

## SA food and non-alcoholic beverages inflation unchanged in January 2019

- South Africa's food and non-alcoholic beverages inflation remained unchanged in January 2019 at 3.0% y/y. But we think going forward there will be upside pressures which will emanate from a general increase in agricultural commodity prices, albeit having slowed somewhat from levels seen at the start of the year. The increases will, however, not be steep due to expectations of a decline in meat prices. We think South Africa's food and non-alcoholic beverages inflation could average about 5% y/y in 2019.**
- Figures released this morning by Statistics South Africa show that food and non-alcoholic beverages inflation remained unchanged, at 3.0% y/y in January 2019. But the products price inflation movements within the basket were mixed. (See Figure 1). Bread and cereals; fish; vegetables; and non-alcoholic beverages, lifted from the previous month, whilst, meat; milk, eggs and cheese; sugar, sweets and desserts; and other foods price inflation slowed.
- To highlight the key products - the deceleration in meat price inflation was partly driven by an increase in slaughtering activity, specifically sheep and cattle subsectors. South African farmers slaughtered 258 697 head of cattle in December 2018, up by 12% from the previous month and 8% from the corresponding period last year. In addition, about 547 952 head of sheep were slaughtered, up by 23% from the previous month, but still a percentage point lower than December 2017. Moreover, meat prices, which account for more than a third of the food inflation basket, are likely to be under pressure in the near term. This is due to expectations of an increase in domestic meat supplies as the recent outbreak of foot-and-mouth disease has led to a ban on South African red meat in key export markets.
- In terms of grains and cereals, while the production season started on a bad footing and prices increased notably in January 2019, there has been some improvement in the recent weeks. Crop conditions have generally improved across the country following good rains in the first two weeks of February. The impact of improved weather conditions is illustrated by a widespread decline in SAFEX grain and oilseed prices from levels seen last month. Be that as it may, there is still uncertainty about the potential size of the maize crop. The estimates in the market currently vary between 10.5 and 11.3 million tonnes, which would make the country self-sufficient in the 2019/20 marketing year, when we account for an opening stock. There will be more clarity on this as the season progresses.

**Figure 1: South Africa's food and non-alcoholic beverages inflation (per product)**

