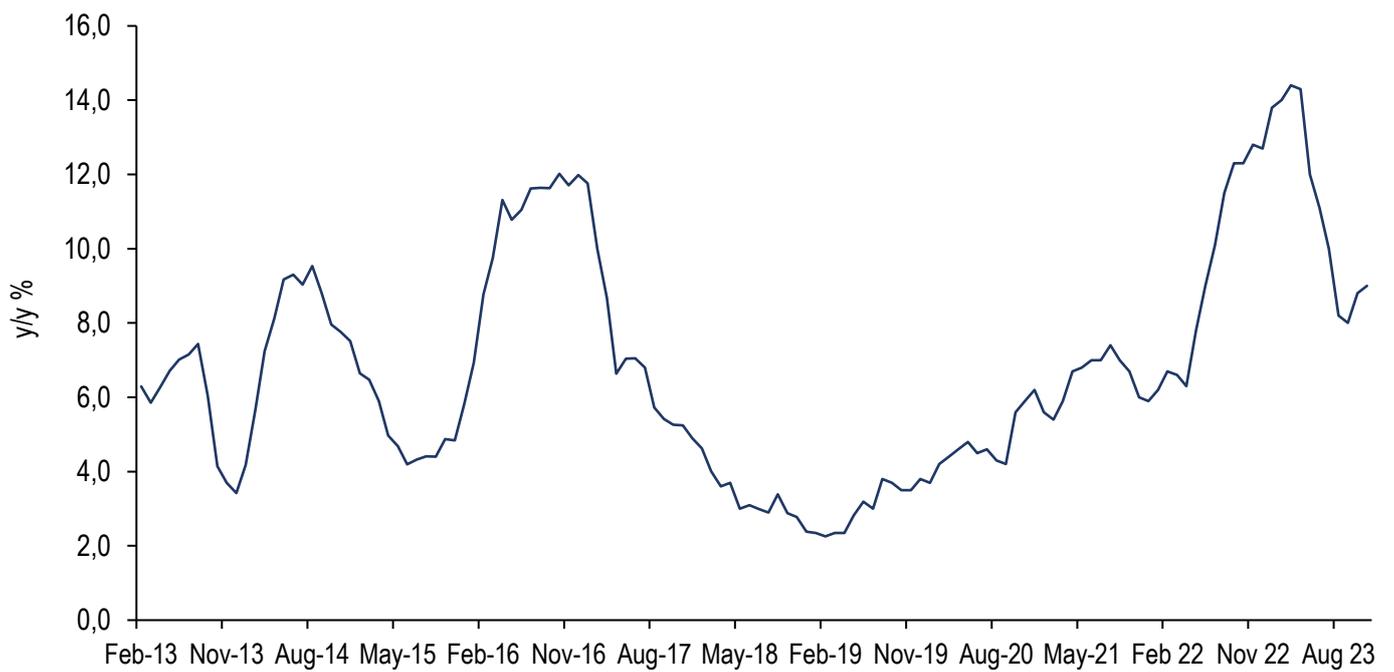


13 December 2023

South Africa's consumer food inflation ticks up in November 2023

- South Africa's consumer food inflation quickened to 9,0% in November 2023, from 8,8% in the previous month. The product prices underpinning this increase were mainly milk, eggs and cheese; fruit; vegetables; and sugar, sweets and desserts.
- If we dive into details, avian influenza was the main issue behind the egg supply constraints, which remain a challenge although not as acute as we saw in September and October. But with interventions underway in the poultry sector, such as importing 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 about the possible vaccinations to curb the spread of the disease, we are hopeful that the prices will likely normalize in the coming months. Furthermore, the eggs have a lower weight within the food inflation basket, at 0.4%, which means their impact may not be as pronounced in an overall inflation figure.
- Regarding fruits, the slight price uptick was mainly because of supply moderation after the citrus season. There will soon be a recovery in the supply as deciduous fruit harvest gains momentum. Moreover, the constraints in the ports for exports could also mean that we will likely see a slight increase in domestic market volumes, thus slightly easing prices.
- Regarding vegetables, which remain elevated, potatoes were the main culprit in the basket as the harvest was limited, following quality challenges caused by irrigation disruptions in some fields due to load-shedding in much of the year's first half. We expect a similar recovery in vegetables in the coming months, which will help ease the current upside price pressures. The load-shedding has reduced somewhat, and farmers have invested in alternative energy sources, which is helpful for production conditions.
- Overall, we remain optimistic that South Africa's consumer food price inflation will moderate in 2024, although significant risks are worth monitoring. For example, the recent increases in grain prices and uncertainty about the weather outlook are vital to remember. Still, the weather forecasters continue to paint a comforting view that the El Nino in the 2023/24 summer crop season will have a mild impact on the sector and thus keep production at decent levels and, by extension, bodes well for food prices. There are good soil moisture levels across South Africa following several rainy seasons. Furthermore, the weather forecast remains reasonably favourable for the year, with El Nino expected to intensify from March 2024.
- As we stressed in the previous notes, the prices of most agricultural products are also influenced by global developments as we are an open economy interlinked with the world markets. Therefore, monitoring global agricultural developments, geopolitics, and energy markets remains essential.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research