



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 2019

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EXECUTIVE SUMMARY

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



South Africa's real gross domestic product (GDP) growth rate decreased by 3.2% in the first quarter (January to March) of 2019, compared to the increase of 1.4% reported in the fourth quarter (October to December) of 2018. The negative growth rates in GDP in the first quarter of 2019 was mainly attributed to the Manufacturing, Mining, and Trade, Catering and Accommodation industries, with declines of 8.8%, 10.8% and 3.6% respectively. The Agriculture, Forestry and Fishing (AFF) industry's GDP decreased by 13.2% in the first quarter of 2019 and contributed negative 0.3 of a percentage point to GDP growth. This decrease is a result of the production decrease of field crops and horticultural products.

- **Crude Oil and the Exchange Rate**



Comparing May 2018 to May 2019, year-on-year (y-o-y), the price of crude oil decreased by 0.4% while the exchange rate depreciated with 16.5%. In May 2019, the price of crude oil and the exchange rate reached levels of US\$71.51/barrel and R/\$14.08, 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 May 2019.

- ***Private Consumption Expenditure***



Comparing the first quarter (January to March) of 2019 with the first quarter of 2018, consumer expenditure increased on most of the selected food items, with the exception of sugar and oils & fats that decreased by 30.5% and 6.8%, respectively.

Total consumer expenditure decreased by 4.6% during the first quarter (January to March) of 2019, compared to the fourth quarter of 2018.

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 real gross domestic product (GDP) growth rate decreased by 3.2% in the first quarter (January to March) of 2019, compared to the increase of 1.4% reported in the fourth quarter (October to December) of 2018. The negative growth rates in GDP in the first quarter of 2019 was mainly attributed to the Manufacturing, Mining, and Trade, Catering and Accommodation industries, with declines of 8.8%, 10.8% and 3.6% respectively. The Agriculture, Forestry and Fishing (AFF) industry's GDP decreased by 13.2% in the first quarter of 2019 and contributed negative 0.3 of a percentage point to GDP growth. This decrease is a result of the production decrease of field crops and horticultural products.

General government, Finance and Personal services were the only three industries showing positive growth and increased by 1.2%, 1.1% and 1.1%, respectively and contributed 0.2, 0.2 and 0.1 of a percentage point to GDP growth in the first quarter of 2019.

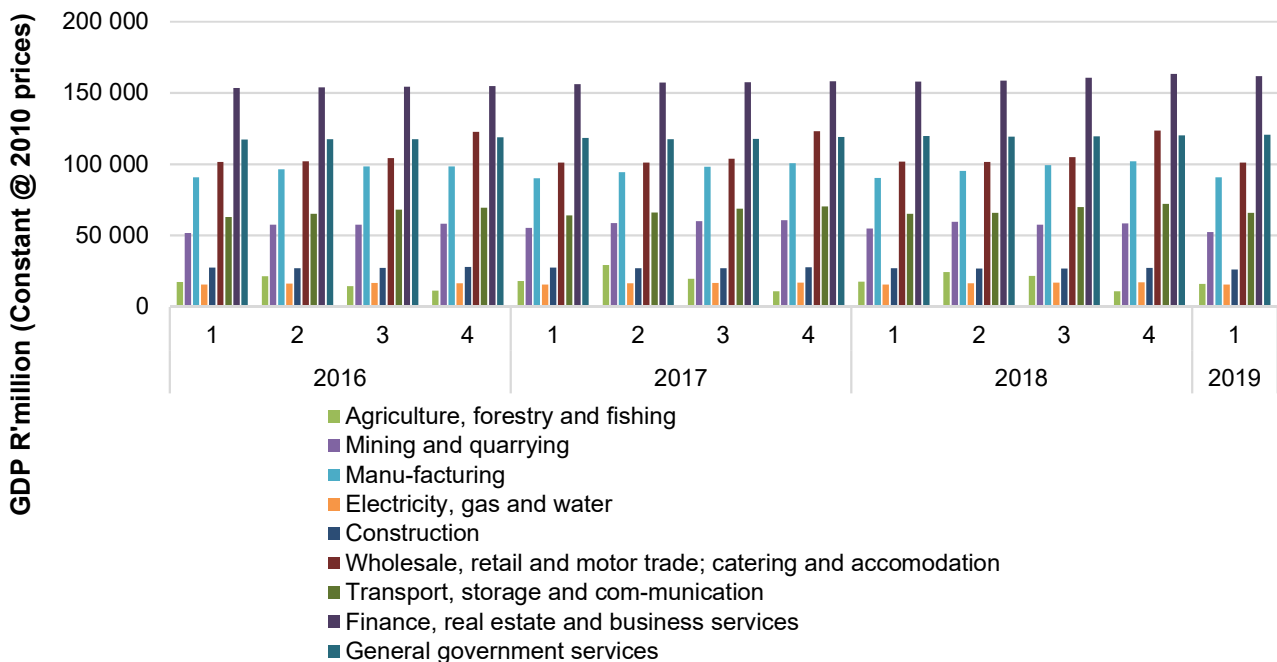


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

Source: Stats SA, 2019

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 AFF GDP, at 2010 prices. Between the first quarter of 2013 and the first quarter of 2019, the GDP growth rate of AFF declined from 6.9% to negative 9.4%, peaking at 36.7% during the second quarter of 2017, while reporting a record low of negative 19.7% during the third quarter of 2015.

Comparing the first quarter of 2019 to the first quarter of 2018, y-o-y, the AFF GDP decreased from negative 3.1% to negative 9.4%. The percentage change of AFF GDP in the fourth quarter of 2018 was recorded at negative 0.6%.

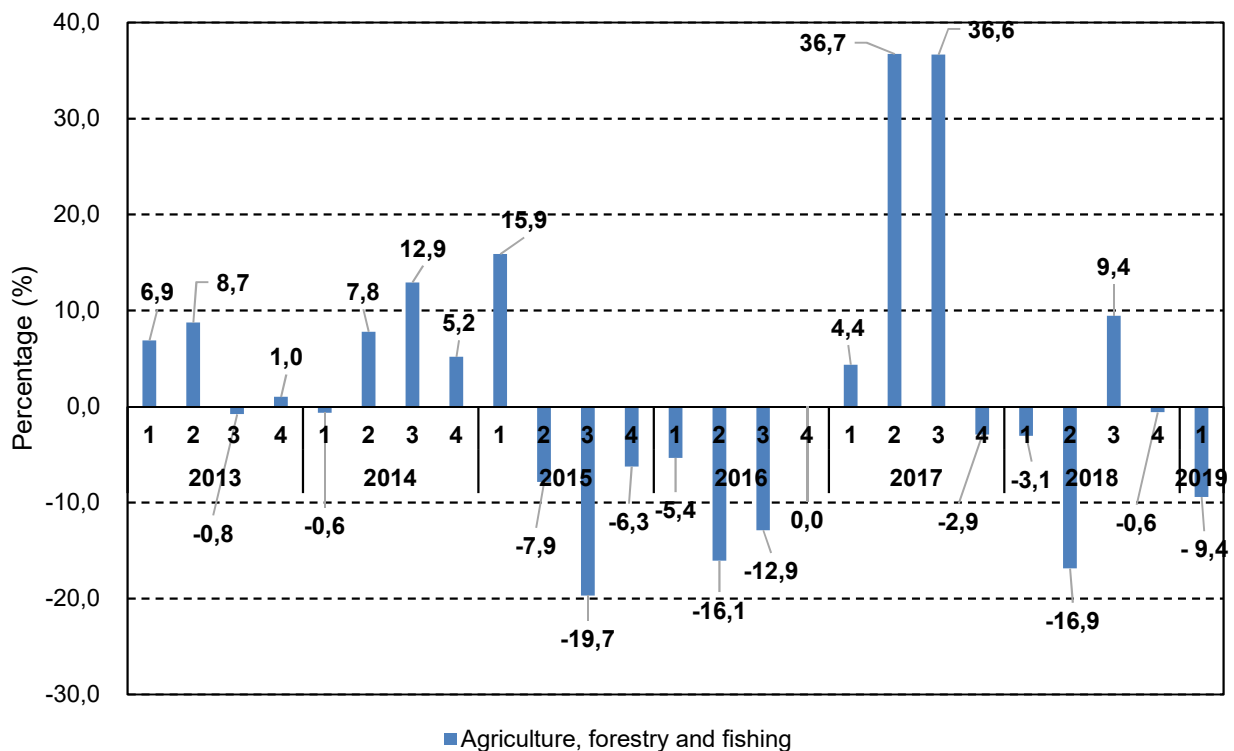


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices
Source: Stats SA, 2019

3. Comparison of Crude Oil and Exchange Rate

Figure 3 shows the trend of the crude oil price (US\$) versus the Rand/Dollar (R/\$) exchange rate. For the period May 2011 to May 2019, the price of crude oil (US\$/barrel) decreased by 38.9%, while the exchange rate (R/\$) depreciated with 105.2%. Comparing May 2018 to May 2019, y-o-y, the price of crude oil decreased by 0.4% while the exchange rate depreciated with 16.5%. In May 2019, the price of crude oil and the exchange rate reached levels of US\$71.51/barrel and R/\$14.08, respectively.

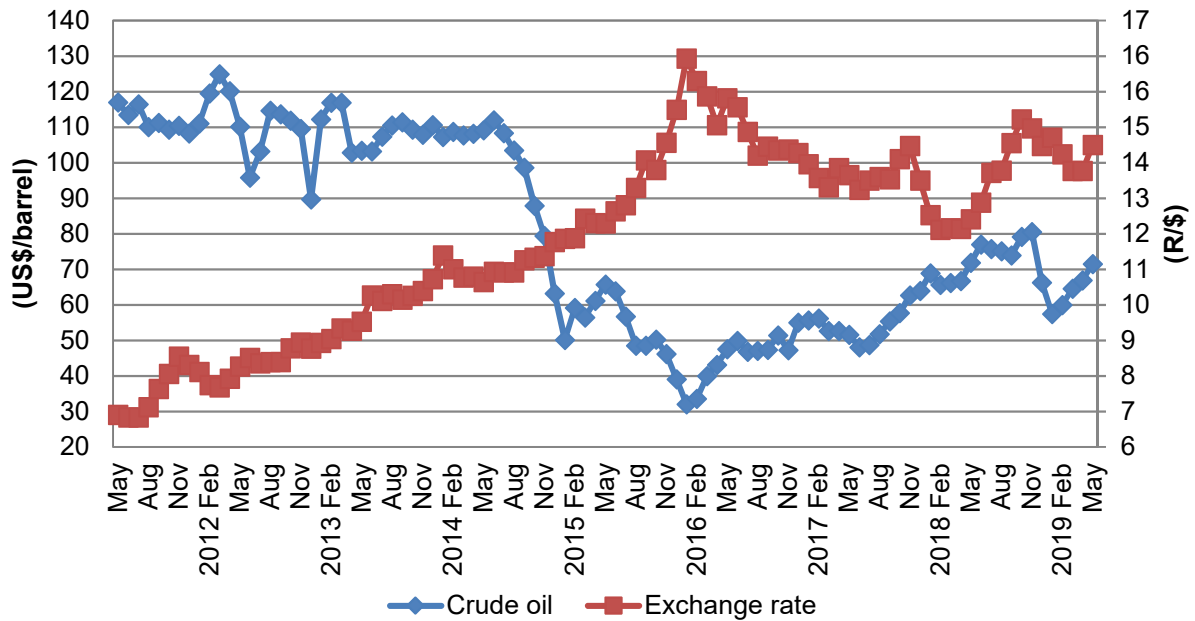


Figure 3: Crude oil and exchange rate

Source: Grain SA, 2019

4. Average Prime Interest Rate

The prime interest rate is utilised as a reference or 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 May 2013 to May 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 May 2019.

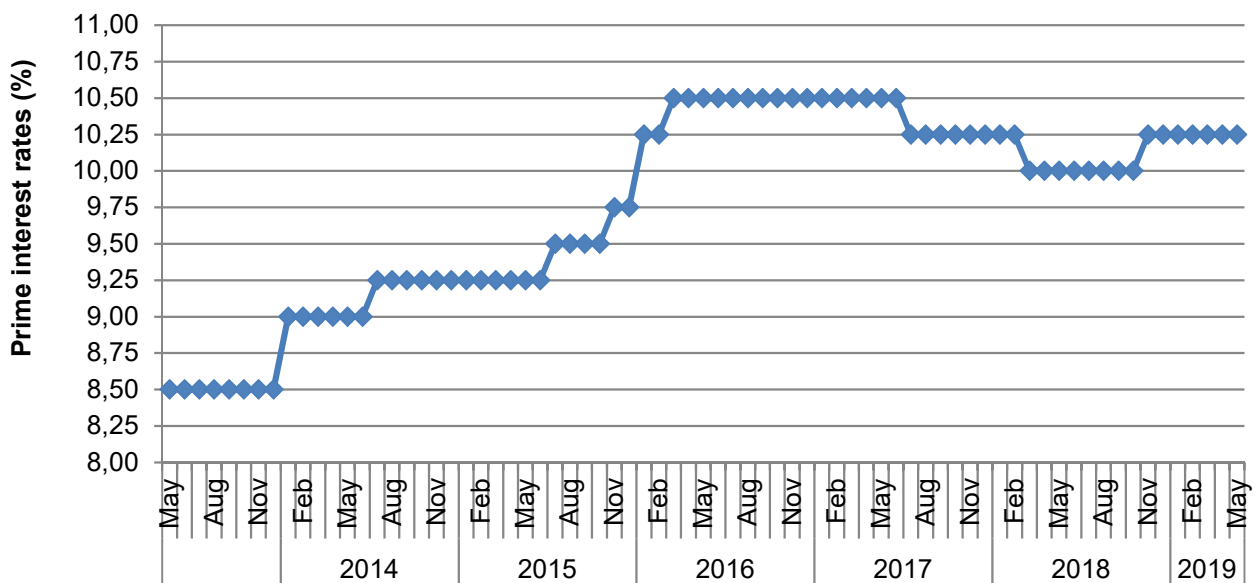


Figure 4: Average monthly prime interest rate

Source: SARB, 2019

5. Private Consumption Expenditure

Figure 5 shows the quarterly private consumption expenditure on selected food items, from 2016 to 2019. Comparing the first quarter (January to March) of 2019 with the first quarter of 2018, consumer expenditure increased on most of the selected food items, with the exception of sugar and oils & fats that decreased by 30.5% and 6.8%, respectively. The largest increase was in potatoes with 6.3%, followed by bread and grain products with 5.1% and milk, milk products and eggs with 3.4%. Total consumer expenditure decreased by 4.6% during the first quarter (January to March) of 2019, compared to the fourth quarter of 2018.

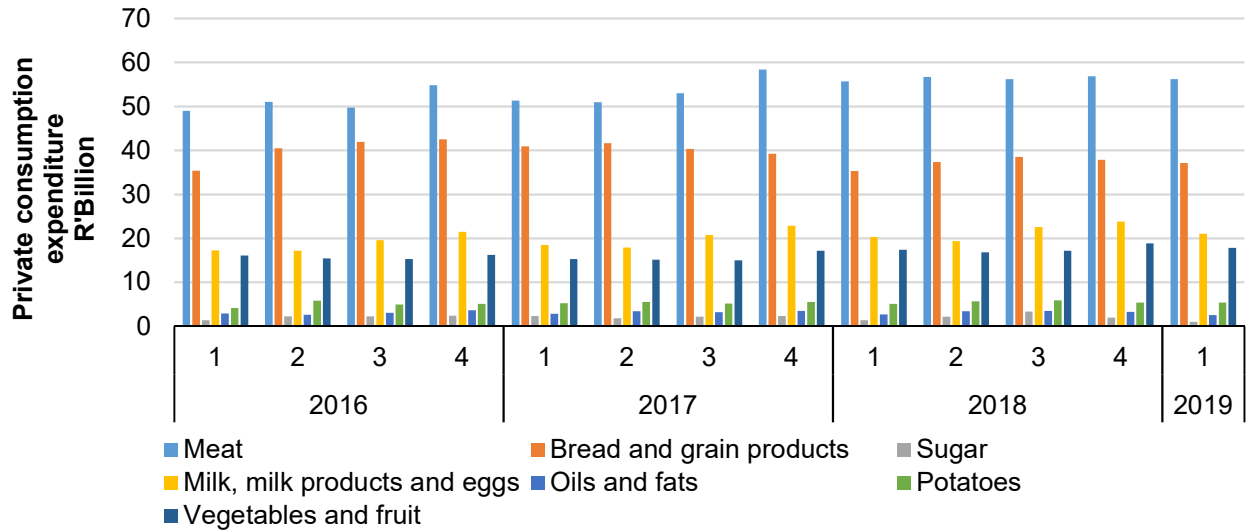


Figure 5: Quarterly private consumption expenditure on selected food items

Source: DAFF, 2019

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