



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 2021*

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## EXECUTIVE SUMMARY

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

South Africa's GDP increased at an annualised rate of 1.2% in the second quarter (April to June) of 2021 when compared to the previous quarter (January to March) of 2021. This might largely be due to further easing of coronavirus (COVID-19) adjusted lockdown restrictions in April 2021. Six industries recorded positive growth between the first quarter of 2021 and the second quarter of 2021. The Agriculture, Forestry and Fishing industry also increased by 6.2%, and this can be attributed mainly to harvesting bumper crops for maize and other grain commodities and increasing numbers of livestock slaughter in response to meat demand.

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

Comparing August 2020 to August 2021, y-o-y, the price of crude oil increased by 55.5% while the exchange rate appreciated by 14.3%. Crude oil prices have recovered from their COVID-19 slump, driven by firming demand and continued production restraint by OPEC and its partners (OPEC+). As demand gradually returns to pre-pandemic levels and OPEC+ raises production, crude oil prices are expected to return to pre-covid price levels. In August 2021, the price of crude oil and the exchange rate reached levels of US\$70.34/barrel and R14.77/\$, respectively.

- ***Average Prime Interest Rate***

The average monthly prime interest rate for the period of August 2015 to August 2021. The prime interest rate is currently 26.3% lower than during August 2015. 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 in efforts to manage inflation.

- ***Farm Income and Expenditure***

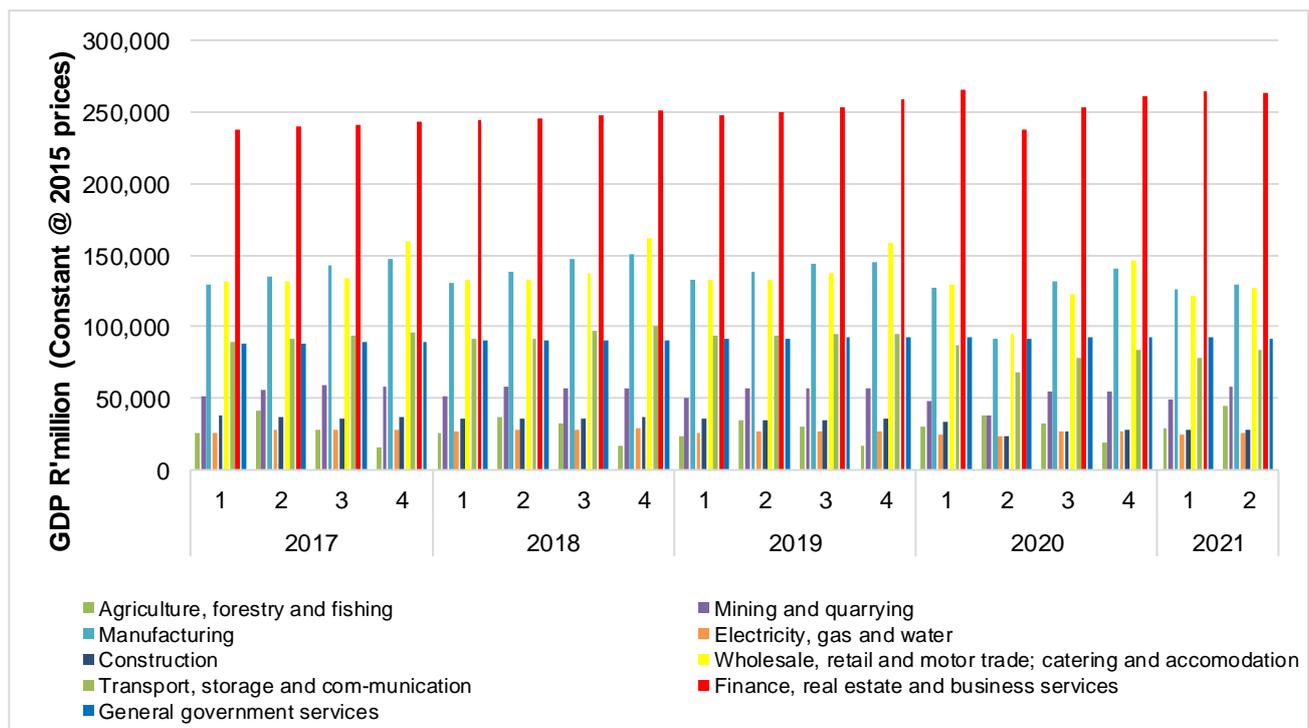
Comparing the second quarter (April to June) of 2021 to the second quarter of 2020 (y-o-y), real net farm income, real gross income and real expenditure on intermediate goods and services increased by 53.4%, 26.9% and 3.6%, respectively.

## 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, average prime interest rate and farm income. The data for this publication was obtained from Statistics South Africa (Stats SA), the South African Reserve bank (SARB) and the Department of Agriculture, Land Reform, and Rural development.

## 2. Real Gross Domestic Product (GDP) and Growth Rates

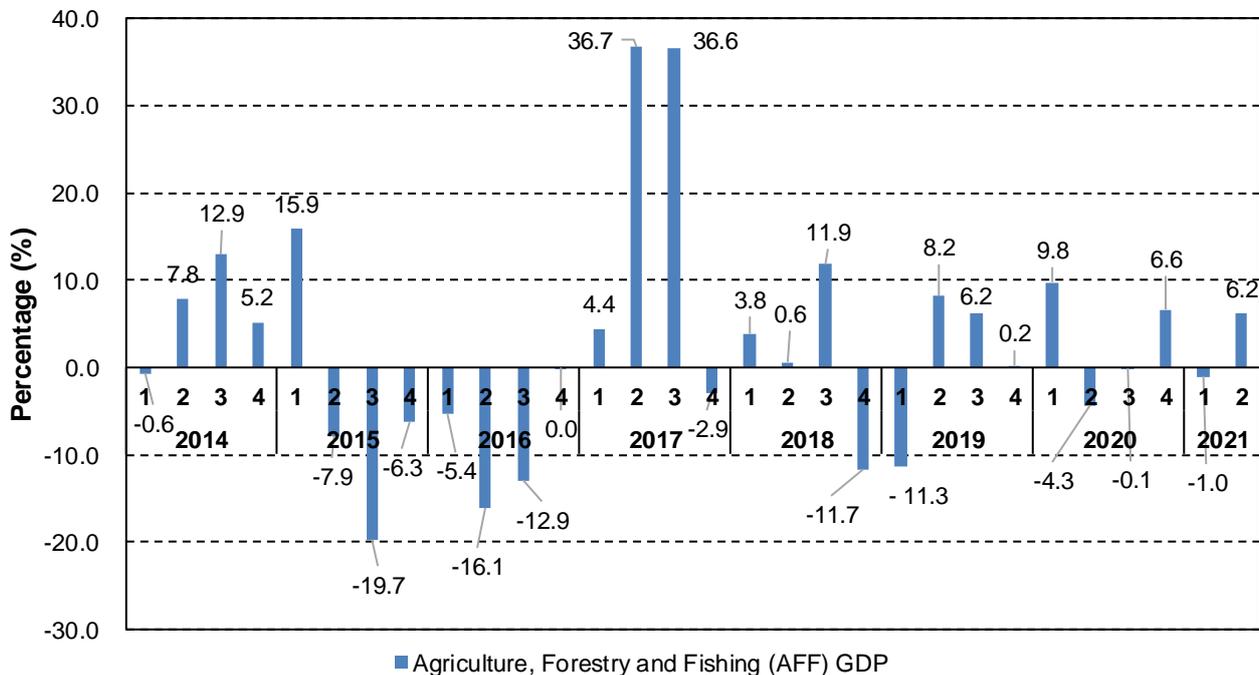
GDP is one of the primary indicators used to measure the monetary value of final goods and services produced within a country in a given period (quarterly and/or annually). It provides information regarding the size and the performance of an economy. The GDP of selected South African industries are depicted in **Figure 1**, at constant 2015 prices. Stats SA has recently rebased the year from 2010 to 2015. South Africa's GDP increased by 1.2% in the second quarter (April to June) of 2021, following an increase of 1.0% in the first quarter (January to March) of 2021. Six industries recorded positive growth between the first quarter of 2021 and the second quarter of 2021. The largest positive contributors to growth in GDP in the second quarter were the Transport (6.9%), Personal services (2.5%) and Trade (2.2%) industries. This might largely due to further easing of coronavirus (COVID-19) lockdown restrictions. The Agriculture, Forestry and Fishing industry also increased by 6.2% and contributed 0.2 of a percentage point to GDP growth. The increase was mainly due to harvesting bumper crops for maize and other grain commodities and increasing numbers in of livestock slaughter in response to meat demand. On a year-on-year, (y-o-y), unadjusted basis, second-quarter GDP increased 19.3%. The second quarter of last year was hit by a hard lockdown in South Africa.



**Figure 1: Quarterly GDP of selected industries, at constant 2015 prices**

Source: Stats SA, 2021

**Figure 2** shows the y-o-y percentage change for Agriculture, Forestry and Fisheries (AFF) GDP, at 2015 prices. Between the second quarter of 2014 and the second quarter of 2021, the GDP growth rate of AFF increased from negative 0.6% to 6.2%, peaking at 36.7% during the second quarter of 2017. During this period, a record of negative 19.7% during the third quarter of 2015 was recorded. Comparing the second quarter of 2021 to the first quarter of 2021, the AFF GDP growth increased from 0.1% to 6.2%.

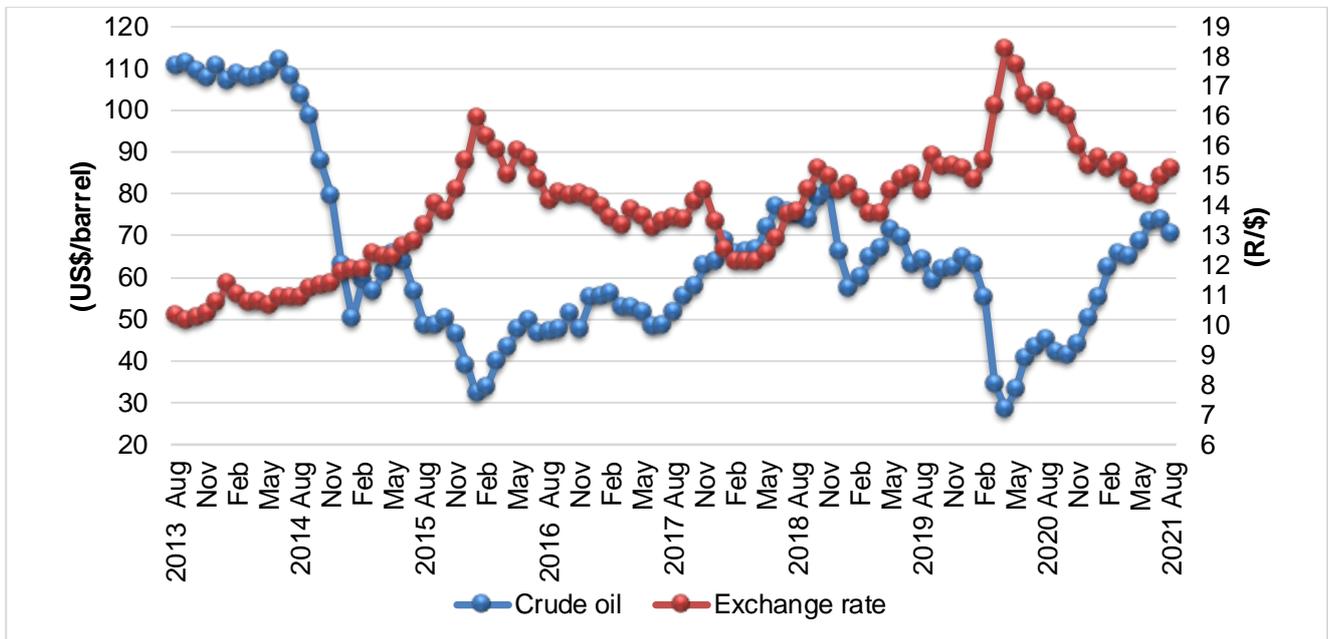


**Figure 2: Percentage changes in AFF GDP, at constant 2015 prices**

Source: Stats SA, 2021

### 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. From August 2013 to August 2021, the price of crude oil (US\$/barrel) decreased by 36.4%, while the exchange rate (R/\$) depreciated by 46.4%. Comparing August 2020 to August 2021, y-o-y, the price of crude oil increased by 55.5% while the exchange rate appreciated by 14.3%. Crude oil prices have recovered from their COVID-19 slump, driven by firming demand and continued production restraint by OPEC and its partners (OPEC+). As demand gradually returns to pre-pandemic levels and OPEC+ raises production, crude oil prices are expected to return to pre-covid price levels. In August 2021, the price of crude oil and the exchange rate reached levels of US\$70.34/barrel and R14.77/\$, respectively.



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

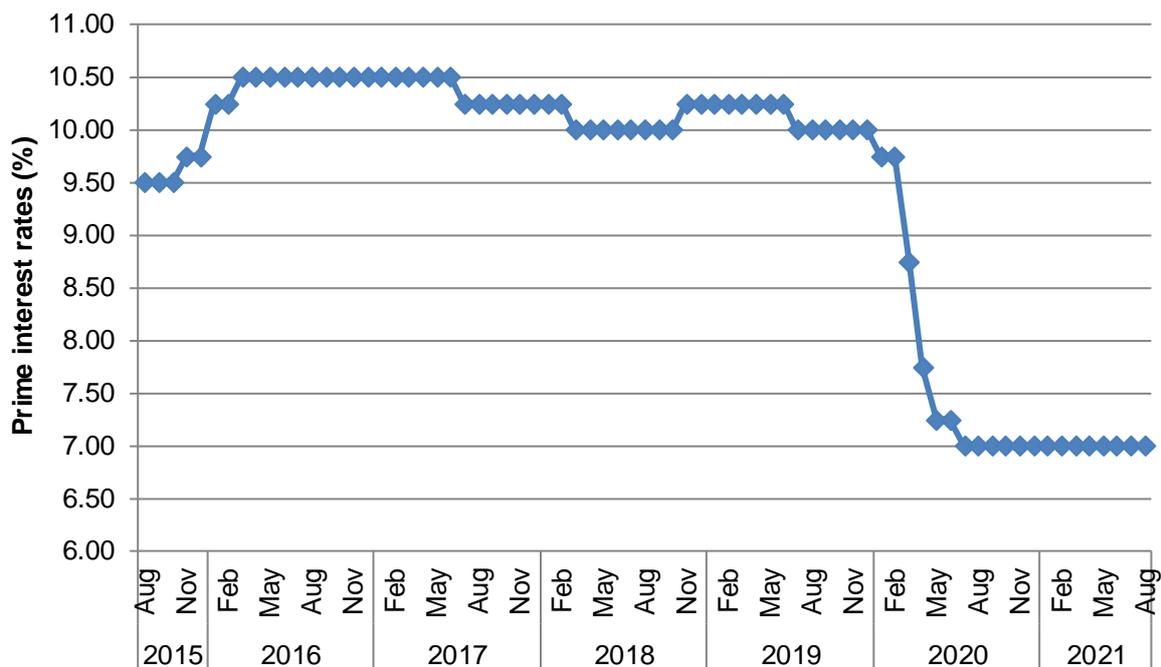
Source: Grain SA, 2021

#### 4. Average Prime Interest Rate

The South African Reserve Bank (SARB) uses interest rates to influence the level of inflation. To protect the value of the rand, the SARB uses inflation targeting, which aims to maintain consumer price inflation between 3% and 6%. According to the Monetary Policy Committee (MPC) of the SARB, overall, and after revisions, the risks to the medium-term domestic growth outlook are assessed to be balanced. High export prices, stronger household incomes and a somewhat better investment outlook are backed up by generally supportive global conditions, despite ongoing financial volatility. Recent events in the country, their impact on vaccinations, a longer than expected lockdown, limited energy supply and policy uncertainty pose downside risks to growth. The Bank’s forecast reflects higher food and petrol prices that push up short term headline inflation, before moderating in the latter half of this year and into 2022. Compared to the previous meeting in May, the current growth forecast implies a wider output gap in the near term. While economic activity strengthens over the forecast period, the current exchange rate level and modest growth in unit labour costs contain the expected rise in core inflation.

Better anchored expectations of future inflation could keep interest rates lower for longer, and can be realised by achieving a stable public debt level, increasing the supply of energy, moderating administered price inflation and keeping wage inflation low into the recovery. Such steps will enhance the effectiveness of monetary policy and its transmission to the broader economy.

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 August 2015 to August 2021. The prime interest rate is currently 26.3% lower than during August 2015. 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 in efforts to manage the inflation. Due to an unchanged Repo rate, the prime interest rate remains at 7.0% in August 2021 since July 2020.

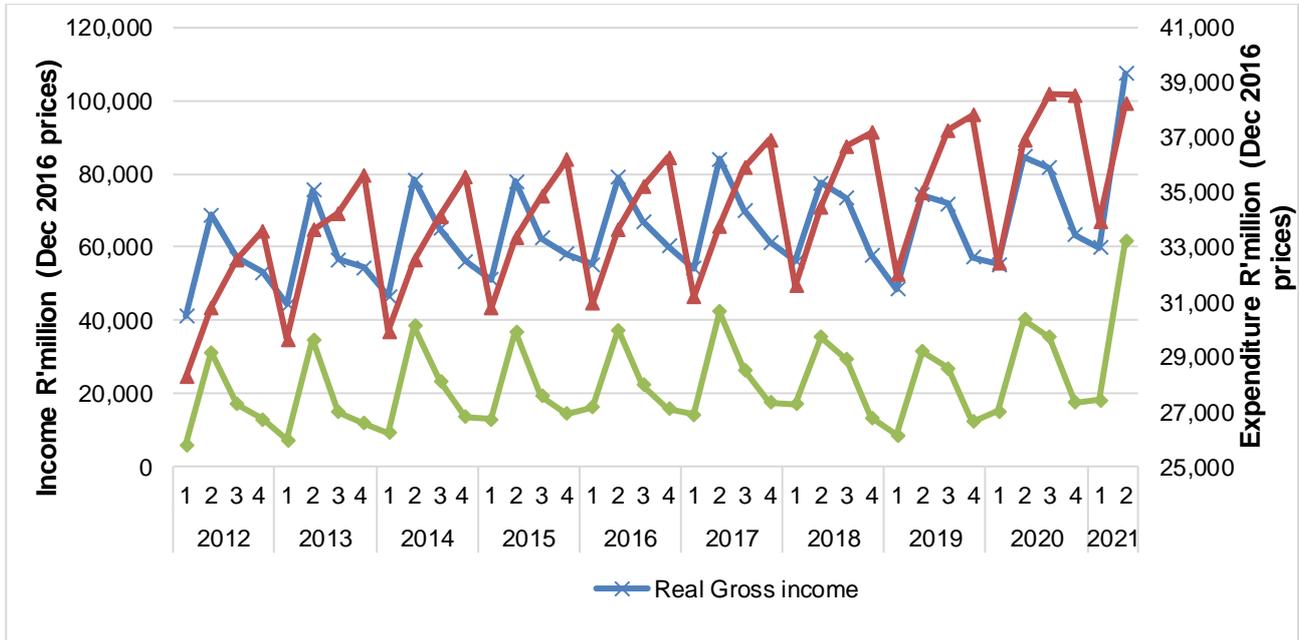


**Figure 4: Average monthly prime interest rate**  
 Source: South African Reserve Bank (SARB), 2021

## 5. Farm Income and Expenditure

**Figure 5** shows the quarterly real gross income, real expenditure on intermediate goods and services and the real net farm income from 2012 to 2021, 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 second quarter (April to June) of 2021 to the second quarter of 2020 (y-o-y), real net farm income, real gross income and real expenditure on intermediate goods and services increased by 53.4%, 26.9% and 3.6%, respectively. When comparing the first quarter (January to March) of 2021 to the second quarter of 2021, the real net farm income, real gross income and the real expenditure on intermediate goods and services increased by 240.5%, 79.6% and 12.5%, respectively.



**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), 2021

**Conclusion**

South Africa's economy grew by 1.2% in the second quarter compared to the previous three months of 2021. The third quarter of 2021 is expected to be weak because of arson and looting that erupted in July following the unrest as well as a severe "third wave" of COVID-19 infections. The crude oil prices have recovered from the COVID-19 slump, driven by firming demand and continued production restraint by OPEC and its partners (OPEC+). Noteworthy that oil price forecasts depend on the interaction between supply and demand for oil in international markets. In terms of average prime interest rate in South Africa, it is important to note that the monetary policy will continue to support the economic recovery.

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