

South African tractor sales for February 2018 fell by 12% y/y

Subsequent to a solid 10% y/y increase in January 2018, the South African tractor sales fell by 12% y/y last month, with 595 units sold. While February is typically one of the months with the highest tractor sales, just before the end of the financial year, this time around most purchases occurred in January, which explains the softening in last month's activity. On the contrary, the combine harvester sales were up by 11% y/y in February 2018 with 21 units sold. This is partially due to the stronger domestic currency and anticipation of a fairly good 2017/18 summer grain and oilseed harvest.

- The 12% y/y decline in February 2018 tractor sales is unsurprising as it seems that most purchases which typically occurs that month was made in January. Moreover, the 5% y/y decline in the 2017/18 summer grain and oilseed area planted to 3.8 million hectares partially explains the decline in sales last month¹. Also worth noting is that February 2018 sales were the lowest for the corresponding month in the past four years.
- After a disappointing performance in December and January, combine harvester sales recovered last month, with 21 units sold. This was partly supported by both the fairly stronger domestic currency, as well as expectations of a good summer grain and oilseed harvest of 14.6 million tonnes (this is down by 25% from the previous season, but better than market expectations at the start of the year).
- Going forward, we maintain that tractor sales could see a slight downward trend over the next few months, as summer crops planting activity has been completed. Meanwhile, the combine harvester sales could increase ahead of the harvest period. Above all, an important factor to monitor in the long term is the cost of servicing the farm debt as that would have direct implications on the agricultural machinery sales².

Wandile Sihlobo (wandile@agbiz.co.za)

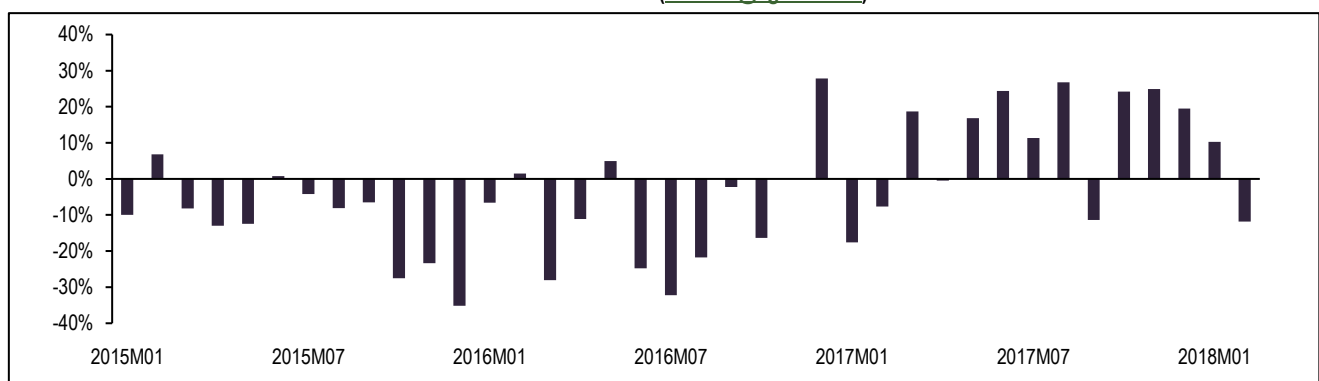


Chart 1: Year-on-year percentage change in South African tractor sales

Source: SAAMA, Agbiz Research

¹ Summer grain and oilseed refers to maize, soybean, sunflower seed, groundnut, sorghum and dry beans.

² In 2016, South Africa's total farm debt was at R144.9 billion, which is a record level in a database starting from 1980.