



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 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.....	4
Figure 5: Farm Income and Expenditure .....	5

## EXECUTIVE SUMMARY

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



South Africa's real gross domestic product (GDP) growth rate increased by 0.6% in the third quarter (July to September) of 2019, compared to the decrease of 3.2% in the second quarter (April to June) of 2019. The main drivers to the decrease in GDP growth during this quarter include Mining, Manufacturing and Transport, Storage & Communication industries by 6.1%, 3.9% and 5.4%, respectively. Trade, Catering & Accommodation, Finance, Real Estate & Business and General Government contributed positively to this quarter's GDP growth. Agriculture, Forestry and Fishing (AFF) contracted by 3.6% and contributed -0.1 of a percentage point to the GDP growth. The decrease was mainly because of a drop in the production of field crops.

- **Crude Oil and the Exchange Rate**



Comparing November 2018 to November 2019, year-on-year (y-o-y), the price of crude oil decreased by 21.4% while the exchange rate depreciated with 0.8%. In November 2019, the price of crude oil and the exchange rate reached levels of US\$68.28/barrel and R/\$14.64, respectively.

- **Average Prime Interest Rate**



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

- *Farm Income and Expenditure*



Comparing the third quarter (July to September) of 2019 to the third quarter of 2018 (y-o-y), real net farm income and real gross income decreased by 9.3% and 2.8%, respectively. The real expenditure on intermediate goods and services increased by 1.6% during the same period.

When comparing the third quarter (July to September) of 2019 to the second quarter of 2019, real net farm income and real gross income decreased by 16.3% and 3.8%, respectively. The real expenditure on intermediate goods and services increased by 7.1% during the same period.

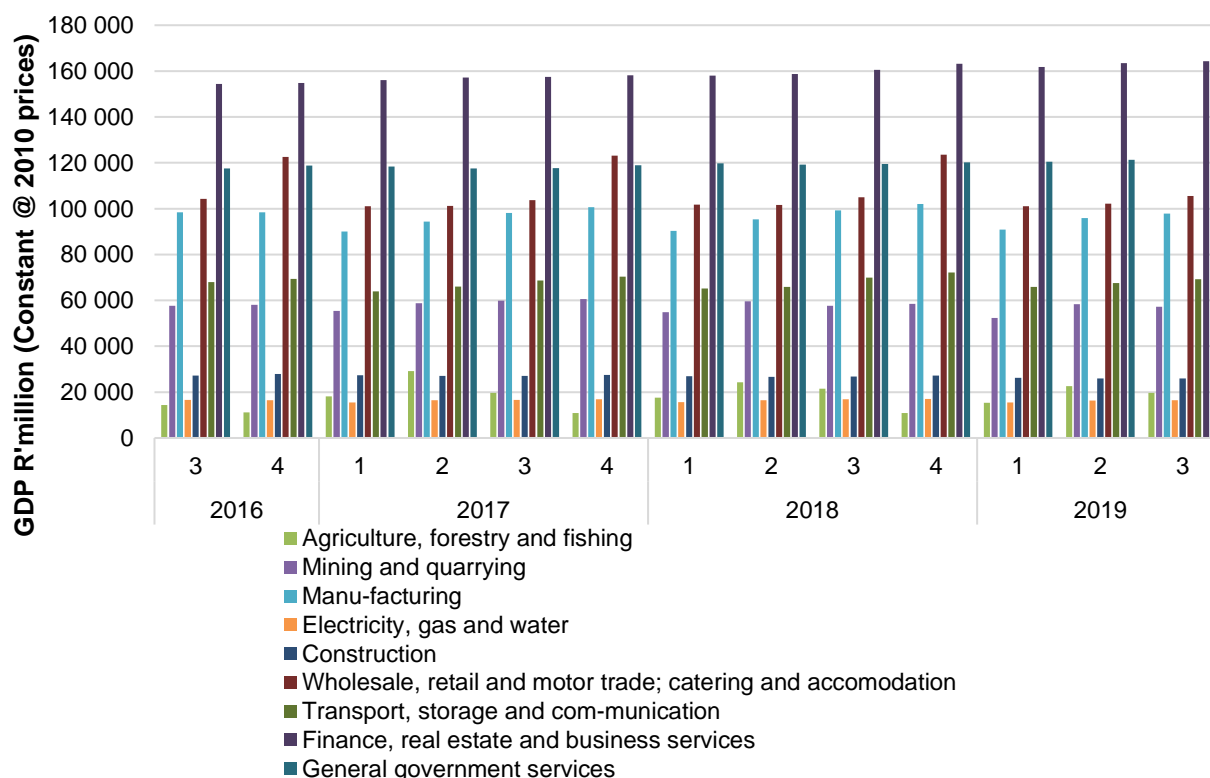
## 1. Introduction

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 real gross domestic product (GDP) growth rate increased by 0.6% in the third quarter (July to September) of 2019, compared to the decrease of 3.2% in the second quarter (April to June) of 2019. The main drivers to the decrease in GDP growth during this quarter include Mining, Manufacturing and Transport, Storage & Communication industries by 6.1%, 3.9% and 5.4%, respectively. Trade, Catering & Accommodation, Finance, Real Estate & Business and General Government contributed positively to this quarter's GDP growth. Agriculture, Forestry and Fishing (AFF) contracted by 3.6% and contributed -0.1 of a percentage point to the GDP growth. The decrease was mainly because of a drop in the production of field crops.

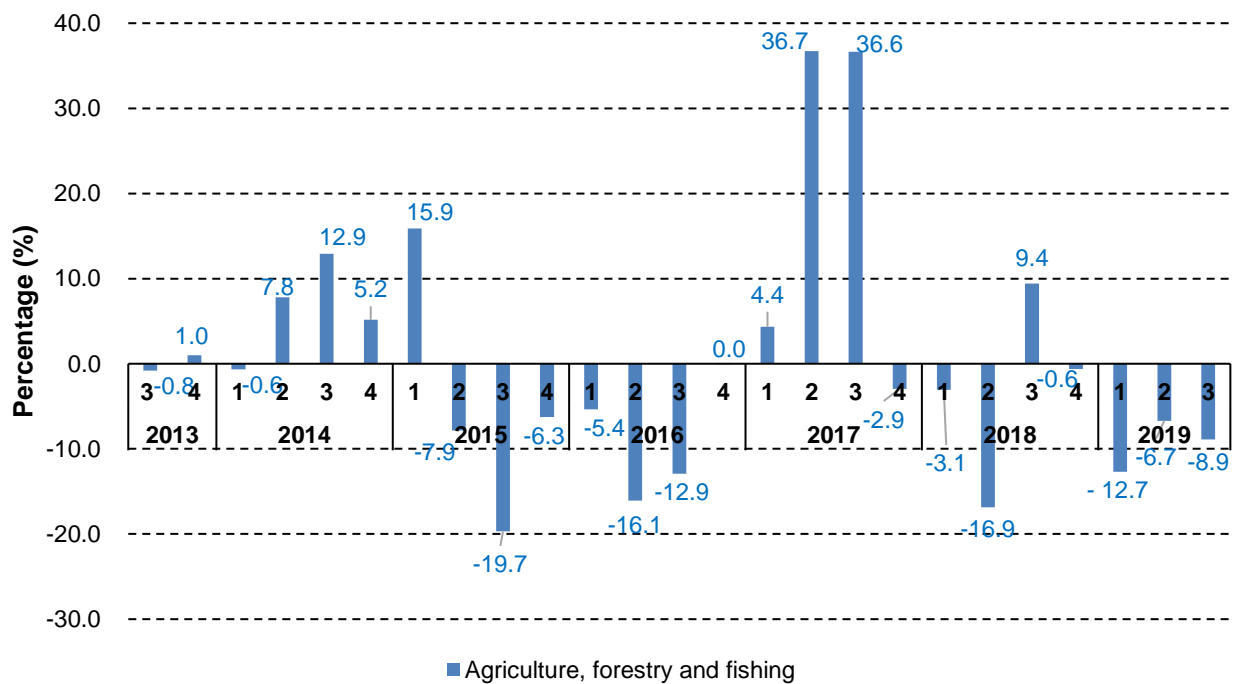


**Figure 1: Quarterly GDP of selected industries, at constant 2010 prices**

Source: Stats SA, 2019

The percentage change in GDP, quarter-on-quarter (q-o-q), analyses show 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 third quarter of 2013 and the third quarter of 2019, the GDP growth rate of AFF declined from negative 0.8% to negative 8.9%, peaking at 36.7% during the second quarter of 2017, while reporting a record through of negative 19.7% during the third quarter of 2015.

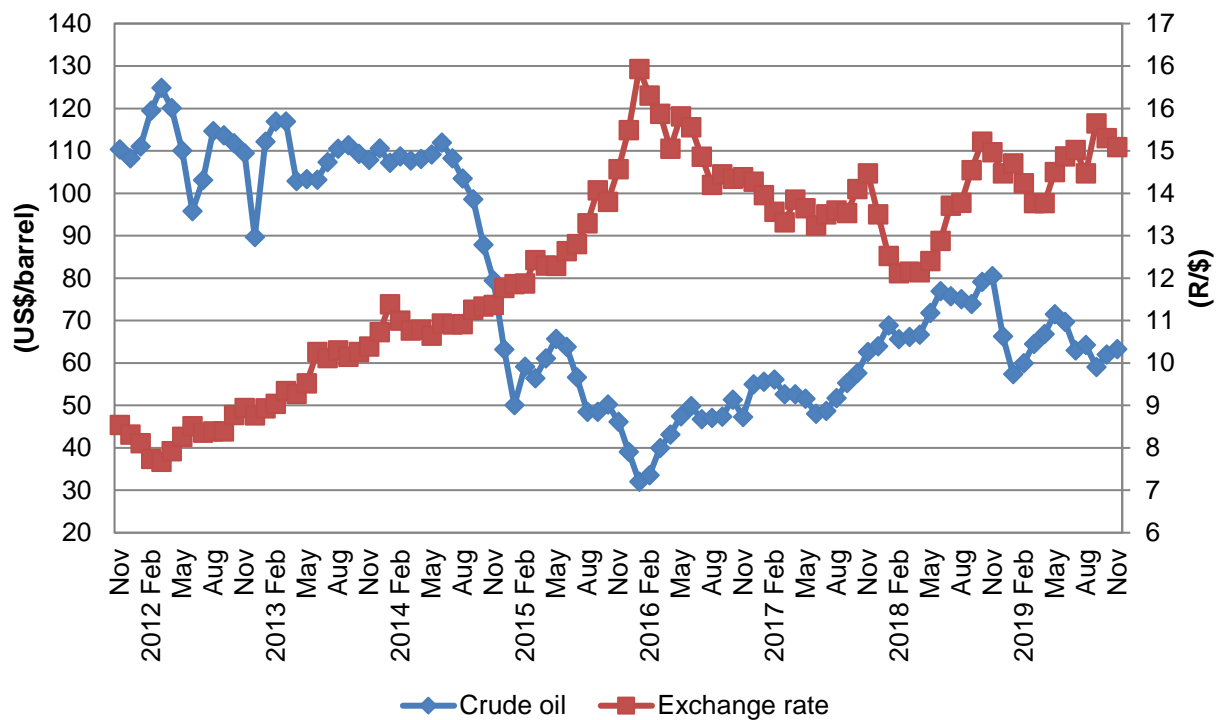
Comparing the third quarter of 2018 to the third quarter of 2019, year-on-year (y-o-y), the AFF GDP declined from 9.4% to negative 8.9%. The percentage change of AFF GDP during the third quarter of 2019 was recorded at negative 8.9%.



**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 November 2011 to November 2019, the price of crude oil (US\$/barrel) decreased by 42.7%, while the exchange rate (R/\$) depreciated with 74%. Comparing November 2018 to November 2019, y-o-y, the price of crude oil decreased by 21.4% while the exchange rate depreciated with 0.8%. In November 2019, the price of crude oil and the exchange rate reached levels of US\$63.28/barrel and R/\$14.64, respectively.

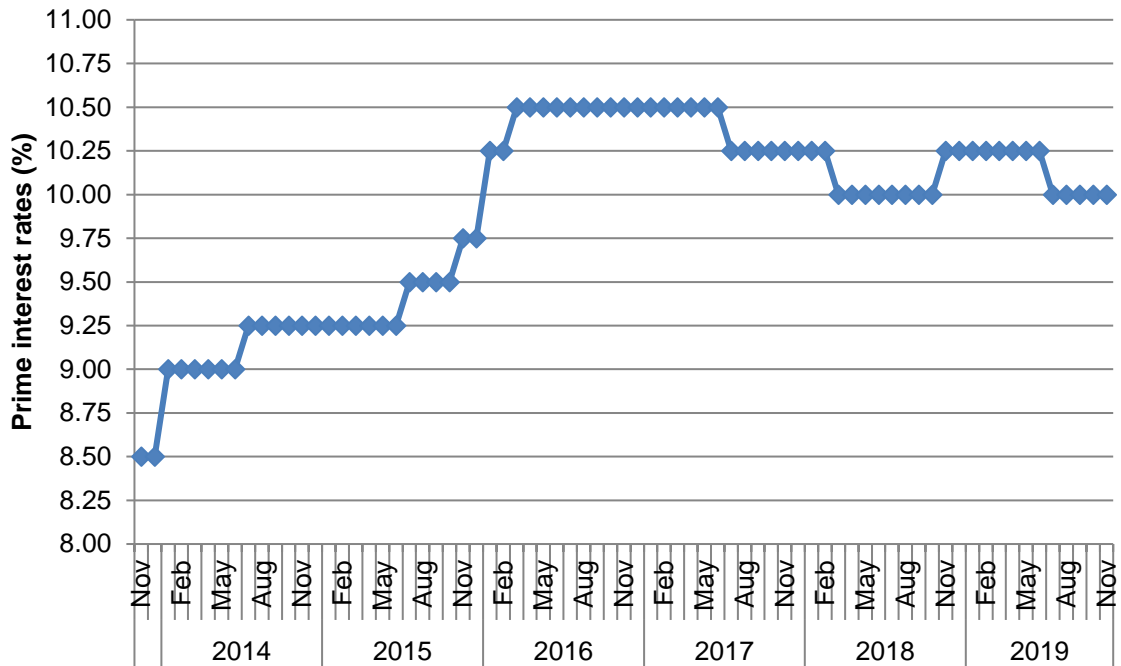


**Figure 3: Crude oil and exchange rate**

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 bank will provide credit facilities to their most credit worthy clients. **Figure 4** illustrates the average monthly prime interest rate for the period of November 2013 to November 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 through 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% during June 2019 to 10% in July 2019 after the decline of the GDP, reflecting weakness in most sectors of the economy. The bank's lending rate in South Africa remains the same at 10% during November 2019.



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

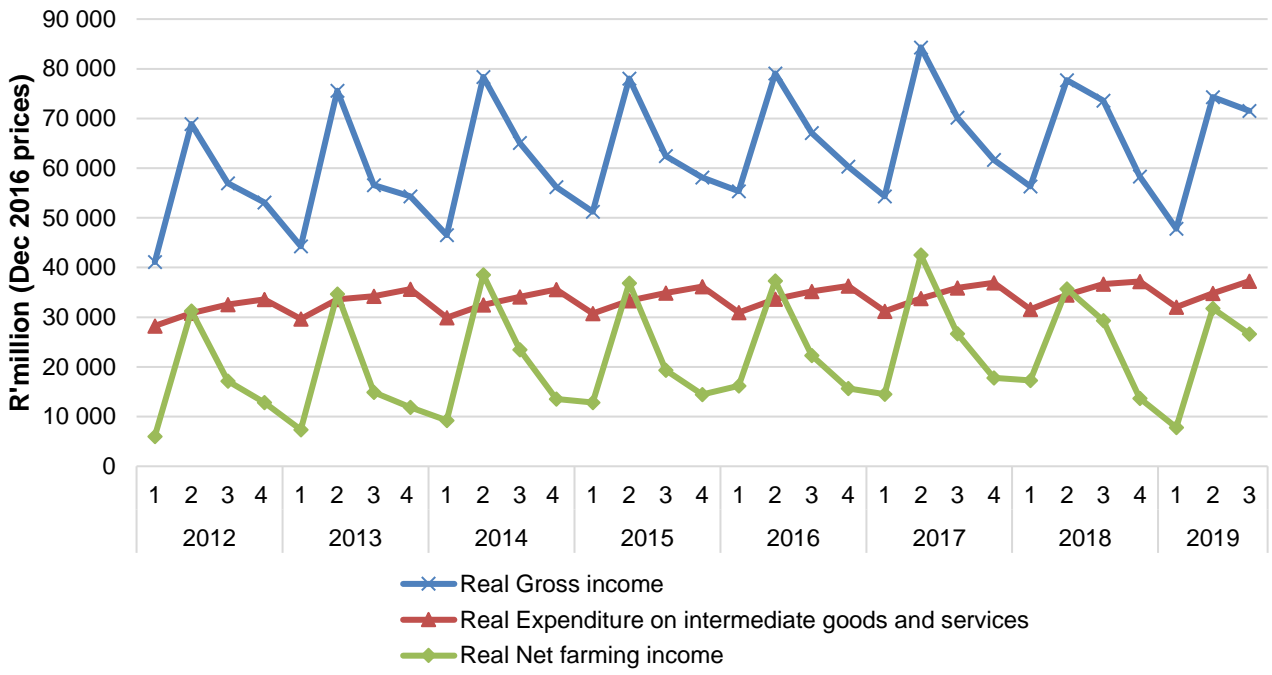
Source: SARB, 2019

## 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 2012 to 2019, at December 2016 prices. The variables under review reflect highly seasonal trends, with the exception of expenditure, which comprises of a more constant increasing trend. Comparing the third quarter (July to September) of 2019 to the third quarter of 2018 (y-o-y), real net farm income and real gross income decreased by 9.3% and 2.8%, respectively. The real expenditure on intermediate goods and services increased by 1.6% during the same period.

When comparing the third quarter (July to September) of 2019 to the second quarter of 2019, real net farm income and real gross income decreased by 16.3% and 3.8%, respectively. The real expenditure on intermediate goods and services increased by 7.1% during the same period.





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

Source: DAFF, 2019

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