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## South Africa's consumer food inflation accelerated mildly in October 2023

- After slowing for six consecutive months, South Africa's consumer food inflation quickened to 8,8% in October 2023, from 8,0% in the previous month. The product prices underpinning this increase were mainly milk, eggs and cheese; fruit; and vegetables. For all these products, the recent price rises will likely be a temporary blip. They are a reaction to brief supply constraints in the past few months.
- The avian influenza was the main issue behind the eggs supply constraints, which remain a challenge although not as acute as we saw in September and October. Regarding the vegetables, potatoes were mainly the driver of the prices in the basket as the harvest was limited following quality challenges caused by irrigation disruptions in some fields due to load-shedding in much of the year's first half.
- But with interventions underway in the poultry sector, such as importing fertilized eggs to rebuild the parental bird stock lost from avian influenza, importing table eggs (powder and liquid eggs that would help in the baking process and free the whole eggs for human consumption), and the ongoing processes about the possible vaccinations to curb the spread of the disease, we are hopeful that the prices will likely normalise in the coming months. Furthermore, the eggs have a lower weight within the food inflation basket, at 0.4%, which means their impact may not be as pronounced in an overall inflation figure.
- We expect a similar recovery in vegetable and fruit supplies in the coming months, which will help ease the current upside price pressures. The load-shedding has reduced somewhat, and farmers have invested in alternative energy sources, which is helpful for production conditions.
- Overall, we remain optimistic that South Africa's consumer food price inflation will return on a moderating path going into 2024. Some products that will likely drive such a price trend include grain-related products, as well as fats and oils. The farm-level grains and oilseed prices remain reasonably lower than a year ago because of improved global and domestic supplies, notwithstanding the trade risks. This is a catalyst behind the slowing price of grain-related products, fats, and oils and the expected favourable trend for the coming months. Notably, these are also products with a higher weighting in the food basket. Favourably, meat price inflation has also continued to slow. However, given the anticipated festive season demand and potential slight price increase, the meat price trend could slightly change for the festive season months.
- Also crucial for the food inflation outlook going into 2024 is highlighting that El Nino's forecast in the upcoming 2023/24 summer crop season is another aspect to keep an eye on, although we remain optimistic that it will have a mild impact on the sector and thus keep production at decent levels and, by extension, sustain moderating food prices. There are good soil moisture levels across South Africa following several rainy seasons. Furthermore, the weather forecast remains reasonably favourable for

the year, with El Nino expected to intensify from March 2024. Framers are busy planting across the country, and they hope the summer grains and oilseeds area planting will increase from a year ago.

- Still, the prices of these products are influenced by global developments as we are an open economy interlinked with the world markets. So, monitoring global agricultural developments, geopolitics, and energy markets remains essential.

### Exhibit I: South Africa's consumer food inflation

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Source: Stats SA and Agbiz Research