



Economic Commentary: Issue No.12

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Directorate: Statistics & Economic Analysis

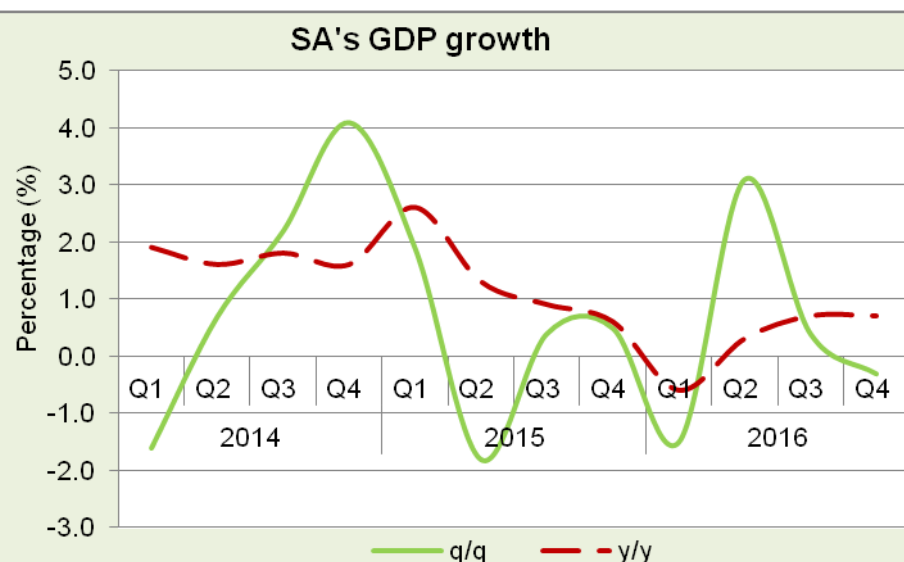
Sub-directorate: Economic Analysis

Purpose of the Economic commentary

This publication is meant to inform internal stakeholders of the department about the impact of the macro economic indicators and related issues on the overall performance of the Agriculture, Forestry and Fisheries (AFF) sector. National announcements are frequently pronounced on macro economic issues; therefore the intension of the economic commentary is to digest the implication of the indicators and recommend actions that could be taken into account to cushion the performance and image of the AFF sector.

SA'S GDP GROWTH

South Africa's gross domestic product (GDP) contracted in the fourth quarter of 2016, swinging into a negative 0.3% quarter-on-quarter from an upwardly revised 0.4% quarter-on-quarter in the third quarter of 2016. On an annual basis, SA's GDP growth came in softer than expected, at 0.3% year-on-year in 2016 from 1.3% year-on-year in 2015. Large negative contributions emanated from the mining and manufacturing sectors in the fourth quarter of 2016. Mining contracted to a negative 11.5% quarter-on-quarter in the fourth quarter of 2016 from a positive 4.2% growth quarter-on-quarter in the third quarter of 2016, subtracting 0.9 percentage points. This was due to lower production in coal, gold and other metal ores. Manufacturing contracted to negative 3.1% quarter-on-quarter in the fourth quarter of 2016 compared to a negative 3.3% contraction recorded in the third quarter of 2016. Expenditure on GDP decreased by 0.1% quarter-on-quarter in the fourth quarter of 2016, following a downwardly revised 0.4% increase in the third quarter of 2016. This was partly due to real net exports remaining in negative territory as well as a significant R16.4 billion drawdown on changes in inventories. Apart from inventories, expenditure on GDP was assisted by household final consumption expenditure which increased by 2.2% quarter-on-quarter in the fourth quarter of 2016, government final consumption expenditure which increased by 0.3 % quarter-on-quarter as well as gross capital formation which increased by 1.7% quarter-on-quarter in the fourth quarter of 2016.



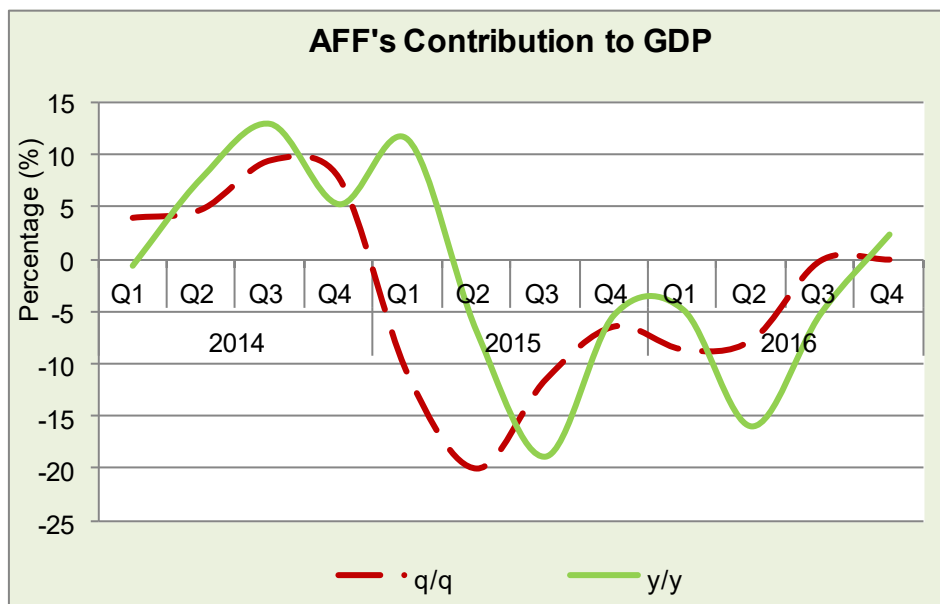
Source: Statistics SA, 2016.

Figure 1 indicates that SA's gross domestic product (GDP) contracted to a negative 0.3% in the fourth quarter of 2016 compared to an upwardly revised 0.4% in the third quarter of 2016. This is the first negative fourth quarter growth rate since the fourth quarter of 2008 which recorded a negative 2.3%. The contraction in the GDP came as no surprise given the global economic conditions as well as uncertainty around domestic policy which has led to less investment from the private sector. The economy has been falling behind government's growth targets, having serious implications for business and consumer confidence. Analysts believe the potential reshuffling creates uncertainty for business. Furthermore, analysts predict a relatively quiet first half of 2017 but expect things to shape up in the second half of 2017 as the ANC's elective conference comes into view.

CONTRIBUTION OF AGRICULTURE, FORESTRY AND FISHERIES SECTOR TO GDP

Agriculture, forestry and fisheries sector has been in recession for eight consecutive quarters and contracted to a negative 0.1% quarter-on-quarter in the fourth quarter of 2016 compared to a negative 0.2% in the third quarter of 2016. The outlook for agriculture, forestry and fisheries sector for 2017 is that it will start contributing positively to GDP growth in the first quarter of 2017. Meanwhile, rainfall predictions improved substantially and indications are that drought will soon be something of the past. The Crop Estimate Committee revised the area planted and production forecast for summer crops for 2016/17 point out that South Africa could potentially harvest 13.9 million tons total maize, which is 79% higher than the 2016 production season. Overall, there is growing optimism within the agriculture sector with improved domestic supply. Nonetheless, the weather will be a major determinant of price direction as we head into the winter season for planting particularly in the Western Cape where the outlook remains weak until this far.

CONTRIBUTION OF AGRICULTURE, FORESTRY AND FISHERIES SECTOR TO GDP



Source: Statistics SA, 2016.

Figure 2 indicates that the Agriculture, forestry and fisheries sector has been in negative territory for eight consecutive quarters, contracting to a negative 0.1% in the fourth quarter of 2016 compared to a negative 0.2% in the third quarter of 2016. Improved rainfall conditions will result in a better crop expected while the performance of agriculture, forestry and fisheries sector is influenced by an number of factors including global and domestic supply and demand, the exchange rate and commodity prices. The exchange rate outlook will continue to be a key feature, especially on how it will affect commodity prices. The exchange rate is expected to have a much greater impact on food inflation than the drought.

SA SUSPENDS MEAT IMPORTS FROM BRAZIL AWAITING INVESTIGATION

Global meat processing and packing companies, Brazil Foods SA and JBS SA were raided by the Brazilian police on alleged bribery of health officials. Evidence revealed that meatpackers bribed inspectors and politicians to overlook unsanitary practices, such as processing rotten meat. According to DAFF, it is not known how many consignments have already left Brazil, however, DAFF is in a process of ensuring that the establishments implicated is suspended from exporting meat to South Africa until the Brazilian Veterinary Authority have fully investigated the matter. DAFF also advised the Brazilian government to ball all exportation of meat from such establishments to South Africa, until the issue has been resolved to the satisfaction of the South African Veterinary Authority.

MINISTER REASSURES LANDOWNERS ON COMPENSATION

Minister of Rural Development and Land Reform, Gugile Nkwinti, reassured landowners that land will not be taken arbitrarily. According to the Minister, the Regulation of Agricultural Land Holdings Bill would comply fully with the constitution. Lost ownership in a just and equitable manner according to section 25 will be compensated. The minister further added that expropriation without compensation was an "aspiration" idea and not an ANC policy. He further added that the ruling party will debate the idea at its June conference and will only vote on it at its elective conference in December.

REFERENCES :

- Farmer's weekly, (2017): Brazilian meat processors investigated for bribery. March 2017: Available at <http://www.farmersweekly.co.za/agri-news/world-wide/brazilian-meat-processors-investigated-bribery/>
- News24, (2017): Nkwinti reassures landowners on compensation. March 2017: Available at <http://www.news24.com/SouthAfrica/News/minister-moves-to-calm-land-reform-fears-20170328>.
- Statistics South Africa (Stats SA), (2016): Gross Domestic Product (GDP) Fourth quarter 2016, March (2017) Available at <http://www.statssa.gov.za>

FREQUENCY

The publication will be released on the 1st and the 15th of every month covering events taking place on the period concerned. The dissemination will take place through emails to all SMS and professionals in the Department including provinces.

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