



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 2022*

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## EXECUTIVE SUMMARY

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

South African Gross Domestic Product (GDP) increased by 1.6% in the third quarter (July to September) of 2022, this follows a decrease of 0.7% in the second quarter (April to June) of 2022. Seasonally adjusted figures show that eight industries recorded positive growth between the second quarter of 2022 and the third quarter of 2022. The Agriculture, Forestry and Fishing (AFF) industry was the main driver in the GDP growth rate and it increased by 19.2%. This is attributed to increased economic activities in the field crops and horticulture products (Stats SA, 2022).

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

On an annual basis (November 2021 to November 2022), crude oil prices increased by 10.8% while the exchange rate (R/\$) depreciated by 17.1%. From October 2022 to November 2022, crude oil prices increased by 2.9% and exchange rates depreciated by 3.2%.

- ***Average Prime Interest Rate***

The prime interest rate is currently on the same level as during December 2016 and early 2017. Due to the increase of the Repo rate, the prime interest rate increased to 10.5% since November 2022.

- ***Farm Income and Expenditure***

Comparing the third quarter (July to September) of 2022 to the third quarter of 2021 (y-o-y), the real net farm income real, real gross income and real expenditure on intermediate goods and services increased by 128.6%, 27.2% and 5.6%, respectively.

Comparing the third quarter of 2022 to the second quarter (April to June) of 2022, the real net farm income and real gross income decreased by 28.6% and 10.1%, respectively while the real expenditure on intermediate goods & services increased by 3.7%.

# 1. Introduction

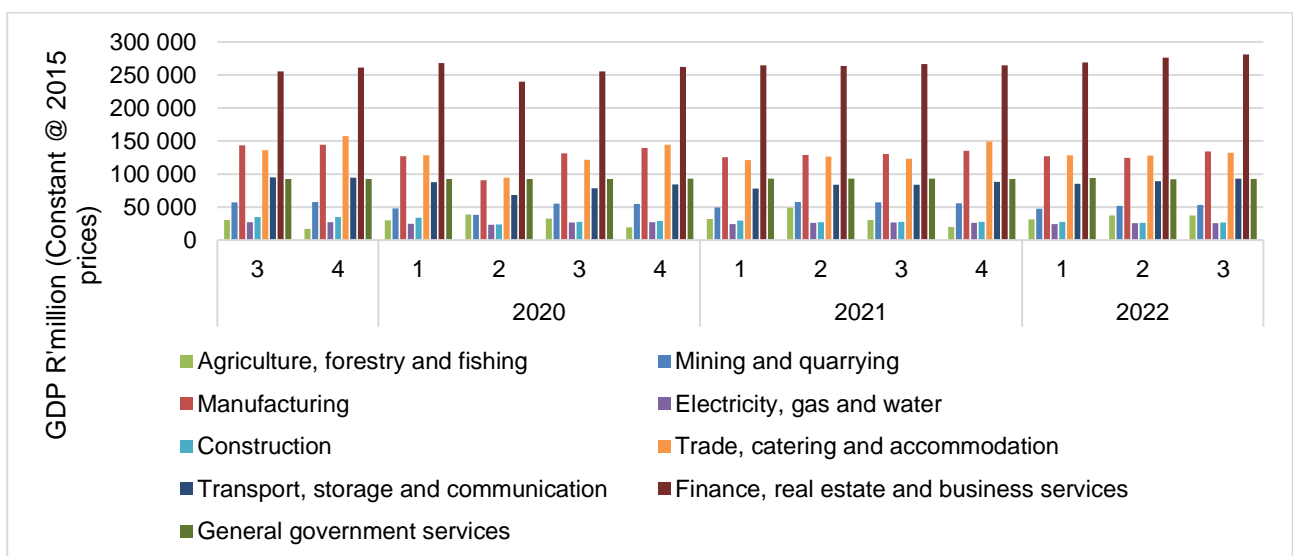
The aim of this publication is to report on key economic indicators such as the real GDP, crude oil, exchange rate, average prime interest rate and farm income. The data for this publication was obtained from Statistics South Africa (Stats SA), the South African Reserve Bank (SARB) and the Department of Agriculture, Land Reform and Rural Development (DALLRD).

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

**Figure 1** presents the real GDP for selected South African industries from the third quarter of 2019 to the third quarter of 2022 and their contributions to the overall economy. According to the data from Stats SA, South Africa’s GDP increased at a seasonally adjusted and annualised rate of 1.6% in the third quarter (July to September) of 2022. This follows a decrease of 0.7% in the second quarter (April to June) of 2022. Seasonally adjusted figures show that eight industries recorded positive growth between the second quarter of 2022 and the third quarter of 2022.

Between the second quarter of 2022 and the third quarter of 2022, the annualised and seasonally adjusted figures show that the Agriculture, Forestry and Fishing (AFF) industry was the main driver in the GDP growth rate and increased by 19.2%. This can be attributed to increased economic activities in the field crops and horticulture products (Stats SA, 2022). The contraction in the second quarter was rather a timing issue as opposed to an actual contraction in growth. Two industries, the citrus industry and maize and soybean had notable time differences compared to their usual rhythms in 2022. Citrus industry usually exports notable quantities during the second quarter of each year. This year floods impacted logistics and Transnet operations in April and labour unrest in the Eastern Cape which resulted in export delays and occurred in the third quarter of 2022. Furthermore, the delayed plantings and wet weather during harvesting time impacted the timing of maize and soybean deliveries. These volumes spilled over into the third quarter of 2022. This was followed by the Transport, storage and communication (3.7%), Construction (3.1%), Mining (2.1%) and Finance, real estate and business services (1.9%) industries.

The Electricity, gas and water industry and the personal services industry decreased by 2.1% and 1.2%, respectively.

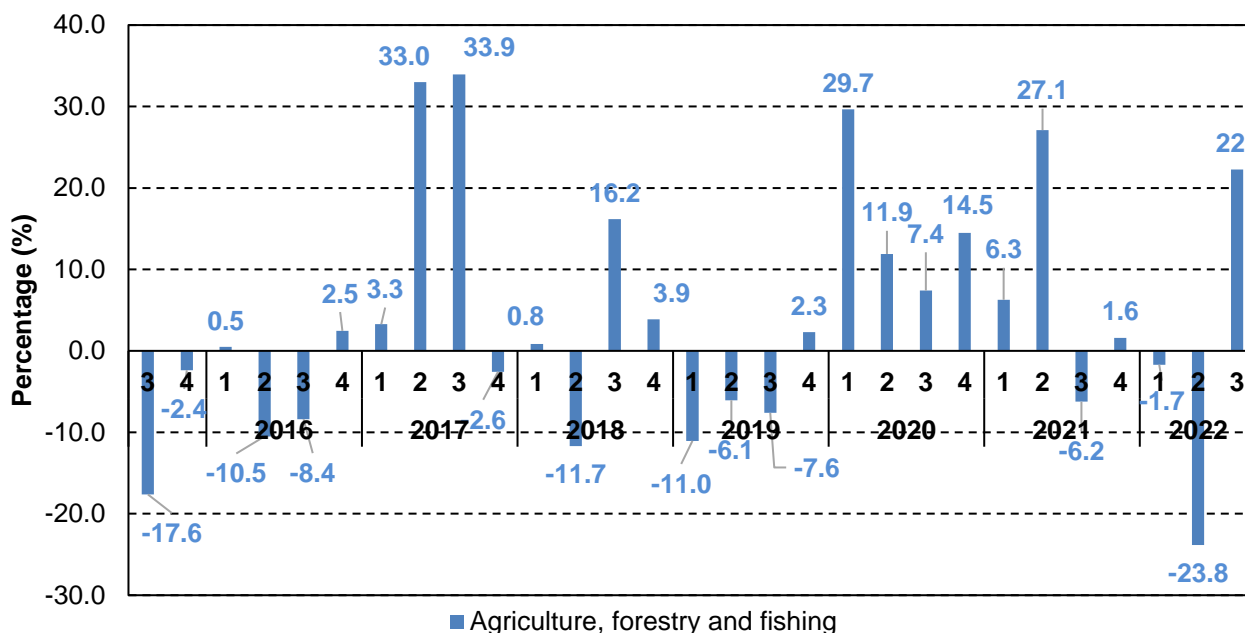


**Figure 1: Quarterly GDP of selected industries, at constant 2015 prices, seasonally adjusted and annualised**

Source: Stats SA, 2022

**Figure 2** shows a year-on-year (y-o-y) percentage change in the GDP for AFF, at constant 2015 and seasonally *unadjusted* prices. Between the third quarter of 2015 and the third quarter of 2022, the GDP growth rate of AFF increased from (-17.6%) in the third quarter of 2015 to 22.0% in the third quarter of 2022.

During the review period, the AFF GDP peaked at 33.9% during the third quarter of 2017. Comparing the second quarter of 2022 to the third quarter of 2022, the AFF GDP increased from -23.8% to 22.0%.



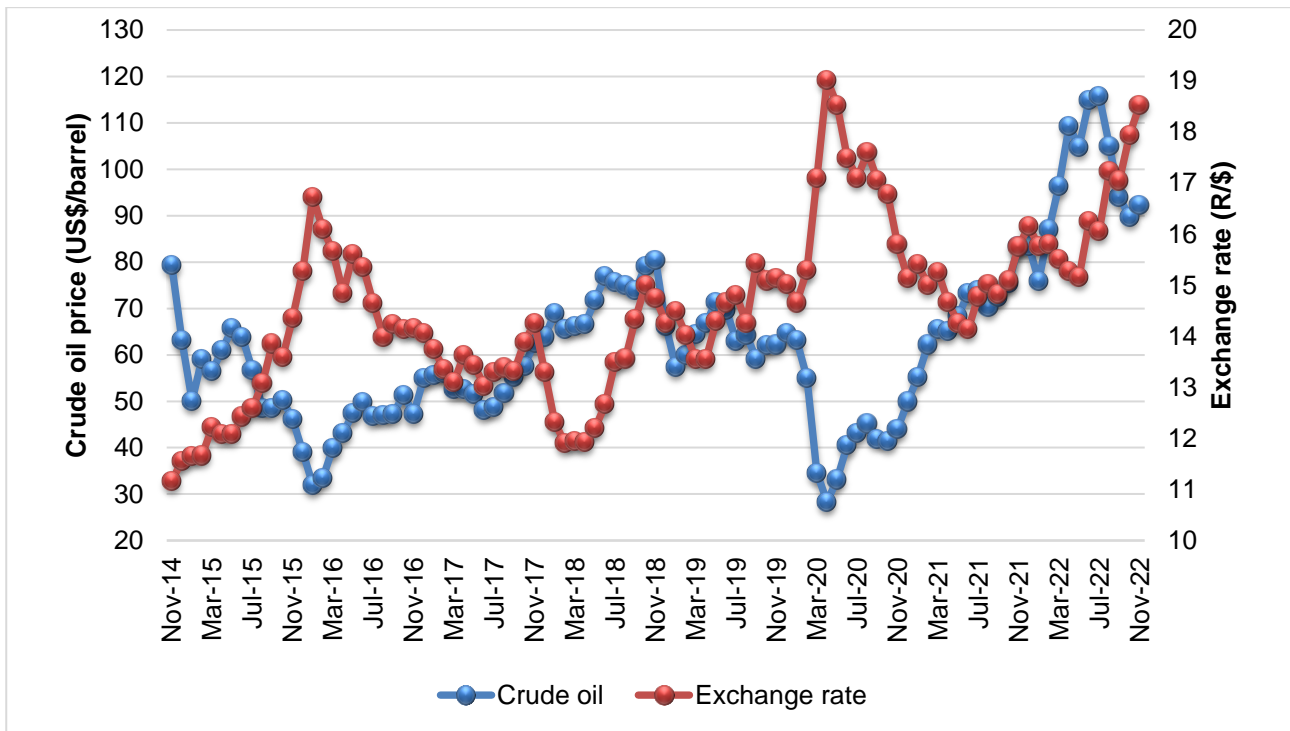
**Figure 2: Percentage changes in AFF GDP, at constant 2015 prices**

Source: Stats SA, 2022

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

South Africa’s fuel prices are influenced by international and local factors. International factors include the dependency of South Africa on imported commodity such as crude oil at a price set at the international level. For net importing countries, such as South Africa, macroeconomic factors such as the exchange rate play a crucial role in volatility of prices since crude oil is imported from foreign countries and priced in foreign currency. **Figure 3** shows crude oil price (US\$/barrel) trends and the Rand/Dollar (R/\$) exchange rate between November 2014 to November 2022. For the observed period, crude oil prices increased by 16.3% while exchange rates depreciated by 63.1%. On an annual basis (November 2021 to November 2022), crude oil prices increased by 10.8% while the exchange rate (R/\$) depreciated by 17.1%.

Between October 2022 and November 2022, crude oil prices increased by 2.9% and exchange rates depreciated by 3.2%.



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

Source: Department of Mineral Resources and Energy, 2022

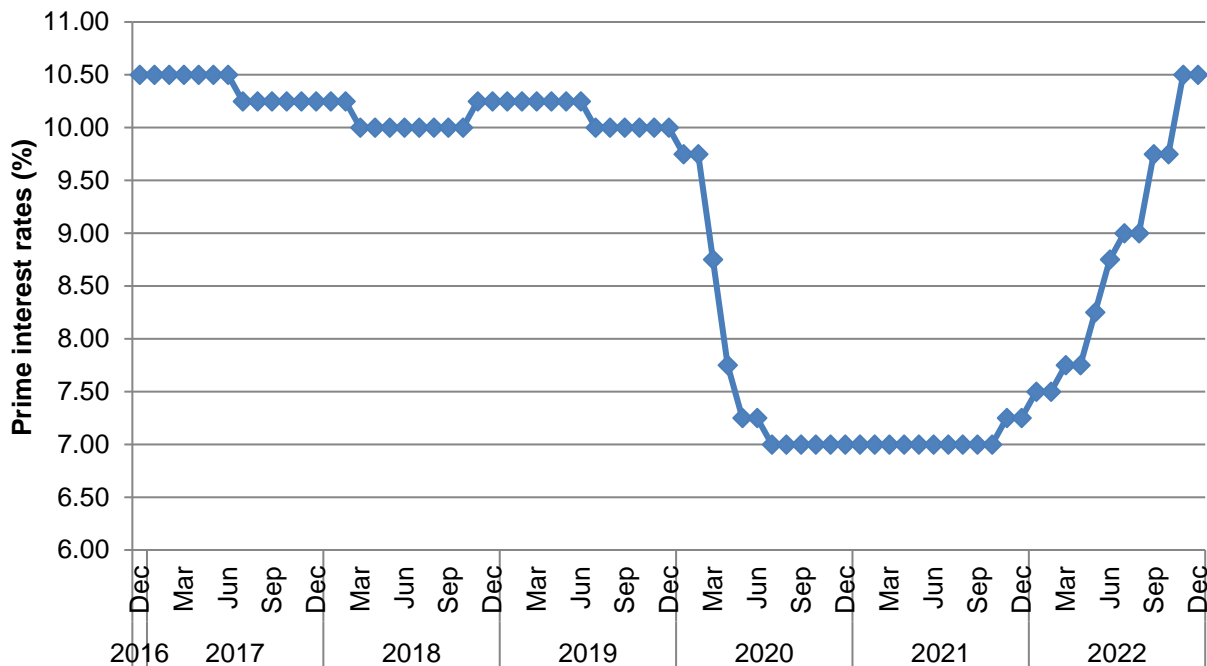
#### 4. Average Prime Interest Rate

The SARB uses interest rates to influence the level of inflation and to protect the value of the rand. The SARB aims to maintain consumer price inflation between 3% and 6%. According to the Monetary Policy Committee (MPC) of the SARB, the annual headline inflation for 2022 is forecasted to be 6.7% and 5.4% for 2023. The forecast annual food inflation of 8.8% for 2022 mainly due to weaker exchange rate.

The Reserve Bank intend to guide inflation back towards the mid-point of the target band to reduce the economic costs of high inflation and enable lower interest rates in the future. Achieving a prudent public debt level, increasing the supply of energy, moderating administered price inflation and keeping wage growth in line with productivity gains could enhance the effectiveness of monetary policy and its transmission to the broader economy

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 December 2016 to December 2022. Due to the increase of the Repo rate, the prime interest rate was increased by 0.75 percentage points from 9.75% to 10.5% since November 2022, a rate last seen in December 2016 and early 2017. The rate hike adds more pressure on many South African households, who are already facing a high cost of living.



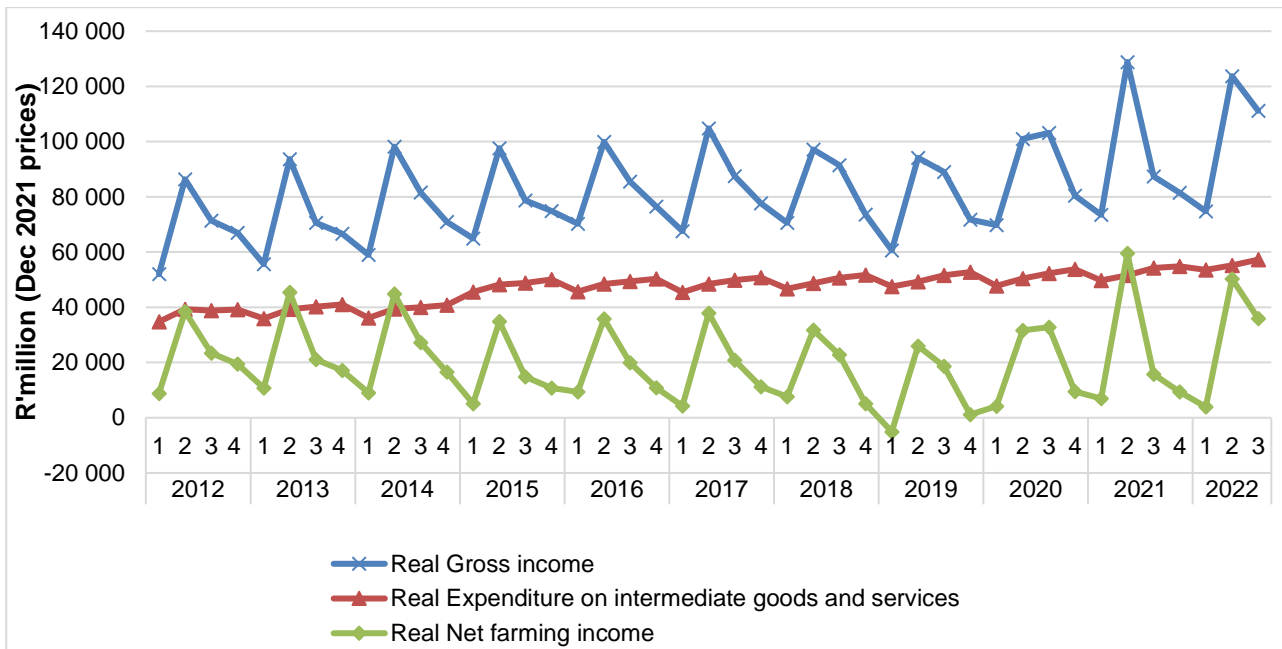


**Figure 4: Average monthly prime interest rate**  
 Source: South African Reserve Bank (SARB), 2022

## 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 2022, at December 2022 prices. The real gross income, real expenditure on the immediate goods and services and real farm 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, amongst other labour remuneration, interest paid and rent paid.

Comparing the third quarter (July to September) of 2022 to the third quarter of 2021 (y-o-y), the real net farm income real, real gross income and real expenditure on intermediate goods and services increased by 128.6%, 27.2% and 5.6%, respectively. When comparing the third quarter of 2022 to the second quarter (April to June) of 2022, the real net farm income and real gross income decreased by 28.6% and 10.1%, respectively while the real expenditure on intermediate goods & services increased by 3.7%.



**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), 2022

## Conclusion and key policy messages

South Africa's GDP increased at a seasonally adjusted and annualised rate of 1.6% in the third quarter (July to September) of 2022. This follows a decrease of 0.7% in the second quarter (April to June) of 2022. The AFF industry increased by 19.2%, this was due to increased economic activities in the field crops and horticulture products (Stats SA, 2022). The contraction in the second quarter was rather a timing issue as opposed to an actual contraction in growth. Two industries, the citrus industry and maize and soybean had notable time differences compared to their usual rhythms in 2022. Citrus industry usually exports notable quantities during the second quarter of each year. This year floods impacted logistics and Transnet operations in April and labour unrest in the Eastern Cape which resulted in export delays and occurred in the third quarter of 2022. Furthermore, the delayed plantings and wet weather during harvesting time impacted the timing of maize and soybean deliveries. These volumes spilled over into the third quarter of 2022.

In terms of crude oil, crude oil prices have witnessed a noticeable increase that started at the end of 2021 in response to low global inventories and inadequate growth in supply as well as geopolitical situations. Between October and November 2022, the crude oil price increased from US\$89.79/barrel to US\$92.41/barrel, respectively.

### FOR POLICY-MAKERS AND GOVERNMENTS

Although the South African GDP increased in the third quarter of 2022, the ongoing energy crisis and lack of market diversification in the agricultural sector remain a challenge. Collaboration between public and private sector will play a crucial role in addressing the challenges identified. This will boost not only the farmer's production but also to improve living conditions of South Africans who are subjected to the rising cost of living.



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