



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 - September 2018

EXECUTIVE SUMMARY

- **Real Gross Domestic Product (GDP) and Growth Rates**



GDP declined by 0.7% during the second quarter (April to June) of 2018, compared to the decrease of 2.2% reported in the first quarter (January to March) of 2018. The largest negative contributors to GDP growth in the second quarter (April to June) of 2018 included the Agriculture, Forestry and Fisheries industry, and the Transport, Storage and Communication industry. Agriculture, Forestry and Fisheries decreased by 29.2% and contributed -0.8 of a percentage point to the GDP growth. The decrease was mainly because of a drop in the production of field crops and horticultural products.

- **Crude Oil and Exchange Rate**



When comparing September 2017 to September 2018, year on year (y-o-y), the price of crude oil and the exchange rate, increased by 40.4% and 12.2%, respectively. In September 2018, the price of crude oil and the exchange rate were US\$77.86 per barrel and R/\$15.45, 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.

- **Private Consumption expenditure**



During the second quarter (April to June) 2018, consumer expenditure (Rand value) increased on all of the selected food items, with the exception of bread and grain products that decreased by 10.2%, in comparison with the same quarter during 2017. The largest increase was in sugar with 15.8%, followed by meat with 9.9% and vegetables and fruit with 9.3%. Total consumer expenditure increased by 2.3% during the second quarter of (April to June) 2018, compared to the first quarter of 2018.

- **Farm Income and Expenditure**



Comparing the second quarter (April to June) of 2018 to the second quarter of 2017, real net farm income and real gross income decreased by 22% and 10.8%, respectively. The real expenditure on intermediate goods and services increased by 2.0% during the same period. When comparing the second quarter (April to June) of 2018 to the first quarter of 2018, real net farm income, real gross income and real expenditure increased by 132.9%, 41.1% and 9.1%, respectively.

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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 Ggrowth 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. GDP declined by 0.7% during the second quarter (April to June) of 2018, compared to the decrease of 2.2% reported in the first quarter (January to March) of 2018.

The largest negative contributors to GDP growth in the second quarter (April to June) of 2018 included the Agriculture, Forestry and Fisheries industry, and the Transport, Storage and Communication industry. Agriculture, Forestry and Fisheries decreased by 29.2% and contributed -0.8 of a percentage point to the GDP growth. The decrease was mainly because of a drop in the production of field crops and horticultural products. The Transport, Storage and Communication industry decreased by 4.9% and contributed -0.4 of a percentage point to the GDP growth. Decreases were reported for land transport, air transport and transport support services.

Economic growth in the GDP was mainly attributed to Mining, Finance, Real Estate and Business Services, increasing by 4.9% and 1.9%, respectively.

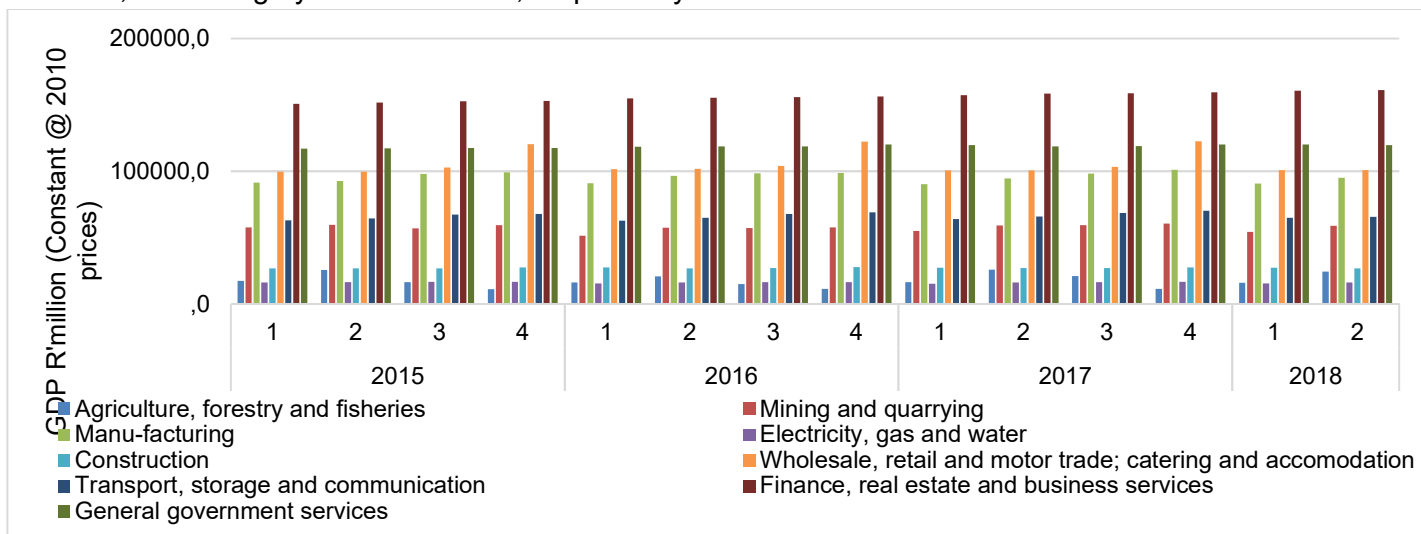


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

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 second quarter of 2012 and the second quarter of 2018, the GDP growth rate of AFF decreased by 195.1%, peaking at 39.9% during the third quarter of 2017, reporting a record low of minus 19.1% during the third quarter of 2015.

Comparing the second quarter of 2017 to the second quarter of 2018, y-o-y, the AFF GDP decreased by 124.7%. The percentage change of AFF GDP in the second quarter of 2018 was recorded at minus 5.8%.

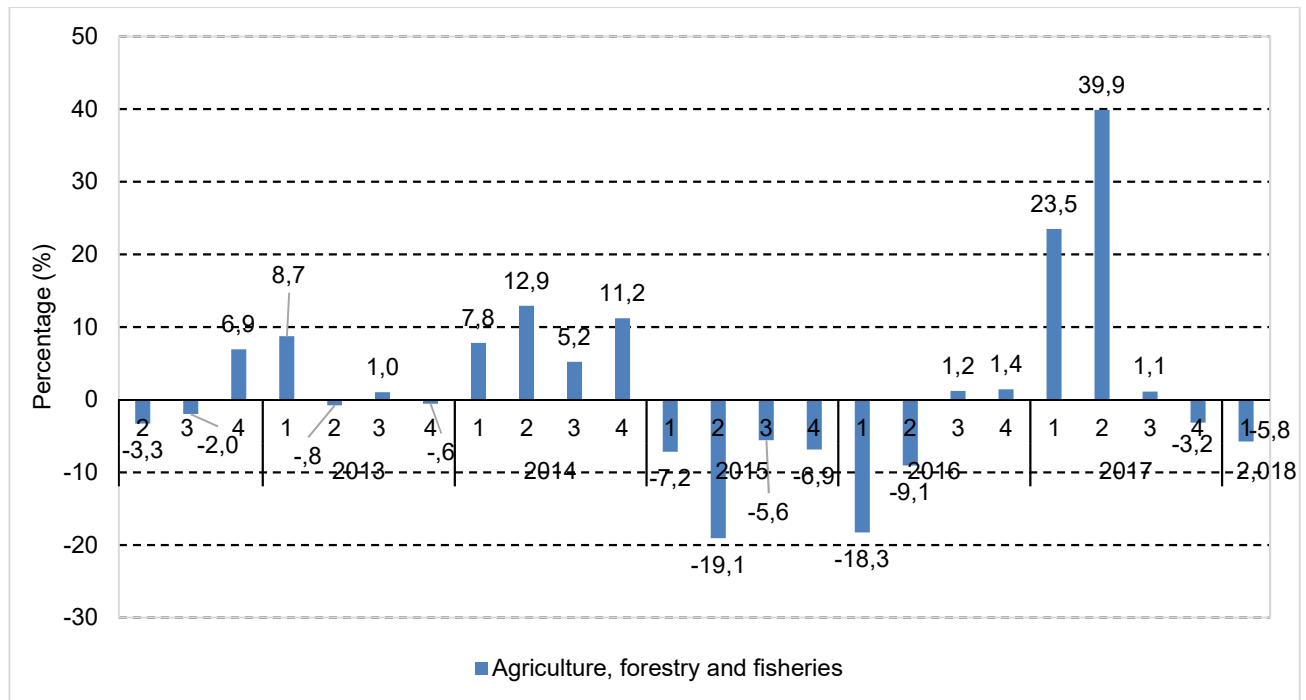


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices
Source: Stats SA, 2018

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 September 2010 to September 2018, the price of crude oil (US\$/barrel) decreased by 0.3%, while the exchange rate (R/\$) increased by 107.7%. When comparing September 2017 to September 2018, y-o-y, the price of crude oil increased by 40.4% and the exchange rate depreciated by 12.2%. In September 2018, the price of crude oil and the exchange rate were US\$77.86 per barrel and R/\$15.45, respectively.

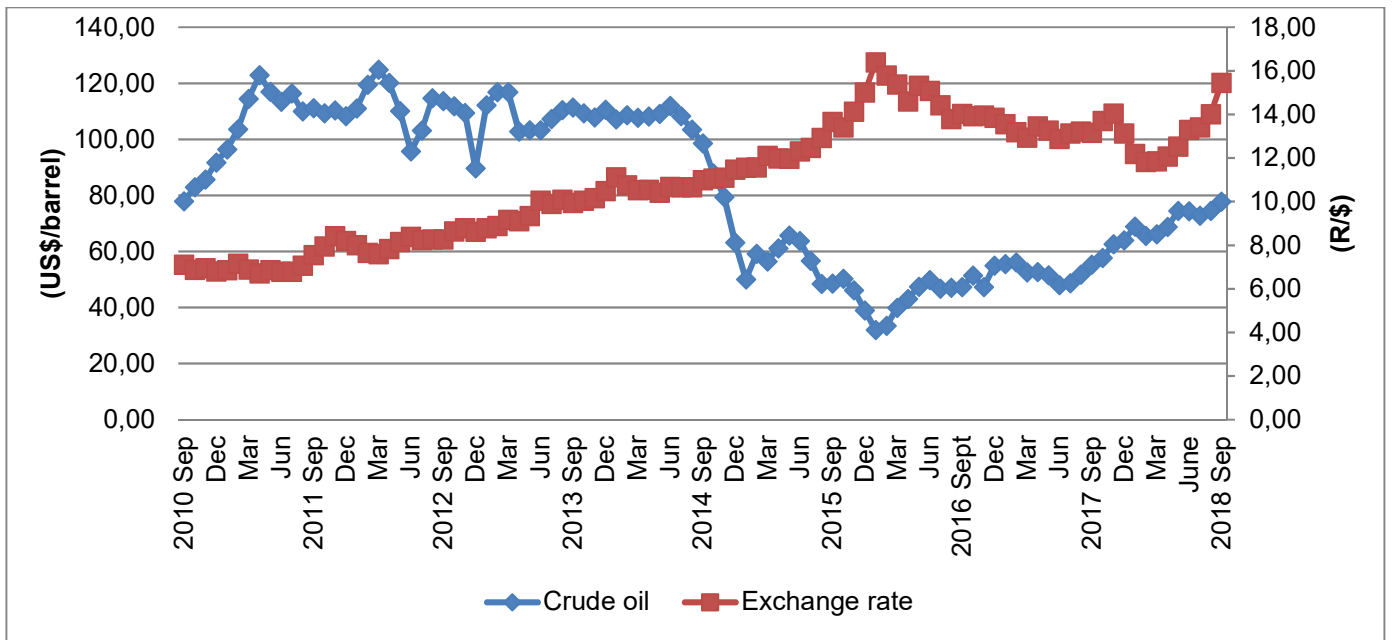


Figure 3: Crude oil and exchange rate

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 August 2012 to August 2018. The average prime interest rate is currently 17.6% 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 remain unchanged at 10% since March 2018.

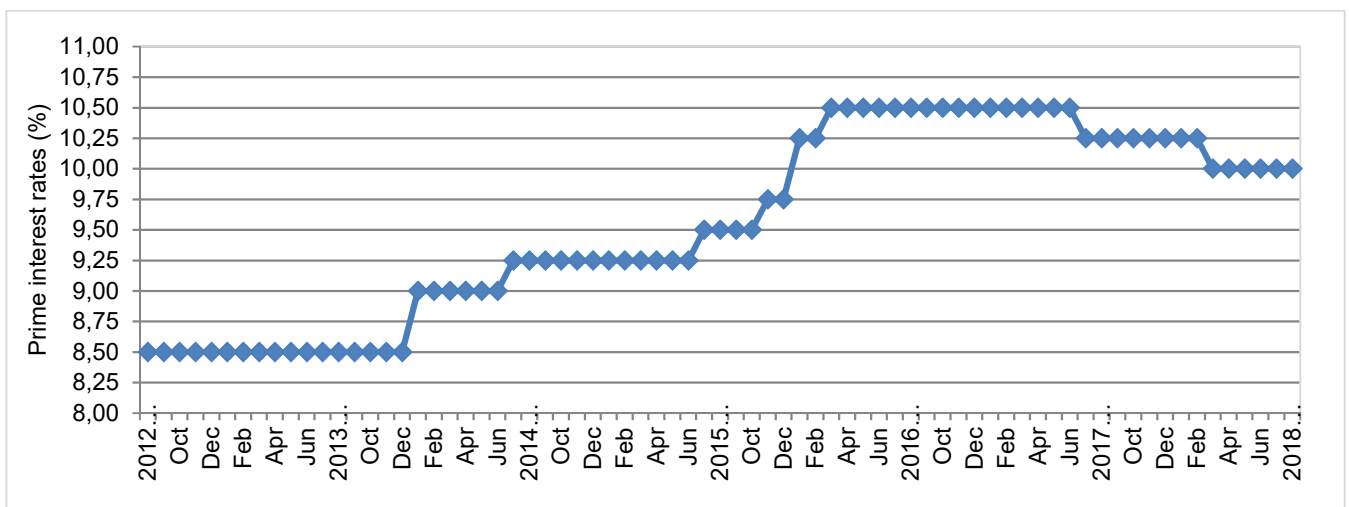


Figure 4: Average monthly prime interest rate

Source: SARB, 2018

5. Private Consumption Expenditure

Figure 5 shows the quarterly private consumption expenditure on selected food items, from 2015 to 2018. During the second quarter (April to June) 2018, consumer expenditure increased on all of the selected food items, with the exception of bread and grain products that decreased by 10.2%, in comparison with the same quarter during 2017. The largest increase was in sugar with 15.8%, followed by meat with 9.9% and vegetables and fruit with 9.3%. Total consumer expenditure increased by 2.3% during the second quarter (April to June) of 2018, compared to the first quarter of 2018.

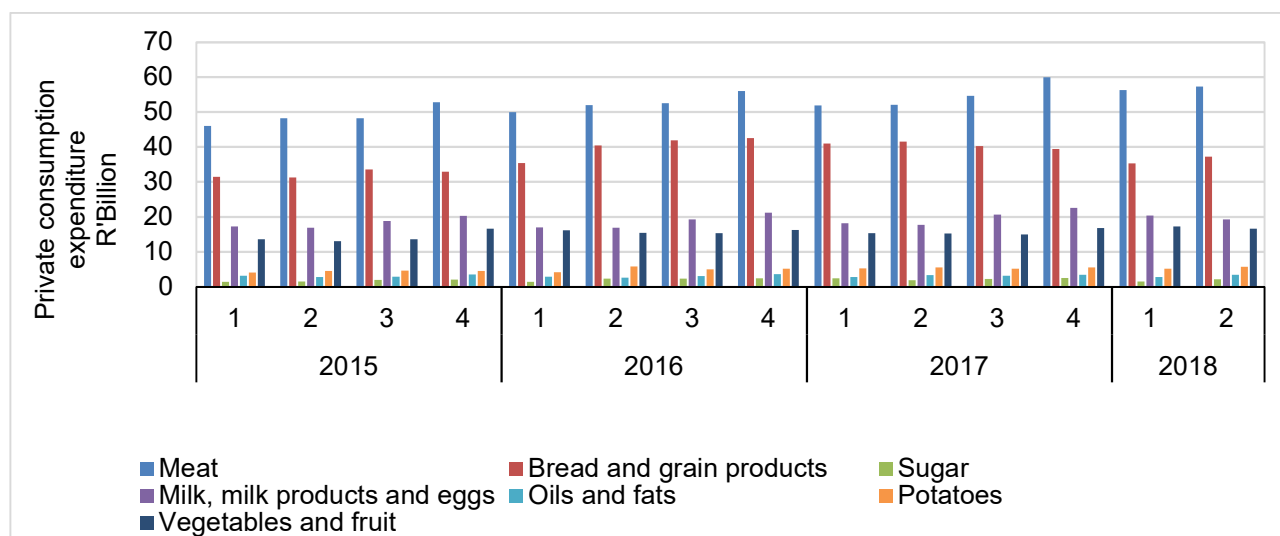


Figure 5: Quarterly private consumption expenditure on selected food items

Source: DAFF, 2018

6. 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 second quarter (April to June) of 2018 to the second quarter of 2017, real net farm income and real gross income decreased by 22% and 10.8%, respectively. The real expenditure on intermediate goods and services increased by 2.0% during the same period.

When comparing the second quarter (April to June) of 2018 to the first quarter of 2018, real net farm income, real gross income and real expenditure increased by 132.9%, 41.1% and 9.1%, respectively.

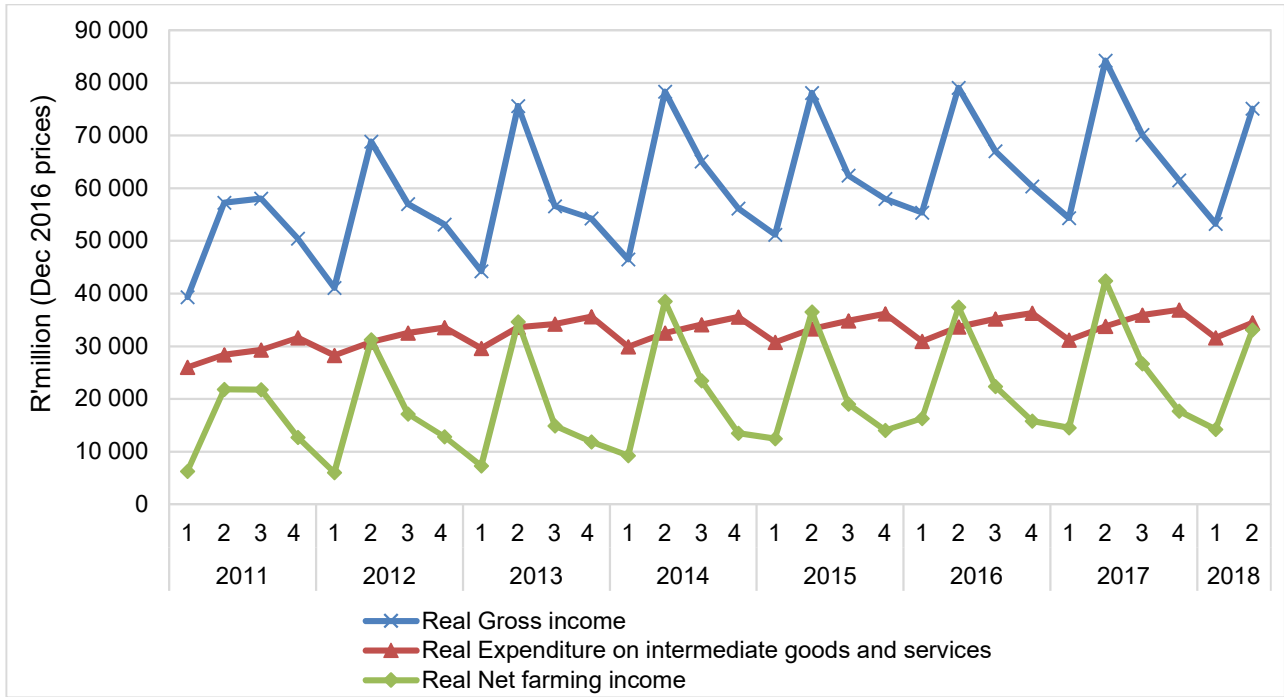


Figure 6: Real gross income, real expenditure on intermediate goods and services and real farm income

Source: DAFF, 2018

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