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South African agricultural sector remained in recession in Q4, 2016

Although some commodities such as winter grains and stone fruits saw increased activity in the fourth quarter of 2016, South Africa's agricultural sector remained in recession. This comes after the Gross Domestic Product (GDP) data showed a negative growth of seasonally adjusted annualised rate of -0.1% quarter-on-quarter¹. The sector has been on a negative growth path for the past eight quarters, but the outlook is positive for 2017.

- These results mirror the aftermath of the 2015/16 El Niño induced drought. The entire agricultural sector was negatively affected by this weather phenomenon, but the most notable decline was in the grain and oilseeds, livestock and poultry sector. The 2016 summer grain and oilseeds production fell by 21% year-on-year (y/y), which recorded a total output of 9.39 million tonnes². This was a further decline after 2015 total output fell by 27% y/y, reaching 11.94 million tonnes from 16.45 million tonnes in 2014 – which was a normal season. Also worth noting is that, while the horticulture and wine industries felt the impact of the drought, their overall production and export activity did not decline as sharply as that of grains and oilseeds.
- Looking ahead, conditions in agriculture have improved significantly. The total summer grain and oilseeds production is set to reach 16.21 million tonnes, which is 72% annual increase. The most notable uptick is in maize - set to reach 13.92 million tonnes, up by 79% y/y. In addition, the livestock, wine and horticulture industries could also see improvements if weather conditions remain favourable.
- Moreover, the Agbiz/IDC Agribusiness Confidence Index, which signals how South Africa's agricultural GDP could perform in the succeeding quarters, has trended above 50-index points for three consecutive quarters (see **Chart 1**). This suggests that there is growing optimism in the sector ([Agribusiness Confidence Index, 06 March 2017](#)). We believe that this year the agricultural sector will escape the current mediocre growth path.

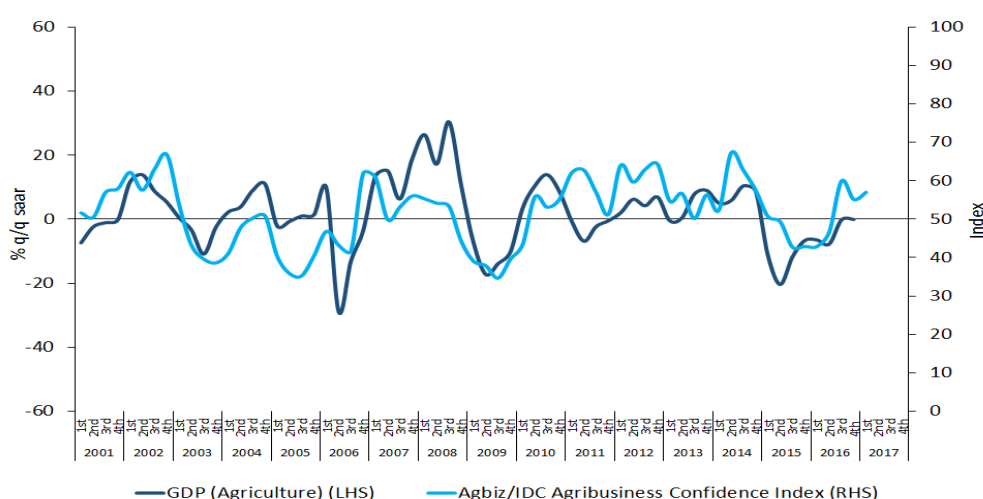


Chart 1: Agbiz/IDC Agribusiness Confidence Index and RSA GDP (Agriculture)

Source: Statistics South Africa and Agbiz Research

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¹ The overall GDP contracted by -0.3% quarter-on-quarter (seasonally adjusted and annualised)

² Summer crops represents maize, sunflowerseed, soybean, groundnuts, sorghum and dry beans