

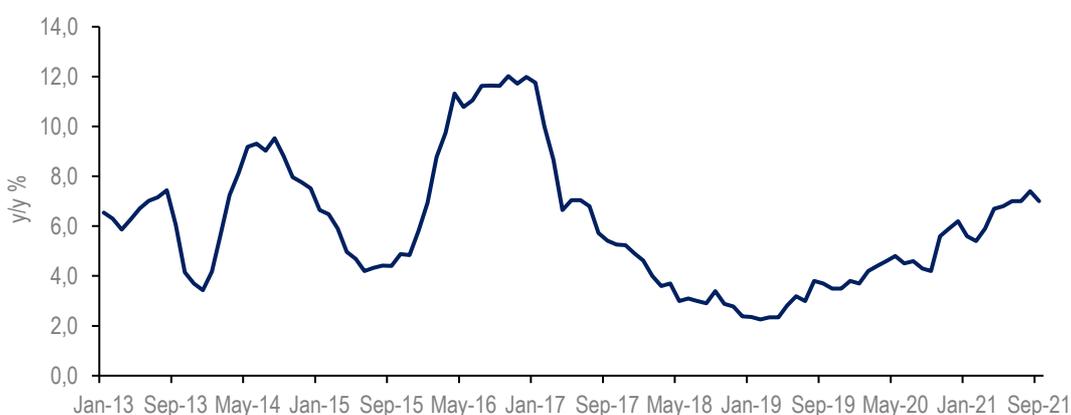
SA consumer food price inflation moderated in September

South Africa's consumer food price inflation moderated to 7,0% y/y in September 2021, from 7,4% in the previous month. The products prices underpinning this deceleration include 'bread and cereals', 'meat', 'fish', and 'vegetables'. While we expect consumer food price inflation to continue to slow in the coming months, we no longer think this will be significant. There will likely be upward cost pressures from 'meat' and 'oils and fats' to counter the expected decline in various products such as 'bread and cereals' and 'vegetables'.

For example, the cattle and sheep slaughtering activity remains at relatively lower levels compared to 2020, and this could provide mild upward pressures for meat price inflation in the near term. For example, in August 2021, cattle and sheep slaughtering activity was down by 1% y/y and 3% /y/y, with 207 449 and 293 883 head slaughtered, respectively. As we highlighted in the previous note, the livestock industry is still in the herd-rebuilding process that we have been in since the drought of 2015-16. Moreover, the continuous outbreak of foot-and-mouth disease in some provinces of South Africa, such as KwaZulu-Natal and Limpopo, has recently led to farmers slowing the slaughtering activity. This is slightly different from what we have observed in the past when such outbreaks and the temporary export ban would typically result in a somewhat increased meat supply and, consequently, softened prices. The excellent performance in crops production may have helped to provide some financial breathing room for some diversified farmers to rebuild herds rather than sell more meat to the domestic market.

In addition, South Africa is a net importer of oils and fats, and these product prices have remained elevated in the global market. For example, the FAO Vegetable Oil Price Index averaged 169 points in September, up 2% month-on-month and about 60% above its year-earlier level.¹ This is underpinned by higher palm oil prices on the back of constrained supplies and the generally strong demand from China.

Exhibit 1: South Africa's consumer food price inflation



Source: Stats SA and Agbiz Research

¹ <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

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