



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 - June 2018

EXECUTIVE SUMMARY

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



The Gross Domestic Product (GDP) was observed to decrease by 2.2% in the first quarter of 2018 compared to increase of 3.1% reported in the fourth quarter of 2017. Mining, manufacturing and agriculture industries were the largest negative contributors to GDP growth in the first quarter of 2018. Agriculture, forestry and fisheries industry decreased by 24.2% and contributed -0.7 of a percentage point to GDP growth. The decrease was mainly because of a drop in the production of field crops and horticultural products.

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



For the period June 2010 to June 2018, the price of crude oil and the exchange rate (R/\$) increased by 0.3% and 64.9%, respectively. When comparing June 2017 to June 2018, year-on-year (y-o-y), the price of crude oil increased by 56.9% while the Rand depreciated by 2.4%. In June 2018, the price of crude oil and the exchange rate were US\$75.4 per barrel and R/\$12.6, 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. The SARB also cut prime interest rates by 0.25% in March 2018. The lending rate remains unchanged at 10% since March 2018.

- ***Farm Income and Expenditure***



Comparing the first quarter of 2018 to the first quarter of 2017, real gross income and real net farm income decreased by 1.5% and 0.5%, respectively. The real expenditure on intermediate goods and services increased by 1.4% during the same period. When comparing the first quarter 2018 to the fourth quarter of 2017, real net farm income, real expenditure and real gross income decreased by 20.1%, 14.4% and 13.7%, respectively.

Table of Contents

1. Introduction.....	1
2. Real Gross Domestic Product and Growth Rates	1
3. Comparison of Crude Oil and Exchange Rate.....	3
4. Average Prime Interest Rates	3
5. Farm Income and expenditure	4

List of Figures

Figure 1: Quarterly GDP of selected industries at constant 2010 prices.....	2
Figure 2: Quarter-on-quarter (q-o-q) percentage change in AFF GDP at constant 2010 prices.....	2
Figure 3: Crude oil and exchange rate	3
Figure 4: Average annual prime interest rate	4
Figure 5: Farm Income and expenditure.....	5

1. Introduction

Macroeconomic indicators are statistics that indicate the current status of a country's economy. 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, to present an overview of trends in the real gross domestic product (GDP), crude oil, exchange rate and average prime interest rate.

The data for this publication was 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 (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. The GDP was observed to decrease by 2.2% in the first quarter of 2018 compared to the increase of 3.1% reported in the fourth quarter of 2017.

Agriculture, mining and manufacturing industries were the largest negative contributors to GDP growth in the first quarter of 2018. The manufacturing industry decreased by 6.4% and contributed -0.8 of a percentage point to GDP growth. The largest contributors to the decrease in the manufacturing industry were the basic iron and steel, non-ferrous metal products, metal products and machinery division and the petroleum, chemical products, rubber and plastic products division. The mining and quarrying industry decreased by 9.9% and contributed -0.8 of a percentage point to GDP growth. The agriculture, forestry and fisheries industry decreased by 24.2% and contributed -0.7 of a percentage point to GDP growth. The decrease was mainly because of a drop in the production of field crops and horticultural products.

Increased economic growth in the GDP was mainly attributed by general government services, finance, real estate and business services, and personal services, increasing by 1.8%, 1.2% and 1.1%, respectively.

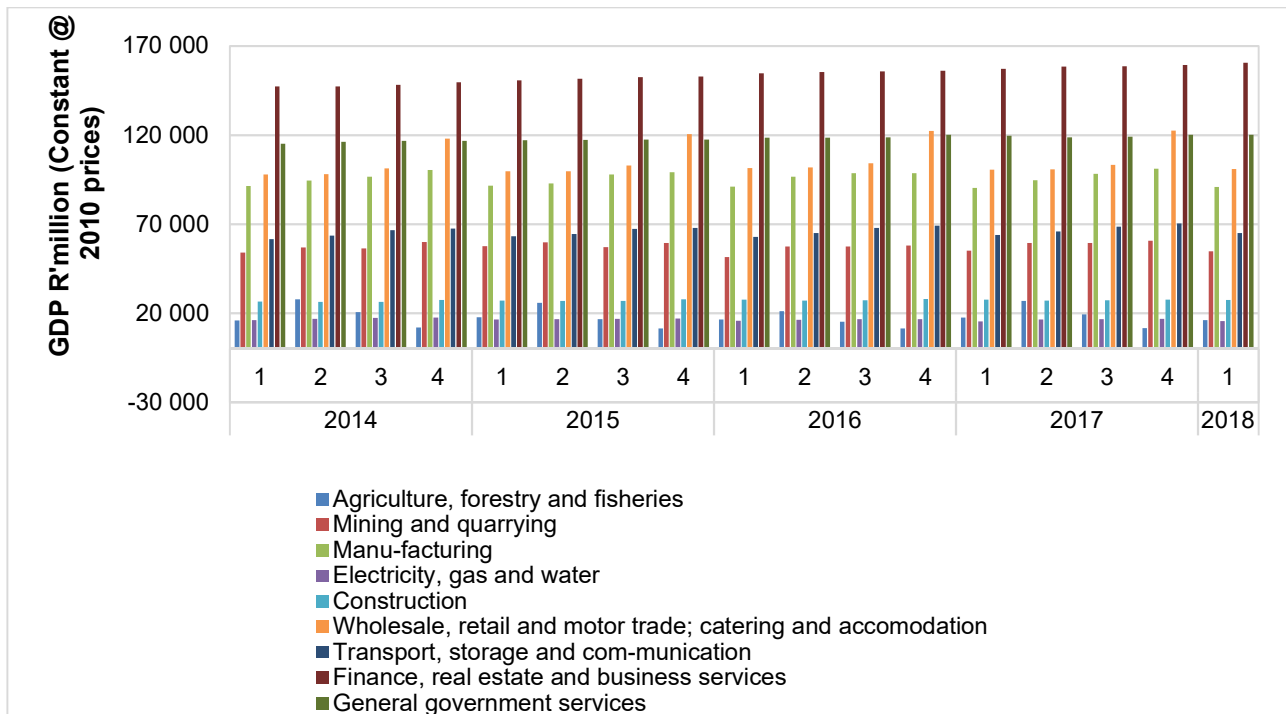


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

Source: Stats SA, 2018

The percentage changes in GDP, quarter-on-quarter (q-o-q), analyse 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 first quarter of 2012 and the first quarter of 2018, the GDP growth rate of AFF decreased by 277.1%, peaking at 28.3% during the second quarter of 2017, reporting a record low of -19.1% during the third quarter of 2015.

Comparing the first quarter of 2017 to the first quarter of 2018, y-o-y, the AFF GDP decreased by 223.2%. The percentage change of AFF GDP in the first quarterly of 2018 was recorded at -8.5%.

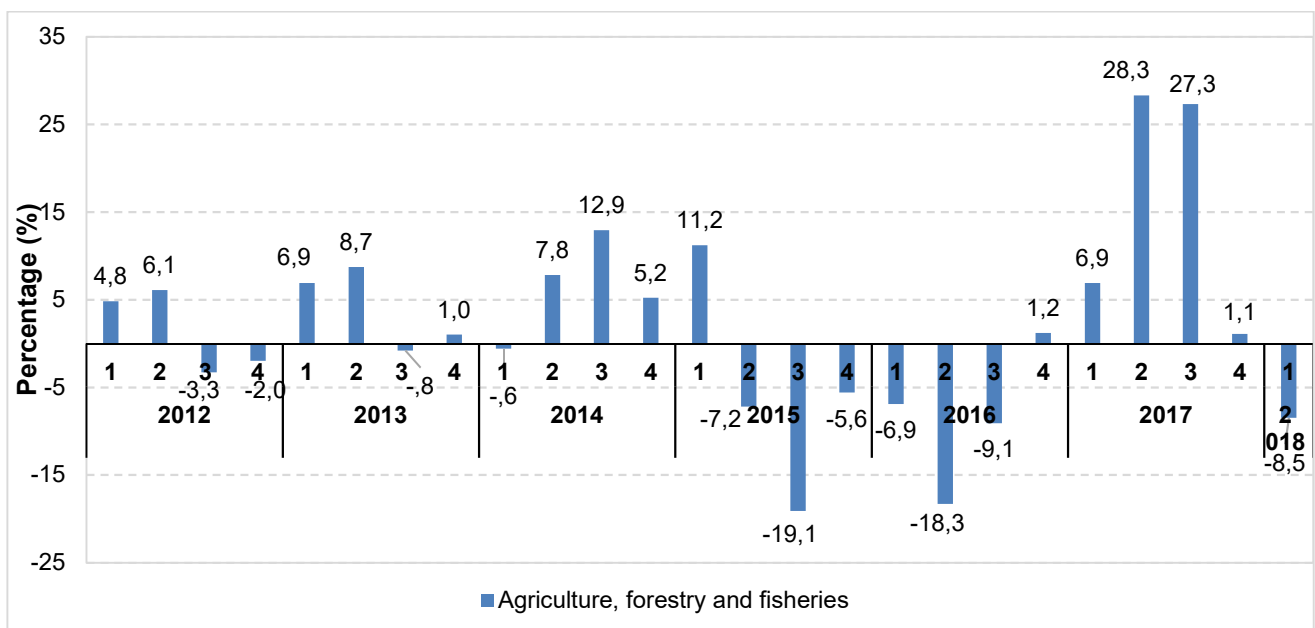


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices

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 June 2010 to June 2018, the price of crude oil and the exchange rate (R/\$) increased by 0.3% and 64.9%, respectively. When comparing June 2017 to June 2018, y-o-y, the price of crude oil increased by 56.9% while the Rand depreciated with 2.4%. In June 2018, the price of crude oil and the exchange rate were US\$75.4 per barrel and R/\$12.6, respectively.

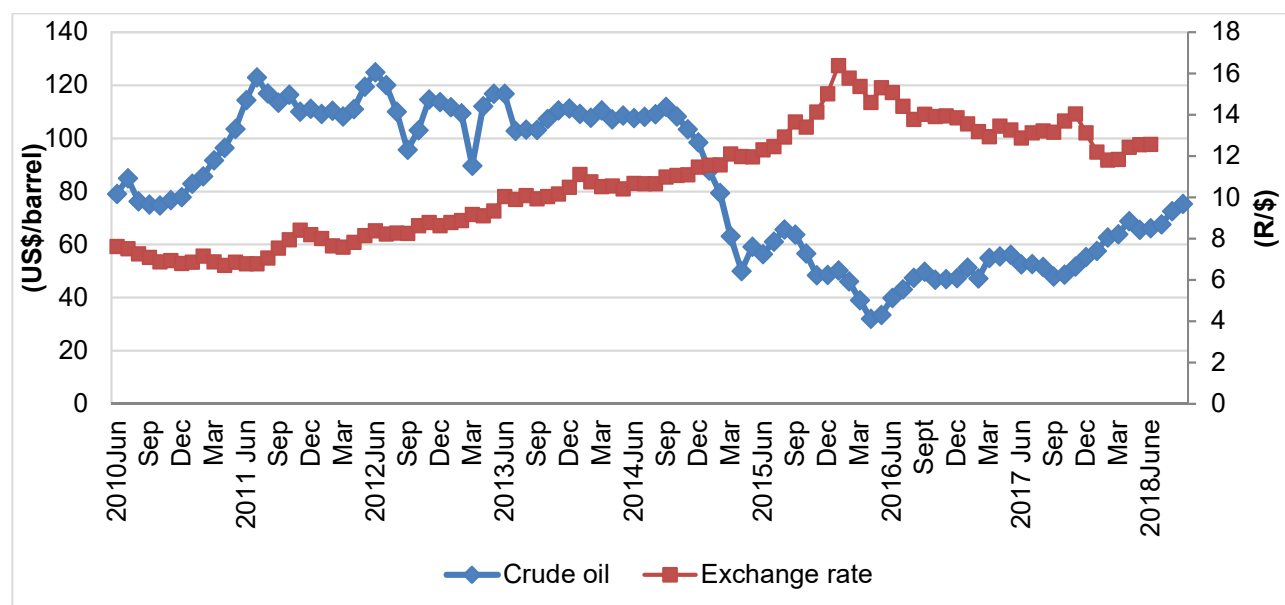


Figure 3: Crude oil and exchange rate

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 May 2012 to May 2018. The average prime interest rate is currently 11.1% higher than during 2012. The prime interest rate reached a peak of 10.5% during the period March 2016 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. The SARB also cut prime interest rates by 0.25% in March 2018. The lending rate still remains unchanged at 10% since March 2018.

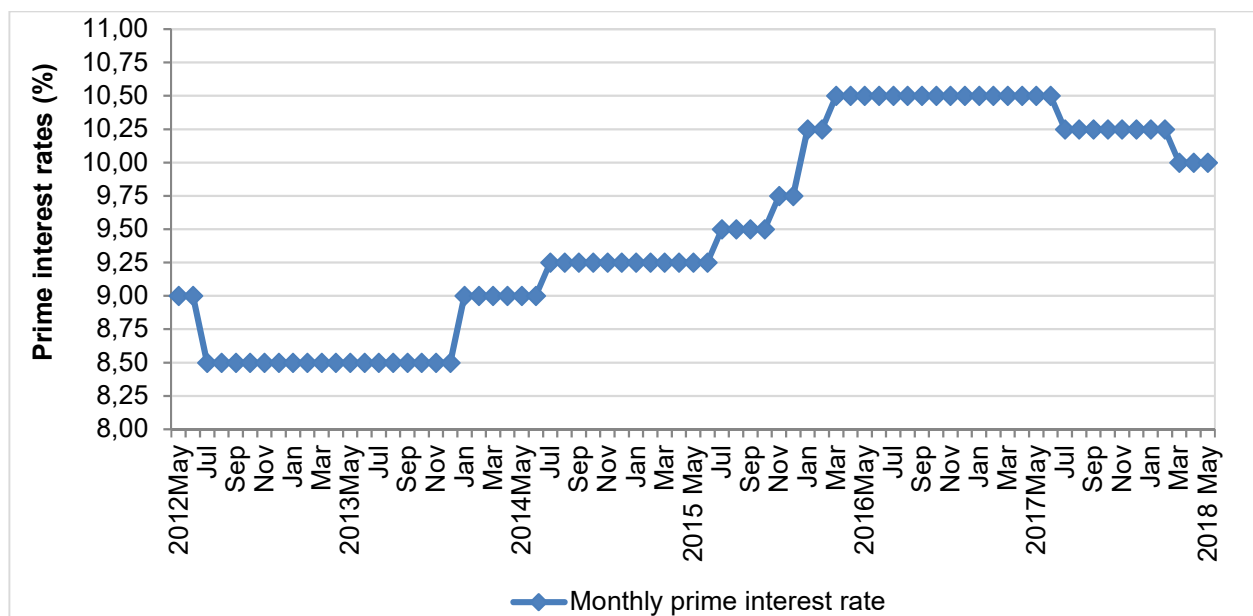


Figure 4: Average monthly prime interest rate

Source: SARB, 2018

5. Farm Income and Expenditure

Figure 5 shows the real gross income, real expenditure on intermediate goods and services, and the real net farm income from 2011 to 2018, at December 2016 prices. The variables under review reflect highly seasonal trends, with the exception of expenditure, which shows a more constant increasing trend. Comparing the first quarter of 2018 to the first quarter of 2017, real gross income and real net farm income decreased by 1.5% and 0.5%, respectively. The real expenditure on intermediate goods and services increased by 1.4% during the same period.

When comparing the first quarter 2018 to the fourth quarter of 2017, real net farm income, real expenditure and real gross income decreased by 20.1%, 14.4% and 13.7%, respectively.

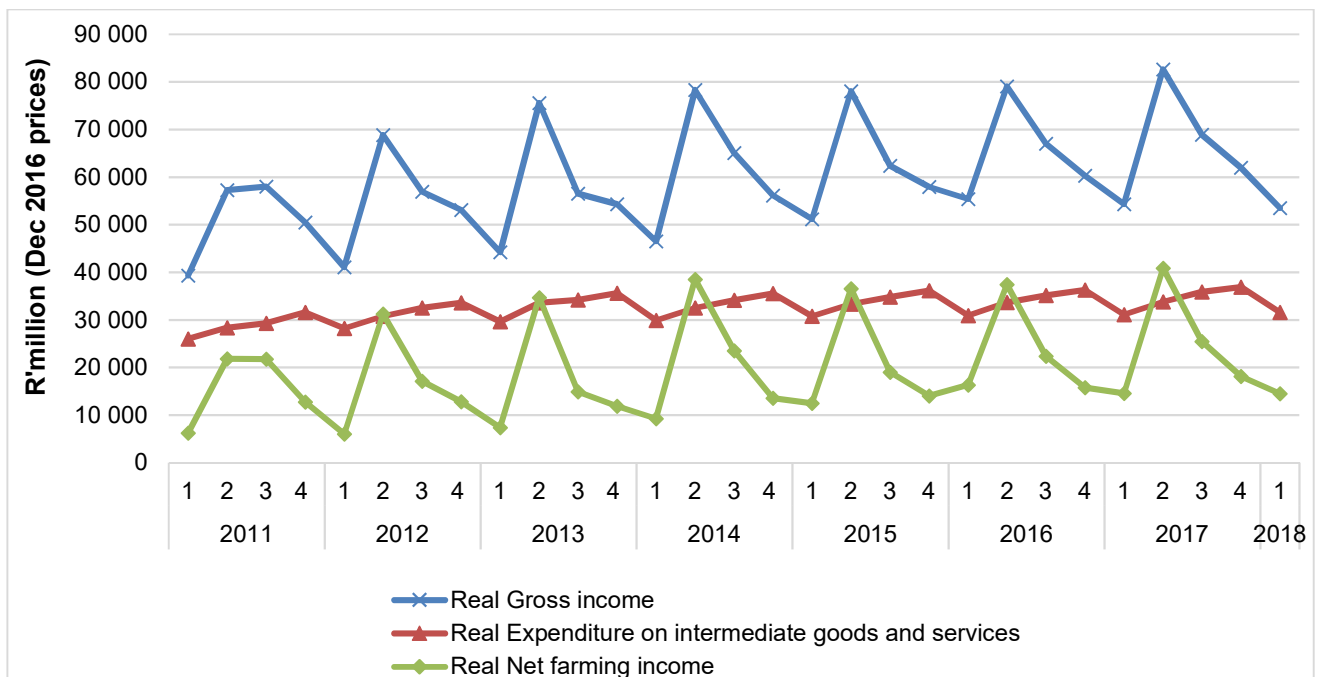


Figure 5: Real gross income, real expenditure on intermediate goods and services and real farm income

Source: DAFF, 2018

Compiled by:

Fezeka Matebeni
Corné Dempers
Rika Verwey
Simphiwe Ngqangweni

Enquiries: Christo Joubert: +27 12 341 1115 or christo@namc.co.za

© 2018. Published by the National Agricultural Marketing Council (NAMC).

Disclaimer:

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Reference made to any specific product, process, and service by trade name, trade mark, manufacturer or another commercial commodity or entity are for informational purposes only and do not constitute or imply approval, endorsement or favouring by the NAMC.

Contact us

Tel: +27 341 1115 | **Fax:** +27 12 341 1811
Block A | 4th Floor | Meintjiesplein Building | 536 Francis
baard Street
Arcadia | Pretoria | 0002
Email: info@namc.co.za
www.namc.co.za