



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 2019

Table of Contents

Excutive summary

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

List of Figures

Figure 1: Quarterly GDP of selected industries, at constant 2010 prices.....	1
Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices	2
Figure 3: Crude oil and exchange rate	3
Figure 4: Average monthly prime interest rate.....	3
Figure 5: Farm Income and Expenditure	Error! Bookmark not defined.

EXECUTIVE SUMMARY

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



South Africa's real gross domestic product (GDP) growth rate increased by 3.1% in the second quarter (April to June) of 2019, compared to the decrease of 3.1% in the first quarter (January to March) of 2019. The primary drivers to the growth in GDP in this quarter were Mining, Finance, Trade and General Government Services industries. The Agriculture, Forestry and Fishing (AFF) and Construction industries contracted by 4.2% and 1.6%, respectively. The decrease in AFF was mainly because of a drop in the production of field crops and horticultural products.

- **Crude Oil and the Exchange Rate**



Comparing September 2018 to September 2019, y-o-y, the price of crude oil decreased by 20.8% while the exchange rate depreciated with 7.9%. In September 2019, the price of crude oil and the exchange rate reached levels of US\$58.60/barrel and R/\$15.24, respectively.

- **Average Prime Interest Rate**



The South African Reserve Bank (SARB) decreased prime interest rate by 0.25 percentage points, from 10.25% in June 2019 to 10% in July 2019, on the back of the decreased GDP, reflecting weakness in most sectors of the economy. The prime interest rate remains 10% since July 2019.

- *Farm Income and Expenditure*



Comparing the second quarter (April to June) of 2019 to the second quarter of 2018 (y-o-y), real net farm income and real gross income decreased by 11.6% and 4.7%, respectively. The real expenditure on intermediate goods and services increased by 1% during the same period.

When comparing the second quarter (April to June) of 2019 to the first quarter of 2019, real net farm income and real gross income increased by 292.4% and 53.3%, respectively. The real expenditure on intermediate goods and services increased by 8.7% 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), 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 increased by 3.1% in the second quarter (April to June) of 2019, compared to the decrease of 3.1% in the first quarter (January to March) of 2019.

The primary drivers to the growth in GDP in this quarter were Mining, Finance, Trade and General Government Services industries. The Agriculture, Forestry and Fishing (AFF) and Construction industries contracted by 4.2% and 1.6%, respectively. The decrease in AFF was mainly because of a drop in the production of field crops and horticultural products.

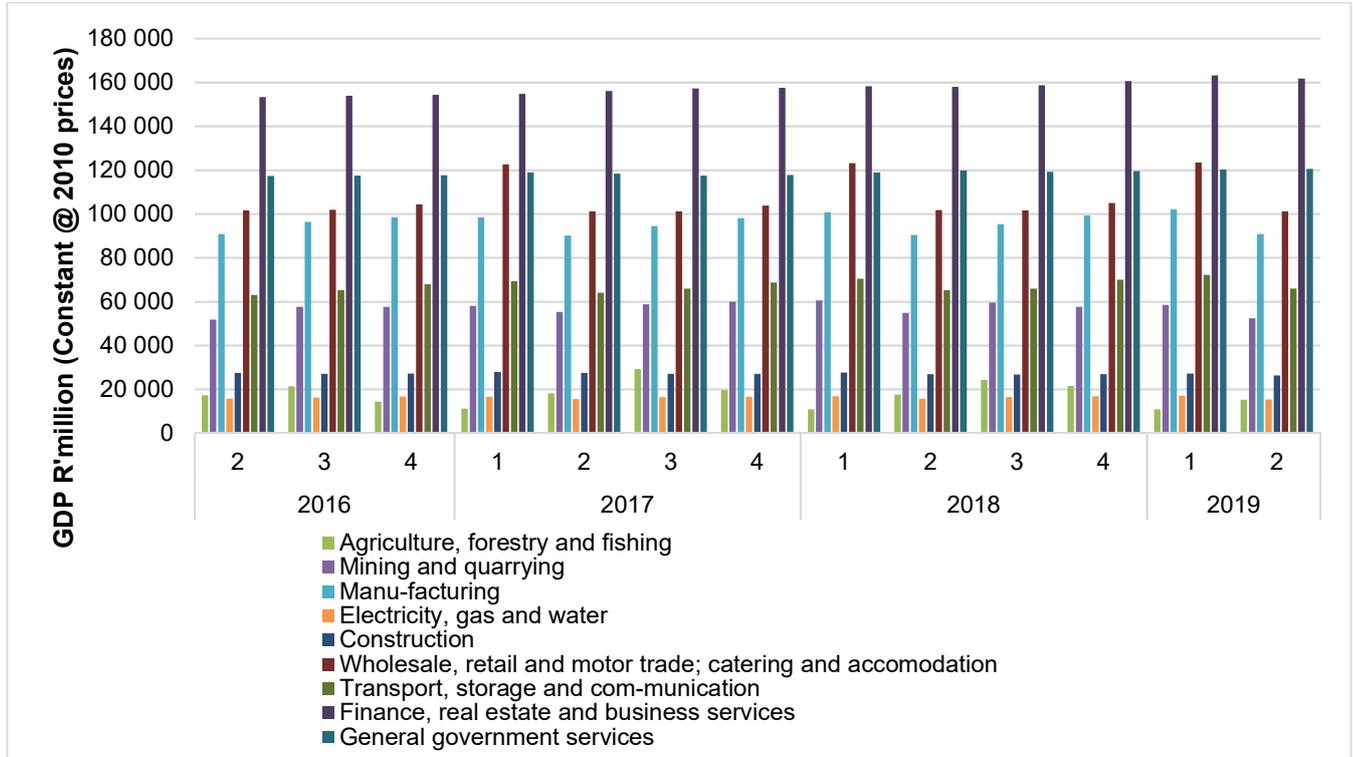


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

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 second quarter of 2013 and the second quarter of 2019, the GDP growth rate of AFF declined from 8.7% to negative 6.7%, 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 second quarter of 2019 to the second quarter of 2018, y-o-y, the AFF GDP improved from negative 16.9% to negative 6.7%. The percentage change of AFF GDP in the first quarter of 2019 was recorded at negative 12.7%.

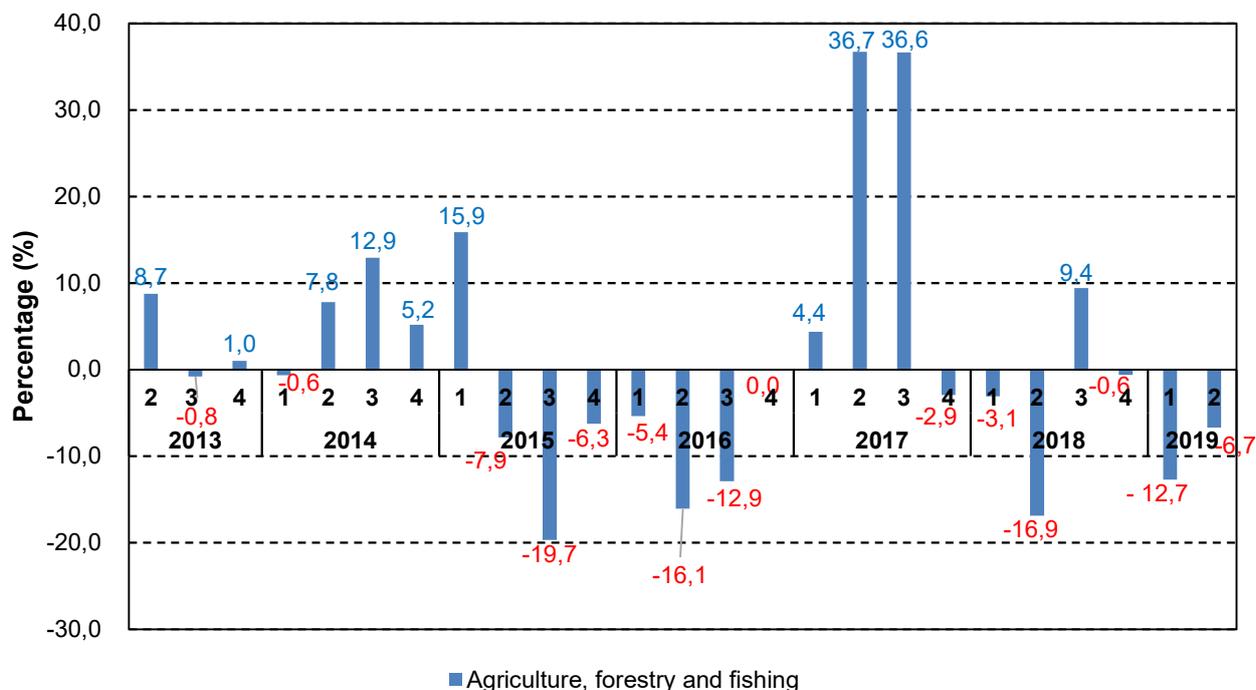


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices
Source: Stats SA, 2019

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 September 2011 to September 2019, the price of crude oil (US\$/barrel) decreased by 47.3%, while the exchange rate (R/\$) depreciated with 101.8%. Comparing September 2018 to September 2019, y-o-y, the price of crude oil decreased by 20.8% while the exchange rate depreciated with 7.9%. In September 2019, the price of crude oil and the exchange rate reached levels of US\$58.60/barrel and R/\$15.24, respectively.

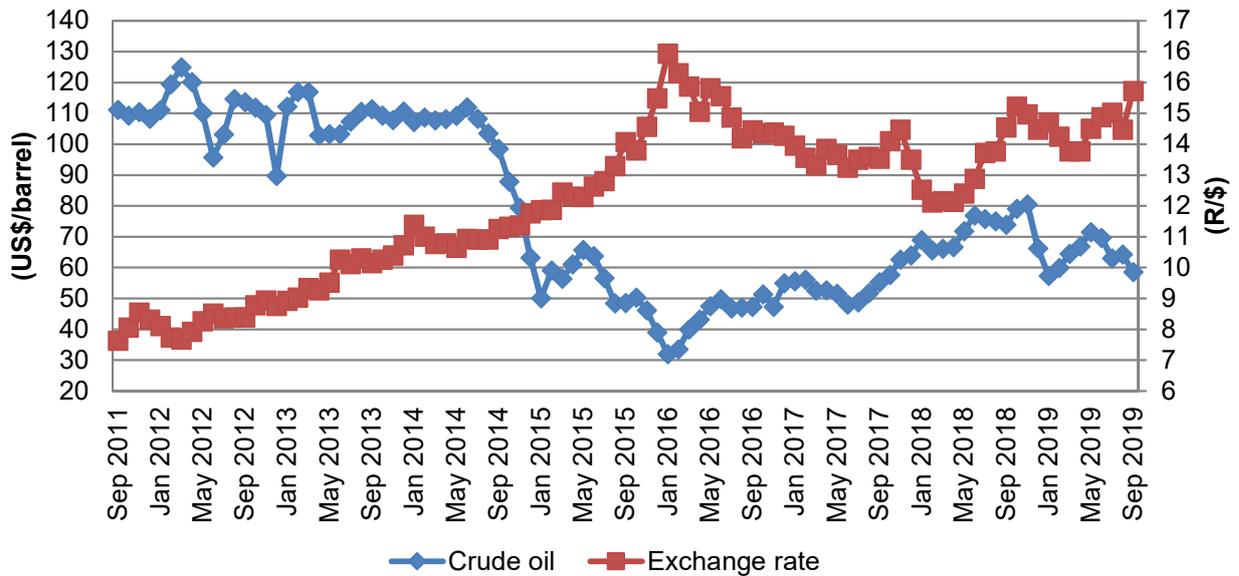


Figure 3: Crude oil and exchange rate

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 September 2013 to September 2019. The average prime interest rate is currently 17.6% 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. There has been a fluctuation of prime interest rates under the reviewed period. The South African Reserve Bank (SARB) decreased prime interest rate by 0.25 percentage points, from 10.25% in June 2019 to 10% in July 2019, on the back of the decreased GDP, reflecting weakness in most sectors of the economy. The prime interest rate remain 10% since July 2019.

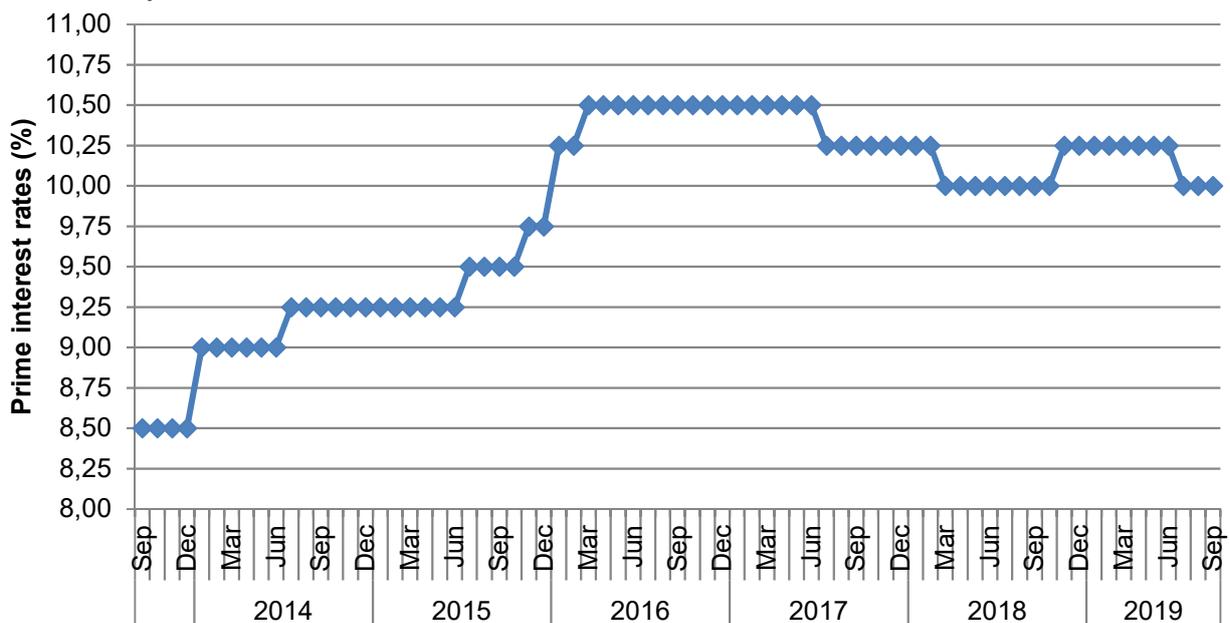


Figure 4: Average monthly prime interest rate

Source: SARB, 2019

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 2019, 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 2019 to the second quarter of 2018 (y-o-y), real net farm income and real gross income decreased by 11.6% and 4.7%, respectively. The real expenditure on intermediate goods and services increased by 1% during the same period.

When comparing the second quarter (April to June) of 2019 to the first quarter of 2019, real net farm income and real gross income increased by 292.4% and 53.3%, respectively. The real expenditure on intermediate goods and services increased by 8.7% during the same period.

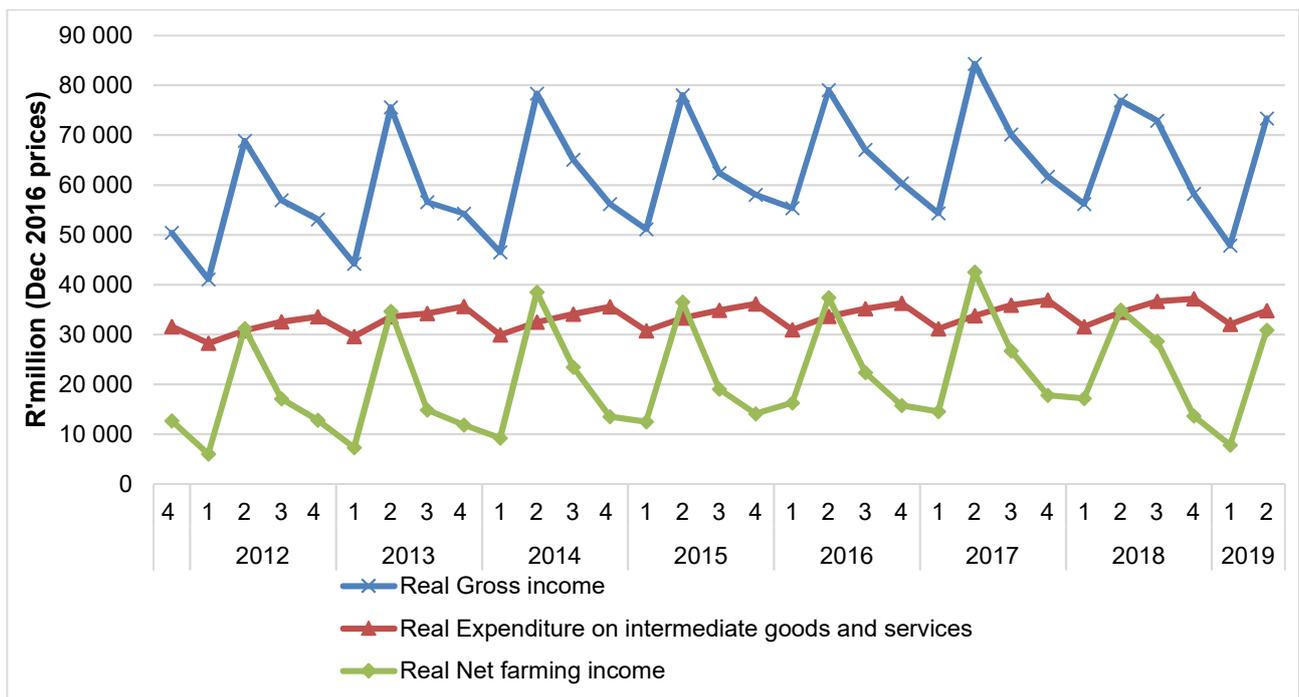


Figure 5: Real gross income, real expenditure on intermediate goods and services and real farm income

Source: DAFF, 2019

Compiled by:

Fezeka Matebeni
Corné Dempers
Rika Verwey

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

© 2019. 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