user's purchasing power.

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