

UPDATE: South Africa's Food Producer Inflation Falls – 24 November 2016

- **Recent Producer Price Index data shows that food products (producer) inflation fell to 12.7% year-on-year (y/y) in October 2016 from 13.1% y/y in September 2016¹. This suggests that consumer inflation (food) is likely to decelerate over the coming months.**
- The food products basket consists of four broad categories which include (1) **meat, fish, fruit, vegetables, oils and fats**, (2) **dairy products**, (3) **grain mill products, starches and starch products**, and animal feeds and (4) **other food products**.² Although overall food products inflation has decelerated, some products recorded an upward movement. Notable increases have been recorded in, for instance, **fruit and vegetables; fish and fish products; meat and meat products** and **dairy products** (see Chart 1).
- The increase in **fruit and vegetables** inflation coincides with seasonal price trends, since fruit prices normally reach higher levels at this time of the year – with most fruits currently “out-of-season”. Following the same trend is **dairy products** inflation, which is also in line with seasonal price behaviour caused by lower domestic supplies.
- **Looking ahead**, we believe that food products inflation could remain elevated this year, but should decelerate in 2017 due to expected recovery in agricultural crop production. Moreover, **dairy products** inflation could also slow towards the end of this year when milk production recovers on the back of improving grazing fields. **Meat and meat products** remain an **upward risk to overall food products inflation** as the slaughtering rate is set to slow over the coming months which might lift prices (see [South Africa's food inflation accelerates](#), 23 November 2016). In addition, festive season demand might also add support on prices over the coming months.

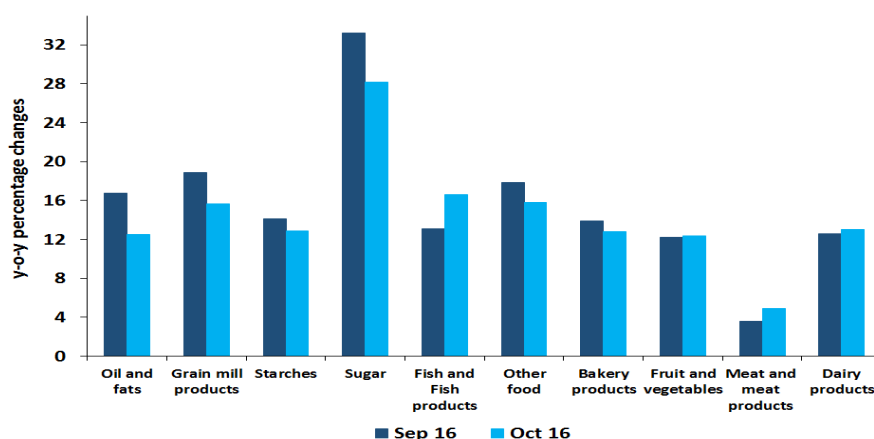


Chart 1: Annual producer inflation for food products

Source: Statistics South Africa, Agbiz Research

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¹ Overall Producer Price Index (PPI) inflation remained unchanged in October 2016 – at 6.6% y/y.

² Overall PPI for **food products** weighs 25.20 points (out of 100 index points) - each of the food categories within the food products basket is allocated a weight, the largest being “**meat, fish, fruit, vegetables, oils and fats**” and “**other food products**”, which make up 37% and 41%, respectively.