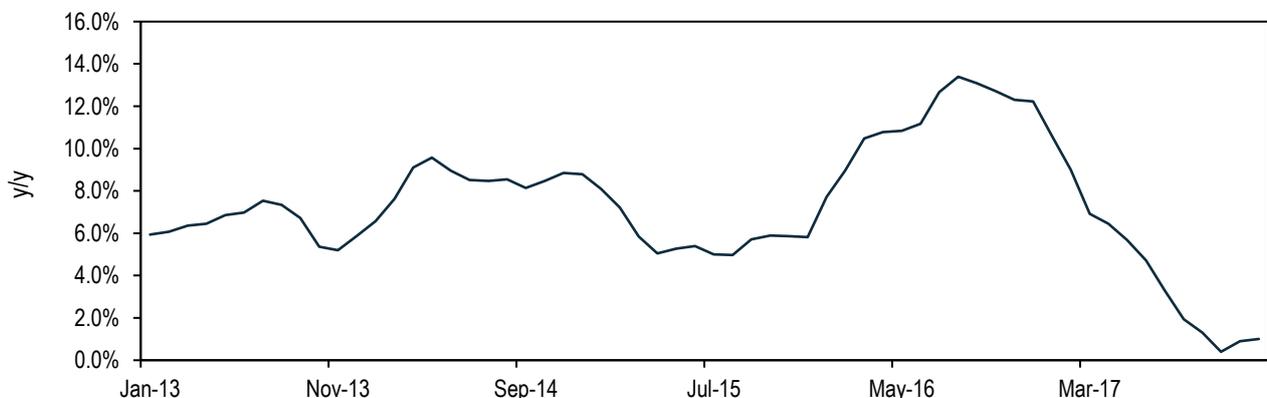


## UPDATE: SA food producer price inflation ticked up slightly to 1.0% y/y

The headline food producer price inflation for December 2017 edged up slightly to 1.0% y/y from 0.9% y/y in the previous month. Similarly to November, meat and dairy products continued to be the key drivers of the uptick. Meanwhile, producer price inflation for foods such as starches, sugar, fruits and vegetables slowed on a monthly basis. Apart from higher live animals' prices, agricultural commodity prices are still relatively low, which is keeping the food producer price inflation at lower levels.

- Meat and meat products price inflation accelerated by 12.5% y/y in December 2017, compared to a rate of 13.5% in November 2017. This can partially be explained by higher live animals' prices (despite the slight increase in monthly slaughtering activity).
- Moreover, the dairy products price inflation registered 2.5% in December 2017, compared to a rate of 1.7% in the previous month. This is in line with the South African Milk Processors Organisations raw milk purchases index, which declined by 5% m/m in December 2017, indicating a somewhat cooling in the supply of milk, thus lifting prices.
- Despite the acceleration in the headline number, the grain mill products, starches, sugar, oil and fats are still in deflation, after registering -16.8% y/y, -10.6% y/y, -10.4% y/y and -0.6% y/y, respectively, last month. This is still 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.
- Looking ahead, we expect food producer price inflation to be contained at relatively lower levels, but at a slightly increasing trend as agricultural commodity prices continue to recover 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

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