Producer Inflation

ECONOMICS | SOUTH AFRICA

Producer inflation held steady

- Producer inflation was steady at 0.5% in April. The outcome aligned with our forecast but was slightly higher than the market's 0%. Food, beverages and tobacco exerted the most upward pressure, adding 1.4 percentage points (ppts) to the annual increase in the producer price index (PPI). Textiles, clothing and footwear, as well as furniture and other manufacturing contributed 0.4 pps each. These outweighed the drag from coke, petroleum, chemicals, rubber and plastics, which shaved 1.2 ppts off the annual increase.

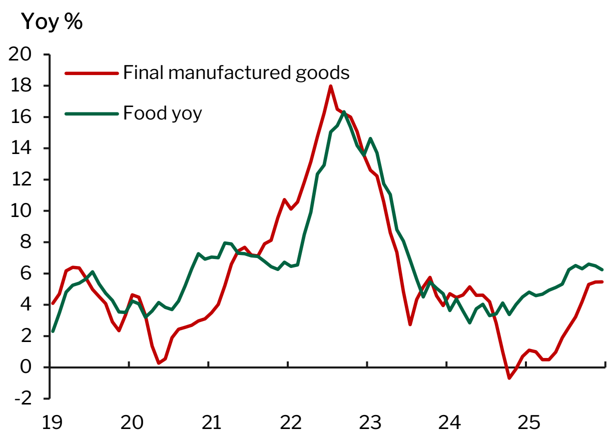
Table 1: Producer inflation

	Apr-25		Mar-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline PPI	0.5	0.5	0.5	0.5	0.0

Source: Stats SA, Nedbank GEU, Refinitiv

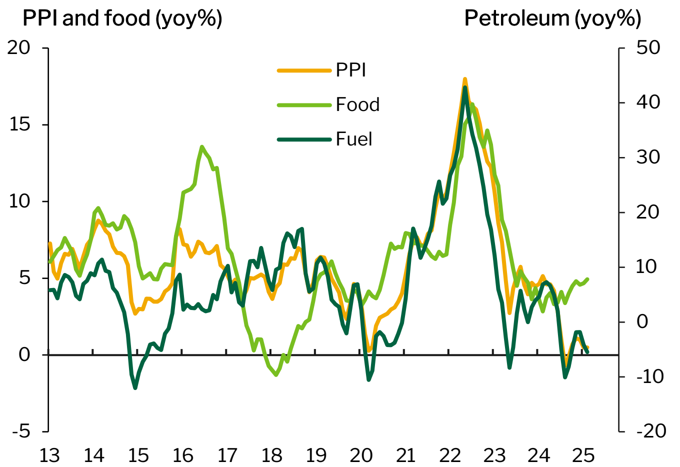
- Food, beverages and tobacco inflation rose from 4.1% to 4.7% due to higher food prices. The price movements of the subcomponents were mixed. Upward pressure came from meat and meat products, which accelerated significantly from 4.6% to 11%. Oils and fats also picked up pace from 4.7% to 7.7%. By contrast, prices of fruits and vegetables moderated further, probably benefiting from favourable weather. Dairy products, grains and sugar prices also decreased.
- Deflation in coke, petroleum, chemicals, rubber, and plastic products continued, with prices falling by 5.5% yoy, deepening from -4.1%. The significant contraction was due to lower petrol and diesel prices, reflecting the impact of lower global oil prices and a firmer rand. Petrol prices fell by 16.3% yoy, while diesel prices declined by 14.5%. However, chemicals accelerated from 2.3% to 4.3%.
- Metals, machinery, and equipment prices decreased by 1% yoy, down from 1.3%, mainly due to lower prices of structural and fabricated metal products and general and special purpose machinery. Household appliances and office machinery prices increased slightly.

Chart 1: PPI likely to increase further



Source: Stats SA and Nedbank calculations

Chart 2: Food prices remain the main driver of PPI



Source: Stats SA and Nedbank calculations

- PPI for intermediate manufactured goods increased from 7.4% in March to 8.5% in April, lifted by basic and fabricated metals (13.2% from 10.2%) and basic and fabricated metals (26.7% from 20.7%). However, chemicals, rubber, and plastics moderated further, decelerating to 4.2% in April from 8.7% in February and 9% in March.
- Mining inflation eased from 5.9% yoy in March to 4.1% in April. The downward pressure came from coal and gas, which declined sharply by 19.4% yoy. Gold and other metal ores increased by a further 21.7% yoy. Non-ferrous metal ores increased 2.9% yoy, while stone quarrying, clay and diamonds increased by 26%.
- PPI for electricity and water rose slightly from 10% to 11.2%, due to higher electricity prices (up 12.5%). Water prices eased to 4.6% after remaining steady at 5.6% for nine consecutive months.

- PPI for agriculture, forestry, and fishing accelerated from 2.4% to 4.4%, mainly due to higher prices of live animals, fruit and vegetables, and fishing costs.
- Producer inflation is likely to rise moderately in the months ahead. The low base established in the second half of last year will amplify the upward trend, particularly on food. Local food prices will also be affected by higher global food prices, a weaker rand and potential disruptions to global supply chains due to the unfolding trade war. The outbreak of animal diseases is also a concern for livestock. Global oil prices are expected to remain relatively subdued in 2025, owing to balanced supply and demand dynamics. Beyond food and fuel, upward pressure will also come from steep electricity tariffs. Renewed rand weakness poses the most significant upside risks to the outlook. The rand remains vulnerable to fragile global risk sentiment, which could shift dramatically on any escalation in the global trade war, changes in US monetary policy, or a prolonged spell of acute policy and geopolitical uncertainty. Altogether, we expect PPI to average around 3% in 2025.

Table 2: Breakdown of producer inflation

	Apr-25				Mar-25	2025	2024
	New weights Dec 2023=100	mom%	yoy%	yoy contribution	yoy%	YTD	AVE
Final manufactured goods	**100**	**0.5**	**0.5**	**0.5**	**0.5**	**0.8**	**3.0**
Food products, beverages and tobacco products	27.4	0.9	4.7	1.3	4.1	4.4	3.9
Food products	16.9	0.9	4.9	0.8	4.7	4.7	3.7
Beverages	8.4	1.0	4.0	0.3	2.9	3.7	4.3
Tobacco products	2.2	0.0	6.2	0.1	6.2	4.1	2.6
Textiles, clothing and footwear	6.0	0.8	6.8	0.4	6.0	5.7	6.7
Paper and printed products	8.8	-0.1	-3.5	-0.3	-2.4	-2.9	2.0
Coke, petroleum, chemical, rubber and plastic products	22.7	-0.6	-5.5	-1.2	-4.1	-3.3	0.9
Non-metallic mineral products	2.9	1.0	2.7	0.1	2.1	2.0	3.8
Metals, machinery, equipment and computing equipment	14.9	0.1	1.0	0.1	1.3	1.2	4.5
Electrical machinery and communication and metering equipment	3.4	-0.9	2.7	0.1	2.1	3.4	4.4
Transport equipment	9.9	1.6	-3.8	-0.4	-5.2	-4.7	1.0
Furniture and other manufacturing	4.1	3.0	8.5	0.4	7.2	7.8	3.9

Source: Stats SA and Nedbank calculations

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