



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 2023

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EXECUTIVE SUMMARY

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

South Africa's Gross Domestic Product (GDP) increased at a seasonally adjusted and annualised rate of 0.6% in the second quarter (April to June) of 2023. This follows a 0.4% increase in the first quarter (January to March) of 2023. Seasonally adjusted figures show that six industries recorded positive growth between the first quarter of 2023 and the second quarter of 2023.

The Agriculture, Forestry and Fishing (AFF) industry increased by 4.2%, contributing 0.1 of a percentage point to GDP growth. This was primarily due to increased economic activities reported for field crops and horticulture products.

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

On an annual basis (August 2022 to August 2023), crude oil prices decreased by 24.0% while the exchange rate depreciated by 8.4%.

Between July 2023 and August 2023, crude oil prices increased by 6.2% while the exchange rate appreciated by 2.1%.

- ***Average Prime Interest Rate***

Due to the Repo rate that remained unchanged, the prime interest rate was also unchanged at 11.75% in August 2023, since May 2023, a rate similar to what was recorded in 2009.

1. Introduction

The aim of this publication is to report on key economic indicators such as the real Gross Domestic Product (GDP), crude oil prices, exchange rate (Rand per United States Dollar – R/\$), 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 the Department of Agriculture, Land Reform and Rural Development (DALRRD).

2. Real GDP and Growth Rates

Figure 1 presents the real GDP for selected South African industries from the first quarter of 2020 to the first quarter of 2023, and their respective contributions to the overall economy. According to the data from Stats SA, South Africa’s real GDP increased at a seasonally adjusted and annualised rate of 0.6% in the second quarter (April to June) of 2023. This follows a 0.4% increase in the first quarter (January to March) of 2023. Seasonally adjusted figures show that six industries recorded positive growth between the first quarter of 2023 and the second quarter of 2023.

Between the first quarter of 2023 and the second quarter of 2023, the annualised and seasonally adjusted figures show that the Agriculture, Forestry and Fishing (AFF) industry increased by 4.2%, contributing 0.1 of a percentage point to GDP growth. This was primarily due to increased economic activities reported for field crops and horticulture products (Stats SA, 2023).

The transport, storage and communication industry and the electricity, gas and water industry decreased by 1.9% and 0.8%, respectively.

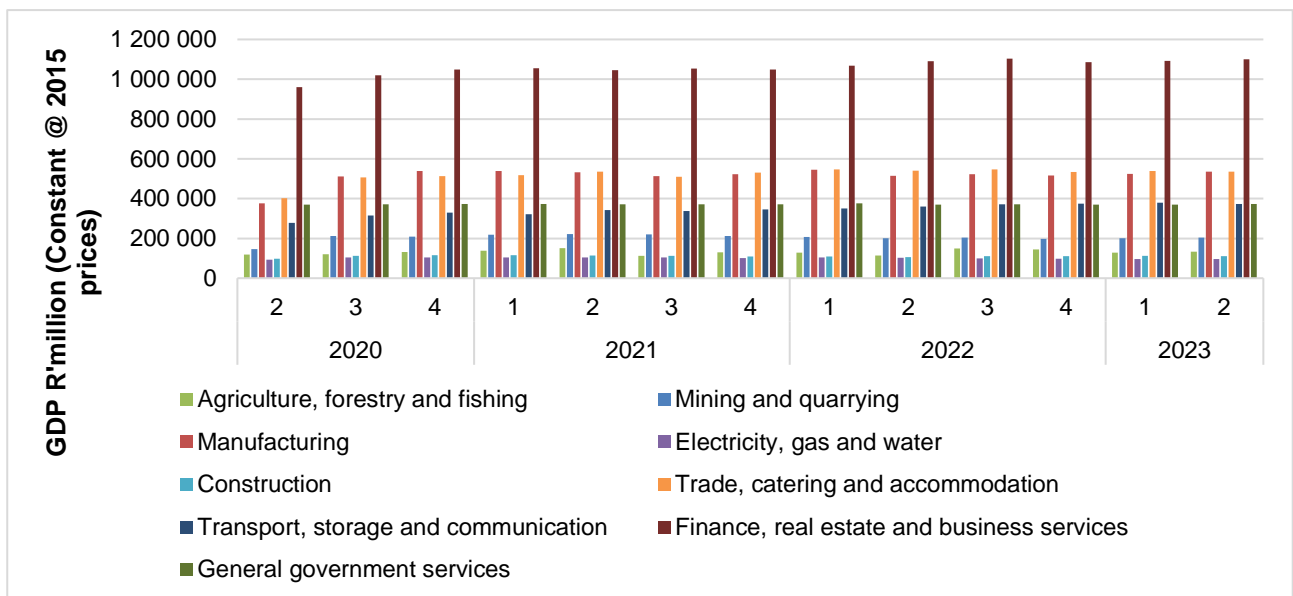


Figure 1: Quarterly GDP of selected industries, at constant 2015 prices, seasonally adjusted and annualised

Source: Stats SA, 2023

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 second quarter of 2016 and the second quarter of 2023, the GDP growth rate of AFF increased from -10.5% to 17.9%.

During the review period, the AFF GDP peaked at 33.9% during the third quarter of 2017. Comparing the second quarter of 2023 to the first quarter of 2023, the AFF GDP increased from -4.9% to 17.9%.

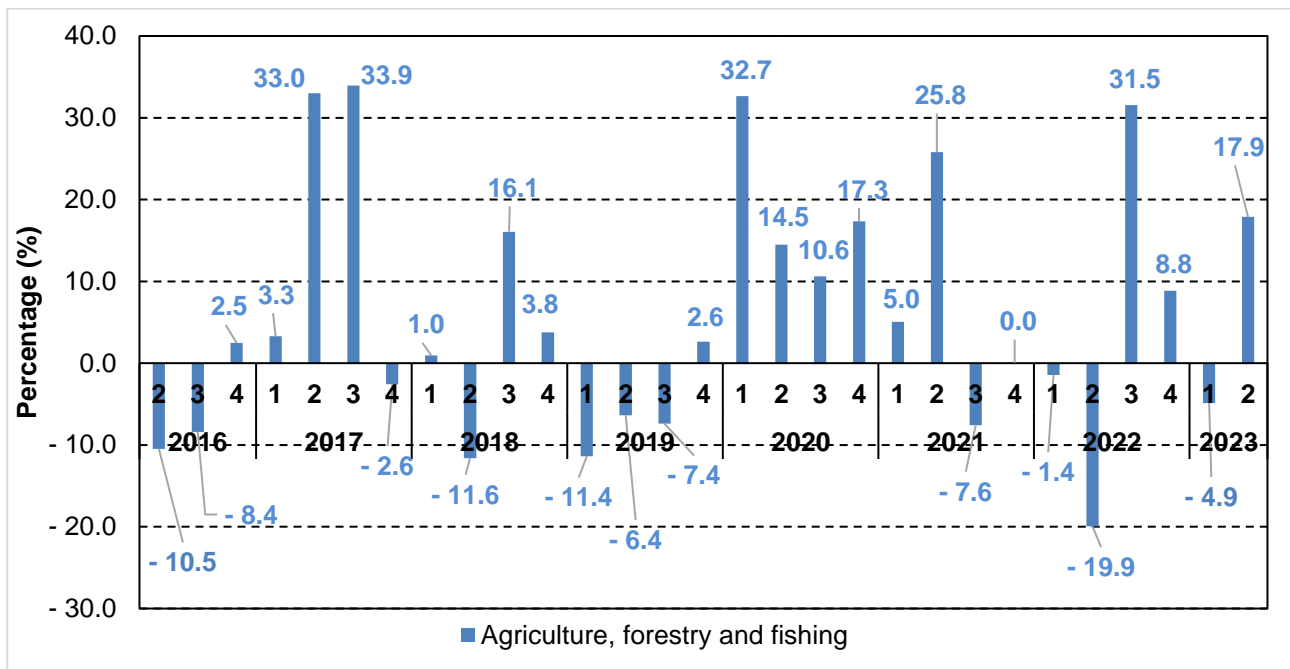


Figure 2: Percentage changes in AFF GDP, at constant 2015 prices

Source: Stats SA, 2023

3. Comparison of Crude Oil price and Exchange Rate

South Africa’s fuel prices are influenced by international and local factors. International factors include South Africa’s dependency on imported commodities 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 the volatility of prices since crude oil is priced in foreign currency. **Figure 3** shows trends in crude oil price (US\$/barrel) and the exchange rate (R/\$) between August 2012 to August 2023. For the observed period, crude oil prices decreased by 30.5% while exchange rates depreciated by 121.0%. On an annual basis (August 2022 to August 2023), crude oil prices decreased by 24.0% while the exchange rate depreciated by 8.4%.

Crude oil prices started to decrease in August 2022 and on average for the first eight months of 2023, it was 20.2% lower than the average for the first eight months of 2022. Between July 2023 and August 2023, crude oil prices increased by 6.2% while the exchange rate appreciated by 2.1%.

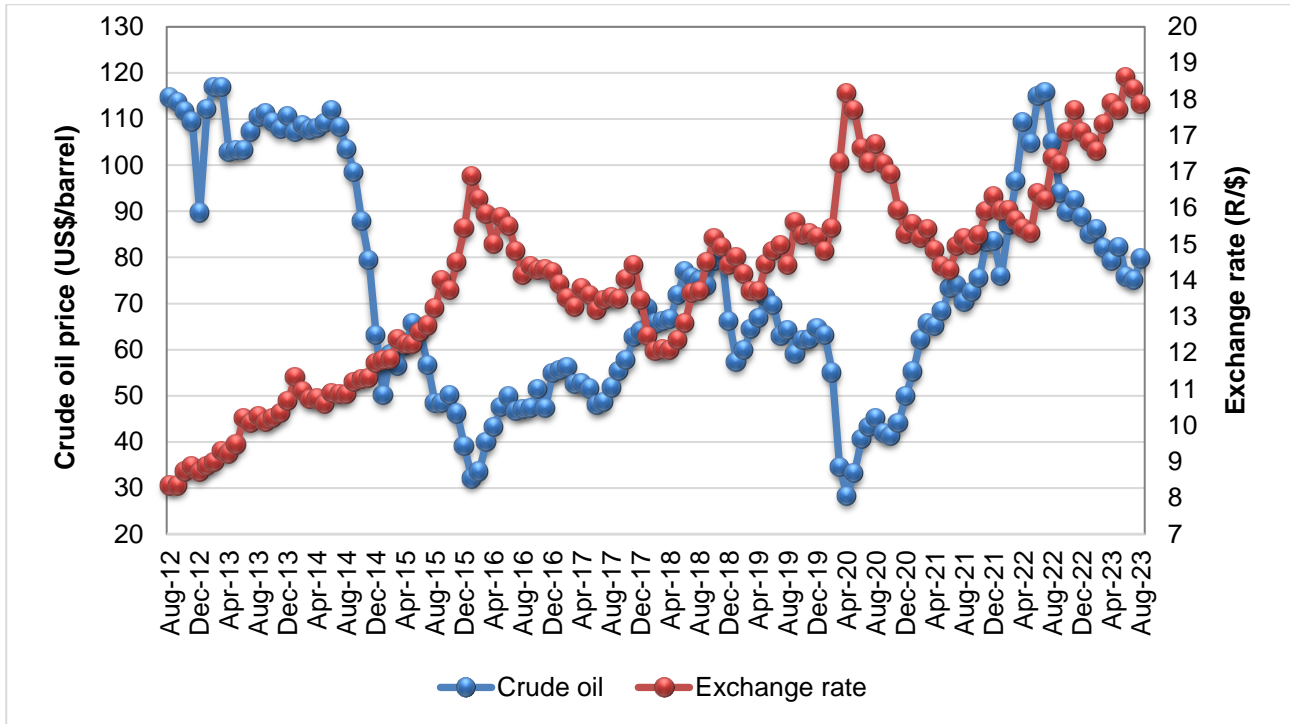


Figure 3: Crude oil price and the exchange rate
 Source: Department of Mineral Resources and Energy, 2023

4. Average Prime Interest Rate

The South African Reserve Bank (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 2023 is forecasted to be 6.0% and 5.0% for 2024. The trajectory of South Africa’s headline inflation rate has been shaped primarily by fuel, electricity and food price inflation. The forecast for annual food inflation is 10.3% for 2023. In the absence of sustained and consistent increases in energy supply, electricity prices continue to present clear inflation risks. Load-shedding and logistics constraints also have broader effects on the cost of doing business and the cost of living.

The SARB intends to guide inflation back towards the mid-point of the target band (3% to 6%) 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 (MPC, 2023).

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 its most creditworthy clients. **Figure 4** illustrates the average monthly prime interest rate for the period of August 2012 to August 2023. Due to the Repo rate that remained unchanged, the prime interest rate was also unchanged at 11.75% in August 2023, since May 2023, a rate similar to what was recorded in 2009. This might provide some pressure relief on many South African households, who are facing the high cost of living.

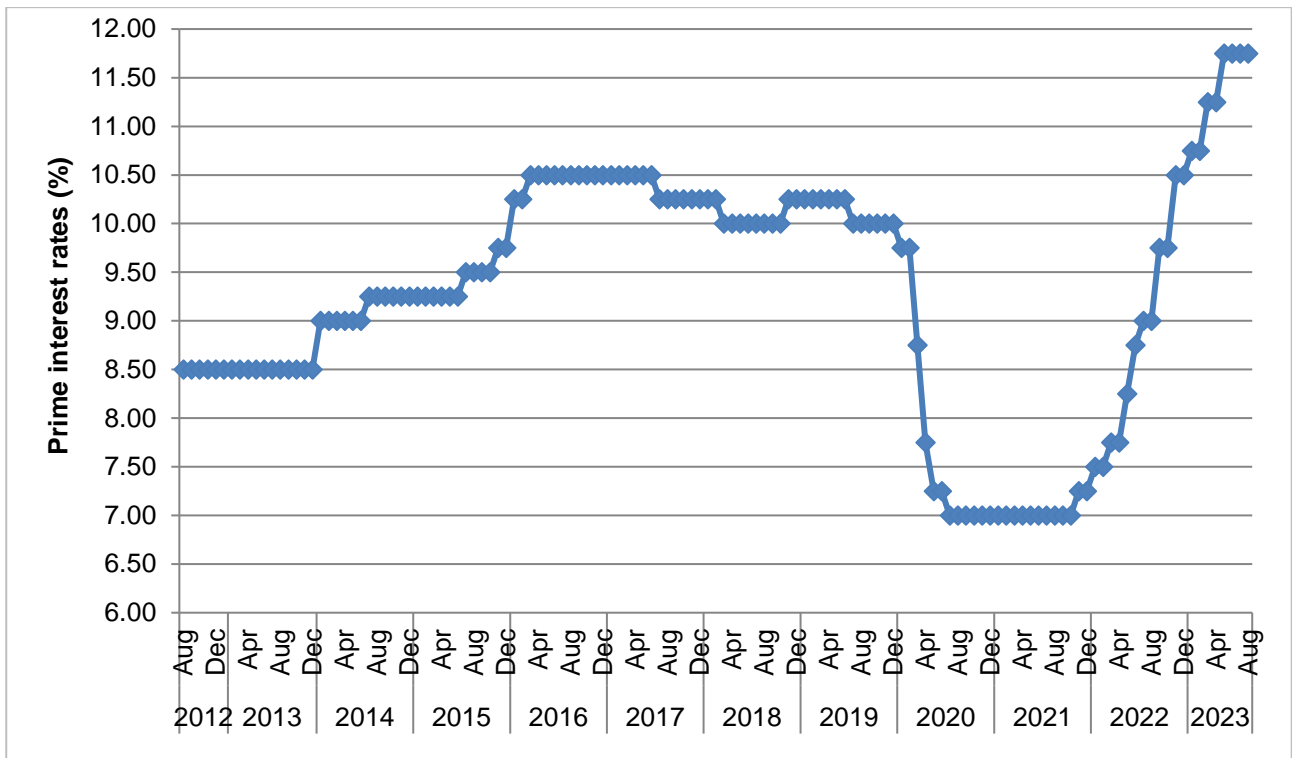


Figure 4: Average monthly prime interest rate
 Source: South African Reserve Bank (SARB), 2023

Conclusion

South Africa's GDP increased at a seasonally adjusted and annualised rate of 0.6% in the second quarter (April to June) of 2023. This follows a 0.4% increase in the first quarter (January to March) of 2023. The AFF industry increased by 4.2% due to increased economic activities reported for field crops and horticulture products.

In terms of crude oil, prices noticeably decreased since August 2022 and on average for the first eight months of 2023, it was 20.2% lower than the average for the first eight months of 2022. The average price decreased from US\$101.17/barrel to US\$80.70/barrel.

Given that the Repo rate remained unchanged, the prime interest rate was also unchanged at 11.75% since May 2023, a rate similar to what was last seen in 2009. This might provide some pressure relief on many South African households, who are facing the high cost of living.

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