



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 - December 2018

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EXECUTIVE SUMMARY

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



GDP growth rate increased by 2.2% in the third quarter (July to September) of 2018, compared to the decrease of 0.4% reported in the second quarter (April to June) of 2018. GDP growth was mainly attributed to Manufacturing, Finance, real estate and business services, Transport, storage and communication as well as Trade, catering and accommodation industries by 7.5%, 2.3%, 5.7% and 3.2% respectively. The Agriculture, Forestry and Fishing industry increased by 6.5% and contributed 0.1 of a percentage point to GDP growth. The growth came from an increase in the production of field crops, horticultural products and animal products. In contrast, Mining and quarrying industry declined by 8.8% and contributed -0.7 of a percentage point to GDP growth.

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



When comparing November 2017 to November 2018, year on year (y-o-y), the price of crude oil decreased by 2.6% and the exchange rate depreciated by 0.6%. In November 2018, the price of crude oil and the exchange rate were US\$61.01 per barrel and R/\$13.96, respectively.

- ***Average Prime Interest Rate***



The South African Reserve Bank (SARB) increased its prime interest rate by 0.25 percentage points, from 10.0% during March 2018 to 10.25% in November 2018 due to the backdrop of rising inflation expectations. This marks the first rate hike since March 2017.

- ***Private Consumption expenditure***



During the third quarter (July to September) 2018, consumer expenditure (Rand value) increased on all of the selected food items, with the exception of bread and grain products that decreased by 4.5%, in comparison with the same quarter during 2017. The largest increase was in sugar with 63.7%, followed by potatoes with 14.7% and vegetables and fruit with 14.0%. Total consumer expenditure increased by 4.4% during the third quarter (July to September) of 2018, compared to the second quarter of 2018.

- ***Farm Income and Expenditure***



Comparing the third quarter (July to September) of 2018 to the third quarter of 2017, real net farm income, real gross income and real expenditure on intermediate goods and services increased by 16.2%, 2.1% and 2.0%, respectively.

When comparing the third quarter (July to September) of 2018 to the second quarter of 2018, real net farm income and real gross income decreased by 8.1% and 5.5%, respectively. The real expenditure on intermediate goods and services increased by 6.4% during the same period.

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, is 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. South Africa's gross domestic product (GDP) growth rate increased by 2.2% in the third quarter (July to September) of 2018, compared to the decrease of 0.4% reported in the second quarter (April to June) of 2018. GDP growth was mainly attributed to Manufacturing, Finance, real estate and business services, Transport, storage and communication as well as Trade, catering and accommodation industries by 7.5%, 2.3%, 5.7% and 3.2% respectively. The Agriculture, Forestry and Fishing industry GDP increased by 6.5% and contributed 0.1 of a percentage point to GDP growth. The growth came from an increase in the production of field crops, horticultural products and animal products.

In contrast, Mining and quarrying industry declined by 8.8% and contributed -0.7 of a percentage point to GDP growth. This was followed by the Construction industry which decreased by 2.7% and contributed -0.1 of a percentage point. Electricity, gas and water industry also decreased by 0.9%.

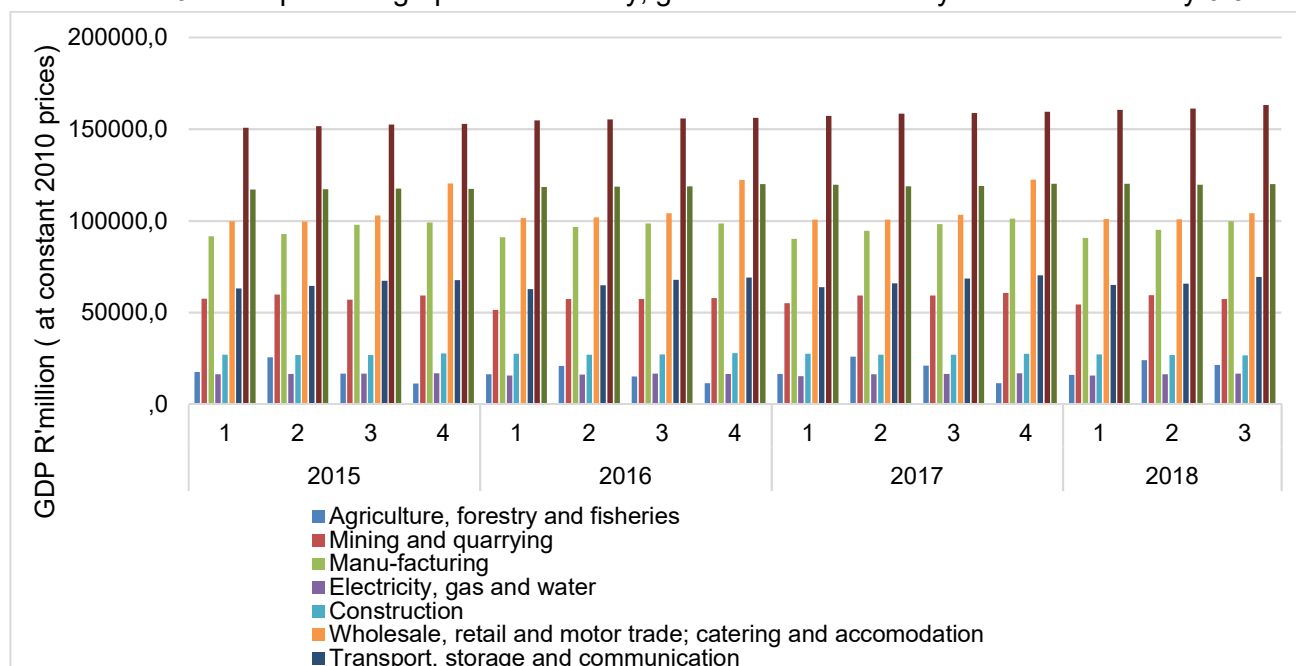


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

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 third quarter of 2012 and the third quarter of 2018, the GDP growth rate of AFF decreased by 136.4%, 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 third quarter of 2017 to the third quarter of 2018, y-o-y, the AFF GDP decreased by 97.0%. The percentage change of AFF GDP in the third quarter of 2018 was recorded at 1.2%.

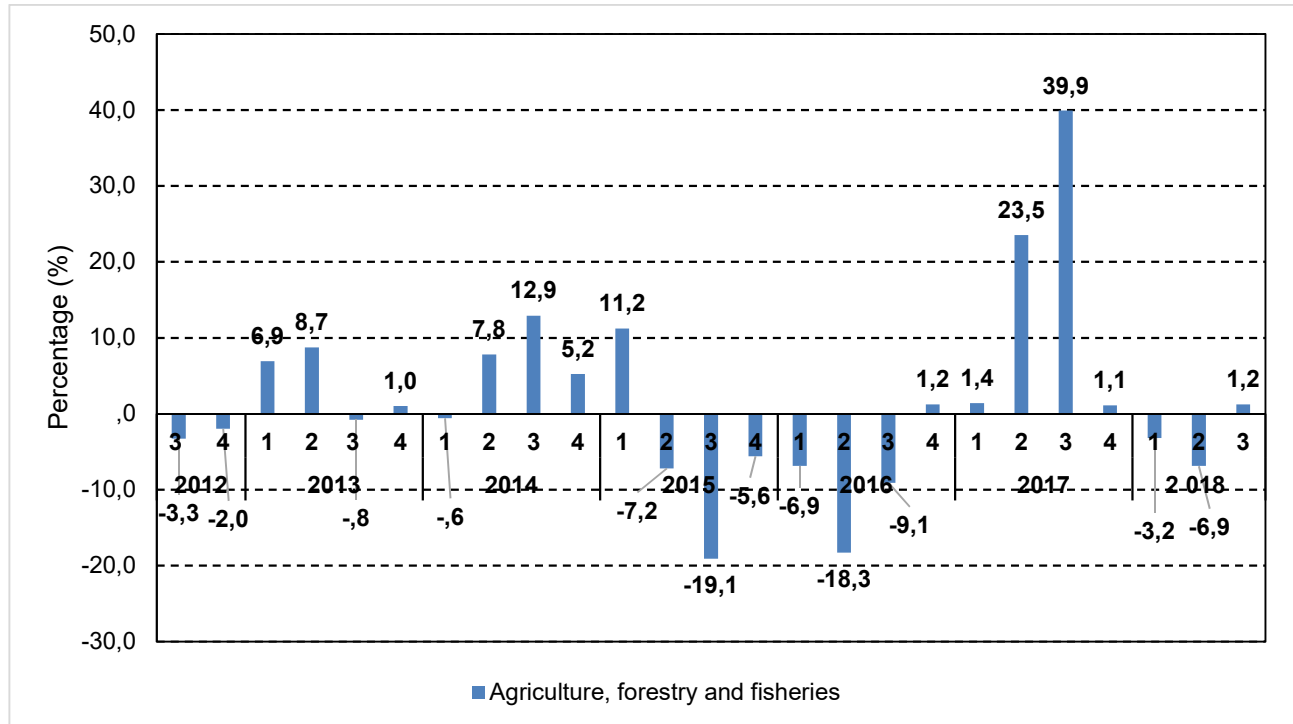


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices
Source: Stats SA, 2018

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 November 2010 to November 2018, the price of crude oil (US\$/barrel) decreased by 28.9%, while the exchange rate (R/\$) depreciated by 100.8%. When comparing November 2017 to November 2018, year on year, (y-o-y), the price of crude oil decreased by 2.6% and the exchange rate appreciated by 0.6%. In November 2018, the price of crude oil and the exchange rate were US\$61.01 per barrel and R/\$13.96, respectively.

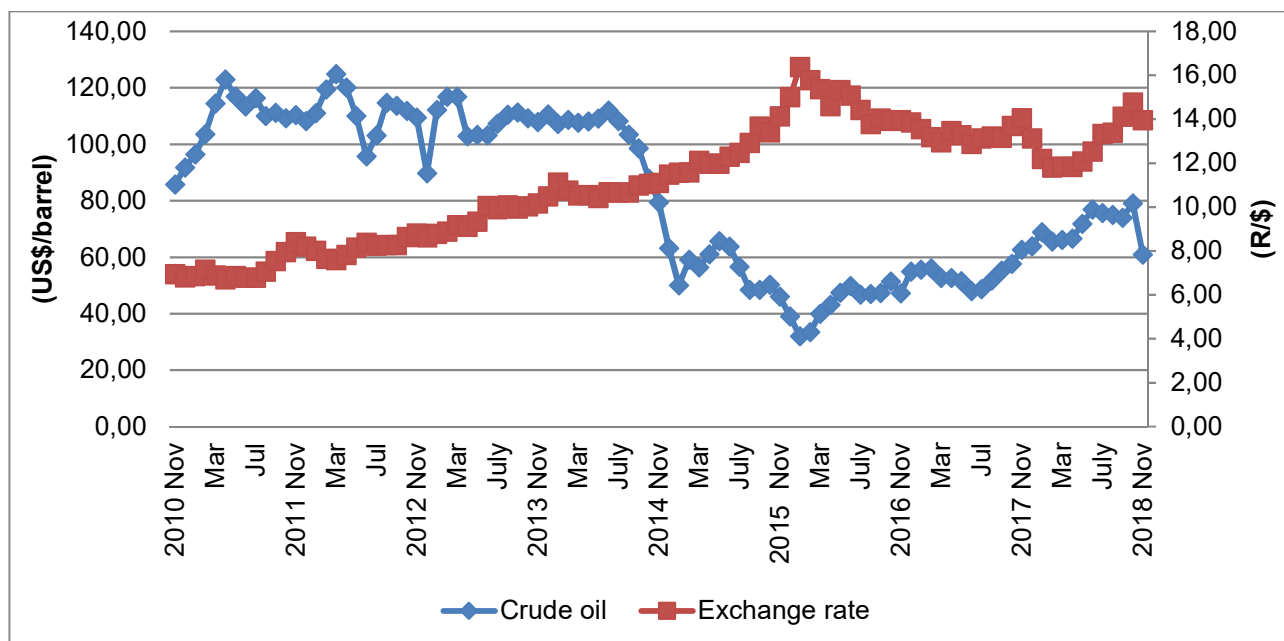


Figure 3: Crude oil and exchange rate

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 illustrates the average monthly prime interest rate for the period of November 2012 to November 2018. The average prime interest rate is currently 20.6% 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 South African Reserve Bank (SARB) increased its prime interest rate by 0.25 percentage points, from 10.0% during March 2018 to 10.25% in November 2018 due to the backdrop of rising inflation expectations. This marks the first rate hike since March 2017.

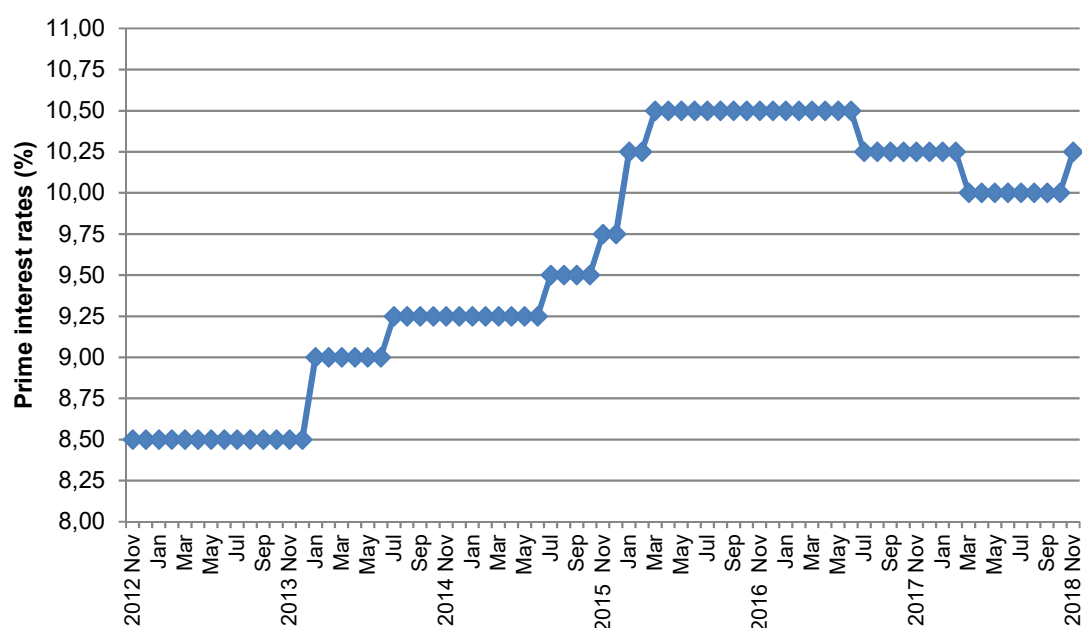


Figure 4: Average monthly prime interest rate

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 third quarter (July to September) 2018, consumer expenditure increased on all of the selected food items, with the exception of bread and grain products that decreased by 4.5%, in comparison with the same quarter during 2017. The largest increase was in sugar with 63.7%, followed by potatoes with 14.7% and vegetables and fruit with 14.0%. Total consumer expenditure increased by 4.4% during the third quarter (July to September) of 2018, compared to the second quarter of 2018.

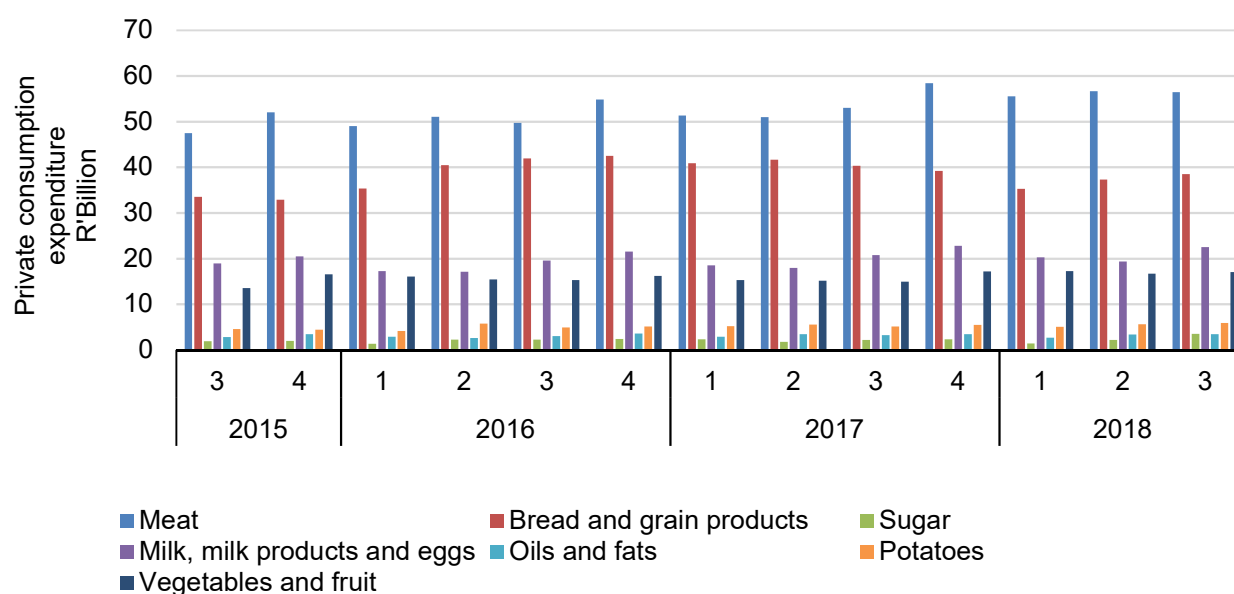


Figure 5: Quarterly private consumption expenditure on selected food items

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 third quarter (July to September) of 2018 to the third quarter of 2017, real net farm income, real gross income and real expenditure on intermediate goods and services increased by 16.2%, 2.1% and 2.0%, respectively.

When comparing the third quarter (July to September) of 2018 to the second quarter of 2018, real net farm income and real gross income decreased by 8.1% and 5.5%, respectively. The real expenditure on intermediate goods and services increased by 6.4% during the same period.

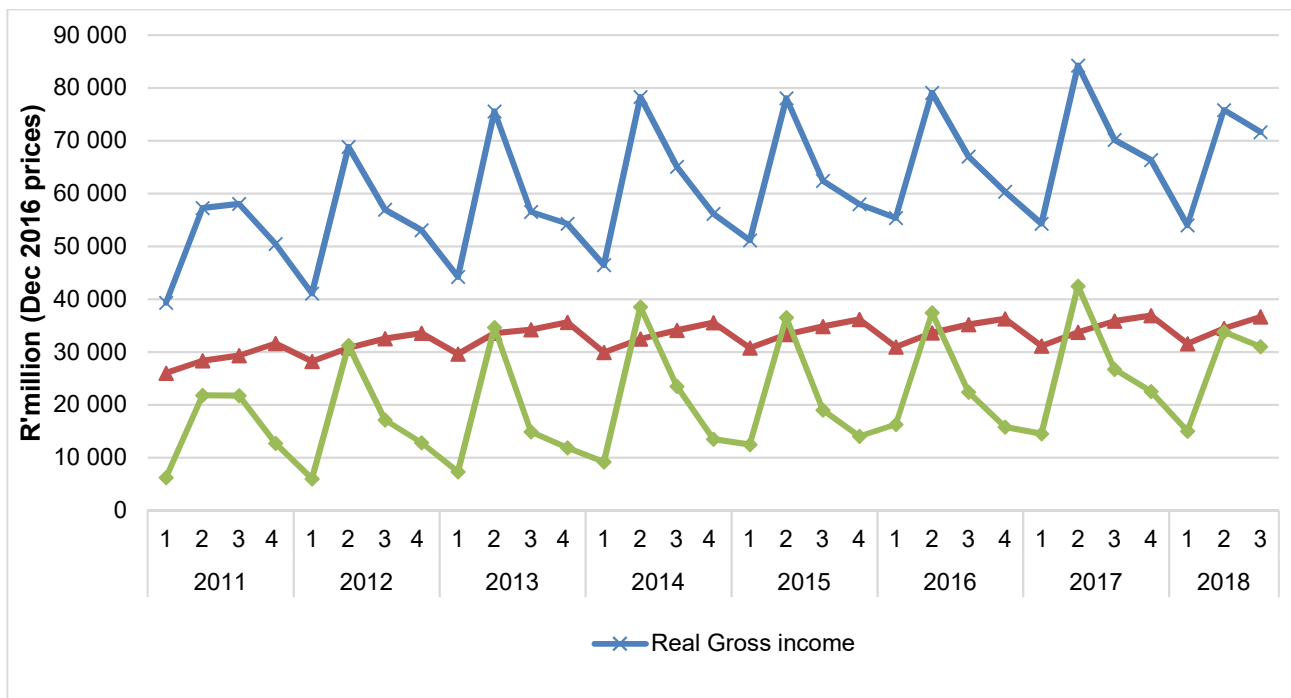


Figure 6: Real gross income, real expenditure on intermediate goods and services and real farm income

Source: DAFF, 2018

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