

24 July 2024

South Africa's consumer food price inflation continued to slow in June 2024

- South Africa's consumer food price inflation slowed to 4,1% in June 2024, from 4,3% in the previous month. There was moderation in price inflation across most products in the food baskets, except for bread and cereal products, as well as meat. The slight uptick in these particular product prices is unsurprising, as we had signalled in our previous note. The prices of bread and cereals mirror the increases we have long observed at the farm level. The challenge arises from the mid-summer drought that led to an 18% y/y decline in maize production to an expected 13,4 million tonnes. White maize production is forecast at 6,3 million tonnes (down 26% y/y), and yellow maize at 7,1 million tonnes (down 10% y/y). Given the scale of the decline in the white maize harvest and the expected strong demand from Southern Africa, we expect white maize prices to remain reasonably elevated for some time and thus sustain the increases in the prices of bread and cereal products in the food basket.
- That said, we don't expect the potential price increase to be substantial as the forecasts from the International Grains Council signal the possible higher global wheat and rice production in the 2024/25 season, estimated at 793 million tonnes and 528 million tonnes, respectively. This is well above the long-term production levels. Given that South Africa imports nearly half of its annual wheat consumption, about 1,5 million tonnes yearly. Furthermore, South Africa imports about a million tonnes of rice each year. Therefore, favourable global production conditions of these grains in the 2024/25 season and the possible subsequent price softening would be welcome developments.
- Moreover, we think the meat price increases could be sustained but remain mild in the coming months. Vegetable prices may also show a slight uptick in the coming months following the damage to potato production due to frost in some regions of Limpopo. Still, we expect such to be later in the year, mild and temporary, as the area affected may not be as significant. Overall, these possible upside risks may change the direction of consumer food price inflation from moderation to a mild uptick.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research