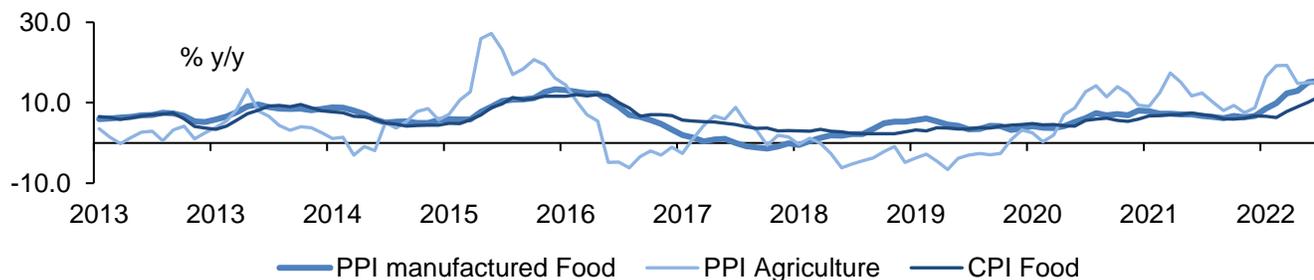


PPI update: Annual headline PPI eased to 16.6% y/y in August on a moderation in fuel prices

Thursday 29 September 2022



Figure 1: Food price inflation at agricultural, manufacturing and retail levels



Source: Stats SA

- Headline producer price inflation (PPI) for final manufactured goods eased to 16.6 y/y in August from 18.0% y/y logged in July. The outcome was below consensus expectations (Bloomberg) of 17.5% y/y. Measured on a month-on-month basis PPI fell by -0.5%.
- The coke, petroleum, chemical, rubber and plastic products grouping which makes up just under 23.0% of the PPI basket saw prices decelerate to 37.6% y/y from 42.8% y/y in July. Accordingly, this sub-group, in which fuel price dynamics are captured added 9.4% points to the headline reading, versus 10.5% points in July.
- Petrol and diesel price inflation eased to 44.4% y/y and 58.0% y/y respectively in August from a marked 61.9% y/y and 69.9% y/y recorded in July. Additional petrol and diesel price cuts were implemented in September with a further decline in the petrol price building for October, according to data from the Central Energy Fund (CEF), on the back of the lower global oil price.
- Moreover, Inflation within the metals, machinery and equipment category which makes up 14.63% of the PPI basket subsided modestly, easing to 10.8% y/y from 11.3% y/y previously, on the decline in prices of structural and fabricated metal products.
- Manufactured food price inflation however continued on its upward trajectory in August, increasing by 15.4% y/y from 15.1% y/y previously. Owing to its size in the PPI basket (26.65%) the food products, beverages and tobacco products' category added a further 3.0% points to the headline reading.
- Meat and meat products inflation rose by 14.0% y/y from a prior 13.8% y/y. According to Agbiz, the direction of meat prices "remains uncertain" and the "broad meat price trend will be dependent on the developments in the beef market". Specifically, the current foot-and-mouth outbreak is immense, "to an extent that we might see a decline in slaughtering in major feedlots", keeping prices of red meat higher.
- Grain mill products inflation however eased slightly to 24.4% in August from 24.8% y/y previously, while the oils and fats sub-category, another commodity group that has been heavily impacted by the war in Ukraine remained elevated but decelerated notably to 54.2% y/y (64.9% y/y previously).
- Indeed, prices of grains and oilseeds, which have been key "drivers of the surge" in food inflation "are starting to soften, which shows in the global indices", according to Agbiz. Specifically, the Food and Agriculture Organisation of the United Nations' (FAO) food price index fell for the fifth successive month in August.

Figure 2: PPI inflation – Key figures (%)

	August y/y	August m/m
Final manufactured goods	16.6	-0.5
Intermediate manufactured goods	13.4	0.6
Electricity and water	8.6	1.5
Mining	17.3	-3.2
Agriculture, forestry and fishing	15.1	0.0

Source: Stats SA

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