



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

# Markets and Economic Research Centre

## Macroeconomic Digest



*An Update on Selected  
Macroeconomic Indicators*

*August 2017*

## EXECUTIVE SUMMARY

- **Real Gross Domestic Product and Growth Rates**



The GDP for Agriculture Forestry and Fisheries (AFF) increased by 28.9% in the second quarter (April-June) of 2017. The positive increase in AFF GDP was mainly due to the increase in the production of field crops and horticultural products.

- **Employment**



The quarterly total employment decreased by 0.7% (113 000 jobs) in the second quarter (April-June) of 2017, compared with the first quarter of 2017. Agriculture was recorded as one of the largest decreases, with 4.6% (40 000 jobs).

- **Crude Oil and Exchange Rate**



Between August 2016 and August 2017, the price of crude oil increased by 7.41%, while the exchange rate decreased by 3.55%. In August 2017, the price of crude oil and the exchange rate were US\$50.56 per barrel and R/\$13.30, respectively.

- **Average Prime Interest Rate**



The South African Reserve Banks' (SARB) lowered its prime interest rate by 0.25%, from 10.50% in June to 10.25% in July 2017. This is due to the inflation outlook that has been improved.

- **Private Consumption Expenditure**

During the second quarter (April-June) 2017 in comparison with the same quarter in 2016, consumer expenditure increased on all of the selected food items except for sugar, potatoes and fruits and vegetables that declined by 19.5%, 4.5% and 1.6%, respectively. The largest increase was on oils and fats with 29.3%, followed by milk and products with 6.2% and bread and meat with 3.8%. There was an increase in the total consumer expenditure during the second quarter of 2017 compared with the first quarter of 2017. The recent drought has resulted in a contraction in some products or commodities in the AFF sector.

- **Farm Income and Expenditure**

During the second quarter (April-June) of 2017, real gross income increased by 23.1%, real expenditure on intermediate goods and services increased by 4.1%, and real net farm income increased by 0.8%, compared to the second quarter of 2016.

- **Total Farm Debt**

During the last six months of 2017, the total farm debt increased by 4.3%, to R151 billion. With lower crop prices (low returns), higher inputs and the recent drought, the increase in debt per acre will continue. With interest rates moving higher, emanate a rising interest expense as well. In addition, with some farm assets decreasing in value, this can also lead to higher debt-to-asset ratios even without any additional debt.

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## 1. Introduction

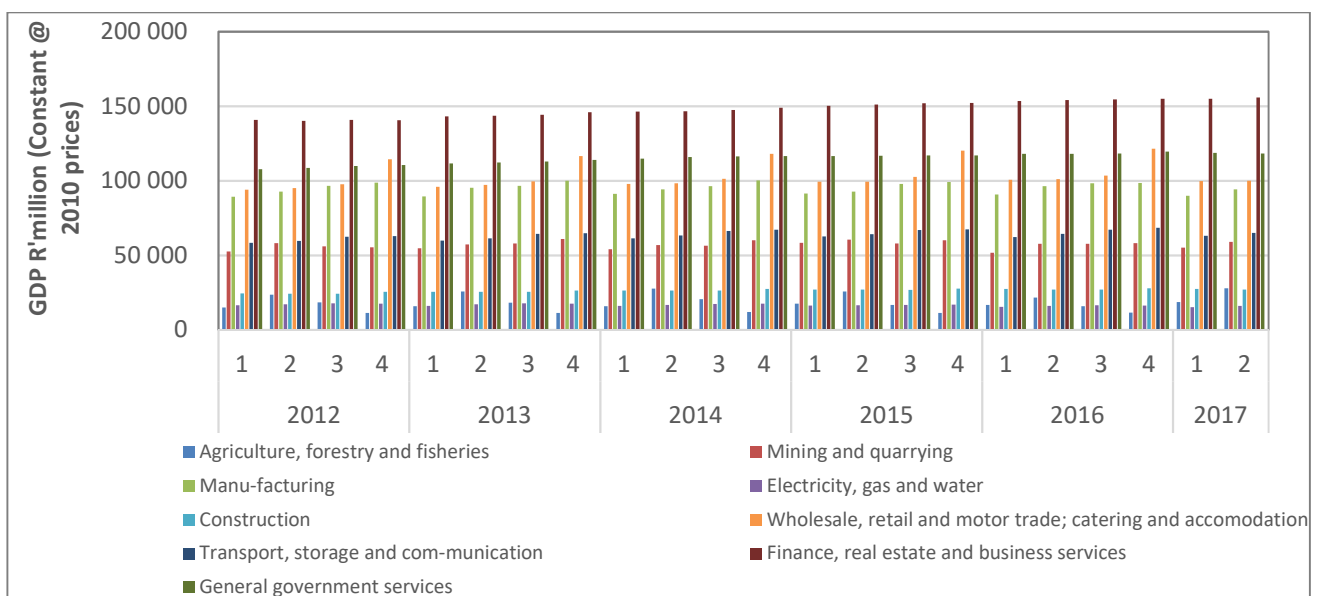
Macroeconomic indicators are statistics that indicate the current status of the economy of a country depending on a particular area of the economy. They are pertinent to a broader economy at the national level. Macroeconomic indicators are key statistics that influence the direction of a particular large-scale market.

The aim of this publication is to report on latest averages or trends of selected macro indicators in the South African economy. This report publishes selected macroeconomic indicators including but not limited to: the real gross domestic product (GDP), employment, crude oil and exchange rate, average prime interest rate, private consumption expenditure, farm income and expenditure and total farm debt. After examining the selected economic indicators, the performance degree per indicator will be observed.

The data for this publication were obtained from Statistics South Africa (Stats SA), Department of Agriculture, Forestry and Fisheries (DAFF), Fin24 and the South African Reserve bank (SARB).

## 2. Real Gross Domestic Product and Growth Rates

GDP is one of the primary indicators used to measure the monetary value of final goods and services produced within a country in a given period of time (quarterly or annually). The GDP provides information regarding the size and performance of an economy. The GDP of selected South African industries are depicted in **Figure 1**, at constant 2010 prices. Over the depicted period positive growth was experienced in most of the industries. These positive trends changed during 2015 and 2016 to mostly negative growth thereafter. In the second quarter (April-June) of 2017, the largest positive contributors were Agriculture, Forestry and Fisheries, Finance, Real Estate and Business Services, and Mining and Quarrying with shares of 0.7%, 0.5% and 0.3%, respectively. While the main contributor to the negative GDP growth rate in the second quarter for 2017 was the General Government Services which decreased by 0.1%.

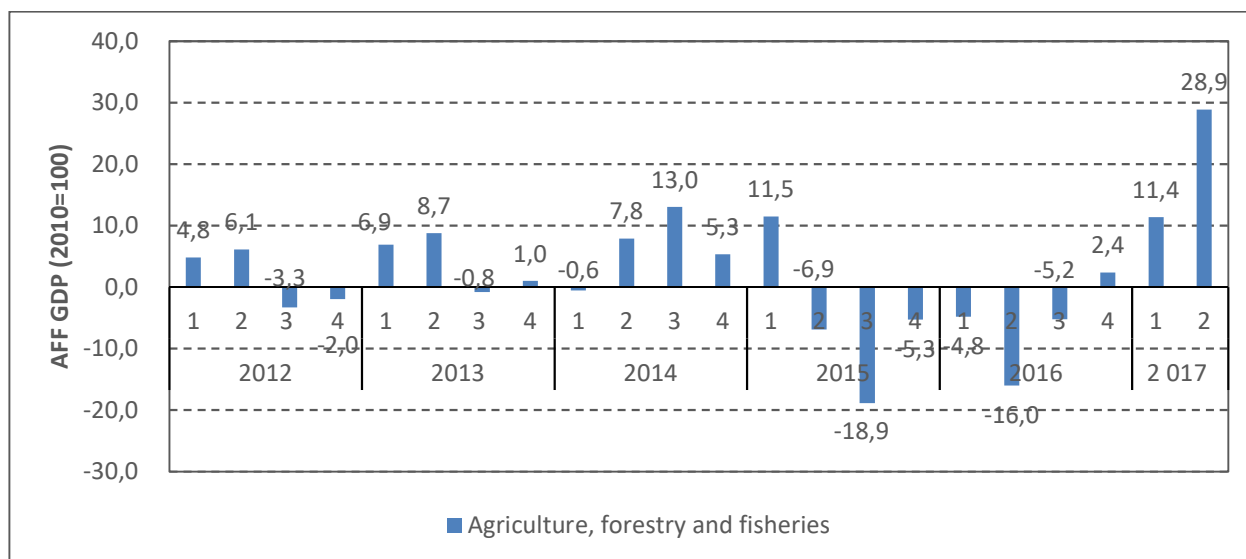


**Figure 1: Quarterly GDP of selected industries at constant 2010 prices**

Source: Stats SA, 2017

The quarterly GDP growth rate is the percentage change in GDP, quarter on quarter (q-o-q). It analyses how fast a country's economy is growing in each quarter. **Figure 2** shows the q-o-q percentage change for Agriculture, Forestry and Fisheries (AFF) GDP at 2010 prices. Between the second quarter of 2012 and 2017, the GDP growth rate of AFF increased by 373.5%, reaching an all-time high of 13.0% in the third quarter of 2014, with a record low of minus 18.9% in the third quarter of 2015.

From the second quarter of 2016 to the second quarter of 2017, the AFF GDP decreased by 280.2%. Due to the drought emanating in 2015, the GDP for AFF declined during the last six consecutive quarters. The GDP for AFF increased by 28.9% in the second quarter of 2017. The positive increase in AFF GDP was mainly due to the increase in the production of field crops and horticultural products.



**Figure 2: Quarter-on-quarter (q-o-q) percentage change in AFF GDP at constant 2010 prices**  
Source: Stats SA, 2017

### 3. Employment

**Table 1** illustrates that the quarterly total employment decreased by 0.7% (113 000) jobs in the second quarter (April to June) of 2017 compared with the first quarter of 2017. The q-o-q change, from ten industries, six industries were observed to have a decrease in the growth of employment. The largest decreases were recorded in Construction 7.3% (110 000) and Agriculture 4.6% (40 000). Nevertheless, employment growth was reported to be positive in Trade 1.8% (58 000), Finance 0.7% (17 000), Manufacturing 0.5% (10 000) and Utilities 1.6% (2 000) industries.

Compared to the same period last year, total employment increased by 3.6% (554 000) in the second quarter of 2017. The main contributors to the annual increase in employment year-on-year (y-o-y) were Finance and Other Business Services 7.9% (175 000), Trade 4.1% (129 000), Transport 10.7% (92 000) and Manufacturing 5.1% (88 000). While, the Mining was the only industry which shed jobs by 3.0% (13 000).

**Table 1: Quarterly and annual total employment**

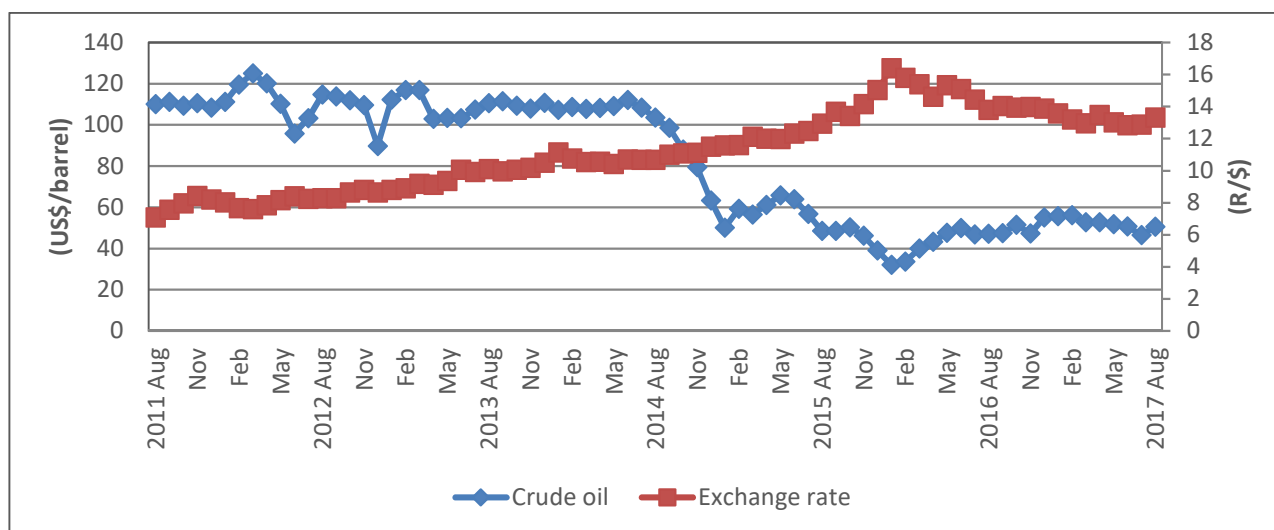
Industry	Apr-Jun 2016	Jan-Mar 2017	Apr-Jun 2017	Qtr.-to-qtr. change	Y-o-y change	Qtr.-to-qtr. change	Y-o-y change
	Thousands						
<b>Total</b>	<b>15 545</b>	<b>16 212</b>	<b>16 100</b>	<b>-113</b>	<b>554</b>	<b>-0.7</b>	<b>3.6</b>
Agriculture	825	875	835	-40	10	-4.6	1.2
Mining	447	447	434	-13	-13	-2.9	-3.0
Manufacturing	1 712	1 790	1 799	10	88	0.5	5.1
Utilities	111	145	148	2	37	1.6	32.9
Constructing	1 388	1 505	1 395	-110	7	-7.3	0.5
Trade	3 136	3 207	3 265	58	129	1.8	4.1
Transport	862	965	954	-11	92	-1.1	10.7
Finance and other business services	2 220	2 378	2 395	17	175	0.7	7.9
Community and social services	3 544	3 569	3 560	-9	16	-0.3	0.5
Private households	1 296	1 319	1 311	-8	15	-0.6	1.2

Source: Stats SA, 2017

#### 4. Comparison of Crude Oil and Exchange Rate

**Figure 3** shows the trend of the prices of crude oil (US\$) and the R/\$ exchange rate. From August 2011 to August 2017, crude oil prices decreased by 54.1% while the exchange rate increased by 88.3%.

August 2016 to August 2017 y-o-y, the price of crude oil increased by 7.4% while the exchange rate decreased by 3.6%. In August 2017, the price of crude oil and the exchange rate were US\$50.6 per barrel and R/\$13.3, respectively.

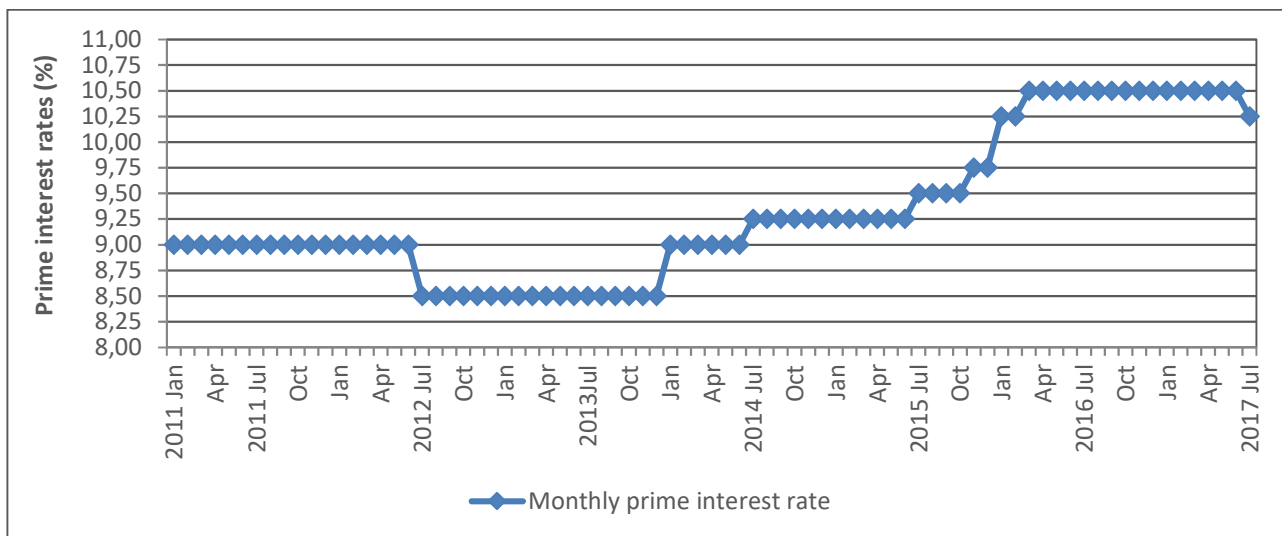


**Figure 3: Crude oil and exchange rate**

Source: Grain SA, Fin24, 2017

## 5. Average Prime Interest Rates

The prime interest rate is primarily used as a reference rate or as a benchmark for pricing loans. The prime rate is the lowest rate at which a clearing bank will provide overdraft facilities to its clients. **Figure 4** shows the average monthly prime interest rate between July 2011 and July 2017. The average prime interest rate is currently at 13.6% higher than during 2011. The prime interest rate reached a peak of 10.5% from March 2015 to June 2017 and a record low of 8.5% between July 2012 and December 2013. The SARB lowered its prime interest rate by 0.25% from 10.5% in June to 10.25% in July 2017. This is due to the inflation outlook that has been improved.



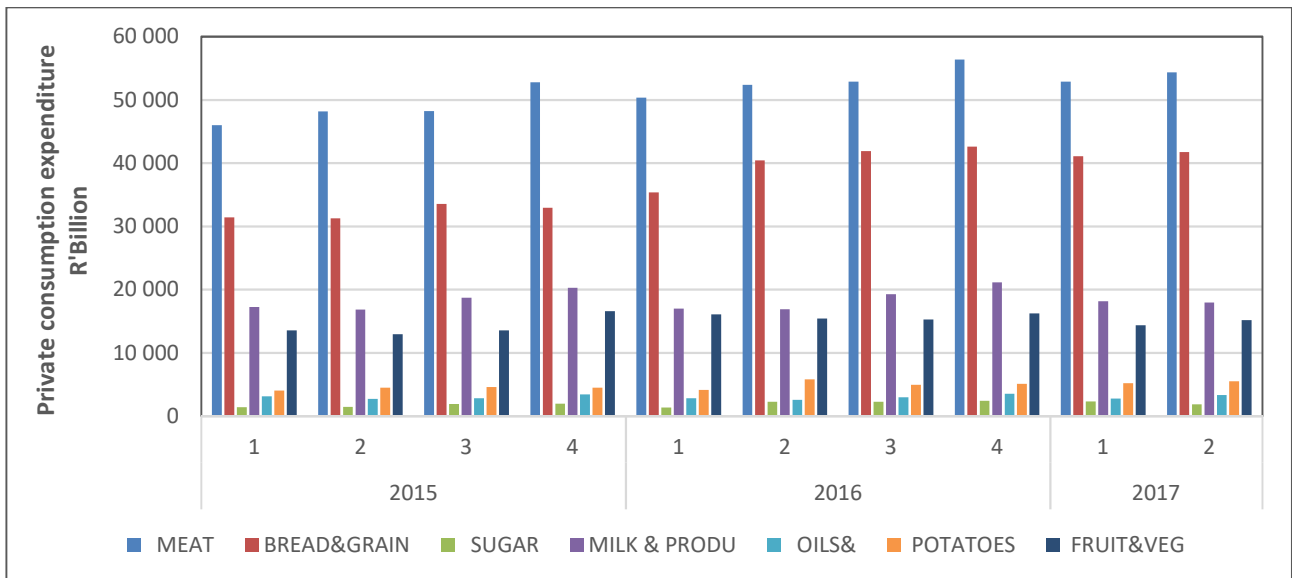
**Figure 4: Average annual prime interest rate**

Source: SARB, 2017

## 6. Private Consumption Expenditure

**Figure 5** shows the quarterly private consumption expenditure on selected food items, from 2015 to 2017. During the second quarter (April-June) 2017 in comparison with the same quarter in 2016, consumer expenditure increased on all of the selected food items except for sugar, potatoes and fruits and vegetables that declined by 19.5%, 4.5% and 1.6%, respectively. The largest increase was on oils and fats with 29.3%, followed by milk and products with 6.2% and bread and meat with 3.8%. There was an increase in the total consumer expenditure during the second quarter of 2017 compared with the first quarter of 2017.



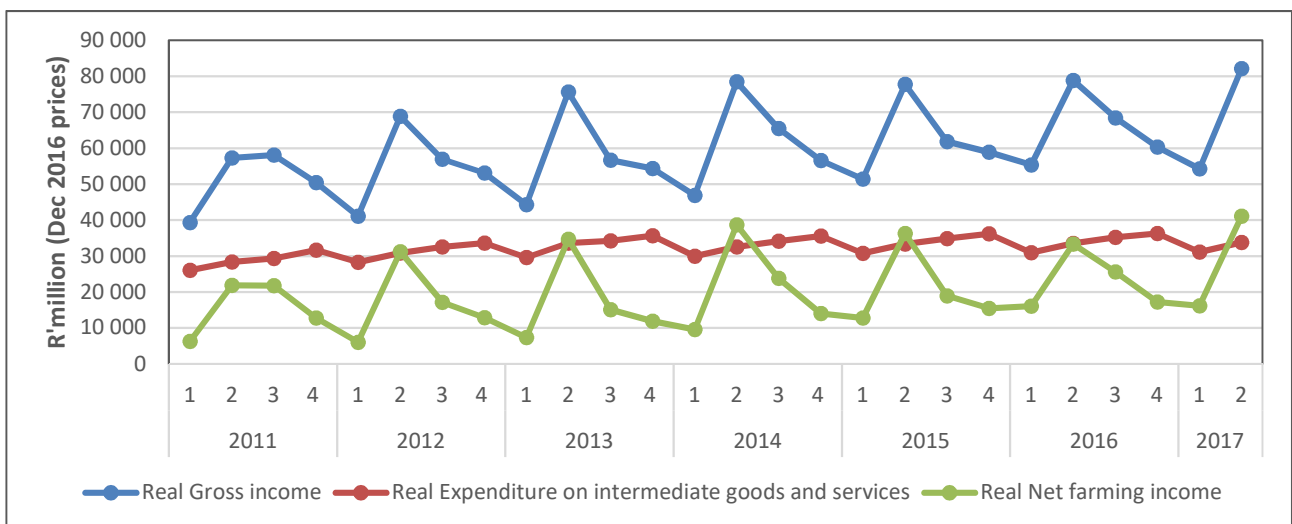


**Figure 5: Quarterly private consumption expenditure on selected food items**

Source: DAFF, 2017

## 7. Farm Income and Expenditure

**Figure 6** shows the real gross income, real expenditure on intermediate goods and services, and the real farm income from 2011 to the second quarter of 2017, at December 2016 prices. The variables under review reflect irregular trends except for expenditure which indicates a positive growth trend. Notably, real net farming income was higher than real expenditure on intermediate goods and services in the second quarter (April to June) of 2017, which could be attributed by improved pricing of intermediate goods and services. In comparison to the second quarter of 2016 real expenditure on intermediate goods and services, real net farm income and real gross income increase by 4.1%, 0.8%, and 23.1% respectively for the second quarter of 2017.

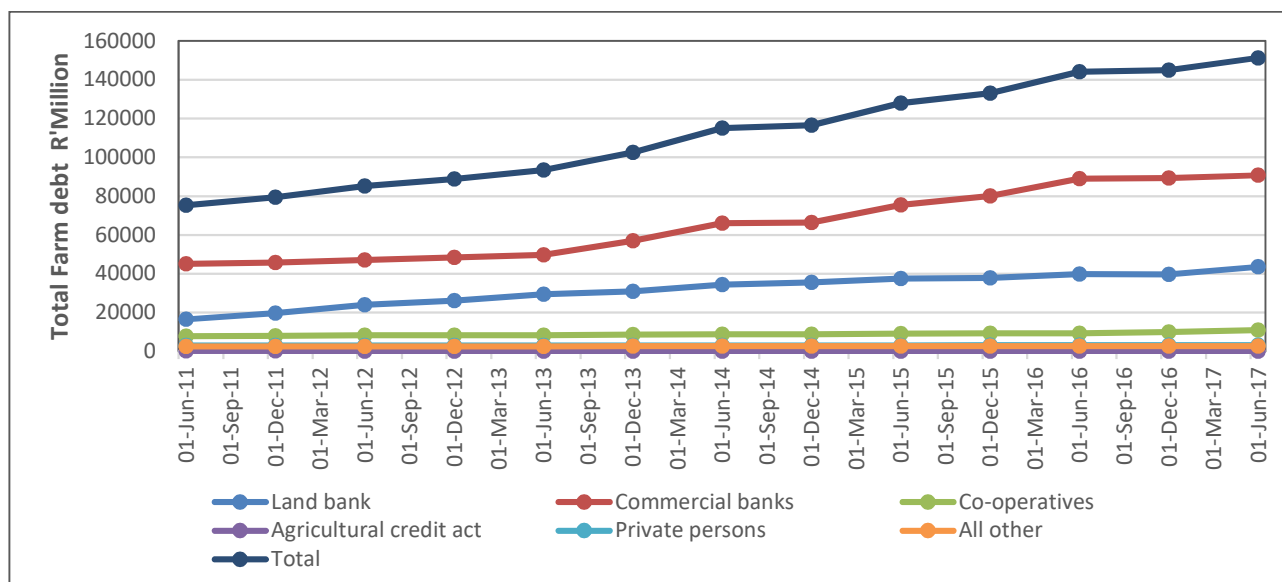


**Figure 6: Real Gross income, real expenditure on intermediate goods and services and real farm income**

Source: DAFF, 2017

## 8. Total Farm Debt

**Figure 7** shows the farm debt as on 01 June 2011 to 01 June 2017. During the total depicted period, total farm debt increased by 101.0%, with the largest increase in lending from the Land Bank (163.7%), followed by lending of commercial banks by 101.2%. Noteworthy, there was a decline in lending from the Agricultural Credit Act by 69.4%. These two categories (Landbank and Commercial banks) of lenders represent 88.8% of the total debt as at the end of June 2017. During the first six months of 2017, the total farm debt increased by 4.3%, to R151 billion.



**Figure 7: Farm debt**

Source: DAFF, 2017

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