

Producer Inflation

ECONOMICS | SOUTH AFRICA

Producer disinflation continued

- **Producer inflation** slowed from 1% yoy in February to a subdued 0.5% in March. The outcome was lower than our forecast of 0.9% and only slightly above the market's estimate of 0.4%. The downward pressure came from lower fuel prices, which shaved 0.9 percentage points off the annual increase in producer inflation. Continued deflation in transport equipment and paper and printed products also contributed to the slowdown.

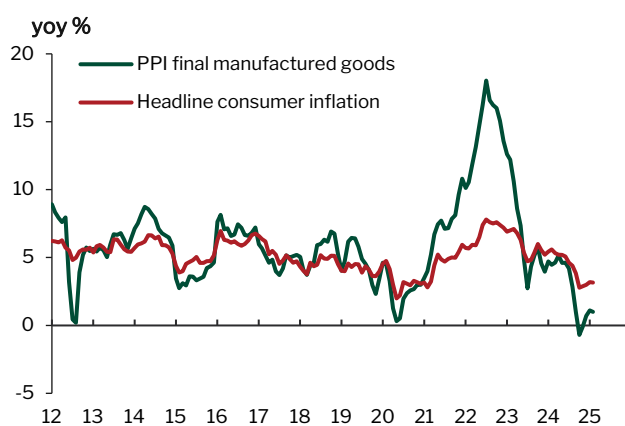
Table 1: Producer inflation

	Mar-25		Feb-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline PPI	0.5	0.6	1.0	0.9	0.4

Source: Stats SA, Nedbank GEU, Refinitiv

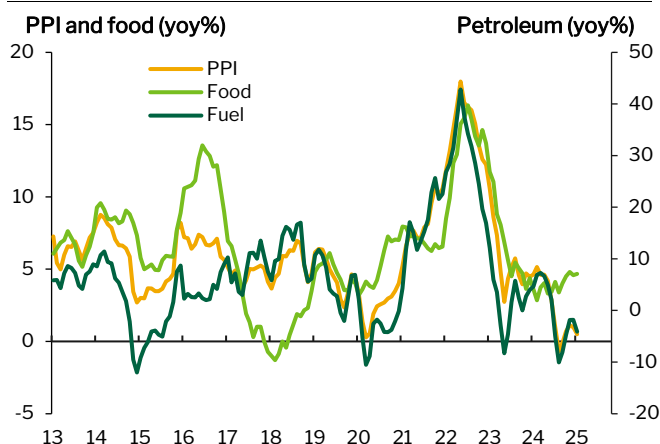
- **Food, beverages and tobacco** inflation slowed from 4.2% to 4.1% due to softer price increases on food and beverages. As far as food is concerned, prices of grain mill products and oils and fats moderated further, offset a relatively steep rise in meat prices. Meat prices accelerated from 2.6% to 4.6%, doubling from the previous month.
- Deflation in **coke, petroleum, chemicals, rubber, and plastic products** continued, with prices falling by 4.1% yoy, after shrinking by 1.8% in February. There was a major contraction in petrol and diesel prices and a slight increase chemical products from 2.1% in February to 2.3% in March.
- **Metals, machinery, and equipment** prices rose by a slower 1.3%, down from 2.0%. Structural and fabricated metal products as well as household appliances and office machinery moderated further, while prices of general and special purpose machinery picked up slightly.

Chart 1: Overall price pressures remain subdued.



Source: Stats SA and Nedbank calculations

Chart 2: Falling fuel prices trim producer inflation



Source: Stats SA and Nedbank calculations

- **PPI for intermediate manufactured goods** eased to 7.4% from 8.5% in February, contained by softer increases in basic and fabricated metals (10.2% from 11%) and chemicals, rubber and plastic products (6.9% from 8.7%).
- **Mining inflation** accelerated from 2.5% yoy in February to 5.9% in March. The upward pressure came from rising prices of gold and other metal ores, non-ferrous metal ores and stone quarrying, clay and diamonds. In contrast, coal and gas prices declined, falling by a less severe 10.7%, after plunging by 13.7%.
- PPI for **agriculture, forestry, and fishing** imploded from 7.6% to 2.4%, while that of **electricity and water** eased slightly from 10.8% to a still high 10%. Electricity price increases moderated from 11.9% to 10.8%, while water was steady at 5.6%.

- Producer inflation is likely to rise moderately in 2025. The low base established in the second half of last year will amplify the upward trend, particularly for agricultural products. 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. Global oil prices are expected to remain relatively stable in 2025, owing to balanced supply and demand dynamics. Beyond food and fuel, upward pressure will also come from the 12.74% hike in electricity tariffs. Renewed and sustained 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 3.1% in 2025, up only slightly from 3% in 2024.

Table 2: Breakdown of producer inflation

		Mar-25			Feb-25	Dec-24	2024
	New weights Dec 2023=100	mom%	yoy%	yoy contribution	yoy%	yoy%	AVE
Final manufactured goods	100	0.6	0.5	0.5	1.0	0.7	3.0
Food products, beverages and tobacco products	27.4	1.1	4.1	1.1	4.2	4.2	3.9
Food products	16.9	0.3	4.7	0.8	4.6	4.5	3.7
Beverages	8.4	1.8	2.9	0.2	3.9	4.2	4.3
Tobacco products	2.2	6.2	6.2	0.1	2.0	2.0	2.6
Textiles, clothing and footwear	6.0	0.8	6.0	0.4	5.1	5.8	6.7
Paper and printed products	8.8	0.4	-2.4	-0.2	-2.8	-1.4	2.0
Coke, petroleum, chemical, rubber and plastic products	22.7	0.1	-4.1	-0.9	-1.8	-4.7	0.9
Non-metallic mineral products	2.9	0.2	2.1	0.1	1.6	2.9	3.8
Metals, machinery, equipment and computing equipment	14.9	0.6	1.3	0.2	1.2	2.4	4.5
Electrical machinery and communication and metering equipment	3.4	-0.7	2.1	0.1	3.7	1.1	4.4
Transport equipment	9.9	0.3	-5.2	-0.5	-5.0	-3.3	1.0
Furniture and other manufacturing	4.1	-0.2	7.2	0.3	8.5	5.3	3.9

Source: Stats SA and Nedbank calculations

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