



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

# Markets and Economic Research Centre

## Macroeconomic Digest



*An Update on Selected  
Macroeconomic Indicators*

*Economic Growth and other Indicators - March 2018*

## EXECUTIVE SUMMARY

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



The agriculture industry continued to power ahead, expanding by 37.5% in the fourth quarter. The strengthening in economic activity over 2017 was partly driven by an agriculture industry recovering from one of the worst droughts in recent history. The increase in the GDP was mainly attributed to the increase in the production of maize and other agricultural commodities in 2017 compared with 2016. This was followed by increases in the trade, catering and accommodation industry, manufacturing industry and finance, real estate and business services by 4.8%, 4.3% and 2.5% respectively. Mining and quarrying decreased by 4.4% in the fourth quarter 2017 compared with the previous quarter.

- ***Crude Oil and Exchange Rate***



For the period March 2010 to March 2018, the price of crude oil decreased by 23.3%, while the exchange rate increased by 50.6%. When comparing March 2017 to March 2018, y-o-y, the price of crude oil increased by 15.3% while the Rand appreciated by 7.7%. In March 2018, the price of crude oil and the exchange rate were US\$60.7 per barrel and R/\$11.9, respectively.

- **Average Prime Interest Rate**



The South African Reserve Bank (SARB) lowered its prime interest rate by 0.25%, from 10.5% during June 2017, to 10.25% during July 2017. This is due to the inflation outlook that has improved. The lending rate remains unchanged at 10.25% since its decrease during July 2017.

- **Private Consumption Expenditure**



During the fourth quarter (October to December 2017), consumer expenditure increased on all of the selected food items, with the exception of bread and grain products, and oils and fats that decreased by 7.4% and 4%, respectively, in comparison with the same quarter during 2016. The largest increase was potatoes with 7.7%, followed by meat with 7% and milk products with 6.7%. Total consumer expenditure increased by 6.4% during the fourth quarter of 2017, compared to the third quarter of 2017.

- **Farm Income and Expenditure**



Compared to the fourth quarter of 2016, real net farm income, real gross income and real expenditure on intermediate goods and services all increased by 5.8%, 3.9% and 1.7%, respectively. When comparing the fourth quarter to the third quarter of 2017, real net farm income and real gross income decreased by 29.2% and 10.3%, respectively, while the real expenditure increased by 2.8%.

- **Total Farm Debt**



During the depicted period, total farm debt increased by 97.3%, with the largest increase in lending from the Land Bank (122.2%), followed by lending from commercial banks (112%). These two categories of lenders, Land Bank and Commercial banks, represent 90.1% of the total debt, as measured at the end of December 2017. During the last six months of 2017, the total farm debt increased to R157 billion (4.7%).

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## 1. Introduction

Macroeconomic indicators are statistics that indicate the current status of the economy of a country. Indicators are pertinent to a broader economy at national level. The aim of this publication, Macroeconomic digest report on Economic Growth and other key indicators, is to present an overview of trends in the real gross domestic product (GDP), crude oil and exchange rate, average prime interest rate, private consumption expenditure, farm income and expenditure, and total farm debt.

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

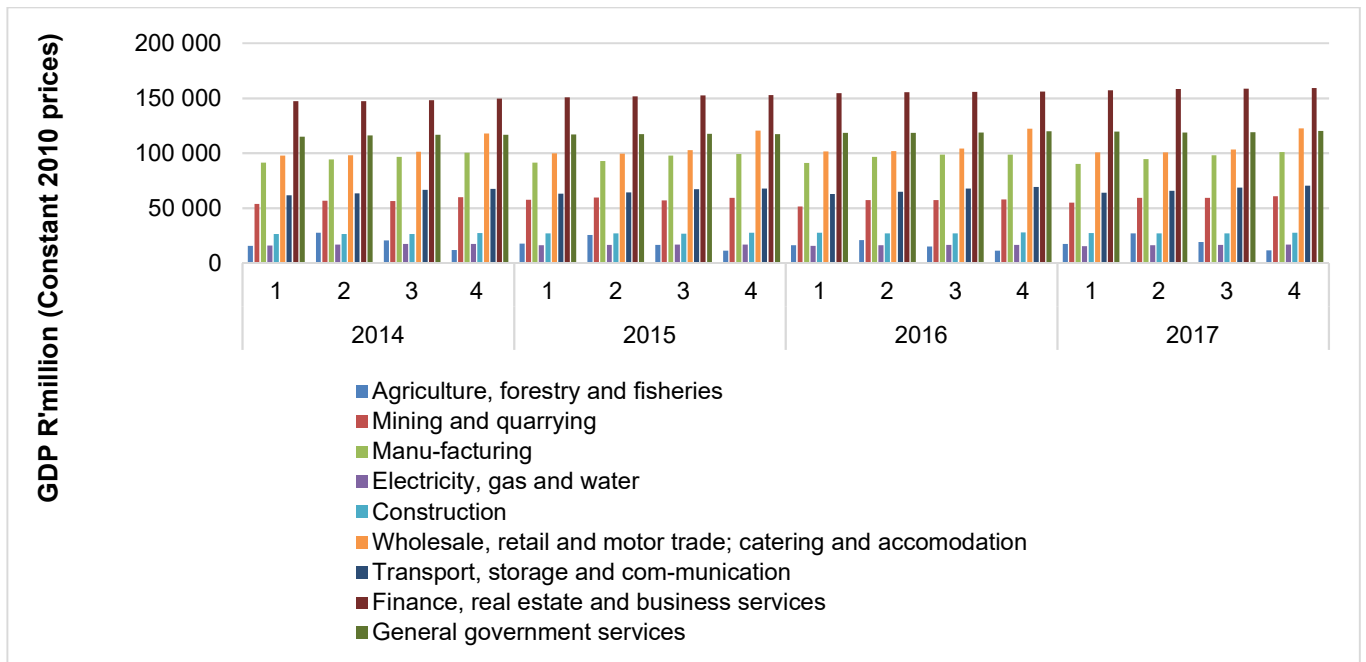
## 2. Real Gross Domestic Product (GDP) and Growth Rates

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). It provides information regarding the size and the 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. The GDP was observed to increase by 3.1% in the fourth quarter of 2017 compared to the previous quarter of 2017.

The agriculture industry continued to power ahead, expanding by 37.5% in the fourth quarter. The strengthening in economic activity over 2017 was partly driven by an agriculture industry recovering from one of the worst droughts in recent history.

The increase in the GDP was mainly attributed by the increase in the production of maize and other agricultural commodities in 2017 compared with 2016. This was followed by the increase of trade, catering and accommodation industry, manufacturing industry and finance, real estate and business services by 4.8%, 4.3% and 2.5% respectively. Mining and quarrying decreased by 4.4% in the fourth quarter 2017 compared with the previous quarter.



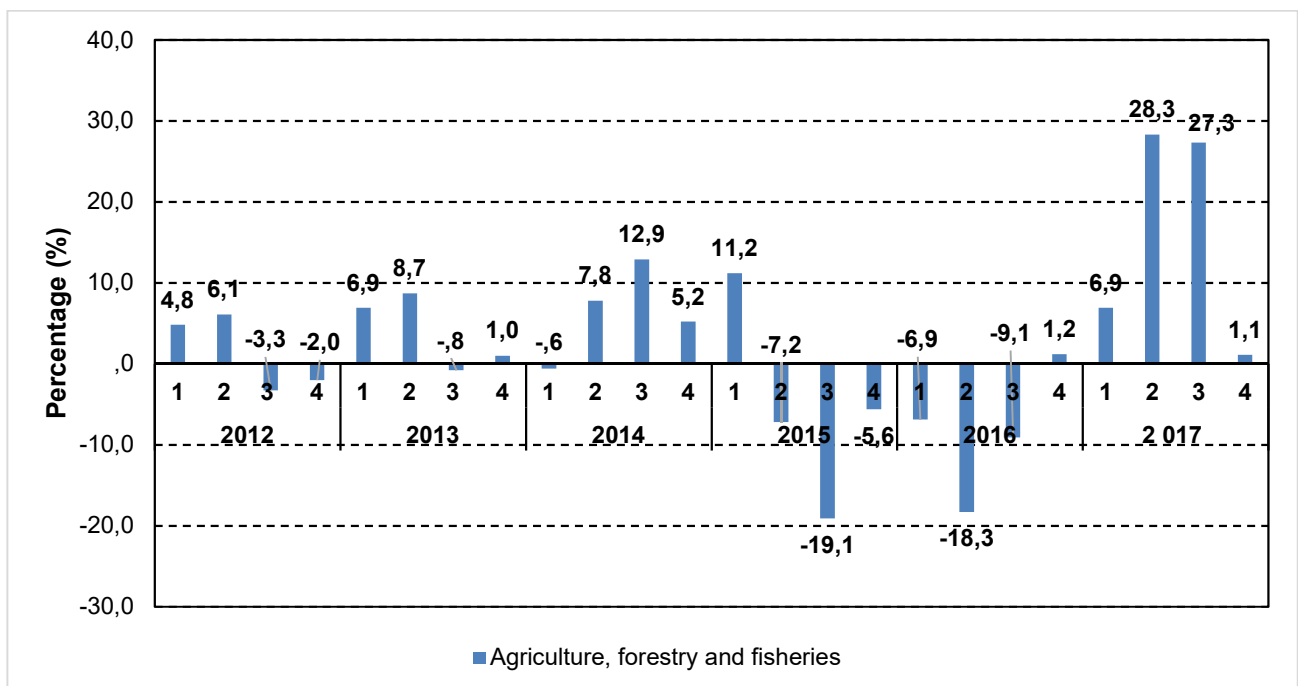


**Figure 1: Quarterly GDP of selected industries, at constant 2010 prices**

Source: Stats SA, 2018

The percentage change in GDP, quarter-on-quarter (q-o-q), analyses how fast a country's economy is growing in a particular quarter. **Figure 2** shows the q-o-q percentage change for Agriculture, Forestry and Fisheries (AFF) GDP, at 2010 prices. Between the fourth quarter of 2012 and 2017, the GDP growth rate of AFF decreased by 155%, peaking at 28.3% during the second quarter of 2017, with a record low of minus 19.1% during the third quarter of 2015.

From the fourth quarter of 2016 to the fourth quarter of 2017, y-o-y, the AFF GDP decreased by 8.3%. The percentage change of AFF GDP in the fourth quarterly of 2017 was recorded at 1.1%.

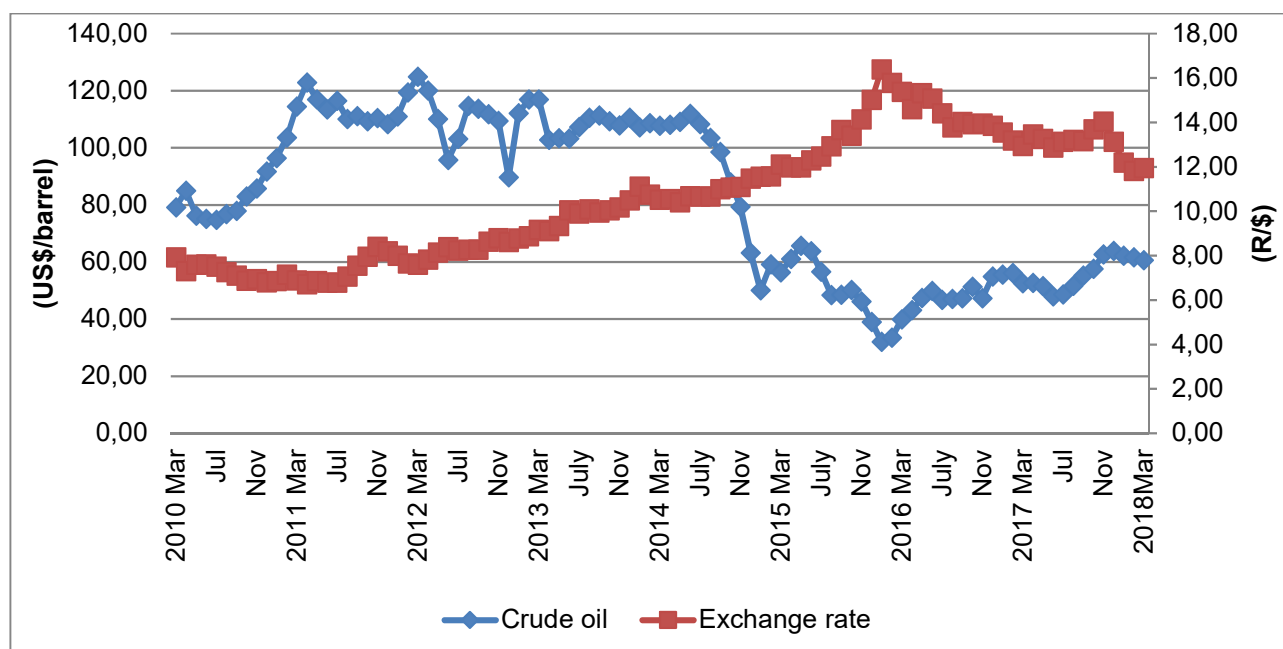


**Figure 2: Quarter-on-quarter (q-o-q) percentage change in AFF GDP at constant 2010 prices**

Source: Stats SA, 2018

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

**Figure 3** shows the trend of the crude oil price (US\$) versus the R/\$ exchange rate. For the period March 2010 to March 2018, the price of crude oil decreased by 23.3%, while the exchange rate increased by 50.6%. When comparing March 2017 to March 2018, y-o-y, the price of crude oil increased by 15.3% while the Rand appreciated by 7.7%. In March 2018, the price of crude oil and the exchange rate were US\$60.7 per barrel and R/\$11.9, respectively.



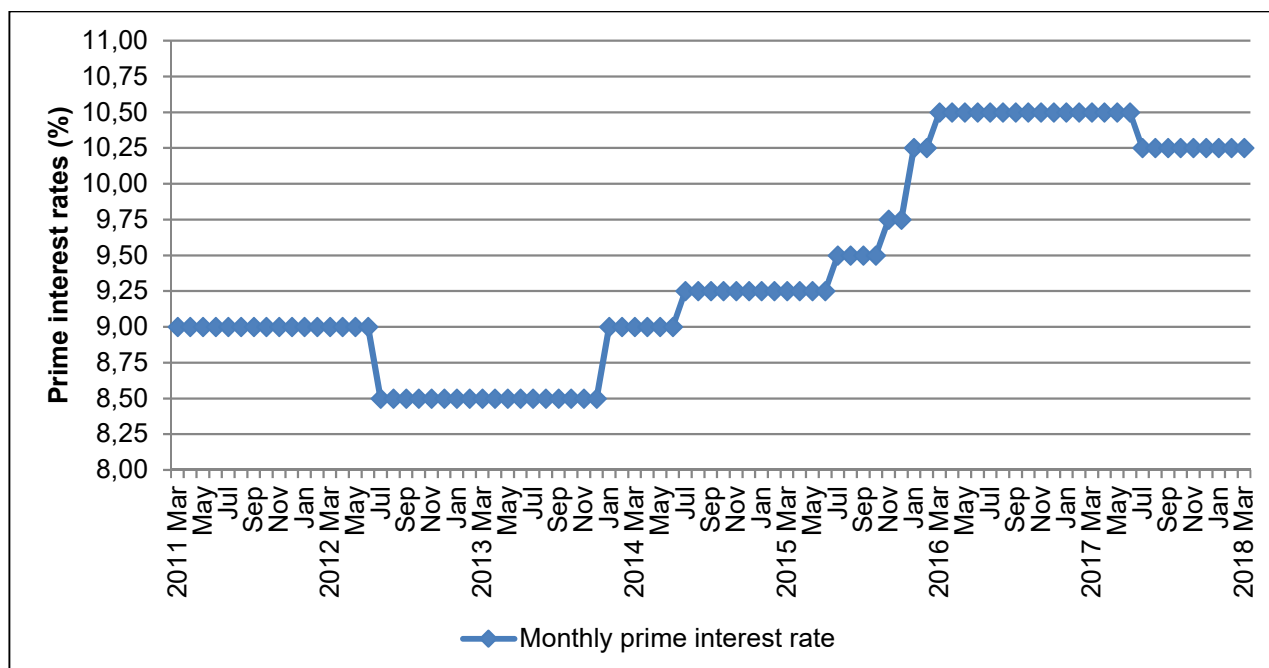
**Figure 3: Crude oil and exchange rate**

Source: Grain SA, Fin24, 2018

### 4. Average Prime Interest Rates

The prime interest rate is primarily used as a reference rate or as a benchmark for loan pricing. 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 for the period March 2011 to March 2018. The average prime interest rate is currently 13.9% higher than during 2011. The prime interest rate reached a peak of 10.5% during the period 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% during June 2017, to 10.25% during July 2017. This is due to the inflation outlook that has improved. The lending rate remains unchanged at 10.25% since its decrease during July 2017.



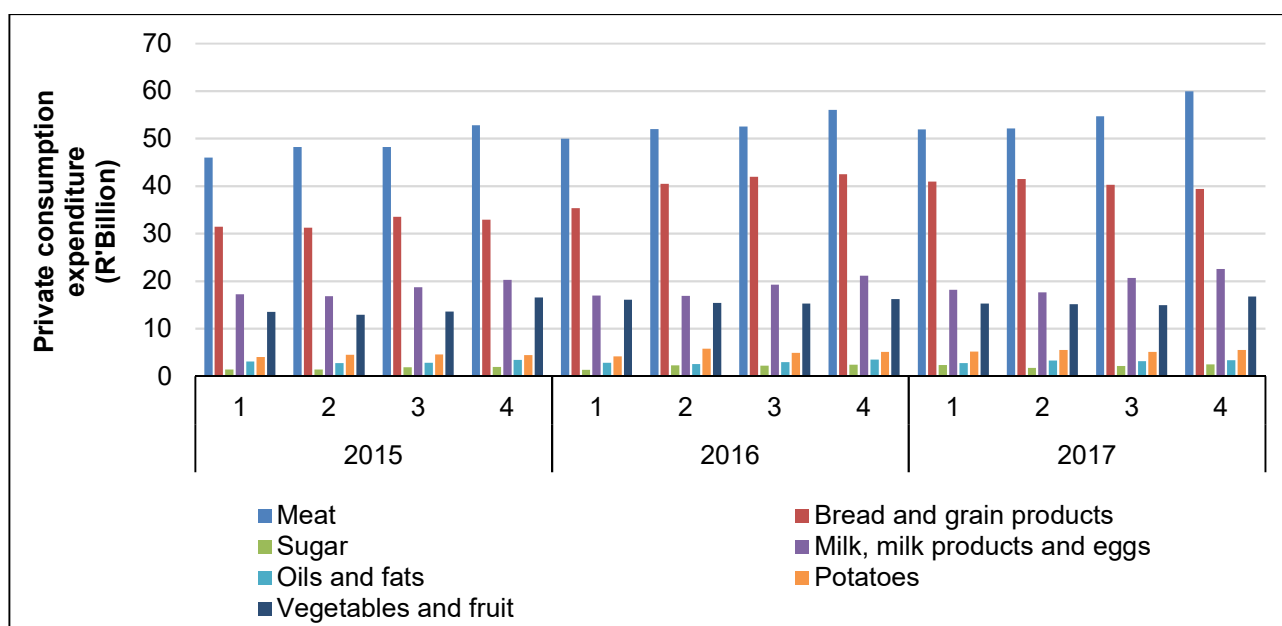


**Figure 4: Average annual prime interest rate**

Source: SARB, 2018

## 5. Private Consumption Expenditure

**Figure 5** shows the quarterly private consumption expenditure on selected food items, from 2015 to 2017. During the fourth quarter (October to December 2017), consumer expenditure increased on all of the selected food items, with the exception of bread and grain products, and oils and fats that decreased by 7.4% and 4%, respectively, in comparison with the same quarter during 2016. The largest increase was potatoes with 7.7%, followed by meat with 7% and milk products with 6.7%. Total consumer expenditure increased by 6.4% during the fourth quarter of 2017, compared to the third quarter of 2017.



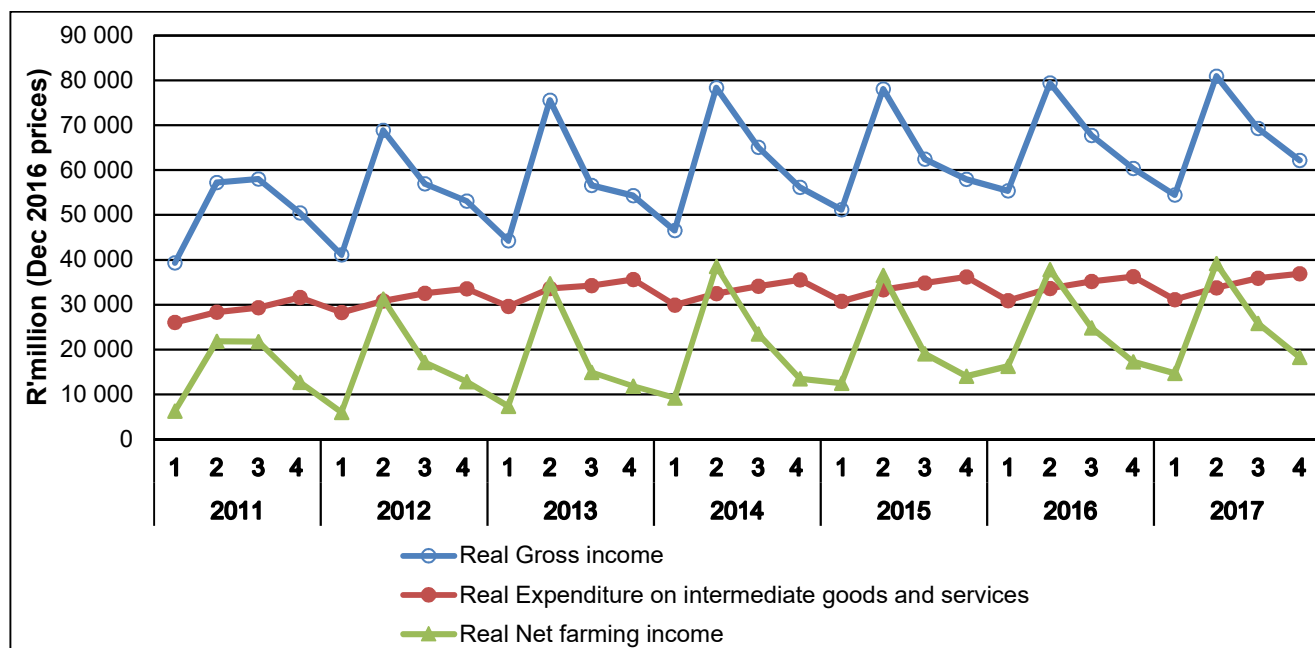
**Figure 5: Quarterly private consumption expenditure on selected food items**

Source: DAFF, 2018

## 6. Farm Income and Expenditure

**Figure 6** shows the real gross income, real expenditure on intermediate goods and services, and the real net farm income from 2011 to 2017, at December 2016 prices. The variables under review reflect highly seasonal trends, with the exception of expenditure, which shows a more constant increasing trend. Compared to the fourth quarter of 2016, real net farm income, real gross income and real expenditure on intermediate goods and services all increased by 5.8%, 3.9% and 1.7%, respectively.

When comparing the fourth quarter to the third quarter of 2017, real net farm income and real gross income decreased by 29.2% and 10.3%, respectively, while the real expenditure increased by 2.8%.

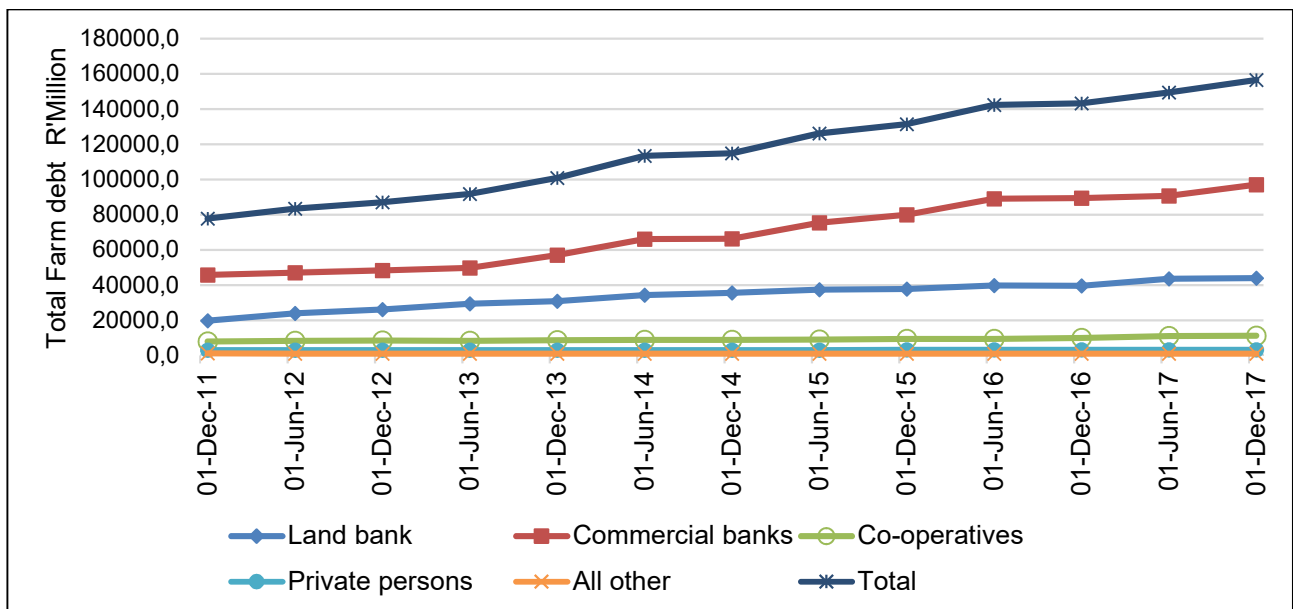


**Figure 6: Real gross income, real expenditure on intermediate goods and services and real farm income**

Source: DAFF, 2018

## 7. Total Farm Debt

**Figure 7** shows the farm debt from 2011 to 2017. During the depicted period, total farm debt increased by 97.3%, with the largest increase in lending from the Land Bank (122.2%), followed by lending from commercial banks (112%). These two categories of lenders, Land Bank and Commercial banks, represent 90.1% of the total debt, as measured at the end of December 2017. During the last six months of 2017, the total farm debt increased to R157 billion (4.7%).



**Figure 7: Farm debt**

Source: DAFF, 2018

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