

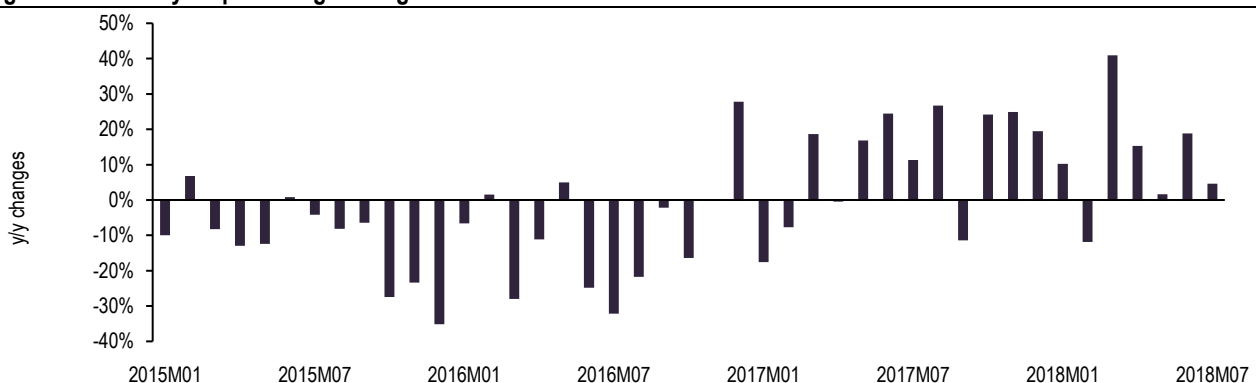
## South African tractor sales grew by 5% y/y in July 2018

The South African tractor sales continued to rise in July, albeit at a slower pace than the previous month, up by 5% y/y with 525 units sold (see Figure 1). While lower than our expectations of 578 units, this is the highest tractor sales figure for the corresponding month since 2015. In the same period, the harvester sales decline by 8% y/y, with 12 units sold. This data is unsurprising as this is a relatively quiet period in the agricultural sector as the summer crop harvest process approaches completion, while the new season planting process will only commence in two months' time.

- At this time of the year, the tractor sales are typically supported by large purchases by grain farmers, but this time around there were also buyers from the horticulture industry, as well as a couple of government tenders. Moreover, the current competitive pricing in the market, as new players continue to enter the South African agricultural machinery industry, also boosted the tractor sales. Drawing from the historical data, August 2018 tractor sales could potentially increase to roughly 560 units as the new summer crop season approaches.
- The combine harvester sales slowed, as the majority of grains such as soybeans and sunflower seed have already been harvested, with only maize crop that is still being harvested in a number of provinces. Furthermore, this season's commercial maize crop of 13.2 million tonnes is well below the 2016/17 season harvest of 16.8 million tonnes, which partially explains the annual decline in harvest sales in July 2018.
- Looking ahead, we are fairly optimistic about tractor sales in the near term, but the exchange rate and agricultural commodity prices are important factors to monitor which could potentially influence farmer's purchasing decisions. The harvester sales will most likely remain at lower levels in the near term but potentially recover towards the end of the year when the winter crop harvest process begins.

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



Source: SAAMA, Agbiz Research

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