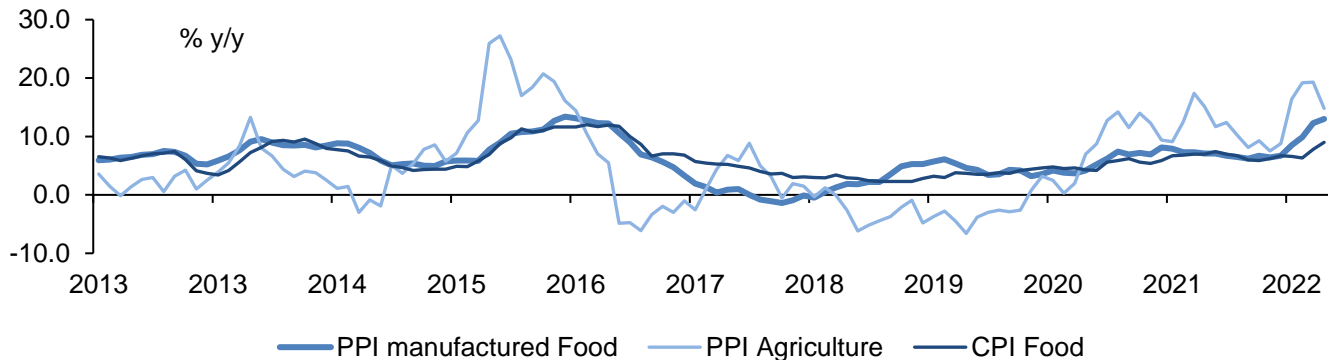




PPI update: Annual headline PPI climbed to 16.2% y/y in June

Thursday 28 July 2022

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



Source: Stats SA

- Headline producer price inflation (PPI) for final manufactured goods climbed to a marked 16.2% y/y in June from an already elevated 14.7% y/y logged in May. The outcome was ahead of consensus expectations (Bloomberg) of 15.6% y/y. Measured on a month-on-month basis PPI rose by 2.1%.
- The coke, petroleum, chemical, rubber and plastic products grouping which makes up just under 23.0% of the PPI basket saw prices rise by 37.2% y/y versus 31.7% y/y in May. Accordingly, this sub-group added a marked 9.1% points to the headline reading in June (7.7% points in May).
- A notable pick-up in petrol prices from 30.4% y/y to 48.0% y/y and diesel prices from 54.0% y/y from 59.3% y/y was logged. Another large fuel price hike in July will add further upside pressure to the month's inflation reading. However, a substantial decrease is expected in August, on the back of the lower oil price, which should provide a modest reprieve to financially stretched consumers.
- Additionally, manufactured food price inflation continued on its upward trajectory, increasing by a notable 13.0% y/y in June from 12.3% y/y previously. Owing to its size in the PPI basket (26.65%) the food products, beverages and tobacco products' category added a further 2.6% points to the headline reading.
- Meat and meat products inflation, which is one of the largest categories in the food basket rose to 12.7% y/y from a prior 12.1% y/y.
- According to Agbiz, the direction of meat prices "remains uncertain". Specifically, the spread of the foot-and-mouth disease "outbreak is vast, to an extent that we might see a decline in slaughtering in major feedlots, which would ultimately keep red meat prices at relatively higher levels". Moreover, "there are fears of a potential increase in poultry product prices".
- The grain mill products, starches and starch products and animal feeds group climbed to 16.9% y/y from 13.7% y/y in May. South Africa is heavily influenced by global agricultural commodity prices with the Food and Agricultural Organization of the United Nations' (FAO) Cereal Price Index up 27.6% y/y in June. While, the oils and fats sub-category, another commodity group that has been heavily impacted by the war in Ukraine climbed to 73.0% y/y from 61.3% y/y in May.
- Climate change remains a significant threat to the agriculture industry. According to Agbiz, "extreme weather events in the northern hemisphere are a warning signal for farmers worldwide".

Figure 2: PPI inflation – Key figures (%)

	June y/y	June m/m
Final manufactured goods	16.2	2.1
Intermediate manufactured goods	15.2	0.7
Electricity and water	15.2	37.0
Mining	21.2	1.6
Agriculture, forestry and fishing	14.9	-0.8

Source: Stats SA



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