



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 – March 2024

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EXECUTIVE SUMMARY

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

South Africa's real GDP increased at a seasonally adjusted and annualised rate of 0.1% in the fourth quarter (October to December) of 2023. This follows a 0.2% decrease in the third quarter (July to September) of 2023. Seasonally adjusted figures show that six industries recorded positive growth between the third quarter and the fourth quarter of 2023. The Agriculture, Forestry and Fishing (AFF) industry decreased by 9.7%, contributing -0.2 percentage points to the negative GDP growth. Compared to other previous quarters, economic activities decreased for field crops, animals and horticultural products, leading to a reduced contribution of the AFF to the GDP in the fourth quarter of 2023.

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

On an annual basis (February 2023 to February 2024), crude oil prices decreased by 4.8% while the exchange rate depreciated by 10.1%.

Between January 2024 and February 2024, crude oil prices increased by 6.1% while the exchange rate depreciated by 0.6%

- ***Average Prime Interest Rate***

Due to the Repo rate that remained unchanged, the prime interest rate was also unchanged at 11.75% in March 2024 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 Mineral Resources and Energy (DMRE). The Statistics South Africa fourth quarter 2023 Gross domestic product report is available at: <https://www.statssa.gov.za/publications/P0441/P04414thQuarter2023.pdf>

2. Real GDP and Growth Rates

Figure 1 presents the real GDP for selected South African industries from the fourth quarter of 2020 to the fourth 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 0.1% in the fourth quarter (October to December) of 2023. This follows a 0.2% decrease in the third quarter (July to September) of 2023. Seasonally adjusted figures show that six industries recorded positive growth between the third quarter and the fourth quarter of 2023.

Between the third quarter and the fourth quarter of 2023, the annualised and seasonally adjusted figures show that the Agriculture, Forestry and Fishing (AFF) industry decreased by 9.7%, contributing -0.2 percentage points to the GDP growth. Compared to other previous quarters, economic activities decreased for field crops, animals and horticultural products, leading to a reduced contribution of the AFF to the GDP in the fourth quarter of 2023 (Stats SA, 2024).

After Agriculture, Forestry & Fishing (AFF), the trade, catering & accommodation sector experienced the most significant decrease with a decline of 2.9%. This was followed by the construction and general government services with declines of 1.4% and 0.6%, respectively.

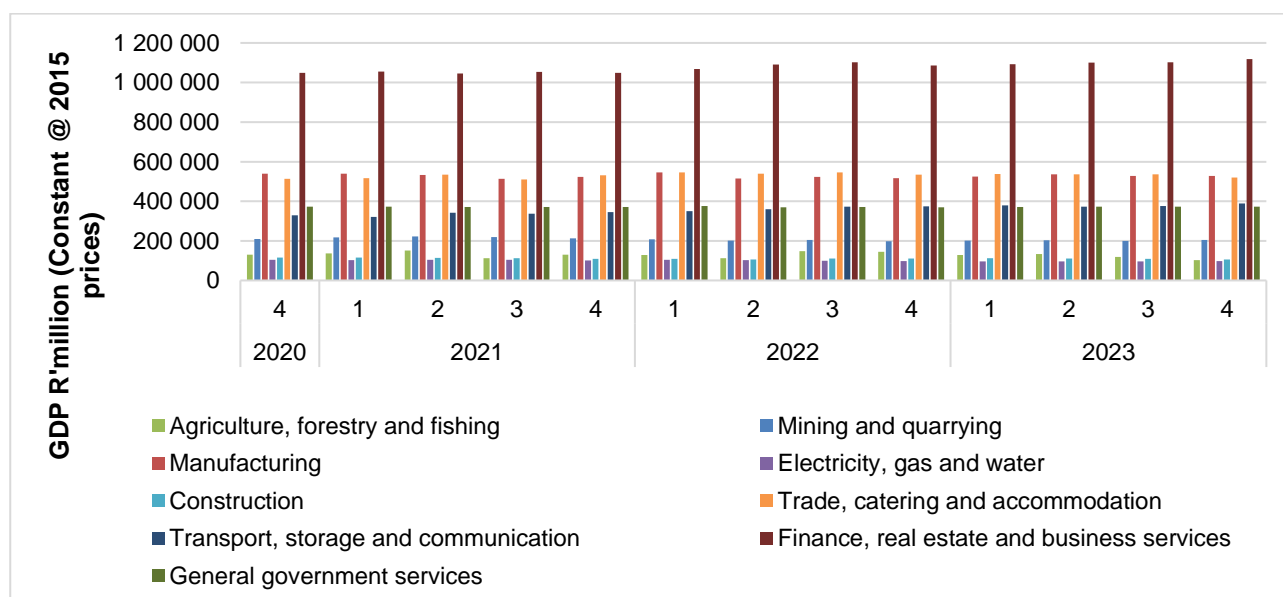


Figure 1: Quarterly GDP of selected industries, at constant 2015 prices, seasonally adjusted and annualised

Source: Stats SA, 2024

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 fourth quarter of 2016 and the fourth quarter of 2023, the GDP growth rate of AFF decreased from 2.5% to -34.6%.

During the review period, the AFF GDP peaked at 33.9% during the third quarter of 2017. Comparing the fourth quarter of 2023 to the third quarter of 2023, the AFF GDP growth rate declined from -29.8% to -34.6%.

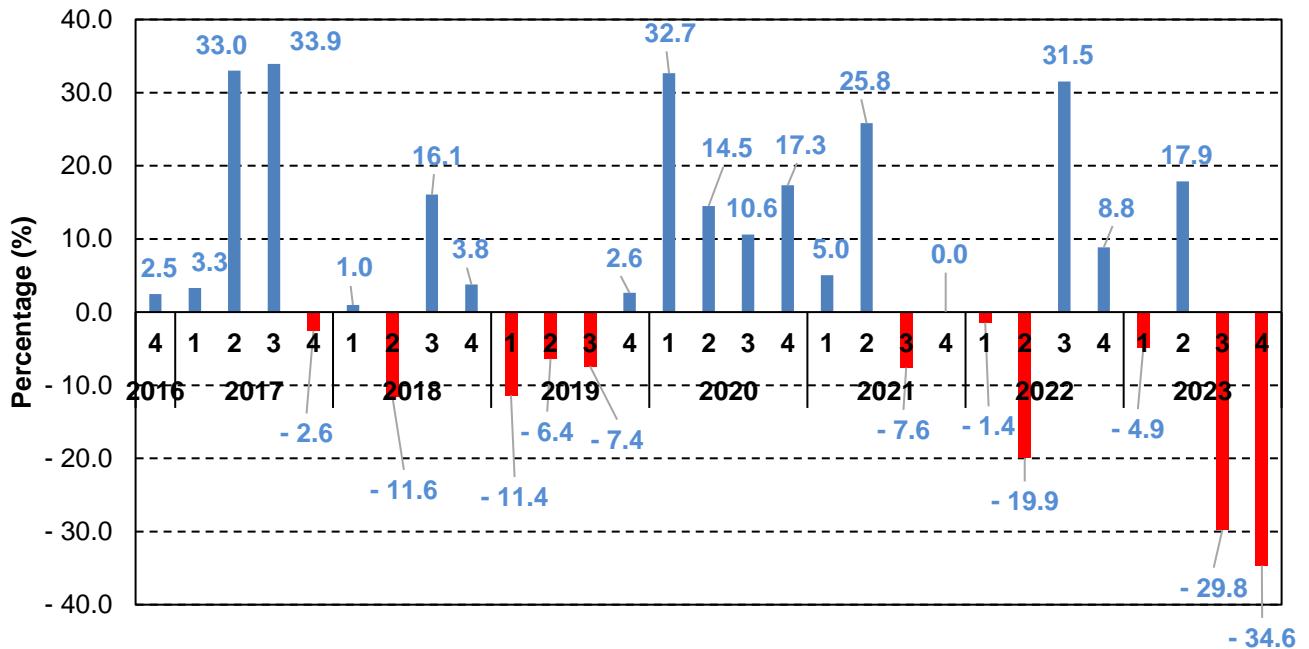


Figure 2: Percentage changes in AFF GDP, at constant 2015 prices

Source: Stats SA, 2024

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 February 2013 to February 2024. For the observed period, crude oil prices decreased by 29.8% while exchange rates depreciated by 111.3%. On an annual basis (February 2023 to February 2024), crude oil prices decreased by 4.8% while the exchange rate depreciated by 10.1%.

Crude oil prices started to decrease in August 2022 and on average for 2023 it was 15.4% lower than the average of 2022. Between January 2024 and February 2024, crude oil prices increased by 6.1% while the exchange rate depreciated by 0.6%.

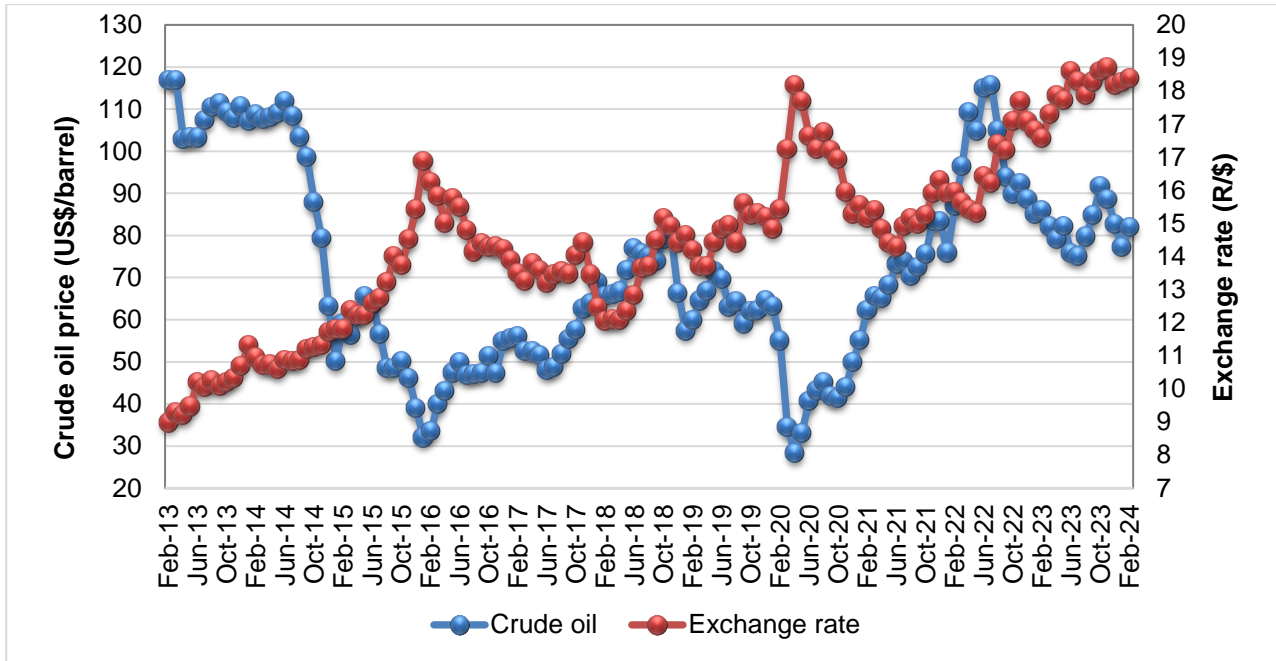


Figure 3: Crude oil price and the exchange rate
 Source: Department of Mineral Resources and Energy, 2024

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%. The Monetary Policy Committee (MPC) of the SARB forecasted that the annual headline inflation for 2023 will be between 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 was 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 March 2013 to March 2024. Due to the Repo rate that remaining unchanged in March 2024, 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.

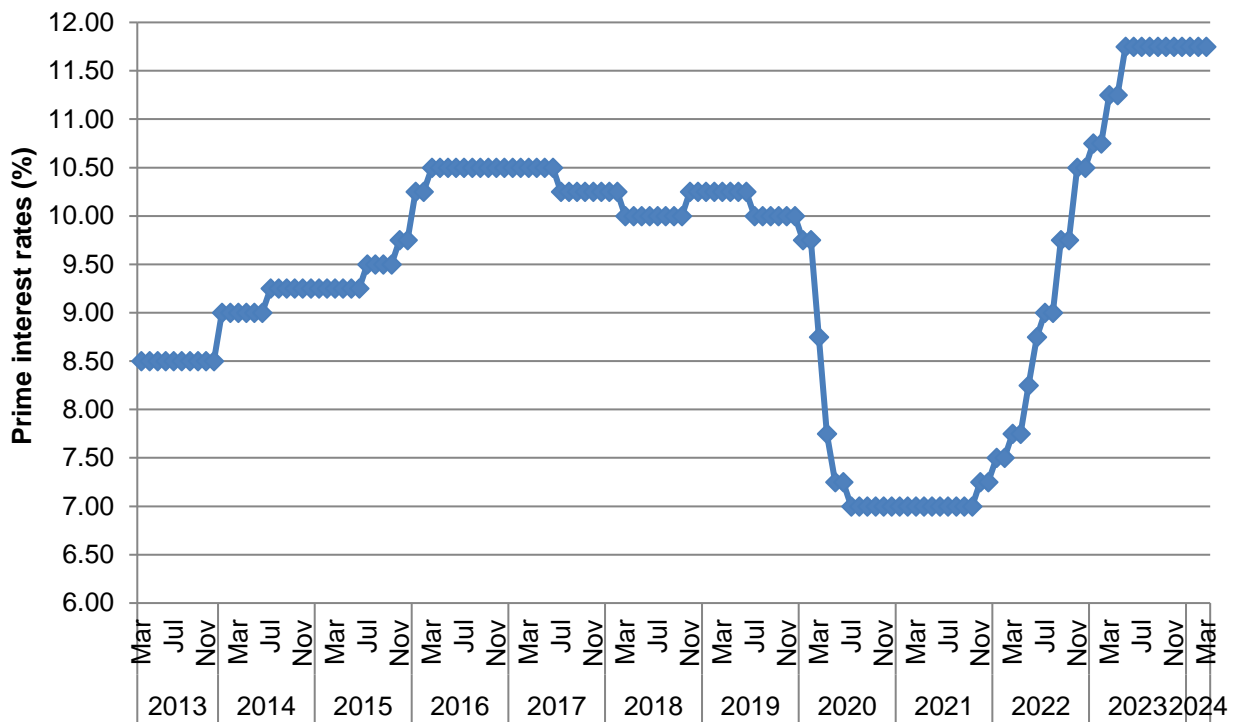


Figure 4: Average monthly prime interest rate
 Source: South African Reserve Bank (SARB), 2024

Conclusion

South Africa's real GDP increased at a seasonally adjusted and annualised rate of 0.1% in the fourth quarter (October to December) of 2023. This follows a 0.2% decrease in the third quarter (July to September) of 2023. The AFF industry decreased by 9.7% due to decreased economic activities reported for field crops, animal production and horticulture products in the fourth quarter.

In terms of crude oil, prices noticeably decreased since August 2022 and on average for 2023 it was 15.4% lower than the average of 2022. Between January 2024 and February 2024, crude oil prices increased by 6.1% while the exchange rate depreciated by 0.6%

In the fourth 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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