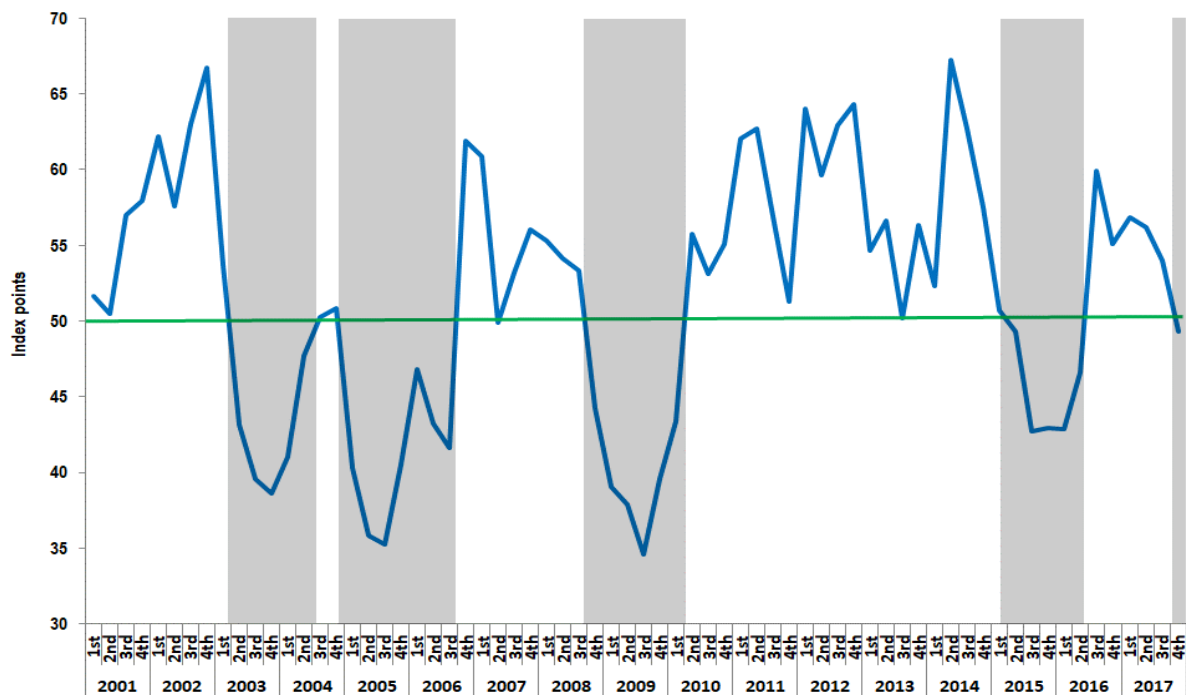


Embargo: 10:00 A.M., 04 December 2017

**MEDIA RELEASE**

**Agbiz/IDC Agribusiness Confidence Index falls below the 50-points mark**

After hovering above 50-points mark over the past five quarters, the Agbiz/IDC Agribusiness Confidence Index declined by 5 points to 49 in the fourth quarter of 2017. This essentially means agribusinesses are downbeat about business conditions in the country<sup>1</sup>. The Index was last seen in this contractionary territory during the drought season of 2015 and earlier part of 2016.



**Chart 1: Agbiz/IDC Agribusiness Confidence Index<sup>2</sup>**

Source: Agbiz Research

(Shaded areas indicate periods when the confidence index was below 50 points)

<sup>1</sup> A reading above 50 indicates expansion in the South African agribusiness activity and the inverse is true.

<sup>2</sup> The Agbiz/IDC Agribusiness Confidence Index reflects the perceptions of at least 25 agribusiness decision-makers on the ten most important aspects influencing a business in the agricultural sector (i.e. turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions, debtor provision for bad debt and financing cost). It is used by agribusiness executives, policy-makers and economists to understand the perceptions of the agribusinesses sector, and also serves as a leading indicator of the value of the agricultural output while providing a basis for agribusinesses to support their business decisions.

The fourth quarter survey was completed in the last week of November 2017. Amongst the ten sub-indices making up the Agbiz/IDC Agribusiness Confidence Index, employment, capital investment, economic conditions and general agricultural conditions sub-indices were behind the overall decline in confidence in the last quarter of the year. Driving the sentiment in these particular sub-indices were the unfavourable weather conditions in the Western Cape province, uncertainty regarding land reform policy, and weak global demand for maize exports, amongst other factors.

Meanwhile, the turnover, net operating income, volume exports, market share, debtor provision for bad debt and financing costs sub-indices showed improvement in sentiment compared to the third quarter of the year. This was partially due to the benefits of the large harvest of the 2016/17 production season. In the section, we discuss the sub-indices weighing on agribusinesses' confidence.

### **Discussion of the sub-indices**

Confidence regarding employment in the agricultural sector declined from 59 in the third quarter to 58 points. This is unsurprising given that the sector shed 109 000 jobs in the first three quarters of 2017, largely due to reduced activity in the fields in the Western Cape province.

Capital investments confidence deteriorated by 20 points from the third quarter to 44. This is the lowest level since the first quarter of 2010. Such despondency amongst agribusinesses is not surprising given the rise of a notion of *expropriation without compensation*, along with other controversial land reform statements from the ruling party.

Confidence regarding agricultural conditions deteriorated further by 20 index points from the previous quarter to 28 in the fourth quarter. This is the lowest levels since the second quarter of 2016 – a drought year. The decline is mainly underpinned by unfavourable dry weather conditions in the Western Cape province - a key producer of winter grains, horticulture products and wine. Also worth noting is that the summer crop growing areas have also been dry and cool in the past few months, resulting in delays in plantings. This too might have influenced the respondents' perception of agricultural conditions in the country.

Economic conditions confidence declined from 37 points in the third quarter to 22 points in the fourth quarter of this year. This reflects relatively downbeat expectations for overall economic growth performance in 2017, with the South African Reserve Bank forecasting growth at mere 0.7%

## **Concluding remarks**

The optimism underpinned by the record summer crop harvest of the 2016/17 production season was short-lived, as the Agbiz/IDC Agribusiness Confidence Index quickly returned to the contractionary territory after just 5-quarters of good performance. 'Although unfavourable weather conditions played a role in dwindling confidence amongst agribusinesses, the prevailing uncertainty regarding land reform policies remains a key issue that could potentially discourage investments and growth in the agricultural sector over the foreseeable future' said Wandile Sihlobo, head of agribusiness research at the Agricultural Business Chamber.

---

## **ENQUIRIES:**

### **Wandile Sihlobo**

Head: Agribusiness Research, Agricultural Business Chamber (Agbiz)

E-mail: [wandile@agbiz.co.za](mailto:wandile@agbiz.co.za)

Tel +27 12 807 6686 Fax +27 12 807 5600