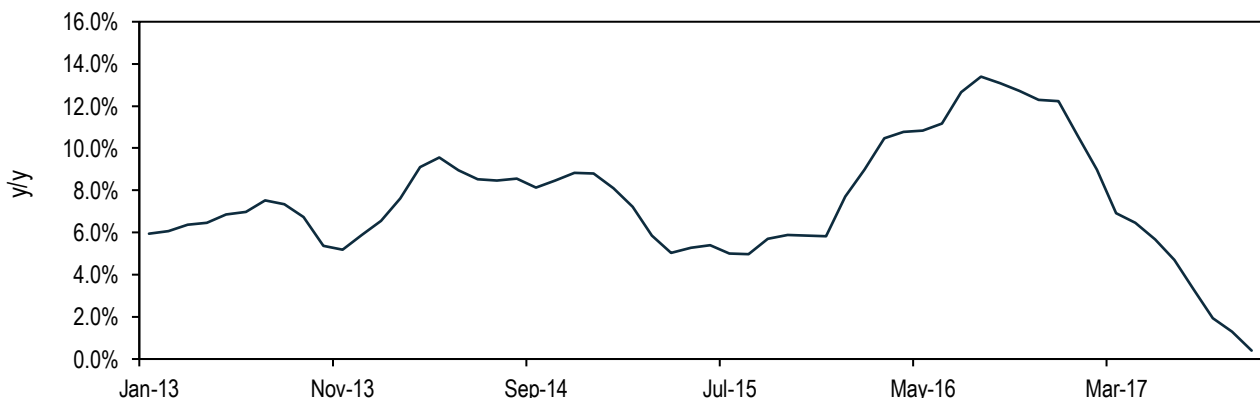


## PPI UPDATE: SA food products price inflation decelerates to 0.4% y/y

After slowing to 1.3% y/y in September 2017, the headline food products' price inflation further decelerated to 0.4% last month. This reflects the benefits of a large harvest in the 2016/17 production season, particularly grain related products. Meat which has been stubbornly high for some time also eased to 12.6% y/y in October 2017, as general conditions in agriculture continue to improve. This easing in food producer price inflation will likely be reflected in consumer side over the coming months.

- The grain mill products, starches, sugar, oil and fats are still in deflation, after registering -17.6% y/y, -10.7% y/y, -13.2% y/y and -1.7% y/y, respectively, last month, owing to a good harvest in the 2016/17 summer production season.
- Meanwhile, the 0.4% m/m uptick in fruit and vegetable inflation is somewhat reflective of the expected lower harvest in the Western Cape province due to the ongoing drought.
- Meat and meat products inflation could continue to decelerate owing to an expected increase in supply – set to be boosted by anticipated uptick in slaughtering activity ahead of the festive season, as well as improving agricultural conditions. The dairy products inflation slowed by 0.5% m/m in October and likely to maintain this trend due to an expected increase in milk production during the summer season when grazing veld recovers.
- As we set out in our note on 22 November 2017, while fears of avian influenza have not completely dissipated, the impact has largely been on egg layers. Broilers, which contribute to meat production, were roughly 8% of the 4.8 million birds' culled thus far, according to data from the South African Poultry Association.
- Overall, we expect food products' price inflation to be contained at relatively lower levels for some time due to promising summer crop production in the new season and expected a recovery in the livestock industry.

Wandile Sihlobo ([wandile@agbiz.co.za](mailto:wandile@agbiz.co.za))



**Chart 1: South Africa's food producer price inflation**

Source: Stats SA, Agbiz Research

*Disclaimer: Everything has been done to ensure the accuracy of this information, however, AGRIBIZ takes no responsibility for any loss or damage incurred due to the usage of this information.*