

UPDATE: SA food producer price inflation accelerates to 0.9% y/y

The headline food producer price inflation for November accelerated to 0.9% y/y from 0.4% y/y in October. The key driver of this uptick is mainly an acceleration in meat and dairy products prices. From the meat perspective, the increase is in turn driven by higher live animals' prices, whereas dairy products prices have largely been following seasonal trends. Apart from that, other products producer prices remain at relatively lower levels, reflecting a good harvest of the 2016/17 production season.

- Despite the acceleration in the headline number, the grain mill products, starches, sugar, oil and fats are still in deflation, after registering -17.5% y/y, -10.4% y/y, -8.5% y/y and -1.7% y/y, respectively, last month. This is mainly on the back of a good harvest in the 2016/17 summer crop production season. These products have a higher weighting of almost a third of the overall food basket, thus the headline figure remains at relatively lower levels.
- Amongst products on the upside, meat and meat products price inflation increased by 13.5% y/y last month, which is a 2.3% increase from the previous month. This can partially be explained by higher live animals' prices (despite the slight increase in slaughtering activity). The fruit and vegetables price inflation registered 5.2% y/y in November, up by 0.1% month-on-month. This is somewhat reflective of the expected lower harvest in the Western Cape province due to the ongoing drought, as well as seasonal effects in some parts of the country. The fish and fish products price inflation accelerated by 0.3% y/y. The upward pressure on dairy products price inflation, which rose by 1.7% y/y, is reflective of seasonal trends. However, this could soon change due to an expected increase in milk production in the summer season when grazing veld recovers.
- Overall, we expect food producer price inflation to be contained at relatively lower levels, but at a slightly increasing trend as agricultural commodity prices marginally recovers from lower levels of a bumper crop.

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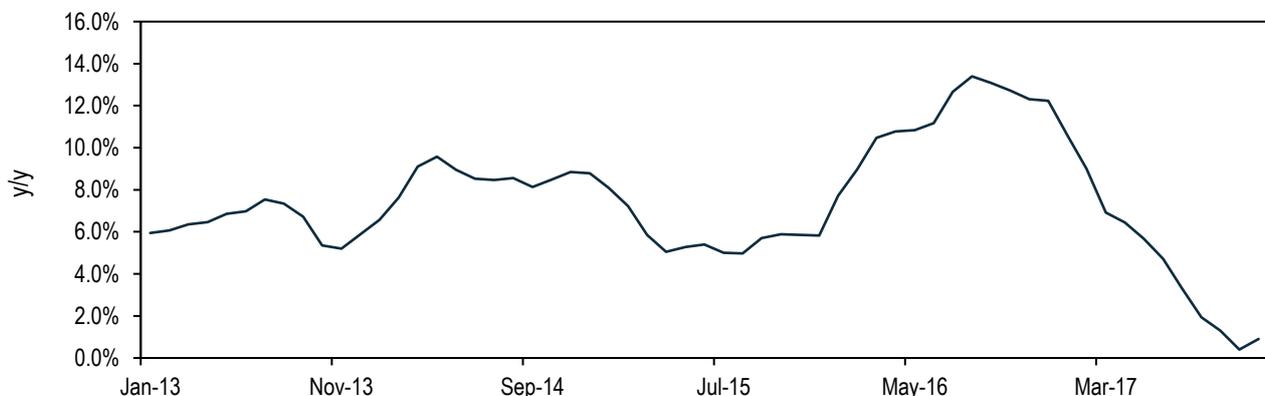


Chart 1: South Africa's food producer price inflation

Source: Stats SA, Agbiz Research

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