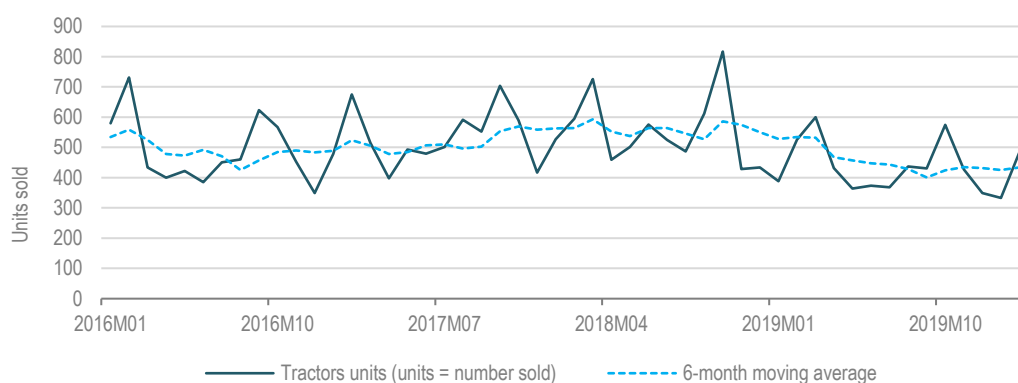


SA tractor sales remained subdued in February 2020

After falling to the lowest monthly level in six years in January 2020, South Africa's tractor sales recovered by 46% m/m in February 2020 to 485 units. While encouraging, this is still 8% lower than the corresponding period in 2019 – see Exhibit 1.

Exhibit1: South Africa's tractors sales



Source: SAAMA, Agbiz Research

As it was the case in January 2020, the subdued tractor sales data was unsurprising as it is a continuation of the 2019 trend. That year, farmers' incomes were constrained because of poor harvests on the back of drought and biosecurity issues, amongst other aspects. With that said, the drought which led to lower agricultural output in 2019 is not the full story. It's worth remembering that in 2018 South Africa's agricultural machinery sales were relatively robust, which implies that the rate of replacement in 2019 was going to be low¹.

What's more, there have been questions about whether agricultural policy, which has dominated the headlines in the past few years (certainly between 2017 and 2019), has influenced farmers' attitudes on investments. To this end, we continue to monitor, through the Agbiz/IDC Agribusiness Confidence Index (ACI)², the influence of policy discussions on agricultural investment. Certainly, sentiment in the farming sector has generally been subdued for the past six quarters (counting from Q4, 2019). This is the longest period the ACI has trended below the neutral 50-point mark points since 2010, which implies that agribusinesses are downbeat about business conditions in South Africa.

However, we are yet to have a full picture of the sector's fixed investment numbers for 2019. What we found rather comforting thus far is that fixed investments in the sector did not decline notably in 2018. Be that as it may, the subdued confidence levels suggest a need for urgency in moving the policy levers to ensure that, at least matters that are in the South African policymakers' reach are well addressed in the interest of sustainable growth of the agricultural and agribusiness sector.

¹ South Africa's total tractors and combine harvesters' sales for 2018 amounted to 6 687 units and 200 units, up by 4% y/y and 2% y/y, respectively.

² The Agbiz/IDC Agribusiness Confidence Index can be access here: <https://agbiz.co.za/economic-intelligence-1/agribusiness-confidence>

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Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

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