



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 2021*

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## EXECUTIVE SUMMARY

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

South Africa's GDP declined at an annualised rate of 1.5% in the third quarter (June to September) of 2021 when compared to the previous quarter (April to June) of 2021. While the finance, real estate and business industry recovered following a slump in the second quarter it has not fully recovered and that might reflect on the overall economy because this is the largest industry and it contributes to the economy accordingly. Eight industries recorded positive growth between the second quarter of 2021 and the third quarter of 2021. However, for the same period the Agriculture, Forestry, and Fishing industry shrank by 7.2% which can be linked to the civil unrest in KwaZulu Natal and Gauteng which negatively affected the industry and possible agro-food systems.

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

Comparing November 2020 to November 2021, y-o-y, the price of crude oil increased by 86.2% while the exchange rate appreciated by 0.3%. Following subdued demand for oil, crude oil prices have significantly risen in response to demand attributed to regions that are currently experiencing winter months, accompanied by elevated use for mechanical agricultural purposes in the Northern hemisphere while the Southern hemisphere is also progressing with its plantation preparations.

- ***Average Prime Interest Rate***

The prime interest rate is currently 26.3% lower than during November 2015. The prime interest rate reached a peak of 10.5% during the period March 2016 to June 2017. Due to the increase of the Repo rate, the prime interest rate increased to 7.25% in November 2021.

- ***Farm Income and Expenditure***

Comparing the third quarter (July to September) of 2021 to the third quarter of 2020 (y-o-y), real net farm income and real gross income decreased by 34.4% and 13%, respectively while the real expenditure on intermediate goods and services increased by 2.6%.

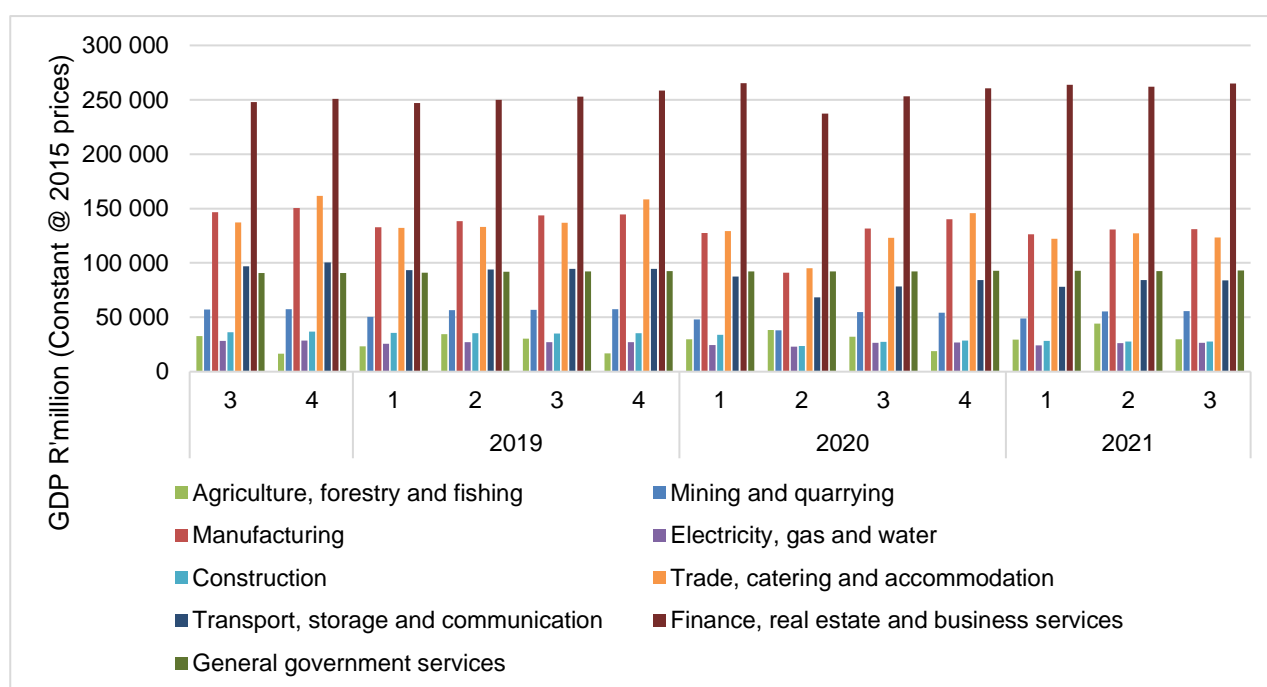
## 1. Introduction

The aim of this publication, is to report on 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 (DALRRD).

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

**Figure 1** presents the real GDP for selected South African industries from third quarter of 2018 to third quarter of 2021 and their contributions to the overall economy. According to the data from Stats SA, South Africa's GDP declined by 1.5% in the third quarter (July to September) of 2021. This follows an increase of 1.1% in the second quarter (April to June) of 2021. Seasonally unadjusted figures show that eight industries recorded positive growth between the second quarter of 2021 and the third quarter of 2021.

The Transport, storage & communication industry was the largest positive contributor recorded at 6.9%, followed by Personal services (5.6%), Finance, real estate & business services (4.7%), Mining & quarrying (1.6%), Construction (1.2%), Electricity, gas & water (0.9%), General government services (0.8%) and Trade, catering & accommodation (0.4%). The Agriculture, forestry and fishing (AFF) industry declined by 7.2%. Annualised and seasonally adjusted figures show that AFF decreased by 13.6%.

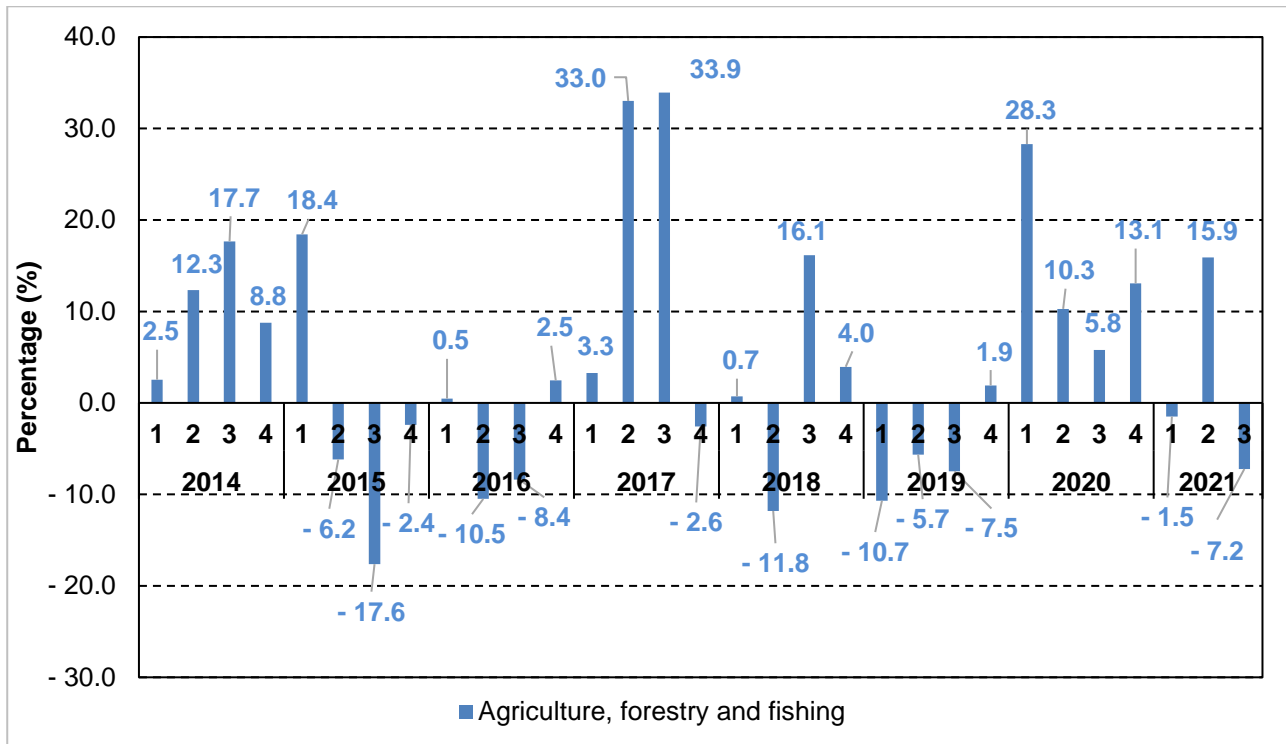


**Figure 1: Quarterly GDP of selected industries, at constant 2015 prices**

Source: Stats SA, 2021

**Figure 2** shows a y-o-y percentage change in the GDP for Agriculture, forestry, and fishing (AFF), at constant 2015 and seasonally unadjusted prices. Between the third quarter of 2015 and the third quarter of 2021, the GDP growth rate of AFF increased from a negative 17.6% in the third quarter of 2015 to a negative 7.2% in the third quarter of 2021. For the same period, the AFF GDP peaked at 33.9% during the third quarter of 2017. Comparing the third quarter of 2021 to the second quarter of 2021, the AFF GDP growth declined by 7.2%. This follows the civil unrest in KwaZulu Natal and

Gauteng during the third quarter of 2021 which negatively affected the industry's performance. Sub-sectors such as dairy and sugar were amongst industries severely affected while the poultry industry was still recovering from the Avian Influenza outbreaks.



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

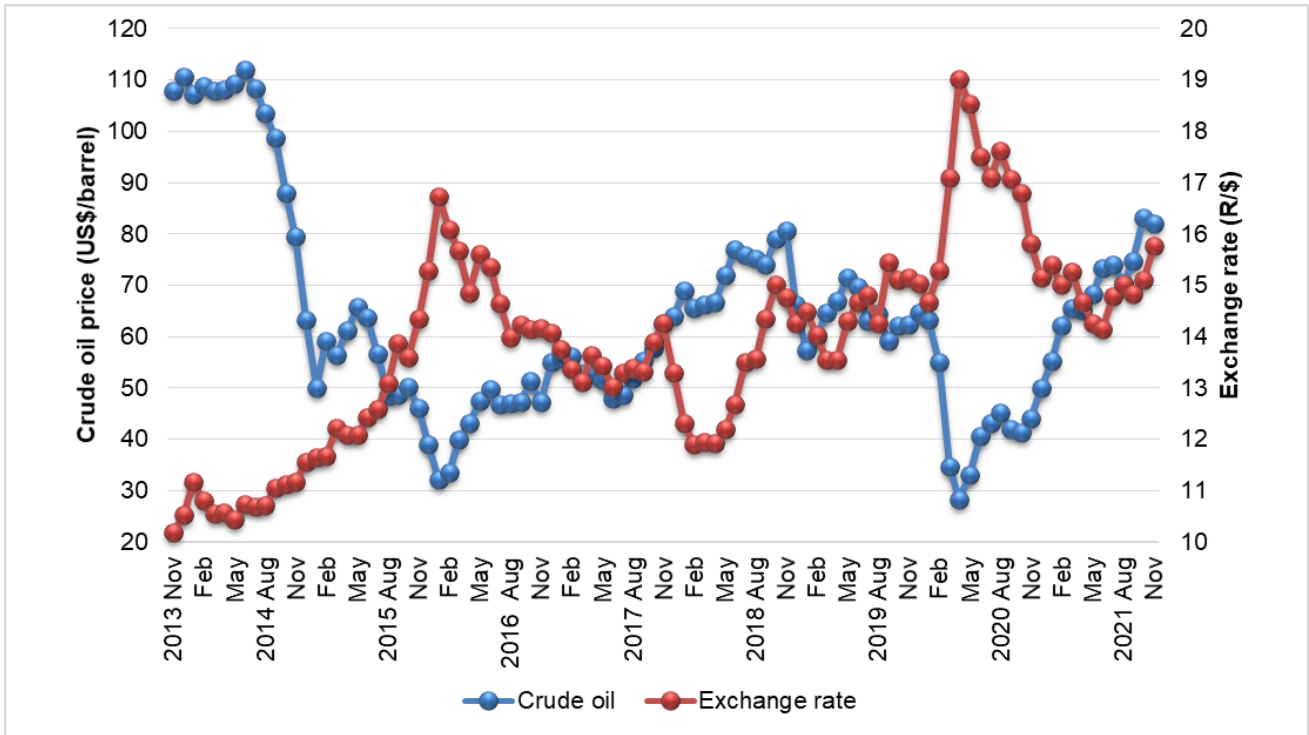
Source: Stats SA, 2021

### 3. Comparison of Crude Oil and Exchange Rate

**Figure 3** shows crude oil price (US\$/barrel) trends and the Rand/Dollar (R/\$) exchange rate from November 2013 to November 2021. For the observed period, crude oil prices decreased by 24% while exchange rates depreciated by 52.1%.

Following subdued demand for oil, crude oil prices have significantly risen in response to global demand, especially from regions that are currently experiencing winter months accompanied by elevated use for mechanical agricultural purposes in the Northern hemisphere while the Southern hemisphere is also progressing with its plantation preparations.

On an annual basis (Nov-2020 to Nov-2021), crude oil prices increased by 86.2% while the exchange rate (R/\$) appreciated by 0.3%. From October 2021 to November 2021, crude oil prices slightly fell by 1.4% while exchange rates depreciated by 4.2%.



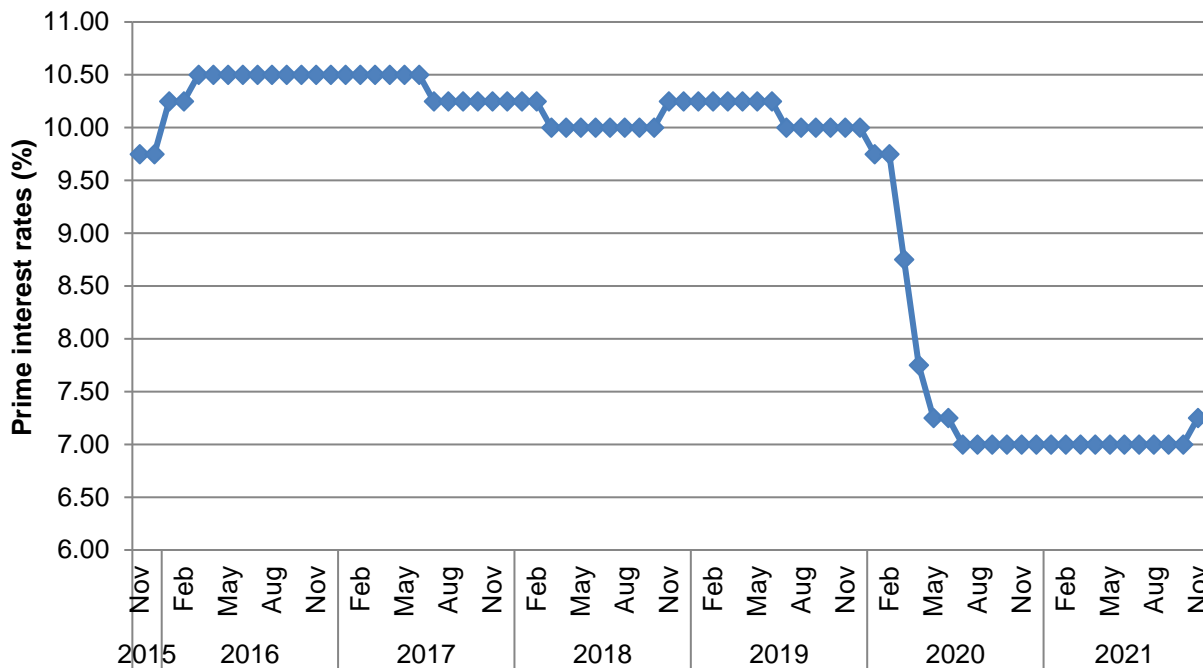
**Figure 3: Crude oil and the exchange rate**

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 to the downside. The July unrest, the pandemic and ongoing energy supply constraints are likely to have lasting effects on investor confidence and job creation, hampering recovery in labour-intensive sectors hardest hit by the lockdowns. High export prices are expected to fade, perhaps faster than previously expected. Insufficient job creation will moderate household consumption. The investments will remain constrained by the high risk of further load shedding and ongoing uncertainty. The hesitancy to vaccinate presents some upside risk to the growth outlook.

The prime interest rate is used 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 creditworthy clients. **Figure 4** illustrates the average monthly prime interest rate for the period of November 2015 to November 2021. The prime interest rate is currently 26.3% lower than during November 2015. The prime interest rate reached a peak of 10.5% during the period March 2016 to June 2017. Due to the increase of the Repo rate, the prime interest rate increased to 7.25% in November.

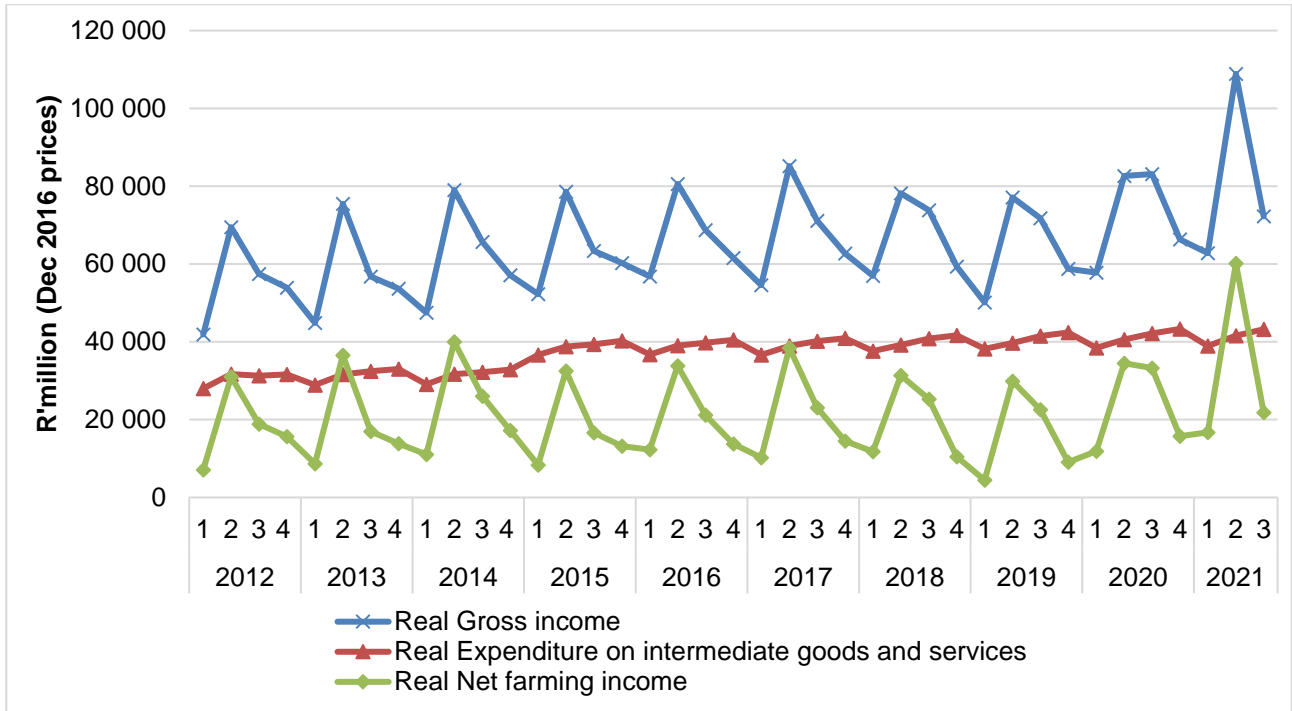


**Figure 4: Average monthly prime interest rate**  
 Source: South African Reserve Bank (SARB), 2021

## 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 third quarter (July to September) of 2021 to the third quarter of 2020 (y-o-y), real net farm income and real gross income decreased by 34.4% and 13%, respectively while the real expenditure on intermediate goods and services increased by 2.6%. When comparing the second quarter (April to June) of 2021 to the third quarter of 2021, the real net farm income and real gross income decreased by 63.7% and 33.6%, respectively and the real expenditure on intermediate goods and services increased by 4%.



**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 declined by 1.5% during the third quarter compared to the second quarter of 2021. After the South African Reserve Bank (SARB) interest rates adjustments the economy might be slightly under pressure during the fourth quarter as this will affect borrowing, reduce disposable income and limit growth in consumer spending. Furthermore, the country is expected to be hit by the fourth wave of Covid-19 which might cause a slight setback on the entire economy. However, this will depend on policy adjustments to deal with the pandemic which has the potential to disrupt the economy's recovery. Crude oil prices are currently surging in response to global demand underpinned by industrial use and global shipments. For net oil buying nations such as South Africa, this might slightly affect the economy unless the Rand against the dollar remains resilient going to early 2022.



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