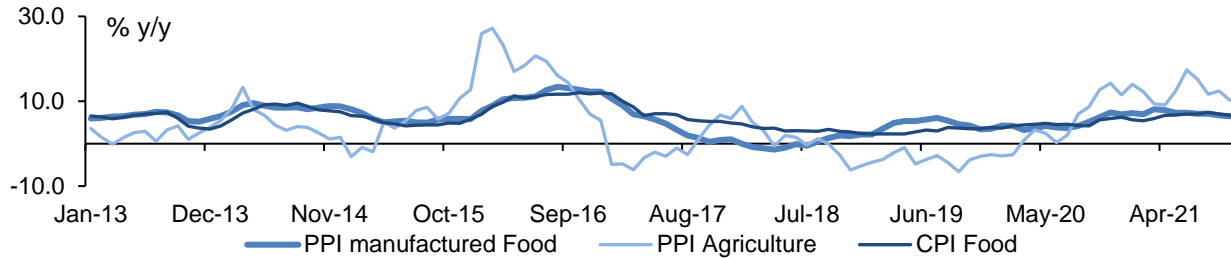




## PPI update: Headline producer price inflation climbed to 8.1% y/y in October, largely on the lift in inflation within the coke and petroleum products category

25 November 2021

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 8.1% y/y in September, from 7.8% y/y in September 2021. The lift in PPI, which was slightly ahead of consensus expectations (Bloomberg) of 8.0% y/y was underpinned largely by the increase in inflation within the coke, petroleum, chemical, rubber and plastic products grouping, in which fuel price dynamics are captured.
- Specifically, inflation within the coke, petroleum, chemical, rubber and plastic products category, which comprises just under 20.0% of the PPI basket, increased to 17.5% y/y in October, from 15.3% y/y in September and accordingly added 3.4% points to the headline outcome, versus 3.0% points previously.
- Moreover, the high oil price, combined with domestic currency weakness, has seen a large rise in fuel prices in November, which will have a material effect on headline inflation. Indeed, petrol and diesel prices increased by R1.21/litre and R1.48c/litre respectively at the beginning of November.
- Manufactured food price inflation eased slightly from September's reading of 6.7% y/y but remained elevated at 6.5% y/y and owing to its sizeable weighting in the index (27.92%), the food products, beverages and tobacco products category accordingly added a further 2.0% points to the headline reading.
- Meat and meat products inflation diminished for the 5th consecutive month (measured on an annual basis) to 6.6% y/y, from 7.9% y/y and 10.7% y/y recorded in September and August respectively, as did producer price inflation within the starches, starch products and animal feeds sub-category and dairy products grouping. Meat prices could however experience some upward pressure in the near term, according to Agbiz.
- Indeed, "the cattle and sheep slaughtering activity remains at relatively lower levels compared to 2020". Oil and fats' prices however ticked up to a notable 26.7% y/y September. "South Africa is a net importer of oils and fats, and these product prices have remained elevated in the global market."
- Inflation within the metals, machinery, equipment and computing equipment segment of the PPI basket moderated to 10.1% y/y in October from 10.8% y/y in September, largely on the back of the easing in structural and fabricated metal products prices. It however still added 1.4% points (1.5% previously) to the annual headline reading.
- Persistent supply chain constraints triggered by the pandemic, saw producer price inflation for intermediate manufactured goods continue its upward trajectory in October reaching a marked 20.4% y/y following readings of 19.5% and 17.7% y/y in September and August respectively.

Figure 2: PPI inflation – Key figures (%)

	Oct y/y	Oct m/m
Final manufactured goods	8.1	0.7
Intermediate manufactured goods	20.4	1.2
Electricity and water	14.4	-11.7
Mining	4.8	0.8
Agriculture, forestry and fishing	8.6	4.5

Source: Stats SA



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