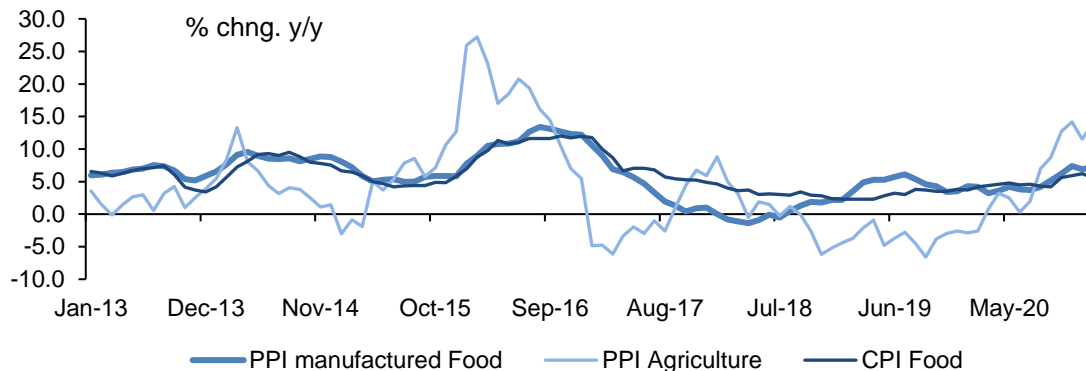


PPI update: Headline producer price inflation rose to 3.5% y/y in January 2021, ahead of expectations

25 February 2021



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



Source: Stats SA

- Headline producer price inflation rose to 3.5% y/y in January, from 3.0% y/y in December 2020, above Bloomberg consensus expectations of 3.2% y/y.
- Manufactured food price inflation increased to 7.2% y/y from 6.9% y/y recorded in December. The food products, beverages and tobacco products category which makes up just over 36.0% of the PPI basket thus added 2.1% to the headline reading, from 1.9% previously.
- Price lifts within the oils and fats, and starches, starch products and animal feeds segments were the most pronounced, while meat price inflation dropped further to 6.1% y/y from 7.2% y/y and 9.7% y/y in December and November respectively, “in part, due to increased supply following slightly higher slaughtering activity in December 2020,” according to Agbiz. Food price inflation is still expected to average 5.0% y/y for 2021.
- The January fuel price increases of 40c/litre for petrol and 54c/litre for diesel saw the annual rate of contraction in the coke, petroleum, chemical, rubber and plastic products grouping, in which fuel price dynamics are captured, decelerating to -2.1% y/y from -3.9% y/y in December. This category which makes up a marked 19.4% of the PPI basket accordingly detracted just -0.4% from the annual topline PPI reading, versus -0.8% previously.
- Furthermore, inflation within the metals, machinery, equipment, and computing equipment segment of the PPI basket increased in December on a year-on-year basis, adding 0.6% to the headline outcome (from 0.4% y/y previously).
- Both PPI and CPI are expected to rise in 2021, from the low levels recorded in 2020, but should remain contained, underpinned by a likely still muted demand environment. Indeed, while GDP growth is expected to pick-up, supported by the vaccination rollout it will be protracted.

Figure 2: PPI inflation (%)

	January y/y	January m/m
Final manufactured goods	3.5	0.8
Intermediate manufactured goods	8.6	2.4
Electricity and water	8.7	-1.1
Mining	22.9	4.3
Agriculture, forestry and fishing	11.3	1.5

Source: Stats SA

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