

UPDATE: South Africa's food inflation decelerates – 14 December 2016

- **Recent Consumer Price Index data shows that food and non-alcoholic beverages inflation decelerated to 11.6% year-on-year (y/y) in November 2016 from 11.7% in October 2016¹ (with non-alcoholic beverages aside, food inflation fell to 11.8% y/y in November 2016 from 12% y/y in October 2016).**
- Food and non-alcoholic beverages basket consist of **bread and cereals; meat; fish; milk, eggs, and cheese; oils and fats; fruit; vegetables; sugar, sweets, and desserts; non-alcoholic beverages and other foods.**
- The overall decline was driven by **milk, eggs, and cheese; oils and fats; vegetables and other foods** which eased at 10.2% y/y, 12.0% y/y, 12.2% y/y and 12.3% y/y, respectively (see **Chart 1**).
- The decrease in **milk, eggs, and cheese** inflation coincide with seasonal milk price trend which normally decelerates during mid-summer season owing to an increase domestic milk supplies on the back of improving grazing fields. Moreover, **oils and fats** inflation mirror the domestic sunflower seed prices which have maintained a declining trend due to relatively large domestic supplies. The fall in **vegetable** inflation coincides with increasing domestic supplies on the back of ongoing harvest for a number of vegetable crops. Meanwhile, **bread and cereals, meat, fish, fruit and non-alcoholic beverages** inflation accelerated to 17.0% y/y, 6.0% y/y, 10.6% y/y, 25.0% y/y and 9.6% y/y, respectively (see **Chart 1**). To some extent, the increase in these food products inflation still mirror the effects of the 2015/16 drought².
- **Looking ahead** – we maintain our view that overall food and non-alcoholic beverages inflation could remain elevated this year. However, we foresee a slowing trend for most food products inflation in 2017, with the exception of **meat** which is likely to maintain the upward trend over the coming months due to expected decline in slaughtering rate (see [South Africa's food inflation accelerates](#), 23 November 2016) (see **Chart 2**).

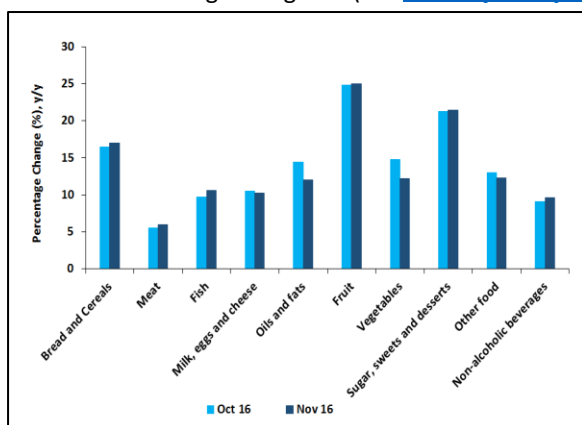


Chart 1: Nov. and Oct. 2016 y/y percentage changes

Source: Statistics South Africa, Agbiz Research

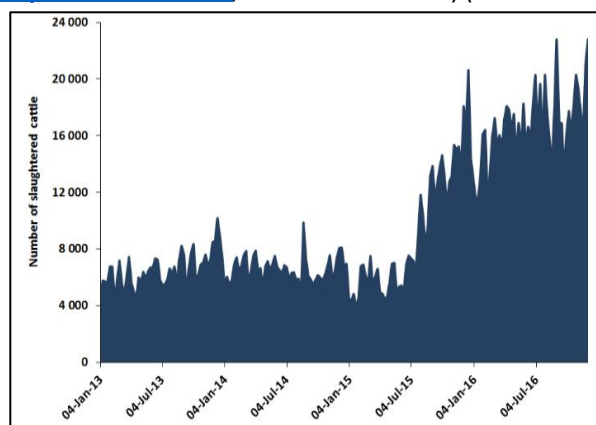


Chart 2: RSA's slaughtered cattle (weekly basis)

Source: Red Meat Abattoir Association, Agbiz Research

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Disclaimer: Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.

¹ Overall headline inflation accelerated to 6.6% y/y in November 2016 from 6.4% y/y in October 2016.

²Worth noting is that the overall CPI for **food and non-alcoholic beverages** weighs 15.41 points (out of 100 index points) – in that basket, each of the food products is allocated its weight, with the largest being **meat** and **bread and cereal**, which make up 30% and 23%, respectively. Therefore, an increase in **meat** inflation could potentially overshadow the decrease in other food products.