

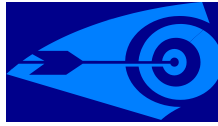
Don Consultancy Group (DCG)

RISING PRODUCER PRICES FOR INDUSTRIAL INPUTS IS A CONCERN FOR THE INDUSTRIALISATION OF THE SOUTH AFRICAN ECONOMY, SAYS CHIEF ECONOMIST OF DCG

JOHANNESBURG, 30th SEPTEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says rising Producer Price Inflation (PPI) rate for industrial inputs is concerning for the industrialisation of the South African economy..

Statistics South Africa data on PPI released today reflects prices for final manufactured goods rising to 7.2% in August 2021 from 7.1% in July 2021. The main contributors to the headline PPI annual inflation rate were 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 17.7% in August 2021. This is the category that reflects cost of other manufactured goods used in final manufactured goods such as steel.

DCG Chief Economist Chifi Mhango said: “The mining sector remains a key raw material supplier for intermediate manufactured goods especially in the basic iron and steel sub-sectors; and Mining PPI rate highlights the input costs pressures facing the sector. PPI rate in Mining has increased at an average of 16% in the eight months of 2021. A high PPI rate especially for inputs related products is a concern for the industrialisation of the South African economy considering that inputs costs are rising higher than final manufactured product prices. It’s even more concerning for the consumer inflation rate outlook if producers pass on costs to consumers through pricing of final manufactured.”



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“Globally, as economies and industrial activity revives, PPI rate is also trending upwards. PPI rate has picked up to levels averaging above 5% in major economies, with latest data from China's producer prices reflecting increase of 9.5% year-on-year. This was the eighth straight monthly increase in factory gate prices and the steeper pace since August 2008, amid rising commodity prices” said Mr Mhango

“In the USA and Euro area, latest PPI rates are at records of 8.3% and 12.1% respectively. These are the highest producer inflation rates since November 2010 in USA and since 1982 in Euro area, so the recent rise in PPI rate for South Africa is in line with global trends,” concluded Mr Mhango.

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