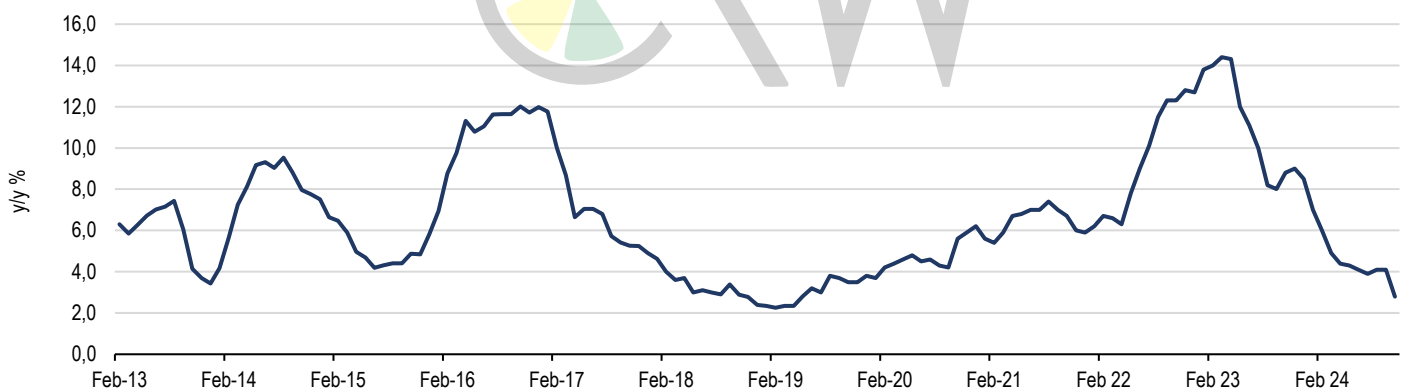


20 November 2024

South Africa's consumer food price inflation is at its lowest level since May 2019

- Having stabilized at 4,1% in September 2024, South Africa's consumer food price inflation slowed notably to 2,8% in October. This is the lowest level since May 2019. The deceleration was broad-based, except for "sugar, sweets and desserts", which lifted somewhat. The slowdown was largely driven by base effects, as food price inflation was elevated this time last year. For example, this time last year, grain prices faced upward pressure following India's rice export ban, while an avian influenza outbreak constrained egg supplies, exacerbating price risks. We are far from that worrying reality, as India has resumed rice exports, and prices have slowed generally. Moreover, South Africa's poultry product supplies have normalized. Also worth noting is that the recovery in vegetable supplies across various fresh produce markets in the country also added to the softening of prices. We suspect that the generally lower wheat prices have also added to this moderation of prices.
- As we have previously signalled, while having eased notably in October 2024, grain-related products remain the upside risk to consumer inflation following a poor crop harvest due to the drought. For example, South Africa's 2023-24 maize harvest is estimated at 12,72 million tonnes, down 23% year-year. This sharp decline in harvest signifies the harsh impact of the 2024 mid-summer drought, and the regions most affected were the white maize growing areas, a staple crop that is also scarce in the world market. Thus, white maize prices have rallied in recent months. The additional challenge is the continuous demand for white maize from the Southern African region through the first quarter of 2025. That said, we don't expect the potential grain-related product price increase to be substantial as the forecasts from the International Grains Council signal the possible ample global wheat and rice harvest in 2024-25, which could cushion the region as substitutes.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research