

A faster acceleration in food price inflation to another record high in March

 By Paul Makube

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The latest inflation data shows no respite for consumers as headline consumer price inflation inched 0.1 percentage point higher to 7.1% year-on-year in March 2023 from 7.0% year-on-year in February, according to the update from Statistics South Africa.

The CPI lifted from 0.7% month-on-month last month to 1% month-on-month in March 2023. Gains in prices in food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services categories underpinned this stickiness on the upside in the CPI outcomes.



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Food and non-alcoholic beverages were the biggest contributors with 2.4 percentage points, rising by 14% year-on-year from 13.6% year-on-year previously. Food alone rose to a new record high since March 2009 at 14.4% year-on-year and lifted 1% month-on-month in March 2023.

In the food basket, the bread and cereals category still posted the highest increase of 20.3% year-on-year although below the 20.5% year-on-year pace recorded in February 2023. This again reflects the delayed passthrough of the recent moderation in grain prices at producer level. Thus, manufacturers are still carrying the high cost of grain prices from 2022 due to the lag of up to five months in the pass through to the consumer level.

Persistent and steep load shedding in 2023 has further exacerbated the situation. Bear in mind that this category's weight is significant in the food basket at 21%.

Although still elevated at double-digit levels, meat with a higher weight of 35% in the food basket slowed from 11.4% year-on-year in February 2023 to 10.6% year-on-year in March 2023 and was unchanged month-on-month. We have seen a significant pullback in producer prices in the past few months hence the softening at consumer level.

Vegetables continued to surprise on the upside, coming up by a whopping 20.5% year-on-year and lifting by 3.8% month-on-month due to production challenges in various categories. Fruits also jumped 5.2% year-on-year but slowed to 0.9% month-on-month from 1.2% month-on-month previously.



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Meanwhile, unrelenting cost pressures emanating from load shedding will continue to maintain the stickiness in food prices in the short term. However, monthly prices on both the domestic and international markets continue to trend on the downside recently which has the potential to limit further upside in consumer prices in the second half of 2023.

Furthermore, global food inflation remains on the downside as per the United Nations Food and Agriculture Organization's March 2023 update which showed a twelfth consecutive month at -2.1% month-on-month.

The FAO food prices inflation dropped to a low of -20.5% year-on-year and was in negative territory for the fifth consecutive month. Fortunately, the domestic summer crop season is expected to end on a high note with a good harvest given the excellent seasonal conditions which bodes well for food inflation in the months ahead.

ABOUT PAUL MAKUBE

Paul Makube is Senior Agricultural Economist at FNB.

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