



Monthly Regional Food Price Update

Southern Africa

September 2018

Highlights

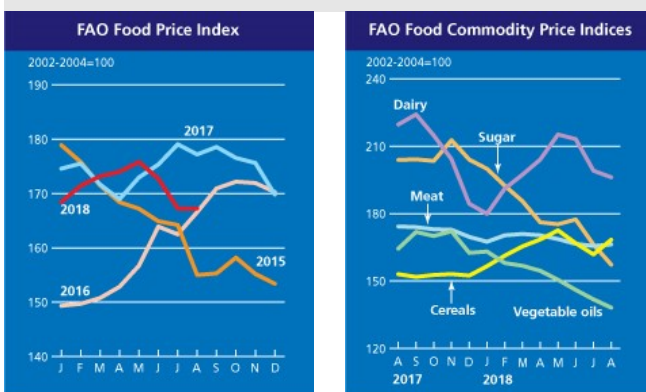
In the southern African region, maize prices are already beginning to show mixed trends. In South Africa and Tanzania, maize prices remain below their respective 5 year average (5YA) levels, while in other countries, such as Malawi and Mozambique, maize prices are on an upward trend and closing in on their 5YA levels.

A look at the Alert for Price Spikes (ALPS) shows that in both June and July, a few markets in Zambia were already showing signs of stress.

Factors such as rising fuel costs are already pushing prices up, and as households deplete their stocks and turn to markets, prices are expected to further rise. Although still too early to tell, this could be exacerbated if an El Niño materializes and affects the next season crop. Close monitoring of the situation is needed.

International Staple Food Prices

Figure 1: FAO Food Price Index and Food Commodity Price Index

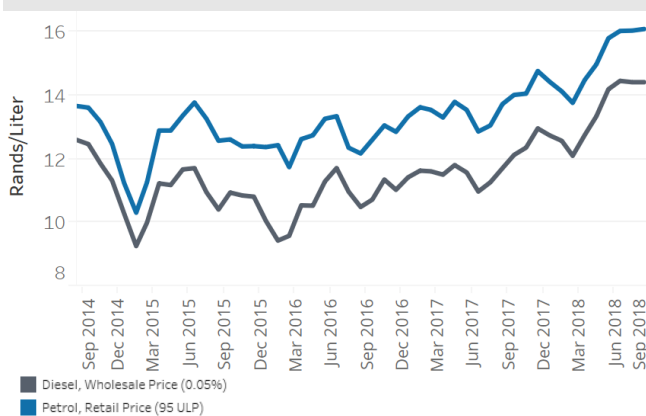


Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

The **FAO Food Price Index** averaged 167.6 points in August 2018, virtually unchanged from its revised estimate for July but down 9.6 points (5.4 percent) from its level in the corresponding period last year. While cereals and, to a lesser extent, meat values were firmer in August, the values of the other sub-indices, namely sugar, vegetable oils and dairy products, dropped.

The **FAO Cereal Price Index** averaged 168.4 points in August, representing a rebound of 6.5 points (4 percent) over July and of 15 points (10 percent) from August 2017. Wheat prices rose the most, largely on tighter export availabilities in view of deteriorating crop prospects, especially in the EU and the Russian Federation. International maize quotations also firmed, up by more than 3 percent from July, influenced by a slower pace in sales by Argentina and Brazil as well as the spill over from rising wheat values. By contrast, international rice prices eased, amid efforts to attract buyers and free space for new crop arrivals. (Figure 1).

Figure 2: South Africa Fuel Prices*



Source: Central Energy Fund; *Inland (Gauteng) prices
<http://www.cefgroup.co.za/petrol-price/>

South Africa Fuel Prices

From July to September, petrol retail prices and diesel wholesale prices increased to R16/liter and R14/liter respectively (Figure 2). Prices would have been higher had the government not intervened in September to absorb some of the fuel price increase.

Over the past few months, the rapid depreciation of the rand against the USD (Figure 6) and high global oil prices have caused fuel prices to rise in South Africa. This negatively affects the cost of producing and transporting agricultural commodities. We will continue to monitor fuel prices as we enter the 2018/19 production season.

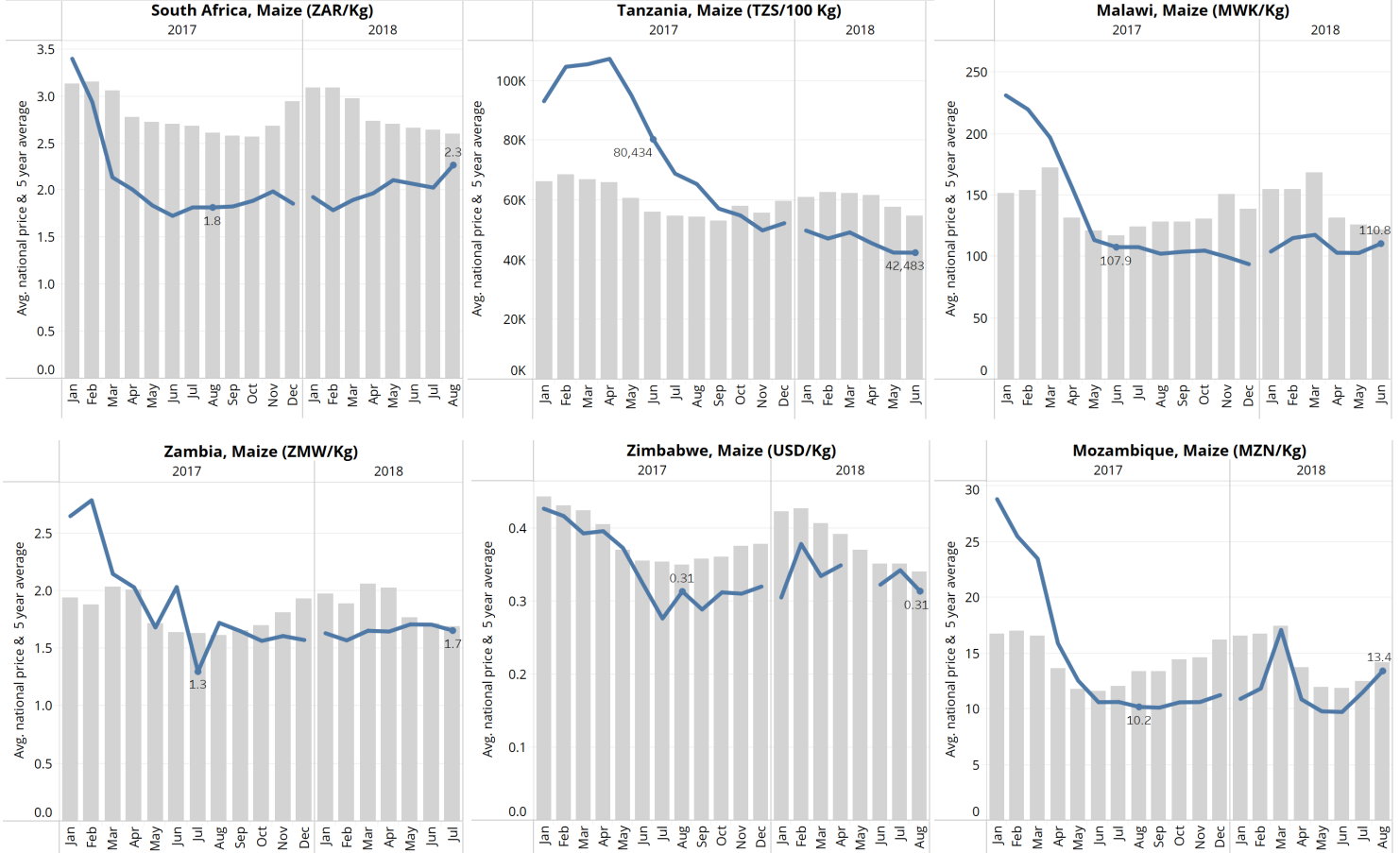
Regional Staple Food Price Trends and Outlook

The latest available price data from countries in the southern African region show mixed trends (Figure 3). In **South Africa** and **Tanzania**, the two largest cereal producing countries in the region, maize prices remain below their respective 5 year average (5YA) levels. However, South Africa's national average maize price ticked upwards in August; this may in part be attributed to the depreciation of the rand and market uncertainty surrounding the possibility of El Niño and its potential impact on the next season crop.

In **Malawi** and **Mozambique**, maize prices are on an upward trend; in both countries, localized deficits could continue to push prices further up. At 13.4 MZN/kg, Mozambique's national average maize price in August was 30 percent higher than the same time last year.

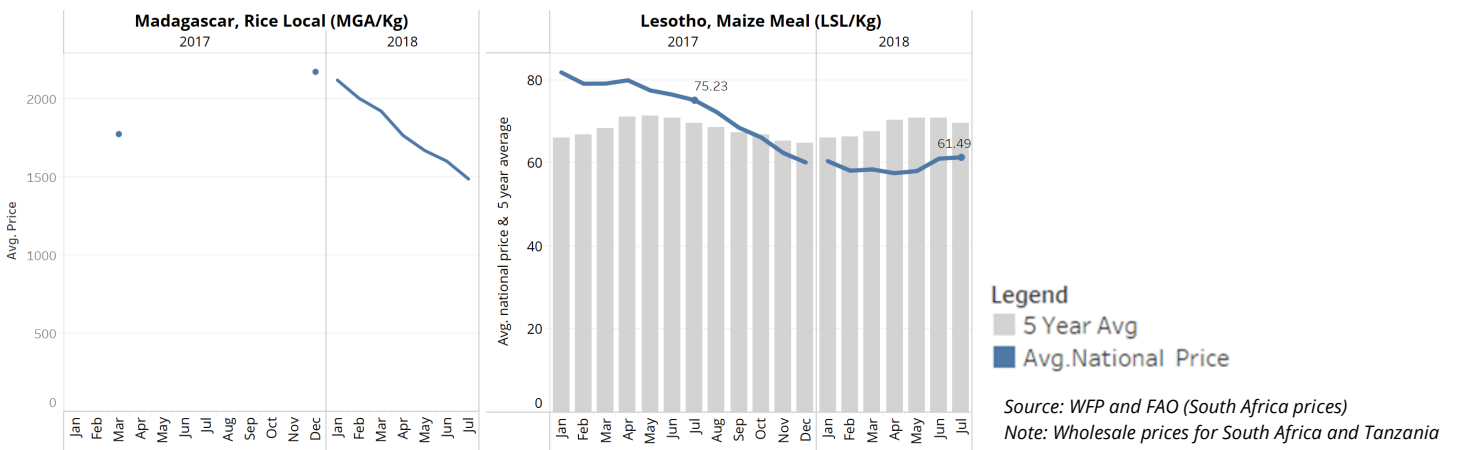
In **Zambia** and **Zimbabwe**, national average maize prices remain relatively stable and close to their respective 5YA levels. Yet, in Zambia, where maize production is expected to be 30 percent lower than last year, there are already pockets of areas experiencing high maize prices (Figure 4).

Figure 3: Average Monthly Prices from Selected Countries



In **Lesotho**, the national average maize meal price remained stable at approximately 62 LSL/kg in July, which was below both last year's price and the 5YA.

In **Madagascar**, the national average price for local rice continued to decrease in July on account of a relatively good harvest. However, prices are expected to follow an upward trend as traders begin to stock up ahead of the lean season.



Legend
 5 Year Avg
 Avg. National Price

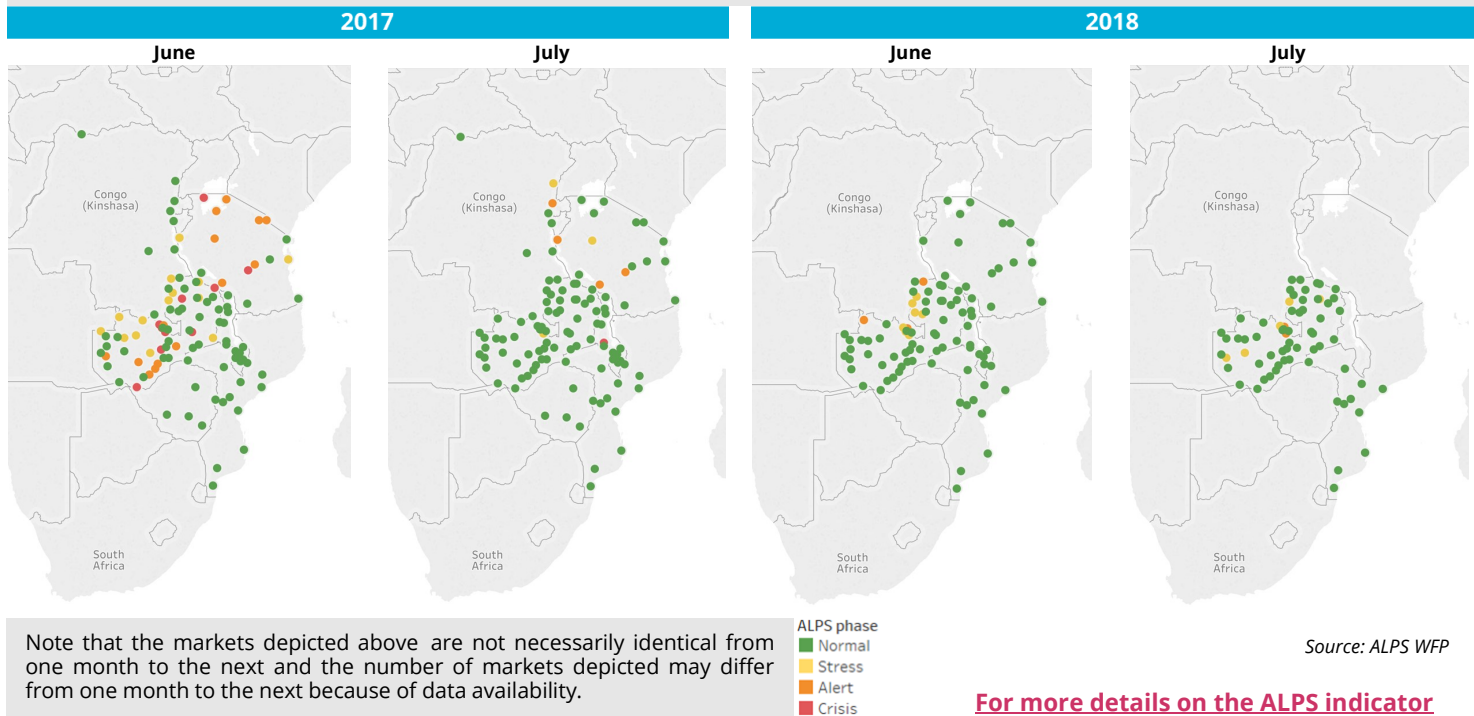
Source: WFP and FAO (South Africa prices)
 Note: Wholesale prices for South Africa and Tanzania

Alert for Price Spikes (ALPS)

ALPS is an indicator that monitors local food commodity prices and measures the extent to which food commodities found on local markets experience unusually high food price levels for a specific month of the year. **Figure 4** presents markets that meet the selection criteria for ALPS (and those for which data were available).

Compared to June and July of last year, the market situation is overall better with most monitored markets in the region indicating normal maize price levels. In **Zambia**, however, a few markets are experiencing high maize prices; as of July, Luanshya and Mufulira were in the “Alert” phase, while Chingola, Kaoma, Mongu, Mungwi, Mwense were in “Stress.”

Figure 4: Status of Monitored Food Markets in Southern Africa: June and July - ALPS (Maize)



Regional Exchange Rate Patterns and Inflation Rates

Table 1: Exchange Rates (USD)

Country	2017			2018		
	June	July	August	June	July	August
Madagascar	3,156.8	3,038.7	3,132.6	3,342.9	3,298.7	3,294.8
Tanzania	2,230.5	2,232.4	2,232.4	2,271.5	2,272.0	2,281.5
DRC	1,451.4	1,549.4	1,560.0	1,602.9	1,608.0	1,617.5
Malawi	717.2	716.7	716.1	713.9	713.4	713.4
Congo (Republic of)	584.0	571.1	555.9	576.3	572.2	580.8
Angola	165.1	165.0	165.0	242.0	252.8	266.4
Mozambique	59.8	60.1	60.7	58.8	58.2	58.6
South Africa	12.9	13.1	13.2	13.3	13.4	14.1
Zambia	9.2	8.9	9.0	10.0	9.9	10.1

Table 1 shows the exchange rates for select countries from June to August in both 2017 and 2018. The Lesotho loti, Namibian dollar, and eSwatini lilangeni are pegged to the South African Rand, and thus show the same movement.

The Angolan kwanza, which was unpegged from the USD in January this year, has devalued rapidly; compared to August of last year, the kwanza is down by nearly 61 percent. The Zambian kwacha has also depreciated by approximately 12 percent year-on-year (y-o-y) vis-à-vis the USD. Only Malawi and Mozambique saw their currencies slightly appreciate y-o-y (**Figure 5A**).

Figure 5: Exchange Rate Movements

5A: % Change (y-o-y)*, August 2017—August 2018



5B: % Change (m-o-m)*, July - August 2018

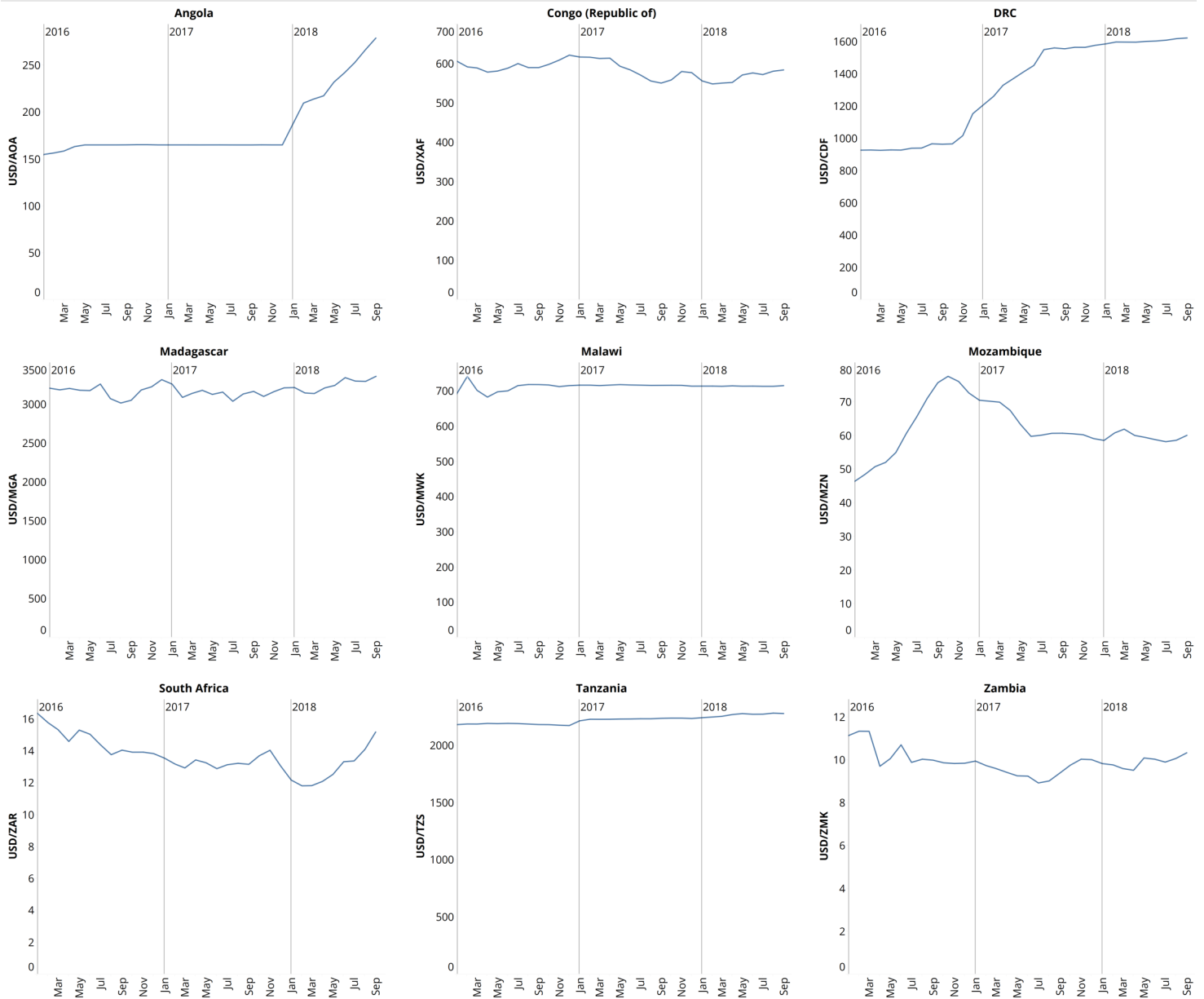


In terms of month-on-month (m-o-m), from July to August 2018, with the exception of Madagascar, all countries saw their currencies depreciate vis-à-vis the USD. The South African rand continued to depreciate rapidly at over 5 percent, as did the Angolan kwanza (**Figure 5B**). Exchange rate trends of select countries are shown in **Figure 6** on the following page.

*M-o-m is comparison between the current month and the previous month; y-o-y is comparison between the current month and the same month of the previous year.

Data Source: <http://www.tradingeconomics.com>

Figure 6: Exchange Rate Trends

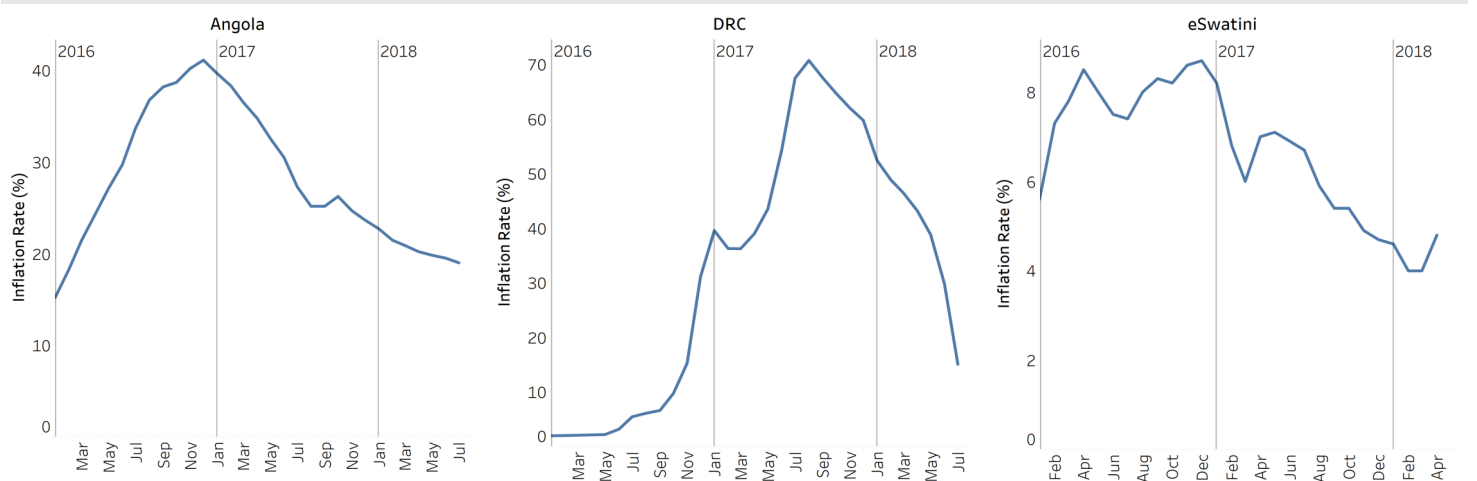


Data Source: <http://www.tradingeconomics.com>

Inflation Rates for the past 12 months were approximately as follows (**Figure 7**): **Angola**, 19 percent (July); **DRC**, 15 percent (July); **Malawi**, 9 percent (July); **Zambia**, 8 percent (August); **South Africa**, 5 percent (July); **eSwatini**, 5 percent (April); **Mozambique**, 4.7 percent (July); **Namibia**, 4.5 percent (July); **Zimbabwe**, 4 percent (July); **Lesotho**, 4 percent (April); and **Tanzania** 3 percent (July).

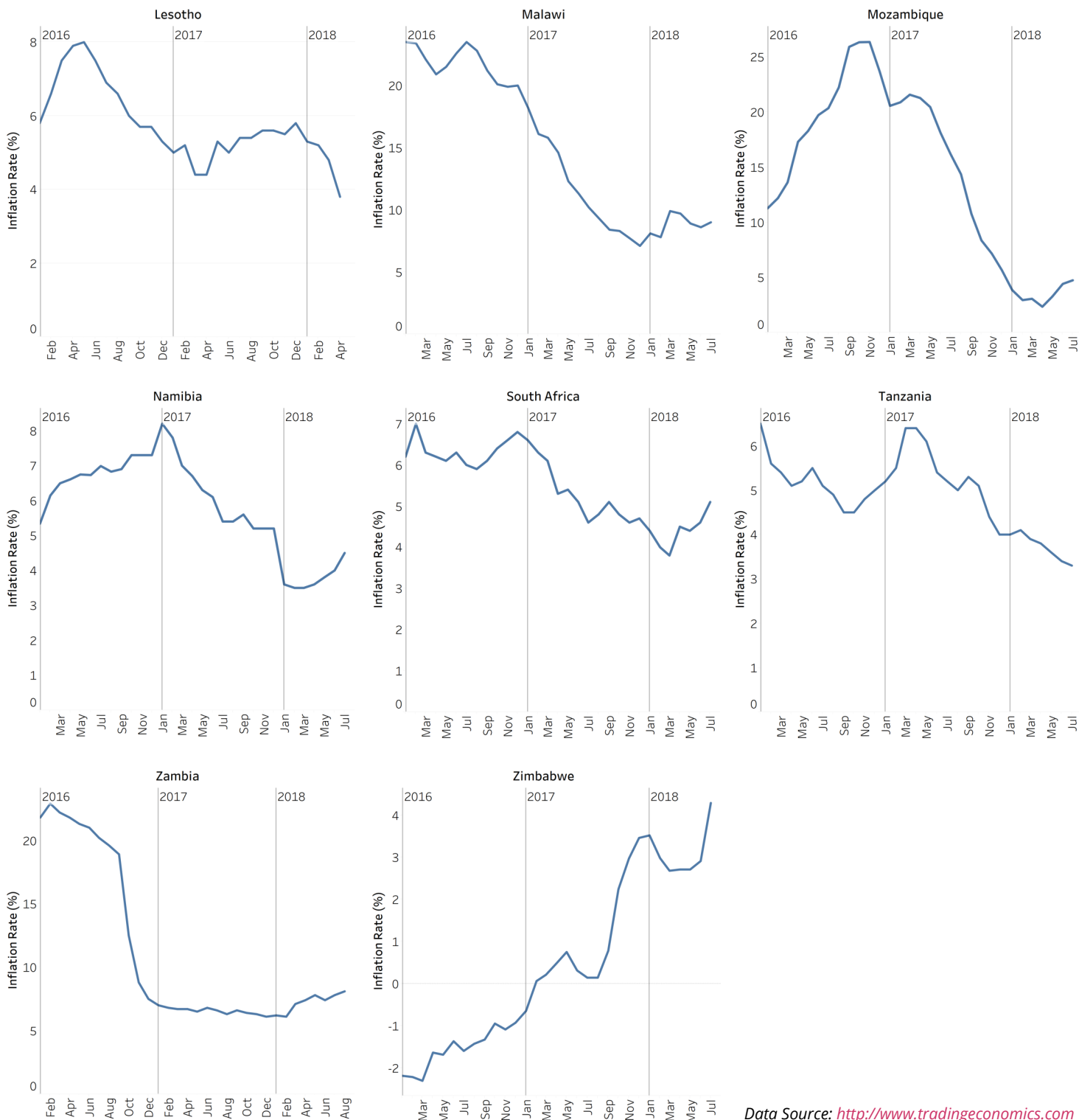
Although DRC and Angola have the highest inflation rates in the region, they have both been on a downward trend the past couple of months; Angola's has dropped by more than 50 percentage points since peaking in late 2016, and DRC's has dropped by nearly 80 percentage points since mid-2017.

Figure 7: Inflation Rates



Malawi and Zambia have both seen a slight uptick in their inflation rates, while in Mozambique, Namibia, and South Africa, inflation has been rising steadily over the past few months. This can be attributed to rising food and fuel prices, among others, combined with weaker currencies (i.e. in the case of South Africa).

In Tanzania, the inflation rate continued to drop as food prices decreased with the ongoing harvest season. In July, Zimbabwe, which continues to face liquidity challenges, recorded its highest level of inflation (4.3 percent) since 2012. Although its inflation rate has been rising rapidly, it still remains relatively low compared to those of other countries in the region.



Data Source: <http://www.tradingeconomics.com>