

South Africa's consumer food price inflation remained unchanged from the previous month in October 2022

South Africa's consumer food price inflation was at 12,3% year-on-year in October 2022, roughly unchanged from the previous month. The products that continued to present upside price pressures were mainly "bread and cereals", "meat", and "milk, eggs, and cheese".

As we stated in the previous notes, the general consumer food price increase mirrors the surge in agricultural commodity prices over the past few months. The agricultural commodities price increase emanates from various factors such as the drought in South America, higher shipping costs, strong agricultural product demand in China, and, most recently, the Russia-Ukraine war.

More specifically, the higher global grain and oilseed prices for much of this year have been the core drivers of the costs of "bread and cereals" and "oils and fats" in the consumer food price inflation basket. "Bread and cereals" are also amongst the key drivers of the price inflation in October. Notably, these are also products with a relatively higher weighting within the food basket. For example, within the food basket, the essential products are meat (35%); bread and cereals (21%); milk, cheese and eggs (17%); vegetables (8%); sugar, sweets and desserts (4%); oils and fats (3%); and fruit (2%). Regarding meat, the outbreaks of foot-and-mouth disease are vast, to the extent that we are observing a slight decline in slaughtering in some feedlots, which has ultimately kept red meat prices at relatively higher levels; the opposite of what we initially anticipated. For example, in August 2022, cattle slaughtering was down by 2% y/y, with 206 052 head of cattle slaughtered.

In sum, the global grain and oilseed prices, which have been the major drivers of the surge in inflation, are starting to soften, which shows in the global indices. The FAO's Global Food Price Index has dropped by 15% from its peak in March 2022. These global developments will, with time, also reflect in South Africa, and this could also be mirrored in the consumer food price inflation data in the coming months.

Exhibit 1: South Africa's consumer food price inflation



Source: Stats SA and Agbiz Research

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