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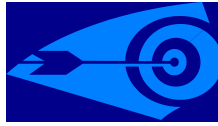
RISING PRODUCER PRICES DOMINATES THE CURRENT GLOBAL ECONOMIC LANDSCAPE AMID SUPPLY CHAIN CHALLENGES AND RISING INDUSTRIAL PRODUCTION COST BASE, SAYS CHIEF ECONOMIST OF DCG

JOHANNESBURG, 25th NOVEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says rising Producer Price Inflation (PPI) rate dominates the current global economic landscape amid supply chain challenges and rising industrial production cost base.

PPI Data released by Statistics South Africa today reflects prices for final manufactured goods rising to 8.1% in October 2021 from 7.8% in September 2021. Much of the increase was attributed to 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 20.4% in October 2021, thus reflecting rising cost pressures in industrial activity.

DCG Chief Economist Mr Chifi Mhango indicated that “the global picture continues to reflect rising industrial production cost base and thus being reflected into factor gate prices also referred to as Producer prices, as producers pass the cost burden to consumers. Annual producer inflation in the USA was at 8.6% in October of 2021, unchanged from September 2021; and the highest since at least November of 2010, thus according the US Bureau of Statistics. In the Euro Area, latest data shows Producer prices in the Euro Area surging to 16%, the largest yearly increase on record.”

In China, producer prices surged by 13.5% year-on-year in October 2021, this was the tenth straight month of increase in factory gate prices and the strongest growth since 1995, amid rising cost of raw materials and widening power shortage. Prices of means



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of production increased fastest at 17.9%, which was attributed to rising cost of extraction at 66.5%, raw materials at 25.7% and processing at 10.8.% thus according to National Bureau of Statistics of China.

Mr Mhango concluded that: “The rising in Producer prices globally reflects base effects from the impact of strict lockdowns imposed in 2020, but also current supply-chain disruptions, shortages of semiconductors and a surge in commodity prices in the year 2021. We project PPI of 18% for Euro Area, 8.8% for the USA, and 10.9% for China by end of quarter four of 2021, with that of South Africa at 7.6%.”

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