



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 2020

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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 1,4% in the fourth quarter (October to December) of 2019, following a decrease of 0,8% in the third quarter (July to September) of 2019. South Africa entered its second technical recession in two years in the final quarter of last year, as Agriculture, Transport and Construction contracted the most. On a quarter-on-quarter (q-o-q) basis, the Agriculture, Forestry & Fishing (AFF) industry, the Transport, Storage & Communication industry and the Construction industry declined with 7.6%, 7.2%, 5.9%, respectively. On the positive side the Finance, Real Estate & Business Services, and the Mining & Quarrying industries contributed 2.7% and 1.8%, respectively, to GDP growth. The economy growth expanded 0.2% during 2019, compared to the 0.8% during 2018.

- **Crude Oil and the Exchange Rate**



Comparing March 2019 to March 2020, y-o-y, the price of crude oil decreased by 17.8% while the exchange rate depreciated with 15.8%. In March 2020, the price of crude oil and the exchange rate reached levels of US\$53.06/barrel and R/\$15.49, respectively.

- **Average Prime Interest Rate**



The South African Reserve Bank (SARB) recently decreased the prime interest rate by 0.25 percentage points in January 2020. The SARB's lending rate remained unchanged at 9.75% in February 2020 from 9.75% in January of 2020. The SARB assessed the state of the struggling economy, with the Eskom crisis keeping economic activity muted, while business confidence remained weak.

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), 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 and/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 GDP growth rate decreased by 1,4% in the fourth quarter (October to December) of 2019, following a decrease of 0,8% in the third quarter (July to September) of 2019. South Africa entered its second technical recession in two years in the final quarter of last year, as Agriculture, Transport and Construction contracted the most. On a q-o-q basis, the AFF industry, the Transport, Storage & Communication industry and the Construction industry declined with 7.6%, 7.2%, 5.9%, respectively. On the positive side the Finance, Real Estate & Business Services, and the Mining & Quarrying industries contributed 2.7% and 1.8%, respectively, to GDP growth. The economy growth expanded 0.2% during 2019, compared to the 0.8% during 2018.

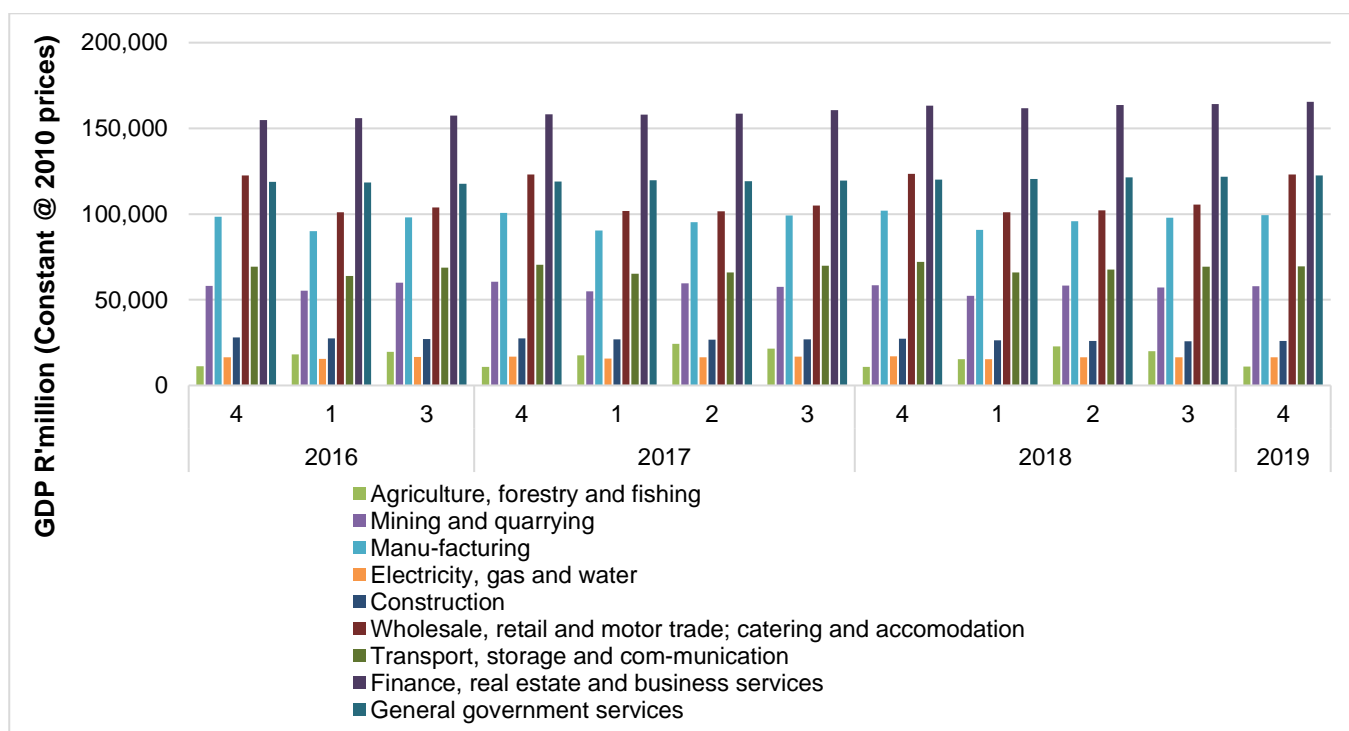


Figure 1: Quarterly GDP of selected industries, at constant 2010 prices

Source: Stats SA, 2020

The percentage change in GDP, 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 fourth quarter of 2014 and the fourth 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 fourth quarter of 2018 to the fourth quarter of 2019, year-on-year (y-o-y), the AFF GDP growth increased from negative 0.6% to 2.1%. The percentage contribution of AFF GDP during the fourth quarter of 2019 was recorded at negative 2.1%.

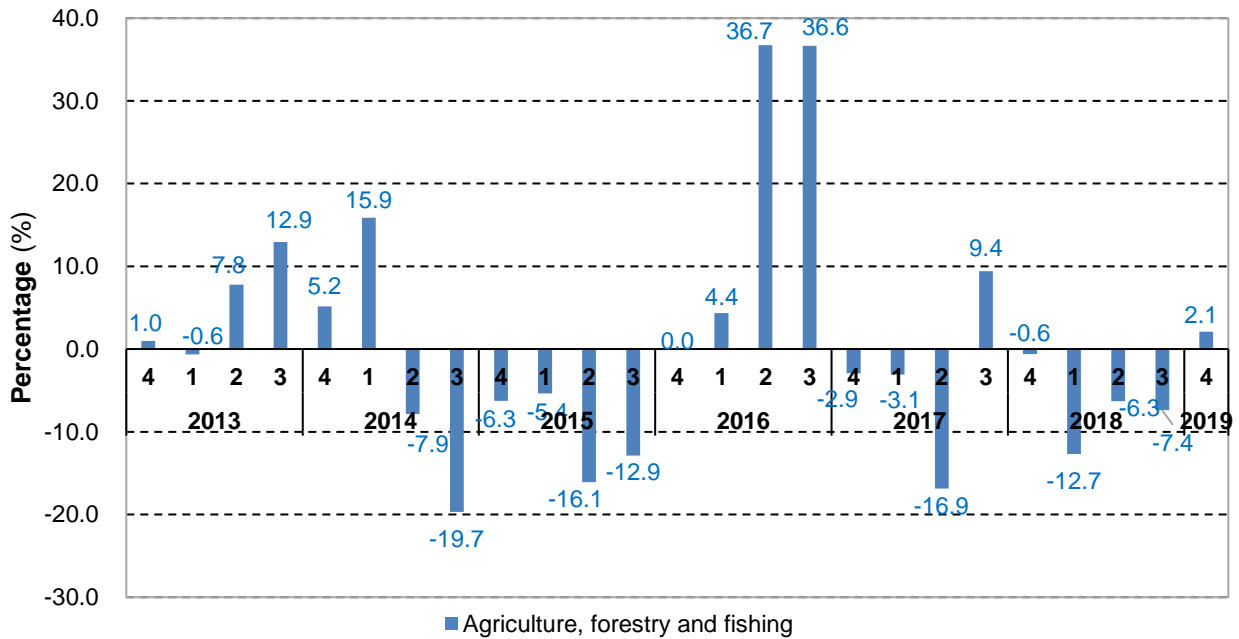


Figure 2: Quarter-on-quarter (q-o-q) percentage changes in AFF GDP, at constant 2010 prices
 Source: Stats SA, 2020

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 March 2014 to March 2020, the price of crude oil (US\$/barrel) decreased by 57.5%, while the exchange rate (R/\$) depreciated with 104%. Comparing March 2019 to March 2020, y-o-y, the price of crude oil decreased by 17.8% while the exchange rate depreciated with 15.8%. In March 2020, the price of crude oil and the exchange rate reached levels of US\$53.06/barrel and R/\$15.49, respectively.

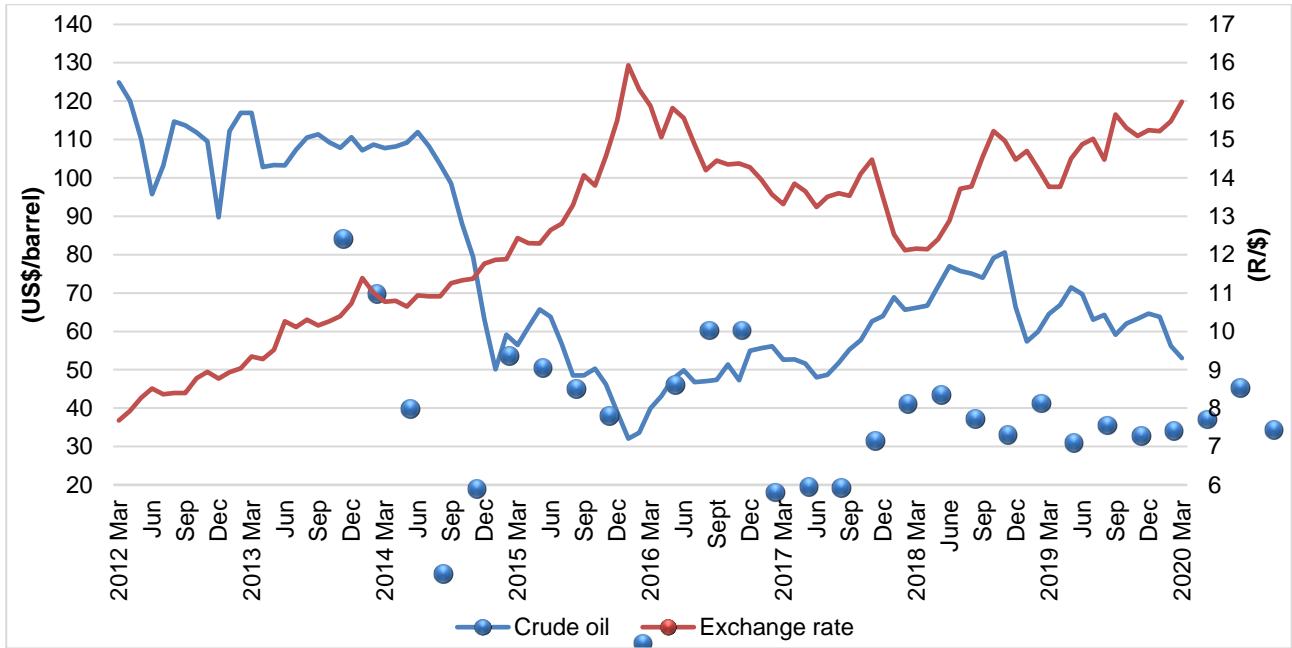


Figure 3: Crude oil and the exchange rate

Source: Grain SA, 2020

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 March 2014 to March 2020. 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 the period July 2012 and December 2013. There has been a fluctuation of prime interest rates under the reviewed period. The SARB recently decreased the prime interest rate by 0.25 percentage points in January 2020. The SARB’s lending rate remained unchanged at 9.75% in February 2020 from 9.75% in January of 2020. The SARB assessed the state of the struggling economy, with the Eskom crisis keeping economic activity muted, while business confidence remained weak.

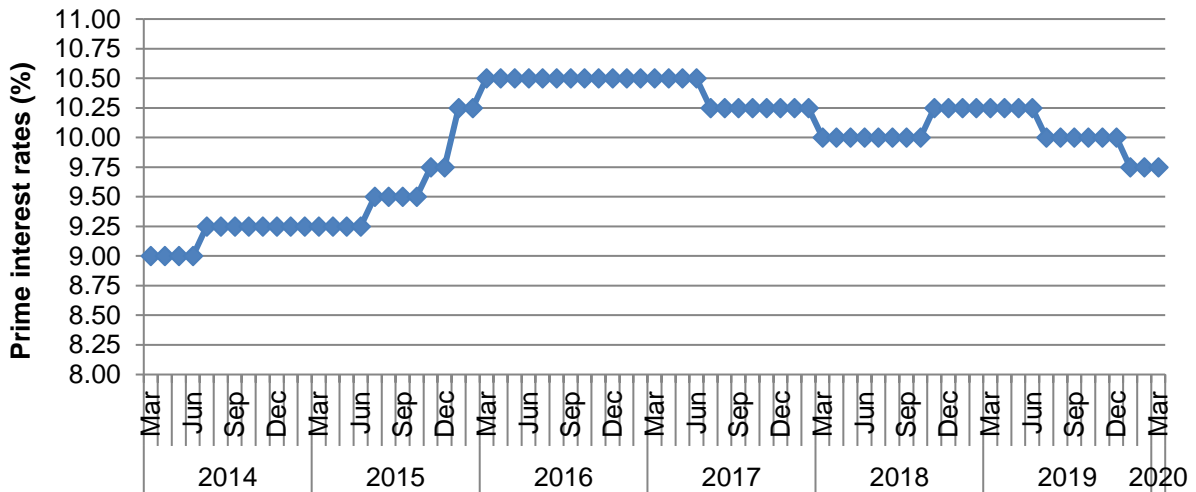


Figure 4: Average monthly prime interest rate

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