

South African tractor sales grew by 15% y/y in April 2018

After experiencing robust growth of 41% y/y in March 2018, driven by government procurement ahead of the end of its financial year, the South African tractor sales grew at a relatively softer pace of 15% y/y in April, with 459 units sold. On average, 22 tractors were sold a day last month, compared to 35 tractors in March 2018 and 19 tractors a day in April 2017. The good sales performance last month mirrors the optimism ahead of the winter crop planting process, which recently commenced in parts of the Western Cape province. Looking at the historical trend, this month's tractor sales are likely to remain solid.

- Last month's growth in tractor sales is unsurprising as this is a busy period in the agricultural sector with winter crop plantings underway. The softening from March 2018 robust sales volume of 726 units is more of correction, as that month's sales were boosted by government procurement (Chart 1). We believe that tractor sales will remain solid in May 2018 as the winter crop planting process continues and probably reach levels of 444 units.
- The combine harvester sales also continued on a positive footing, with 29 units sold in April 2018, which is the highest figure in 11-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 15.2 million tonnes¹ (this is down by 21% from the previous season, but better than market expectations at the start of the year).
- Looking ahead, we believe that tractor sale could again see good performance over the winter wheat planting window, which should continue for the next month or so, but soften thereafter. Meanwhile, the combine harvester sales could increase as summer crop harvest process commences in most parts of the country and yields expected to be relatively higher.

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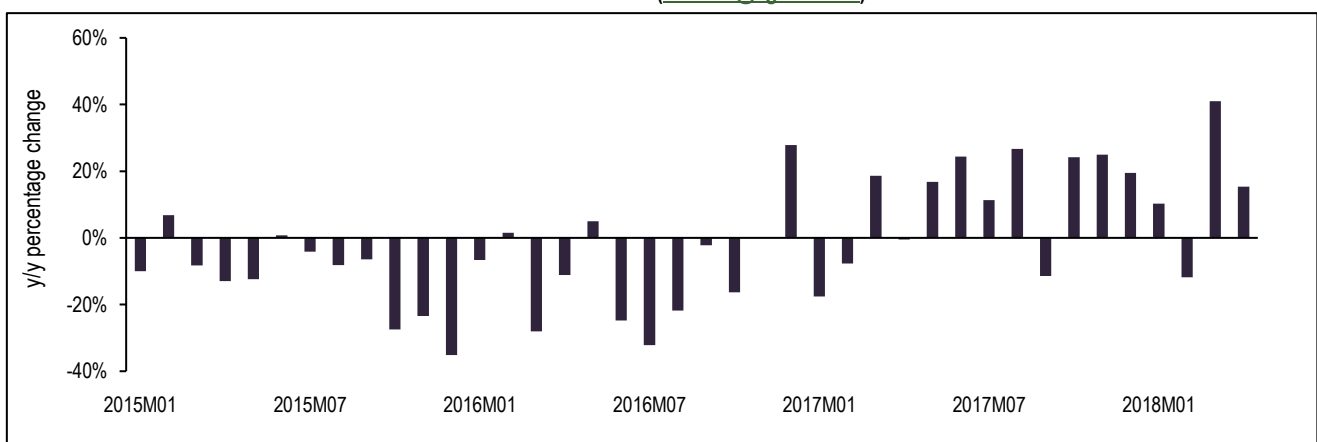


Chart 1: Year-on-year percentage change in South African tractor sales

Source: SAAMA, Agbiz Research

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