



Monthly Regional Food Price Update

October 2018

Highlights

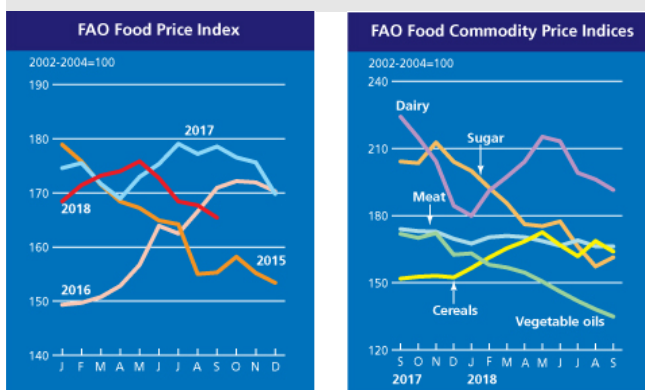
In the southern African region, maize prices continue to show mixed trends. In countries such as Malawi and South Africa, national average maize prices have been on an upward trend, while in others, such as Tanzania and Zambia, they have remained relatively stable. In Zambia, however, this belies price increases in pockets of areas which experienced a poor harvest. A look at the Alert for Price Spikes (ALPS) shows more markets in Zambia experiencing stress earlier this year.

Nearly all currencies in the region depreciated vis-à-vis the USD on a month-on-month and year-on-year basis. This will likely increase the cost of importing goods and services, including food.

Recent developments in Zimbabwe are also a cause for concern; an interplay of factors, including a tax hike on electronic transactions, has triggered panic buying and shortage of basic goods and skyrocketing prices are being reported. The situation is volatile and close real-time monitoring of prices and market functionality will be required.

International Staple Food Prices

Figure 1: FAO Food Price Index and

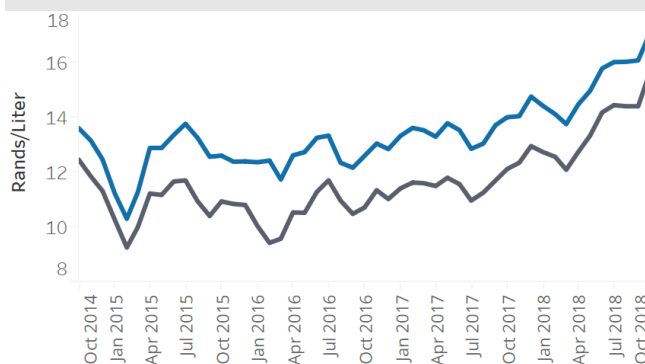


Source: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

The **FAO Food Price Index** averaged 165.4 points in September 2018, down 2.3 points (1.4 Percent) from August and some 13 points (7.4 percent) below its level in the corresponding period last year. Only the sugar price index firmed in September, whereas the values of the other sub-indices, led by cereals, dropped from the previous month.

The **FAO Cereal Price Index** averaged almost 164 points in September, a drop of 4.7 points (2.8 percent) from August, but still 12 points (8 percent) above its September 2017 level. Among the major cereals, the sharpest month-on-month decline concerned maize export quotations, which fell by at least 4 percent from August, mostly on expectations of a very large crop in the United States and ample supply prospects globally. Wheat price quotations, which rose sharply in August, also fell in September, mainly on continued strong sales and shipments from the Russian Federation. International rice prices eased for the third successive month, even though an appreciation of the Thai Baht and expectations of sales to the Philippines limited the September decline to around 1 percent (**Figure 1**).

Figure 2: South Africa Fuel Prices*



■ Diesel, Wholesale Price (0.05%)
■ Petrol, Retail Price (95 ULP)

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

South Africa Fuel Prices

From September to October, petrol retail prices increased by 6 percent to R17/liter and diesel wholesale prices increased by 9 percent to R15.7/liter (**Figure 2**). Reasons for this steep rise include the depreciation of the rand against the USD (**Figure 6**) and high international oil prices.

As we enter the new planting season for summer crops, the impact of high oil prices is expected to be felt in the form of high prices for fuel and agricultural inputs (e.g. fertilizer and agrochemicals).

Regional Staple Food Price Trends and Outlook

The latest available price data from countries in the southern African region continue to show mixed trends (Figure 3). In **South Africa**, maize prices have been on an upward trend the past two months, partly due to the weakening of the rand vis-à-vis the USD. In **Malawi** also, the national average maize price has been steadily increasing; given that the Ministry of Agriculture, Irrigation and Water Development's third (and final) round of production estimates for the 2017/18 maize crop was approximately 20 percent below the 5YA, there will likely be continued upward pressure on maize prices.

In Tanzania, Zambia, and Zimbabwe, national average maize prices continue to remain relatively stable. In **Tanzania**, the national average maize price continues to remain well below the 5YA, while in **Zambia**, it has begun to slightly exceed the 5YA. Although **Zimbabwe's** national average maize price was still below its 5YA, recent developments in the country are a cause for concern; with a tax hike on electronic mobile payments causing panic buying of basic goods (e.g. cooking oil and flour), prices are reportedly beginning to skyrocket (see "Zimbabwe: Market Situation Update as of October 15th" on the last page).

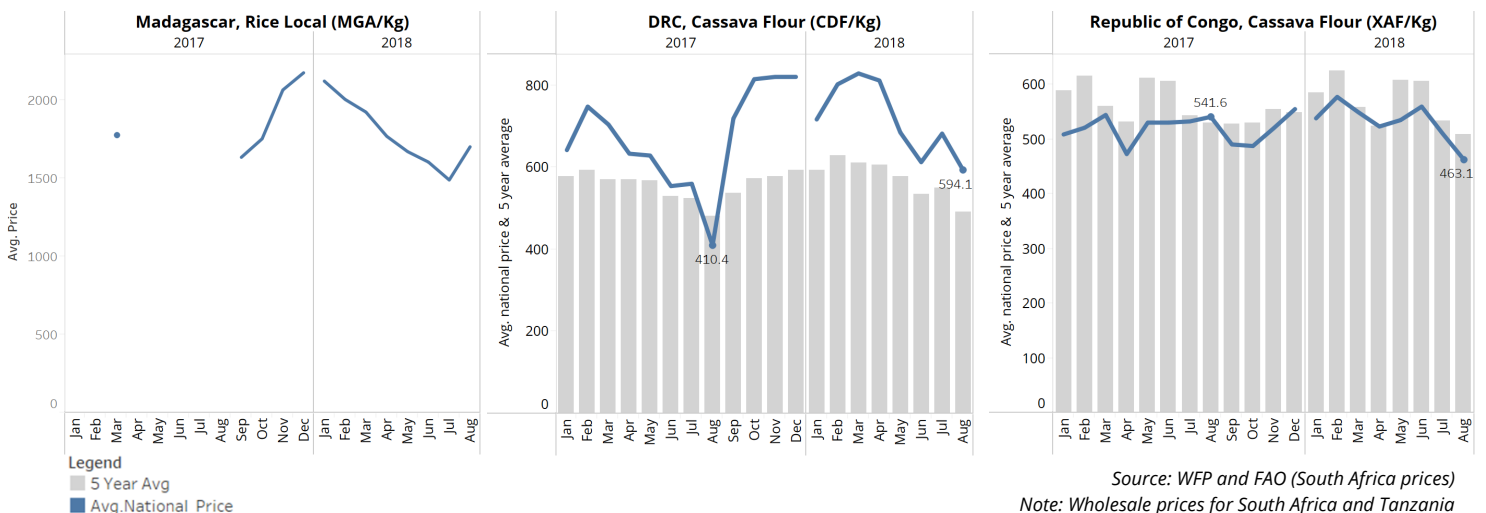
In **Lesotho**, the national average maize meal price continues to remain stable at approximately 13 percent below the 5YA.

Figure 3: Average Monthly Prices from Selected Countries



In **Madagascar**, with the lean season approaching, traders have begun to stock up on local rice. As such, the national average price of local rice began to tick upwards in August.

In both **DRC and RoC**, the national average price of cassava flour has generally been on a downward trend the past few months. In the case of DRC, however, prices continue to remain above the 5YA.



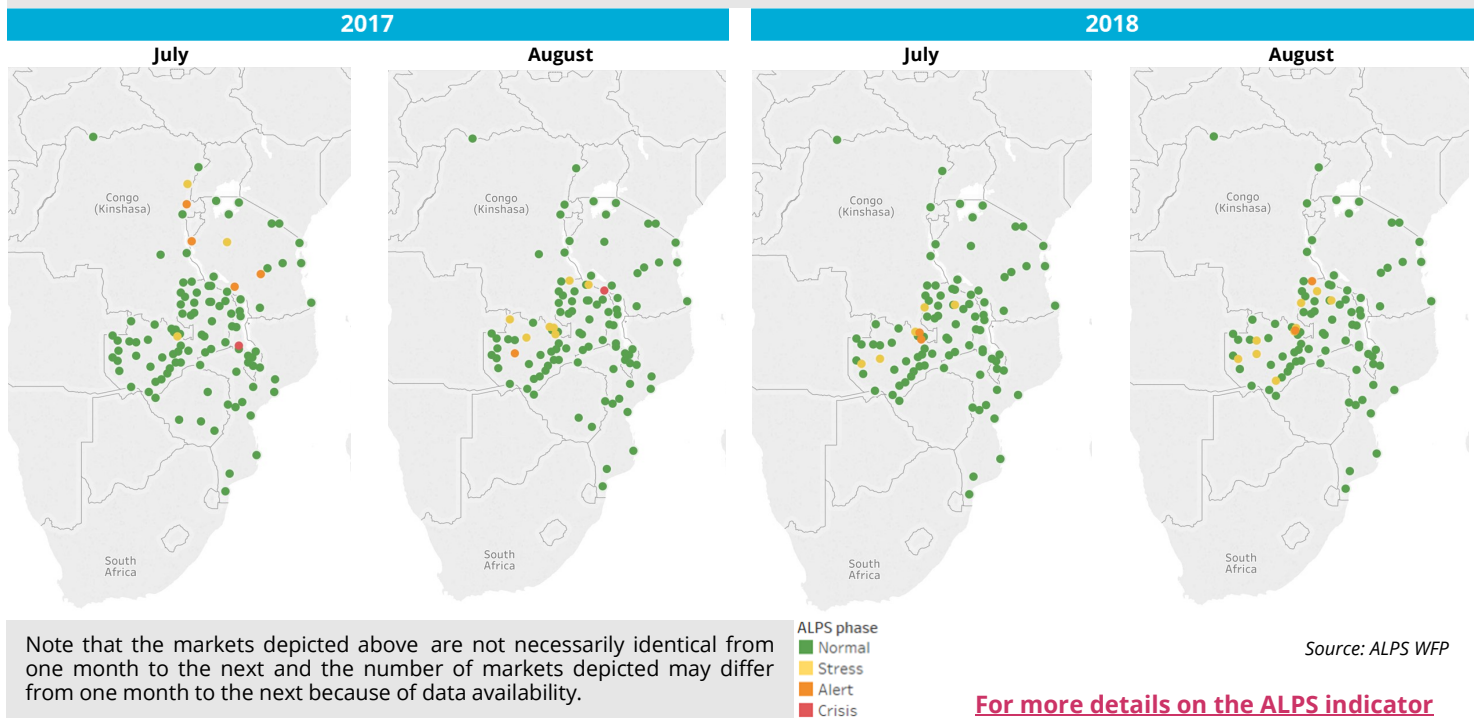
Source: WFP and FAO (South Africa prices)
Note: Wholesale prices for South Africa and Tanzania

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 July of last year, maize markets in **DRC** and **Tanzania** were in better condition this July. Markets in **Zambia**, however, appear to be experiencing stress earlier than last year. In July, 7 markets were experiencing high prices (compared to only 1 market last July) and in August this increased to 11 markets (compared to 9 markets last August).

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



Regional Exchange Rate Patterns and Inflation Rates

Table 1: Exchange Rates (USD)

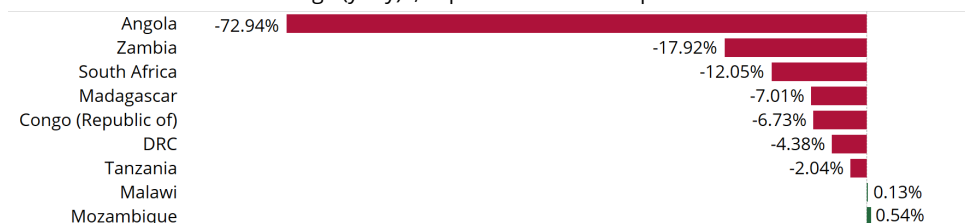
Country	2017			2018		
	July	August	September	July	August	September
Madagascar	3,038.7	3,132.6	3,165.7	3,298.7	3,294.8	3,387.8
Tanzania	2,232.4	2,232.4	2,235.9	2,272.0	2,281.5	2,281.5
DRC	1,549.4	1,560.0	1,554.7	1,608.0	1,617.5	1,622.7
Malawi	716.7	716.1	716.2	713.4	713.4	715.3
Congo (Republic of)	571.1	555.9	550.6	572.2	580.8	587.6
Angola	165.0	165.0	165.0	252.8	266.4	285.4
Mozambique	60.1	60.7	60.7	58.2	58.6	60.4
South Africa	13.1	13.2	13.2	13.4	14.1	14.7
Zambia	8.9	9.0	9.4	9.9	10.1	11.1

Table 1 shows the exchange rates for select countries from July to September 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.

On a y-o-y comparison, nearly all countries saw their currencies depreciate against the USD in September. The Angolan kwanza depreciated the most by approximately 73 percent. This was followed by the Zambian kwacha, which depreciated by approximately 18 percent vis-à-vis the USD (**Figure 5A**). Malawi and Mozambique saw their currencies appreciate by less than 1 percent.

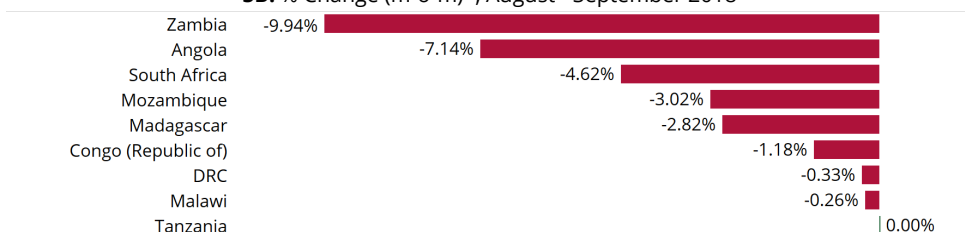
Figure 5: Exchange Rate Movements

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



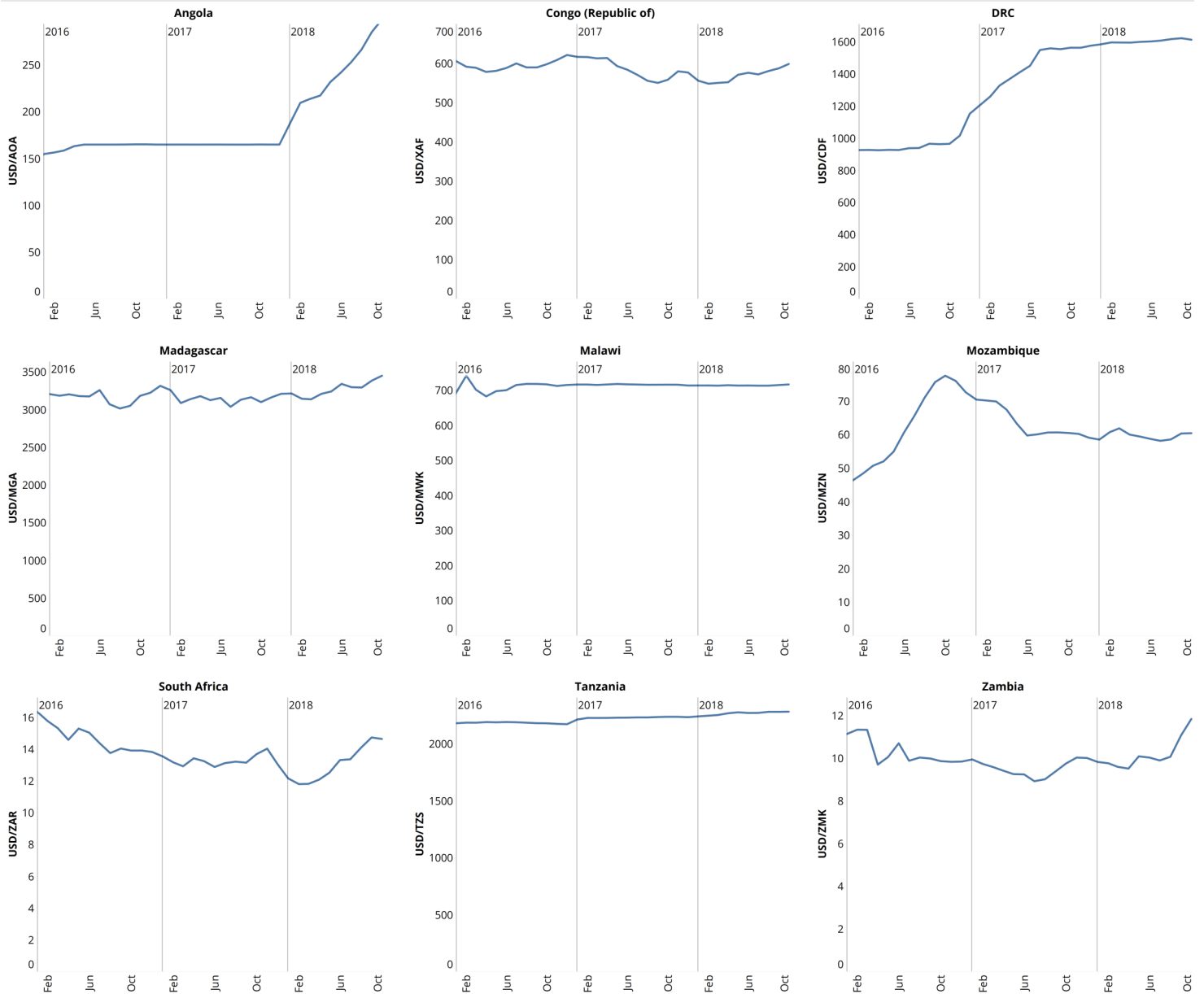
In terms of m-o-m changes, from August to September 2018, with the exception of Tanzania, all countries saw their currencies weaken against the USD. In September, the Zambian kwacha depreciated by 10 percent vis-à-vis the USD, reaching its weakest level in almost 3 years (**Figure 5B**). Exchange rate trends of select countries are shown in **Figure 6** on the following page.

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



*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.

Figure 6: Exchange Rate Trends

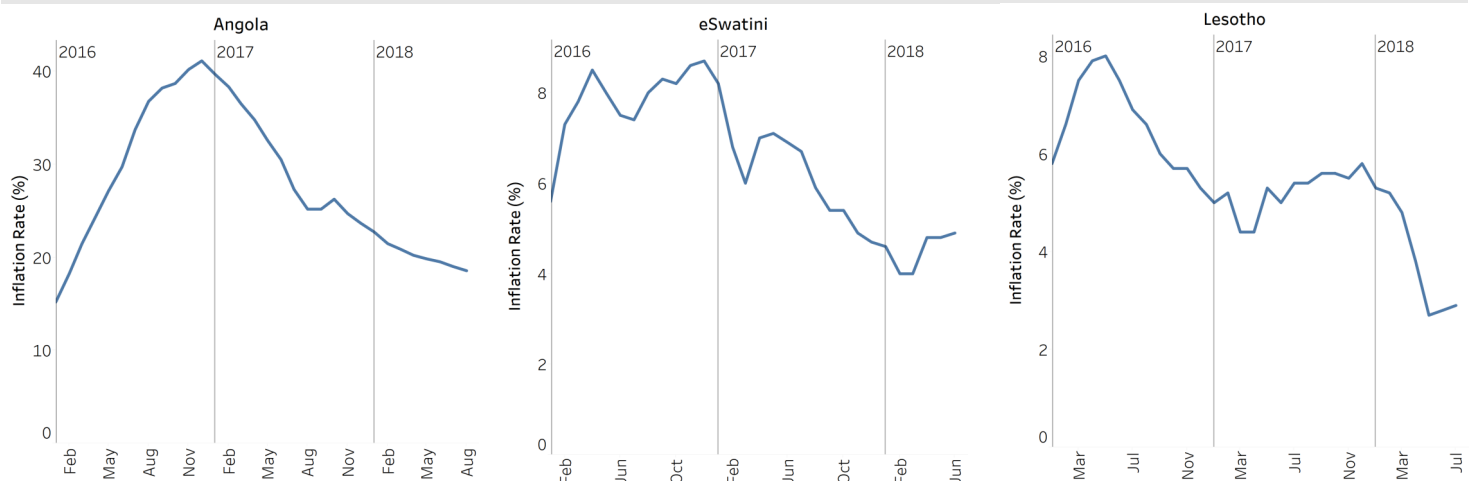


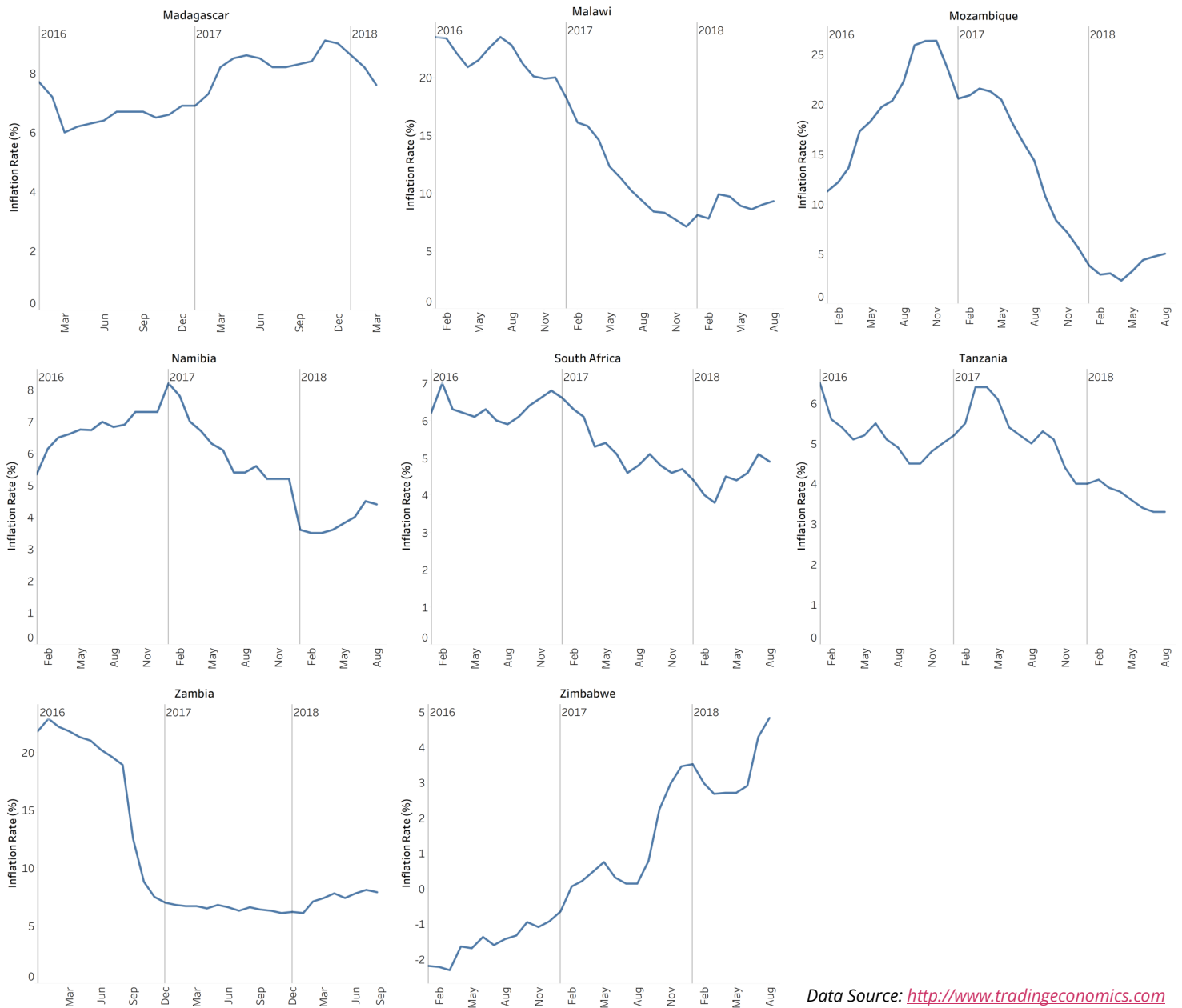
Data Source: <http://www.tradingeconomics.com>

Updated inflation rates for each country were approximately as follows (**Figure 7**): **Angola**, 19 percent (August); **Malawi**, 9 percent (August); **Madagascar**, 8 percent (March, latest update); **Zambia**, 8 percent (September); **South Africa**, 5 percent (August); **Mozambique**, 5 percent (August); **Zimbabwe**, 5 percent (August); **eSwatini**, 5 percent (June); **Namibia**, 4.4 percent (August); **Tanzania** 3 percent (August); and **Lesotho**, 3 percent (July).

According to the latest data available, inflation rates in eswatini, Lesotho, Malawi, Mozambique, and Zimbabwe increased, while those in Angola, Madagascar, Namibia, South Africa, and Zambia decreased. In South Africa, although the inflation rate decreased by 2 percentage points from July to August, the food inflation rate increased by 1 percentage point.

Figure 7: Inflation Rates





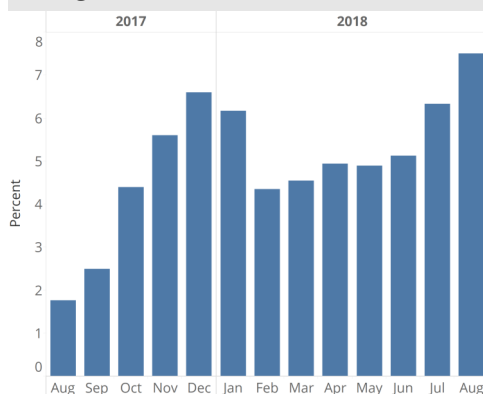
Data Source: <http://www.tradingeconomics.com>

Zimbabwe: Market Situation Update as of October 15th

Zimbabwe's food inflation rate, recorded at 7.5 percent in August, has been on an upward trend (**Figure 8**). On October 1st, the Reserve Bank of Zimbabwe (RBZ) issued their latest monetary policy statement, in which they announced that all banks must separate foreign currency accounts (FCA) for Nostro and real time gross settlement (RTGS) funds. Although the statement noted that "the relationship between the two categories of the FCA shall continue to be at parity," the market responded unusually and the value of bond notes plummeted from 1.75 bond notes/USD in September to 4.3 bond notes/USD on October 11th. However, with the Africa Export and Import Bank guaranteeing 1:1 convertibility of RTGS and availability of USD for Nostro FCAs, a temporary respite was secured and the Bond/USD rate improved to 2.2 bond notes/USD on October 15th.

On the same day, with the intent of expanding the country's tax collection base, the Minister of Finance and Economic Development announced a hike on the electronic mobile payment transactions tax, from 5 cents per transaction to 2 cents per dollar transacted. Given that nearly all payments made in Zimbabwe are done electronically, this triggered panic in the market as consumers rushed to purchase and stockpile basic commodities (e.g. fuel). Skyrocketing prices and shortages of goods were being reported in the second week of October, and there were concerns of companies and stores possibly shutting down to assess the situation.

Figure 8: Zimbabwe Food Inflation



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

Higher food prices, especially for those being purchased via mobile money and plastic money payments, will particularly affect poor households, as these are often the most common means of payment available to them. Close monitoring of the situation will be needed.

Note: The national average maize price data for Zimbabwe in **Figure 3** is only up to September, and thus does not reflect the volatility caused by recent events.

