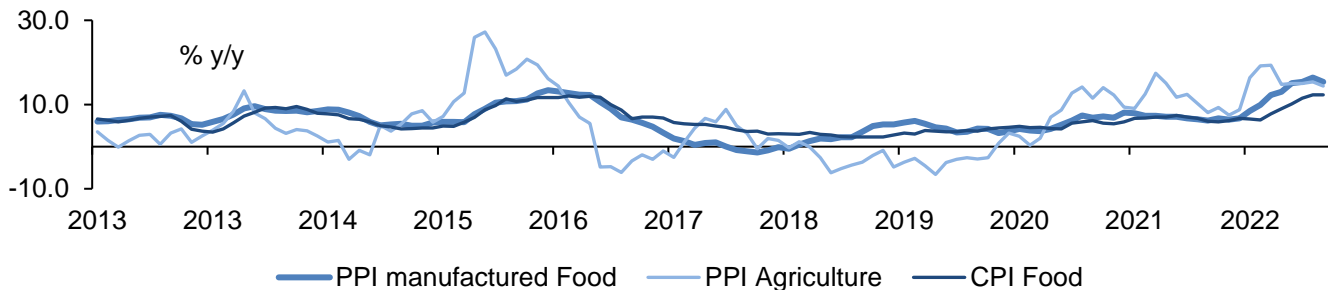




## PPI update: Annual headline PPI eased to 16.0% y/y in October

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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 16.0 y/y in October from 16.3% y/y logged in September. A decline in inflation within the coke, petroleum, chemical, rubber and plastic products grouping was largely responsible for the annual decline in the headline reading. However, manufactured food price inflation as well as price pressure within the furniture and other manufacturing category also eased.
- Specifically, the coke, petroleum, chemical, rubber and plastic products grouping (in which fuel price dynamics are included) and which makes up just under 23% of the PPI basket fell to 31.8% y/y from 34.2% y/y in September and accordingly it added 8.0% points to the headline reading, versus 8.6% points previously.
- Indeed, petrol price inflation eased to 25.6% y/y in October from 31.5% y/y previously on a R1.02/litre cut in the petrol price in October. However, the reprieve to consumers was short-lived with a further hike applied in November on the back of the elevated global oil price (during the period the price was determined).
- Manufactured food price inflation also decelerated, after climbing notably in September. Specifically, it eased to 15.2% y/y (from 16.4% y/y). Accordingly, the contribution of the food products, beverages and tobacco products' category to the headline number fell to 2.9% points from 3.1% points in September.
- Meat and meat products inflation which makes up a notable portion of the food basket fell to 14.1% y/y in October from a prior 15.1% y/y, bringing down overall food price inflation as did the other food products category which includes sugar. Additionally, the oil and fats segment, a category significantly affected by the Ukraine war has eased considerably with inflation dropping to 35.3% y/y from 50.3% y/y previously.
- Conversely the grain mill products, starches and starch products, and animal feeds category experienced an increase in prices over the year. This is in line with the movement of the FAO cereal price index which rose by 3.0% m/m and 11.1% y/y in October.
- Specifically, an increase in the maize price "was underpinned by lower production prospects in the United States of America and the European Union, along with dry planting conditions in Argentina and uncertainty about the continuation of Ukraine's exports", according to FAO. Indeed, "South Africa is interlinked with the global market and will likely also see higher maize prices in the foreseeable future, despite the optimistic forecasts of the domestic harvest", according to Agbiz.

Figure 2: PPI inflation – Key figures (%)

	October y/y	October m/m
Final manufactured goods	16.0	0.4
Intermediate manufactured goods	11.2	-1.0
Electricity and water	10.1	-1.8
Mining	27.2	-1.5
Agriculture, forestry and fishing	14.7	3.4

Source: Stats SA

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