



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 2019*

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## EXECUTIVE SUMMARY

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



South Africa's gross domestic product (GDP) growth rate increased by 1.4% in the fourth quarter (October to December) of 2018, compared to the increase of 2.6% reported in the third quarter (July to September) of 2018. GDP growth was mainly attributed to Transport, Storage and Communication, Manufacturing and Finance, Real Estate and Business Services industries by 7.7%, 4.5% and 2.7% respectively. The Agriculture, Forestry and Fishing industry GDP increased by 7.9% and contributed 0.2 of a percentage point to GDP growth.

- **Crude Oil and Exchange Rate**



When comparing February 2018 to February 2019, year on year (y-o-y), the price of crude oil decreased by 8.7% while the exchange rate depreciated with 17.1%. In February 2019, the price of crude oil and the exchange rate were US\$59.96/barrel and R/\$13.83, respectively.

- **Average Prime Interest Rate**



The South African Reserve Bank (SARB) increased its prime interest rate by 0.25 percentage points, from 10% during October 2018 to 10.25% in November 2018 due to the backdrop of rising inflation

expectations. This marks the first rate hike since March 2017. The prime interest rate was kept unchanged at 10.25% from November 2018 to February 2019.

- ***Private Consumption expenditure***



Comparing the fourth quarter (October to December) of 2018 with the fourth quarter of 2017, consumer expenditure decreased on most of the selected food items, with the exception of fruit and vegetables, and dairy products that increased by 9.6% and 4%, respectively. The largest decrease was in sugar with 12.7%, followed by oils and fats with 6.2% and bread and grain products with 4.7%. Total consumer expenditure increased by 0.3% during the fourth quarter (October to December) of 2018, compared to the third quarter of 2018.

- ***Farm Income and Expenditure***



Comparing the fourth quarter (October to December) of 2018 to the fourth quarter of 2017 (y-o-y), real net farm income and real gross income decreased by 25.1% and 6.1%, respectively. The real expenditure on intermediate goods and services increased by 0.7% during the same period.

When comparing the fourth quarter (October to December) of 2018 to the third quarter of 2018, real net farm income and real gross income decreased by 51.7% and 19.3%, respectively. The real expenditure on intermediate goods and services increased by 1.4% during the same period.

# 1. Introduction

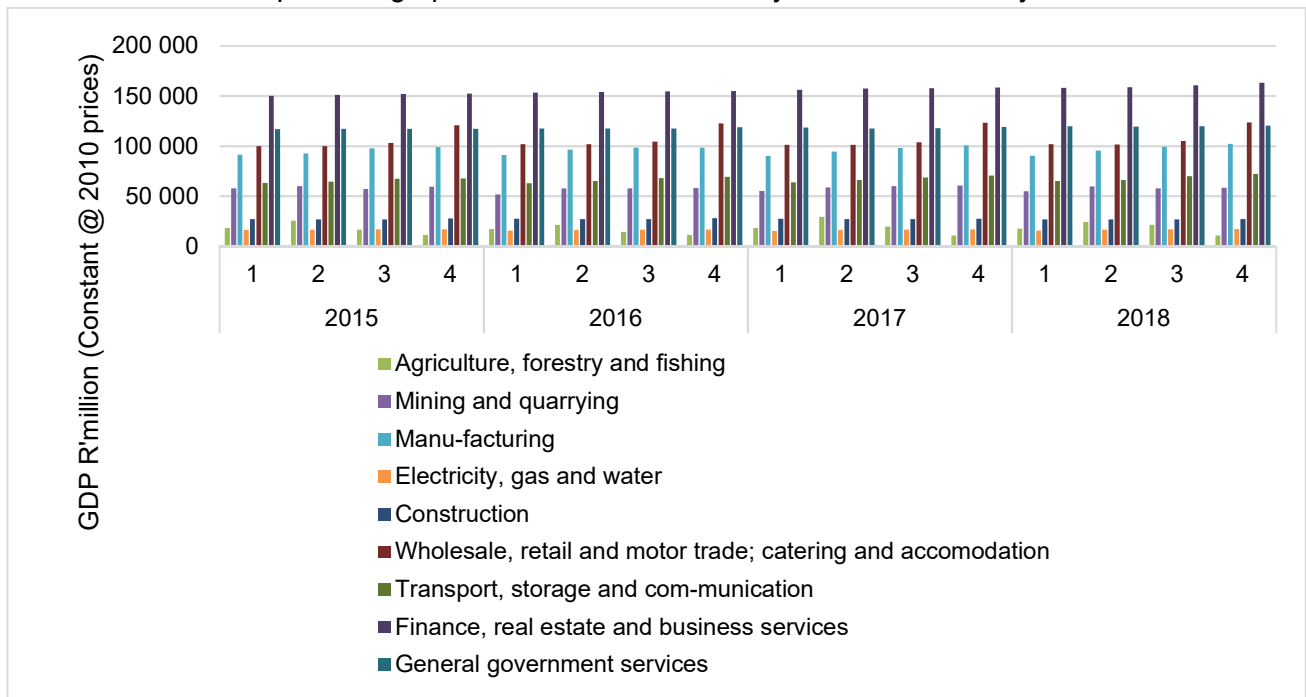
Macroeconomic indicators are statistics that indicate the current status of a country’s economy. Indicators are pertinent to a broader economy at national level. The aim of this publication, Macroeconomic Digest, report on Economic Growth and other key indicators, is to present an overview of trends 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 1.4% in the fourth quarter (October to December) of 2018, compared to the increase of 2.6% reported in the third quarter (July to September) of 2018. GDP growth was mainly attributed to Transport, Storage and Communication, Manufacturing and Finance, Real Estate and Business Services industries by 7.7%, 4.5% and 2.7% respectively. The Agriculture, Forestry and Fishing industry GDP increased by 7.9% and contributed 0.2 of a percentage point to GDP growth. The growth came from an increase in the production of field crops.

In contrast, Mining and Quarrying industry declined by 3.8% and contributed -0.3 of a percentage point to GDP growth. This was followed by the Trade industry which decreased by 0.7% and contributed -0.1 of a percentage point. Construction industry also decreased by 0.7%.

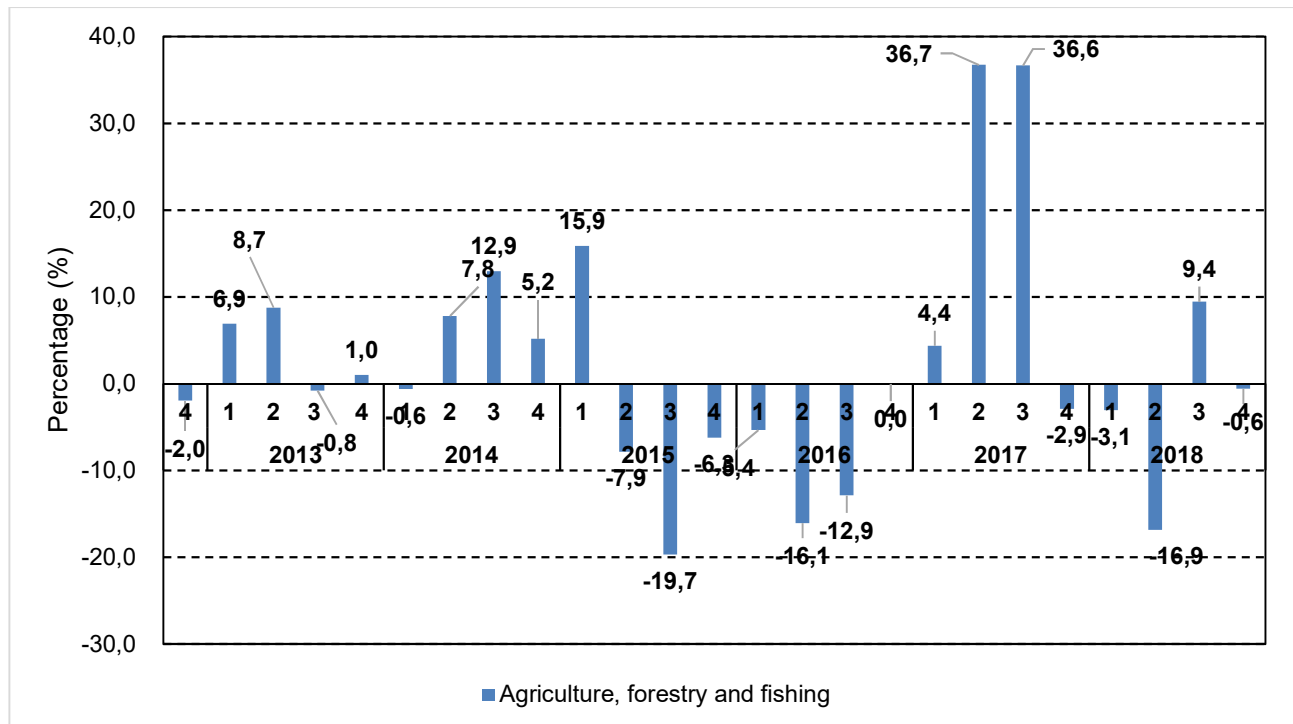


**Figure 1: Quarterly GDP of selected industries, at constant 2010 prices**

Source: Stats SA, 2019

The percentage changes 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 the fourth quarter of 2018, the GDP growth rate of AFF decreased by 69.3%, peaking at 36.7% during the second quarter of 2017, reporting a record low of minus 19.7% during the third quarter of 2015.

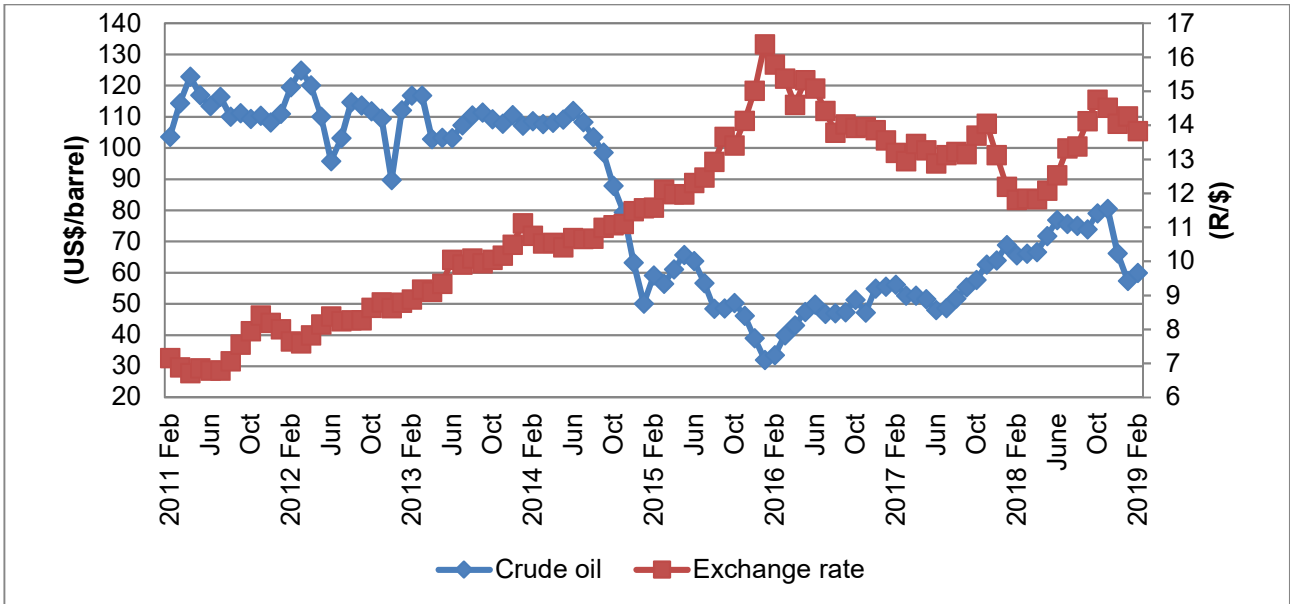
Comparing the fourth quarter of 2018 to the fourth quarter of 2017, y-o-y, the AFF GDP decreased by 79.3%. The percentage change of AFF GDP in the third quarter of 2018 was recorded at -0.6%.



**Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices**  
Source: Stats SA, 2019

### 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 February 2011 to February 2019, the price of crude oil (US\$/barrel) decreased by 42.1%, while the exchange rate (R/\$) depreciated by 93.2%. When comparing February 2018 to February 2019, year on year (y-o-y), the price of crude oil decreased by 8.7% while the exchange rate depreciated by 17.1%. In February 2019, the price of crude oil and the exchange rate were US\$59.96/barrel and R/\$13.83, respectively.

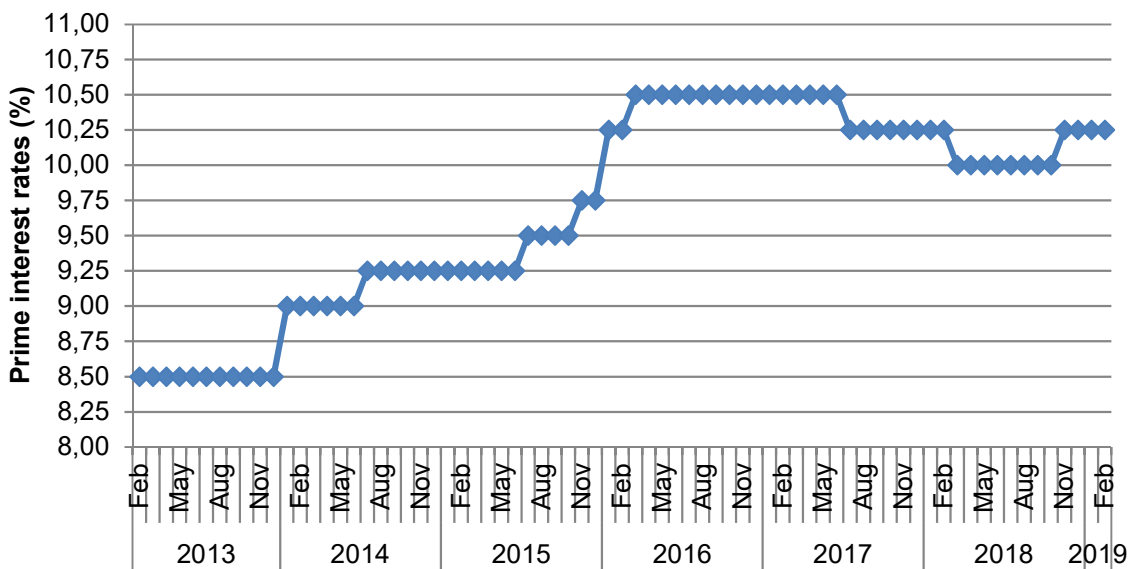


**Figure 3: Crude oil and exchange rate**

Source: Grain SA, 2019

#### 4. Average Prime Interest Rates

The prime interest rate is utilised as a reference rate or a benchmark rate for loan pricing. The prime rate is the lending rate at which a clearing bank will provide overdraft facilities to a client. **Figure 4** illustrates the average monthly prime interest rate for the period of February 2013 to February 2019. The average prime interest rate is currently 20.6% higher than during 2013. 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% during October 2018 to 10.25% in November 2018 due to the backdrop of rising inflation expectations. This marks the first rate hike since March 2017. The prime interest rate was kept unchanged at 10.25% from November 2018 to February 2019.

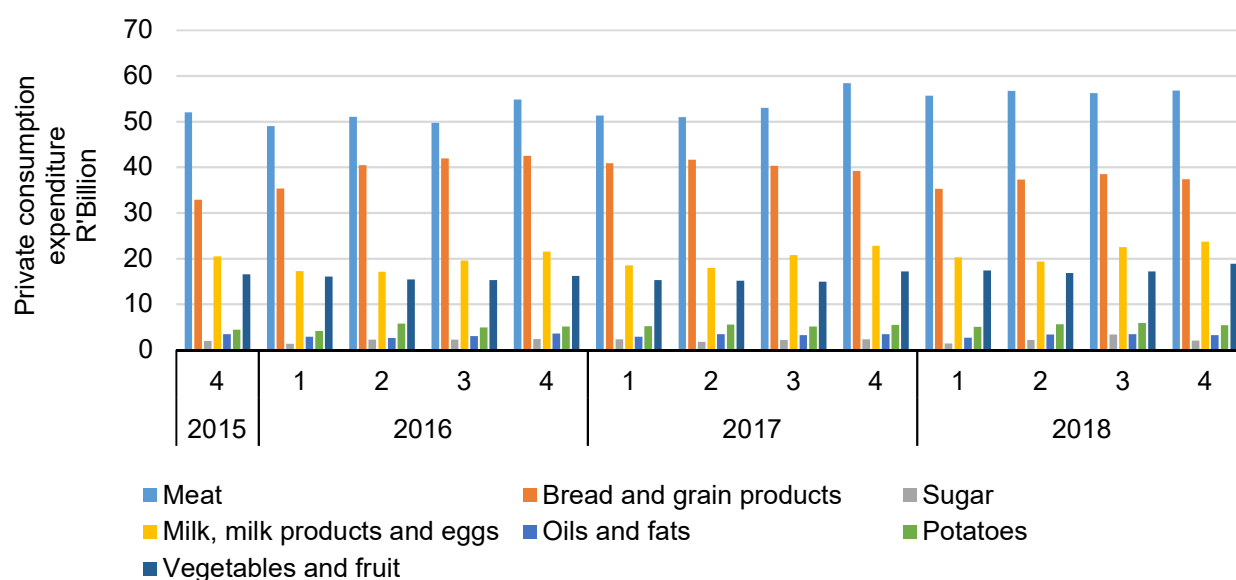


**Figure 4: Average monthly prime interest rate**

Source: SARB, 2019

## 5. Private Consumption Expenditure

**Figure 5** shows the quarterly private consumption expenditure on selected food items, from 2015 to 2018. Comparing the fourth quarter (October to December) of 2018 with the fourth quarter of 2017, consumer expenditure decreased on most of the selected food items, with the exception of fruit and vegetables, and dairy products that increased by 9.6% and 4%, respectively. The largest decrease was in sugar with 12.7%, followed by oils and fats with 6.2% and bread and grain products with 4.7%. Total consumer expenditure increased by 0.3% during the fourth quarter (October to December) of 2018, compared to the third quarter of 2018.



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

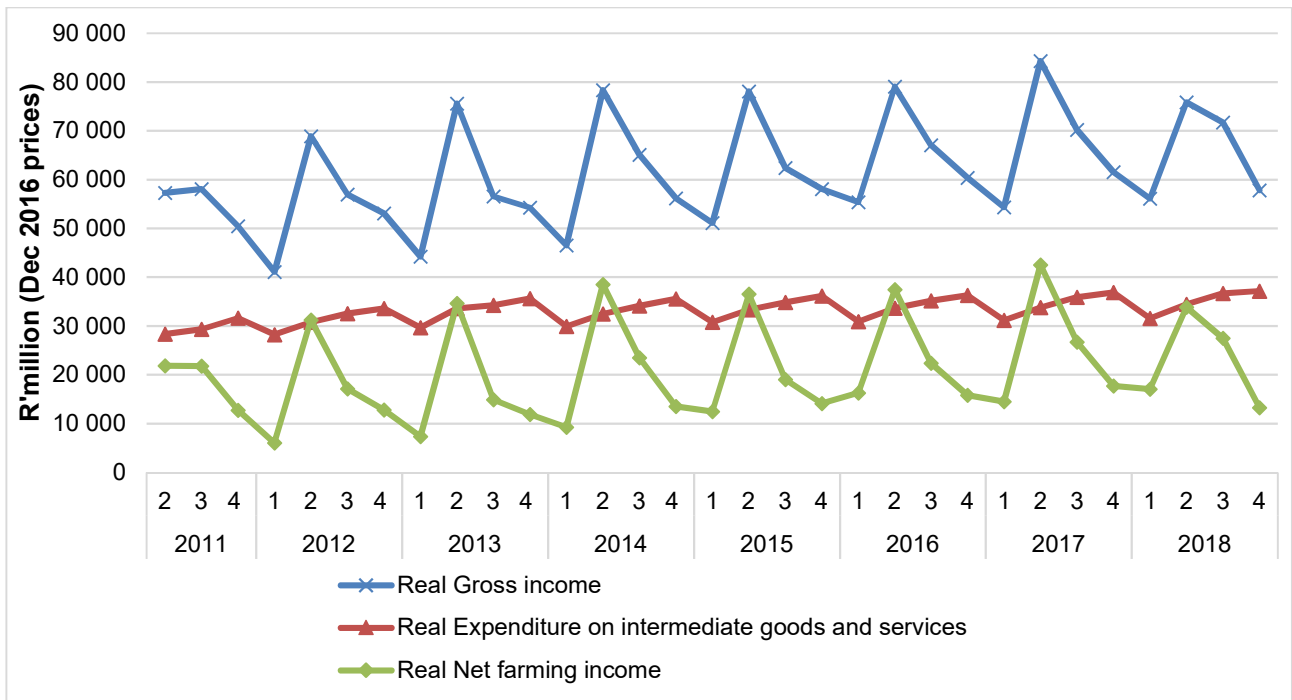
Source: DAFF, 2019

## 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 fourth quarter (October to December) of 2018 to the fourth quarter of 2017 (y-o-y), real net farm income and real gross income decreased by 25.1% and 6.1%, respectively. The real expenditure on intermediate goods and services increased by 0.7% during the same period.

When comparing the fourth quarter (October to December) of 2018 to the third quarter of 2018, real net farm income and real gross income decreased by 51.7% and 19.3%, respectively. The real expenditure on intermediate goods and services increased by 1.4% during the same period. During the fourth quarter of 2018, the real net farm income decreased to a level that compare to the first quarter of 2015.





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

Source: DAFF, 2019

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