



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 2020*

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## EXECUTIVE SUMMARY

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

South Africa's Gross Domestic Product (GDP) increased at an annualised rate of 66,1% in the third quarter (July to September) of 2020 when compared to the previous quarter (April to June) of 2020. The agriculture, forestry and fishing industry increased at a rate of 18.5%, and contributed 0.6 of percentage points. The increase was mainly due to increased production of field crops and horticultural and animal products.

- ***Crude Oil and the Exchange Rate***

With much of the world in lockdown as the coronavirus (COVID-19) pandemic rages on, demand for oil has drastically declined due to low business activities and less travelling, thereby reducing the need for jet fuel and gasoline. In October 2020, the price of crude oil and the exchange rate reached levels of US\$39.90/barrel and R16.46/\$, respectively as compared to US\$41.95/barrel of crude oil and R16.71 of the exchange rate in September 2020.

- ***Average Prime Interest Rate***

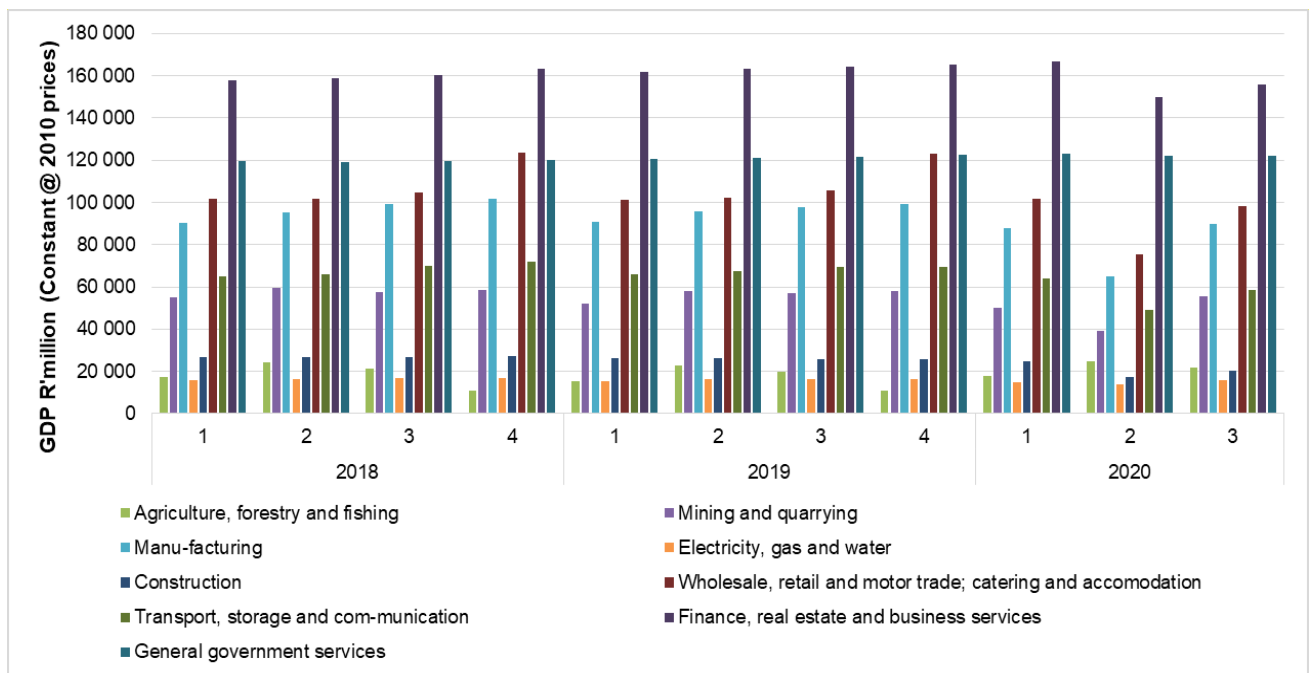
The prime interest rate is currently 24.3% lower than during November 2014. The prime interest rate reached a peak of 10.5% during the period March 2016 to June 2017. The prime interest rate remains at 7.0% in November 2020.

# 1. Introduction

The aim of this publication, Macroeconomic Digest, is to report on Economic Growth and other key economic indicators such as 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), the South African Reserve bank (SARB) and Department of Agriculture, Land reform and Rural development.

## 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 Gross Domestic Product (GDP) increased at an annualised rate of 66.1% in the third quarter (July to September) of 2020 when compared to the previous quarter (April to June) of 2020. The reason for this increase can be attributed to the easing of corona virus (COVID-19) lockdown restrictions in the country. All industries recorded positive growth between the second and third quarters of 2020, where the largest positive contributors were the manufacturing, mining and trade industries. The agriculture, forestry and fishing industry increased at a rate of 18.5%, and contributed 0.6 of percentage points. The increase was mainly due to increased production of field crops and horticultural and animal products.

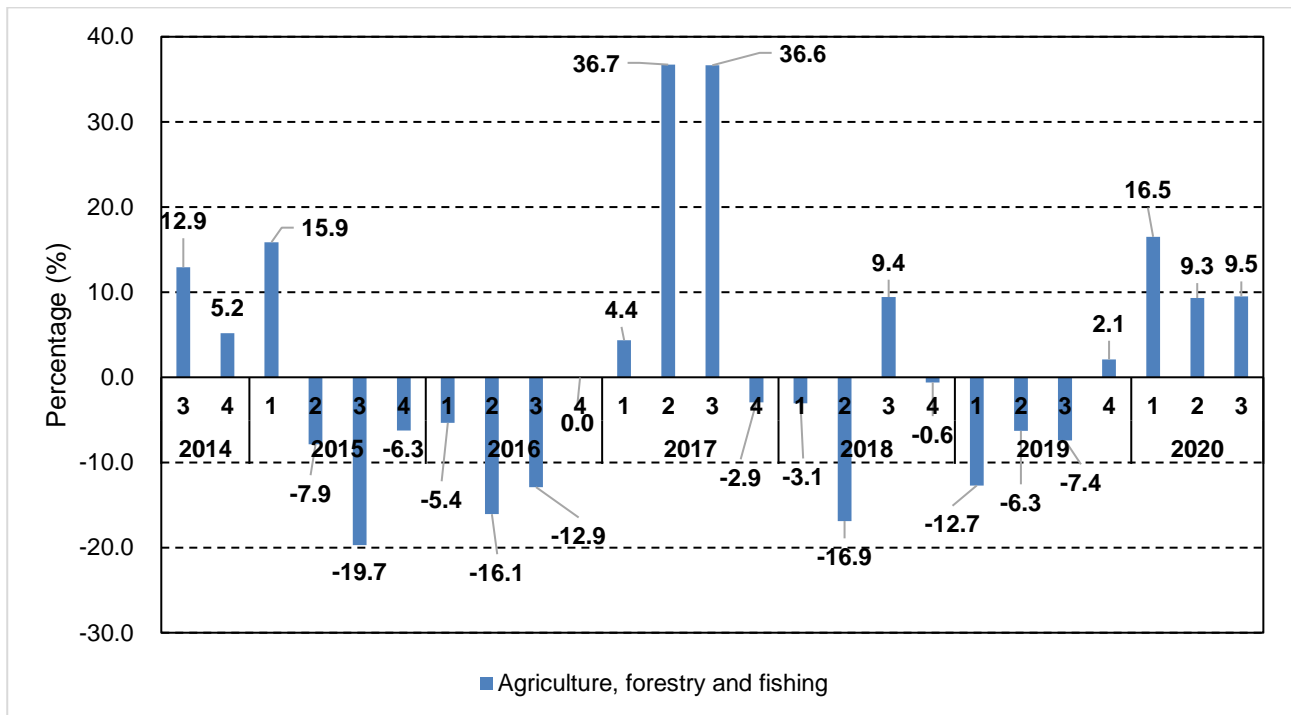


**Figure 1: Quarterly GDP of selected industries, at constant 2010 prices**

Source: Stats SA, 2020

The percentage change in GDP analysis indicates how fast a country's economy is growing in a particular quarter. **Figure 2** shows the year on year (y-o-y) percentage change for Agriculture, Forestry and Fisheries (AFF) GDP, at 2010 prices. Between the third quarter of 2014 and the third quarter of 2020, the GDP growth rate of AFF decreased from 12.9% to 9.5%, peaking at 36.7% during the second quarter of 2017, while reporting a record trough of negative 19.7% during the third quarter of 2015.

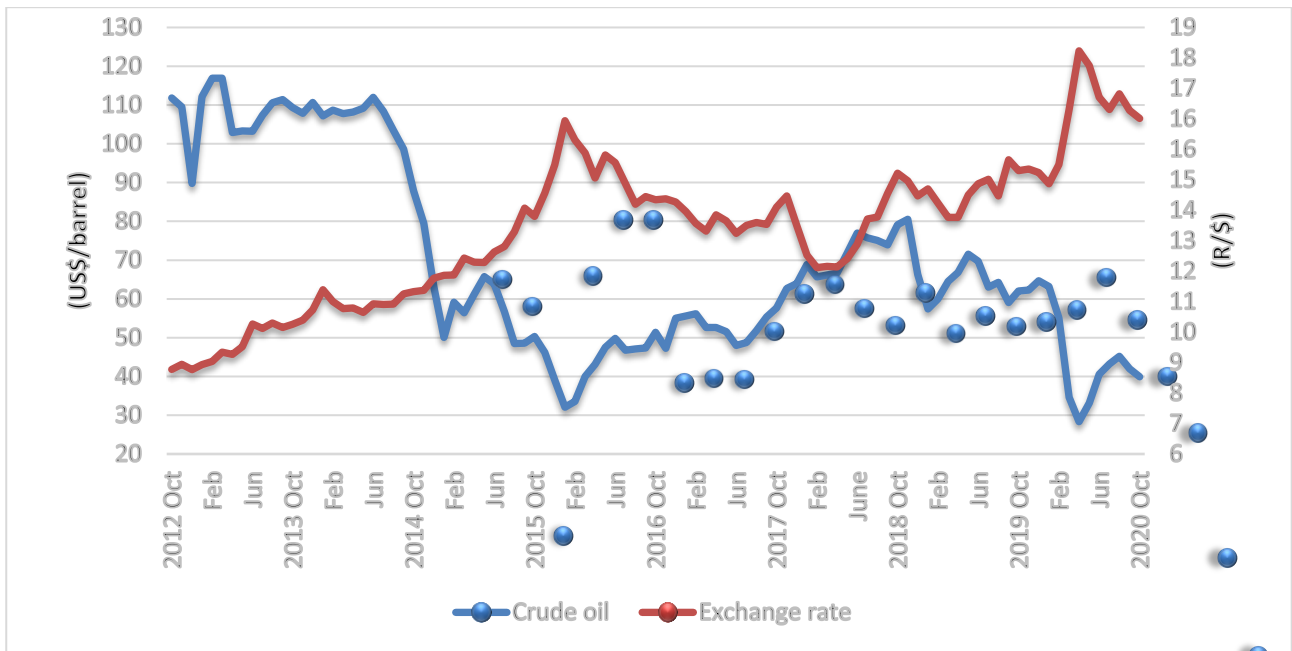
Comparing the third quarter of 2019 to the third quarter of 2020, year-on-year (y-o-y), the AFF GDP growth increased from -7.4% to 9.5%.



**Figure 2: Year on year (y-o-y) 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 of October 2012 to October 2020, the price of crude oil (US\$/barrel) decreased by 64.3%, while the exchange rate (R/\$) depreciated by 90.5%. Comparing October 2019 to October 2020, y-o-y, the price of crude oil decreased by 35.7% while the exchange rate depreciated by 10.9%. With much of the world in lockdown as the coronavirus (COVID-19) pandemic rages on, demand for oil has drastically declined. People are not travelling as much as they should and business has slowed, reducing the need for jet fuel and gasoline. In October 2020, the price of crude oil and the exchange rate reached levels of US\$39.90/barrel and R16.46/\$, respectively as compared to US\$41.95/barrel of crude oil and R16.71/\$ for the exchange rate in September 2020.



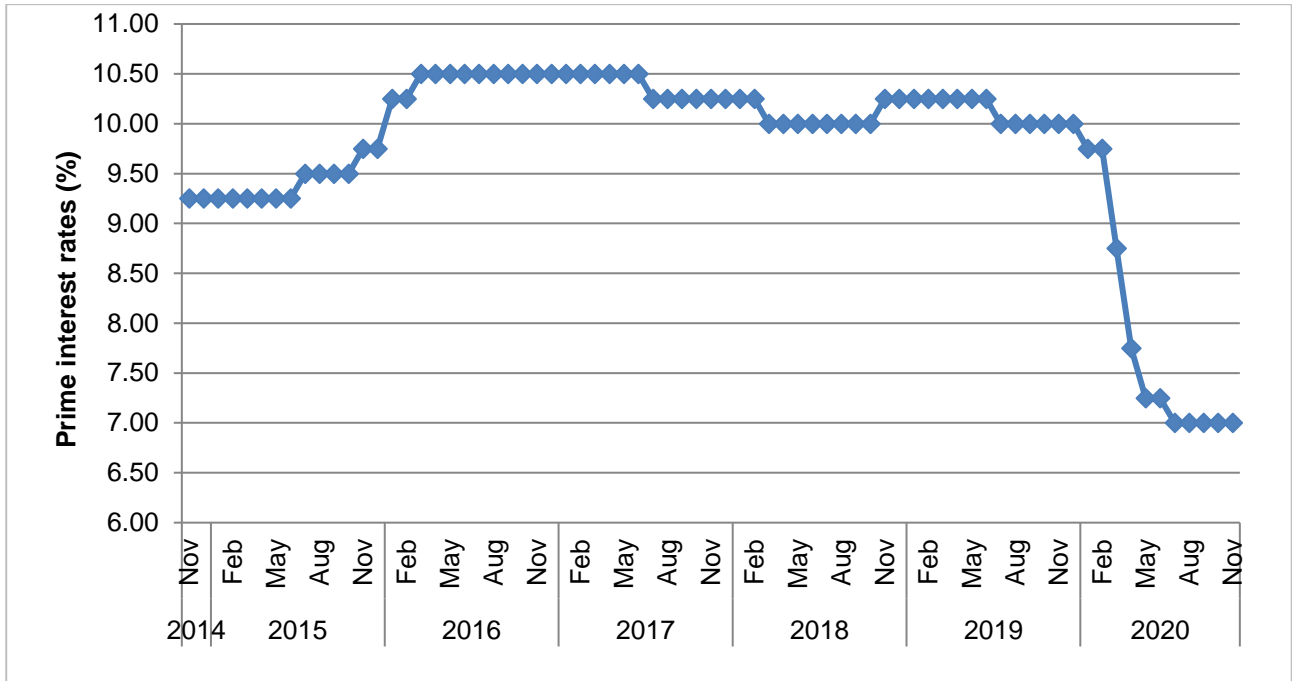
**Figure 3: Crude oil and the exchange rate**

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 November 2014 to November 2020. The prime interest rate is currently 24.3% lower than during November 2014. The prime interest rate reached a peak of 10.5% during the period March 2016 to June 2017. There has been a fluctuation of prime interest rates over the depicted period.

The Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) has cut interest rates by 275 basis points since the start of the COVID-19 crisis, one of the largest government reactions in the emerging market sphere. This easing was implemented early on during the crisis to support rapid policy transmission to the real economy. While this stimulus had limited effects in the initial stages of the lockdown, given the restrictions on most forms of economic activity, it has supported the subsequent economic recovery. In particular, low rates have increased household demand for credit, with mortgage applications and grants, for instance, now at 10-year highs. Low short-term interest rates have also helped corporates through a period of uncertainty, while allowing government to fund emergency spending through cheap short-term debt. The prime interest rate remains at 7.0% in November 2020.



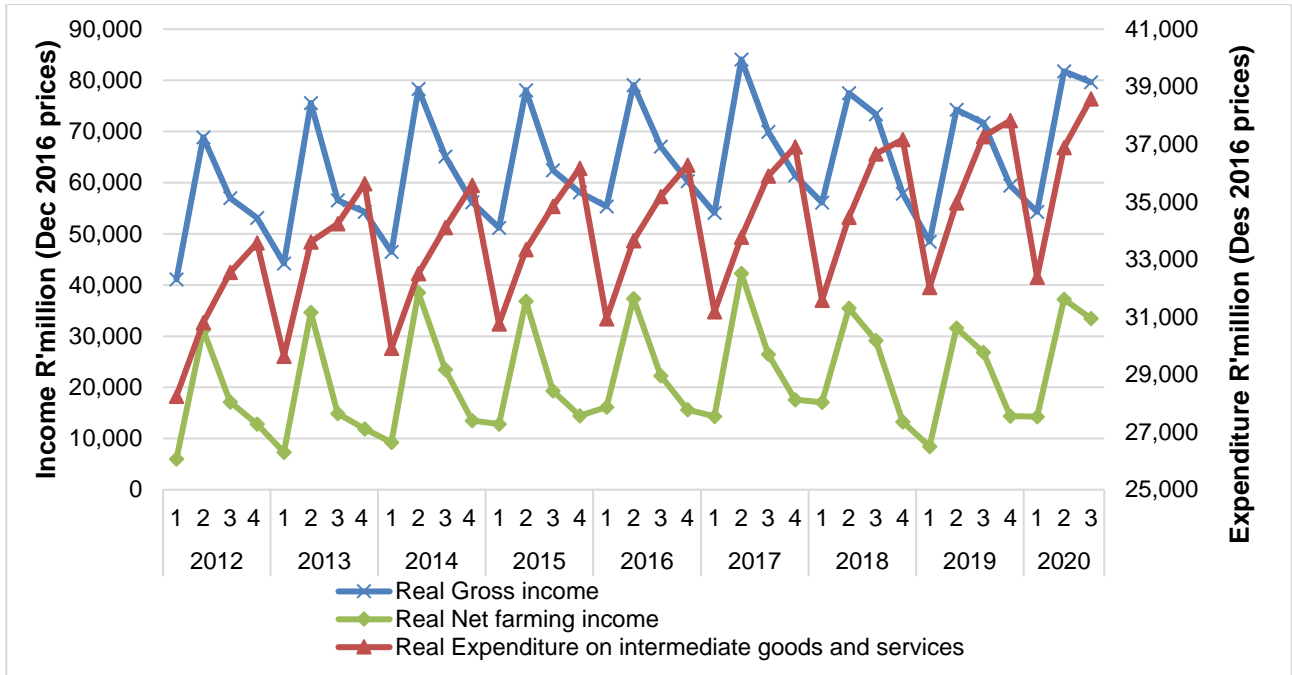
**Figure 4: Average monthly prime interest rate**  
 Source: South African Reserve Bank (SARB), 2020

## 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 2020, at December 2016 prices. The variables under review reflect highly seasonal trends reflecting the seasonal production patterns of agriculture. The gap between real gross income and real net income is expanding due to cost pressures.

Comparing the third quarter (July to September) of 2020 to the third quarter of 2019 (y-o-y), real net farm income, real gross income and real expenditure on intermediate goods and services increased by 24.9%, 11% and 3.5%, respectively.

When comparing the third quarter (July to September) of 2020 to the second quarter of 2020, real net farm income and real gross income decreased by 10% and 2.6%, respectively whilst the real expenditure on intermediate goods and services increased by 4.6%.



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

Source: Department of Agriculture, Land Reform and Rural Development (DALRRD), 2020



Compiled by:

Fezeka Matebeni  
Corné Dempers  
Thabile Nkunjana

Enquiries: Dr. Christo Joubert +27 12 341 1115 or [christo@namc.co.za](mailto:christo@namc.co.za)

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**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](mailto:info@namc.co.za)  
[www.namc.co.za](http://www.namc.co.za)