



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 2023

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EXECUTIVE SUMMARY

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

South Africa's Gross Domestic Product (GDP) decreased at a seasonally adjusted and annualised rate of 0.2% in the third quarter (July to September) of 2023. This follows a 0.5% increase in the second quarter (April to June) of 2023. Seasonally adjusted figures show that only three industries recorded positive growth between the second quarter of 2023 and the third quarter of 2023.

The Agriculture, Forestry and Fishing (AFF) industry decreased by 9.6%, contributing -0.3 of a percentage point to the negative GDP growth. This was primarily due to reduced economic activities reported for field crops, animal and horticultural products.

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

On an annual basis (September 2022 to September 2023), crude oil prices decreased by 4.0% while the exchange rate depreciated by 5.4%.

Between August 2023 and September 2023, crude oil prices decreased by 3.4% while the exchange rate depreciated by 0.5%.

- ***Average Prime Interest Rate***

Due to the Repo rate that remained unchanged, the prime interest rate was also unchanged at 11.75% in November 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 third quarter of 2020 to the third quarter of 2023 and their respective contributions to the overall economy. According to the data from Stats SA, South Africa’s real GDP decreased at a seasonally adjusted and annualised rate of 0.2% in the third quarter (July to September) of 2023. This follows a 0.5% increase in the second quarter (April to June) of 2023. Seasonally adjusted figures show that only three industries recorded positive growth between the second quarter and the third quarter of 2023.

Between the second quarter and the third quarter of 2023, the annualized and seasonally adjusted figures show that the Agriculture, Forestry and Fishing (AFF) industry decreased by 9.6%, contributing -0.3 percentage points to the negative GDP growth. Compared to the second quarter of 2023, economic activities decreased for field crops, animals and horticultural products, leading to a reduced contribution of the AFF to the GDP (Stats SA, 2023).

After Agriculture, Forestry and Fishing (AFF), the construction sector experienced the most significant decrease with a decline of 2.8%. This was followed by Manufacturing, Mining & Quarrying and Trade, Catering & Accommodation with declines of 1.3%, 1.1% and 0.2%, respectively.

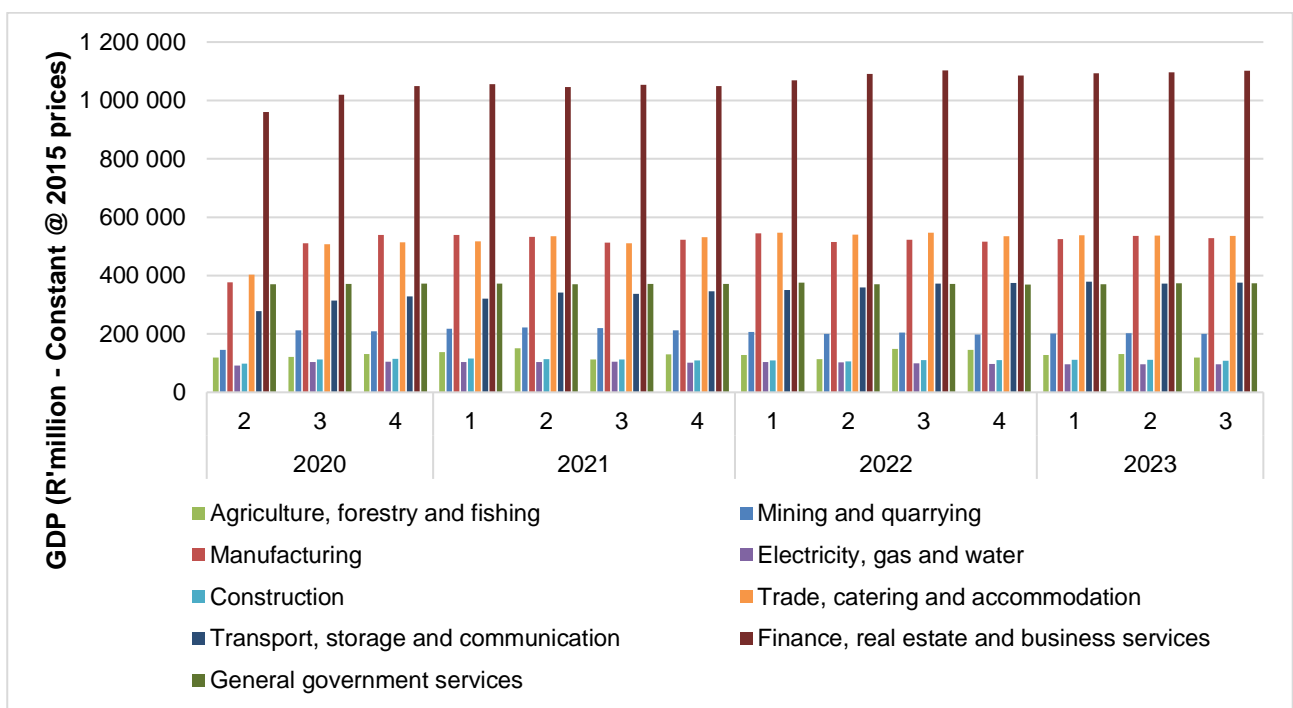


Figure 1: Quarterly GDP of selected industries, at constant 2015 prices, seasonally adjusted and annualised

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 third quarter of 2016 and the third quarter of 2023, the GDP growth rate of AFF increased from -8.4% to -19.9%.

During the review period, the AFF GDP peaked at 33.9% during the third quarter of 2017. Comparing the third quarter of 2023 to the second quarter of 2023, the AFF GDP growth rate declined from 15.4% to -19.9%.

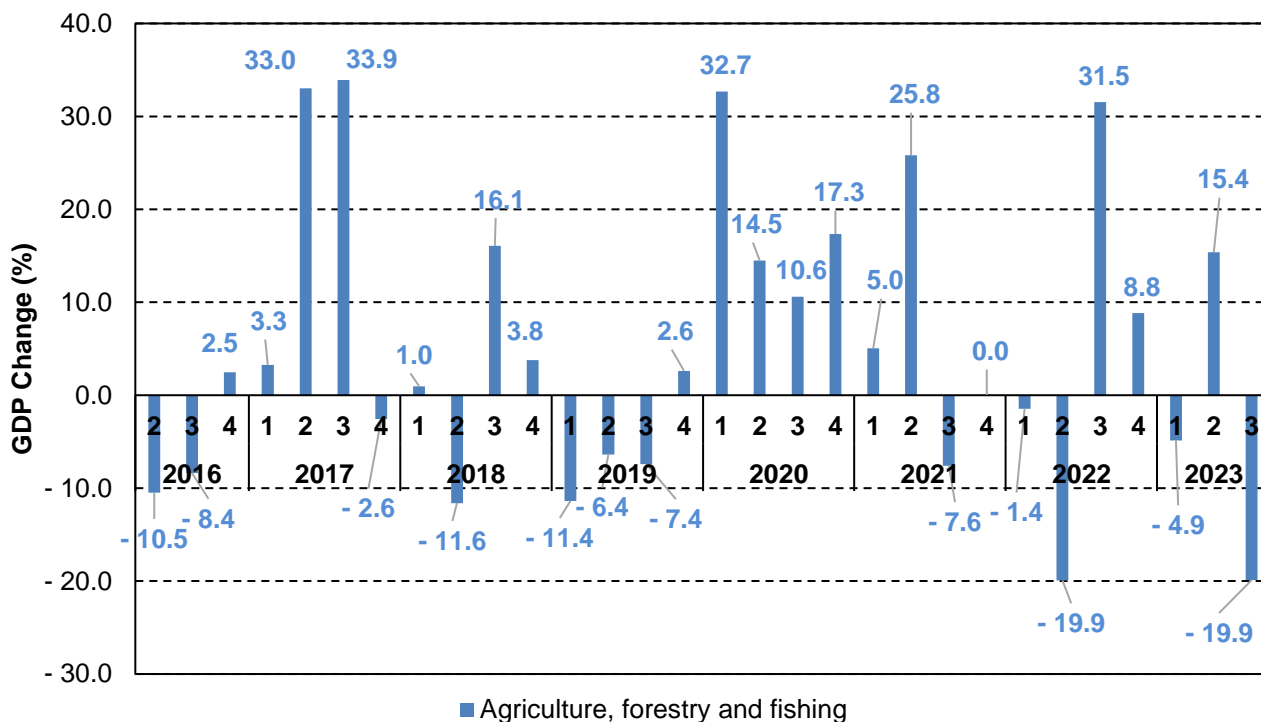


Figure 2: Percentage changes in AFF GDP, at constant 2015 prices
Source: Stats SA, 2023

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/\$) from November 2012 to November 2023. For the observed period, crude oil prices decreased by 19.0% while exchange rates depreciated by 117.0%. On an annual basis (November 2022 to November 2023), crude oil prices decreased by 4.0% while the exchange rate depreciated by 5.4%.

Crude oil prices started to decrease in August 2022 and on average for the first eleven months of 2023, it was 16.1% lower than the average for the first eleven months of 2022. Between October 2023 and November 2023, crude oil prices decreased by 3.4% while the exchange rate depreciated by 0.5%.

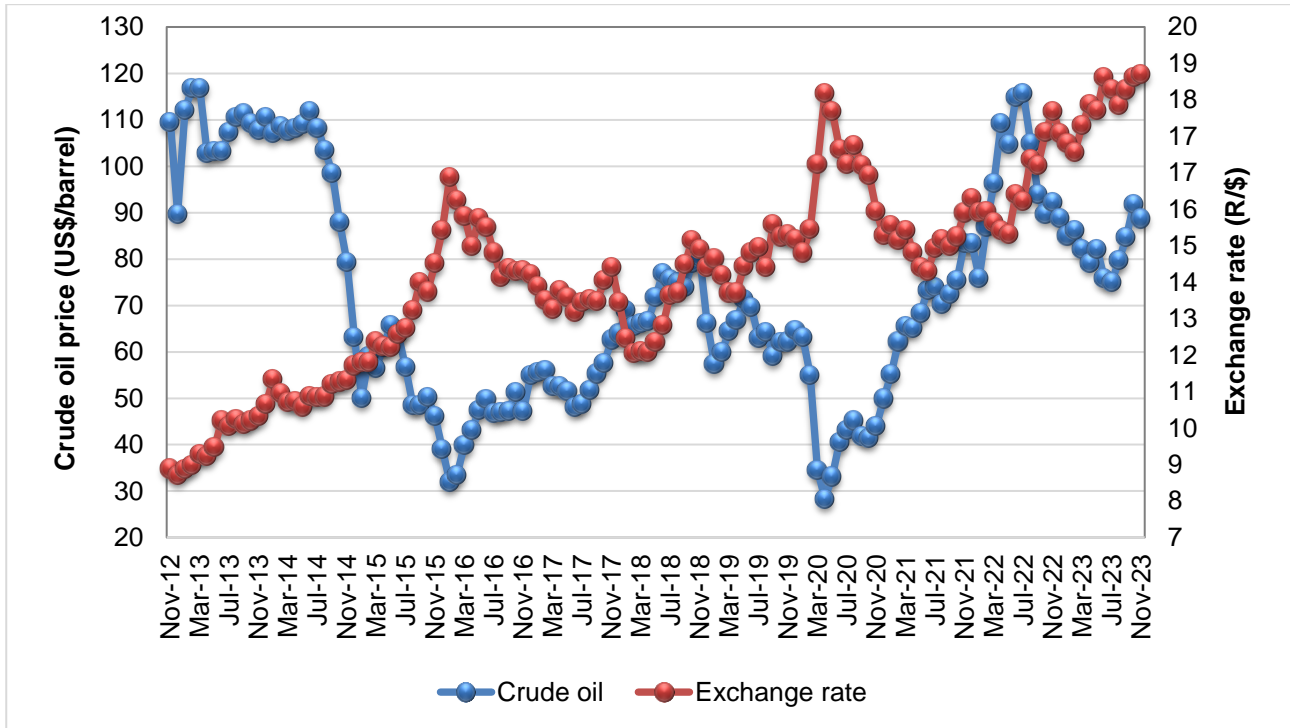


Figure 3: Crude oil price and the exchange rate

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 November 2012 to November 2023. Due to the Repo rate that remaining unchanged in November 2023, the prime interest rate was also unchanged at 11.75%, since May 2023, a rate similar to what was recorded in 2009. This might provide some relief on many South African households, who are facing a high cost of living.

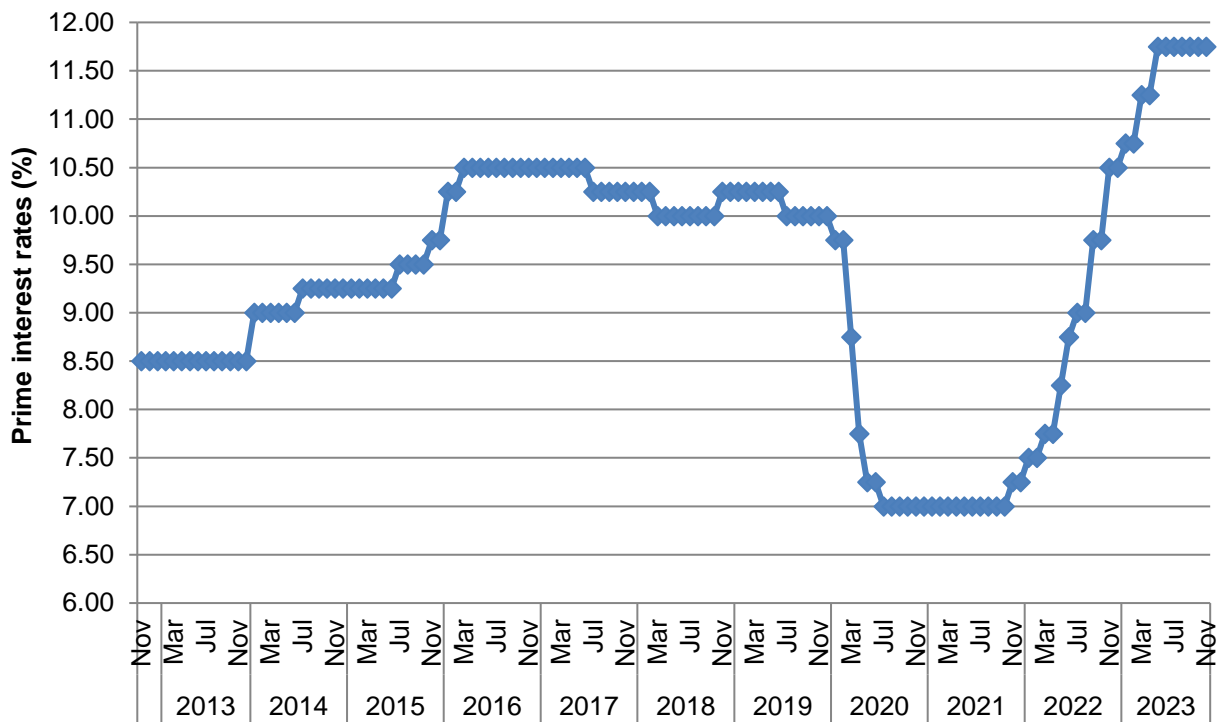


Figure 4: Average monthly prime interest rate
 Source: South African Reserve Bank (SARB), 2023

Conclusion

South Africa's GDP decreased at a seasonally adjusted and annualised rate of 0.2% in the third quarter (July to September) of 2023. This follows a 0.5% increase in the second quarter (April to June) of 2023. The AFF industry decreased by 9.6% due to decreased economic activities reported for field crops, animal production and horticulture products.

In terms of crude oil, prices noticeably decreased since August 2022 and on average for the first eleven months of 2023, it was 16.1% lower than the average for the first eleven months of 2022. The average price decreased from US\$98.69/barrel to US\$82.81/barrel.

In the third quarter of 2023, the Repo rate remained unchanged, keeping the prime interest rate stable at 11.75% since May 2023—a level reminiscent of the rates observed in 2009. This consistent rate may offer some relief to many South African households grappling with the high cost of living.

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