



Economic Commentary: Issue No.14

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Directorate: Statistics & Economic Analysis

Sub-directorate: Economic Analysis

Purpose of the Economic commentary

This publication is meant to inform internal stakeholders of the department about the impact of the macro economic indicators and related issues on the overall performance of the Agriculture, Forestry and Fisheries (AFF) sector. National announcements are frequently pronounced on macro economic issues; therefore the intension of the economic commentary is to digest the implication of the indicators and recommend actions that could be taken into account to cushion the performance and image of the AFF sector.

FOOD PRICE AND CONSUMER PRICE INDEX (CPI) TRENDS

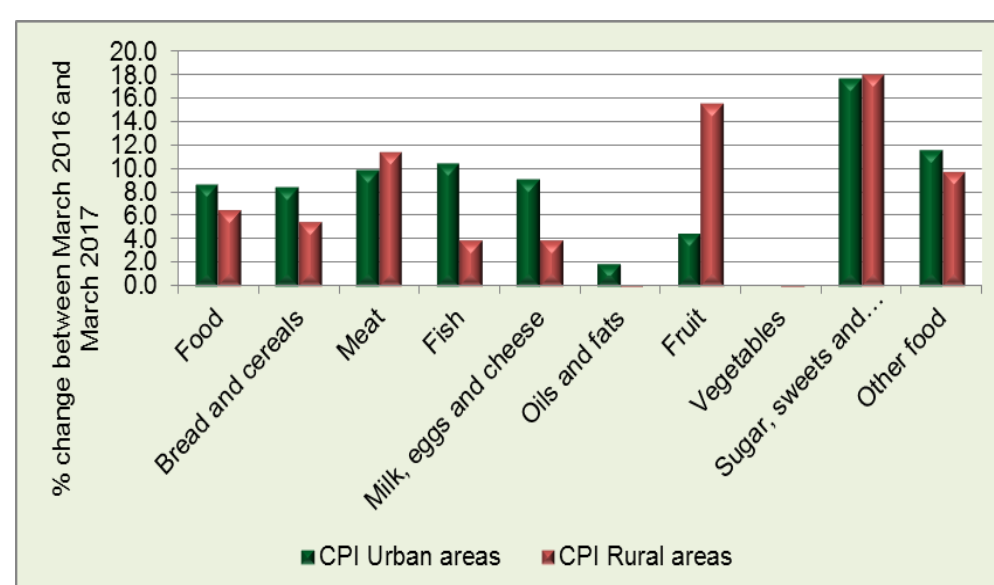
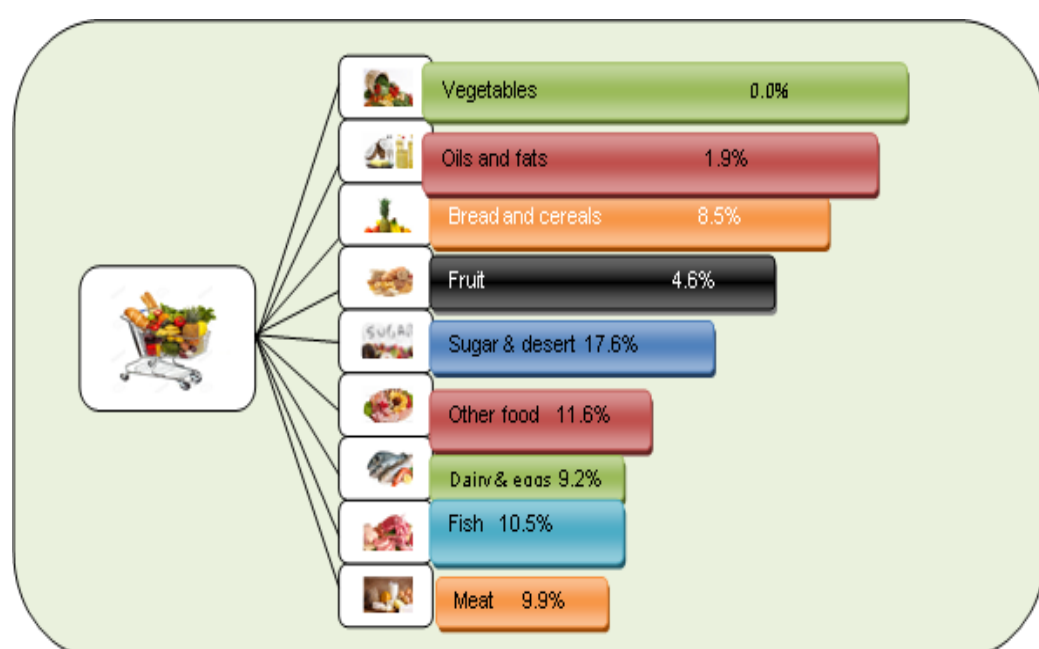


Figure 1: The percentage change of SA's complete food basket for the period March 2016 to March 2017.

Source: Stats SA

Figure 2: Yearly comparison of the overall food basket from March 2016 to March 2017 between Urban areas and Rural areas.

Source: Stats SA

The strengthening of the rand over the past couple of months has not been supported by a general growth of the economy. Since South Africa depends mostly on imported oil, higher oil prices can definitely be felt in the food production system, through transport of food and the costs of packaging. When food prices rise, almost all the different groups are affected. The effects are however more crippling for the poor and has a lacerating effect on the low income earners' ability to protect their income and make the most of the little money they have.

Figure 1 shows South Africa's percentage change in the food basket for a period March 2016 to March 2017, Food items which has the largest change in the food basket are items such as sugar and desert (17,6 %), other foods (11,6%) and fish (10,5%) between March 2016 and March 2017. **Figure 2** shows a yearly comparison of the overall food basket from March 2016 to March 2017 reveal that consumers in urban areas paid more for some of these food items than their counterparts in rural areas. During the same period, the same food items in rural areas increased by 6,5%, 5,5%, 3,9%, 3,9% and 9,7% respectively except for oils and fats which decreased by 0,5% over the period.

Consequently, **figure 2** indicates that over the period March 2016 to March 2017, consumers in urban areas paid more for some of the listed food items compared to their rural counterparts. In rural areas, food items such as meat, fruit, sugar, sweet and deserts increased by 11,4%, 15,5% and 17,9% respectively while vegetables decreased by 3,4% between March 2016 and March 2017. During the same period, the same food items in urban areas were far lesser in prices, increasing by 9,9%, 4,6% and 17,6% respectively, see **figure 2**.

COMPARISON OF THE CPI FOR URBAN AREAS (JAN TO MARCH 2017).

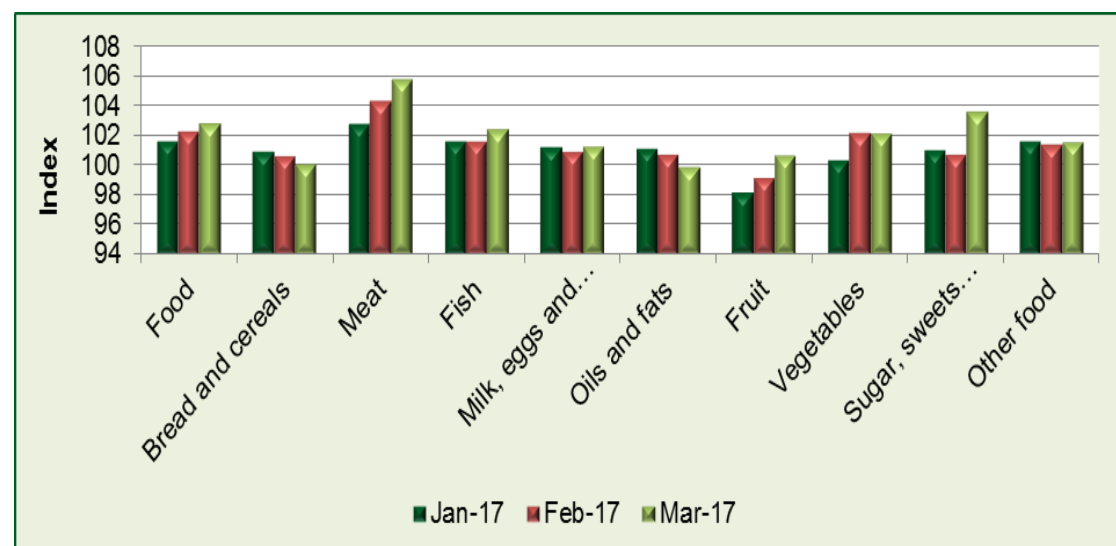


Figure 3: Monthly comparison of the CPI for urban areas (Jan to March 2017).

Source: Statistics SA, 2016.

In urban areas, food items that recorded significant price differences between January and March 2017 were meat (2,9%), fruit (2,5%) sugar, sweets and deserts (2,5%). During the same period, food items that recorded marginal price differences were vegetables (1,7%), food (1,1%) and fish (0,7%).

On the contrary, food items that recorded price decreases in urban areas between January and March 2017 were oils and fats (1,3%), bread and cereals (0,9%) and other food (0,1%) while milk, eggs and cheese remained steady between January and March 2017, see **figure 3**.

COMPARISON OF THE CPI FOR RURAL AREAS (JAN TO MARCH 2017).

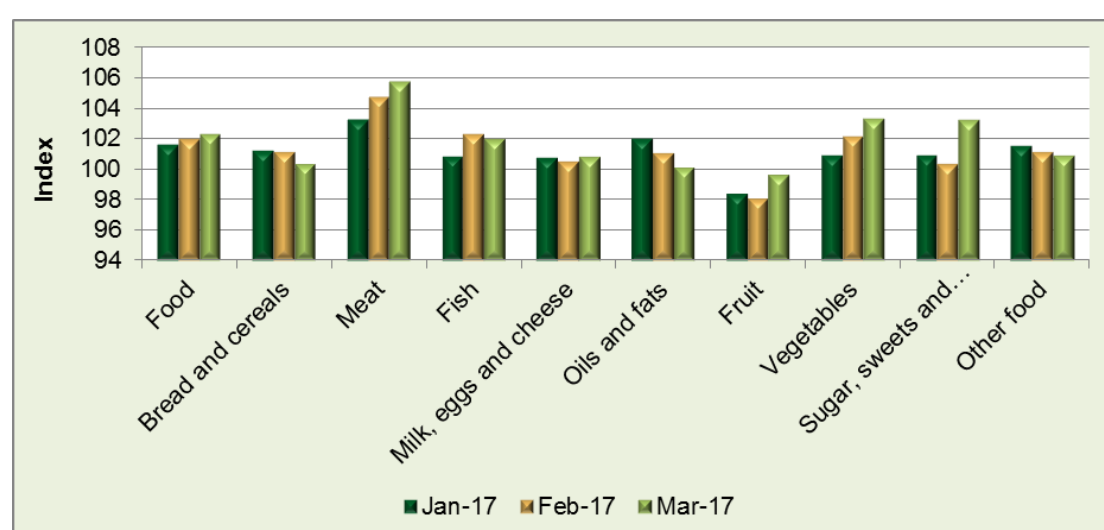


Figure 4: Monthly comparison of the CPI for rural areas (Jan to March 2017).

Source: Statistics SA, 2016.

In rural areas, food items that recorded noteworthy price increases between January and March 2017 were meat (2,4%), vegetables (2,4%), sugar, sweets and desserts (2,3%) while both fish and fruit each recorded price differences of 12% respectively during the period.

Food items that recorded marginal price differences between January and March 2017 were food (0,7%) and milk, eggs and cheese (0,1%). Oils and fats, bread and cereals and other food decreased in prices between January and March 2017, each decreasing by 1,9%, 0,9% and 0,6% respectively over

CONCLUSIVE REMARKS

The drought's impact on food supply has been a key driver of higher food price inflation in 2015 through to 2016, and this had implications for the consumer. Despite some encouraging reports in certain parts of the country, one cannot say that the drought has ended with many parts of the country still suffering. An end to drought in 2017 would have a greater impact on the poor than on the higher income groups in South Africa. Based on the analysis, it is evident that there is a noticeable drop in food price inflation between January and March 2017 which comes as good news to low income earners, given that a greater portion of their income is spend on food.

Arguable, there is an expectation that the South African economy will remain in a period of slow economic growth, high unemployment and rising inflation for the next couple of quarters with a continued upward pressure on food prices. Low income earners will likely have challenges stemming from weak employment creation in 2017 given that a greater portion of their income goes to food. For the majority of South Africans, a greater share of their income will be needed to acquire the same amount of food products with the poor expected to feel the brunt of its effects.

REFERENCES :

- Statistics South Africa (Stats SA), (2017): Consumer Price Index (CPI), March 2017: Available at <http://www.statssa.gov.za>

FREQUENCY

The publication will be released on the 1st and the 15th of every month covering events taking place on the period con-cerned. The dissemination will take place through emails to all SMS and professionals in the Department including provinces.

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