

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



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DIRECTORATE: AGRO-PROCESSING SUPPORT



**agriculture,
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1. PREFACE

The agro-processing industry is among the sectors identified by the Industrial Policy Action Plan (IPAP) and the National Development Plan for its potential to spur growth, development and job creation via its strong backward and forward linkages with the other sectors of the economy. DAFF established the Directorate: Agro-processing Support in 2011 to facilitate the processing of raw primary agriculture, forestry and fisheries commodities into value added products.

One of the functions of the directorate is to provide timely and updated economic information regarding the agro-processing industry as part of monitoring and evaluating the performance of the industry. Additionally, economic indicators provide an insight into the effects of economic policies and other exogenous factors. To achieve this purpose, the directorate publishes regular quarterly economic reviews of the agro-processing industry.

The main economic indicators reviewed are the changes in prices, production, capacity utilisation, value of sales, formal employment and trade. An outlook of the industry for the next quarter is also presented. In addition, some indicators of the food and beverages service industry, wholesale and retail sectors are reviewed to evaluate the forward linkages of the food and beverages industry.

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

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Pretoria

Disclaimer: The Department of Agriculture, Forestry and Fisheries did everything to ensure the accuracy of the information reported in this publication. The department will, however, not be liable for the results of action based on this publication.

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2. INTRODUCTION

In South Africa, real economic growth slowed from a revised 2,6% in 2018: Q3 to 1,4% in the fourth quarter. The real gross value added (GVA) by the primary sector contracted for a fourth successive quarter, while output growth slowed in the secondary and tertiary sectors. For 2018 as a whole, growth in real gross domestic product (GDP) moderated to 0,8% from an upwardly revised 1,4% in 2017 (Reserve bank 2019).

This quarterly review provides an analysis of the economic performance of the food and beverages industry. The variables that are analysed are exports and imports of food and beverages, employment, net balance survey, price index, volume of production, sales, utilisation capacity, and wholesale and retail performances.

The food and beverages quarterly review is organised as follows: section one analyses the food division's indicators and section two analyses the beverages division indicators.

The volume of production in the food and beverages division grew marginally quarter-to-quarter and year-on-year. Despite the growth in the volume of production of food and beverages, sales moderated by 0,5% as compared to a 2,2% growth in the previous quarter, representing a nominal value of sales of R32 501,9 million in the current quarter from R32 339,1 million in the last quarter.

During 2018, Q4, Asia accounted for a large share of food exports followed by Africa, Europe and Americas, Oceania accounted for a minimal share of 1%. In terms of the regions, Europe accounted for a large share of food exports. On imports, continents that accounted for a large share were Asia, followed by Europe, Africa then Americas. Oceania accounted for a minimal share.

Continents that accounted for a large share of beverages exports were Europe, followed by Africa, Asia and Americas. Similarly, Europe followed by Africa then Americas and Asia accounted for a large share of beverages imports during the period of review.

The employment in the food, beverages and tobacco divisions rebounded by 0,2% quarter-to-quarter and contracted by 1,2% year-on-year. As a result, the food and beverages and tobacco division created 541 jobs during the period.

3. FOOD PRODUCTS

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

- Code 301 refers to manufacturing, processing and preservation of meat, fish, vegetables, fruit, oils and fats
- Code 302 refers to manufacturing, processing and preservation of dairy products
- Code 303 refers to manufacture of grain mill products, starch products and prepared animal feeds

- Code 304 refers to manufacture 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)¹

The quarter-to-quarter consumer price index of all items moderated by 0,8% in 2018: Q4 from 1,2% growth recorded in the last quarter. The food items that registered a positive growth in CPI during the 2018: Q4 were: fruit (5,1%), vegetables (3,5%), oils and fats (2,4%), bread and cereals (0,9%), processed (1,1%) and unprocessed food (0,3%). However; the CPI decreased for meat (0,4%); milk, eggs and cheese (0,3%) and fish (0,2%). The year-on-year consumer price index for all items moderated by 4,8% in 2018: Q4 from a 4,9% growth in 2018: Q3. Vegetables (7,9%), fish (6,1%), other food (3,5%), meat (2,6%) and processed food (3,1%); milk, eggs and cheese (2,1%) and unprocessed food (0,3%) registered a positive growth year-on-year. However, fruit and (bread and cereals) were at a negative growth of 3,1% and 0,3%, respectively, year-on-year (see Table 2.1).

Table 2.1: Consumer price index of food products 2018: Q4.

Food products	Weight	Indices			% change between	
		2017: Q4	2018: Q3	2018: Q4	2017: Q4 and 2018: Q4	2018: Q3 and 2018: Q4
All items (CPI Headline)	100	104,1	108,3	109,2	4,8	0,8
Food and non-alcoholic beverages	15,4	103,9	106,3	107,0	3,0	0,6
Food	14,2	103,9	105,7	106,3	2,4	0,6
Processed	6,8	102,9	105,0	106,2	3,1	1,1
Unprocessed	7,4	104,6	106,2	106,5	1,8	0,3
Bread and cereals	3,5	94,3	93,2	94,0	-0,3	0,9
Meat	4,6	112,9	116,3	115,8	2,6	-0,4
Fish	0,4	103,3	109,8	109,6	6,1	-0,2
Milk, eggs and cheese	1,7	104,1	106,7	106,4	2,1	-0,3
Oils and fats	0,5	97,4	96,0	98,3	0,9	2,4
Fruit	0,2	94,0	86,7	91,1	-3,1	5,1

¹ 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.

Vegetables	1,6	101,5	105,8	109,5	7,9	3,5
Sugar, sweets and deserts	0,6	104,8	101,7	107,5	2,5	5,7
Other food	0,9	99,9	103,4	103,4	3,5	0,1

Source: Statistics SA (2019)

Producer price index (PPI)²

The quarter-to-quarter and year-on-year producer price index for all final manufactured goods grew by 1,9% and 6,3%, respectively during 2018:Q4. The food items that grew quarter-to-quarter were: sugar (6,9%), oils and fats (5,9%), starch and starch products, animal feeds (4,4%), other food products (2,7%), grain mill products (2,3%), bakery products (2,3%), meat and meat products (1,3%) and fish and fish products (0,3%). However, dairy products and fruit and vegetables were negative at 0,7% and 0,5%, respectively. Fruit and vegetables; sugar; oils and fats; and dairy products were negative year-on-year at 2,3%, 2,0%, 1,4% and 0,7%, respectively. However; starch and starch products, animal feeds, bakery products, other food products, grain mill products and fish and fish products were positive at 9,2%, 5,8%, 4,0%, 3,4% and 2,2%, respectively, year-on-year.

Table 2.2: Producer price index of food products

	Weight	Indices			% change between	
		2017: Q4	2018: Q3	2018: Q4	2017: Q4 and 2018: Q4	2018: Q3 and 2018: Q4
Food products						
Final manufactured goods (Headline PPI)	100	104,6	109,2	111,2	6,3	1,9
Food products	26,3	78,1	81,0	81,4	4,3	0,5
Meat and meat products	4,5	109,7	107,9	109,2	-0,4	1,3
Fish and fish product	1,6	99,4	101,3	101,6	2,2	0,3
Fruit and vegetables	2,4	103,7	101,8	101,3	-2,3	-0,5
Oils and fats	0,5	98,5	91,7	97,1	-1,4	5,9
Dairy products	3,3	102,0	102,0	101,3	-0,7	-0,7
Grain mill products	1,8	83,3	83,0	86,1	3,4	3,8
Starch and starch products, animal feeds	1,6	89,5	93,6	97,7	9,2	4,4
Other food products	0,9	99,4	100,6	103,3	4,0	2,7

² 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.

Bakery products	6,9	100,8	104,2	106,6	5,8	2,3
Sugar	1,9	91,1	83,6	89,3	-2,0	6,9

Source: Statistics SA (2019)

Import unit value index³

Table 2.3 presents the import unit value of selected food products. Quarter-to-quarter, import unit value of food registered a negative growth of 0,4%, while fats and oils and grain mill products were at a positive growth of 5,0% and 4,4%, respectively. In terms of year-on-year percentage change, fats and oils and grain mill products recorded 8,1% and 3,8% positive growth, respectively, while food was at a negative growth of 3,1%.

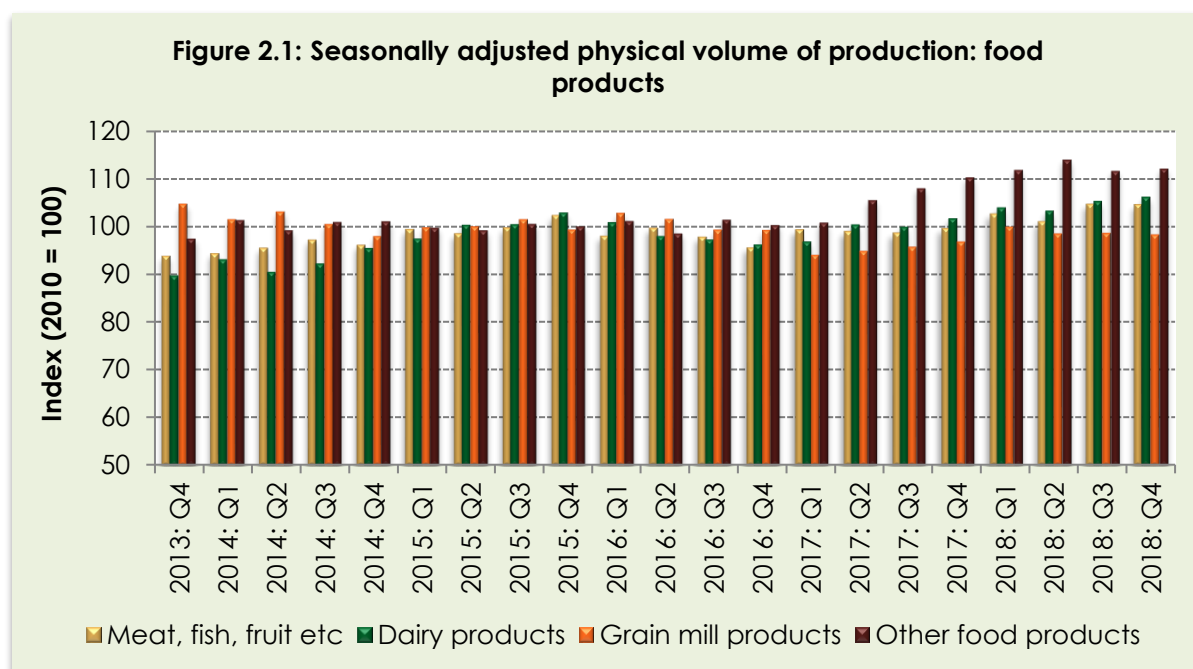
Table 2.3: import unit value index of food products

Food products	Indices			% change between	
	2017: Q4	2018: Q3	2018: Q4	2017: Q4 and 2018: Q4	2018: Q3 and 2018: Q4
Food (total)	93,7	91,3	90,9	-3,1	-0,4
Fats and oils	105,0	91,9	96,5	8,1	5,0
Grain mill products	101,3	93,3	97,4	3,8	4,4

Source: Statistics SA (2019)

³ IMF defines export and import unit value index as a measure 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.

2.2 PRODUCTION



Source: Statistics SA (2019)

Figure 2.1 presents a physical volume of production for food products division. The quarter-to-quarter physical volume of production for meat, fish, fruit etc. remained unchanged during 2018: Q4 at 3,6% growth as recorded in 2018: Q3. However, the quarter-to-quarter physical volume of production for dairy products moderated by 0,8% in 2018: Q4 from a 2,0% growth in 2018: Q3. Grain mill products contracted by 0,3% in 2018: Q4 from a 0,1% in the last quarter. Furthermore, other food products rebounded by 0,4% in 2018: Q4 following a 2,1% in the preceding quarter. However; meat, fish, fruit etc.; dairy products; grain mill products and 'other food products' moderated by 5,0%, 4,4%, 1,6% and 1,6%, respectively, year-on-year.

Production capacity

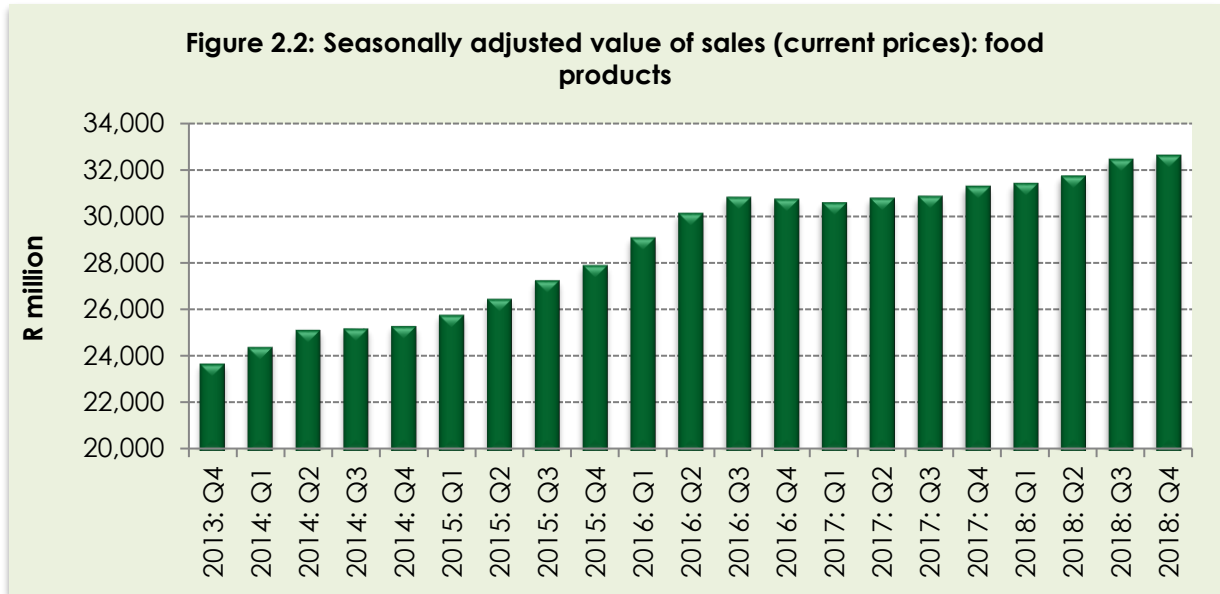
Table 2.4: Utilisation and reasons for underutilisation of production capacity by large enterprises: Food products (percentage)

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi and unskilled		
2017: Q4	82,6	17,4	2,0	1,4	0,6	10,5	2,9
2018: Q3	80,6	19,4	1,9	1,4	0,4	11,4	4,3
2018: Q4	83,0	17,0	1,6	0,9	0,3	10,0	4,3

Source: Statistics SA (2019)

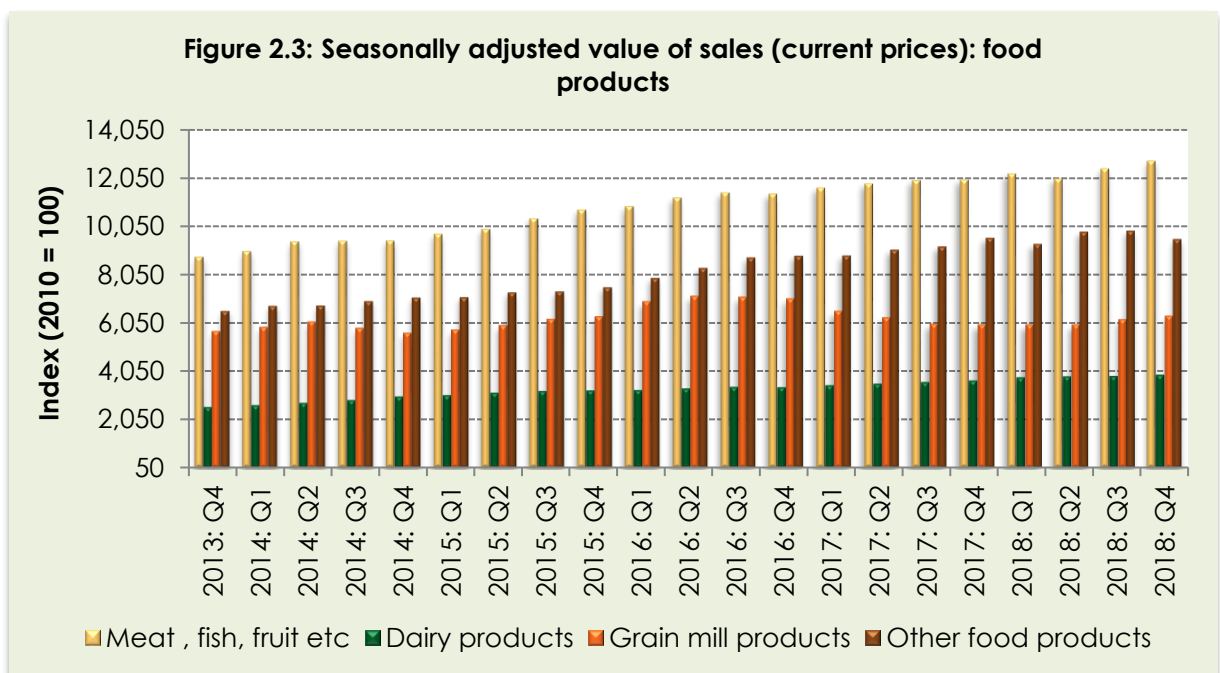
The utilisation of production capacity by large enterprises of food products showed a marginal growth year-on-year and quarter-to-quarter (see Table 2.4). Insufficient demand remains the main reason for underutilisation during the period followed by other reasons such as seasonal factors.

2.3 VALUE OF SALES



Source: Statistics SA (2019)

During 2018: Q4, the quarter-to-quarter and year-on-year seasonally adjusted value of sales for food products division moderated by 0,5% and 4,2% from a growth of 2,2% and 5,2%, respectively as recorded in the last quarter, which represents a nominal value of R33 501,9 million growth in the current quarter from R32 339,1 million in the preceding period.

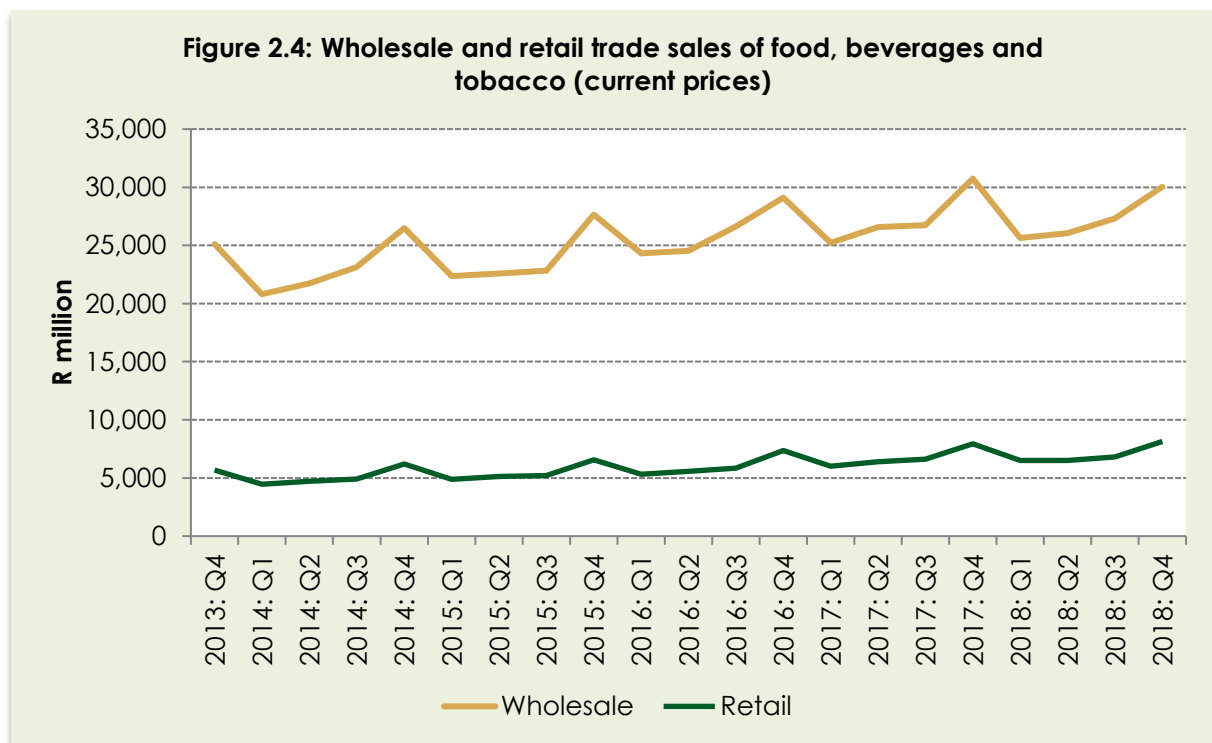


Source: Statistics SA (2019)

Figure 2.3 above shows the seasonally adjusted value of sales for food items during 2018: Q4. The seasonally adjusted value of sales for meat, fish, fruit etc. and grain mill products moderated by 2,6% and 2,4% in 2018: Q4 from a 3,6% and 3,6% growth in 2018: Q3, respectively. However, sales for dairy products grew marginally by 1,1% in 2018: Q4 from a 0,6% growth in the preceding quarter, while "other food products" contracted by 3,5% in 2018: Q4 from a 0,4% growth in 2018: Q3. Additionally, meat, fish, fruit etc. grew by 6,6%, while dairy products and grain mill products moderated by 6,4%, and 6,0%, respectively, year-on-year. Other food products contracted by 0,6% year-on-year in 2018: Q4.

Wholesale and retail sales⁴

The value of wholesale and retail sales of food, beverages and tobacco are given in Figure 2.4 below. During the period under review, the quarter-to-quarter wholesales trade sales of food rose by 10,4% following a 4,9% growth in the preceding quarter, however, it contracted by 2,2% year-on-year. The retail trade sales of food, beverages and tobacco accelerated by 19,4% from a 4,9% growth quarter-to-quarter, however, grew marginally by 2,5% year-on-year. As a result, the value of income from wholesale and retail sales of food, beverages and tobacco increased from R27, 314 million and R6 821,3 million in 2018: Q4 to R30 053,7 million and R8 1241,3 million, respectively, in the previous quarter.

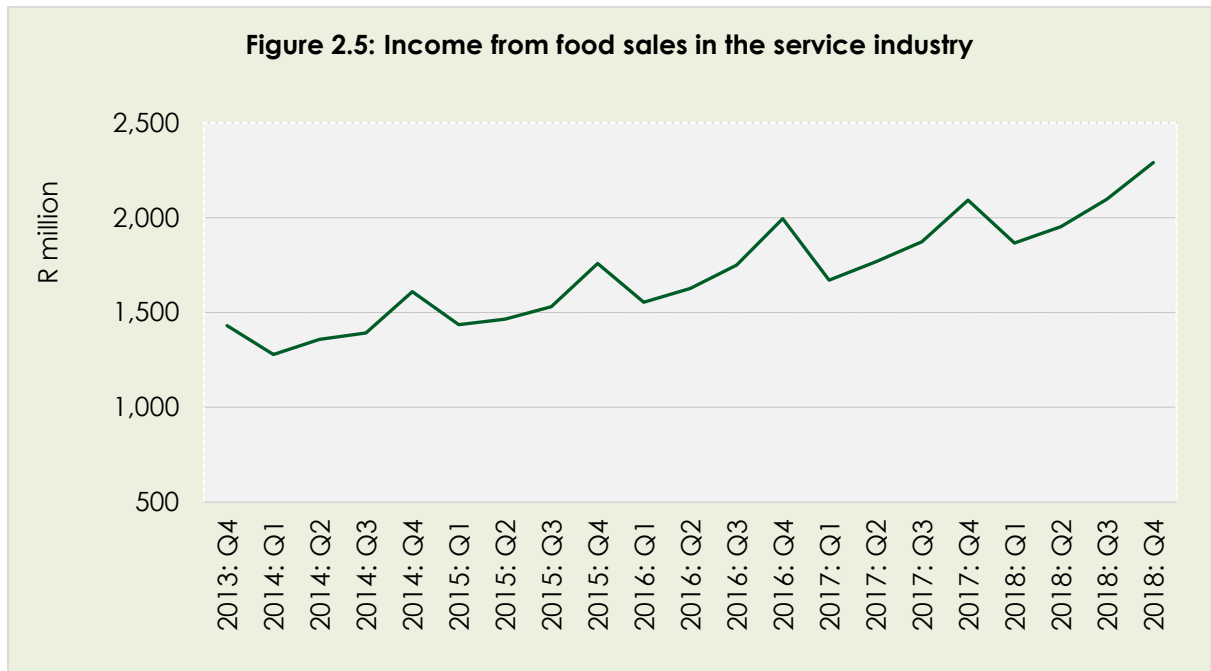


Source: Statistics SA (2019)

⁴ 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.

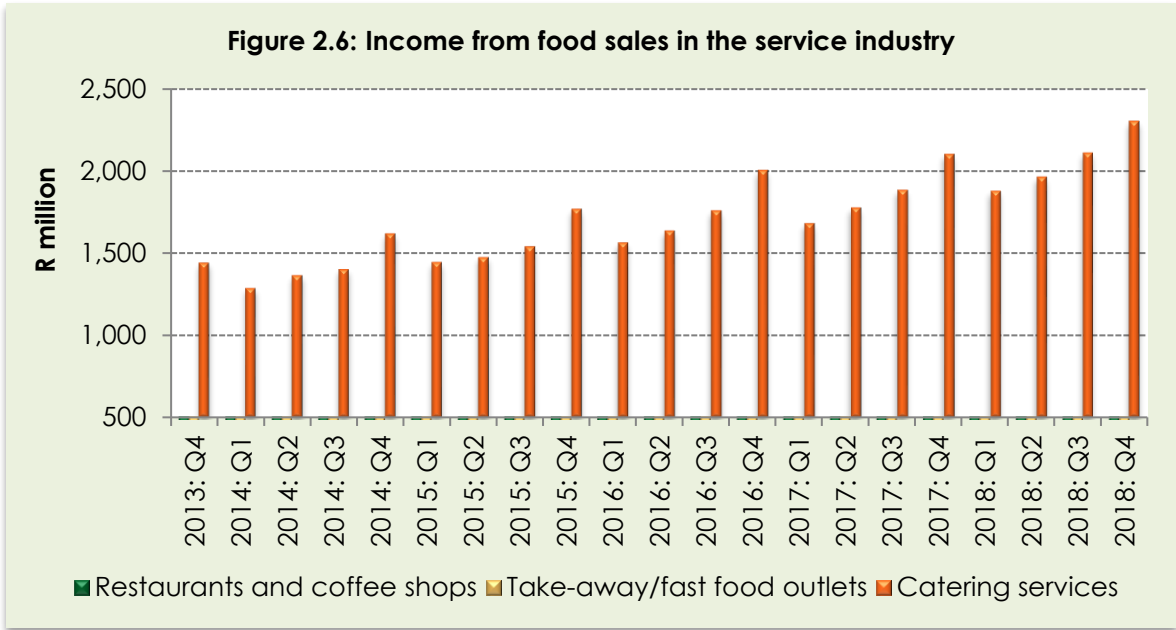
2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY⁶

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 and fast food outlet and catering services.



Source: Statistics SA (2019)

The total income from food sales in the service industry, quarter-to-quarter rose by 9,2% in 2018: Q4, from a 7,4% growth in the preceding quarter, however, moderated by 9,5% year-on-year. The quarter-to-quarter income from food sales in the service industry in the restaurants and coffee shops moderated by 8,3% in 2018: Q4 from a 15,8% growth in the previous quarter. However income grew for take-away/fast food and catering services by 10,5% and 9,2% in 2018: Q4 from a 5,6% and 7,4% growth, respectively, registered in the last quarter. The year-on-year income from restaurants and coffee shops and take away/fast foods grew by 18,2% and 16,7%, while it moderated by 69,6% for catering services. As a result, the total income from food sales industry was R2 290,6 million in 2018: Q4 from R2 097,7 million in the preceding quarter (see Figure 2.6).

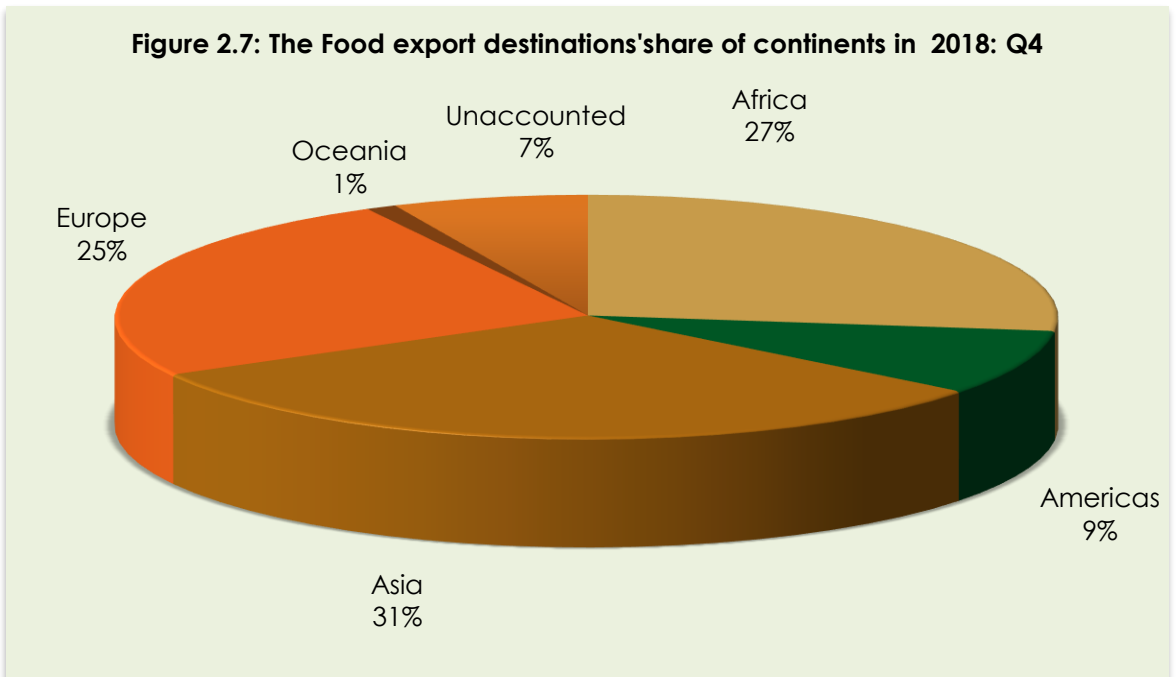


Source: Statistics SA (2019h)

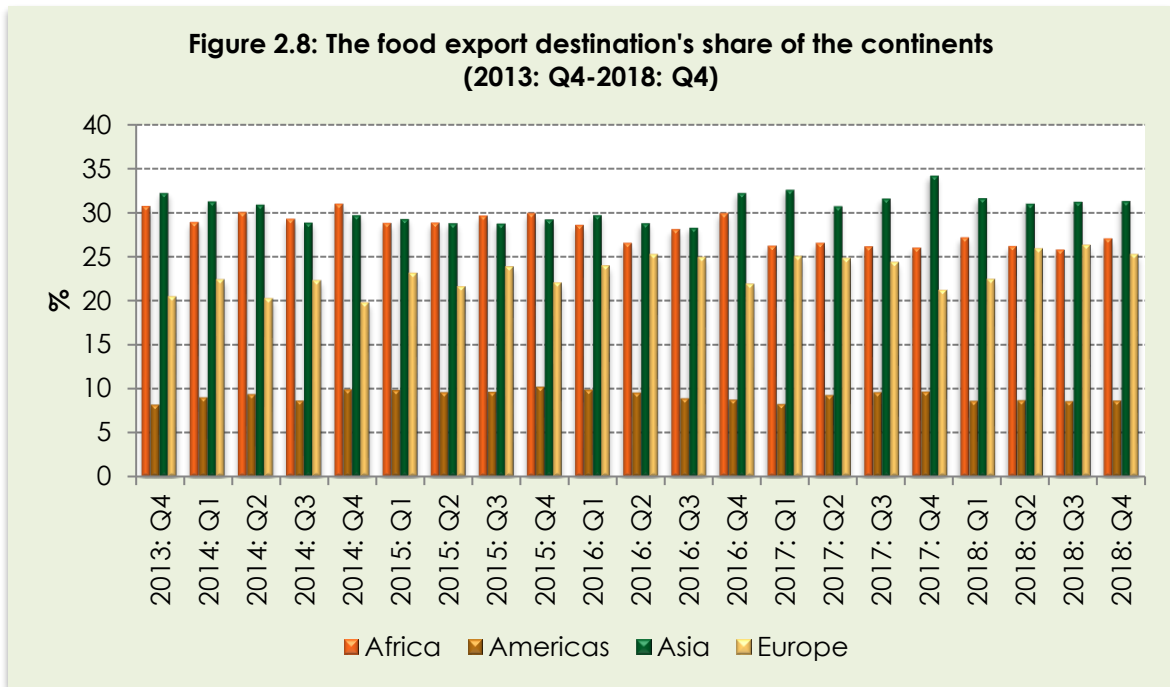
2.5 TRADE

Main food export destinations and products

Figure 2.7 shows food export destinations' share by continents. Asia was the main export destination during 2018: Q4: it accounted for 31% of the total share of exports followed by Africa, Europe and Americas with a share of 27%, 25% and 9%, respectively. Additionally, Oceania has a share of about 1%.

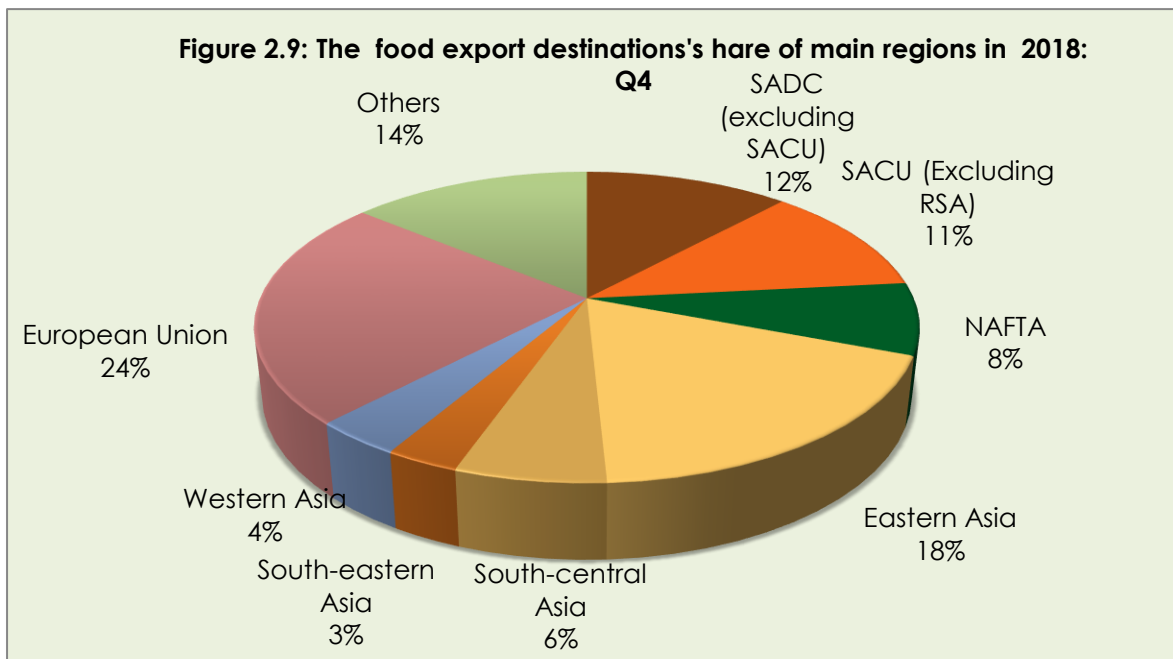


Source: Quantec, 2019



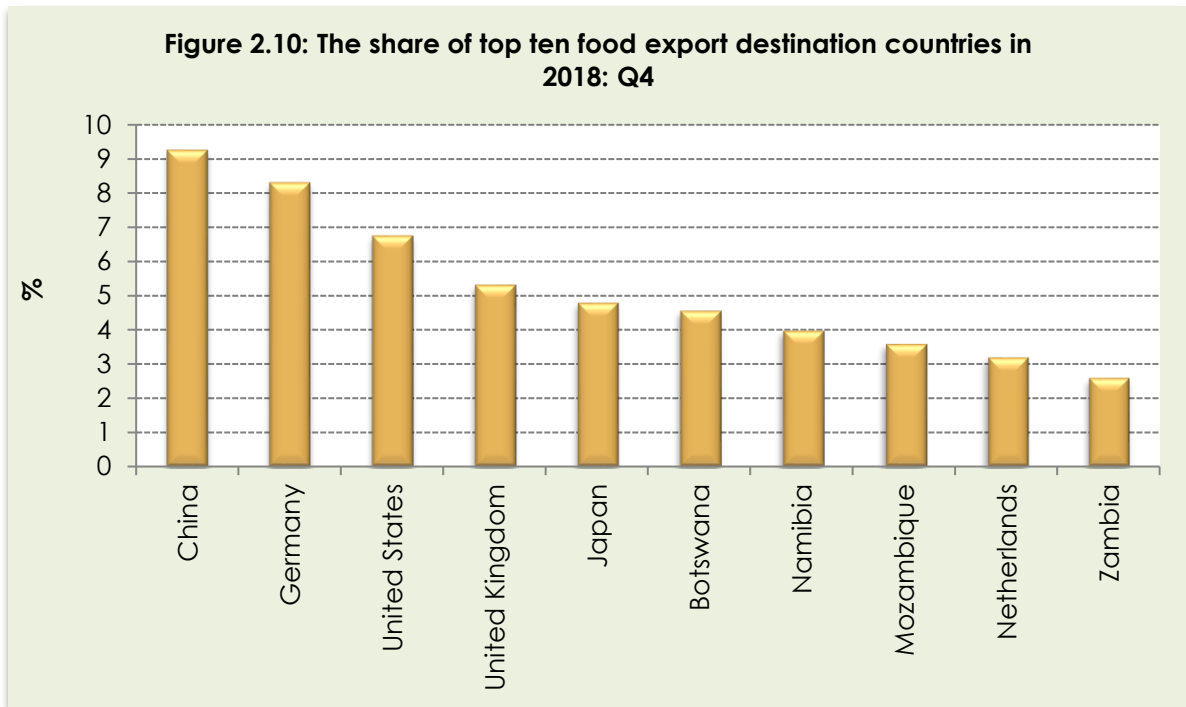
Source: Quantec, 2019

Figure 2.9 shows the food export destinations' share of the main regions⁵ in 2018: Q4. Eastern Asia accounted for a large share of about 21%, followed by the European Union (24%), Eastern Asia (18%), then SADC (excluding SACU) and SACU (Excluding RSA) with a share of 12% and 11%, respectively. Moreover, NAFTA, South Central Asia, Western Asia and Southern Eastern Asia accounted for 8%, 6%, 4% and 3% share, respectively.



Source: Quantec, 2019

⁵ The main regions which are included in the analysis are the top eight regions: SADC, Western Africa, EU; NAFTA (North Atlantic Free Trade Area consists of USA, Canada and Mexico); Eastern Asia (includes China, Japan, North Korea, South Korea); Western Asia (mostly middle east countries); South Central Asia (include India, Pakistan and Bangladesh) and Australia and New Zealand.



Source: Quantec, 2019

Figure 2.10 shows the share of the top ten food export destinations for South Africa by countries in 2018: Q4. Countries that accounted for a huge export share of food during 2018: Q4 were: China (9,2%), Germany (8,3%), United States (6,7%), United Kingdom (5,3%), Japan (4,8%), Botswana (4,6%), Namibia (4,0%), Mozambique (3,6%), the Netherlands (3,2%) and Zambia (2,6%). Table 2.5 presents the major imported food products during 2018: Q4. It shows the current quarter performance values and also the percentage change as compared to a year ago (year-on-year). Table 2.6 presents the major exported food products during 2018: Q4. It shows the current quarter performance values and also the percentage change as compared to a year ago (year-on-year).

Table 2.5: Major imported food products in 2018: Q4

HS CODE	PRODUCT DESCRIPTION	R million in Q4	A % change compared to a year ago
230400	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil	481.16	22.7
190531	Sweet biscuits	112.42	-78.6
230110	Flours, meals and pellets, of meat or meat offal; greaves	112.31	67.6

040510	Butter	88.00	-78.9
170410	Chewing gum, whether or not sugar-coated	74.11	7.2
040690	Other cheese	72.42	-50.8
180400	Cocoa butter, fat and oil	65.26	-42.1
210210	Active yeasts	55.17	-45.5
180500	Cocoa powder, not containing added sugar or other sweetening matter	34.91	-707
190532	Waffles and wafers	27.50	-89.7
100640	Broken rice	22.31	-94.9
210500	Ice cream and other edible ice, whether or not containing cocoa	16.14	-63.8
151530	Castor oil and its fractions	8.05	-40.2
152110	Vegetable waxes	7.78	-54.8
210330	Mustard flour and meal and prepared mustard	6.58	-57.0
210310	Soya sauce	6.41	-59.8
151000	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 15.09	6.39	-91.2
170240	Glucose and glucose syrup, containing in the dry state at least 20% but less than 50% by weight of fructose	6.23	-25.0

040620	Grated or powdered cheese, of all kinds	5.55	-61.6
210410	Soups and broths and preparations therefor	5.35	19.0
190240	Couscous	4.28	-55.3

Source: Quantec, 2019

Table 2.6: Major exported food products in 2018: Q4

HS Code	Product Description	Total amount (R million)	A % change compared to a year ago
210410	Soups and broths and preparations therefor	255.5	-39.5
230120	Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates	164.6	-18.2
040310	Yogurt	140.6	-6.6
230400	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil	139.8	-11.5
190110	Preparations for infant use, put up for retail sale	116.8	-8.9
151710	Margarine, excluding liquid margarine	114.2	-28.7
210500	Ice cream and other edible ice, whether or not containing cocoa	111.9	32.3

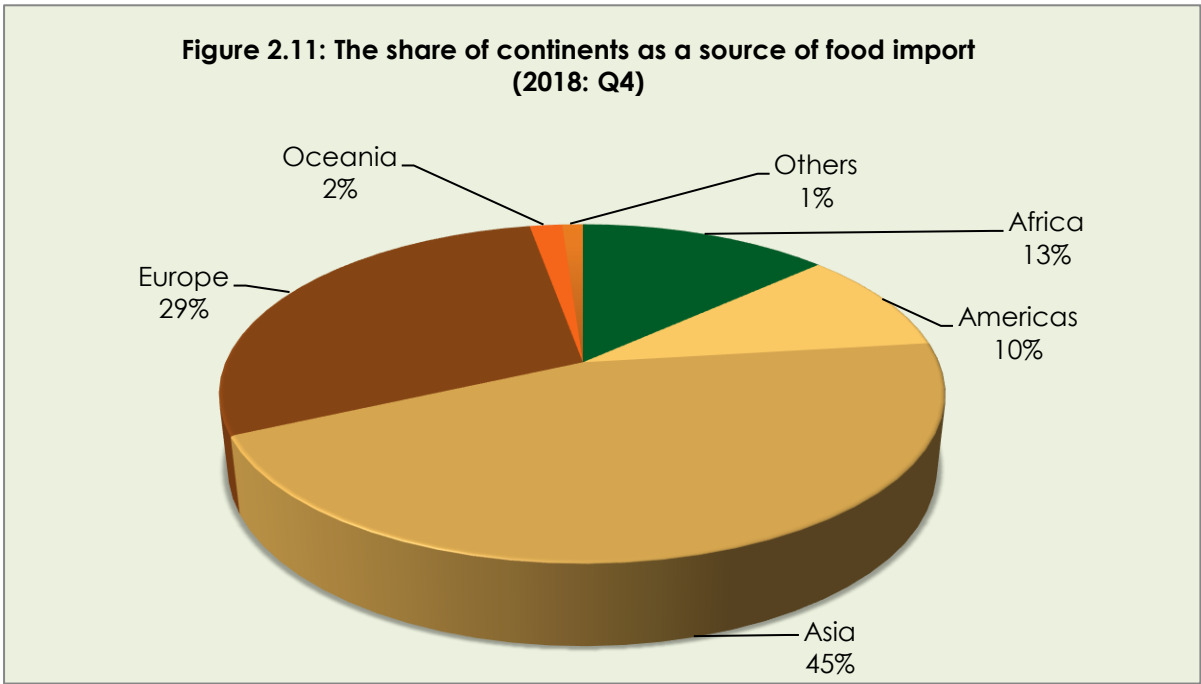
210320	Tomato ketchup and other tomato sauces	108.0	49.6
190120	Mixes and doughs for the preparation of bakers' wares of heading 19.05	54.3	-34.7
170410	Chewing gum, whether or not sugar-coated	39.3	83.7
040510	Butter	29.7	-12.2
210210	Active yeasts	28.7	-41.0
210230	Prepared baking powders	21.8	49.6
210330	Mustard flour and meal and prepared mustard	15.2	-16.8
230110	Flours, meals and pellets, of meat or meat offal; greaves	12.0	18.2
180500	Cocoa powder, not containing added sugar or other sweetening matter	8.8	208.7
121300	Cereal straw and husks, unprepared, whether or not chopped, ground, pressed or in the form of pellets	5.4	22.4
190532	Waffles and wafers	5.4	22.4
030510	Flours, meals and pellets of fish, fit for human consumption	5.1	
190220	Stuffed pasta, whether or not cooked or otherwise prepared	3.5	44.6

190240	Couscous	2.9	-27.6
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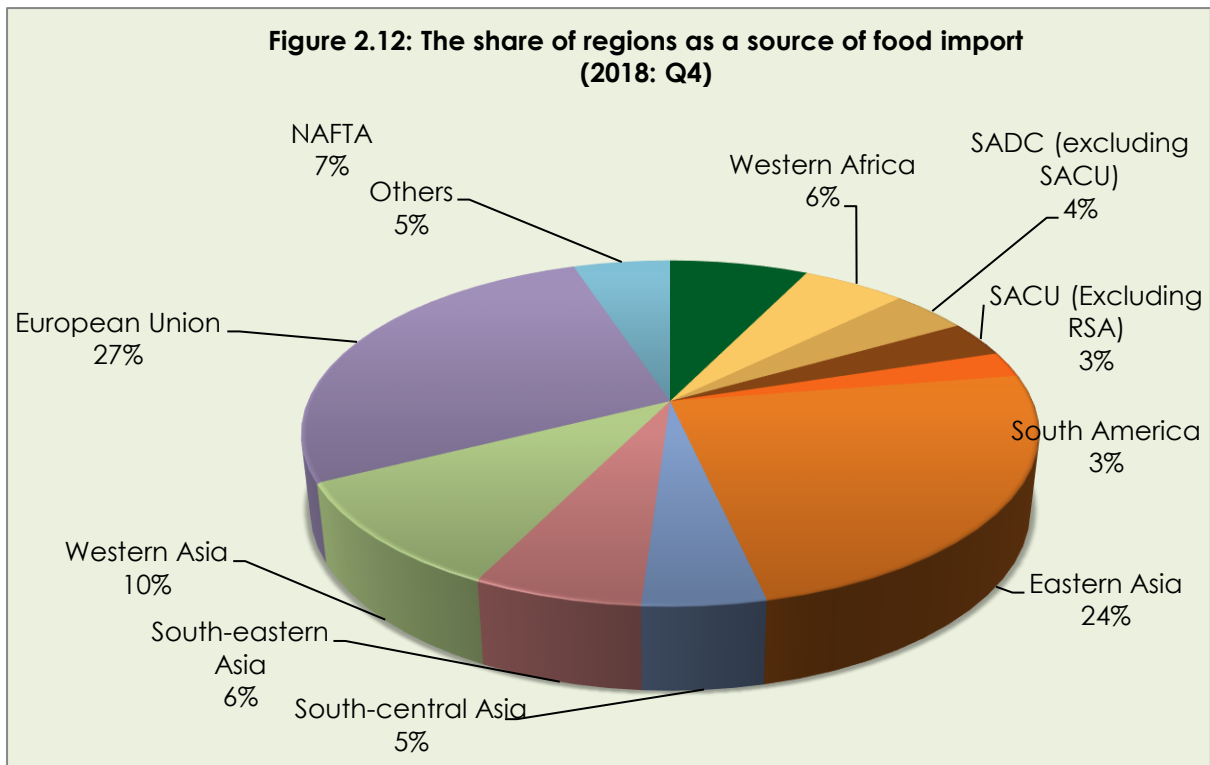
Source: Quantec, 2019

Main source of food imports and imported food products

South Africa's main source of food imports during 2018: Q4 is presented in Figure 2.11. Asia accounted for a large share of food imports by accounting for 45% share, followed by Europe with 29%, then Africa and Americas with a share of 13% and 10%, respectively. Oceania accounted for a 1% share.

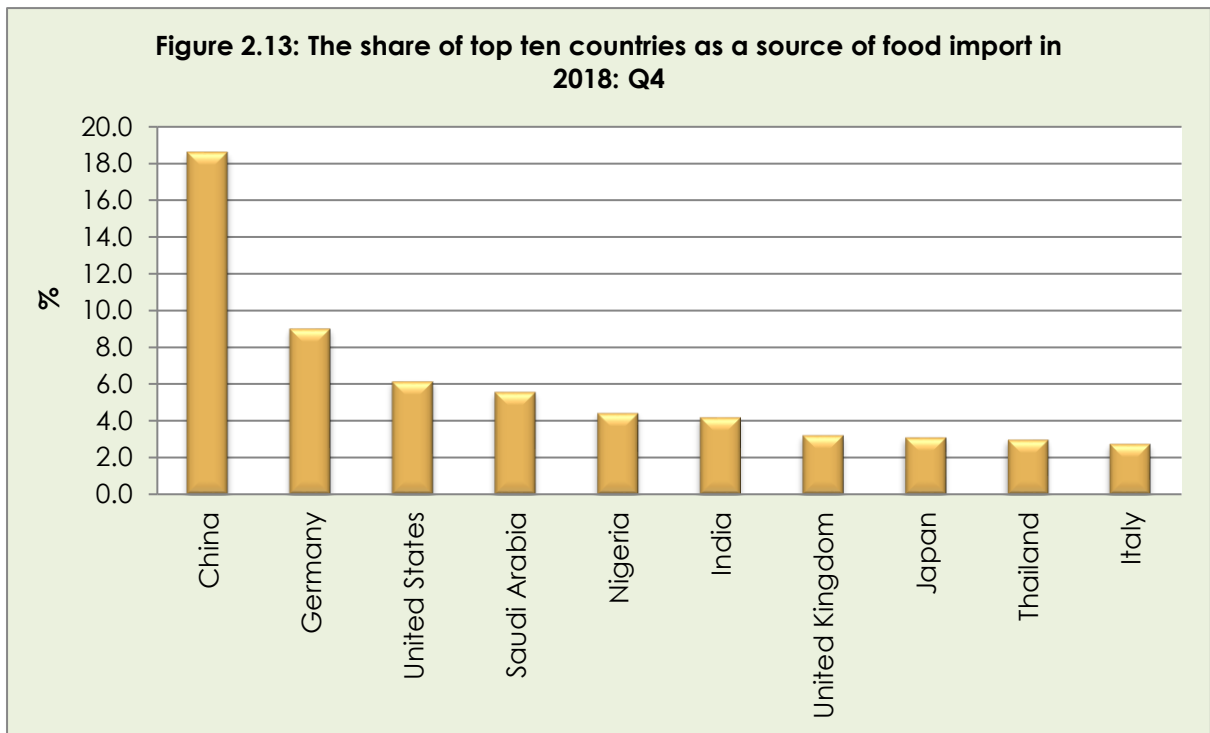


Source: Quantec, 2019



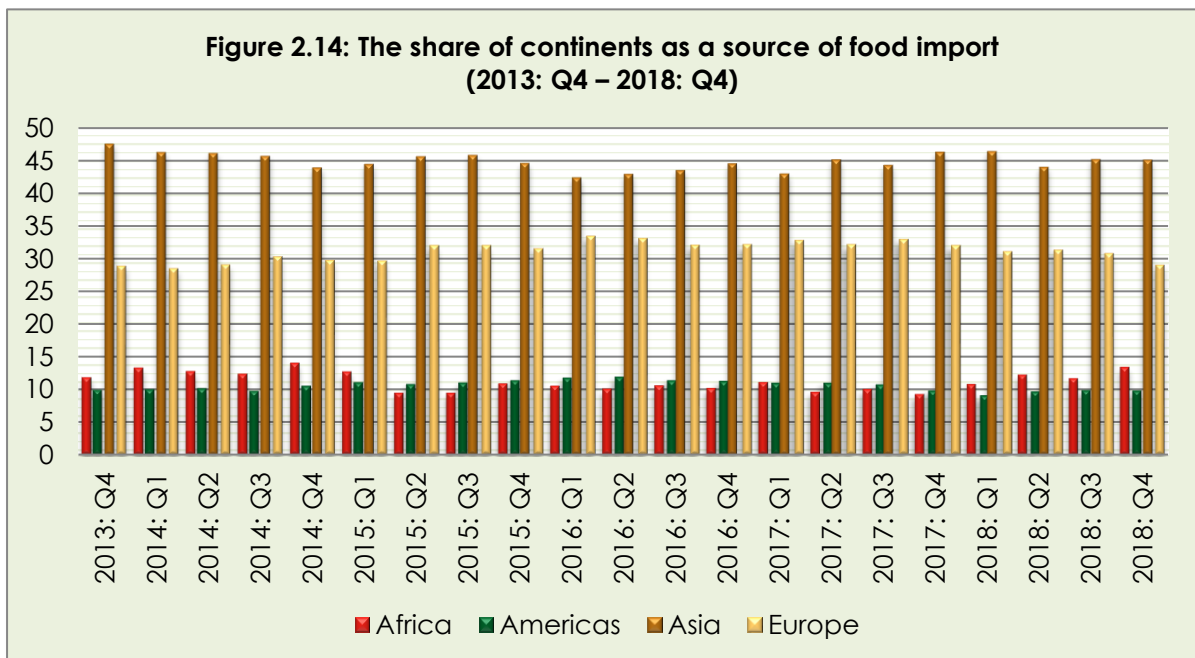
Source: Quantec, 2019

The European Union accounted for a large share of 27% of South African food imports, followed by Eastern Asia with 24%, then Western Asia (10%) and NAFTA (7%). The south eastern Asia, and Western Africa accounted for a share of 6% each, while South Central Asia accounted for 5%, SADC (excluding SACU) 4%, SACU (Excluding RSA) and South America accounted 3% each (see Figure 2.13).

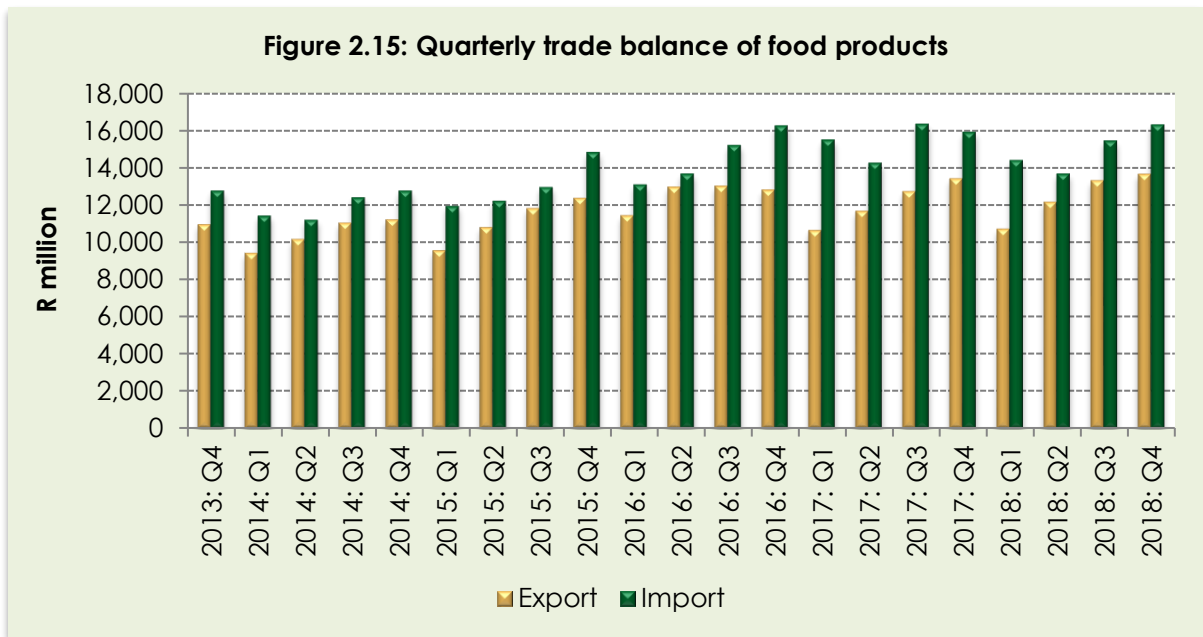


Source: Quantec, 2019

The top ten countries that accounted for a large share of South African food imports were: China (18,6%), Germany (9,0%), the United States (6,1%), Saudi Arabia (5,6%), Nigeria (4,4%), India (4,2%), United Kingdom (4,3%), Japan (3,1%), Thailand (3,0%) and Italy (2,7%).



Source: Quantec, 2019



Source: Quantec, 2019

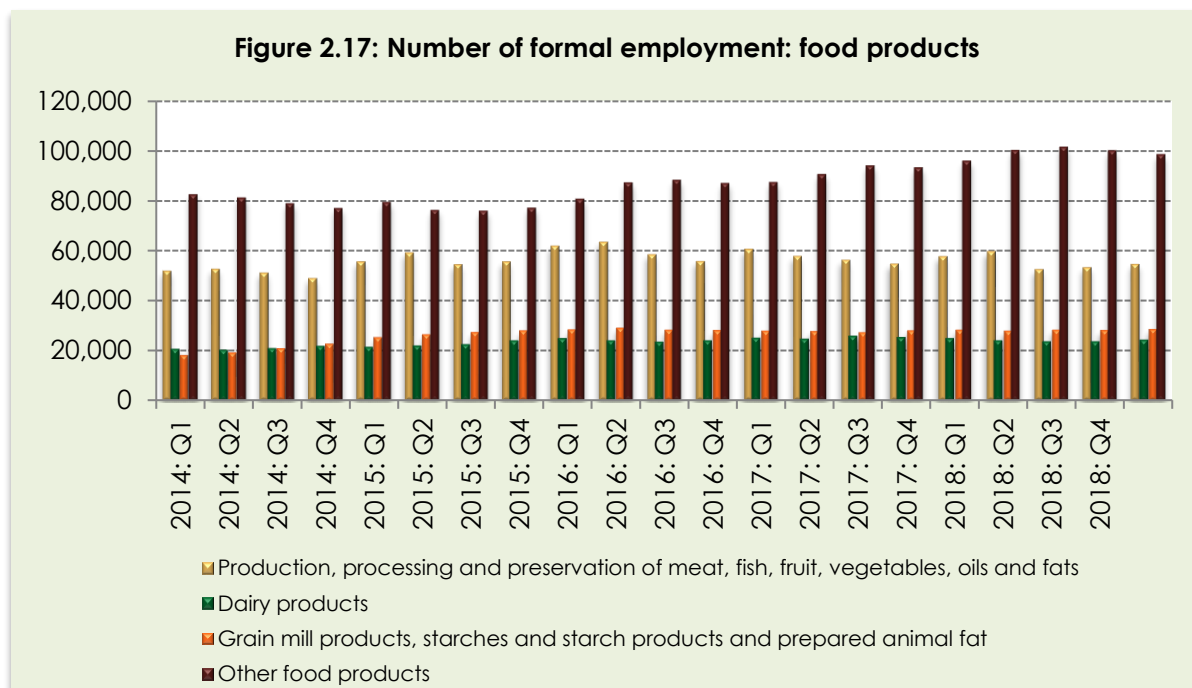
Figure 2.15 shows the quarterly trade balance of South African food products. The quarter-to-quarter and year-on-year exports of food moderated by 2,6% and 1,9% in 2018: Q4 from a growth of 9,6% and 14,7%, respectively, as recorded in the last quarter. On the other hand, during 2018: Q4, the food imports moderated by 5,6% quarter-to-quarter, however, rebounded by 2,5% year-on-year. As a result, the trade deficit grew from R2 140.1 million in 2018: Q3 to R2 671.0 million in 2018: Q4.

2.6 EMPLOYMENT



Source: Stats SA (2019)

Figure 2.16 shows the total number of formal employment in the South African food products division. The quarter-to-quarter number of formal employment for food products division rebounded by 0,3% in 2018: Q4 as compared to a contraction of 0,3% registered in 2018: Q3. However, the food division contracted by 0,4% year-on-year in 2018: Q4. As a result, the food products division created 710 more jobs as compared to the previous quarter.



Source: Statistics SA (2019i)

Figure 2.17 shows the number of formal employment of food products division items. The quarter-to-quarter formal employment of meat, fish, fruit etc. and dairy products grew by 2,5% and 2,4% in 2018: Q4 from a growth of 1,6% and 0,2% recorded in the last quarter. However, the number of formal employment in grain mill products division rebounded by 1,1% in 2018: Q4 following a 0,4% contraction in the preceding quarter, while employment in other food products division registered an improved negative growth of 1,4% in 2018: Q4 from a contraction of 1,5% in the last quarter. The year-on-year employment in meat, fish, fruit etc. division decelerated by 5,3%, dairy division recorded an improved negative growth of 2,9%, grain mill products division grew marginally by 0,8% and "other food products" moderated by 2,8%.

4. BEVERAGES

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

- Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials
- Manufacture of wine
- Manufacture of beer and other malt liquors and malt
- Breweries, except sorghum beer breweries

- Sorghum beer breweries
- Manufacture of malt
- Manufacture 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 beverages. The year-on-year and quarter-to-quarter consumer price for all items (CPI Headline) was at 4,8% and 0,8%, respectively. The quarter-to-quarter change in CPI for spirits, wine, beer, hot beverages and cold beverages are 0,3%, 0,5%, 1,9%, 0,1% and 0,9%, respectively, in 2018: Q4.

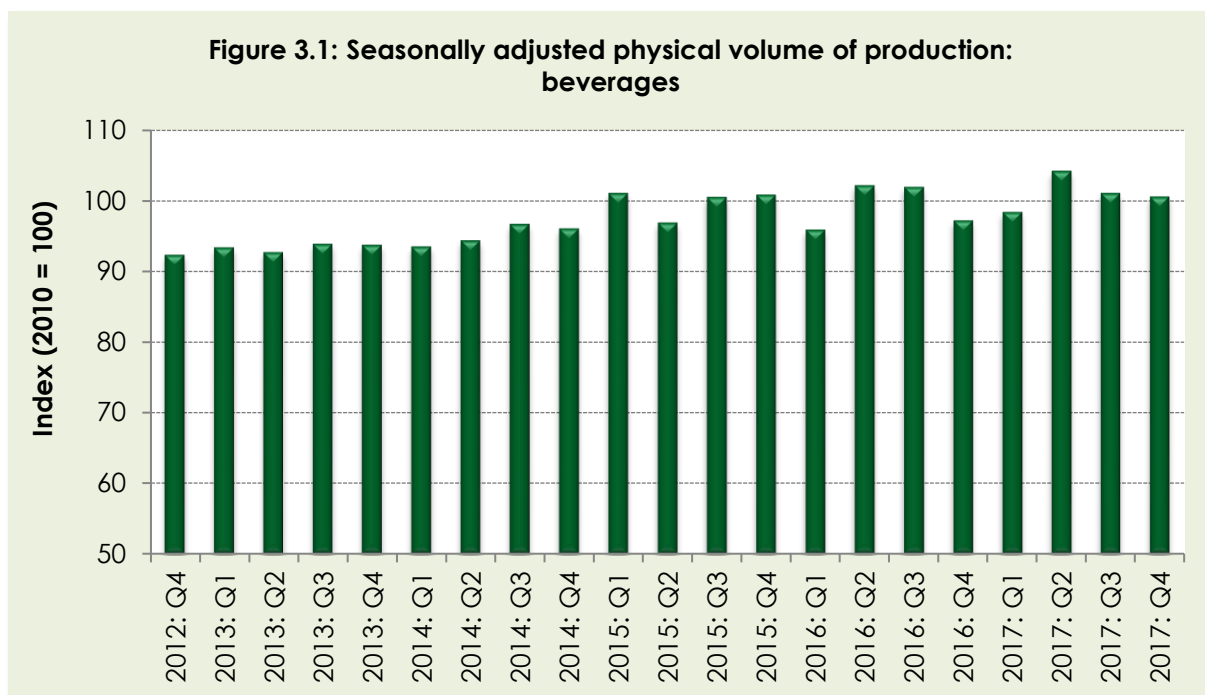
However, the producer price index for beverages was 4,% year-on-year and 3,7% quarter-to-quarter. The export unit value for beverages declined by 3,1% year-on-year and 0,4% quarter-to-quarter in 2018: Q4

Table 3.1: Price indices of beverages

Beverages products	Weight	Indices			% change between	
		2017: Q4	2018: Q3	2018: Q4	2017: Q4 and 2018: Q4	2018: Q3 and 2018: Q4
Consumer price indices						
All items (CPI Headline)	100	104,1	108,3	109,2	4,8	0,8
Alcoholic beverages	3,9	105,0	109,8	111,1	5,8	1,2
Spirits	0,8	102,9	109,8	110,2	7,1	0,3
Wine	0,7	106,7	112,3	112,8	5,7	0,5
Beer	2,5	105,0	108,7	110,7	5,4	1,9
Non-alcoholic beverages	1,2	104,2	112,1	112,9	8,3	0,7
Hot beverages	0,3	107,0	111,4	111,6	4,2	0,1
Cold beverages	0,9	102,6	112,6	113,6	10,7	0,9
Producer price index						
Beverages	8,5	104,5	105,6	108,2	4,6	3,7
Export Unit value						
Beverages	135,2	93,7	91,3	90,9	-3,1	-0,4

Source: Stats SA (2019)

3.2 PRODUCTION



Source: Statistics SA (2019d)

Figure 3.1 presents the seasonally adjusted physical volume of production for beverages division. During 2018: Q4, the quarter-to-quarter and year-on-year seasonally adjusted physical volume of production for beverages division grew by 4,4% and 9,2% from a 0,6% and 2,2% growth, respectively, as recorded in the last quarter.

Production capacity

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

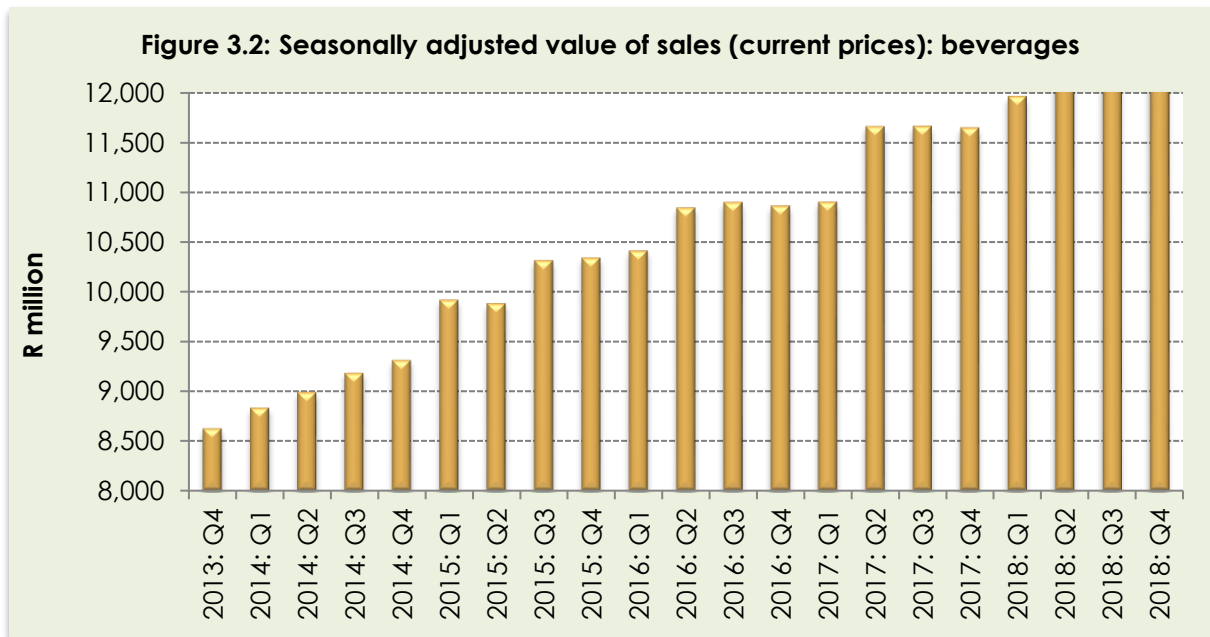
Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
			Skilled	Semi and unskilled			
2017: Q4	87,6	12,4	1,4	0,9	0,3	6,6	3,2
2018: Q3	81,4	18,6	4,6	0,7	0,3	9,3	3,7
2018: Q4	88,5	11,5	2,5	0,7	0,2	5,5	2,7

Source: Statistics SA (2019e)

Table 3.2 shows that the year-on-year utilisation capacity by large enterprises for beverages division grew marginally year-on-year and modestly quarter-to-quarter. Insufficient demand

remains the main reason for underutilisation, followed by other reasons such as downtime due to maintenance.

3.3 VALUE OF SALES



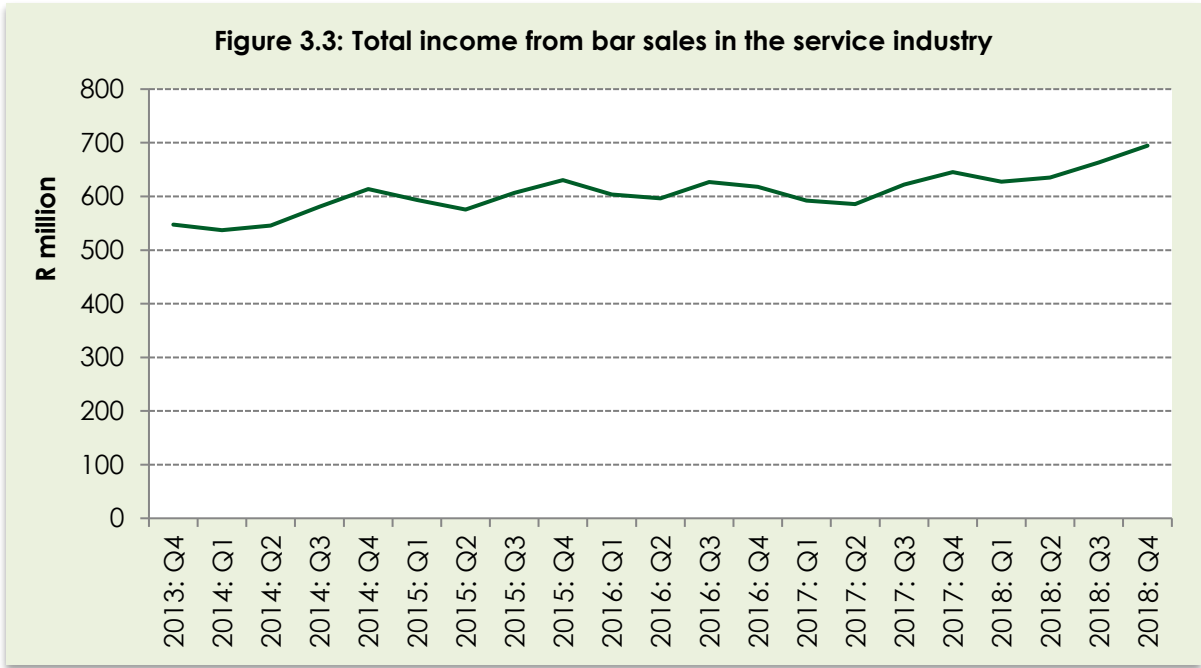
Source: Statistics SA (2019d)

During 2018: Q4, the quarter-to-quarter seasonally adjusted value of sales for the beverages division grew by 5,1%, from 1,2% growth recorded in the last quarter. The year-on-year seasonally adjusted value of sales for beverages grew significantly by 13,3% in 2018: Q4 from a 7,7% growth registered in the preceding quarter (see Figure 3.2).

3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY⁶

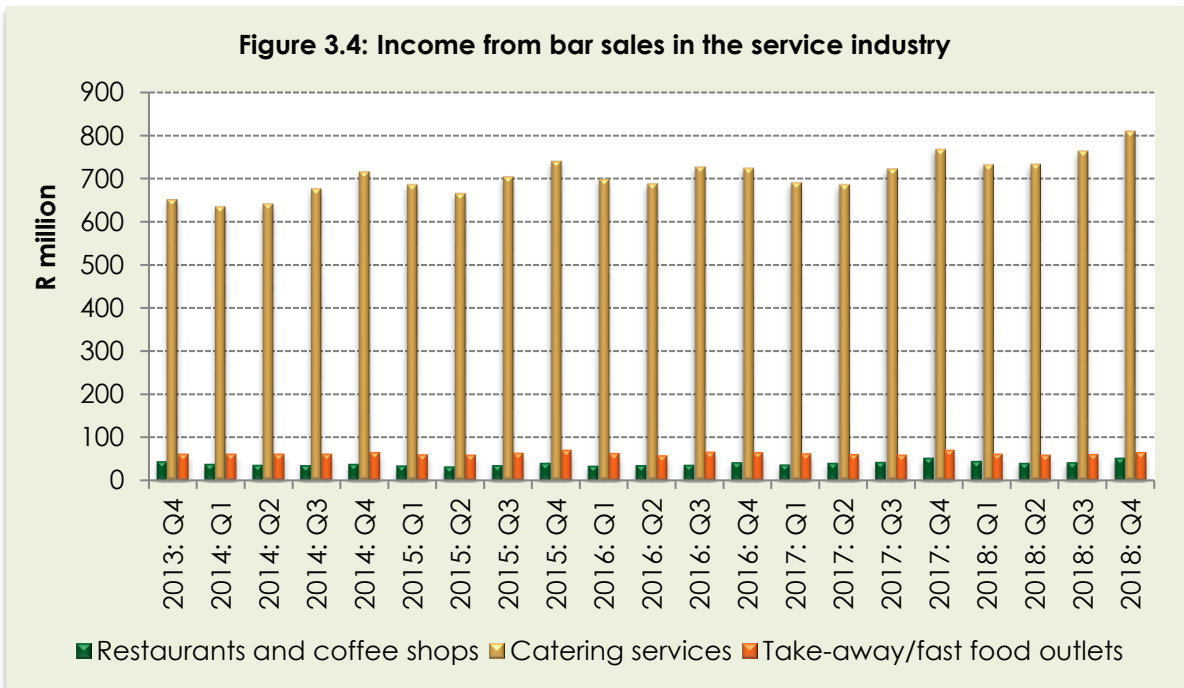
Figure 3.3 below shows the total income for bar sales in the food and beverages service industry in 2018: Q4. The quarter-to-quarter total income from bar sales in the food and beverages service rose by 4,8% in 2018: Q4 as compared to a 4,4% growth in the previous quarter. Similarly, it rose by 7,6% year-on-year. The total income increased to about R694,6 million in 2018: Q4 from R662,9 million in 2018: Q3.

⁶ Income from bar sales refers to income from liquor sales.



Source: Statistics SA (2019h)

Figure 3.4 below shows the income from the bar sales industry in South Africa, which includes restaurant and coffee shops, take-away/fast food outlets and catering services. During 2018: Q4, the quarter-to-quarter income from restaurant and coffee shops, take away/fast food outlets and catering services rose by 23,8%, 7,1% and 6,0% from a growth of 3,3%, 2,2,% and 4,1% in 2018: Q3, respectively. However, during 2018: Q4, the year-on-year income from catering services moderated by 5,5%, take-away/fast food outlets contracted by 8,4%, while restaurants and coffee shops recorded an improved negative growth of 1,1%.

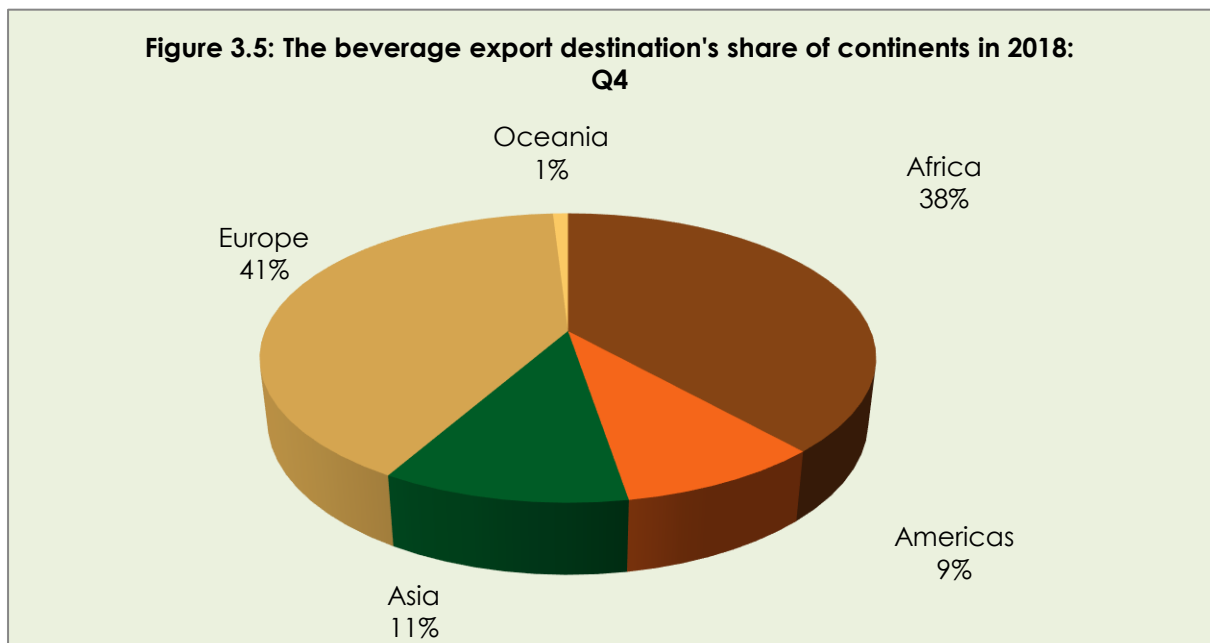


Source: Statistics SA (2019h)

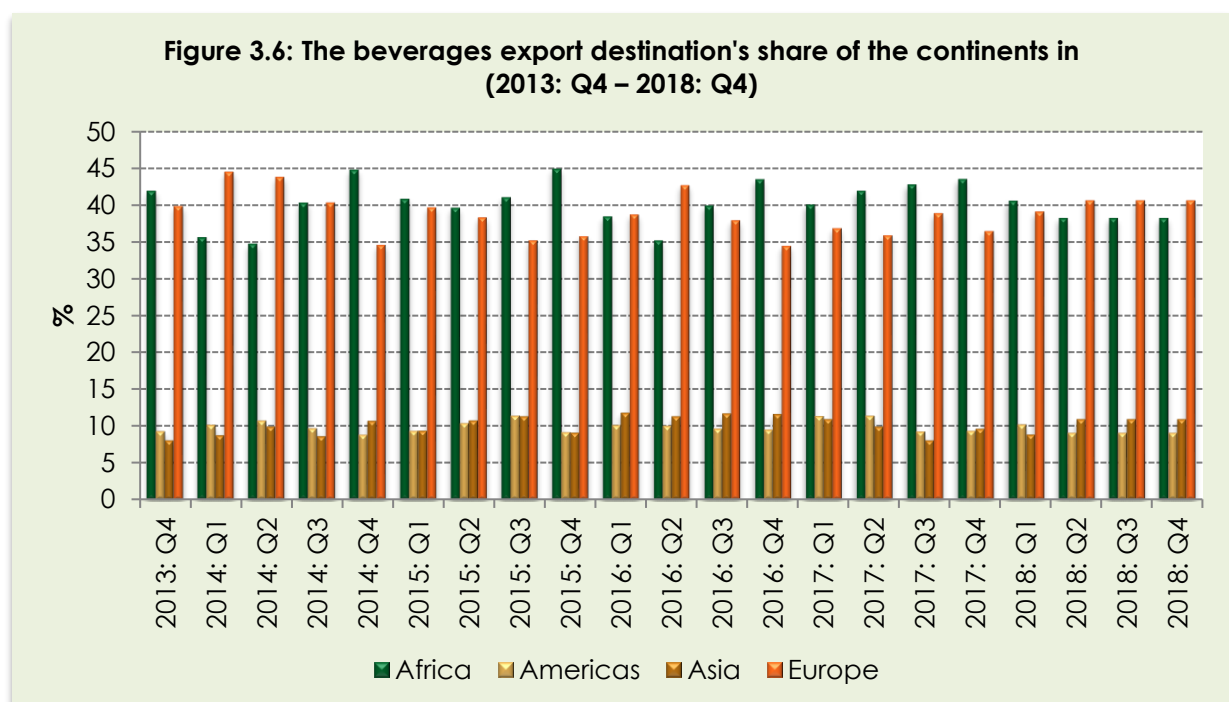
3.5 TRADE

Main export destinations of beverages products

Figure 3.5 shows the export destinations for South African beverages products. Europe is the major export destination for South African beverages products and accounts for a share of about 41%, followed by Africa (38%). Asia and Americas account for a share of 11% and 9,0%, respectively. Oceania is the least with (1%). Figure 3.6 shows the trend of beverages export destinations share of continents over the past five years.



Source: Quantec (2019)



Source: Quantec (2019)



Source: Quantec (2019)

Figure 3.8 above shows the share of top ten beverages export destinations by countries during 2018: Q4. The following are the main countries that accounted a huge share of beverages exported during the quarter under review: the United Kingdom (11,3%), Namibia (8,7%), Germany (7,9%), Botswana (6,0%), Netherlands (4,5%), Zambia (4,1%), France (3,8%), Mozambique (3,6%), China (3,1%) and Denmark (2,9%). Table 3.3 below presents the major exported beverage products during 2018: Q4 and the year-on-year change.

Table 3.3: Major exported beverages products in 2018: Q4 and year-on-year percentage change

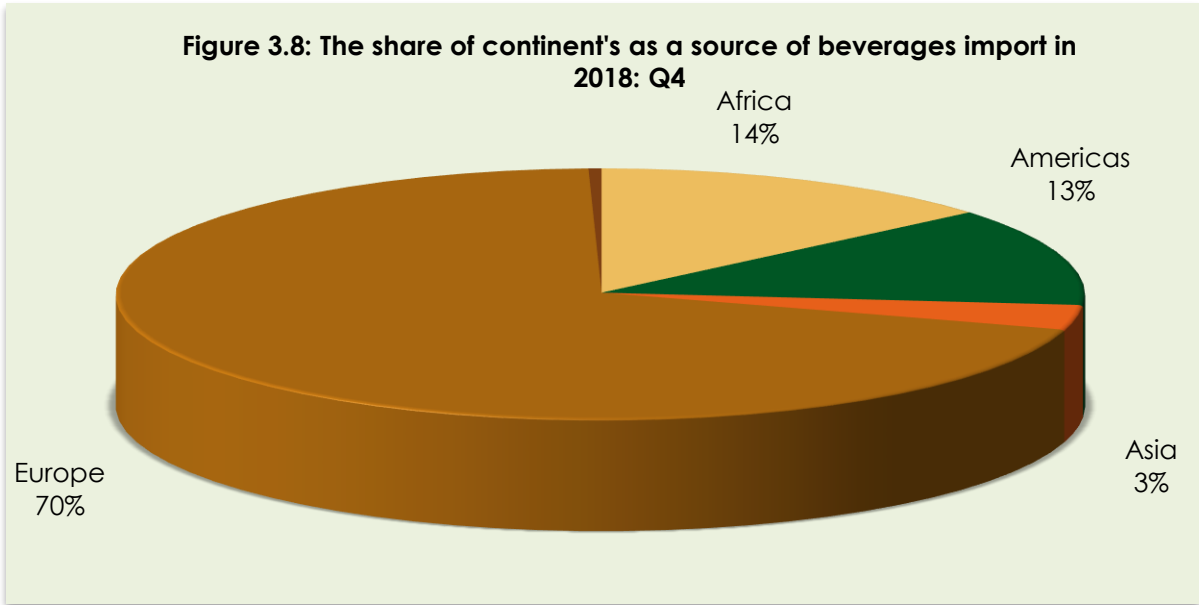
Hs code	Product description	R million	A % change compared to a year ago
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	722.3	-4.4
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	449.5	26.6
220300	Beer made from malt	358.7	11.1

220600	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	339.6	5.1
220870	Liqueurs and cordials	188.6	11.6
220410	Sparkling wine	134.6	-10.9
220820	Spirits obtained by distilling grape wine or grape marc	114.4	44.5
220720	Ethyl alcohol and other spirits, denatured, of any strength	97.5	-3.5
220860	Vodka	85.5	35.7
220850	Gin and Geneva	49.3	73.7
220840	Rum and other spirits obtained by distilling fermented sugar cane products	22.1	-6.9
220900	Vinegar and substitutes for vinegar obtained from acetic acid. Gin and Geneva	19.1	34.3
220110	Mineral waters and aerated waters	15.9	41.3

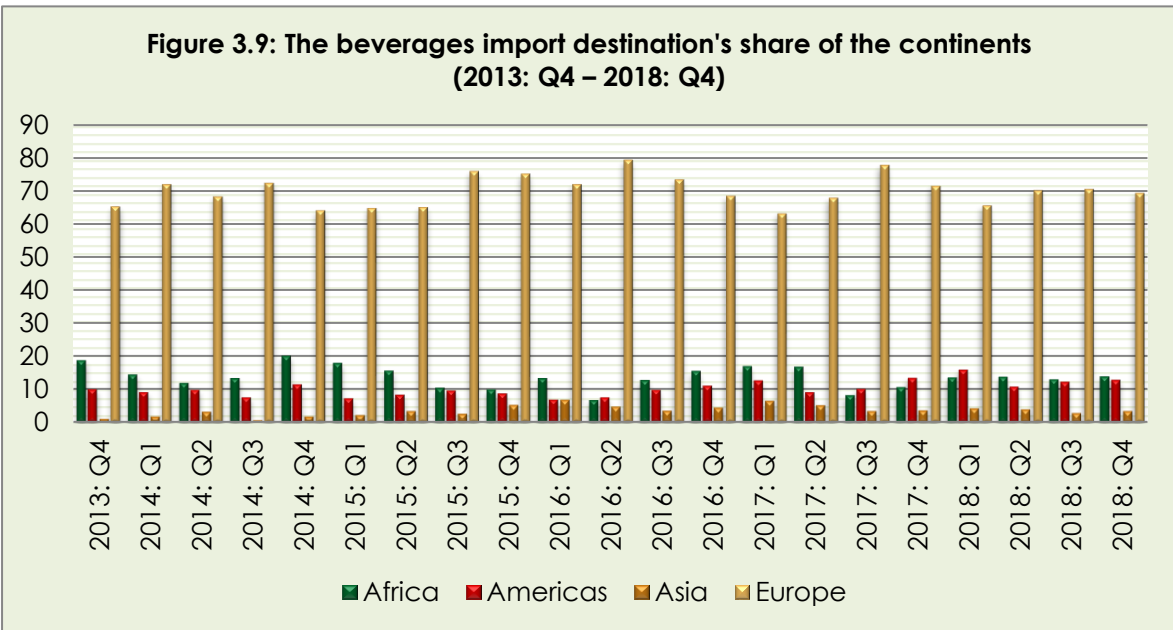
Source: Quantec (2019)

Main imported beverage products and the source

Figure 3.9 illustrates the share of continents as a source of beverages imports in 2018: Q4. Europe accounted the largest share of continents as a source of South African beverages imports; it accounted for 70% share, followed by Africa (14%), Americas (11%) and Asia with a share of 4%. Figure 3.10 shows that Europe accounted for a huge share of beverages imports followed by Africa, Americas and Asia.



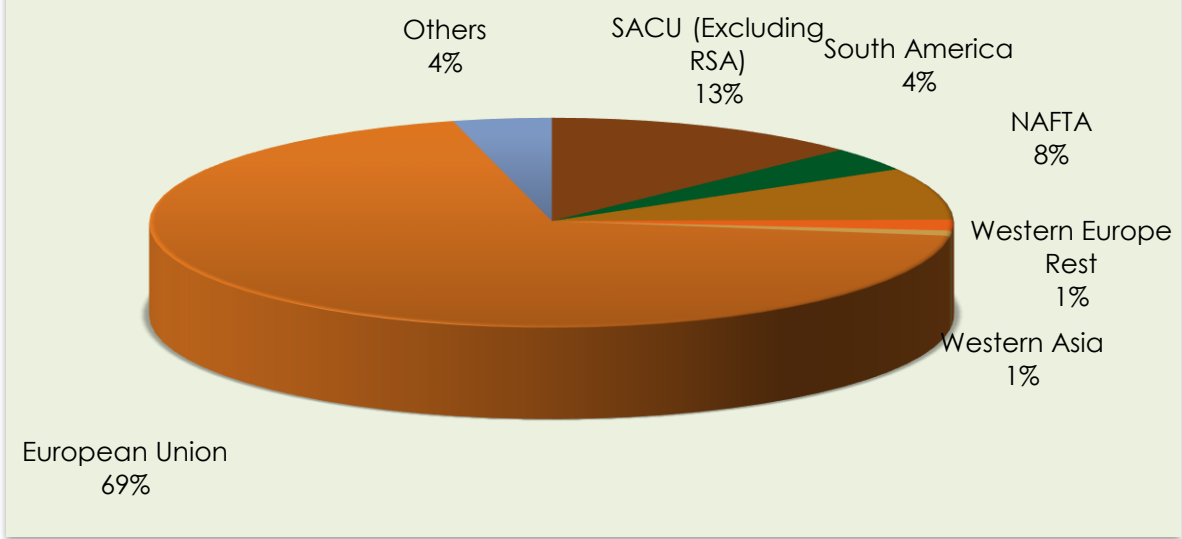
Source: Quantec (2019)



Source: Quantec (2019)

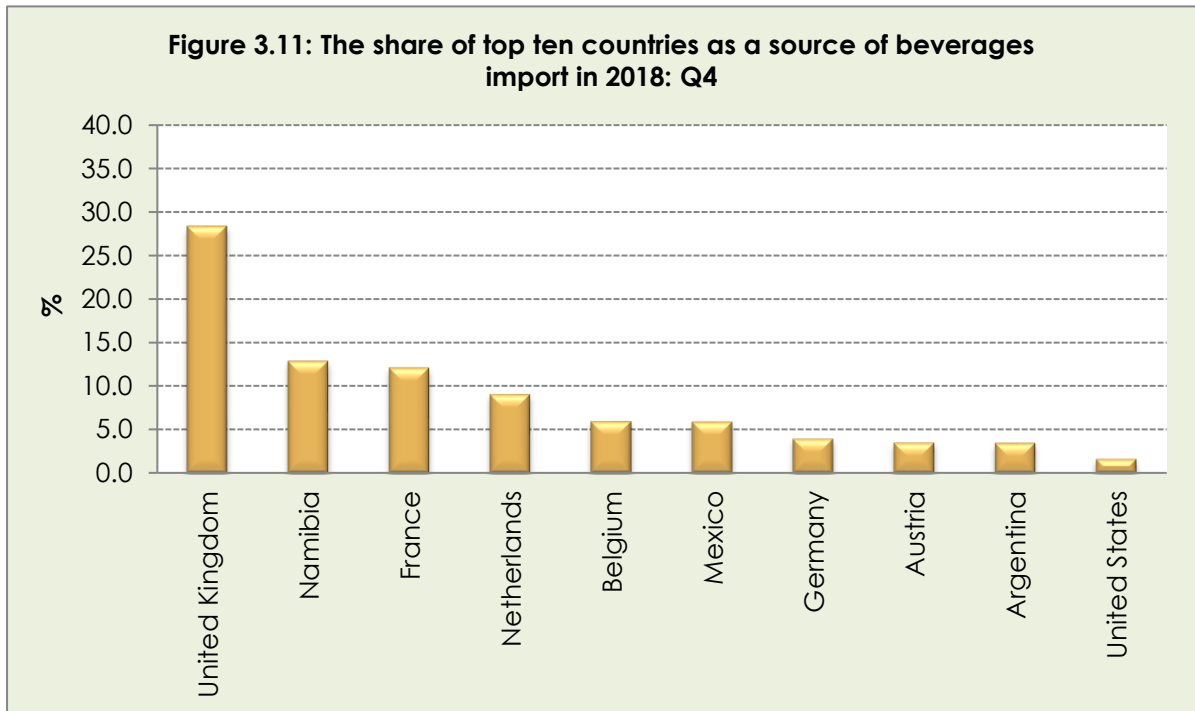
Among the top trading regions, the European Union (69%) still accounts for the largest share as a source of imports, followed by SACU (Excluding RSA) (13,0%), NAFTA (8%) and South America (4%). The Western Europe Rest and Western Asia share was at 1% each (see Figure 3.10).

Figure 3.10: The share of top regions as a source of beverages import in 2018: Q4



Source: Quantec (2019)

Figure 3.11: The share of top ten countries as a source of beverages import in 2018: Q4



Source: Quantec (2019)

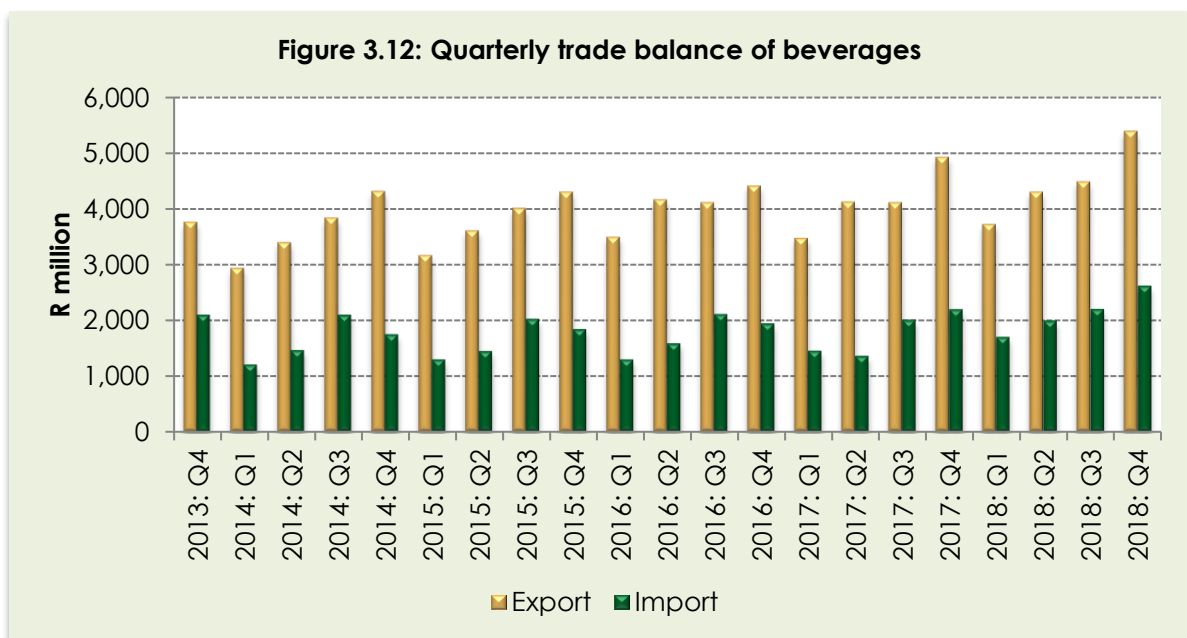
Figure 3.11 above shows the share of the top ten countries as a source of beverages imports. During 2018: Q4, the United Kingdom accounted for a huge share of beverages imports at 28,3%, followed by Namibia (12,9%), France (12,1%), Netherlands (9,0%), Belgium (6,0%), Mexico (5,9%), Germany (4,0%), Austria (3,5%), Argentina (3,5%) and the United States (1,7%). Table 3.5 below presents major imported beverages products during 2018: Q4 and the year-on-year change.

Table 3.5: Imported beverages in 2018: Q4 and year-on-year percentage change

HS CODE	Product description	R million	% change compared to a year ago
220300	Beer made from malt	752.5	-17.3
220830	Whiskies	698.6	-47.9
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	222.8	-59.9
220820	Spirits obtained by distilling grape wine or grape marc	169.5	-79.9
220410	Sparkling wine	118.0	-79.5
220850	Gin and Geneva	107.3	-90.1
220870	Liqueurs and cordials	84.0	-62.1
220860	Vodka	35.5	-83.3
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	20.5	-34.9
220600	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	20.1	-96.9

220840	Rum and other spirits obtained by distilling fermented sugar cane products	16.6	-1.4
220110	Mineral waters and aerated waters	12.8	-74.4
220900	Vinegar and substitutes for vinegar obtained from acetic acid.	8.3	-68.9

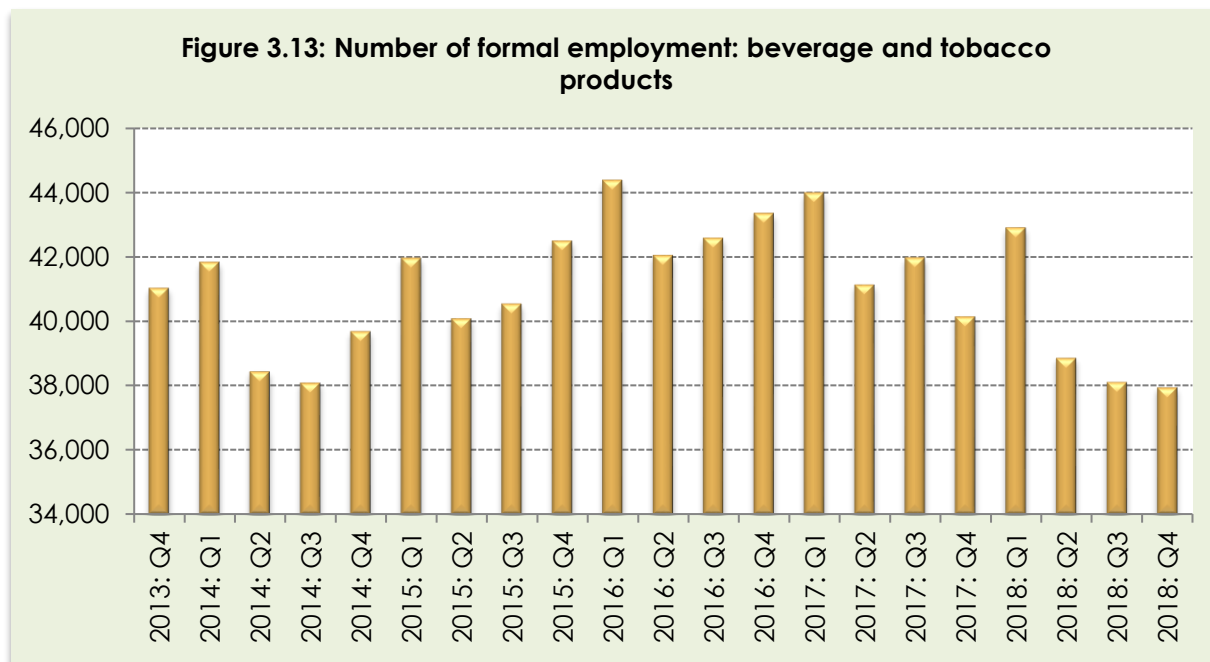
Source: Quantec (2019)



Source: Quantec (2019)

During 2018: Q4, the quarter-to-quarter and year-on-year imports of beverages accelerated by 19,0% and 19,3% from a growth of 10,3% and 9,9% growth recorded in the preceding quarter. Similarly, the quarter-to-quarter exports of beverages accelerated by 20,2% from a 10,3% growth in the preceding quarter, while the year-on-year exports of beverages grew marginally by 9,4% from a 9,1% growth in the last quarter. As a result, the trade surplus grew from R2 299,9 million in the last quarter to R2 791,7 million in 2018: Q4.

3.6 EMPLOYMENT



Source: Stats SA (2019)

Figure 3.14 shows the number of formal employment in the beverage and tobacco products industry. The quarter-to-quarter and year-on-year formal employment in the beverages division recorded an improved negative growth of 0,4% and 5,5% in 2018: Q4 from a 1,9% and 9,2% contraction in 2018: Q3. As a result, 169 jobs were created in 2018: Q4.

5. CONCLUSION

The South African real economic growth slowed from a revised 2,%, in 2018: Q3 to 1,4% in the fourth quarter. The real gross value added (GVA) by the primary sector contracted for a fourth successive quarter, while output growth slowed in the secondary and tertiary sectors. For 2018 as a whole, growth in real gross domestic product (GDP) moderated to 0,8% from an upwardly revised 1,4% in 2017. The volume of production in the food and beverages division grew marginally quarter-to-quarter and year-on-year. Sales also moderated during 2018: Q4. During 2018: Q4, Asia accounted for a large share of food exports followed by Africa, Europe and Americas—Oceania accounted for a minimal share. Continents that accounted for a large share of food imports were Asia, followed by Europe, Africa and Americas. Oceania accounted for a minimal share of 1%. In terms of beverages, Europe accounted for a large share of South African exports, followed by Africa, Asia and Americas. However, Europe accounted for the largest share of beverages import followed by Americas, Africa and Asia. The food, beverages and tobacco divisions created 541 jobs during the period under review.

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