

SA consumer food inflation decelerates

South Africa's consumer food inflation decelerated to 12,0% in May 2023 from 14,3% in the previous month. The food product prices primarily underpinning this moderation are bread and cereals; meat; fish; oils and fats; and fruit.

We expect consumer food inflation to continue decelerating in the second part of the year. As we stated in our previous notes, the red meat prices, which have softened at the farm level, should continue on this trend at the retail level in the coming months. Fruit prices will likely remain on a similar declining trend as the harvest across South Africa continues, and domestic supplies have improved. The decline in "oils and fats" products is in line with what we are seeing in the global environment, as South Africa still imports its palm oil usage. For example, in May 2023, the FAO's vegetable oil price index was at 119 points, down 48% y/y. Still, the relatively weaker rand exchange remains an upside risk to prices of imported products that could somewhat reduce the gains for local consumers. This mainly applies to rice and wheat, as South Africa is a net importer of these products. Moreover, the relatively lower farm-level maize prices will filter into the retail products mainly in the year's second half. There is a lag between three and five months between farm and retail prices of some products. The base effects will also help soften consumer food inflation in the year's second half.

The impact of load-shedding may continue to influence prices for the next few months. Still, the various interventions to ease the load-shedding burden on farmers, such as load curtailment, expansion of the diesel rebate to the food value chain, and, most recently, the launch of the Agro-Energy Fund, all support the production conditions. Hence, the 2022/23 maize harvest is estimated at 16,1 million, 5% higher than the 2021/22 season's harvest and the third-largest harvest on record. Soybeans harvest could reach a record 2,8 million tonnes. Other field crops and fruits also show prospects for decent harvest this season. With that said, the effectiveness of these energy support measures differs across farming enterprises and food companies, and the costs to food producers, mainly those not fully benefiting from the above efforts, remain high because of all the necessary mitigation measures.

Exhibit 1: South Africa's consumer inflation food price



Source: Statistics South Africa and Agbiz Research

21 June 2023

Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.