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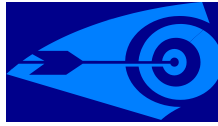
RISING PRODUCER PRICES IS REFLECTIVE OF COST PRESSURES OF INDUSTRIAL ACTIVITY IN THE GLOBAL ECONOMY AMID SUPPLY CHAIN BOTTLENECKS AND RISING ENERGY COSTS, SAYS CHIEF ECONOMIST OF DCG

JOHANNESBURG, 28th OCTOBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says rising Producer Price Inflation (PPI) rate is reflective of cost pressures of industrial activity in the global economy amid supply chain bottlenecks and rising energy costs to an extent.

A glance on Statistics South Africa PPI data released today shows prices for final manufactured goods rising to 7.8% in September 2021 from 7.2% in August 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 19.5% in September 2021, reflective of cost pressures in final manufactured goods.

Mr Mhango said: “PPI rate in Electricity and Water also increased to the highest level in 2021, to 23.3% in September, whilst for the first time this year, Mining PPI has increased at a slowest pace of 2% year on year in the nine months of 2021. A high PPI rate especially for inputs related products has put pressure on the industrial cost base of the South African economy, and as producers pass on costs increases to consumers; it has a negative impact on overall inflation rate outlook for the South African economy”.

DCG Chief Economist Mr Chifi Mhango indicated that “Globally PPI rate is trending upwards. China's producer prices increased by 10.7% year-on-year in September 2021 thus according National Statistics data. This was the ninth straight month of increase in factory gate prices and the strongest growth at least since the data began to be



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reported in October 1996, amid surging cost of raw materials. Surging producer prices in recent months in China are attributed to higher global energy prices and supply constraints, although pass-through to consumer prices has been negligible amid soft demand.”

Mr Mhango projected that: “Producer price inflation in China should stay elevated in the coming months, and could be boosted further in the near term by the government’s decision in October to partially liberalize power prices in a bid to ease the recent electricity shortage.”

“Producer Prices in the United States increased 8.6% in September of 2021 over the same month in the previous year. Supply chain bottlenecks have persisted longer and more intensely than anticipated in 2021, with widespread labour shortages being among the main input issues producers are dealing with,” said Mr Mhango

"USA consumer price inflation should, therefore, remain elevated for a while under the current status. The PPI inflation rate in the USA is highest increase since 2010. In the Euro Area latest data also indicate an increase of 13.4%. We expect South African PPI to continue trending upwards in similar way as major global economies.” Mr Mhango concluded.

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