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RISING PRODUCER PRICES CONTINUE TO REFLECT OPERATIONAL PRESSURES ON THE GLOBAL INDUSTRIAL LANDSCAPE AS COST BURDEN MOVES TO CONSUMERS, SAYS CHIEF ECONOMIST OF DCG

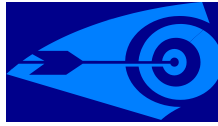
JOHANNESBURG, 15th DECEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says rising Producer Price Inflation (PPI) continue to reflect operational challenges on the global industrial landscape as cost burden moves to consumers, with South Africa not spared.

Statistics South Africa PPI data released today has final manufactured goods rising to 9.6% in November 2021 from 8.1% in October 2021, and 1.4% month on month from October 2021. This was mainly attributed to annual increases of 9.6% were from coke, petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

Prices for intermediate manufactured goods increased to their highest level this year at 23.1% in November 2021, averaging 15.5% in the first 11 months of 2021. This reflects rising operational challenges on the industrial landscape in South Africa. The PPI for Mining is currently at 7%, down from the high levels experienced in the first half of 2021, while that of Electricity and Water is at 16.7%, rising from 14.4% in the previous month.

“More signs of a pass-through of higher producer inflation into consumer price inflation are showing in the South African economy as consumer inflation rate also rise.” said Mr Mhango

On the global landscape, DCG Chief Economist Mr Chifi Mhango observed that: “Producer price inflation rates are at the highest levels. Annual producer inflation in the USA at the current level of 9.6% is the highest since at least November of 2010 as depicted from the USA Bureau of Statistics data. This is amid supply and labour constraints; and robust demand, adding to concerns over inflationary pressure. Within the Euro Area, latest producer prices inflation in the



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Euro Area shows a surge to 21.9%, the largest yearly increase on record, adding to signs of inflationary pressure.”

In China, producer price inflation eased to 12.9% year-on-year in November 2021 from October's 26-year high of 13.5%, reflecting the Chinese government's efforts to control surging commodity prices and an easing power crunch. Within the other BRICS countries, latest year on year data shows producer price inflation data is 14.23%, 30.6%, 27.5% for India, Brazil and Russia respectively.

In conclusion Mr Mhango also raised a concern around projected soaring prices for raw materials, transport costs and import prices globally and domestically, thus suggesting that there is additional price pressure in the pipeline that could materialise in further rise in consumer prices, which from the South African perspective now stands at 5.5% in November 2021, thus 0.5% from reaching the upper target range of the South African Reserve Bank monetary policy framework. Annual inflation rates in the major advanced economies also rose in November 2021 reaching 6.8%, 4.9%, 2.3% for USA, Euro Area and China respectively.

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