

# Producer Inflation

ECONOMICS | SOUTH AFRICA

## Producer inflation surprised to the downside in May due to lower fuel and food prices.

- Producer inflation (PPI)** fell to 0.1% in May from 0.5% in April. The outcome was lower than our and the market's forecast, which were 0.8% and 0.7%, respectively. The downward pressure primarily came from coke, petroleum, chemicals, rubber and plastics, which fell sharply, subtracting 1.4 percentage points (ppts) from the total. The most significant positive contributions came from 'food, beverages and tobacco', 'furniture and other manufacturing', and 'textiles, clothing and footwear', which all together added 1.8 ppts to the total.

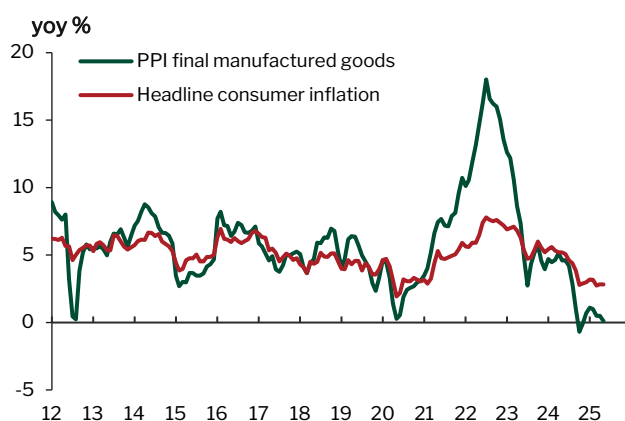
**Table 1: Producer inflation**

	May-25		April-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline PPI	0.1	-0.3	0.5	0.8	0.7

Source: Stats SA, Nedbank GEU, Refinitiv

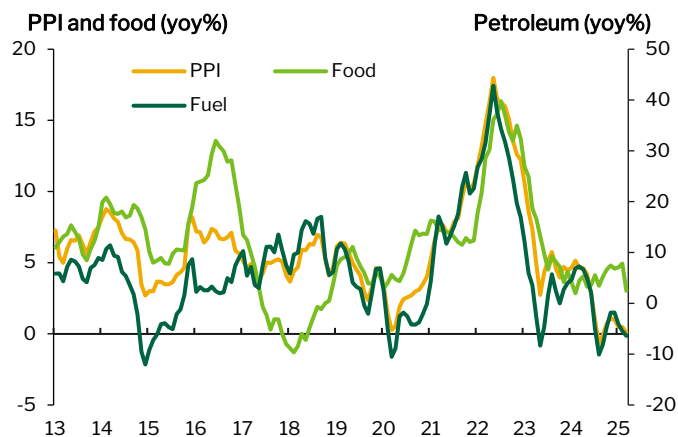
- Deflation in **coke, petroleum, chemicals, rubber, and plastic products** persisted, prices declined by 6.4% yoy from 5.5%. The deeper contraction was driven mainly by fuel prices, which benefited from lower global oil prices and a firmer rand. Petrol prices dropped by 18.7% yoy, while diesel prices fell by 15.1%. Prices of chemicals also decreased from 4.3% to 2%.
- Food, beverages and tobacco** prices decreased from 4.7% to 3.7%, mainly driven by the decline in food products. Within the food category, fruit and vegetable products (5.5% from 3%) and oils and fats (7.7% from 2.4%) declined notably. Dairy products, grains and sugar prices also decreased while meat and meat products remained elevated at 10.5%.
- Metals, machinery, and equipment** prices declined by 0.5% yoy, down from 1%, mainly due to a decrease in the prices of household appliances and office machinery, which decreased by 0.4% following a 1.5% increase. Prices of structural and fabricated metal products and general and special-purpose machinery also moderated.

**Chart 1: PPI moderated further**



Source: Stats SA and Nedbank calculations

**Chart 2: Fuel and food prices were the main drag on PPI**



Source: Stats SA and Nedbank calculations

- PPI for intermediate manufactured goods** fell from 8.5% in April to 6.9% in May. Prices of chemicals, rubber, and plastics products decreased from 5.5% to 2%. Basic and fabricated metals prices remained elevated at 12.3% due to higher prices of precious and non-ferrous metals.
- Mining inflation** decreased from 4.1% yoy in April to 2.8% in May. The downward pressure came from coal and gas (down 12.7% yoy), and non-ferrous metal ores (down 1.8% yoy). Prices of gold and other metal ores remained elevated but moderated to 19.6% yoy from 21.7%. In contrast, the prices of stone quarrying, clay, and diamonds accelerated by 28.6% from 26%.
- PPI for **electricity and water** fell slightly from 11.2% to 10.8%, due to a decline in electricity prices from 12.5% to 11.9%. Water prices remained steady at 4.6%.
- PPI for **agriculture, forestry, and fishing** rose from 4.4% to 6%—higher prices of live animals and animal products, fruit and vegetables, and fishing drove the increase.

- Producer inflation is likely to increase further as the base effect recedes. Food prices will drive the increase, given its low base, 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. International oil prices are expected to remain relatively subdued in 2025, owing to balanced supply and demand dynamics. However, conflicts in the Middle East significantly threaten the oil price if it disrupts oil supply channels. Beyond food and fuel, steep electricity tariffs will also bring upward pressure. Renewed rand weakness poses the biggest 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 remain subdued below 3% in 2025.

Table 2: Breakdown of producer inflation

	May-25				Apr-25	2025	2024
	New weights Dec 2023=100	mom%	yoy%	yoy contribution	yoy%	YTD	AVE
<b>Final manufactured goods</b>	<b>100</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>	<b>0.6</b>	<b>3.0</b>
Food products, beverages and tobacco products	27.4	-0.2	3.7	1.0	4.7	4.2	3.9
Food products	16.9	-0.6	3.0	0.5	4.9	4.4	3.7
Beverages	8.4	0.3	4.3	0.4	4.0	3.8	4.3
Tobacco products	2.2	0.0	6.2	0.1	6.2	4.5	2.6
Textiles, clothing and footwear	6.0	-0.6	6.2	0.4	6.8	5.8	6.7
Paper and printed products	8.8	0.3	-2.9	-0.3	-3.5	-2.9	2.0
Coke, petroleum, chemical, rubber and plastic products	22.7	-0.2	-6.4	-1.5	-5.5	-3.9	0.9
Non-metallic mineral products	2.9	-1.2	2.3	0.1	2.7	2.1	3.8
Metals, machinery, equipment and computing equipment	14.9	-0.2	0.5	0.1	1.0	1.1	4.5
Electrical machinery and communication and metering equipment	3.4	-0.6	-1.3	0.0	2.7	2.5	4.4
Transport equipment	9.9	-0.5	0.2	0.0	-3.8	-3.7	1.0
Furniture and other manufacturing	4.1	-0.4	8.9	0.4	8.5	8.0	3.9

Source: Stats SA and Nedbank calculations

## GROUP ECONOMIC UNIT

Nomusa Soza  
Nicky Weimar

+27 10 224 9244  
+27 10 234 8357

[nomusaso@nedbank.co.za](mailto:nomusaso@nedbank.co.za)  
[nickywe@nedbank.co.za](mailto: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.