



FOOD INFLATION **BRIEF**






This Brief provides an overview of food inflation dynamics, its associated causes, and the cost of basic healthy eating for November 2023.

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SUMMARY OF FOOD INFLATION METRICS – November 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+9.0%	+0.8%	Section 1 of this brief
CPI headline inflation:		+5.5%	-0.1%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.6 percentage points	0.2 percentage points	
Food categories with highest inflation:		Vegetables Sugar Dairy & eggs Fruit NAB Bread & cereals Fish	Fruit Dairy & eggs Vegetables NAB Meat Bread & cereals Sugar	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Meat	Fish Fats & oils	

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)

 R3 701 /  /month

Indicators for selected factors affecting food prices in South Africa:

(For more detail refer to Sections 4 & 5)

Global food commodity prices



FAO Food Price Index

-10.7% YoY (↓oils, cereals, dairy, meat; ↑ sugar)
0.0% MoM (↓ cereals, meat; ↑ oils, dairy, sugar)

Exchange rate



R/\$ exchange rate

Depreciation of 6.0%: R18.54/US\$1 (Nov'23) vs R17.49/US\$1 (Nov'22)

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +15.2% YoY; 0.0% MoM

SA CPI index for 'Fuel': +1.8% YoY; -5.5% MoM

Infrastructure challenges



Persistent electricity loadshedding

SECTION 1: CPI headline and food inflation over time:

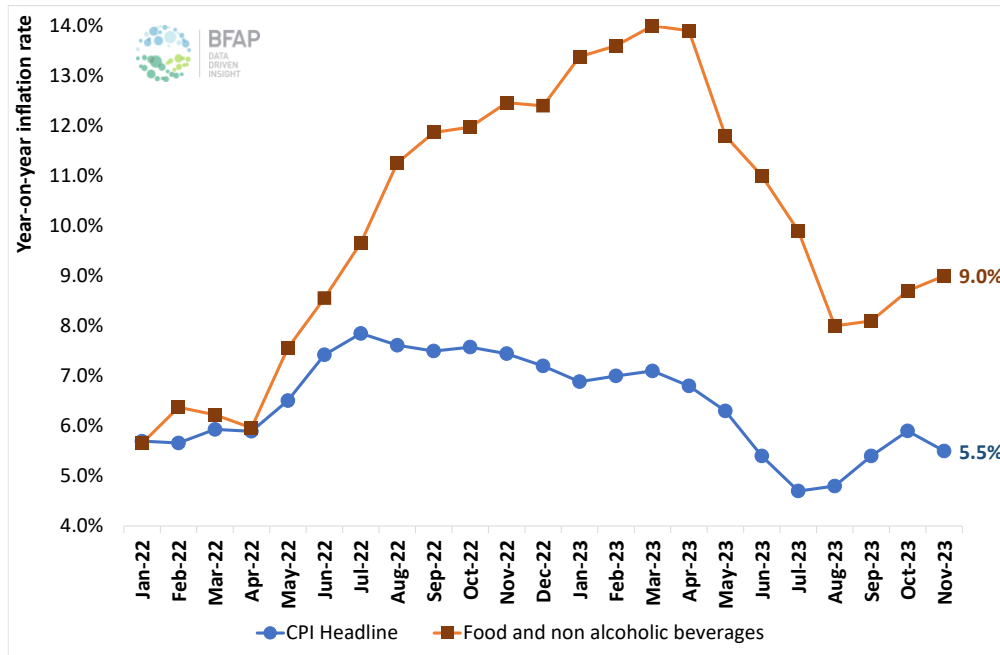


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and NAB

Source: Stats SA, November 2023

- Continuing the increasing trend from August 2023, year-on-year inflation on food and NAB increased further from 8.7% in October 2023 to 9.0% in November 2023 – in line with levels last observed June / July 2022.
- Despite continued food inflation CPI Headline inflation showed some recovery from 5.9% in October 2023 to 5.5% in November 2023

SECTION 2: The contribution of different food categories & food items to inflation:

Table 1: Inflation on food categories in November 2023 (Source: Stats SA, October 2023)

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	8.50%	0.50%	-
Meat *	3.50%	0.60%	-
Fish *	6.70%	-0.30%	-
Milk, eggs and cheese *	13.90%	1.70%	3 rd Highest YoY & 2 nd highest MoM inflation among categories
Oils and fats *	-5.20%	-0.50%	-
Fruit **	11.50%	5.10%	Highest MoM inflation among categories
Vegetables **	23.50%	0.90%	Highest YoY & 3 rd highest MoM inflation among categories
Sugar-rich foods**	18.50%	0.20%	2 nd Highest YoY inflation among categories.
Non-alcoholic beverages *	8.60%	0.80%	-

*Lower YoY inflation rate than in previous month; ** Higher YoY inflation rate than in previous month.

Table 2: Commonly purchased food items with high YoY inflation rates in November 2023

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Potatoes, sweet potatoes, instant noodles Pumpkin Bananas 	<ul style="list-style-type: none"> Rice, frozen potato chips Broccoli, cauliflower Pineapple, pears Brown sugar, white sugar Ceylon/black tea Whiteners, soup powder 	<ul style="list-style-type: none"> Frozen hake, fish fingers Polony, eggs Chicken (IQF & fresh portions) Beetroot, lettuce, onions, tomatoes, spinach Papaya, oranges, apples Cheese, yoghurt Instant coffee, Rooibos tea, fruit juice, mineral water Sugar-rich foods Peanut butter, peanuts, canned baked beans Spices, instant yeast, baking powder, chutney, tomato sauce 	<ul style="list-style-type: none"> Beef (fillet, stew, offal, mince, chuck, Sirloin, brisket, rump steak, T-bone), sausage Mutton/Lamb (rib chop, leg, neck, stew) White bread Sweet peppers Plant oil Fresh cream Salt

SECTION 3: The BFAP Thrifty Healthy Food Basket (THFB)#



THFB – November 2023:

R3 701/  **/month**

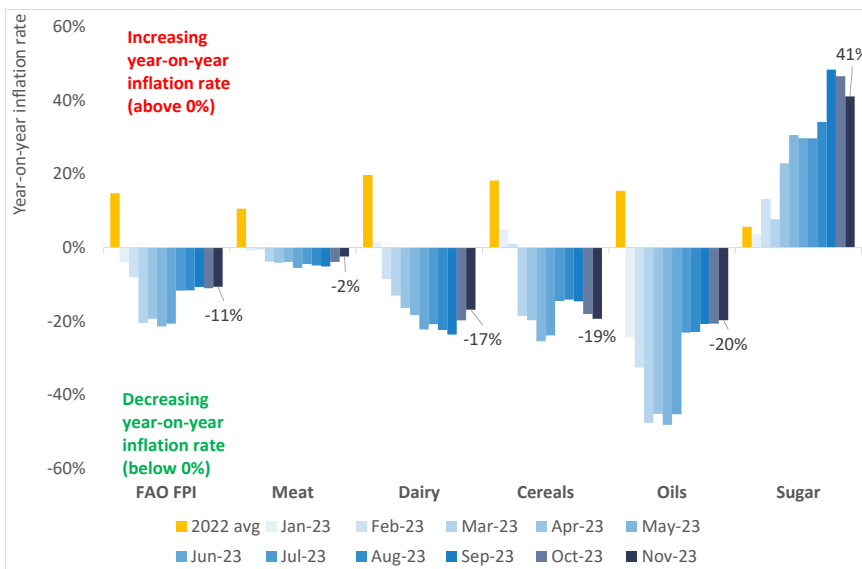
Month-on-month change: **+R58 / +1.6%**

Year-on-year change: **+R340 / +9.4%**

Affordability*: **32.2% food expenditure share**

The BFAP Thrifty Healthy Food Basket (THFB) measures the cost of basic healthy eating for low-income households in South Africa. The methodology considers national nutrition guidelines, typical food intake patterns of lower-income households, official Stats SA food retail prices, and typical household demographics. Consisting of a nutritionally balanced combination of 26 food items from all the food groups, the BFAP THFB is designed to feed a reference family of four (consisting of two adults, an older and a younger child) for a month. The BFAP THFB comprises a smaller staple component and relatively more items from food groups contributing to dietary diversity than the CPI index. The CPI index is more reflective of 'typical' food preferences.

SECTION 4: International food inflation overview



- In November 2023, *the FAO Food Price Index (FPI)* reached a value of 120.4, similar to index values last observed in March/April 2021 – 10.7% lower than a year ago (Figure 2) and with a similar index value as in October 2023.
- From January to November 2023 the FAO FPI and the sub-indices for meat, dairy, cereals and oils had consistently negative YoY inflation rates (Figure 2) – with the most negative deflation for November 2023 observed for oils, cereals and dairy.

Figure 2: The FAO Food Price Index (Source: FAO, 2023)

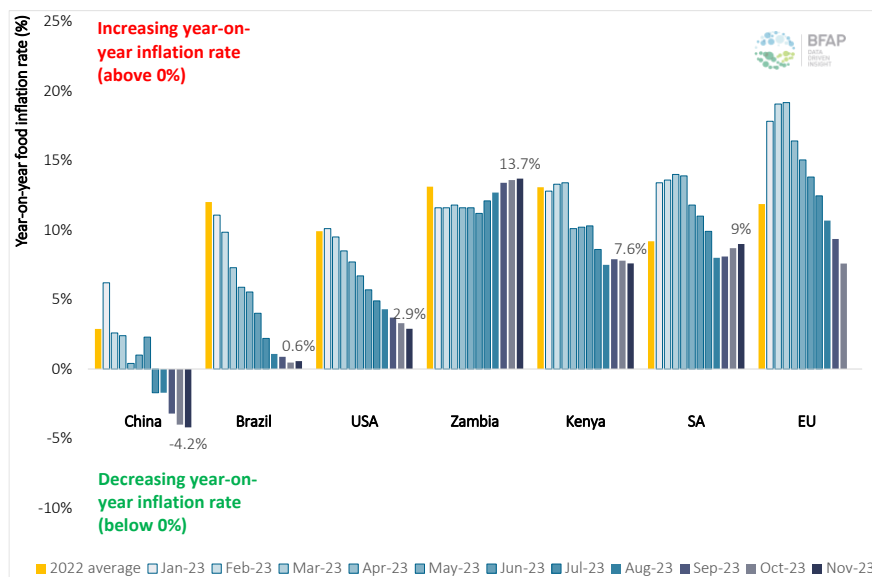


Figure 3 shows that:

- In November 2023, the highest YoY food inflation among the countries presented in Figure 3 was in Zambia, South Africa and Kenya.
- Food inflation in South Africa was higher than in China, Brazil, USA and Kenya.
- China, Brazil, USA and the EU have experienced declining food inflation trends in 2023.
- Following declining trends since March, small increases in food inflation were reported for Zambia and South Africa for November 2023.

Figure 3: International food inflation comparison

(Source: Official food inflation figures of the various countries / regions reported by national statistical agencies)

SECTION 5: Looking ahead

Following a period of lower food inflation during the 2nd and 3rd quarter of 2023, food price inflation has started increasing again in the past 2 months, mainly due to higher vegetable, fruit, and dairy prices. Looking ahead, we are still confident that food price inflation could stabilise, and we could even see some declining trends in near future if vegetable prices start declining due to higher production levels in response to high producer process.

However, over the long-run, our infrastructure challenges and costs within the value chain (electricity, fuel, wages) are a reason for concern. Even if food inflation rates decline, rising costs within the chain imply that food will become more expensive in absolute terms, which is a major concern for low-income households.

Lastly, with the looming impact of El Nino and significantly lower rainfall in the western production regions, summer crop prices, mainly maize, could be affected. Most of the eastern and central production regions have received sufficient rain and intended plantings have been completed. However, in the west, some of the regions have received sufficient rain to plant, but there are still some areas that have not planted yet. The next two weeks will be decisive to complete the maize plantings. The impact of potentially higher maize prices will only feature in maize meal inflation rates three to four months later, i.e. from March 2024 onwards.

This food inflation brief is a collaboration between BFAP and Dr. Marlene Louw from Absa Agribusiness, based on Statistics South Africa CPI and food retail price data (released in December 2023 for the November 2023 data).

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