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REPUBLIC OF SOUTH AFRICA



Production Price Index October 1997

Statistical release P0142.1

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PRODUCER INFLATION BELOW 5% FOR THE FIRST TIME SINCE 1971

The producer price index (PPI) for all commodities for South African consumption shows an annual rate of change of 4,9% at October 1997, i.e. for the period October 1996 to October 1997. This rate is 1,2 percentage points lower than the annual rate of increase of 6,1% at September 1997. The monthly increase in this index is 0,2%, compared with an increase of 0,5% for September 1997.

The annual percentage change in the PPI is equivalent to the product of the changes in the PPI in each of the preceding twelve months (compound interest principle). In other words any of these twelve factors, which is abnormally large (small) can adversely affect the annual percentage change for the current month. The change of 1,3% in the PPI between September and October last year, which was relatively large, was replaced by a much smaller increase of 0,2% in October 1997. This technical reason largely accounts for the lower annual rate of 4,9% (i.e. from October 1996 to October 1997).

The monthly increase of 0,2% is due to changes in the price indices for mining and quarrying products (contributing +0,1 of a percentage point), paper, paper products and printing (+0,1 of a percentage point), products of petroleum and coal (-0,1 of a percentage point), chemicals and chemical products (+0,1 of a percentage point), rubber and plastic products (+0,1 of a percentage point) and electricity (-0,1 of a percentage point).

LOWER ANNUAL INCREASE IN THE PPI FOR LOCALLY PRODUCED COMMODITIES

The annual rate of increase in the PPI for locally produced commodities is 5,7% at October 1997, which is 0,8 of a percentage point lower than the corresponding annual rate of 6,5% at September 1997. From September 1997 to October 1997 this index as well as the seasonally adjusted index increased by 0,1%.

ANNUAL RATE OF CHANGE IN THE PPI FOR IMPORTED COMMODITIES THE LOWEST SINCE FEBRUARY 1992

The PPI for imported commodities reflects an annual increase of 1,3% at October 1997. This rate is 2,5 percentage points lower than the corresponding annual rate of 3,8% at September 1997. From September 1997 to October 1997 this index increased by 0,5%. The seasonally adjusted index increased by 0,6% during the same period.

This smaller annual increase of 1,3% is due to the monthly increase of 0,5% for October 1997 (although relatively large), being less than the monthly increase of 3,0% (mainly due to an increase of 23,2% in the average price of imported crude petroleum) for October 1996, which dropped out of the calculation of the annual rate this month.

MONTHLY CHANGES IN THE PPI FOR ALL COMMODITIES FOR SOUTH AFRICAN CONSUMPTION

Relatively large monthly increases occurred in the price indices for agricultural products (+0,3%), fishing products (+0,4%), mining and quarrying products (+0,7%), food at manufacturing (+0,2%), tobacco products (+1,5%), leather and leather products (+0,4%), footwear (+0,6%), wood and wood products (+0,6%), paper, paper products and printing (+1,2%), chemicals and chemical products (+0,9%), rubber and plastic products (+2,3%), medical, precision and optical instruments (+0,4%) and gas and water (+2,1%). In contrast, there were relatively large monthly decreases in the price indices for products of petroleum and coal (-0,8%) and electricity (-3,0%).

MONTHLY CHANGES IN THE PPI FOR IMPORTED COMMODITIES

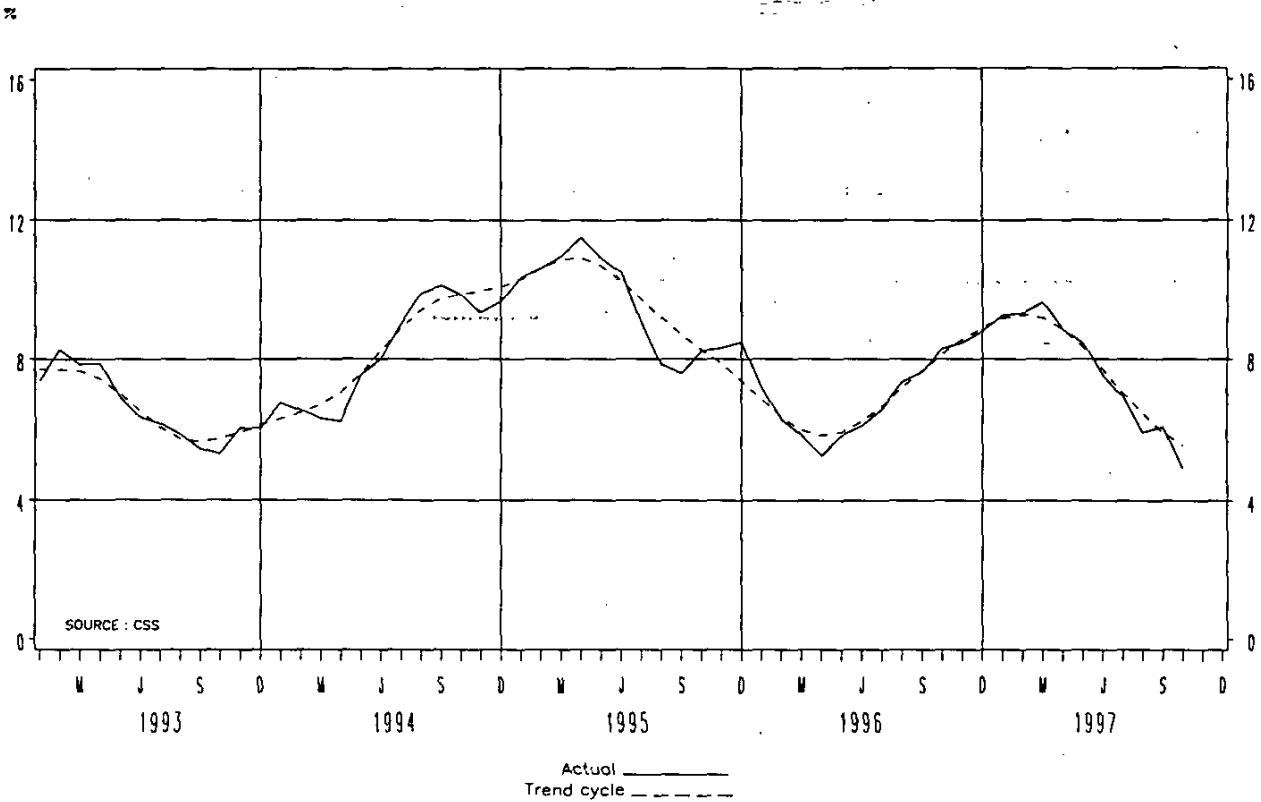
Monthly increases occurred in the prices of agricultural products (+0,6%, due to an increase of 0,9% in the prices of agricultural food products), mining and quarrying products (+0,1%), food at manufacturing (+2,9%), footwear (+0,7%), paper, paper products and printing (+2,0%), chemicals and chemical products (+1,4%) and rubber and plastic products (+6,2%). In contrast, monthly decreases were reported in the prices of tobacco products (-0,1%) and textiles and made-up goods (-0,2%), while the prices of wood and wood products remained virtually unchanged.

pp *N. Grobler*
Dr F M Orkin
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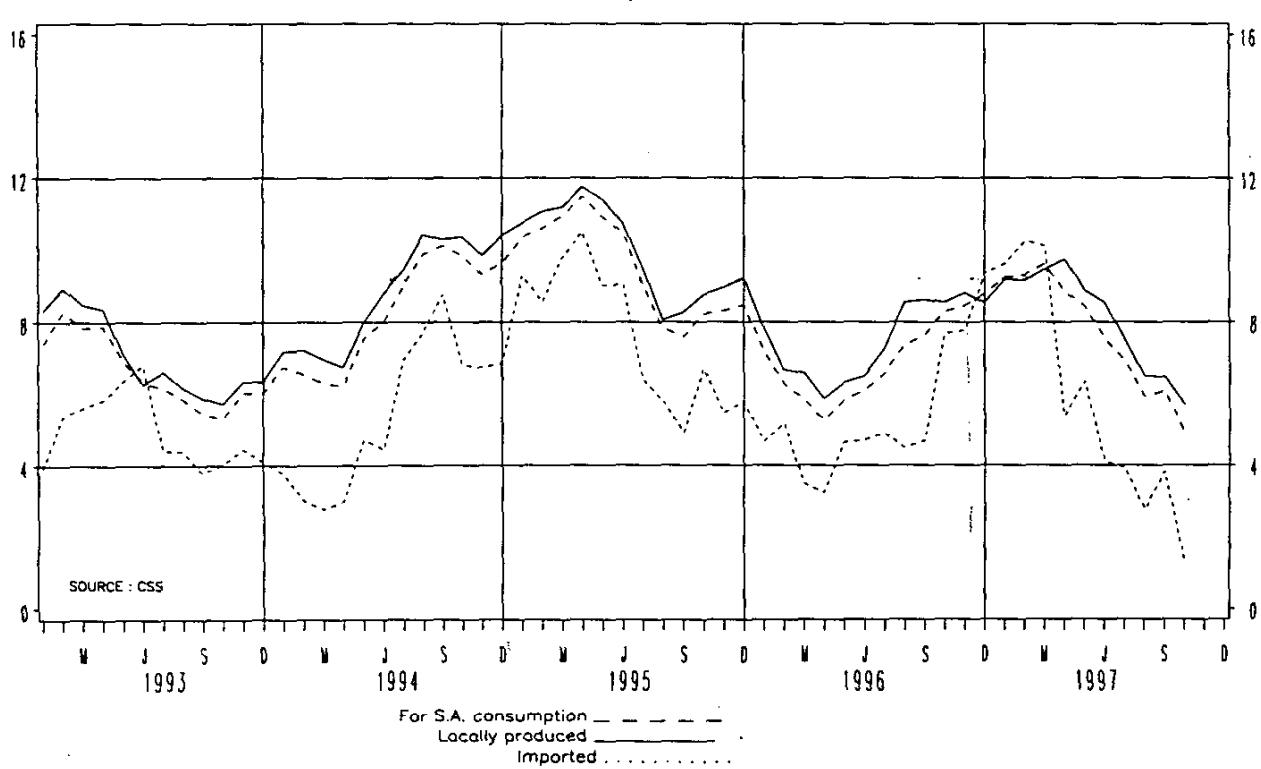
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Graph 1 – Production Price Index
 Commodities for S.A. consumption
 Annual percentage change



Graph 2 – Commodities for S.A. consumption by origin
 Annual percentage change



EXPLANATORY NOTES1. WEIGHTING BASIS

<u>TABLE 2:</u>	Commodities for South African consumption	- Value of South African production, minus exports plus imports
<u>TABLE 3:</u>	Output of South African industry groups	- Value of South African production ..
	- Total output	- Value of South African production minus exports
	- For South African consumption	- Value of materials used

<u>TABLE 4:</u>	Materials used in certain industries
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2. PRICING BASIS

All indices are based on producer prices at the point of production in the case of commodities produced in South Africa, and wholesale prices "ex-warehouse", in the case of imported commodities. Prices "delivered" or "free on rail" are accepted if this is the normal basis of quotation. Price information refers to the first seven days of the relevant month, except in the case of mining and most of the agriculture products, where it refers to the average price for the month. General sales tax is excluded but can be accounted for by multiplying a particular index by 1,04 prior to March 1982; 1,05 from March 1982; 1,06 from September 1982; 1,07 from February 1984; 1,10 from July 1984; 1,12 from April 1985; and 1,13 from April 1989. Value added tax can be added by multiplying the relevant index by 1,10 from October 1991; and by 1,14 from April 1993.

Average price of imported crude petroleum

The average price of imported crude petroleum, used in the compilation of the import component of the PPI, is calculated as the value (in rands) divided by the quantity of imported crude for the relevant month.

THE PRICES OF ALL ITEMS EXCLUDE VAT.

Further details are provided in the Bulletin of Statistics.

SYMBOLS USED

- .. = not available
- = nil or not applicable
- * = revised since previous publication

Table 1 Analytical tables
1.1 Production Price Index

BASE : June 1995 = 100

DESCRIPTION	INDICES			PERCENTAGE CHANGE COMPARED WITH -		
	Oct. 1997	Sep. 1997	Oct. 1996	Sep. 1997	Oct. 1996	
				(Seasonally) Actual adjusted Actual		
				%	%	%
All commodities for consumption in South Africa	115,2	115,0	109,8	+0,2	+0,3	+4,9
Locally produced commodities	116,8	116,7	110,5	+0,1	+0,1	+5,7
Imported commodities	109,4	108,9	108,0	+0,5	+0,6	+1,3
Output of South African industry						
Total output	118,7	118,5	111,7	+0,2	+0,2	+6,3
For South African consumption	116,8	116,7	110,5	+0,1	+0,1	+5,7

Table 1.2 Effect of price changes on the Production Price Index
- All commodities for consumption in South Africa

Group	Contribution
Mining and quarrying	+0,1
Paper, paper products and printing	+0,1
Products of petroleum and coal	-0,1
Chemicals and chemical products	+0,1
Rubber and plastic products	+0,1
Electricity	-0,1
All groups	+0,2

Table 1 Analytical Tables
1.3 Production Price Index for imported commodities

GROUP	WEIGHT	MONTHLY % CHANGE	
		Oct 1997	Sep 1997
ALL GROUPS	100,00	+0,5	+1,1
1. AGRICULTURE, FORESTRY, FISHING AND MINING	14,94	+0,1	+5,3
1.1 Agriculture	1,51	+0,6	+0,4
1.1.1 Food	0,87	+0,9	+0,9
1.1.2 Other agriculture	0,64	+0,0	-0,2
1.2 Forestry	1,13	0,0	0,0
1.3 Fishing	0,09	0,0	0,0
1.4 Mining and quarrying, including crude petroleum	12,21	+0,1	+6,2
2. MANUFACTURING	85,00	+0,6	+0,3
2.1 Food	2,53	+2,9	+2,5
2.2 Beverages	0,77	0,0	+0,4
2.3 Tobacco products	0,08	-0,1	0,0
2.4 Textiles and made-up goods	4,13	-0,2	+0,9
2.5 Wearing apparel	0,56	0,0	0,0
2.6 Leather and leather products	0,56	0,0	+0,7
2.7 Footwear	0,39	+0,7	0,0
2.8 Wood and wood products	0,71	-0,0	+0,1
2.9 Paper, paper products and printing	3,41	+2,0	+0,1
2.10 Products of petroleum and coal	1,41	0,0	0,0
2.11 Chemicals and chemical products	14,15	+1,4	-0,1
2.12 Rubber and plastic products	2,01	+6,2	0,0
2.13 Non-metallic mineral products	1,11	0,0	0,0
2.14 Basic metals	2,72	0,0	0,0
2.15 Metal products	2,64	0,0	+3,7
2.16 Non-electrical machinery and equipment	16,25	0,0	0,0
2.17 Office, accounting and computing machinery	3,98	0,0	0,0
2.18 Electrical machinery and apparatus	3,77	0,0	0,0
2.19 Radio, television and communication equipment and apparatus	2,92	0,0	0,0
2.20 Medical, precision and optical instruments	3,68	0,0	0,0
2.21 Transport equipment	15,58	0,0	0,0
2.22 Furniture	0,16	0,0	0,0
2.23 Other manufactures	1,48	0,0	0,0
3. ELECTRICITY, GAS AND WATER	0,06	0,0	0,0
3.1 Electricity	0,06	0,0	0,0

+0,0 increase smaller than 0,05

-0,0 decrease smaller than 0,05

It should be noted that, in calculating the percentage change in a group of commodities, the CSS does not weigh the percentage changes, but rather weigh the underlying indices for the respective months and then calculates the percentage change in the weighted indices.

Table 2 Price indices for commodities for South African consumption (concluded)

BASE : June 1995 = 100

GROUP	WEIGHT	INDICES				% CHANGE COMPARED WITH	
		Oct.	Sep.	Oct.	Sep.	Oct.	
		1997	1997	1996	1997	1996	
2.13 Non-metallic mineral products	2,52	117,9	117,9	109,0	0,0	0,0	+8,2
Glass and glass products	0,49	105,6	105,6	104,7	0,0	0,0	+0,9
Other	2,03	120,8	120,8	110,1	0,0	0,0	+9,7
2.14 Basic metals	4,39	114,4	114,4	105,5	0,0	0,0	+8,4
Ferrous	3,29	116,3	116,3	107,4	0,0	0,0	+8,3
Non-ferrous	1,10	108,7	108,7	99,9	0,0	0,0	+8,8
2.15 Metal products	3,93	117,6	117,6	109,2	0,0	0,0	+7,7
Structural metal products	1,61	112,7	112,7	108,0	0,0	0,0	+4,4
Other	2,32	121,0	121,0	110,1	0,0	0,0	+9,9
2.16 Non-electrical machinery and equipment	6,95	108,3	108,3	104,5	0,0	0,0	+3,6
General purpose machinery	2,12	103,7	103,7	101,9	0,0	0,0	+1,8
Special purpose machinery	4,30	110,8	110,8	105,9	0,0	0,0	+4,6
Household appliances	0,53	106,1	106,1	103,7	0,0	0,0	+2,3
2.17 Office, accounting and computing machinery	0,77	100,0	100,0	100,0	0,0	0,0	0,0
2.18 Electrical machinery and apparatus	2,45	109,0	109,0	105,0	0,0	0,0	+3,8
Electric motors, generators and transformers	0,63	111,2	111,2	105,1	0,0	0,0	+5,8
Electricity distribution and control apparatus	0,54	106,4	106,4	104,1	0,0	0,0	+2,2
Insulated wire and cable	0,58	107,1	107,1	105,9	0,0	0,0	+1,1
Other	0,70	110,9	110,9	105,1	0,0	0,0	+5,5
2.19 Radio, television and communication equipment and apparatus	1,52	104,1	104,1	103,1	0,0	0,0	+1,0
2.20 Medical, precision and optical instruments	0,82	104,3	103,9	101,2	+0,4	+0,4	+3,1
Medical appliances and instruments for measuring, checking, testing and navigating	0,66	102,8	102,4	101,0	+0,4	+0,4	+1,8
Other, including watches and clocks	0,16	110,9	109,8	101,6	+1,0	+1,0	+9,2
2.21 Transport equipment	9,34	114,7	114,7	106,8	0,0	0,0	+7,4
Motor vehicles, parts and accessories	8,20	116,7	116,7	107,7	0,0	0,0	+8,4
Motor vehicles	6,19	108,9	108,9	104,6	0,0	0,0	+4,1
Bodies, trailers and semi-trailers	0,23	112,8	112,8	108,9	0,0	0,0	+3,6
Parts and accessories	1,78	136,2	136,2	115,7	0,0	0,0	+17,7
Other transport equipment	1,14	100,5	100,5	100,3	0,0	0,0	+0,2
2.22 Furniture	1,13	114,6	114,6	107,8	0,0	0,0	+6,3
2.23 Other manufactures	0,98	100,9	100,9	100,7	0,0	0,0	+0,2
3. ELECTRICITY, GAS AND WATER	5,80	108,8	111,2	100,5	-2,2	0,0	+8,3
3.1 Electricity	5,02	104,3	107,5	97,9	-3,0	0,0	+6,5
3.2 Gas and water	0,78	138,0	135,1	117,0	+2,1	+2,1	+17,9

Note: Weights are based on the value of South African production minus exports plus imports

Indices reflect prices of locally produced and sold commodities as well as prices of imported commodities

Table 3 Price indices for output of South African industry groups (concluded)
3.2 - For South African consumption (concluded)

BASE : June 1995 = 100.

GROUP	WEIGHT	INDICES			% CHANGE COMPARED WITH	
		Oct. 1997	Sep. 1997	Oct. 1996	Sep. 1997	Oct. 1996
2.13 Non-metallic mineral products	2,86	119,5	119,5	109,9	0,0	+8,7
Glass and glass products	0,49	106,9	106,9	105,9	0,0	+0,9
Other	2,37	122,1	122,1	110,7	0,0	+10,3
2.14 Basic metals	4,79	116,4	116,4	106,3	0,0	+9,5
Ferrous	3,67	118,1	118,1	108,3	0,0	+9,0
Non-ferrous	1,12	110,6	110,6	99,9	0,0	+10,7
2.15 Metal products	4,23	112,4	112,4	107,3	0,0	+4,8
Structural metal products	1,90	113,3	113,3	108,4	0,0	+4,5
Other	2,33	111,6	111,6	106,4	0,0	+4,9
2.16 Non-electrical machinery and equipment	4,70	108,0	108,0	104,8	0,0	+3,1
General purpose machinery	0,81	111,9	111,9	106,0	0,0	+5,6
Special purpose machinery	3,39	107,1	107,1	104,5	0,0	+2,5
Household appliances	0,50	108,0	108,0	104,9	0,0	+3,0
2.17 Office, accounting and computing machinery	-	-	-	-	-	-
2.18 Electrical machinery and apparatus	2,13	112,8	112,8	107,2	0,0	+5,2
Electric motors, generators and transformers	0,56	115,6	115,6	107,1	0,0	+7,9
Electricity distribution and control apparatus	0,33	113,1	113,1	108,5	0,0	+4,2
Insulated wire and cable	0,66	107,6	107,6	106,4	0,0	+1,1
Other	0,58	116,5	116,5	107,7	0,0	+8,2
2.19 Radio, television and communication equipment and apparatus	1,19	106,5	106,5	104,9	0,0	+1,5
2.20 Medical, precision and optical instruments	0,13	124,4	120,6	108,9	+3,2	+14,2
Medical appliances and instruments for measuring, checking, testing and navigating	0,10	122,3	119,7	108,5	+2,2	+12,7
Other, including watches and clocks	0,03	130,9	123,6	110,3	+5,9	+18,7
2.21 Transport equipment	7,83	110,0	110,0	105,4	0,0	+4,4
Motor vehicles, parts and accessories	7,35	110,5	110,5	105,6	0,0	+4,6
Motor vehicles	5,60	111,0	111,0	105,6	0,0	+5,1
Bodies, trailers and semi-trailers	0,26	113,7	113,7	109,6	0,0	+3,7
Parts and accessories	1,49	108,2	108,2	105,0	0,0	+3,0
Other transport equipment	0,48	101,4	101,4	100,9	0,0	+0,5
2.22 Furniture	1,36	114,6	114,6	107,8	0,0	+6,3
2.23 Other manufactures	0,96	111,1	111,1	109,2	0,0	+1,7
3. ELECTRICITY, GAS AND WATER	7,16	108,8	111,2	100,5	-2,2	+8,3
3.1 Electricity	6,20	104,3	107,5	97,9	-3,0	+6,5
3.2 Gas and water	0,96	138,0	135,1	117,0	+2,1	+17,9

Note: Weights are based on the value of South African production minus exports

Indices reflect prices of locally produced and sold commodities

Table 6 Seasonally adjusted indices

DESCRIPTION	Oct. 1997	Sep. 1997	Aug. 1997	Jul. 1997	Jun. 1997
All commodities for consumption in South Africa	115,2	114,9	114,1	114,0	113,9
Locally produced commodities	116,7	116,6	115,8	115,6	115,6
Imported commodities	109,3	108,7	107,6	108,3	108,3
Output of South African industry					
Total output	118,6	118,4	118,1	117,7	117,1
For South African consumption	116,7	116,6	115,8	115,6	115,6
Agriculture, Forestry and Fishing	114,1	115,3	113,1	113,7	114,9
Tobacco and Beverages	121,4	120,9	120,1	119,3	119,7
Textiles, Clothing and Footwear	117,2	116,5	115,2	114,8	115,0
Machinery and Transport equipment	110,4	110,0	109,4	109,5	108,9
Mining, Electricity, Gas and Water	115,4	114,3	114,3	114,6	112,8
Basic metals and Metal products	115,3	114,8	114,0	113,0	112,2
Food	122,7	122,4	122,1	122,1	122,9
Total Manufacturing	117,7	117,6	116,7	116,2	116,5