

## SA food inflation unchanged at 6.9%

Last month's food inflation figures show the significance of meat within the food basket. All products decelerated from the previous month's levels with the exception of meat which remained elevated and therefore, sustaining food inflation at 6.9%. The uptick in meat inflation mirrors the remaining effects of the 2015-16 El Niño induced drought in the livestock sector. As farmers continued to restock their herds, the slaughtering activity eased a bit with that resulting in the increase in meat prices<sup>1</sup>.

- Figures released today by Statistics South Africa show that in June 2017 food and non-alcoholic beverages inflation remained unchanged from the previous month, at 6.9% y/y (see Chart 1 for product movements).
- Although the upward trend in meat inflation come as no surprise, the scale of an increase is a surprise given that cattle slaughtering had improved in the recent months. The data shows that farmers slaughtered 202 886 head of cattle in May 2017, up by 5% from the previous month. If the improvement trend in slaughtering activity is maintained in the coming months, this could be regarded as a pick in meat inflation. With that said, the outbreak of avian influenza (bird flu) remains a key upward risk in food inflation in the short-to-medium term. Chicken accounts for 14% in food inflation, which is a significant share.
- Meanwhile, the grain, dairy and vegetable related food products inflation decelerated on the back of a recovery in agricultural production. The 2017 summer grain and oilseeds production are set to reach 18.03 million tonnes, which is a 92% annual increase. In addition, there was also a rebound in vegetable production.
- Overall, meat remains a key upward risk in food inflation due to the aforementioned factors. Apart from that, all other food products could continue to decelerate in the coming months owing to large supplies.

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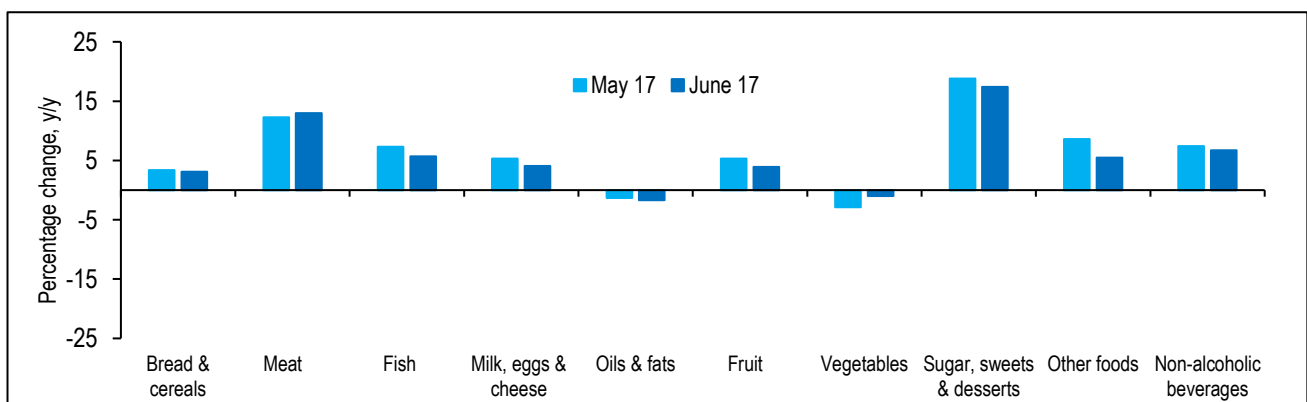


Chart 1: South Africa's Food Inflation (per product)

Source: Stats SA, Agbiz Research

<sup>1</sup> Meat has a higher weighting of 5.46% within the CPI basket, which equals to 32% share of food Inflation basket.