

# Quarterly Economic Review of the Food and Beverages Industry in South Africa

April to June 2023

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DIRECTORATE: AGRO-PROCESSING SUPPORT



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## PREFACE

The National Development Plan (NDP) identifies the agro-processing industry for its potential to spur economic growth and create sustainable employment. The agriculture and agro industries are postulated as having the latent potential to contribute to inclusive economic growth through forward and backward linkages by providing various opportunities for earning income in the food production, processing, distribution and retailing phases of the agro/food value chain. At policy level, the Medium-Term Strategic Framework (MTSF), **specifically outcome 1: Economic transformation and job creation**, notes the agro-processing industry as a key pillar for inclusive economic growth. At sector level, the Agriculture and Agro-processing Master Plan (AAMP), **specifically pillars 5 and 6**, notes the crucial role the agro-processing industry should play towards mitigating post-harvest losses, providing access to markets for farmers and ensuring household food security. At operational level, the competitive performance of agribusinesses is directly linked to the competitiveness of the industry and sector.

Consequently, the Department of Agriculture, Land Reform and Rural Development (DALRRD) established the Directorate: Agro-processing Support within the Branch: Economic Development, Trade and Marketing (EDTM) to develop and facilitate implementation of policies and strategies to enhance competitive performance of agro-processing agribusinesses. Among others, the function of the directorate is to provide timely and updated agro-processing economic and statistical information geared to monitor the performance of the industry and provide insight into the effects of economic policies and exogenous factors. To achieve this purpose, the directorate publishes regular quarterly reviews of the agro-processing industry.

This publication, *“Quarterly Economic Review of Food and Beverages Industry in South Africa: April to June”*, evaluates the performance of the food and beverages divisions during the second quarter of 2023. The main economic indicators reviewed are the changes in producer price, production volume, value of sales, capacity utilisation by large enterprises, formal employment and trade balance.

Any comments and suggestions on the content of this publication are welcome.

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*Disclaimer: The Department of Agriculture, Land Reform and Rural Development did everything to ensure the accuracy of the information reported in this publication. The department will, however, not be liable for the results of actions based on this publication.*

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## EXECUTIVE SUMMARY

Economic activity in South Africa recovered further in the second quarter of 2023 with growth in real gross domestic product (GDP) accelerating to 0,6% from 0,4% in the first quarter as the impact of electricity loadshedding was reduced to some extent. The real output of the secondary sector increased at a faster pace in the second quarter of 2023, underpinned by an acceleration in the pace of increase in the real gross value added (GVA) by the manufacturing sector. The increase in manufacturing production was broad-based, with higher production volumes in 9 of the 10 subsectors (*SA Reserve Bank, 2023*).

The real output of the manufacturing sector expanded by 2,2% in 2023: Q2. As a result of the expansion in the manufacturing sector, the volume of production of the food and beverages division rebounded by 3,0% from a 9,7% growth recorded in the last quarter, however, the division grew by 14,4% year-on-year. The quarter-to-quarter value of sales in the food and beverages divisions, on the other hand, moderated by 3,0% in 2023: Q2 from a 6,9% growth in 2023: Q1. Sales of the food and beverages division, similarly, moderated by 11,6% year-on-year.

The quarter-to-quarter food and beverages exports and imports contracted by 2,2% and 5,0% in 2023: Q2 from a 9,5% and 28,8% growth in 2023: Q1, respectively. However, exports and imports moderated by 8,7% and 4,7%, respectively in 2023: Q2. As a result, the trade surplus widened from R1 707,0 million in the last quarter to R2 323,8 million in the current quarter under review.

The main destination of South African food exports is Africa with a share of about 43%, followed by Europe, Asia and the Americas with 32%, 14% and 10%, respectively in 2023: Q2. Oceania was minimal with 1%. Likewise, South African beverages exports are destined to Africa with a share of about 43%, followed by Europe, the Americas and Asia with 32%, 15% and 10%, respectively. Oceania accounted for less than 1% share of the South African beverages' exports.

The formal employment in the food, beverages and tobacco division contracted quarter-to-quarter by 3,4% in 2023: Q2 from a growth of about 3,3% in 2023: Q1. However, year-on-year employment increased by 1,2% in 2023: Q2. As a result, the number of formal employment

decreased to 264,004 in 2023: Q2 from about 273 190 in 2023: Q1. This translates to 9 186 jobs lost in 2023: Q2.

## 1. INTRODUCTION

South African economy recovered in the second quarter of 2023, with the real GDP accelerating to 0,6% from 0,4% in the last quarter as the impact of electricity loadshedding was to some extent abated. The turnaround in the real (GVA) by the primary sector in the second quarter of 2023 reflected a further expansion in mining output and a substantial increase in agricultural output. The increase in agricultural output was primarily driven by the higher production of field crops and horticultural products (SA Reserve Bank, 2023).

This Quarterly Review provides analysis of the South African Food and Beverages Industry. It mainly looks at the following variables: consumer and producer price index, the utilisation capacity, volume of production, value of sales, employment and trade patterns. Moreover, the wholesale and retail trade sales of food, beverages and tobacco and income from bar sales are also analysed. The review is organised as follows: the first section provides the analysis of the food division. The second section analyses beverages industry, and lastly, it is the conclusion.

## 2. FOOD PRODUCTS

According to the Standard Industrial Classification (SIC), the food industry incorporates groups of products that are categorised into the following four codes:

- Code 301: Refers to the manufacturing, processing and preservation of meat, fish, vegetables, fruit, oils and fats.
- Code 302: Refers to the manufacturing, processing and preservation of dairy products.
- Code 303: Refers to the manufacturing of grain mill products, starch products and prepared animal feeds.
- Code 304: Refers to the manufacturing of other food products like bread, sugar, chocolate, pasta, coffee, nuts and spices.

Hereafter, food products refer to those primary agricultural and fisheries products that have undergone some form of change through manufacturing and processing or performed some value addition activities such as preservation.

## 2.1 PRICE

### *Consumer price index (CPI)<sup>1</sup>*

The quarter-to-quarter CPI for all items expanded by 1,7% in 2023: Q2, following a growth of 1,1% in the previous quarter. The items that moderated quarter-to-quarter were food and non-alcoholic beverages (1,9%), food (1,9%), and vegetables (4,8%). Bread and cereals (2,7%); milk eggs and cheese (5,2%); sugar sweets and desserts (4,8%); “other food products” grew by 3,3% during the period. Meat (0,4%) and fruit (10,8%) contracted, while oils and fats decelerated by 2,5%.

In terms of year-on-year, the CPI for all items moderated by 6,4% in 2023: Q2 from a 7,0% growth in the last quarter. The items that moderated during the period were: food and non-alcoholic beverages (11,5%), food (11,6%), bread and cereals (16,1%), meat (7,4%), fish (9,5%) and oils and fats (0,3%). Milk, eggs and cheese (14,8%), vegetables (21,2%), sugar sweets and desserts (12,1%) and other food items (13,5%) grew during the period, while fruit contracted by 1,5%. (see Table 2.1).

**Table 2.1: CPI for food products**

Food products	Weight	Indices			% Change between	
		2022: Q2	2023: Q1	2023: Q2	2023: Q1 and 2023: Q2	2022: Q2 and 2023: Q2
All items (CPI Headline)	100	103,0	107,8	109,6	1,7	6,4
Food and non-alcoholic beverages	15,4	104,4	114,3	116,5	1,9	11,5
Food	14,2	104,3	114,3	116,4	1,9	11,6
Bread and cereals	3,5	106,6	120,5	123,8	2,7	16,1

<sup>1</sup> Stats SA defines CPI as a current social and economic indicator that is constructed to measure changes over time in the general level of prices of consumer goods and services that households acquire, use, or pay for.

Meat	4,6	104,1	112,2	111,8	-0,4	7,4
Fish	0,4	103,8	111,0	113,7	2,4	9,5
Milk, eggs and cheese	1,7	103,0	112,4	118,3	5,2	14,8
Oils and fats	0,5	116,4	119,7	116,7	-2,5	0,3
Fruit	0,2	96,8	106,8	95,3	-10,8	-1,5
Vegetables	1,6	103,5	119,7	125,5	4,8	21,2
Sugar, sweets and deserts	0,6	102,9	110,0	115,3	4,8	12,1
Other food	0,9	103,6	113,8	117,6	3,3	13,5

Source: (Stats SA, 2023)

### Producer Price Index (PPI)<sup>2</sup>

During 2023: Q2, the quarter-to-quarter producer price index of final manufactured goods grew by 1,2% from a 0,4% growth in the last quarter. The quarter-to-quarter PPI grew for food products (2,3%), fruit and vegetables (4,8%), grain mill products (2,2%), other food products (4,3%), bakery products (2,3%) and sugar (10,8%). However, meat and meat products rebounded by 0,4%, fish and fish products moderated by 1,0%, while oils and fats contracted 8,6%.

The year-on-year PPI for all items moderated by 6,9% from a 11,8% growth in the last quarter. Items that moderated were food products (9,3%), meat and meat products (2,5%), fish and fish products (14,8%), dairy products (14,2%), grain mill products (15,2%), starch and starch products, animal feeds (14,4%), “other food products” (10,8%) and bakery products (12,6%). Fruit and vegetables; and sugar grew by 12,3% and 13,1%, respectively, while oils and fats contracted by 17,8% in 2023: Q2 (see Table 2.2).

<sup>2</sup> OECD defines the Producer Price Index (PPI) as a measure of the change in the prices of goods either as they leave their place of production or as they enter the production process. The PPI can be used as an economic indicator of inflation, as an escalator in contracts and as a deflator in the calculation of the national accounts.



Table 2.2: PPI for food products

Food products		indices			% Change between	
	Weight	2022: Q2	2023: Q1	2023: Q2	2023: Q1 and 2023: Q2	2022: Q2 and 2023: Q2
Final manufactured goods (Headline PPI)	100	119,3	126,1	127,5	1,2	6,9
Food products	26,3	114,7	122,5	125,4	2,3	9,3
Meat and meat products	4,5	113,6	116,0	116,4	0,4	2,5
Fish and fish products	1,6	112,5	127,8	129,1	1,0	14,8
Fruit and vegetables	2,4	110,5	118,4	124,1	4,8	12,3
Oils and fats	0,5	194,3	174,5	159,6	-8,6	-17,8
Dairy products	3,3	117,0	130,7	133,6	2,2	14,2
Grain mill products	1,8	117,0	131,9	134,8	2,2	15,2
Starch and starch products, animal feeds	1,6	119,1	139,3	136,3	-2,2	14,4
Other food products	0,9	109,6	116,5	121,4	4,3	10,8
Bakery products	6,9	107,1	117,9	120,6	2,3	12,6
Sugar	1,9	113,1	115,5	128,0	10,8	13,1

Source: Stats SA (2023)

### Import Unit Value Index<sup>3</sup>

Table 2.3 presents the import unit value index of selected food products during 2023: Q2. The quarter-to-quarter import unit value for food products grew by 6,4%, however it moderated by 0,6% year-on-year. Fats and oils rebounded by 3,3% quarter-to-quarter, however decelerated by 21,1% year-on-year. Grain mill products grew by 11,1% and 34,3% quarter-to-quarter, and year-on-year, respectively, in 2023: Q2.

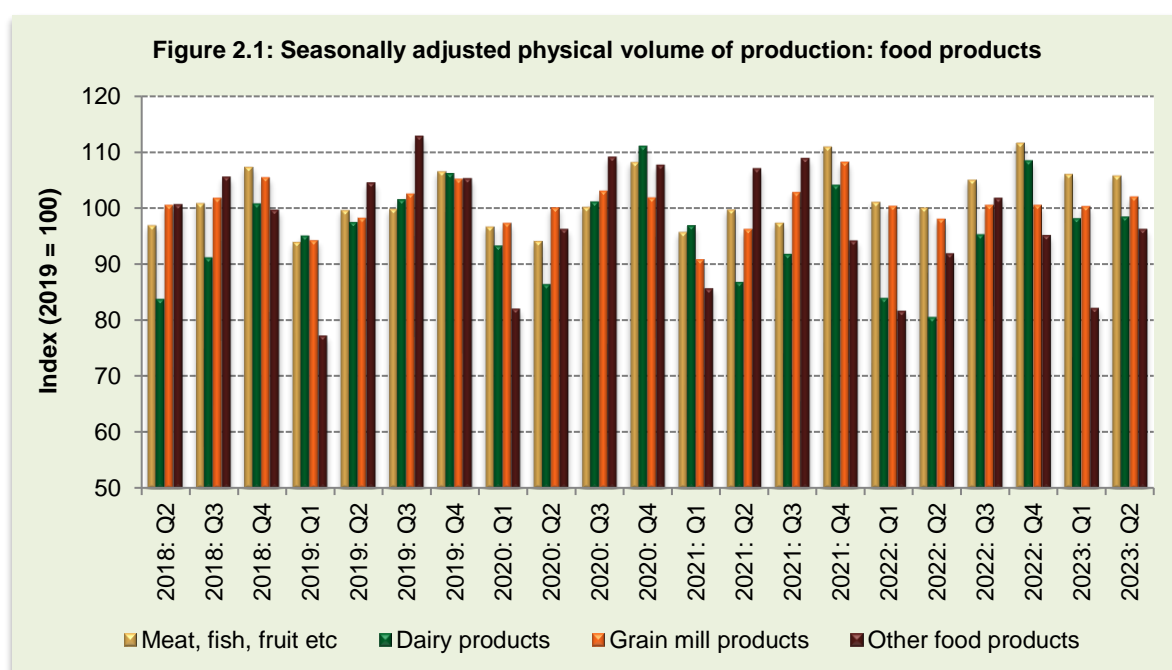
<sup>3</sup> IMF defines export and import unit value index as a measure for the overall change in the prices of transactions in goods and services between the residents of an economic territory and residents of the rest of the world. The average unit value is obtained by dividing the value of exported/imported goods in monetary terms with the respective volume/weight of the goods.

Table 2.3 presents the import unit value index of selected food products during 2023: Q2.

Food products	Indices			% Change between	
	2022: Q2	2023: Q1	2023: Q2	2023: Q1 and 2023: Q2	2022: Q2 and 2023: Q2
Food (total)	131,4	124,2	132,1	6,4	0,6
Fats and oils	163,3	124,7	128,8	3,3	21,1
Grain mill products	95,1	114,9	127,7	11,1	34,3

Source: Stats SA (2023)

## 2.2 PRODUCTION



Source: Statistics SA (2023)

Figure 2.1 presents seasonally adjusted physical volume of production for the food products division in 2023: Q2. The quarter-to-quarter seasonally adjusted volume of production for meat, fish and fruit receded further by 0,3% from a contraction of 5,0% in the last quarter. The dairy products, grain mill products and “other food products” rebounded by 0,3%, 1,7% and 17,2% quarter-to-quarter from a contraction of 9,5%, 0,2% and 13,7%, respectively in the last

quarter. In terms of year-on-year, meat fish, fruit, etc., and dairy grew by 5,7%, and 22,2%, respectively, grain mill products rebounded by 4,0%, and “other food products” rose by 4,8%.

### Production capacity

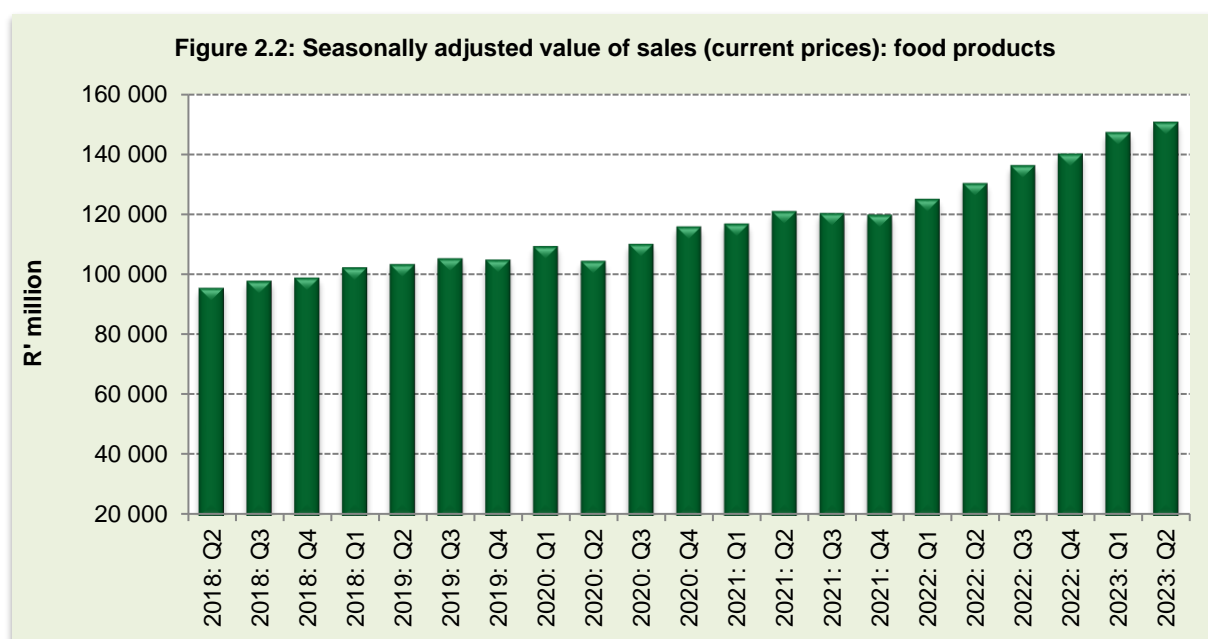
Table 2.4: Utilisation and reasons for underutilisation of production capacity by large enterprises: Food products (percentage)

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi-and unskilled		
2022: Q2	82,1	17,9	3,1	1,1	0,2	10,8	2,8
2023: Q1	78,8	21,2	1,6	0,7	0,5	10,2	8,2
2023: Q2	82,3	17,7	2,4	0,9	0,3	9,6	4,5

Source: Statistics SA (2023)

As Table 2.4 shows that the utilisation of production capacity by large enterprises of the food products division increased year-on-year and quarter-to-quarter. The quarter-to-quarter and year-on-year increase is by 3,5 and 0,2 percentage point, respectively. Insufficient demand remained the main reason for underutilisation in 2023: Q2, followed by other reasons such as seasonal factors.

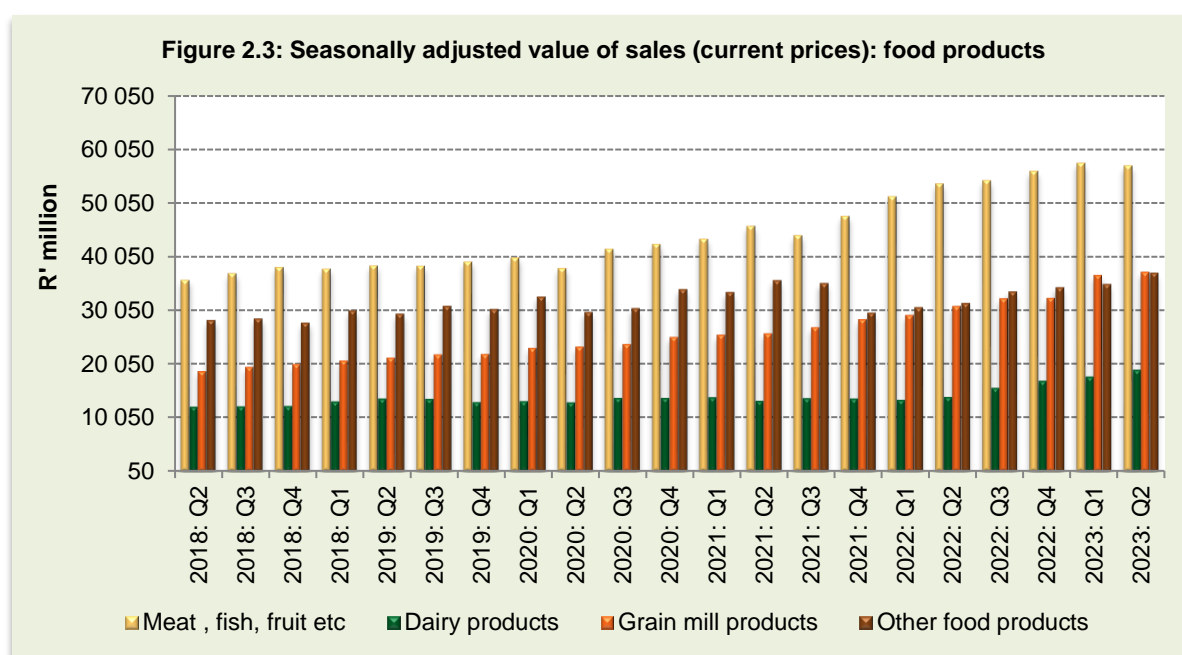
## 2.3 VALUE OF SALES



Source: Statistics SA (2023)

During 2023: Q2, the quarter-to-quarter value of sales of food products moderated by 2,3% as compared to a 5,2% growth in the last quarter. Similarly, it moderated year-on-year by 15,8% in 2023: Q2 following a growth of 17,9% in 2023: Q1 as illustrated in Figure 2.2.

As Figure 2.3 shows, quarter-to-quarter sales of meat, fish and fruit contracted by 0,8%, in 2023: Q2 as compared to a growth of 2,6% in the last quarter. Dairy and “other food products” grew by 7,0% and 6,0% quarter-to-quarter as compared to a 4,7% and 1,8% growth in the last quarter. Grain mill products on the other hand moderated by 1,6% from a 1,8% growth in the preceding quarter. In terms of year-on-year, meat, fish, fruit etc.; and grain mill products moderated by 6,3%, and 20,7%, respectively, while dairy and “other food products” grew by 36,3% and 18,1%, respectively in 2023: Q2.



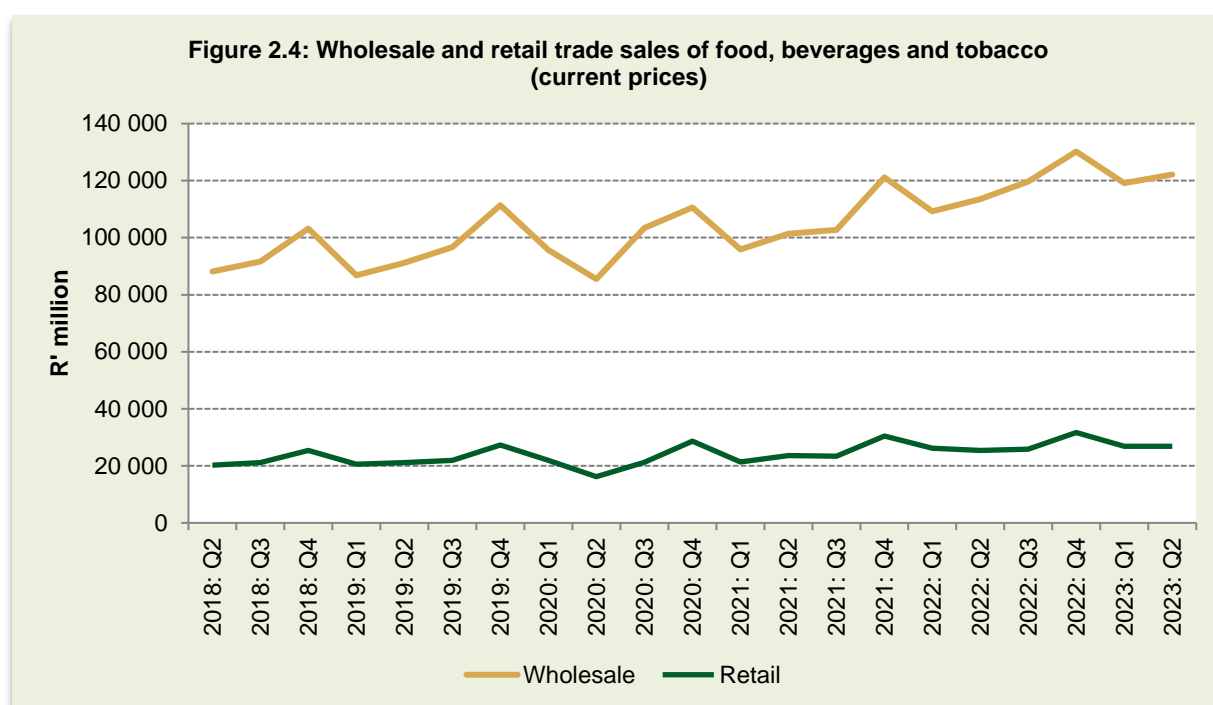
Source: Statistics SA (2023)

#### Wholesale and retail sales<sup>4</sup>

The quarter-to-quarter wholesale trade sales of the food, beverages and tobacco divisions rebounded by 2,5% in 2023: Q2, as compared to a contraction of 8,5% in 2023: Q2, however, it moderated year-on-year by 7,6%. Conversely, the quarter-to-quarter retail trade sales stagnated as compared to a contraction of 15,2% in the last quarter. However, retail trade sales grew by 5,7% year-on-year.

As a result, the wholesale trade sales increased to R122 168 million in 2023: Q2 from R119,182 million in 2023: Q1. The retail trade sales declined slightly to R26 856 million in 2023: Q2 from R26 859 million in 2023: Q1 as shown in Figure 2.4.

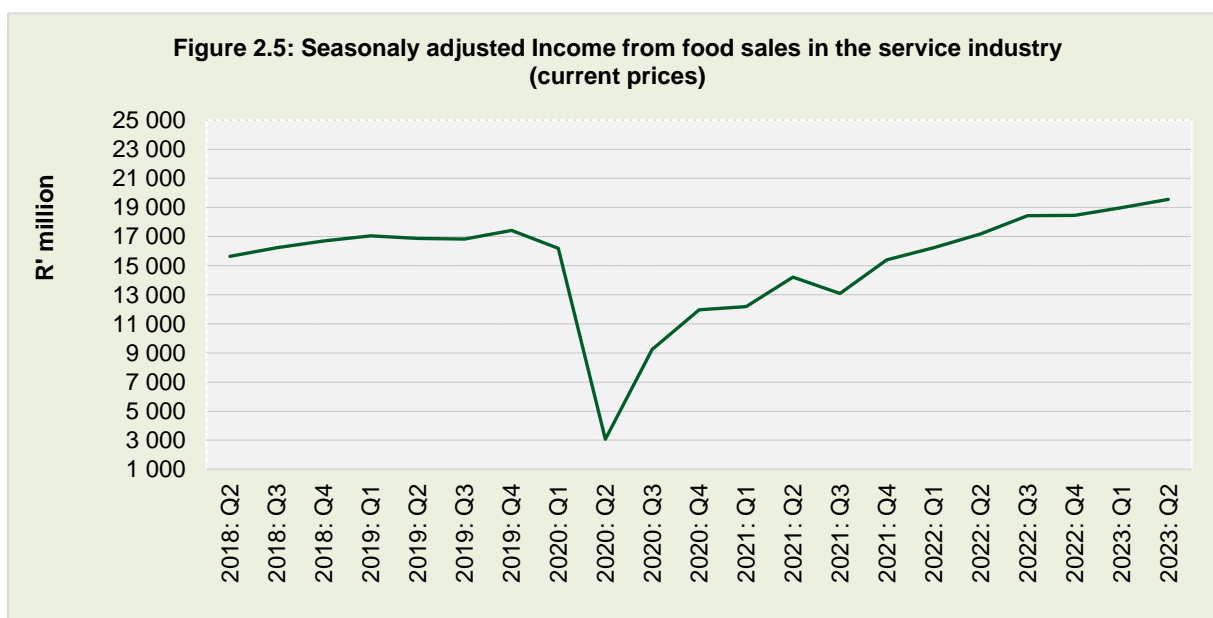
<sup>4</sup> Statistics South Africa (Stats SA) conducts a monthly survey covering enterprises in the wholesale and retail trade industry. The results of the monthly wholesale and retail trade sales survey are used to compile estimates of the gross domestic product (GDP) and its components, which are used in monitoring the state of the economy and formulation of economic policy. These statistics are also used in the analysis of comparative business and industry performance.



Source: Statistics SA (2023)

## 2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY<sup>5</sup>

Table 2.5 below shows the income from food sales in the service industry, which includes food sales in restaurants and coffee shops, take-away/fast food outlets and catering services.



Source: Statistics SA (2023)

<sup>5</sup> Income from food sales in the service industry refers to income from the sale of meals and non-alcoholic drinks.

The total income from food sales in the service industry expanded by 3,0% quarter-to-quarter in 2023: Q2 as compared to a 2,9% growth in 2023: Q1. However, the total income from food sales moderated by 13,8% year-on-year.

As a result, the income from food sales increased to R19 557,1 million in 2023: Q2 from R18 994,9 million in 2023: Q1 as presented in Figure 2.5.

Figure 2.6 shows the income from food sales in the service industry. The quarter-to-quarter income from food sales in restaurants and coffee shops and takeaway/fast food outlets moderated by 2,7% and 1,8% following a 4,2% and 3,5% growth, respectively in the last quarter. Catering services, however, rebounded by 9,4% quarter-to-quarter as compared to a 4,8% contraction in the last quarter. In terms of year-on-year, restaurants and coffee shops, takeaway/fast food outlets; and catering services moderated by 13,1%, 12,3% and 24,1%, respectively in 2023: Q2.



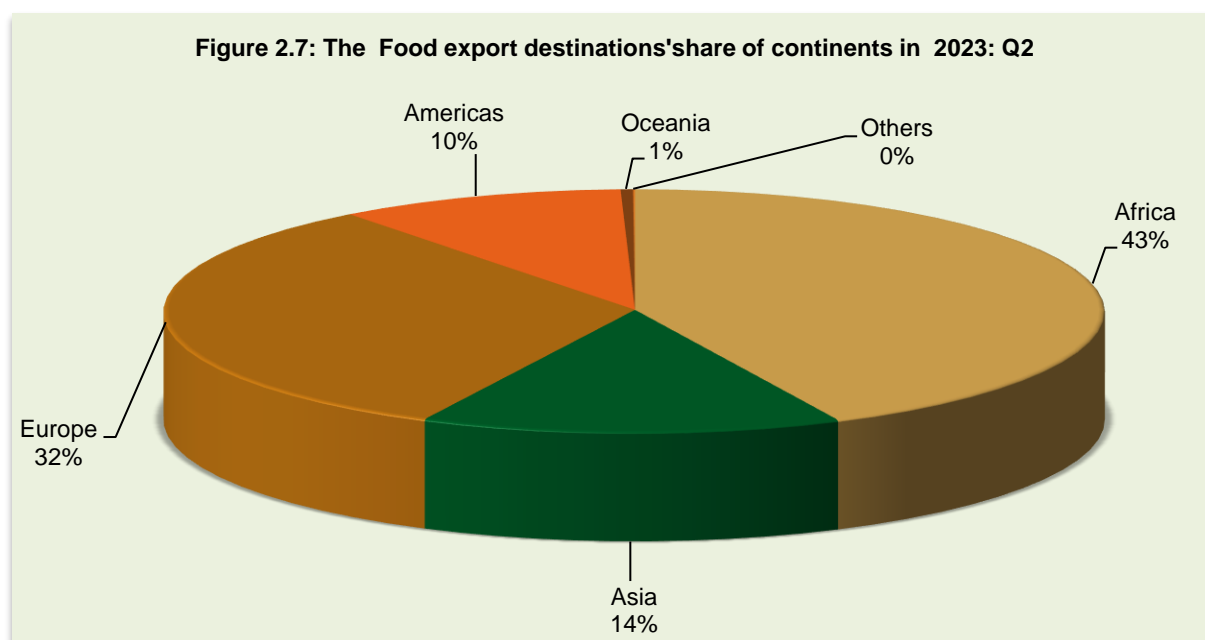
Source: Statistics SA (2023)

## 2.5 TRADE

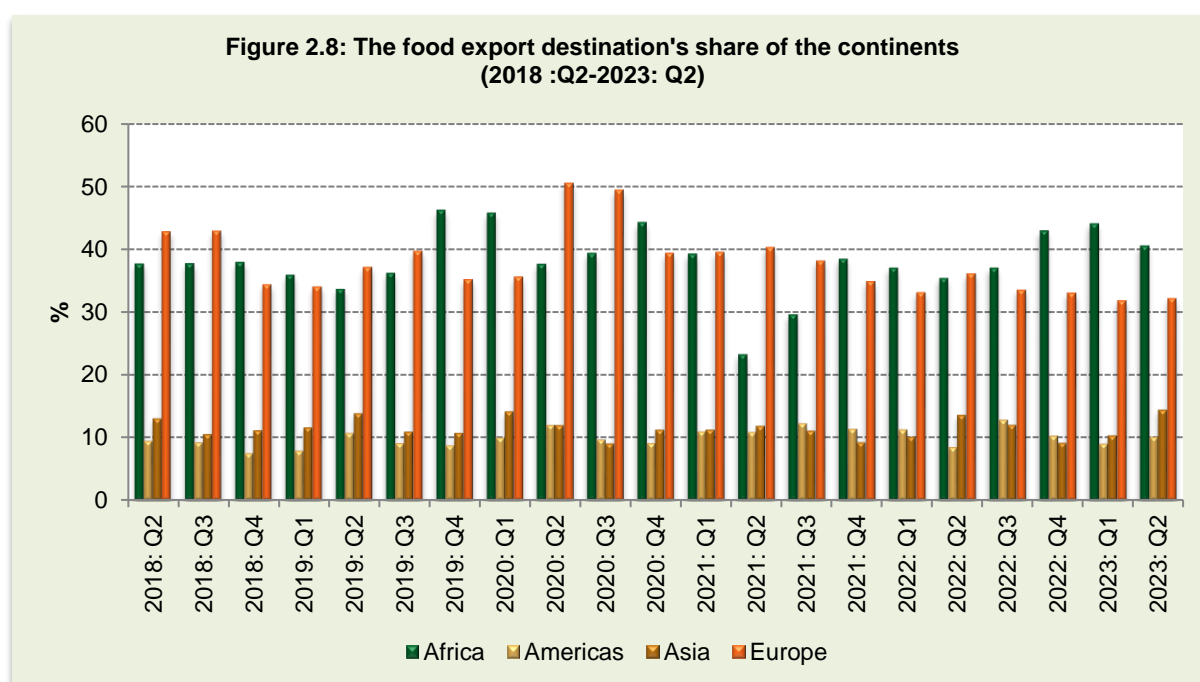
### Main food export destinations and products

Figure 2.7 shows food export destinations' share of the continents. Africa accounted for the highest share of South African food exports in 2023: Q4. Africa accounted for about 43% of South African food exports, followed by, Europe, Asia and the Americas with a share of 32%, 14% and 10%, respectively. Oceania has the least share at approximately 1%. Figure 2.8

shows that for the past five years, Africa accounted for the largest share of food exports in the world.



Source: Quantec (2023)

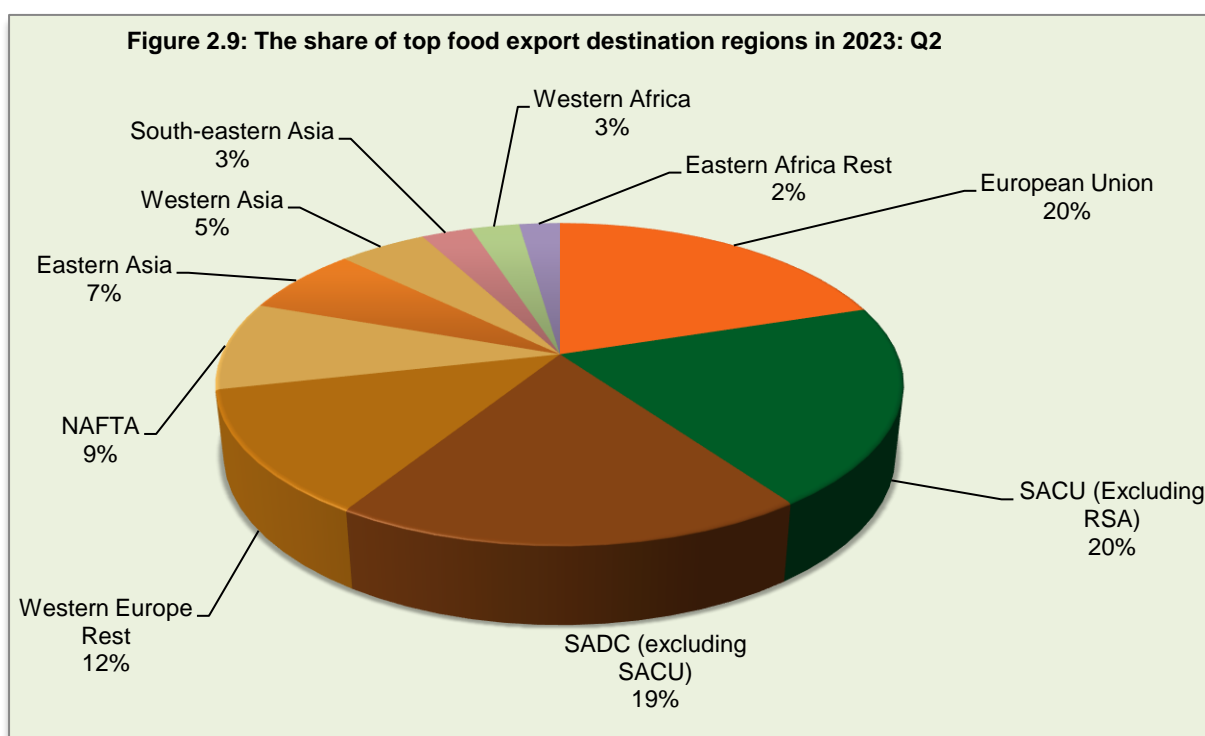


Source: Quantec (2023)

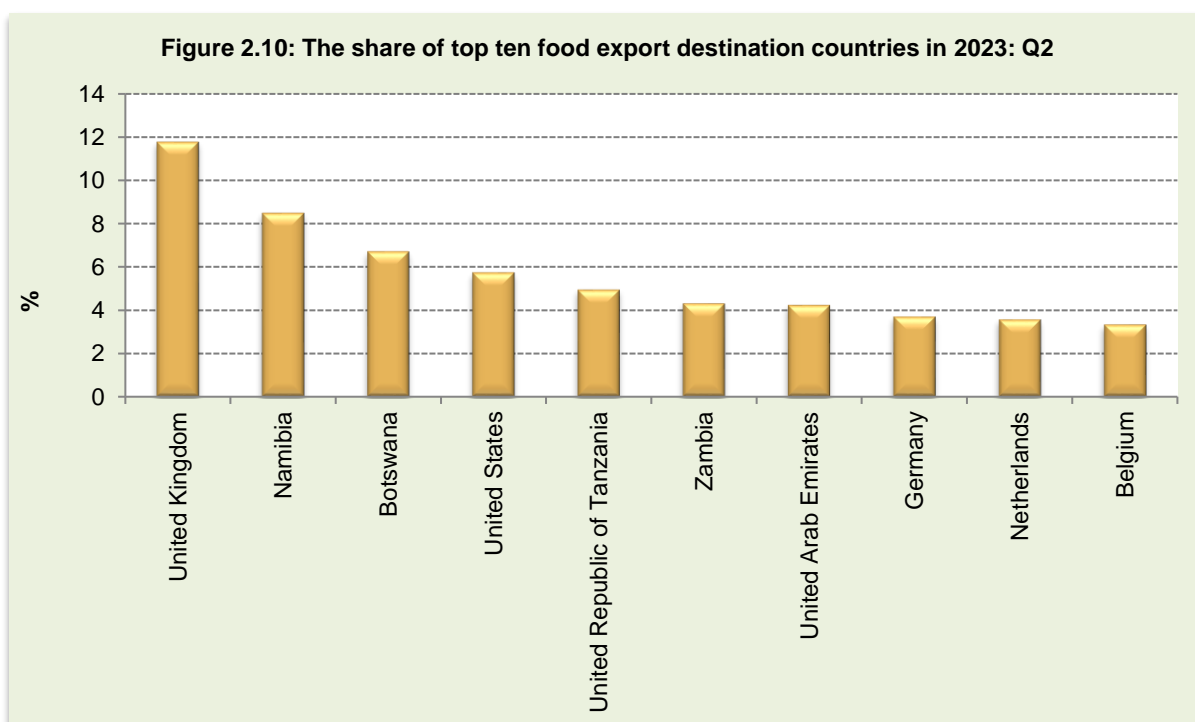
Figure 2.9 shows the food export destinations' share of the main regions in 2023: Q2. Among the main regions, SACU (excluding RSA) and European union accounted for the highest share of South African food exports by 20% each, followed SADC (excluding SACU) (19%), then



Western Europe rest (12%), NAFTA (9%), Eastern Asia (7%), Western Asia (5%), Southern eastern Asia and Western eastern Asia 3% each, and Eastern Africa rest (2%).



Source: Quantec (2023)



Source: Quantec (2023)

Figure 2.10 shows the top ten food export destinations by countries in 2023: Q2. The top ten were the United Kingdom (11,8%), Namibia (8,5%), Botswana (6,7%), the United States (5,7%), the united republic of Tanzania (4,9%), Zambia (4,3%), the United Arab Emirates (4,2%), Germany (3,7%), the Netherlands (3,6%) and Belgium (3,3%) in 2023: Q2.

Table 2.5 presents the major exports of food products during 2023: Q2 and their year-on-year percentage change in the food category. The leading South African exports of food products are Maize (excluding seed for sowing) (HS100590), lemons (HS080550) and Apples (HS080810) with an export value of R6 379,71 million, R3 439,63 million and R3 430,03 million, respectively, in 2023: Q2.

**Table 2.5: Major exported food products 2023: Q2**

HS code	Product description	Export value R_million	Year-on-year- change %
100590	Maize (excl. seed for sowing)	6 379,71	28,9
080550	Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia)	3 439,63	36,8
080810	Apples	3 430,03	0,9
080521	Mandarins (including tangerines and satsumas)	3 197,52	56,3
080510	Oranges	1 970,89	33,0
080540	Grapefruit, including pomelos.	1 532,57	6,7
120190	Soya beans, whether or not broken (excl. seed for sowing)	1 340,99	279,0
080830	Pears	1 273,17	-18,0
080440	Avocados	1 222,56	20,0

Source: Quantec (2023)

Table 2.6 shows the major imports of food products during 2023: Q2 and their percentage change in the food category. The leading imports of food products are Groats and meal of cereals (excl. wheat and maize) amounting to R3 183,98 million, buckwheat, (R3 087,64 million) and Quinoa (Chenopodium quinoa) (R3 087,64 million).

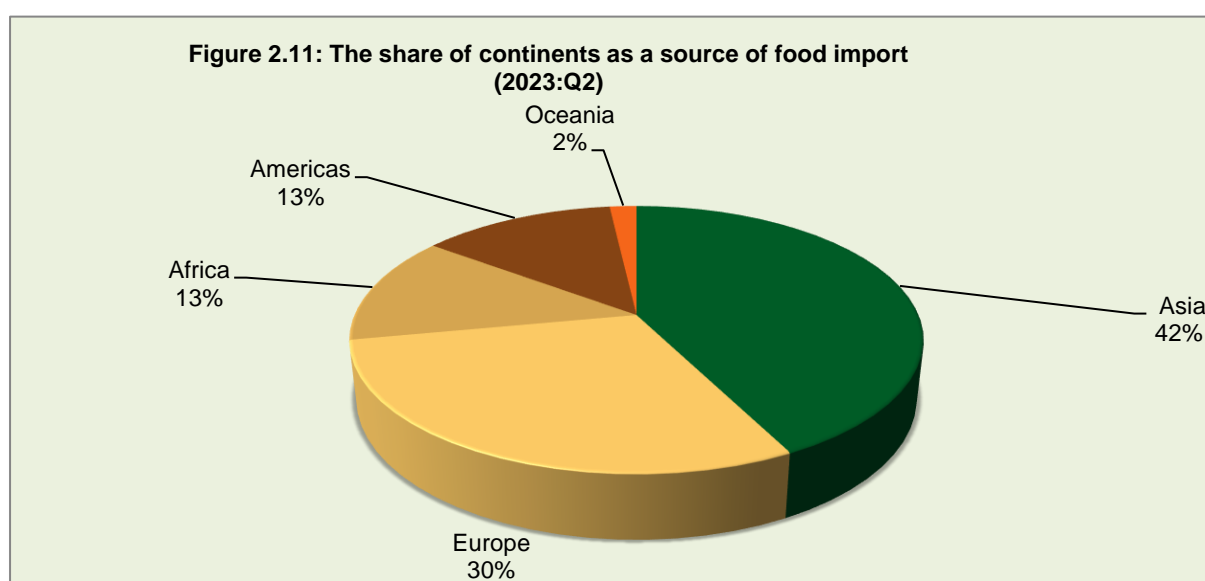
Table 2.6: Major imported food products in 2023: Q2

HS code	Product description	Export value R_million	Year-on-year- change %
110319	Groats and meal of cereals (excl. wheat and maize)	3 183,98	68,1
100810	Buckwheat	3 087,66	-3,1
100850	Quinoa (Chenopodium quinoa)	3 087,64	-3,1
110329	Cereal pellets (excluding wheat)	3 078,79	66,8
151912	Oleic acid	2 632,18	14,1
220430	Grape must, of an actual alcoholic strength of > 0,5% vol (excl. grape must whose fermentation has been arrested by the addition of alcohol)	1 972,32	27,5
200850	Apricots	1 910,51	68,9
180632	Chocolate and other preparations containing cocoa, in blocks, slabs or bars of <= 2 kg (excl. filled)	1 824,18	35,3
200490	Other vegetables and mixtures of vegetables	1 278,94	30,3
110630	Flour, meal and powder of produce of chapter 8 "Edible fruit and nuts; peel of citrus fruit or melons"	1 138,22	103,3

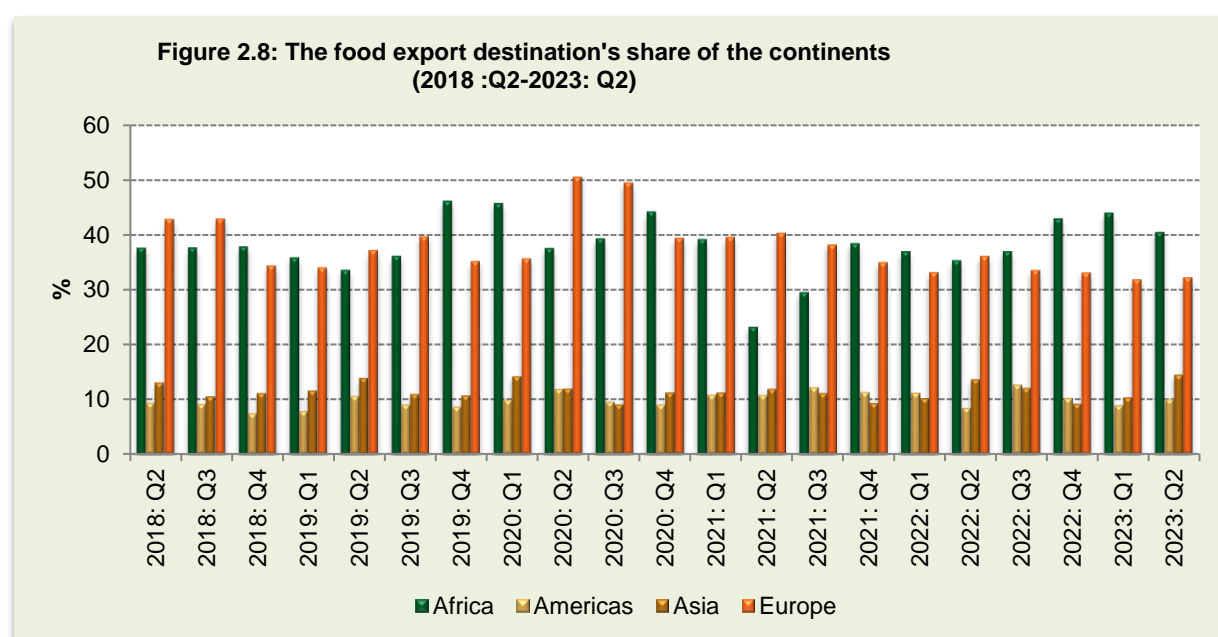
Source: Quantec (2023)

## Main source of imported food products

South Africa's main source of food imports during 2023: Q2 is presented in Figure 2.11. Asia accounted for a 42% share of food imports in 2023: Q2, followed by the Europe with a share of about 30%, then the Americas and Africa with a 13% share each. Oceania accounted for the least of South African food imports at around 2%. Figure 2.12 below shows that, for the past five years, Asia and the Americas accounted for the larger share of South African food imports.

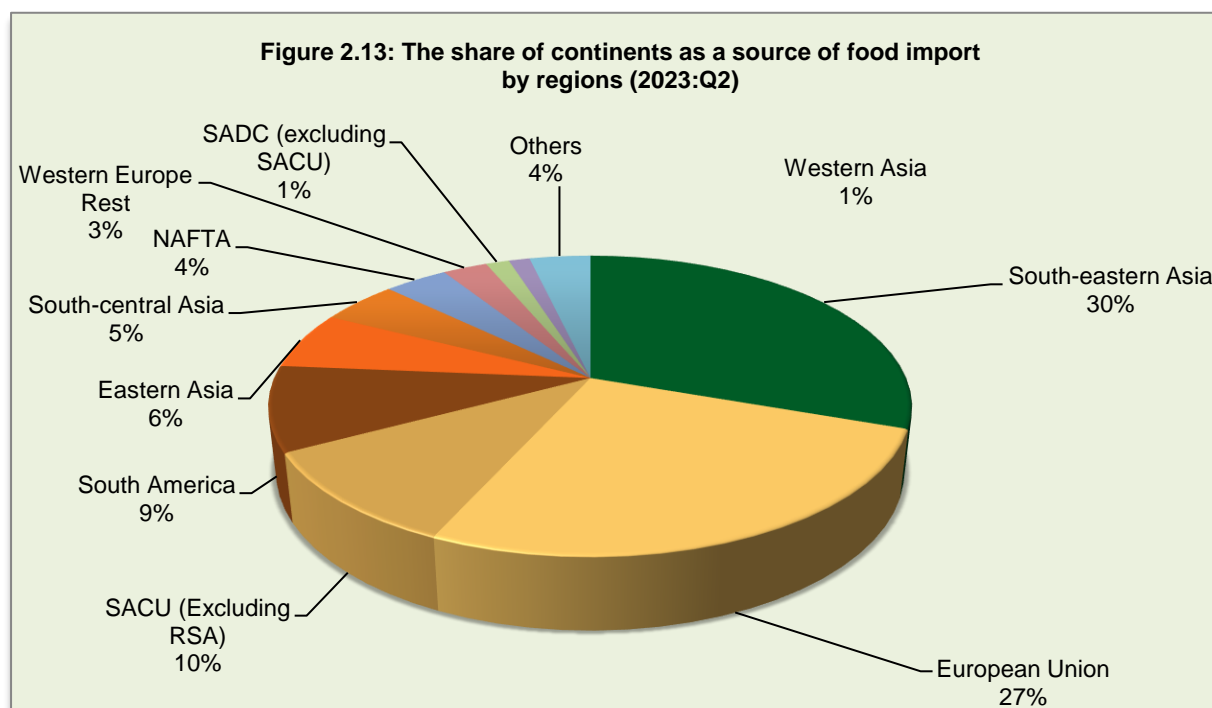


Source: Quantec (2023)



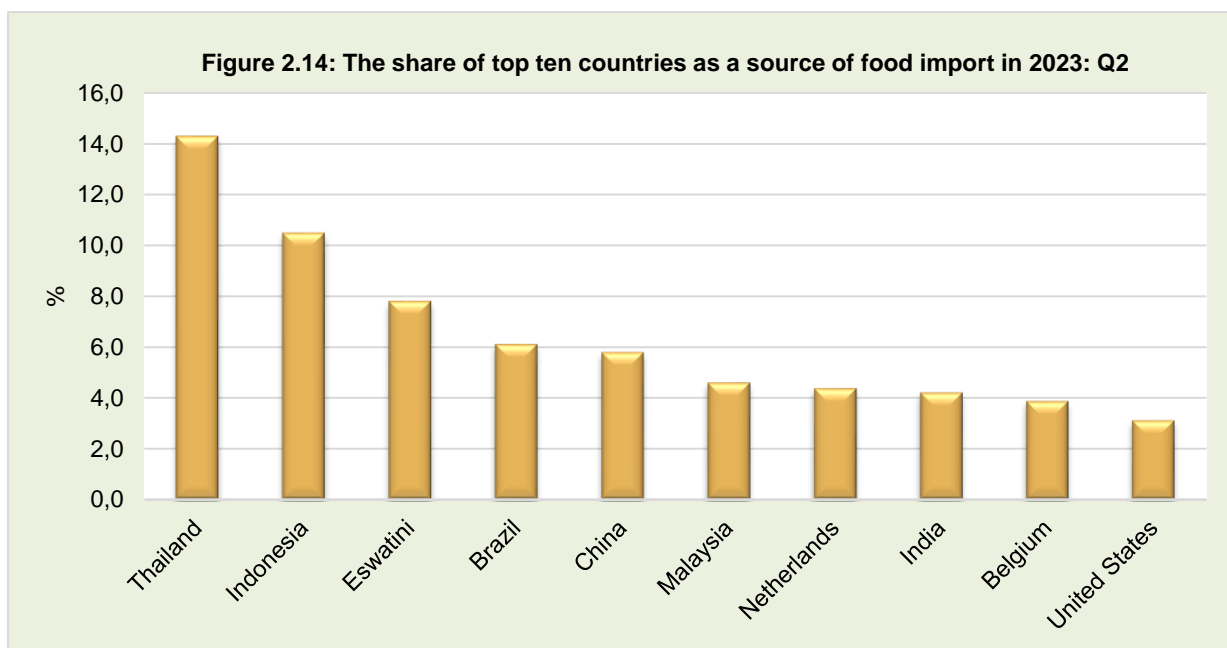
Source: Quantec (2023)

Amongst the trading regions, South-Eastern Asia accounted for an approximate 30% share of South African food imports, followed by European Union (27%), SACU (excluding SA) (10%), South America (9%) Eastern Asia (6%), South central Asia (5%), NAFTA (4%), Western Europe rest (3%), western Asia (1%) and SADC (excluding SACU) (1%) as presented in Figure 2.13.

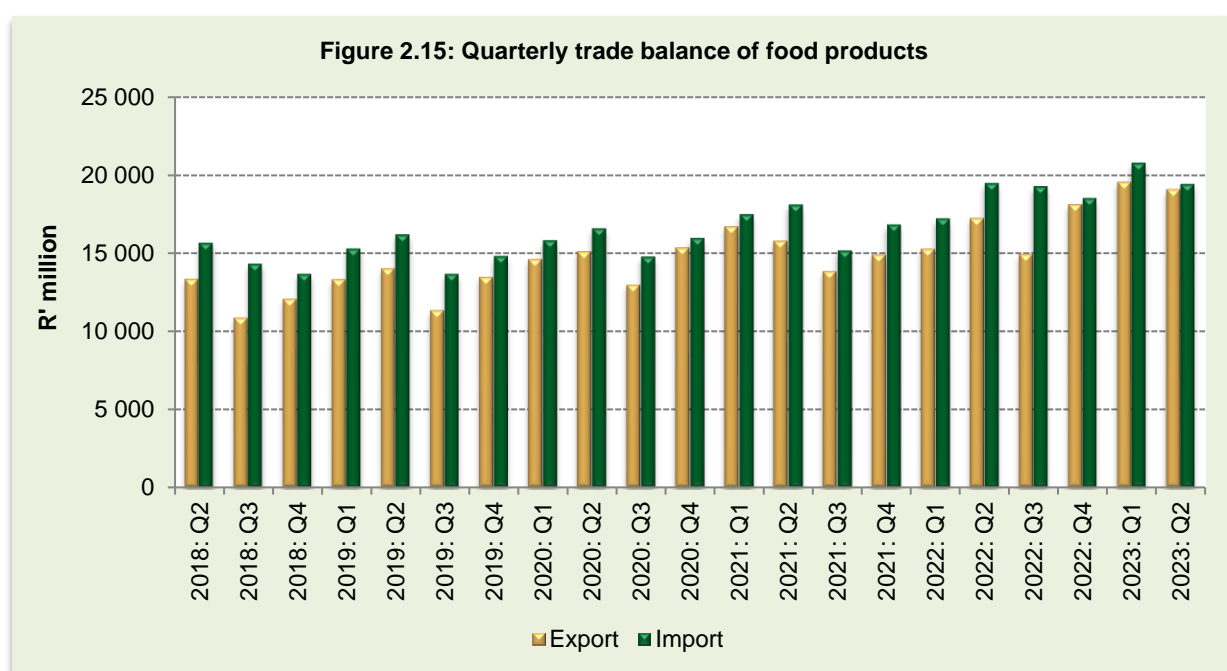


Source: Quantec (2023)

Figure 2.14 shows the top ten countries as a source of South African food imports in 2023: Q2. South Africa's imported food products mainly come from Thailand (14,3%), Indonesia (10,5%), eSwatini (7,8%), Brazil (6,1%), China (5,8%), Malaysia (4,6%), Netherlands (4,4%), India (4,2%), Belgium (3,9%) and the United States (3,1%).



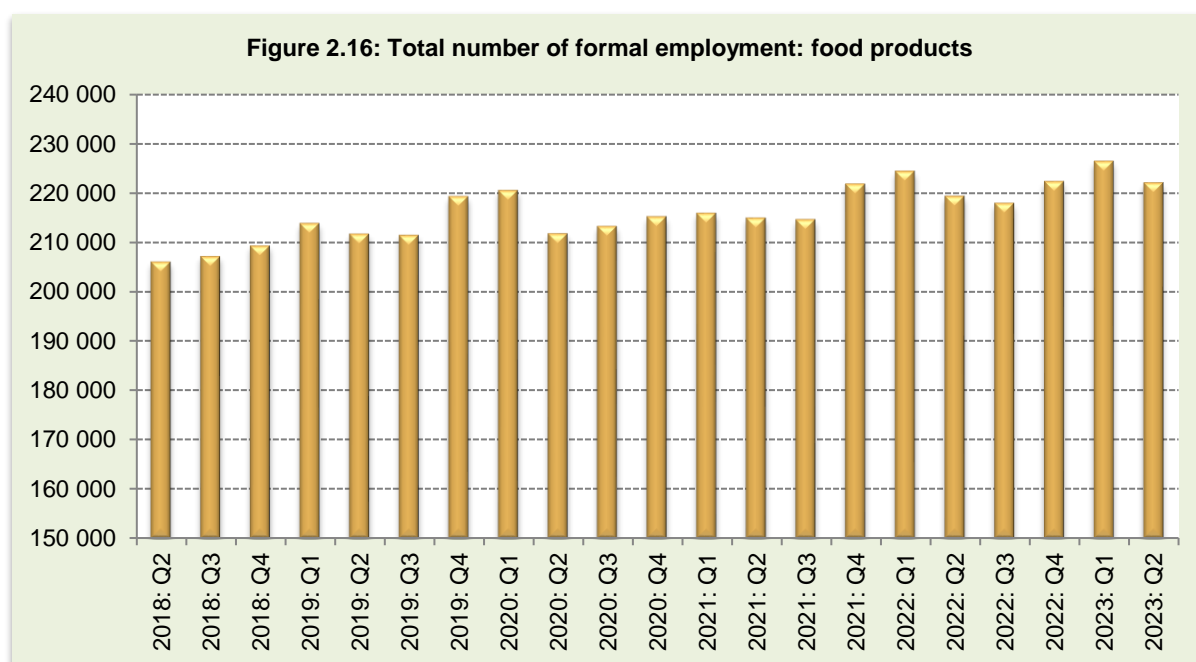
Source: Quantec (2023)



Source: Quantec 2023

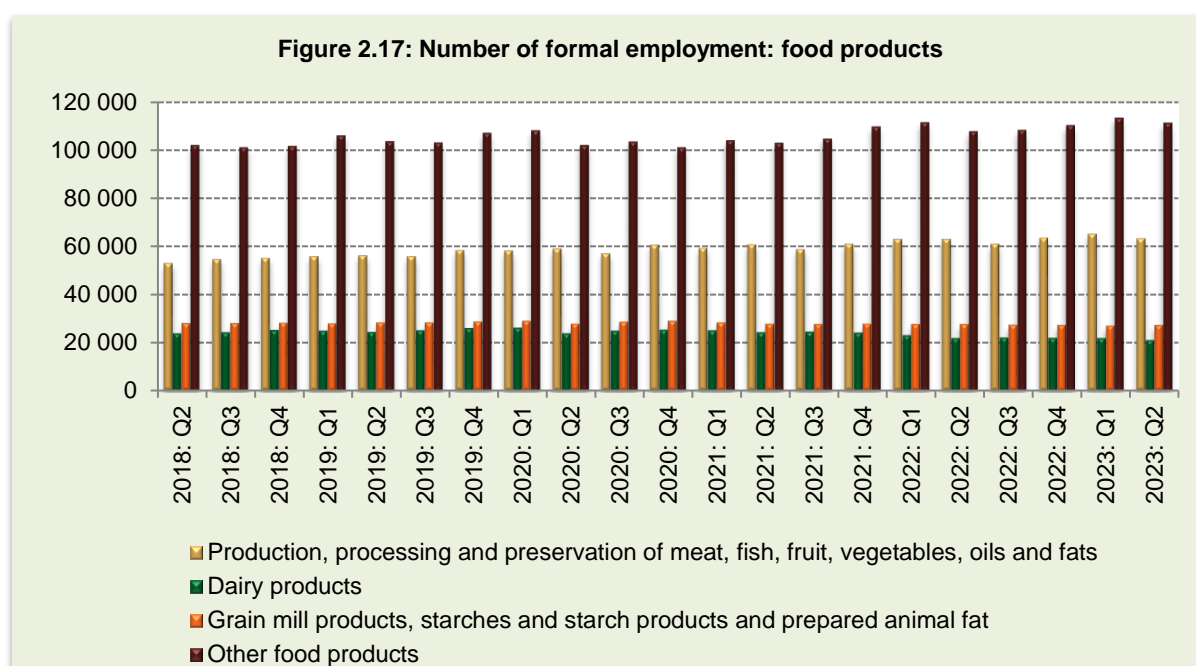
Figure 2.15 shows the quarterly trade balance of food products in 2023: Q2. During 2023: Q2, the quarter-to-quarter food exports contracted by 2,4% from a 7,9% growth in the last quarter and moderated by 10,6% year-on-year. Quarter-to-quarter imports contracted by 6,5% following a 12,1% growth in the preceding quarter, similarly, imports contracted by 0,5% year-on-year. As a result, the trade deficit narrowed from R1 165,4 million in 2022: Q1 to R291,5 million in 2023: Q2.

## 2.6 EMPLOYMENT



Source: Statistics SA (2023)

Figure 2.16 shows the number of formal employments in the food products division. The quarter-to-quarter formal employment in the food products division contracted by 1,9% in 2023: Q2 from a 1,8% growth in 2023: Q1. However, the employment in the food products division expanded by 1,2% year-on-year. As a result, 4 380 jobs were created during that period.



Source: Statistics SA (2023)

Figure 2.17 shows the number of formal employment in the food products divisions in 2023: Q2. During 2023: Q2, the quarter-to-quarter employment in meat, fish and fruit and vegetables, etc. and “other food products” contracted by 2,8% from 1,8% following a growth of 2,3% and 2,8%, respectively in the preceding quarter. Dairy products decelerated by 3,6% from a 0,8% contraction in the last quarter, while grain mill products contracted by 1,8% as compared to a 2,8% in the last quarter.

In terms of year-on-year employment in the meat, fish and fruit and vegetables, etc., it moderated by 0,5%, dairy products and grain mill products receded further by 3,4%, and 1,6%, respectively, while “other food products” grew by 3,3%.

### 3. BEVERAGES

Beverages, according to the SIC, is code 305 and comprises of the following beverage products:

- Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials;
- Manufacturing of wine;
- Manufacturing of beer and other malt liquors and malt;
- Breweries, except sorghum beer breweries;
- Sorghum beer breweries;
- Manufacturing of malt; and
- Manufacturing of soft drinks; production of mineral waters.

#### 3.1 PRICE

Table 3.1 below shows the consumer price indices, producer price indices and export unit value of the beverages division in 2023: Q2. During 2023: Q2, the CPI for all items grew quarter-to-quarter by 1,7% from a 1,1% growth in the preceding quarter. Conversely, the CPI moderated by 6,4% year-on-year.

the CPI grew for alcoholic beverages (3,5%), spirits (4,7%), wine (4,3%), beer (1,8%) and cold beverages (3,1%). Non-alcoholic beverages, and hot beverages moderated by 2,2% and 1,3%, respectively.

The year-on-year the CPI for all items moderated by 6,4% from a 7,0% growth recorded in the last quarter. The year-on-year producer price index grew for alcoholic beverages (7,9%), spirits (8,4%), wine (11,4%) and cold beverages (10,1%). However, the year-on-year CPI moderated for beer (4,4%), non-alcoholic beverages (10,6%) and hot beverages (11,2%).

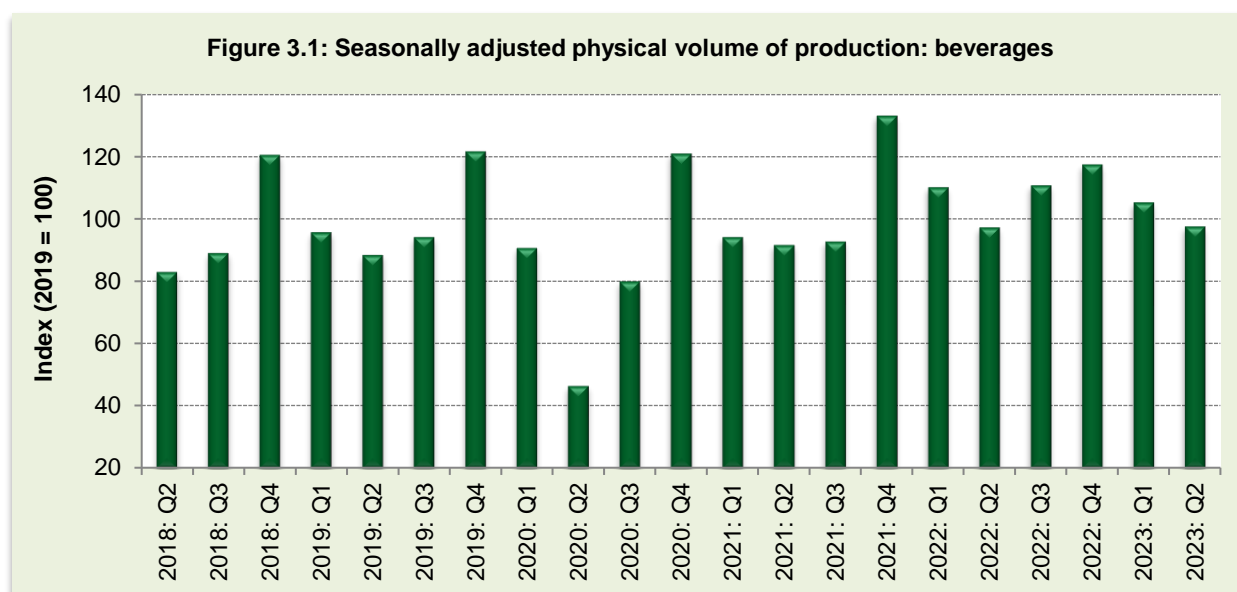


Table 3.1: Price indices of beverages

Beverages products	Weight	Indices			% Change between	
		2022: Q2	2023: Q1	2023: Q2	2023: Q1 and 2023: Q2	2022: Q2 and 2023: Q2
		Consumer price indices				
All items (CPI Headline)	100	103,0	107,8	109,6	1,7	6,4
Alcoholic beverages	3,9	105,8	114,5	117,0	2,2	10,6
Spirits	0,8	109,2	119,8	121,4	1,3	11,2
Wine	0,7	102,9	109,9	113,2	3,1	10,1
Beer	2,5	104,0	108,4	112,2	3,5	7,9
Non-alcoholic beverages	1,2	105,5	109,3	114,4	4,7	8,4
Hot beverages	0,3	102,4	109,3	114,0	4,3	11,4
Cold beverages	0,9	104,3	107,0	108,9	1,8	4,4
		Producer price index				
Beverages	8,5	105,5	107,0	109,5	2,3	3,8
		Export unit value				
Beverages	135,2	103,9	111,3	115,6	3,9	11,3

Source: Stats SA (2023)

## 3.2 PRODUCTION



Source: Statistics SA (2023)

Figure 3.1 presents the seasonally adjusted physical volume of production for the beverages division in 2023: Q2. As Figure 3.1 shows, the quarter-to-quarter seasonally adjusted physical volume of production for the beverages division receded further by 7,3% from a 10,4% contraction in 2023: Q1. However, the year-on-year the seasonally adjusted physical volume of production for the beverages division rebounded by 0,3% in 2023: Q2.

### Production capacity

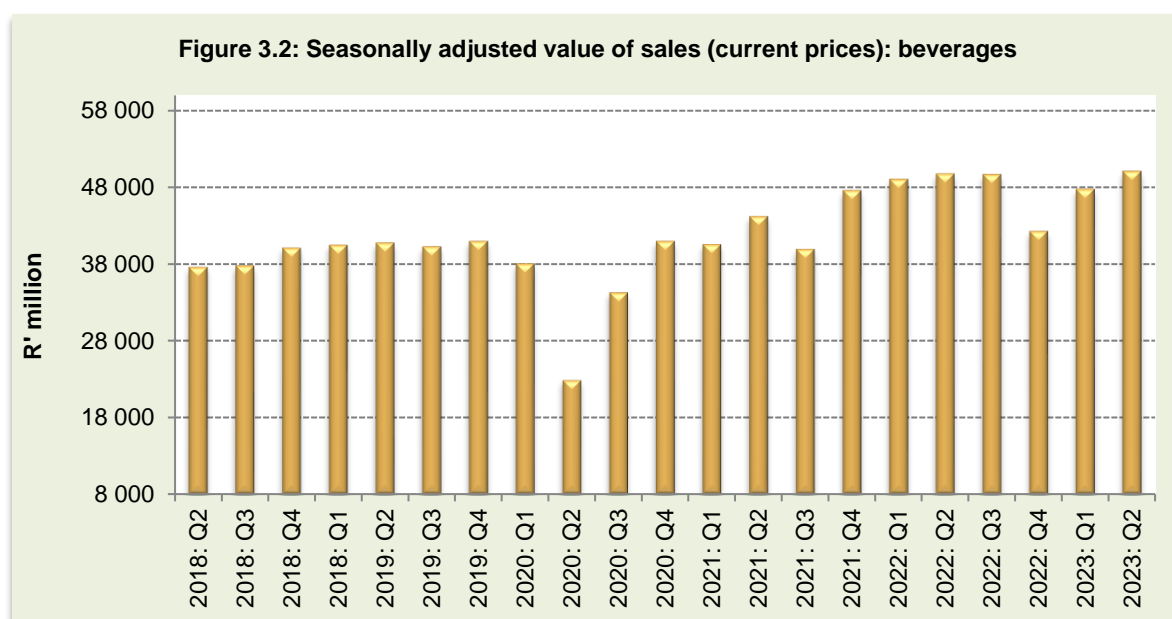
Table 3.2: Utilisation and reasons for underutilisation of production capacity by large enterprises: Beverages division (percentage)

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2022: Q2	79,4	20,6	4,1	3,2	0,2	11,3	1,8
2023: Q1	82,1	17,9	2,5	3,2	0,2	10,4	1,7
2023: Q2	81,7	18,3	2,5	3,2	0,2	10,4	2,0

Source: Statistics SA (2023)

Table 3.2 shows the year-on-year utilisation capacity by large enterprises for the beverages division. The utilisation capacity decreased quarter-to-quarter by 0,4 percentage points, and it also increased year-on-year by 2,3 percentage points. As Table 3.2 shows, insufficient demand remained the main reason for underutilisation during 2023: Q2, followed by shortage of skilled labour.

### 3.3 VALUE OF SALES

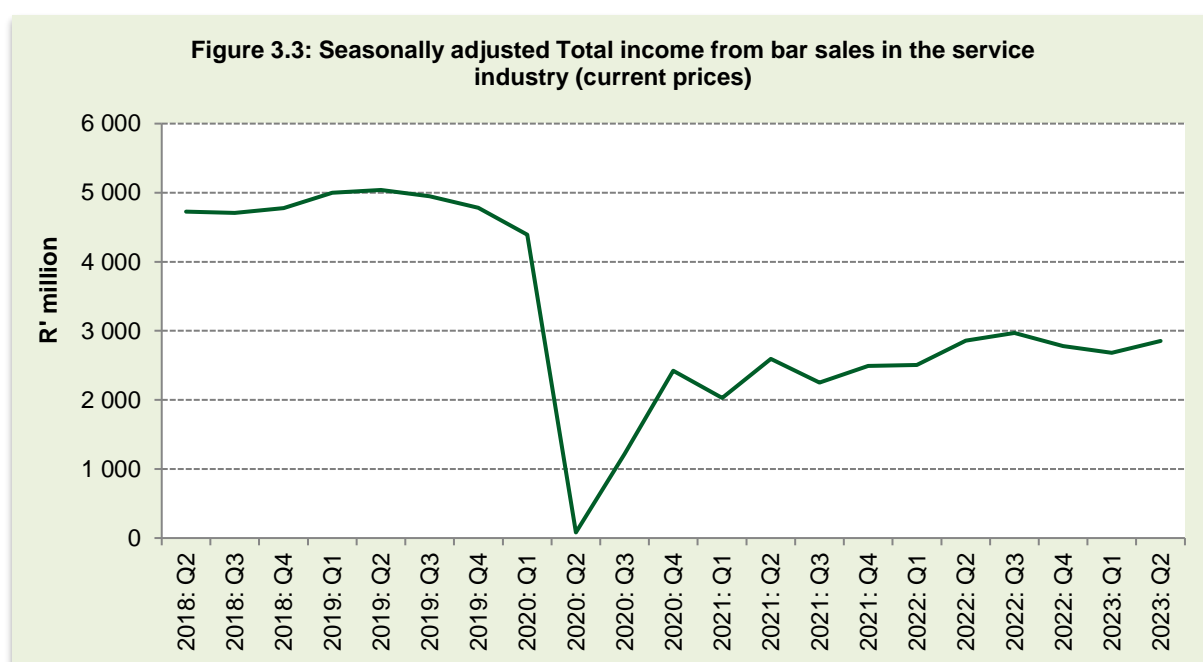


Source: Statistics SA (2023)

During 2023: Q2, the quarter-to-quarter seasonally adjusted value of sales for the beverages division moderated by 4,9% from a 12,9% growth recorded in 2023: Q1. However, year-on-year, seasonally adjusted value of sales for beverages rebounded by 0,6% as shown in Figure 3.2.

### 3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY

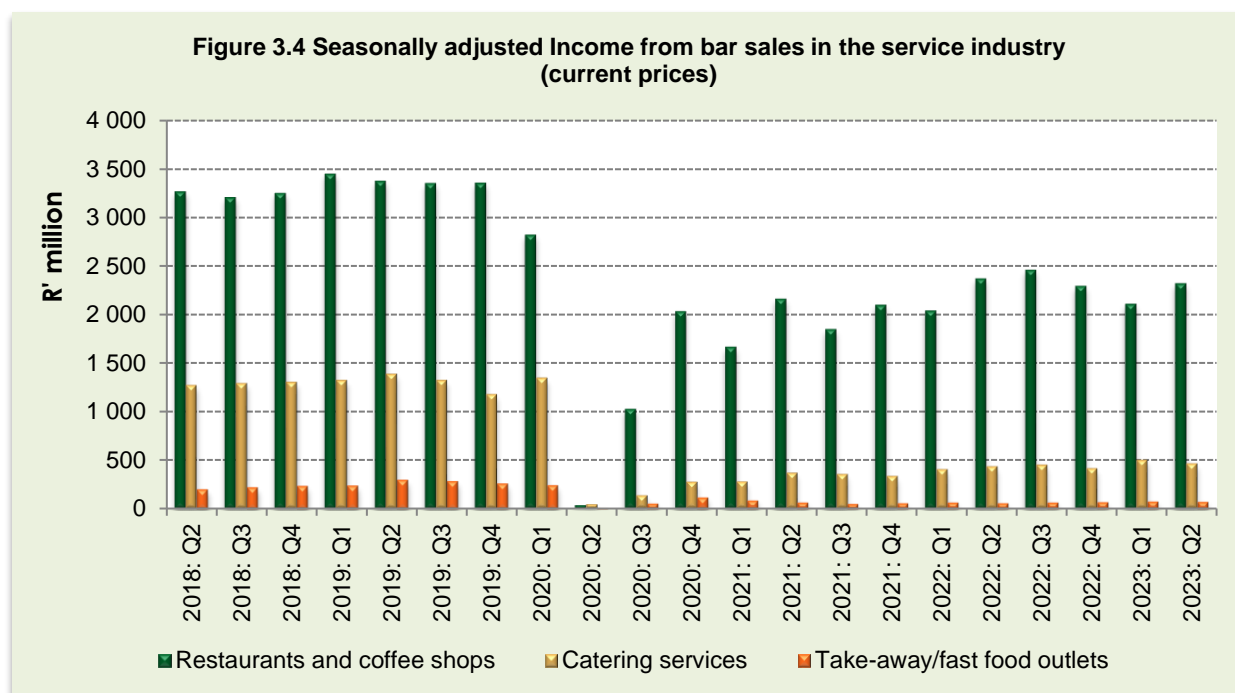
Figure 3.3 below shows the income from bar sales in the food and beverages service division in 2023: Q2. The income from bar sales in the food and beverages service industry rebounded quarter-to-quarter by 6,4% in 2023: Q3 from a 13,4% growth in the last quarter. However, it contracted by 0,2% year-on-year. Therefore, the income from bar sales increased to R2 854,5 million in 2023: Q2 from R2 681,9 million in 2023: Q1.



Source: Statistics SA (2023)

Figure 3.4 below shows the performance of the bar sales in the service industry, which includes restaurants and coffee shops, take-away/fast food outlets and catering services. During 2023: Q2, the quarter-to-quarter income from restaurants and coffee shops rebounded by 10,0% from 8,1% in the last quarter. The quarter-to-quarter income from take-away/fast food outlets and catering services contracted by 4,8% and 7,1% from a 6,3% and 20,6% growth, respectively registered in the last quarter.

The year-on-year income from bar sales in the service industry contracted for the restaurants and coffee shops by 2,0%, take-away/fast food outlets grew by 22,8%, while catering services moderated by 7,1% in 2023: Q2.

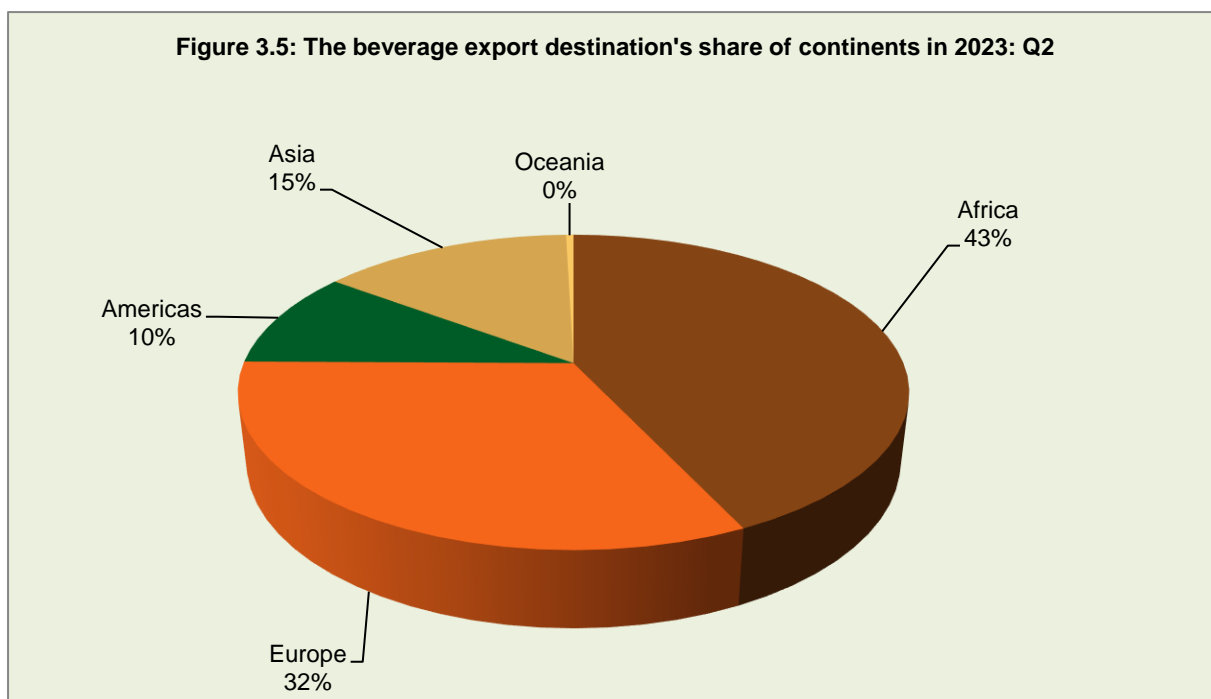


Source: Statistics SA (2023)

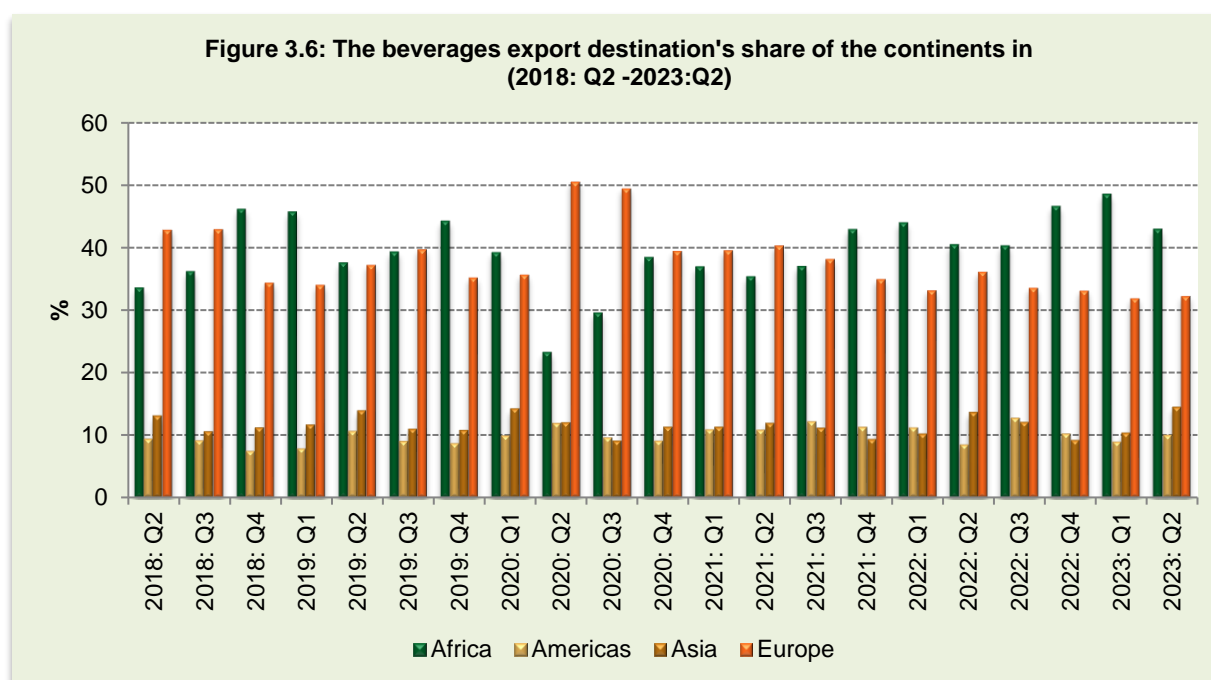
### 3.5 TRADE

#### Main export destinations of beverages products

As Figure 3.5 shows, during the quarter under review, Africa accounted for the largest share of South African exports of beverages. Africa accounted for 43%, followed by Europe (32%). The Americas and Asia accounted for 10% and 15%, respectively. Oceania has the least share of South African beverages exports at less than 1%. The trend of exports destination's share shows that Africa has the larger share, followed by Europe, the Americas, Asia and Oceania as presented in Figure 3.6.



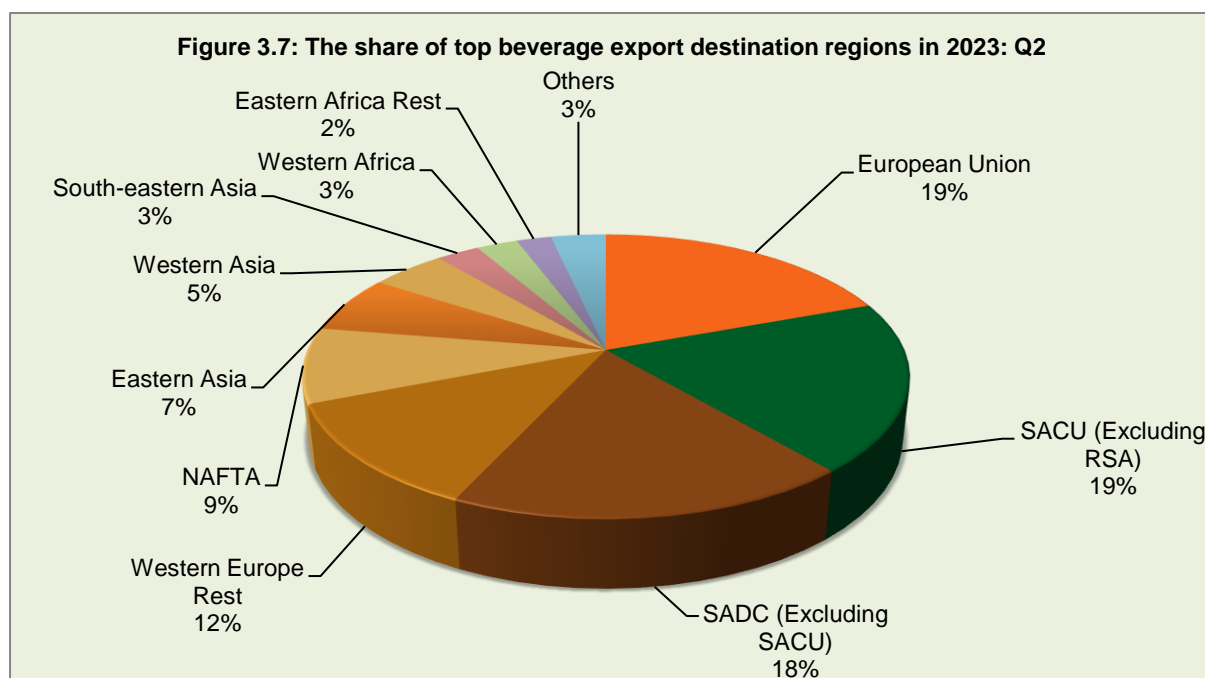
Source: Quantec (2023)



Source: Quantec (2023)

Among the main trading regions during 2023: Q2, the European Union and SACU (excluding SA) accounted for the largest share of beverages exports both at 19%. Moreover, SADC (excluding SACU) accounts for 18% of South African exports of beverages, while Western Europe Rest accounts for about 12% share. NAFTA, Eastern Asia, Western Asia, South-

eastern Asia and western Africa accounted for a respective share of 9%, 7%, 5%, 3%, 3% and 2% each in 2023: Q2 as illustrated in Figure 3.7.



Source: Quantec (2023)

Table 3.3 below presents the major exported beverages products during 2023: Q2 and their percentage change. The leading South African beverages export is wine of fresh grapes (HS220421), undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher (HS220710), waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured (HS220210) with an export value of R2 133,78 million, R761,55 million, and R588,86 million, respectively.

Table 3.3: Major exported beverages products in 2023: Q2 and their percentage change.

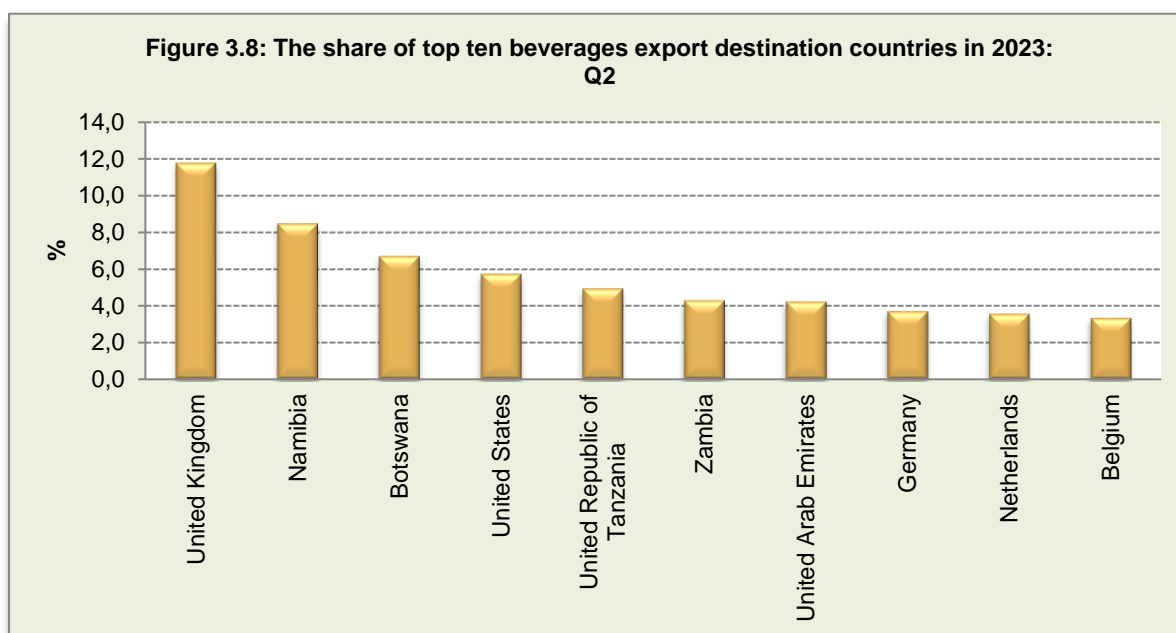
HS code	Product description	Export value R_million	Year-on-year % change
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of <= 2 l (excl. sparkling wine).	2 133,78	15,5
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher.	761,55	75,0

220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured.	588,86	72,3
220429	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 10l (excl. sparkling wine).	578,97	15,5
220600	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	479,78	8,5
220300	Beer made from malt.	364,96	-18,5
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer).	298,96	65,7
220720	Ethyl alcohol and other spirits, denatured, of any strength.	257,64	6,9
220870	Liqueurs and cordials.	163,01	-7,4
220422	In containers holding more than 2 litres but not more than 10 litres.	149,95	-2,8
220410	Sparkling wine.	125,11	26,8
220820	Spirits obtained by distilling grape wine or grape marc.	111,57	22,3
220830	Whiskies.	84,91	19,5
220850	Gin and Geneva.	63,87	-3,9



220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous beverages (excl. compound alcoholic preparations of a kind used for the manufacture of beverages, spirits obtained by distilling grape wine or grape marc, whiskies, rum and other spirits obtained by distilling fermented sugar-cane products, gin, geneva, vodka, liqueurs and cordials).	60,84	-34,1
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Source: Quantec (2023)



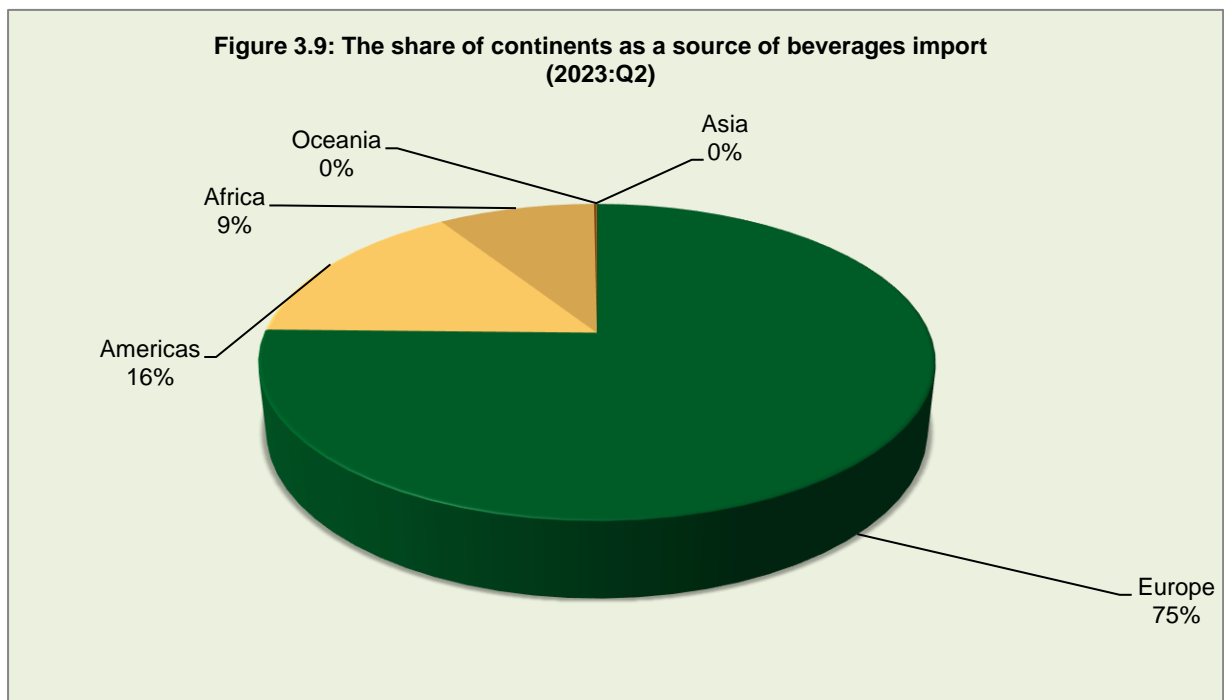
Source: Quantec (2023)

Figure 3.8 above shows the shares of the top ten beverages export destinations during 2023: Q2. The following are the main countries that accounted for a higher share of South Africa's beverages exports in 2023: Q2: the United Kingdom (11,8%), Namibia (8,5%) ,Botswana (6,7%), United States (5,7%), United Republic of Tanzania (4,9%), Zambia (4,3%), United Arab Emirates (4,2%), Germany (3,7%), the Netherlands (3,6%) and Belgium (3,3%).

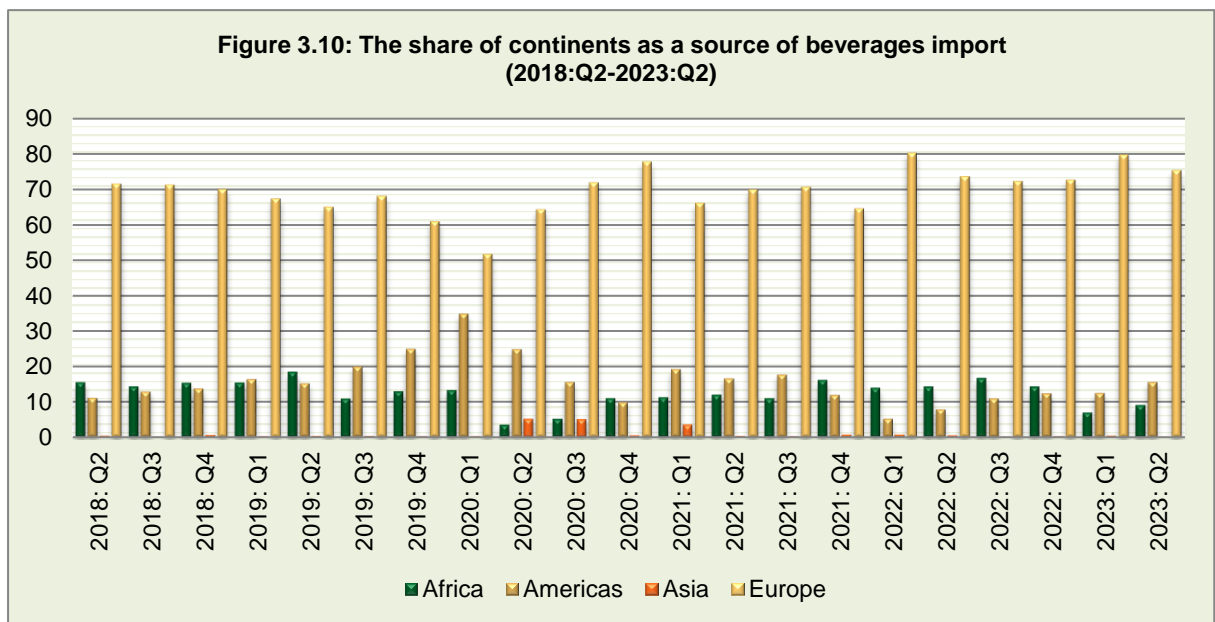
#### *Main imported beverages products and the source*

Figure 3.9 illustrates the share of continents as a source of beverages imports in 2023: Q2. South Africa mainly imports beverages products from Europe, which accounts for approximately 75% share, followed by Americas (16%), the Africa (9%). Asia share was at zero this quarter. Figure 3.10 shows that, for the past five years, Europe has been a consistent

source of South African beverages imports followed by Africa, the Americas, Asia, and Oceania.



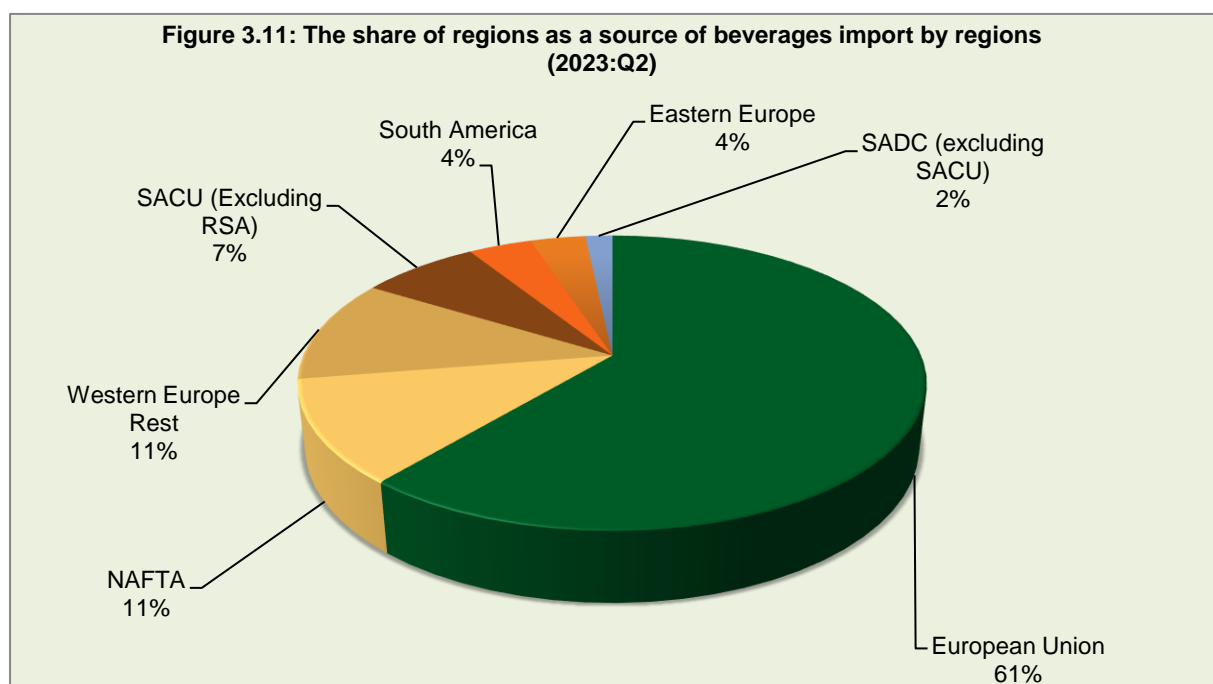
Source: Quantec (2023)



Source: Quantec (2023)

The European Union, as the leading source of South Africa's imports of beverages, accounts for about 48% share in 2021: Q4. This is followed by Western Europe with a share of around

17%, while SACU (excluding SA), NAFTA, Western Asia and SADC (excluding SACU) account for 12%, 11%, 6% and 3% shares, respectively, as illustrated in Figure 3.11.



Source: Quantec (2023)

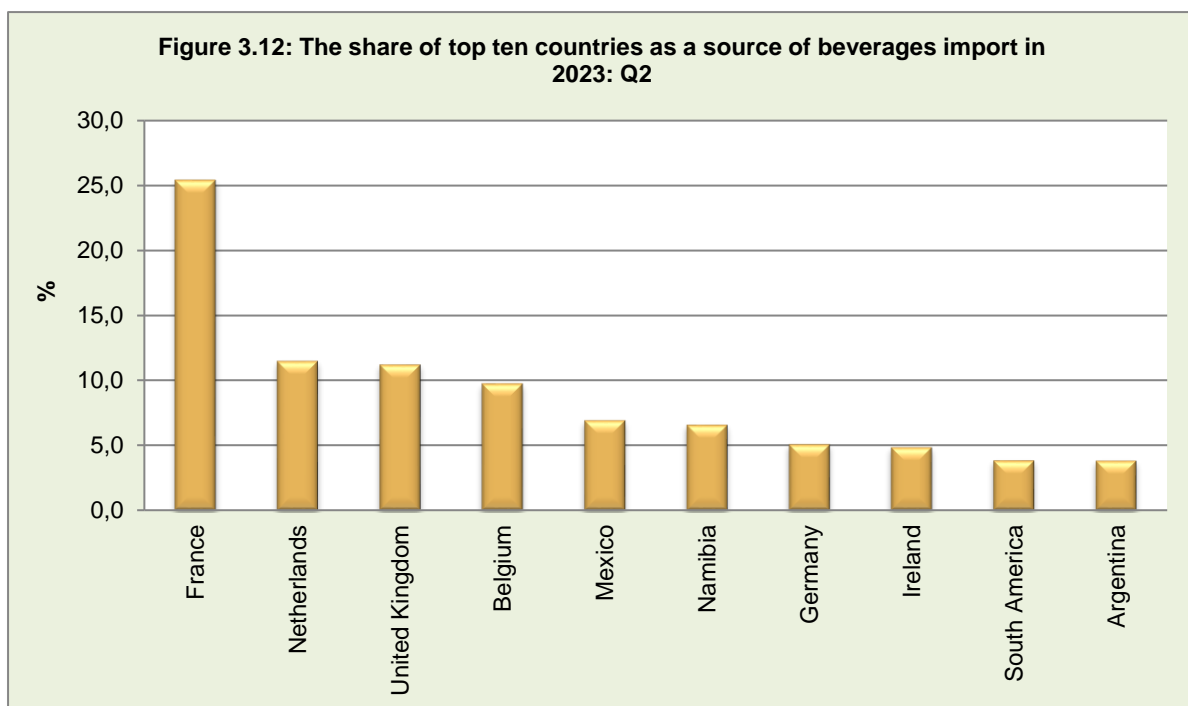
Table 3.5 below presents major imported beverages products during 2023: Q2 and their year-on-year percentage change. During 2023: Q2, the major beverages imports in South Africa were Grape must, of an actual alcoholic strength of > 0,5% vol (excl. grape must whose fermentation has been arrested by the addition of alcohol) (HS 220430), Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of > 2l (HS220590) and spirits obtained by distilling grape wine or grape marc (HS220820) with a value R1 972,32 million, R610,98 and R200,83 million.

Table 3.5: Imported beverages in 2023: Q2 and percentage change.

HS code	Product description	Export value R_million	Year-on-year % change
220430	Grape must, of an actual alcoholic strength of > 0,5% vol (excl. grape must whose fermentation has been arrested by the addition of alcohol)	1 972,32	27,5

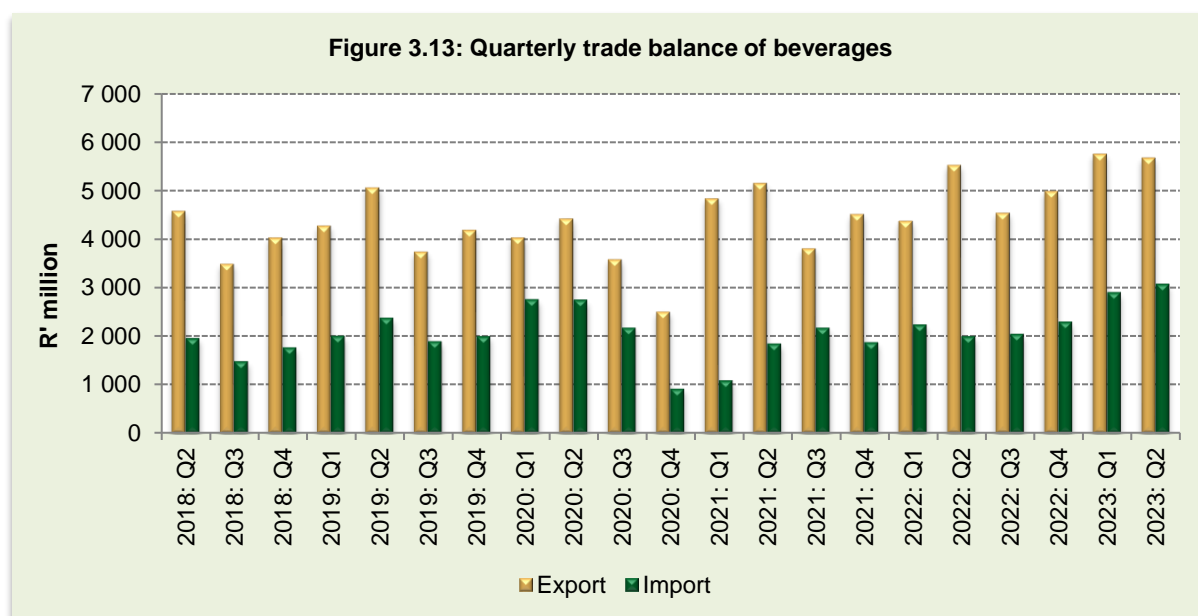
220590	Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of > 2 l	610,98	52,5
220820	Spirits obtained by distilling grape wine or grape marc	200,83	2,3
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	158,10	259,0
220860	Vodka	129,79	-6,9
220422	In containers holding more than 2 litres but not more than 10 litres	57,23	42,1
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher	48,96	23,1
220840	Rum and other spirits obtained by distilling fermented sugar-cane products	40,38	20,8
220720	Ethyl alcohol and other spirits, denatured, of any strength	37,75	22,6
220421	In containers holding 2 litres or less	31,75	365,9

Source: Quantec (2023)



Source: Quantec (2023)

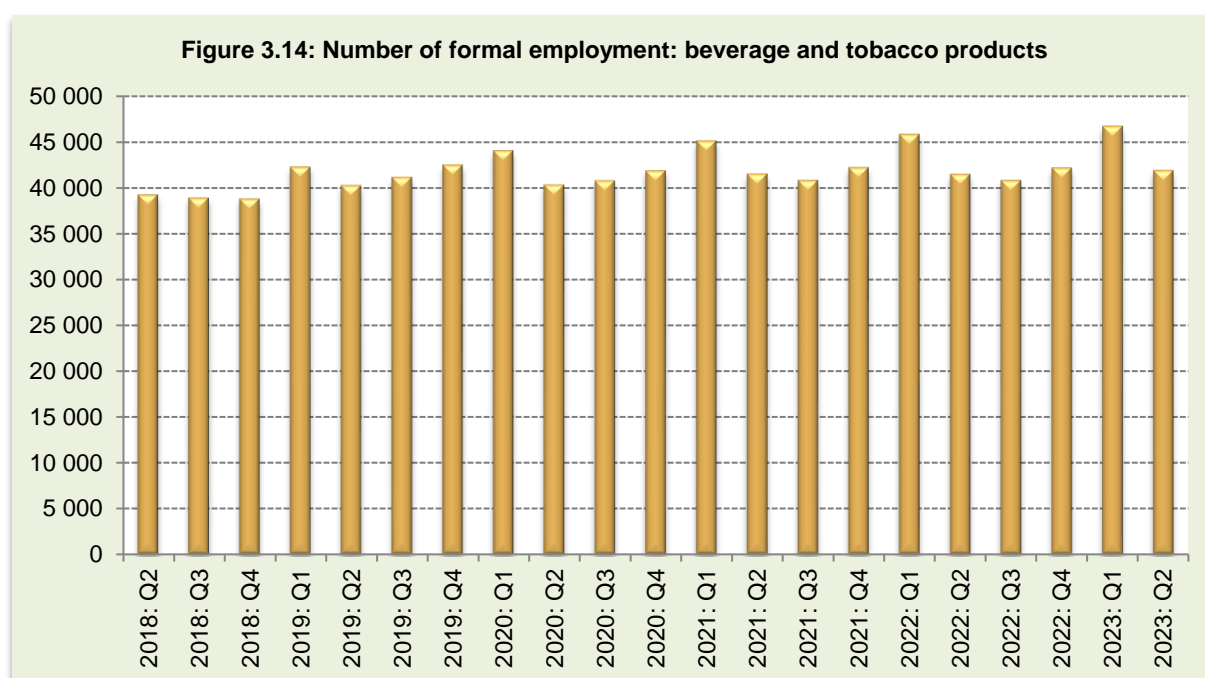
Figure 3.12 above shows the share of the top ten countries as a source of beverages imports. During 2023: Q2, France (25,4%) accounted for the highest share of South Africa's beverages imports, followed by the Netherlands (11,5%), United Kingdom (11,2%), Mexico (6,9%), Namibia (6,6%), Germany (5,1%), Ireland (4,9%), South America (3,9%) and Argentina (3,8%).



Source: Trade Map (2023)

During 2023: Q2, quarter-to-quarter beverages exports contracted by 1,4% following a growth of about 15,4%. However, exports moderated by 2,8% year-on-year. The quarter-to-quarter beverages imports moderated by 6,2% following a 26,1% growth in the last quarter. However, imports rose by 54,1% year-on-year. As a result, the trade surplus of the beverages division narrowed from R2 874,4 million in 2023: Q1 to R2 615,3 million in 2022: Q3.

### 3.6 EMPLOYMENT



Source: Trade Map (2023)

Figure 3.14 shows formal employment in the beverages and tobacco products divisions. The quarter-to-quarter formal employment in the beverages division contracted by 10,3% in 2023: Q2 from a 10,8% growth in 2023: Q1. However, employment moderated by 1,0% year-on-year. Therefore, about 4 806 jobs were shed in the beverages and tobacco division.

## 4. CONCLUSION

During 2023: Q2, South Africa's real gross domestic product recovered further by accelerating to 0,6% from 0,4% in the preceding quarter. The real output of the secondary sector increased at a faster pace in the second quarter of 2023, underpinned by an acceleration in the pace of increase in the real GVA by the manufacturing sector.

The seasonally adjusted volume of production of the food and beverages division rebounded by 3,0% from a 9,7% growth recorded in the last quarter; however, the division grew by 14,4% year-on-year. The quarter-to-quarter value of sales in the food and beverages divisions, on the other hand, moderated by 3,0% in 2023: Q2 from a 6,9% growth in 2023: Q1. Sales of the food and beverages division, similarly, moderated by 11,6% year-on-year. The quarter-to-quarter food and beverages exports and imports contracted by 2,2% and 5,0% in 2023: Q2 from a 9,5% and 28,8% growth in 2023: Q1, respectively. As a result, the trade surplus widened from a R1 707,0 million in the last quarter to R2 323,8 million in the current quarter under review.

The formal employment in the food, beverages and tobacco division contracted quarter-to-quarter by 3,4% in 2023: Q2. However, year-on-year, employment increased by 1,2% in 2023: Q2. Therefore about 9 186 jobs were lost in 2023: Q2.

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