

SA agricultural economy entered technical recession in the second quarter of 2018

After contracting by 33.6% q/q in the first quarter of this year, the South African agricultural economy entered technical recession in the second quarter following a further 29.2% q/q contraction.¹ This far exceeded our expectations of a modest shrinkage of around 19% q/q. This data partially reflects the tail-end negative effects of the Western Cape drought, as well as the delayed harvest in the summer crop growing areas of South Africa, particularly the grain and oilseed production regions. This is on the back of a late start of the summer crop season due to unfavourable weather conditions earlier in the year.

- As we highlighted our note on 05 June, the South African agricultural economy has underperformed in the first part of this year, albeit far exceeded our expectations (Chart 1). This followed the 20% y/y decline in wheat production to 1.54 million tonnes, 13% y/y decline in barley production to 307 000 tonnes, 11% y/y decline in canola production to 93 500 tonnes, and a decline in stone and grapes fruit production, particularly in the Western Cape (Chart 2). The reduction in the Western Cape agricultural output has been hard felt because of its large share contribution to the overall agricultural economy, underpinned by higher value field crops and horticulture.
- Overall, we believe that South Africa’s agricultural economy could rebound to the positive territory in the third quarter of 2018. This could be supported by the expected large maize harvest of 13.8 million tonnes, record soybean harvest of 1.6 million tonnes, large sunflower seed crop of 858 605 tonnes, improvement in sugarcane production to roughly 18.5 million tonnes, and general improvement or recovery in the livestock sector.

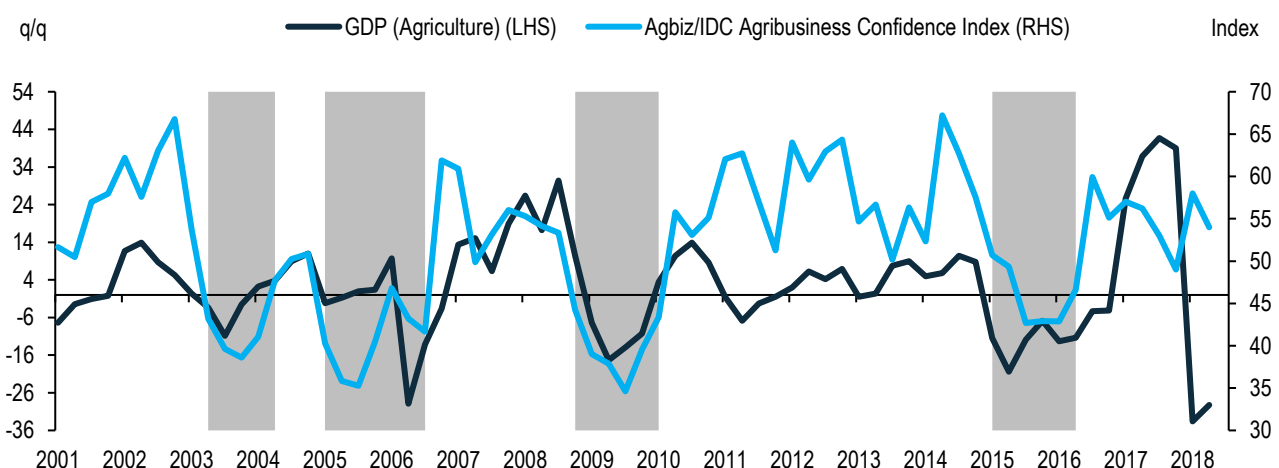


Chart 1: Agbiz/IDC Agribusiness Confidence Index and RSA GDP (Agriculture)

Source: Statistics South Africa and Agbiz Research

¹ Seasonally adjusted annualised

Disclaimer: Everything has been done to ensure the accuracy of this information, however, AGBIZ takes no responsibility for any loss or damage incurred due to the usage of this information.

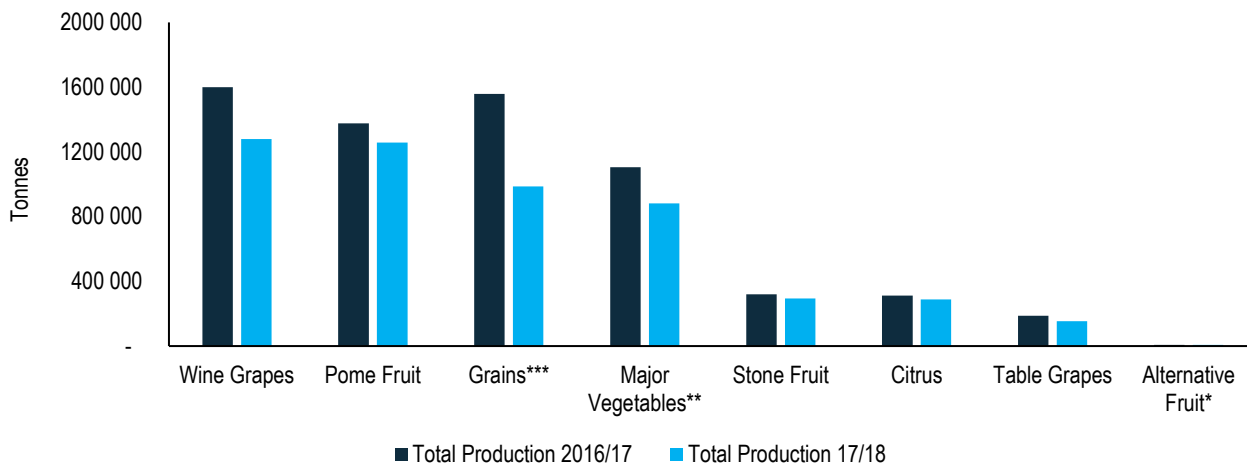


Chart 2: Western Cape's agricultural production (major crops only)

Source: Western Cape Department of Agriculture and BFAP

*Pomegranates, **Potatoes, onions, butternut, pumpkins, carrots, cabbage; *** Wheat, canola and barley

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