

SA consumer food inflation slightly moderates

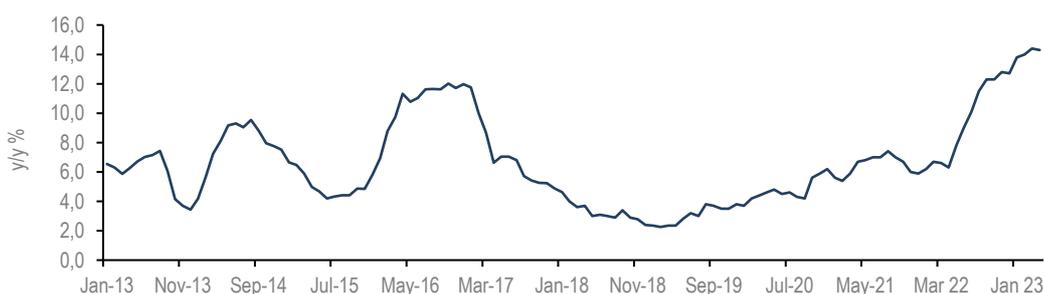
The data released by Statistics South Africa this morning shows that consumer food inflation moderated at 14,3% in April 2023 from 14,4% in the previous month. The food products prices that underpinned this slight deceleration are meat; oils and fats; and fruit. Meanwhile, other product prices increased mildly.

As stated in our previous notes, we expect consumer food inflation to remain sticky at relatively higher levels for another month or so, and decelerate in the year's second half. Red meat prices, which have started to soften, should continue to moderate in the coming months as we see that trend at the farm level. Fruit prices will likely follow a similar trend as the harvest across South Africa gains momentum and improves domestic supplies. The moderation in the "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 April 2023, the FAO's vegetable oil price index was at 130 points, down 45% y/y. Still, the weaker rand exchange remains an upside risk to prices that could reduce the gains for local consumers. The same 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 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 15,9 million, 3% 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.

South Africa's consumer food inflation outlook for the year's second half is reasonably better. The key drivers of the expected moderation will be meat, grain-related products, vegetable oils, and fruits, which comprise roughly two-thirds of the consumer inflation food basket.

Exhibit 1: South Africa's consumer inflation food price



Source: Statistics South Africa and Agbiz Research

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