Producer Inflation

ECONOMICS | SOUTH AFRICA

NEDBANK

Producer inflation moderated in February.

- Producer inflation eased marginally to 1.0% yoy in February from 1.1% in January. The figure was lower than our and the market's forecast of 1.4% and 1.3%, respectively. The main driver remained the 'food, beverages and tobacco products' category, which rose by 4.2% yoy, contributing 1.2 percentage points to the annual increase.

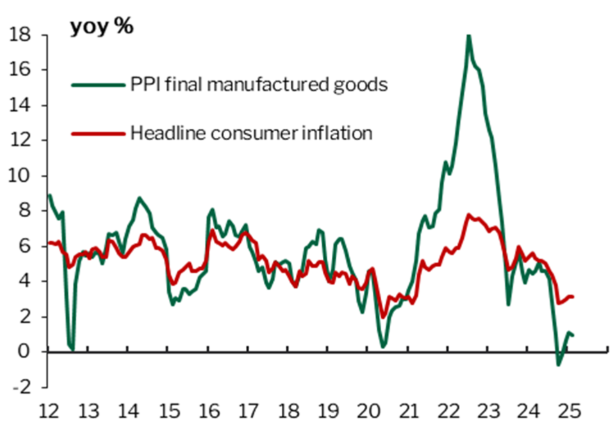
Table 1: Producer inflation

	Feb-25		Jan-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline PPI	1.0	0.4	1.1	1.4	1.3

Source: Stats SA, Nedbank GEU, Refinitiv

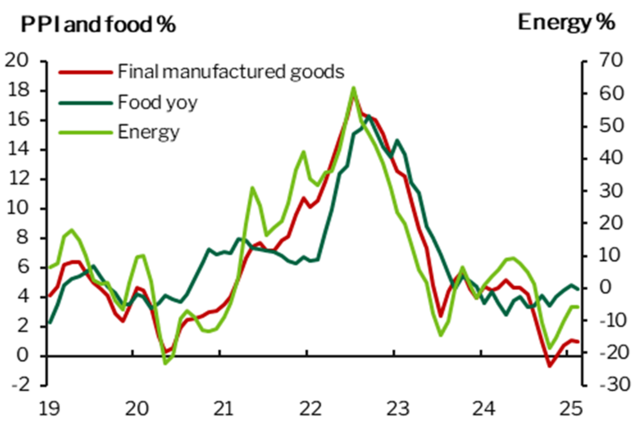
- Food, beverages, and tobacco inflation slowed to 4.2% from 4.4% due to softer food and beverages prices. Prices moderated for most products, except 'meat and meat products', 'grain mill products, starches and starch products and animal feeds', 'bakery products' and 'sugar'. The largest contributors to the 4.6% yoy increase in food prices were 'other food products' (up by 4.6%), and 'meat and meat products' and 'fruit and vegetables' (up 2.6% and 7.5%, respectively).
- Deflation in the coke, petroleum, chemicals, rubber, and plastic products category was unchanged from the previous month at 1.8% yoy. Smaller contractions in petrol and diesel prices and an acceleration in the increase of chemical products were offset by a larger contraction in the other category and a moderation in the prices of rubber and plastic products. Within this category, coke and petroleum products increased by 3.0% mom, primarily reflecting the higher Brent crude oil price. As a result, the annual decline in petrol and diesel prices slowed to 4.9% yoy in February, respectively, from 5.4% and 6.7% in January. While rubber and plastics prices decelerated further, chemical products increased.
- Metals, machinery, and equipment inflation increased to 2.0% from 1.4%, with growth in prices recorded in 'structural and fabricated metal products', 'general and special purpose machinery' and 'household appliances and office machinery' prices.

Chart 1: Inflation moderated.



Source: Stats SA and Nedbank calculations

Chart 2: PPI is driven by energy and food prices.

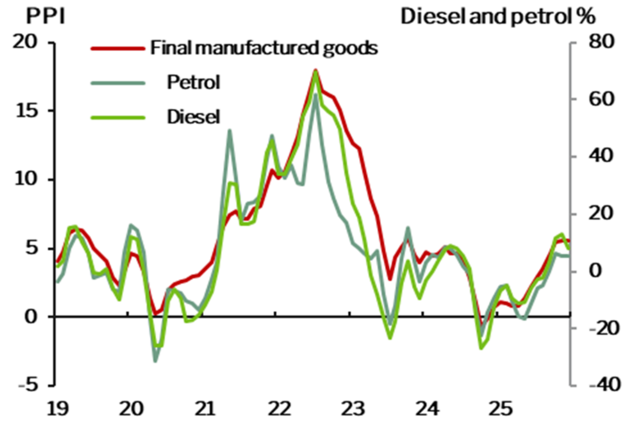


Source: Stats SA and Nedbank calculations

- PPI for intermediate manufactured goods accelerated to 8.5%, the highest since November 2022, from 7.5%. The main contributors were basic and 'fabricated metals' (up 11% from 8.3%) and 'chemicals, rubber and plastic products' (up 8.7% from 8.3%).
- Mining prices continued to increase in February, rising by 2.5% yoy from 0.7% in January, primarily due to an acceleration in 'gold and other metal ores', 'non-ferrous metal ores' as well as 'stone quarrying, clay and diamonds' prices. However, prices of coal and gas declined further, with the rate of contraction rising to 13.7% from 8.7%.

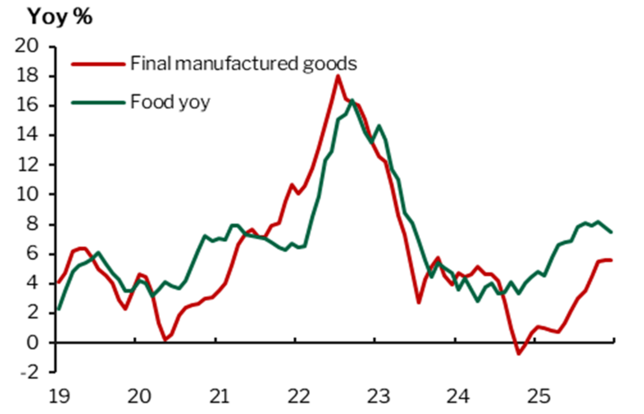
- PPI for agriculture, forestry, and fishing rose slightly to 7.6% from 7.5%. The upward pressure came from 'fruit and vegetables,' 'other animal products,' 'forestry' and 'fishing,' which rose by 17.4%, 6.1%, 6.9% and 2.6%, respectively. These outweighed slower increases in 'cereals and crops' and declines in prices of 'live animals and animal products.'
- PPI for electricity and water edged up slightly to 10.8% from 10.0%. The acceleration came from electricity prices, which rose by 11.9% from 10.9%, while water was steady at 5.6%.

Chart 3: Rising fuel price and PPI.



Source: Stats SA and Nedbank calculations

Chart 4: Food prices will increase off a low base.



Source: Stats SA and Nedbank calculations

- A gradual uptick in producer inflation is likely in 2025, driven by the normalisation in the base with food and fuel prices taking the lead. Food prices will be affected by fading global disinflation, with further upside from the unfolding trade war which threatens global food prices and the rand. Bouts of load-shedding given the vulnerability of power stations will remain an upside risk to input prices. Upward pressure on food prices will, however, be tempered by improvements on the logistical front and favourable crop outcomes thanks to the summer rainfall. Global fuel prices will remain restrained by steady global demand and ample supply, but the vulnerable rand will offset the weakness in the Brent crude oil price. The local unit and other emerging market currencies will likely remain under pressure against a stronger US dollar, which will benefit from heightened risk sentiment stemming from Trump's administration and the resultant pause in US interest rates. Other risks include higher wage growth and electricity tariffs. We forecast PPI to average around 3.3% in 2025 from 3% in 2024.

Table 2: Breakdown of producer inflation

	Feb-25				Jan-25	Dec-24	2024
	New weights Dec 2023=100	mom%	yoy%	yoy contribution	yoy%	yoy%	AVE
Final manufactured goods	**100**	**0.4**	**1.0**	**1.0**	**1.1**	**0.7**	**3.0**
Food products, beverages and tobacco products	27.4	0.3	4.2	1.1	4.4	4.2	3.9
Food products	16.9	0.3	4.6	0.8	4.8	4.5	3.7
Beverages	8.4	0.2	3.9	0.3	4.2	4.2	4.3
Tobacco products	2.2	0.0	2.0	0.0	2.0	2.0	2.6
Textiles, clothing and footwear	6.0	0.0	5.1	0.3	5.1	5.8	6.7
Paper and printed products	8.8	0.3	-2.8	-0.2	-3.1	-1.4	2.0
Coke, petroleum, chemical, rubber and plastic products	22.7	1.6	-1.8	-0.4	-1.8	-4.7	0.9
Non-metallic mineral products	2.9	1.3	1.6	0.0	1.7	2.9	3.8
Metals, machinery, equipment and computing equipment	14.9	-0.2	1.2	0.2	1.4	2.4	4.5
Electrical machinery and communication and metering equipment	3.4	-1.7	3.7	0.1	5.1	1.1	4.4
Transport equipment	9.9	-0.4	-5.0	-0.5	-4.8	-3.3	1.0
Furniture and other manufacturing	4.1	1.3	8.5	0.3	7.1	5.3	3.9

Source: Stats SA and Nedbank calculations

GROUP ECONOMIC UNIT

Crystal Huntley	+27 10 221 8468	crystalhu@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za