



Producer Inflation

ECONOMICS | SOUTH AFRICA

Producer inflation increased further in January.

- **Producer inflation** continued to increase gradually in January, coming in at 1.1% from 0.7% in December. The figure was slightly higher than our and the market's forecast of 1%. The main driver of the rise was the 'food, beverages and tobacco products' category, which rose by 4.4% yoy, contributing 1.4 percentage points to the annual increase.

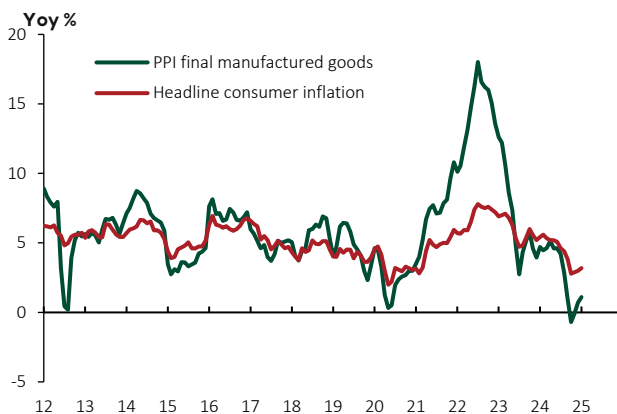
Table 1: Producer inflation

	Jan-25		Dec-24	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline PPI	1.1	0.5	0.7	1.0	1.0

Source: Stats SA, Nedbank GEU, Refinitiv

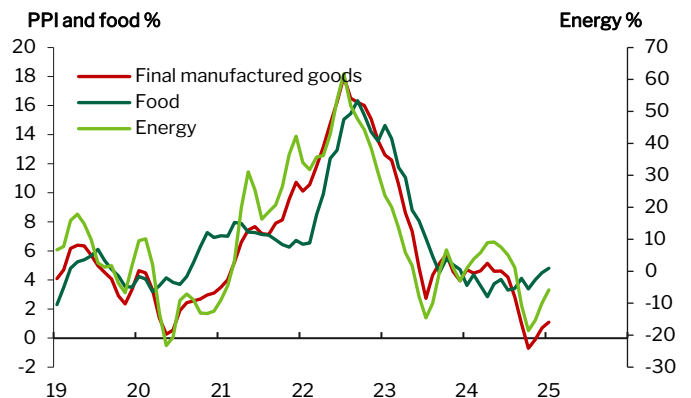
- **Food, beverages, and tobacco** inflation accelerated to 4.4% from 4.2% due to higher food prices. Food prices grew 4.8% yoy, with most of the upward pressure coming from fruit and vegetables, where inflation remained elevated at 9.4%, and a modest acceleration in 'meat and meat products' (up 1.1% from 1.9%). Prices of 'oils and fats' continued to rise off an extremely low base, up for the second consecutive month to 1.5% from a deep 24.7% drop in January 2023 and 17.23% in January 2024. Prices of 'dairy products' and 'grain mill products, starches and animal feeds' also increased. In contrast, 'bakery' product prices slowed, and 'sugar' prices contracted for the ninth month.
- Deflation in the **coke, petroleum, chemicals, rubber, and plastic products** category moderated significantly to 1.8% from 4.7% yoy. The smaller contraction came from fuel prices. During the month, prices of coke and petroleum products increased by 0.4%, primarily reflecting an increase in the price of Brent crude oil, which outweighed the impact of a modest appreciation in the rand dollar exchange rate. As a result, the annual decline in petrol and diesel prices slowed to 5.4% and 6.7%, respectively, from 9.5% and 12.4%. Chemicals, and rubber and plastics prices also decelerated further.
- **Metals, machinery, and equipment** inflation eased further to 1.4% from 2.4%, with slower price growth recorded in 'structural and fabricated metal products', 'general and special purpose machinery' and 'household appliances and office machinery prices'.

Chart 1: Inflation continues to increase.



Source: Stats SA and Nedbank calculations

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

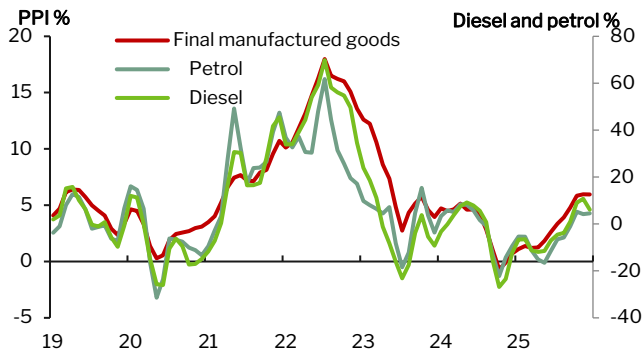


Source: Stats SA and Nedbank calculations

- **PPI for intermediate manufactured goods** accelerated to a two-year high of 7.3% from 5.8%. Most of the subcategories experienced upward price pressures, but the significant rises came from textiles and leather goods, which jumped by 16.2% from 4.8%, as well as basic precious and non-ferrous metals (up 19.8% from 12.2%) and basic and other chemicals (up 10.7% from 9.6%).
- **Mining prices** turned the corner in January, rising by 0.7% yoy after contracting for 17 consecutive months. The increase mainly results from an acceleration in 'gold and other metal ores' as well as 'stone quarrying, clay and diamonds' prices. However, prices of coal and gas declined further, but the rate of contraction moderated to 8.7% from 11.3%.

- PPI for **agriculture, forestry, and fishing** rose to 7.5% from 4.7%. The upward pressure came from ‘cereals and other crops’ and ‘products of crops and horticulture’, which rose by 38.6% yoy and 21.6%, respectively. These outweighed slower increases in fruits and vegetables, and sharp declines in prices of live animals and animal products.
- PPI for **electricity and water** remained elevated but edged down slightly to 10% from 10.3%. The deceleration came from electricity prices, which edged down to 10.9% from 11.2%, 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

- Producer inflation will likely increase gradually in 2025 driven mainly by the normalisation of the base on food and fuel indices. A softer rand, an upturn in global food prices, and higher domestic electricity tariffs will drive the moderate upward pressure on food prices. However, the increase will partly be contained by easing operating costs due to a stable power supply and some improvements in logistics. The return of widespread power cuts, following recent setbacks that destabilised the grid, would put renewed pressure on production costs. Food prices will also benefit from higher domestic crops following heavy summer rainfall. On fuel, the upside will be driven mainly by a weaker rand. The local unit and other emerging market currencies will likely remain under pressure against a stronger US dollar, which will benefit from the changes in the US’s economic policies under the Trump administration, volatile global risk sentiment and a prolonged pause in US interest rates. The impact of the weaker rand will contain the effect of lower oil prices. The Brent crude oil prices will probably remain subdued as a result of steady global demand and ample supply, led by the US. We forecast PPI to average around 3.5% in 2025.

Table 2: Breakdown of producer inflation

		Jan-25			Dec-24	Jan-24	2024
	New weights Dec 2023=100	mom%	yoy%	yoy contribution	yoy%	yoy%	AVE
Final manufactured goods	100	0.5	1.1	1.1	0.7	4.7	3.0
Food products, beverages and tobacco products	27.4	0.1	4.4	1.2	4.2	4.0	3.9
Food products	16.9	0.2	4.8	0.8	4.5	3.6	3.7
Beverages	8.4	0.0	4.2	0.4	4.2	4.3	4.3
Tobacco products	2.2	0.0	2.0	0.0	2.0	4.7	2.6
Textiles, clothing and footwear	6.0	1.7	5.1	0.3	5.8	9.1	6.7
Paper and printed products	8.8	-0.6	-3.1	-0.3	-1.4	4.3	2.0
Coke, petroleum, chemical, rubber and plastic products	22.7	0.5	-1.8	-0.4	-4.7	2.7	0.9
Non-metallic mineral products	2.9	0.6	1.7	0.0	2.9	6.7	3.8
Metals, machinery, equipment and computing equipment	14.9	0.9	1.4	0.2	2.4	5.8	4.5
Electrical machinery and communication and metering equipment	3.4	1.2	5.1	0.2	1.1	3.0	4.4
Transport equipment	9.9	0.9	-4.8	-0.5	-3.3	7.3	1.0
Furniture and other manufacturing	4.1	1.9	7.1	0.3	5.3	4.4	3.9

Source: Stats SA and Nedbank calculations

GROUP ECONOMIC UNIT

Johannes (Matimba) Khosa
Nicky Weimar

+27 10 234 8359
+27 10 234 8357

johanneskh@nedbank.co.za
nickywe@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.