

South African tractor sales for March 2018 up 41% y/y

The South African tractor sales were up by 41% y/y in March 2018, with 726 units sold. This follows a 12% y/y contraction in February. On average, 23 tractors were sold a day last month compared to 21 tractors in February 2018 and 16 tractors a day in March 2017. Given that this is a fairly quiet period in the fields (in both summer and winter crop growing areas), the private sales were expected to have followed a normal trend, but the overall boost could be linked to government tenders ahead of the end of the financial year. The combine harvester sales were also solid, recorded a 9% y/y uptick.

- The 25% y/y increase in March 2018 tractor sales came as a surprise as this is a fairly quiet period in the fields across the country. According to the South African Agricultural Machinery Association, the uptick in sales was boosted by government tenders. Therefore, we believe there will be some correction in April and sales will probably decline to levels around 441 units. Also worth noting is that March 2018 sales were the record highest for the corresponding month, in a dataset starting from 2014.
- The combine harvester sales continued on a positive footing, with 25 units sold in March 2018, which is the highest figure in 15-months. This was partly supported by both the fairly stronger domestic currency, as well as expectations of a good summer grain and oilseed harvest of 14.8 million tonnes¹ (this is down by 23% from the previous season, but better than market expectations at the start of the year).
- Looking ahead, we maintain that tractor sales could see a slight downward trend over the next few months due to limited activity in the fields, as well as a bit of a correction after the government tenders. Meanwhile, the combine harvester sales could increase ahead of the summer grain harvest period.

Wandile Sihlobo (wandile@agbiz.co.za)

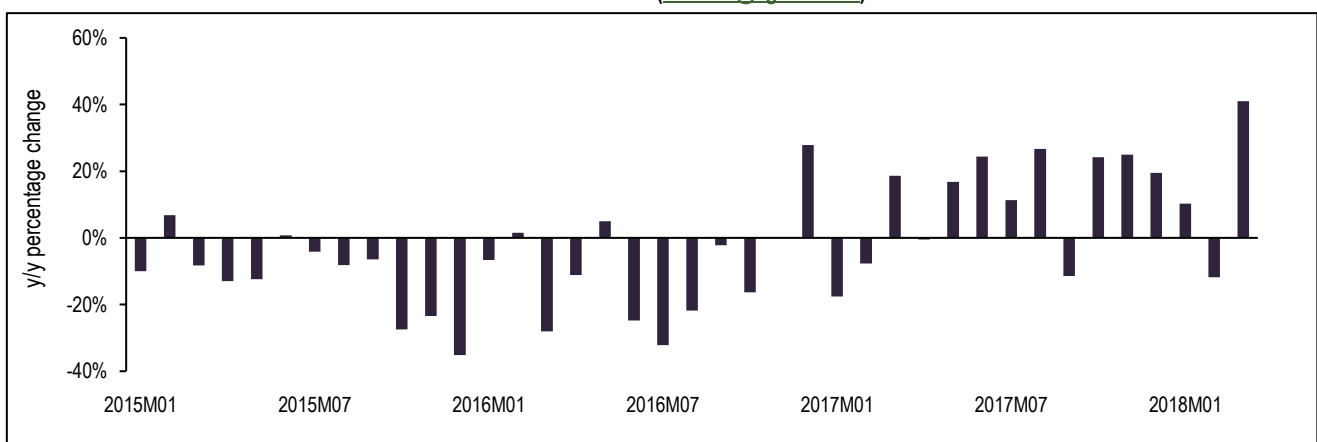


Chart 1: Year-on-year percentage change in South African tractor sales

Source: SAAMA, Agbiz Research

¹ Summer grain and oilseed represents maize, sunflower seed, soybeans, groundnut, sorghum and dry beans.