

24 January 2024

## South Africa's consumer food inflation slowed in December 2023

- South Africa's consumer food inflation slowed to 8,5% in December 2023, from 9,0% in the previous month (and against our expectations of a slight uptick to 9,3%). The product prices underpinning this deceleration were primarily bread and cereals; oils and fats; and vegetables. We expect this moderation path to continue in 2024 for most of the products within the food basket.
- The significant risk to meat supplies that animal diseases such as avian influenza presented in 2023 could ease this year. There will likely be a recovery in poultry production following a range of interventions that the industry and the government embarked on at the end of last year. These include the importation of fertilized eggs to rebuild the parental bird stock lost from avian influenza, importing table eggs (powder and liquid eggs that would help in the baking process and free the whole eggs for human consumption), and the ongoing processes of the possible vaccinations to curb the spread of the disease (although there remain some delays with approvals of some vaccines by the authorities). Evidently, over the festive season, we did not notice any recorded shortages of poultry products. Another additional policy measure the government has is enabling poultry product imports in the event of supply constraints, which we do not anticipate over the foreseeable future.
- Moreover, the fruit and vegetable prices, which remained elevated towards the end of 2023, will likely slow notably in the coming months because of the estimated increase in the volume of products that are in season in the various Fresh Produce Markets. The supply constraints in some vegetables last year, mainly potatoes, were caused by the bad harvest. We expect improvement in 2024, regardless of the reports of pepper ringspot virus in a few potato farms in the northern regions of South Africa.<sup>1</sup>
- Notably, while we are in an El Niño period, the weather conditions have been quite favourable across South Africa. The agricultural conditions are excellent, and we believe that farmers planted the intended area of 4,5 million hectares for the 2023/24 season, up 2% y/y.<sup>2</sup> We expected favourable yields across the country, even in the North West, where rainfall has not been as high as in other regions of South Africa. This potentially improved domestic agricultural supplies and a generally sizeable global harvest bodes well for continuous moderation of consumer food price inflation in 2024.<sup>3</sup>

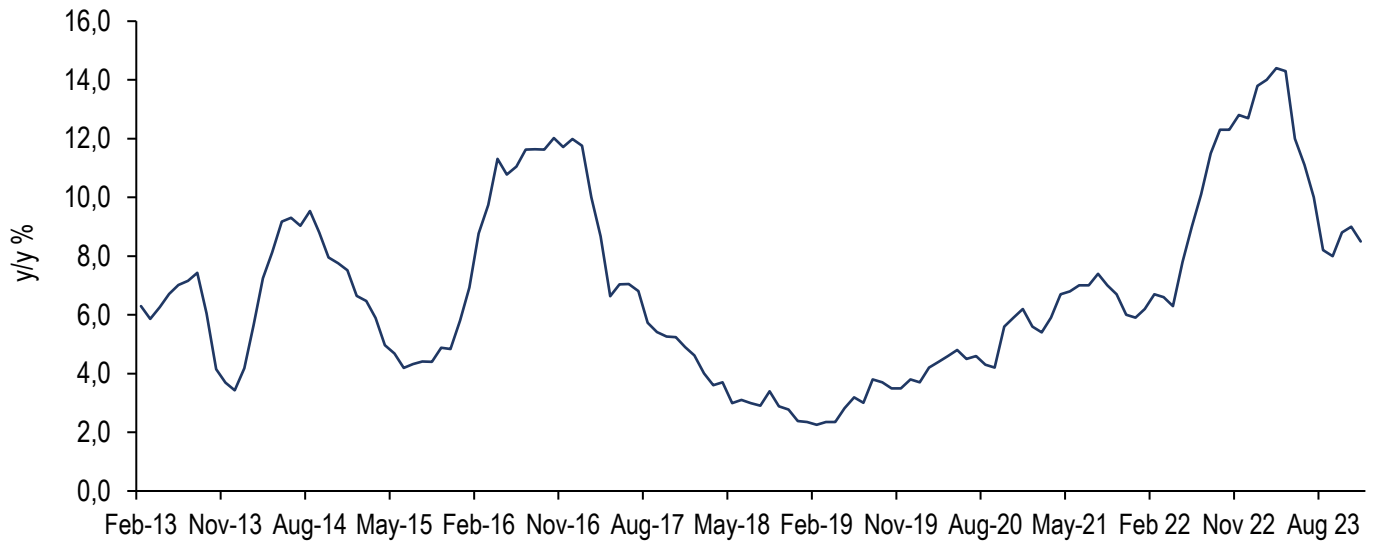
<sup>1</sup> The pepper ringspot virus was indeed detected in some potatoes of SA. You can access more information about this issue via this link: <https://www.ippc.int/en/countries/south-africa/pestreports/2023/12/notification-of-the-detection-of-pepper-ringspot-virus-peprsv-in-the-republic-of-south-africa/>

<sup>2</sup> We have recorded our observations in a recent essay here: <https://wandilesihlobo.com/2024/01/20/south-africas-agricultural-conditions-are-broadly-favourable/>

<sup>3</sup> The recent data from the International Grains Council shows health global grains and vegetable supplies in the 2023/24 season. This gives us comfort of potential easing on global grains prices as observed in the FAO Food Price Index readings of recent months. You can view the FAO notes here: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

## Exhibit I: South Africa's consumer food inflation

---



---

Source: Stats SA and Agbiz Research