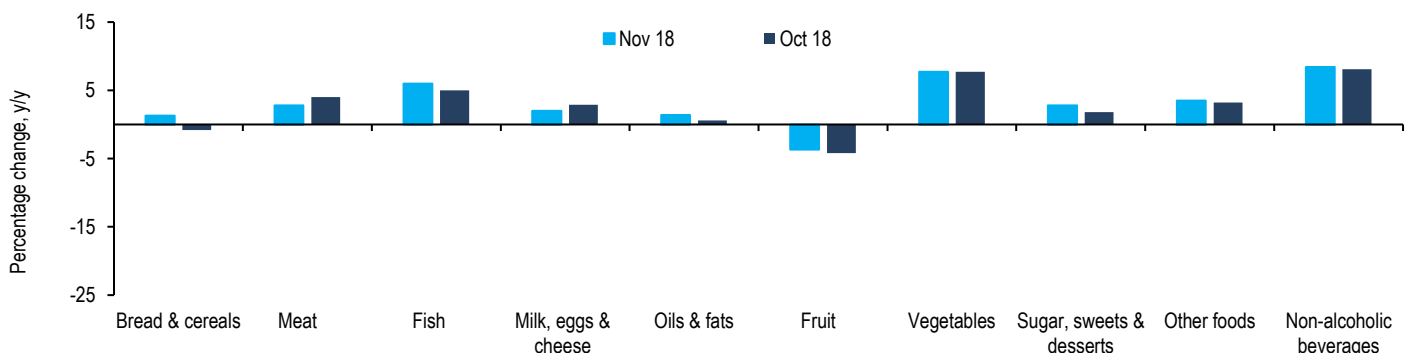


SA food and non-alcoholic beverages inflation unchanged in November 2018

- South Africa's food and non-alcoholic beverages inflation has bottomed out and will begin an upward cycle in the coming months supported by an increase in agricultural commodities prices. But the headline number will probably increase marginally as we expect the uptick in cattle and sheep slaughtering activity to contain meat price inflation at fairly lower levels in the near term, and that in turn, will influence the overall increase.**
- Figures released this morning by Statistics South Africa show that food and non-alcoholic beverages inflation remain unchanged, at 3.4% y/y in November 2018. But the products price inflation movements within the basket were mixed. (See Figure 1). Bread and cereals; fish; milk, eggs and cheese; oils and fats; vegetables; sugar, sweets and desserts; other foods; and beverages, lifted from the previous month, whilst, meat price inflation slowed.
- The deceleration in meat price inflation was partly driven by an increase in slaughtering activity, specifically sheep and cattle subsectors. South African farmers slaughtered 220 534 head of cattle in October 2018, up by 13% from the previous month and a percentage point from the corresponding period last year. In addition, about 324 102 head of sheep were slaughtered, up by 3% from the previous month, but still 10% lower than October 2017.
- In terms of grains and cereals, while South Africa still have a large supply for the 2018/19 marketing year, the unfavourable weather conditions in the western parts of the country has delayed the planting activity in white maize and sunflower seed areas. Thus, leading to an upswing in commodity prices. While not related to the figures released today, it is worth noting that SAFEX yellow and white maize prices were up by 33% y/y and 48% y/y on 11 December.
- Having said that, data released yesterday by the USDA showed that South Africa's 2018/19 maize harvest could amount to 12.0 million tonnes, down by 11% from 2017/18 season. While it is still too early in the season to be certain about the 2018/19 maize production prospects, a harvest of 12.0 million tonnes would mean that South Africa would have sufficient supplies until April 2020. When the current marketing year ends in April 2019, South Africa could have approximately 3.3 million tonnes of maize inventories, which would mean that the country might have 15.3 million tonnes of supplies in 2019/20 marketing year, well above the annual consumption of about 10.8 million tonnes.

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



Source: Statistics South Africa, Agbiz Research

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