

SA's consumer food price inflation is at its lowest level since October 2010

- After slowing to 2,8% in October 2024, South Africa's consumer food price inflation decelerated notably to 1,6% in November, the lowest since October 2010. The slowing down was broad-based, except for "oils and fats" and "fruit", which lifted slightly. As with the previous month, the slowdown was partly driven by base effects, as food price inflation was elevated this time last year. For example, this time last year, vegetable prices were elevated because of supply constraints due to load-shedding-related disruptions in some fields. Moreover, the avian influenza outbreak constrained egg supplies, exacerbating price risks. This was also the case with meat. Thus, this time around, the supply has improved, and the challenges we faced last year have eased. It is for this reason that both vegetables and meat were in deflation in November 2024. Also worth noting is that grain prices faced upward pressure last year following India's rice export ban. This year, India resumed rice exports, and prices slowed generally. We suspect the lower wheat prices have also added to the moderation of grain-related product prices.
- While having eased remarkably in November 2024, grain-related products remain the upside risk to consumer inflation following a poor crop harvest due to the drought. For example, South Africa's 2023-24 maize harvest is estimated at 12,72 million tonnes, down 23% year-year due to the 2024 mid-summer drought. The white maize growing areas were the most affected. This is a staple crop that is also scarce in the world market. Thus, white maize prices remain elevated. The additional challenge is the strong demand for white maize from Southern Africa, likely to continue through the first quarter of 2025. Still, we don't expect the potential grain-related product price increase to be substantial as their forecasts point to the ample global wheat and rice harvest in 2024-25, which may cushion the region as substitutes. While we highlight these risks, the outlook is somewhat comforting. The potential recovery of agriculture in 2025 because of the expected La Niña rains will help to keep food inflation contained.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research