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## South Africa's consumer food inflation continued to slow in August 2023

- South Africa's consumer food inflation slowed to 8,2% in August 2023 from 10% in the previous month. The product prices underpinning this deceleration are similar to the previous month, mainly bread and cereals; meat; fish; oils and fats; milk, eggs and cheese; and vegetables. Our view of the path forward remains unchanged from what we communicated last month.
- In essence, we stated that while there are renewed risks in global agriculture, such as India's decision to ban specific categories of rice exports and the Black Sea Grain Deal Initiative that facilitated grains and oilseeds exports from Ukraine terminated, and domestically the increases in fuel prices, we are still optimistic that South Africa's consumer food inflation will continue to slow throughout the year into 2024.
- The products that could underpin the slowing food inflation trend will likely remain similar to those in the past few months. Notably, red meat prices, which have softened at the farm level, should continue on this trend at the retail level in the coming months. Fruit and vegetable prices should remain relatively affordable because of improved domestic supplies. We may, however, see temporary blips in the prices of products such as potatoes due to seasonality.
- Regarding the "bread and cereals" product prices, admittedly, the Black Sea Grain Deal challenges, and India's rice exports ban are an upside price risk. With South Africa importing a million tonnes of rice and similarly exposed to wheat imports, the disruption in trade of these commodities and the length of it could have implications on global price and, ultimately, South Africa's "bread and cereals" component of the food inflation basket. We are already seeing a surge in global rice prices. Still, we have not seen a material change in prices domestically, and there will be a lag between three to five months before these are apparent at the retail level. What is essential to monitor is the extent of price changes and the duration of the current surge. Hence, we expect the prices of grain-related products in the inflation basket to maintain a softening path regardless of the recent disruption in grain prices. Notably, the softening in maize prices could also overshadow the increases in rice prices in the coming months.
- We had feared that the "oils and fats" products prices would start to increase and follow the global price trend, which showed an uptick in July. But the recent data from the FAO shows a retraction. For example, In August 2023, the FAO's vegetable oil price index was at 126 points, down 3% from July 2023 and 23% y/y. The decline in the global prices of palm, sunflower, soybean and canola oils underpinned this.
- Beyond the global dynamics, South Africa has a favourable agricultural season. For example, the 2022/23 maize harvest is estimated at 16,4 million, 6% higher than the 2021/22 season's harvest and

the second-largest harvest on record. Soybean harvest could reach a record 2,8 million tonnes. Be that as it may, the prices of these products are influenced by global developments as we are an open economy interlinked to the world markets. Other field crops and fruits also show prospects for decent harvest this season. These increased supplies support the slowing food inflation view we expressed.

- Also crucial for the food inflation outlook going into 2024 is highlighting that El Nino's forecast in the upcoming 2023/24 summer crop season is another aspect to keep an eye on, although we remain optimistic that it will have a mild impact on the sector and thus keep production at decent levels and, by extension, sustain moderating food prices. (read our *Business Day* column on this issue [here](#)).

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

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Source: Stats SA and Agbiz Research