

Food Security: AgriSA supports low food inflation

Stats SA's Consumer Price Index (CPI) data reflects that the annual consumer inflation rate has slowed from 4.5% in April 2018 to 4.4% in May 2018, however, month-on-month, the index increased by 0,2% in May. For food and non-alcoholic beverages, there was a decrease from 0,7 of a percentage point in April to 0,6 of a percentage point in May. Year-on-year, the index increased by 3,4%.



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"Agri SA is pleased that inflation slowed in spite of a weaker rand, higher fuel prices and wage increases," said Requier Wait, head of the Centre of Excellence for Economics and Trade.

Inflation is still within the South African Reserve Bank (SARB) target range of 3% to 6%. In May, the SARB monetary policy committee kept the repurchase rate unchanged at 6.5% per annum.

However, electricity prices could pose a risk to inflation as the National Energy Regulator of South Africa (Nersa) announced that it will allow Eskom to claw back R33.2bn of its expenses from previous years as part of the Regulatory Clearing Account (RCA) mechanism. Nersa will still decide how the additional increases will be phased in. The impact on inflation will depend on how and when the increases are implemented. Higher fuel prices could also pose a risk to inflation.

"Furthermore, should the weaker rand persist over the medium term, it could pose a risk to inflation and the repo rate," says Hamlet Hlomendlini, Agri SA chief economist.

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