

## A notable jump in SA consumer food price inflation

While in some regions of the world, consumer food price inflation has started to cool off; South Africa sees the opposite. The data released this morning by Statistics South Africa shows that consumer food price inflation accelerated to 13,8% y/y in January from 12,7% in the previous month. The food product prices that increased notably were bread and cereals, meat, fish, fruit and vegetables. These are also the products with a significant weighting within the food basket; thus, we see a notable increase in the headline number. For example, within the food basket, the large weighting of essential products are meat (35%); bread and cereals (21%); milk, cheese and eggs (17%); vegetables (8%); sugar, sweets and desserts (4%); oils and fats (3%); and fruit (2%).

The price increases in bread and cereals reflect a continuation of the pass-through of the price increases that food manufacturers have felt from the higher agricultural commodity prices in much of 2022. There is typically a time lag of roughly three to five months before changes in farm prices show up in the retail prices of staple grains; hence, while some grain prices started to soften in December 2022 but retail prices are still going up.

In the case of meat prices, the higher feed costs and the decline in slaughtering activity due to the widespread foot and mouth disease, continue to be underlying challenges driving up prices. This is most pronounced in red meat. Meanwhile, the heavy rains that disrupted production conditions in fruits and vegetables contributed to lower supplies of some products in the first month of this year and, subsequently, price increases.

The production costs associated with load-shedding might not have been fully factored in the January figures and are likely to show in the coming months. We have stated previously that the disruptions caused by power supply interruptions to some food processing companies as well as the associated cost increase all present upside risks to consumer food price inflation. Before this intensified load-shedding period, we thought South Africa's consumer food price inflation would slow to 5,5% - 6,0% in 2023 (down from 9,5% in 2022).

We have since revised our view. We now see a possibility of a slightly higher figure from these estimates we communicated. However, our updated view will be in the next release when we have a clear sense of the scale of agricultural disruption and the broader food, fibre and beverages value chains. Broadly, the agricultural conditions are favourable for grains and oilseeds. The load-shedding risk and associated costs are high, mainly in fruit and vegetables that are fully produced under irrigation and in the poultry sector, dairy, abattoirs, millers, and various food processors.

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## Exhibit 1: South Africa's consumer food price inflation



Source: Stats SA and Agbiz Research