

## SA consumer food price inflation decelerates further in February 2021

After softening from 6,2% y/y in December 2020 to 5,6 % y/y in January 2021, South Africa's consumer food price inflation decelerated further to 5,4% y/y in February. The primary products underpinning this deceleration in price inflation are meat, fruit, vegetables, and bread and cereals. Importantly, this is in line with the price trends in agricultural commodity prices, which, while still elevated, are at lower levels than the corresponding period in 2020.

From now on, we still expect South Africa's consumer food price inflation to remain at slightly elevated levels in the first quarter of the year, partly, because of generally higher grain and imported vegetable oils and fats prices. But from the second quarter of the year, grain prices could soften further and filter through, with a lag, on the "bread and cereals" products prices. The anticipated decline in prices is on the back of the large forecast harvest of 16,7 million tonnes. This product category also has a higher weighting of 21% in the food basket, and changes in its price inflation will be noticeable. In terms of meat, we expect a sideways price movement for the coming months. The cattle slaughtering could slightly improve in 2021, and the base effects on poultry meat, which increased in 2020 partly as a result of an import tariff hike, could also bode well for food price inflation.

Overall, it is still our view that South Africa's consumer food price inflation could remain relatively higher in the first quarter of 2021, primarily underpinned by bread and cereals products (the pass-through of current higher grain prices will persist for the first quarter). But from the second quarter, we could see food price inflation decelerating somewhat. We maintain our baseline view for South Africa's consumer food price inflation to average around 5,0% y/y in 2021. The only upside risk that we continue to monitor and assess inflation's impact is the rising petrol prices. South Africa's agricultural commodities and processed food are primarily transported by road, and the increased transport costs could impact the final product prices. For example, South Africa is transporting roughly 81% of maize, 76% of wheat, and 69% of soybeans. On average, 75% of national grains and oilseeds are transported by road. This is an area worth monitoring over the coming months.

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



Source: Stats SA and Agbiz Research

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**Wandile Sihlobo**

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

[www.agbiz.co.za](http://www.agbiz.co.za)

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