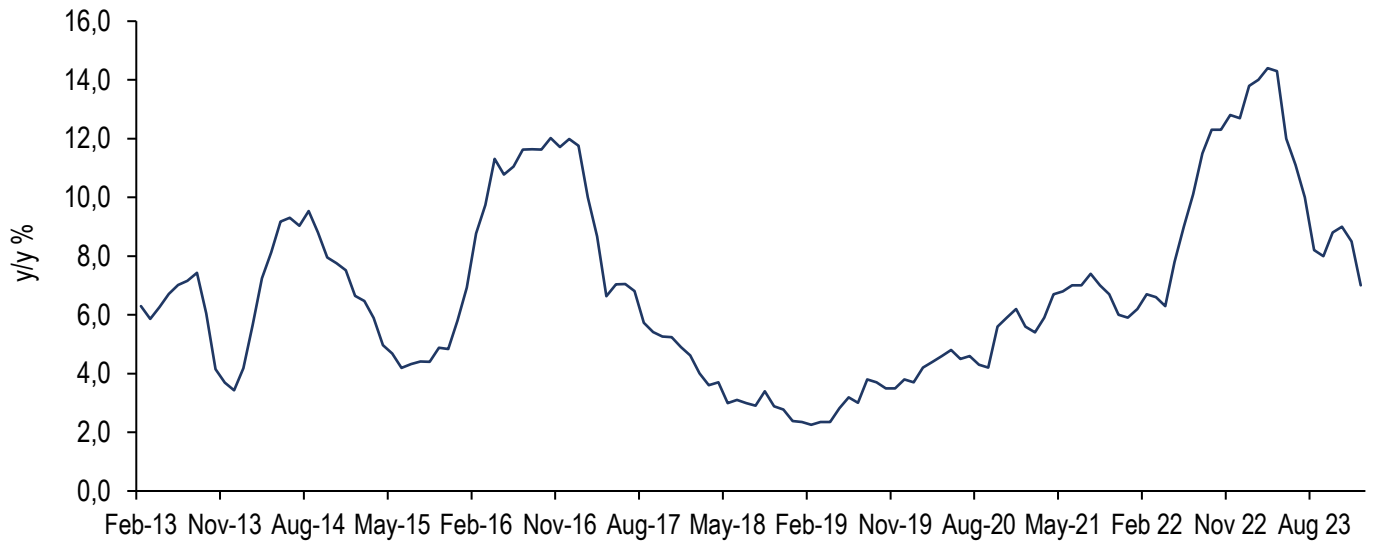


21 February 2024

South Africa's consumer food inflation decelerated in January 2024

- South Africa's consumer food inflation slowed to 7,0% in January 2024, from 8,5% in the previous month. This was underpinned by the deceleration across most food products, except for the sugar, sweets and desserts. We expect this broad moderation path to continue in 2024 for most of the products within the food basket, assuming that domestic agricultural conditions improve and South Africa gets a decent summer grain and oilseed harvest.
- While the summer grain and oilseed 2023/24 production season started favourably, with farmers planting roughly 4,4 million hectares, up by 0,4%, the production conditions have increasingly become worrying. Since the start of February, the rain has been scant across the summer crop-growing regions of South Africa, thus raising concerns about the potential yield loss of the crops. In various areas, significant summer grains such as maize, sunflower seed, and soybeans are in the pollination stages this month. The crop should ideally have higher moisture levels during this pollination stage to boost yields. However, the crop enters this growth stage with limited moisture across the major growing regions.
- These current weather conditions have raised fears about the possible yield loss. The consensus in the sector is that the last two weeks of February and the first week of March are critical for the crop. This means South Africa must receive widespread rains this week or next week for the crop to recover from its current worrying state.
- Regarding meat, a significant upside risk to food inflation in the past few months, the supplies seem to have recovered after the widespread avian influenza in 2023 that sparked concerns. The recovery in poultry production follows a range of interventions that the industry and the government embarked on at the end of last year. These include importing fertilized eggs to rebuild the parental bird stock lost from avian influenza, importing table eggs, and improving biosecurity control measures. Another additional policy measure the government has is easing the poultry product imports in the event of supply constraints, which we do not anticipate over the foreseeable future.
- The fruit and vegetable prices, which also increased notably at the end of 2023, will likely continue to slow in the coming months as the volume of products increases in various Fresh Produce Markets. Unlike field crops, the horticulture industry is under irrigation and thus benefits from improved dam levels in the current dry spell and high temperatures in various regions.
- Also worth noting is that international agricultural commodity prices continue to decelerate from the higher levels we saw a year ago because of expected decent global grains and oilseed harvest. This deceleration further supports our optimism about the potential continuous slowing of domestic food inflation. For example, the FAO Food Price Index, which measures the monthly agricultural commodities, fell by 1% in January 2024 from its December level and is 10% lower than a year ago.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research