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**03 August 2018**

## **The Importance of Producer Price Inflation Statistics**

### **Background info**

All too often we do not realise the extent to which our money decreases in value. For that reason alone, it is essential that we spend our money wisely and invest where possible. By using a few market indicators we can understand how everyday items become more (or less) expensive depending on the category of the item. An example will be given.

Additional flyers will be created to explain reports such as the Consumer Price Index and Quarterly Financial Statistics.

Every month, a government department, **Statistics South Africa**, release a multitude of market indicators for use by government, business and the general public and may be accessed via <http://www.statssa.gov.za>.

### **A shortlist of typical statistical reports of great importance are:**

1.	Producer Price Index	a monthly report	P0142.1
2.	Consumer Price Index	a monthly report	P0141
3.	Manufacturing: Production and sales	a monthly report	P3041.2
4.	Mining: Production and sales	a monthly report	P2041
5.	Land transport	a monthly report	P7162
6.	Statistics of liquidations and insolvencies	a monthly report	P0043
7.	Quarterly financial statistics	a quarterly report	P0044

## Producer Price Index (PPI)

**Table A - Key Figures**

Product	Weight		Index (Dec 2010=100)		Percentage change	
	June 2017	June 2018	May 2018	June 2018	June 2018 vs May 2018	June 2018 vs May 2017
Final Manufactured Goods	100,00	101,8	106,8	107,8	0,9	5,9
Intermediate Manufactured Goods	100,00	101,9	102,8	105,1	2,2	3,1
Electricity and Water	100,00	138,6	107,6	143,3	33,2	3,4
Mining	100,00	99,7	103,1	107,7	4,5	8,0
Agriculture, Forestry and Fishing	100,00	96,1	98,7	98,3	-0,4	2,3

**Table B - Analytical Series**

Product	Weight		Index (Dec 2010=100)		Percentage change	
	June 2017	June 2018	May 2018	June 2018	June 2018 vs May 2018	June 2018 vs May 2017
Final Manufactured Goods excluding Petroleum Products	89,91	101,5	105,2	105,6	0,4	4,0
Final Manufactured Goods excluding Food	74,22	102,4	109,2	110,5	1,2	8,0
Intermediate Manufactured Goods excluding Basic Metals	80,87	102,5	103,0	105,1	2,0	2,5
Mining excluding Precious Metals and Stones	62,28	88,8	106,7	111,6	4,6	25,7
Precious Metals and Stones	37,72	121,0	97,1	101,2	4,2	-16,4

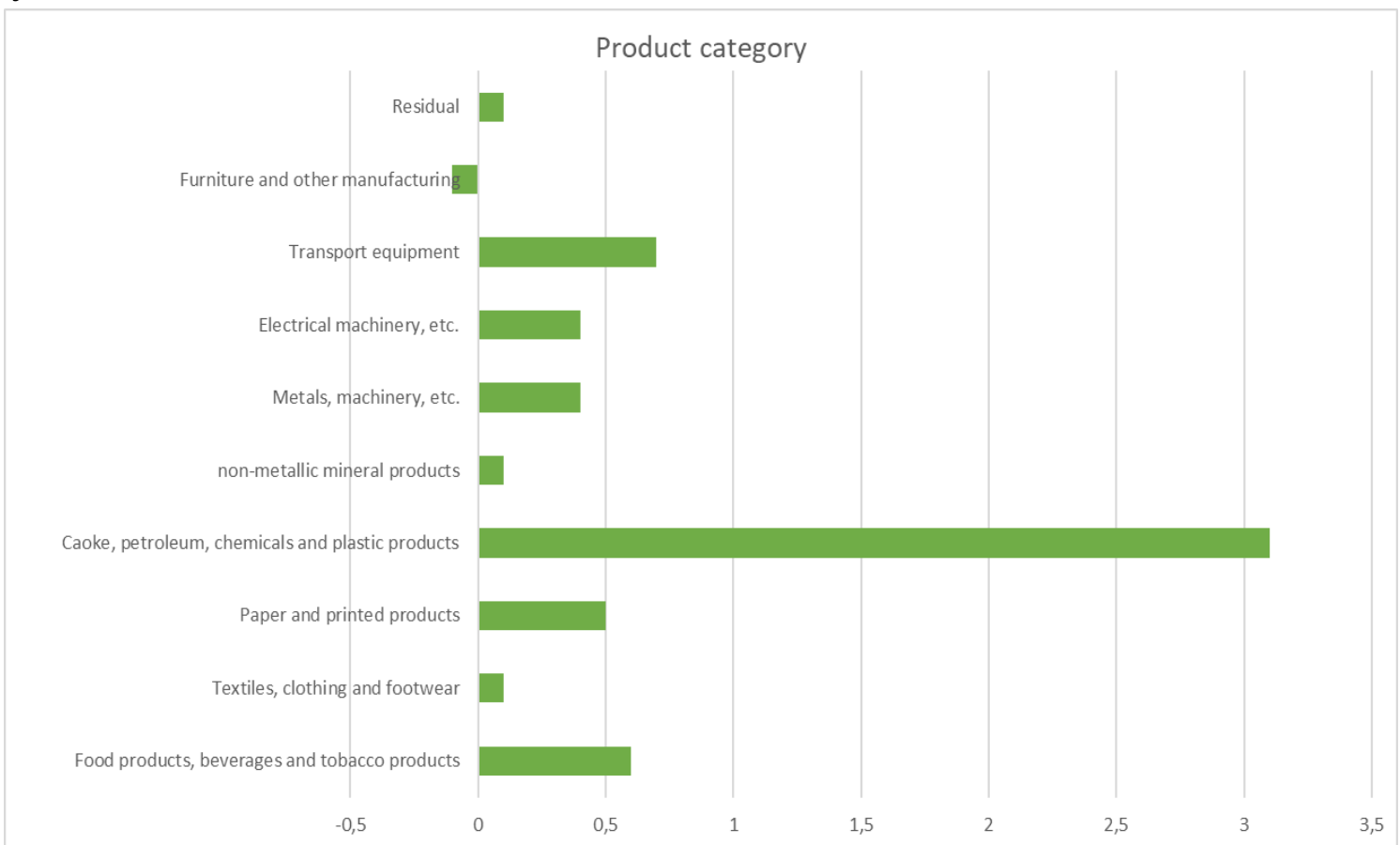
You may therefore wonder what contributed to the increase in the Producer Price Index given that you now know it increased by 5.9% year-on-year.

This is shown by typical graphs published by STATSSA for our use. In this case, you will notice that coke, petroleum, chemicals, rubbers and plastic products were the main drivers (over 50% of the annual increase).

## Producer Price Index (PPI)

As petrol, fuel and paraffin products are regulated by government pricing, the average person out there can do very little about these increases. This 5.9% annual increase in the PPI value naturally has a knock-one effect for the consumer as shown in the CPI (Consumer Price Index) report; in the case of fuel only, the average cost has increased by 16.3% year-on-year.

The best option is to save fuel, drive responsibly and, where possible, invest your money. It's a commodity with limited funds. Let your money work for you.



Should you need to understand more about these reports and/or wish to consider investing your money, please contact Fincor Professional Accountants at your earliest convenience