

SA agricultural economy showing robust growth in Q3, 2017

After registering a 38.7% q/q (revised) growth rate in the second quarter of this year, the agricultural GDP grew by 44.2% q/q in the third quarter¹. This is against our expectations of a moderate growth of around the mid 20% q/q, as we think the sector should start tracking its long-term growth levels. Nevertheless, this continued strong growth could be explained by good agricultural output during the 2016/17 summer production season, which in turn boosted trade.

- As we set out in our note on the 05 September 2017, these growth figures mirror an increase in the overall agricultural activity, particularly 2016/17 production season of summer grains, oilseeds, fruits, as well as a recovery in the livestock industry. These have manifested into solid exports, thus sustaining the agricultural economy in the positive growth path.
- In the past few years, the [Agbiz/IDC Agribusiness Confidence Index](#) has proven to be a good leading indicator of agricultural GDP performance (see Chart 1). However, the recent notable deterioration in confidence might not be followed by a similar magnitude of a decline in agricultural GDP. This can be attributed to recently improved weather outlook in the summer crop producing areas which might not have been fully captured in the Confidence Index. The drought in the Western Cape province was largely the key driver of the weakening confidence, amongst other factors.
- Overall, the sector could remain on a positive growth path for some time, as the South African farmers intend to increase the area planted in the 2017/18 production season by 43 400 hectares year-on-year to 4.03 million hectares. This is driven by favourable weather outlook and price competitiveness of some commodities.

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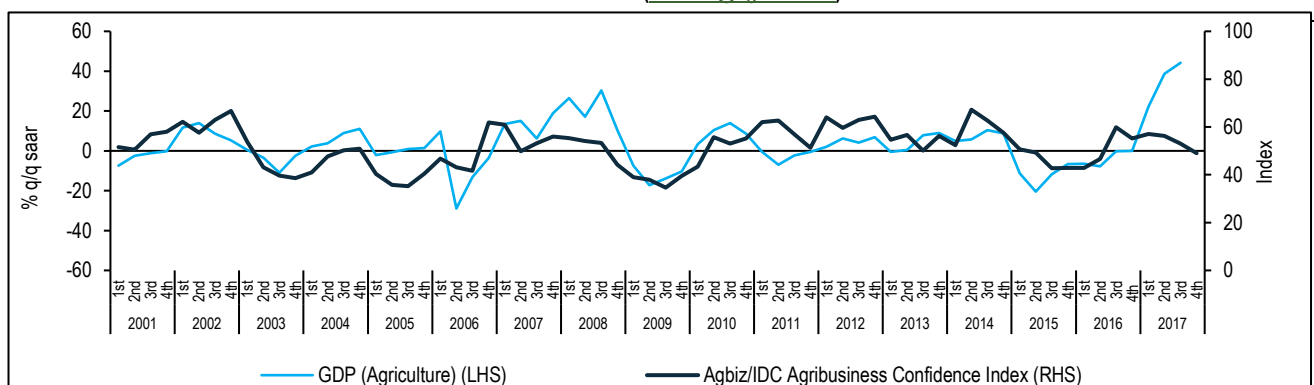


Chart 1: Agbiz/IDC Agribusiness Confidence Index and RSA GDP (Agriculture)

Source: Statistics South Africa and Agbiz Research

¹ Seasonally adjusted annualised