

World economic overview and influence on DTF Strategic decisions

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Dried Tree Fruit Industry Day – 1 September 2022

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Some initial pointers : Dried Tree Fruit

Total Exports (2021): \$41,68 million

Total Imports (2021): \$ 3,84 million

Growth (2012 - 2021)

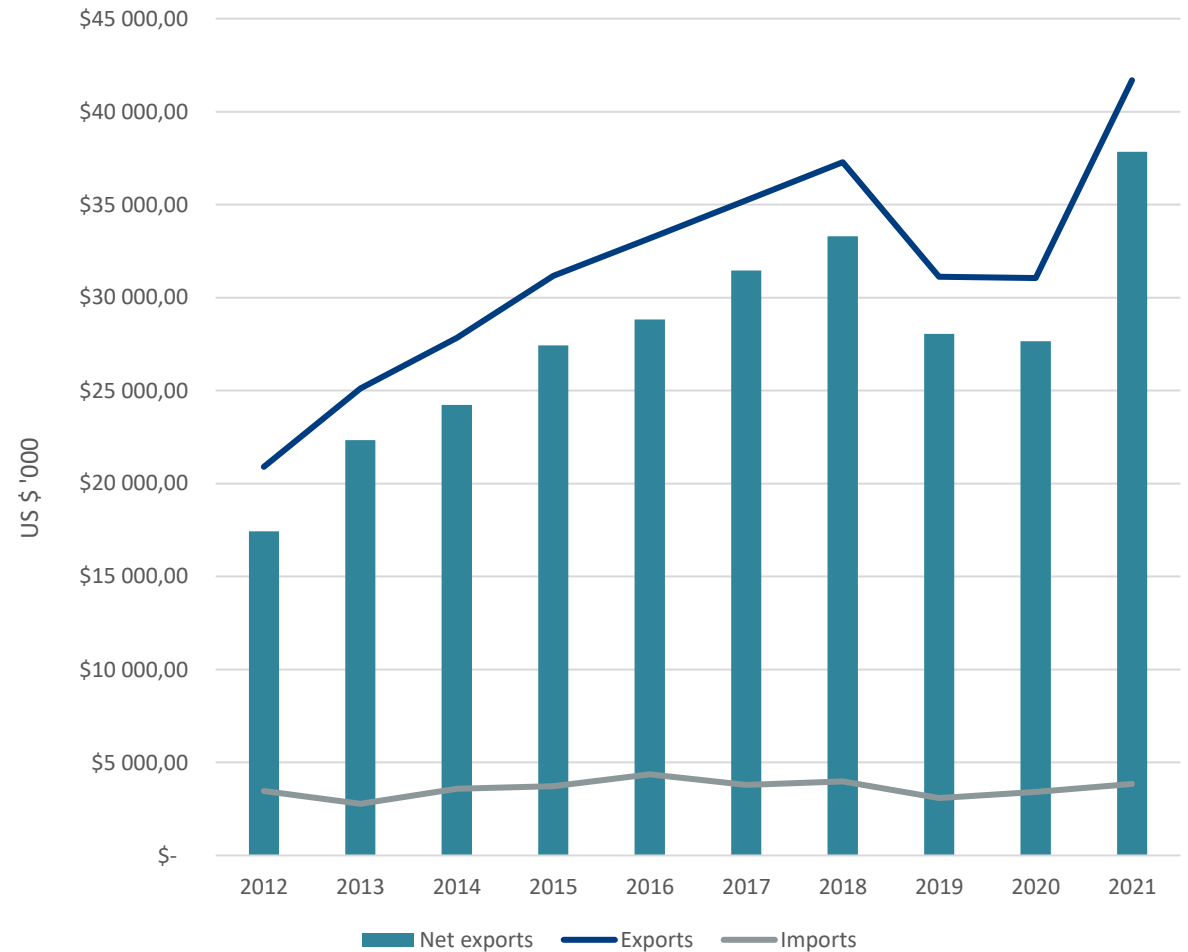
- Exports: 199% (\$20,8 million in 2012)
- Imports: 111% (\$3,4 million in 2012)

Major Export Markets:

- UK - 36%
- USA - 11%
- Australia - 10%
- Switzerland - 8%

Imports

- China - 23%
- Chile - 18%
- Turkey - 17%
- USA - 8%



Some initial pointers : Tree Nuts

Total Exports (2021): **\$408,6 million**

Total Imports (2021): \$ 39,9 million

Growth (2012 – 2021)

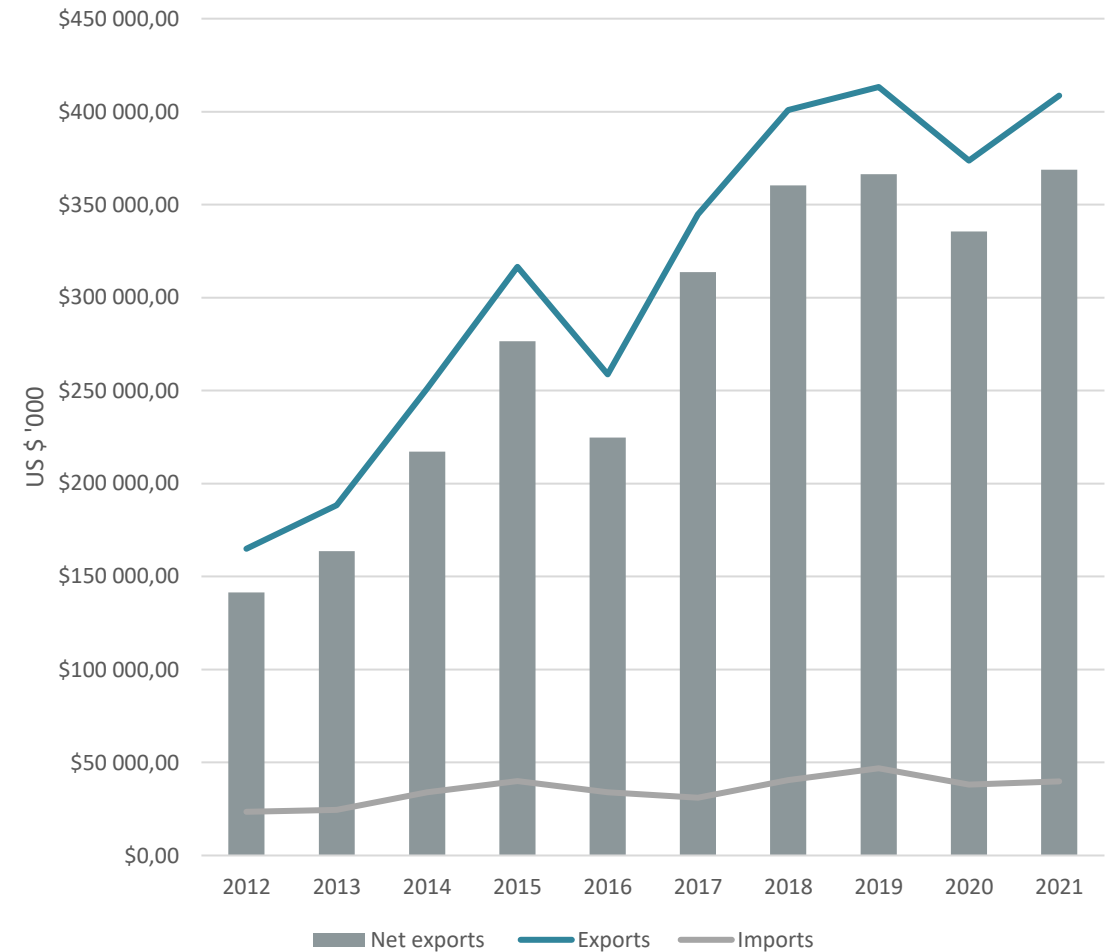
- Exports: 248% (\$164 million in 2012)
- Imports: 170% (\$23,5 million in 2012)

Major Export Markets:

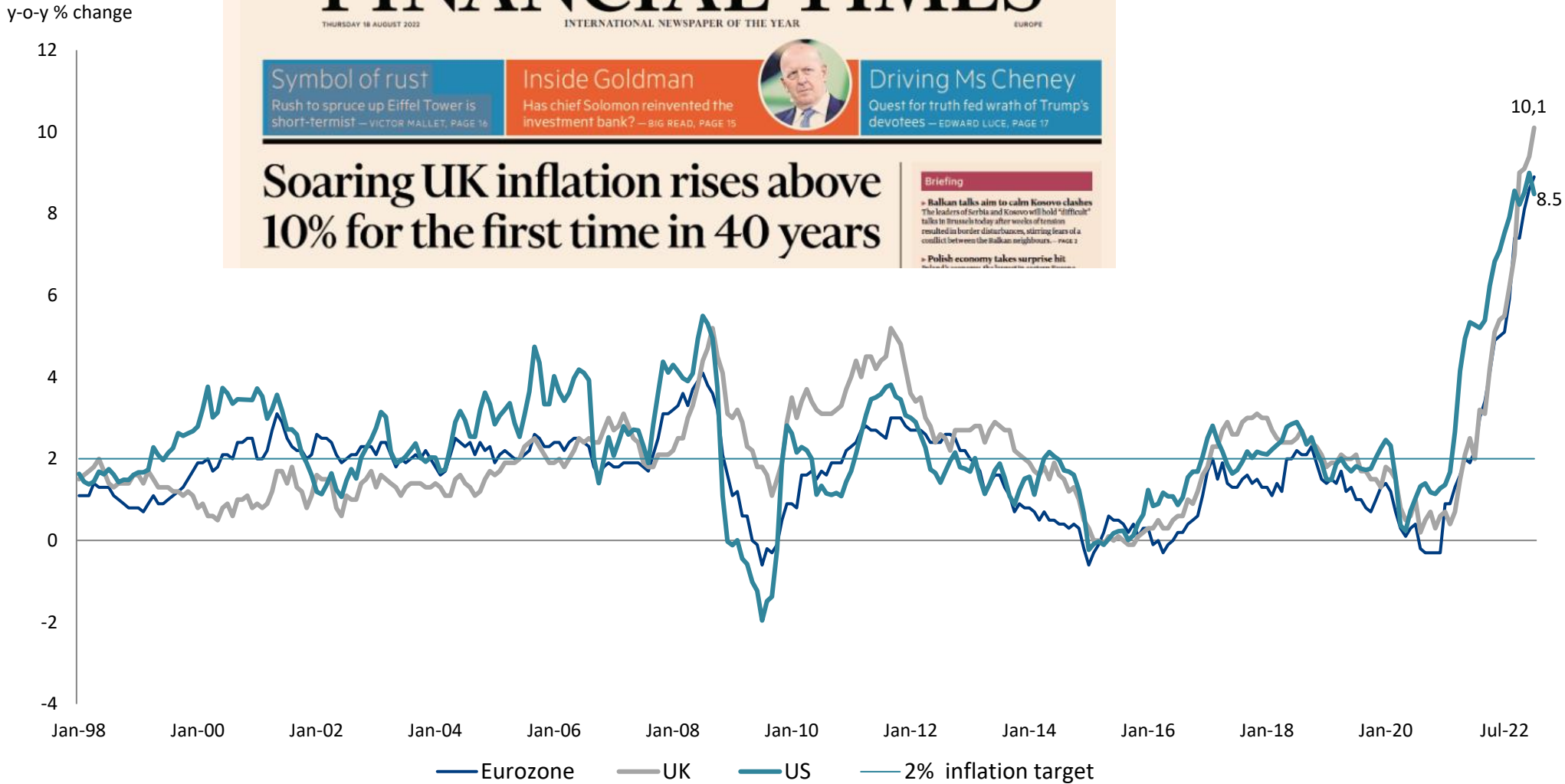
- China – 41%
- USA – 21%
- Vietnam – 11%

Imports

- USA – 51%
- Malawi - 12%
- Zimbabwe – 10%



Across the globe, high inflation continues to dominate headlines



Source: DataStream

Although not quite as high, SA consumer inflation also well above target

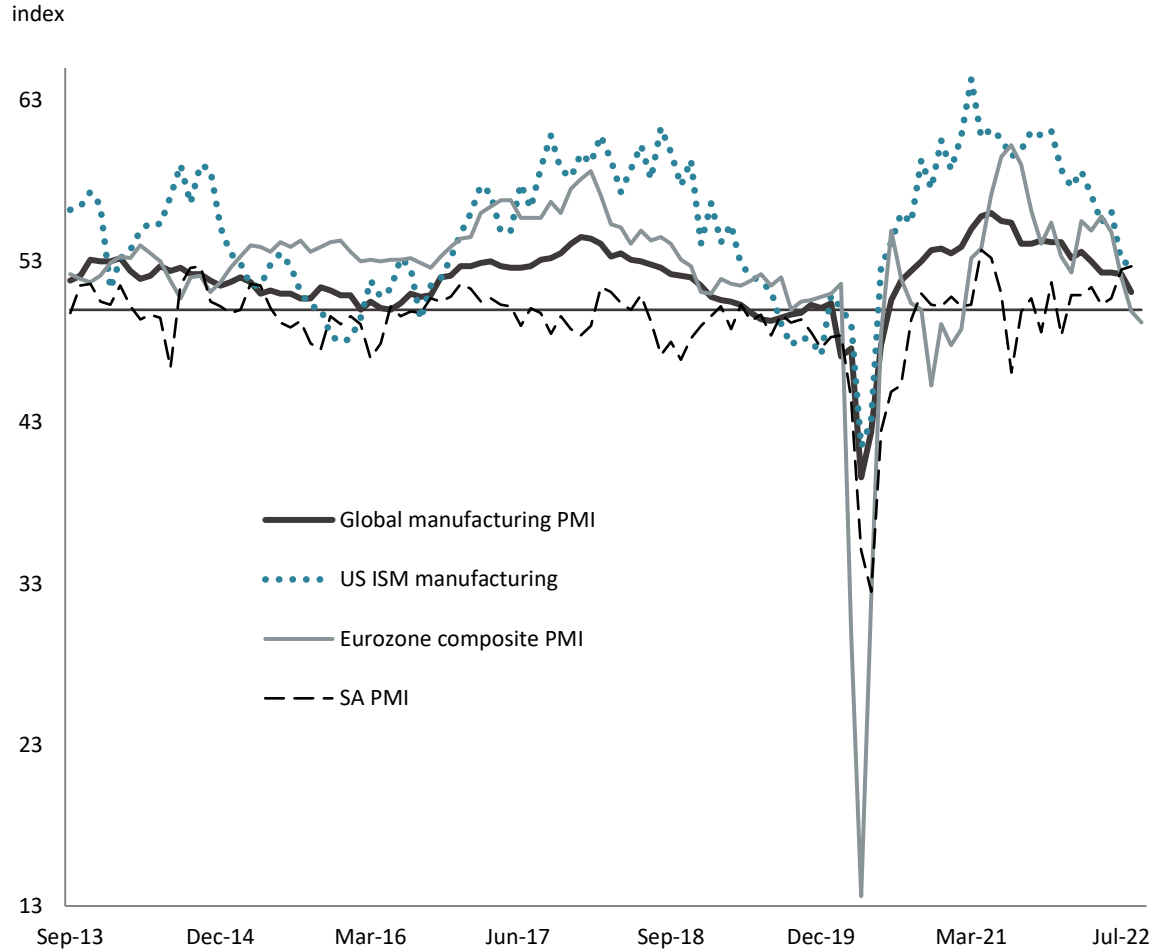


Central banks upping policy rate ante (50, and in some cases 75)

	Basis point hike	Date	Comment
US Fed	75	27 July	Since July Fed meeting, inflation eased and activity data worsened. Fed governors push back against dovish interpretation
Bank of Canada	100	13 July	Upside surprise (consensus for 75bps)
Philippine central bank	50	18 Aug	Follows surprise 75bps hike at unscheduled meeting in mid-July
Reserve Bank of Australia	50	2 Aug	Hiked by 50bps at three consecutive meetings (first time ever)
Bank of Korea	50	13 July	First ever 50bps hike
Hungary	200	13 July	
Chile	75	13 July	Upside surprise (consensus for 50bps)
New Zealand	50	17 Aug	Fourth consecutive increase of 50bps
Bank of Israel	75	22 Aug	Upside surprise (consensus for 50bps)
Romania	100	6 July	
European Central Bank	50	21 July	Hike exceeded guidance in June
SA Reserve Bank (SARB)	75	21 July	Upside surprise, in line with BER
Bank of England	50	4 Aug	First 50bps move since 1995. This is despite forecast of prolonged recession. Inflation set to peak around 13%
Norway	50	18 Aug	

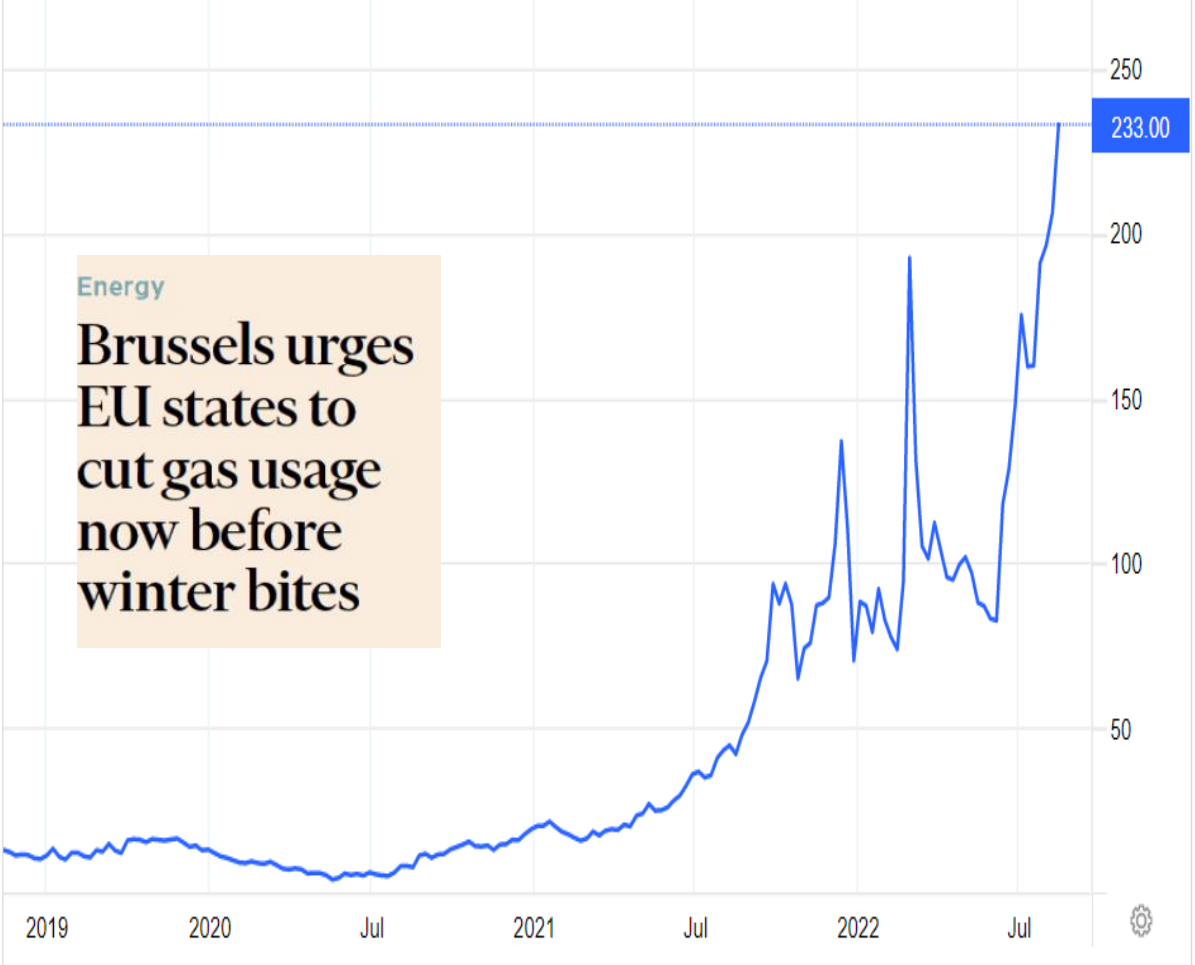
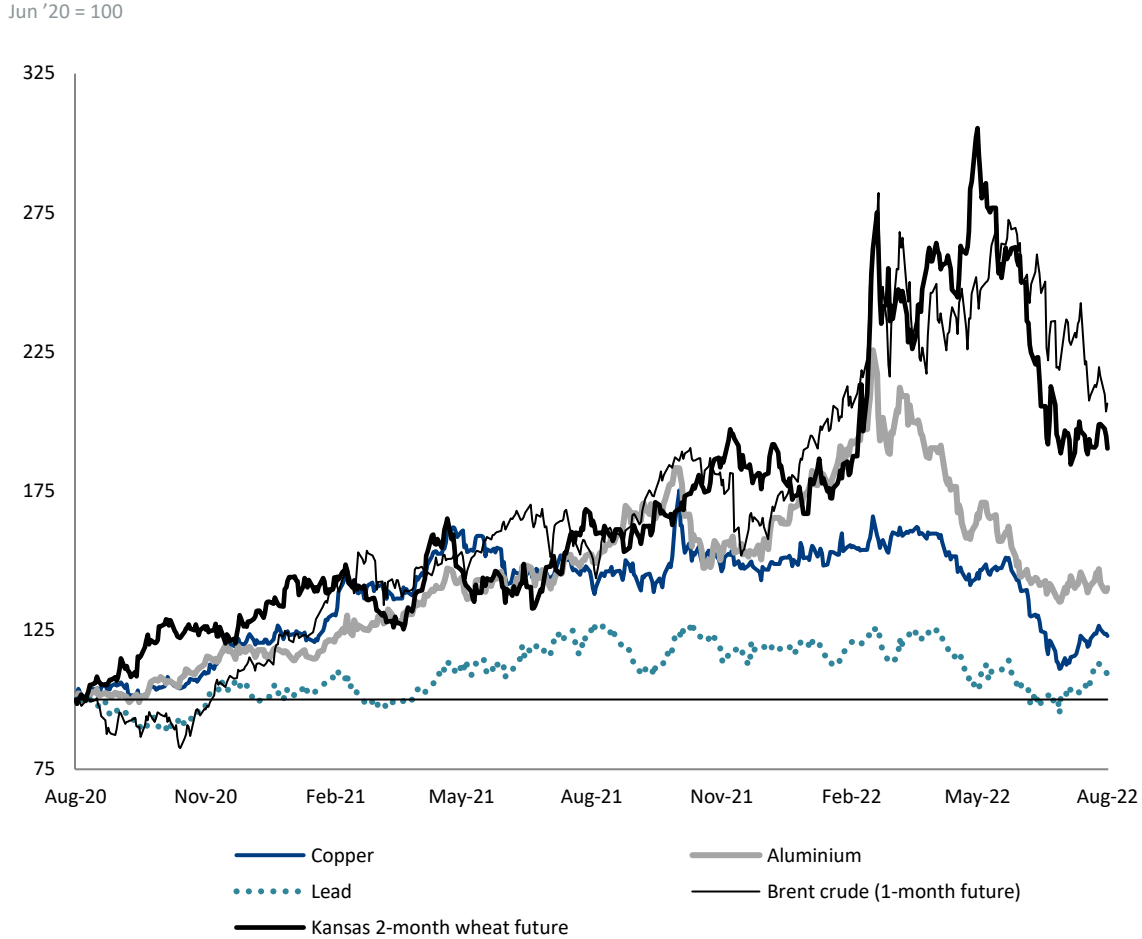
- BIS recently recommended central banks should not be shy of inflicting short-term pain and even recessions to prevent persistently high inflation

Central banks hiking into a growth slowdown, forecasts downgraded



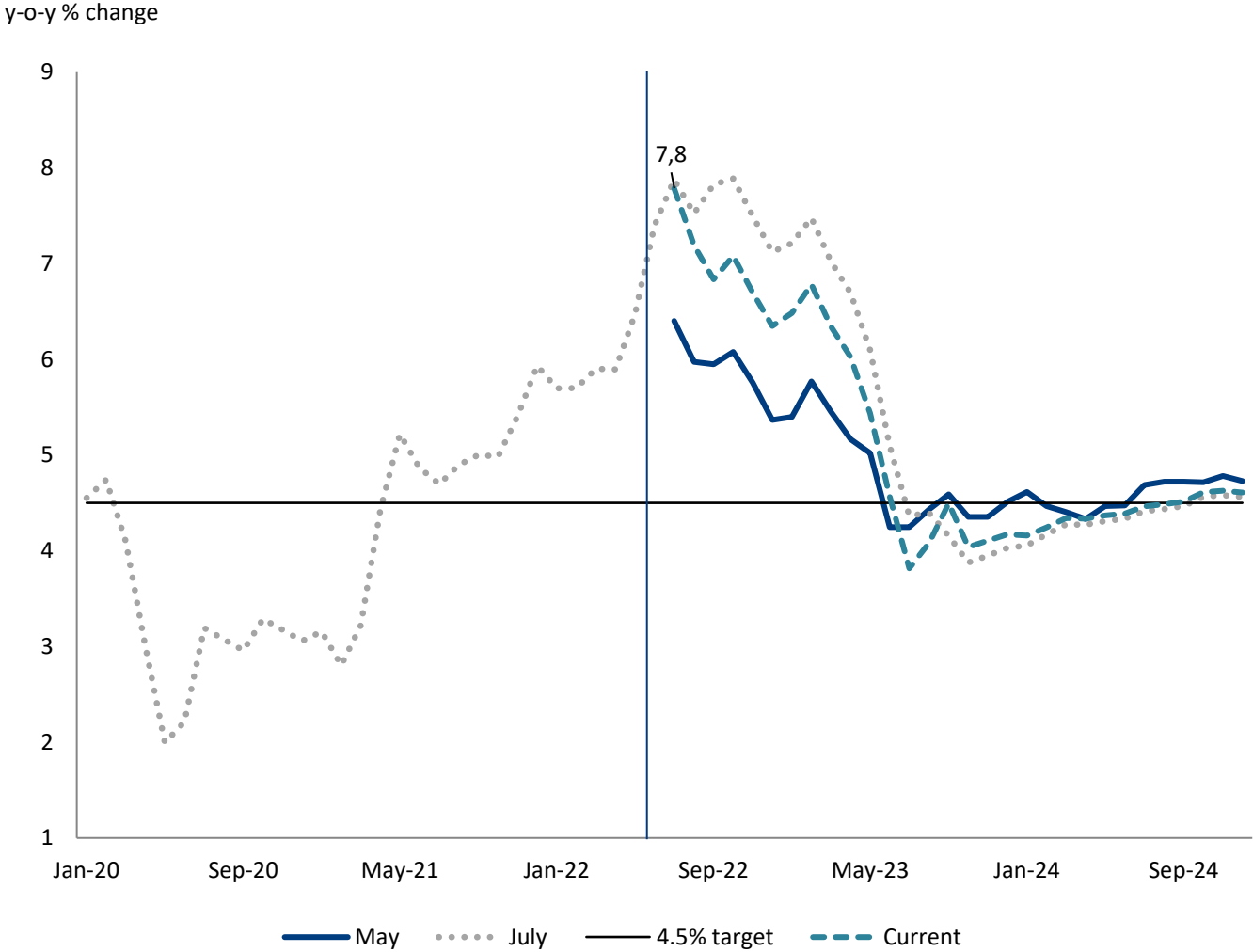
y-o-y % change (real)	Forecast				
	2014-19	2020	2021	2022	2023
World (PPP)	3.4	-3.1	6.1	3.2	2.9
G7 countries	1.9	-4.9	5.2	2.5	1.4
US	2.4	-3.4	5.7	2.3	1.0
Euro area	1.9	-6.4	5.4	2.6	1.2
United Kingdom	2.2	-9.3	7.4	3.2	0.5
Germany	1.8	-4.6	2.9	1.2	0.8
Japan	0.8	-4.5	1.7	1.7	1.7
Emerging countries	4.4	-2.0	6.8	3.6	3.9
China	6.8	2.2	8.1	3.3	4.6
India	6.8	-6.6	8.7	7.4	6.1
Brazil	-0.3	-3.9	4.6	1.7	1.1
Russia	1.0	-2.7	4.7	-6.0	-3.5
Sub-Saharan Africa	3.2	-1.7	4.6	3.8	4.0
Nigeria	2.0	-1.8	3.6	3.4	3.2

Growth concerns weigh on commodity prices, improving inflation outlook



Source: DataStream

After sharp upward revisions for most of 2022, SA inflation outlook somewhat better



- Notable **petrol price** decline in Aug, even larger fall on cards for Sept

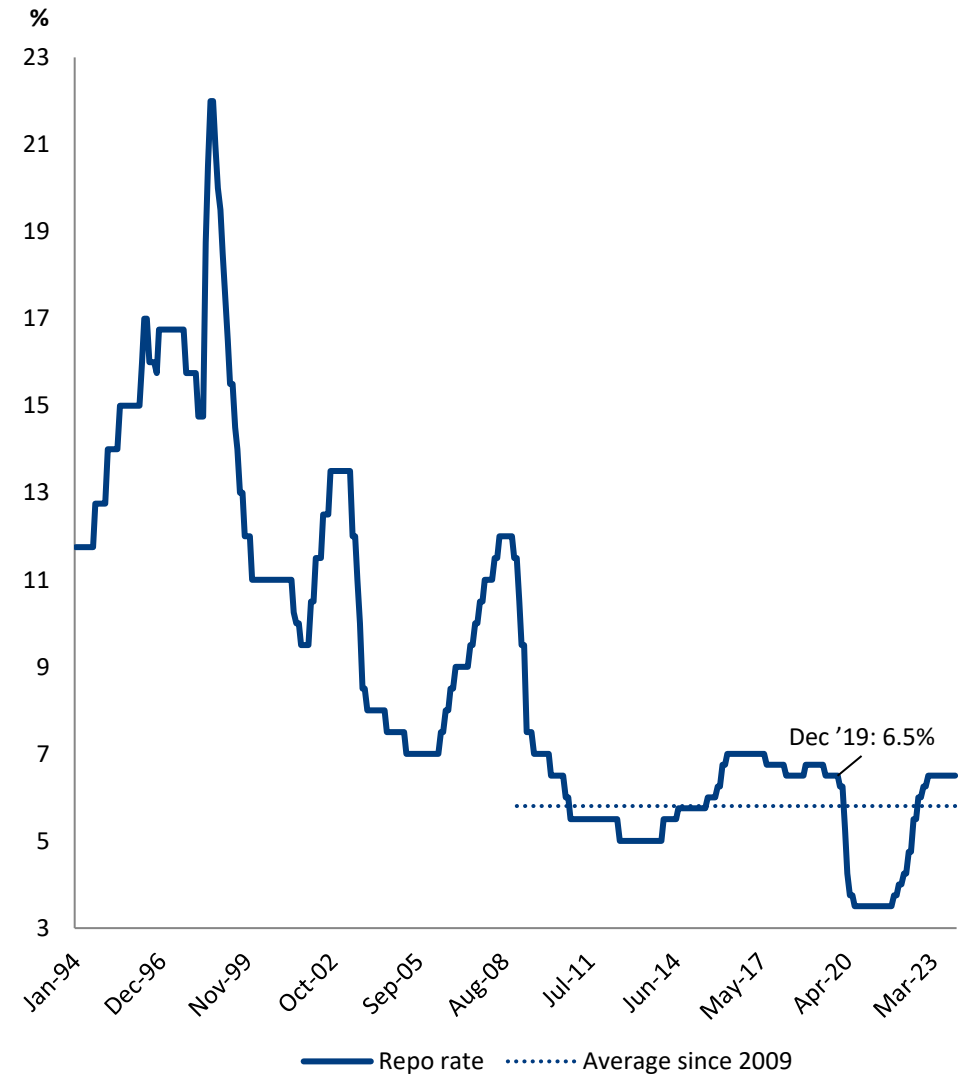
Source: Stats SA, BER

More frontloaded SARB rate hikes

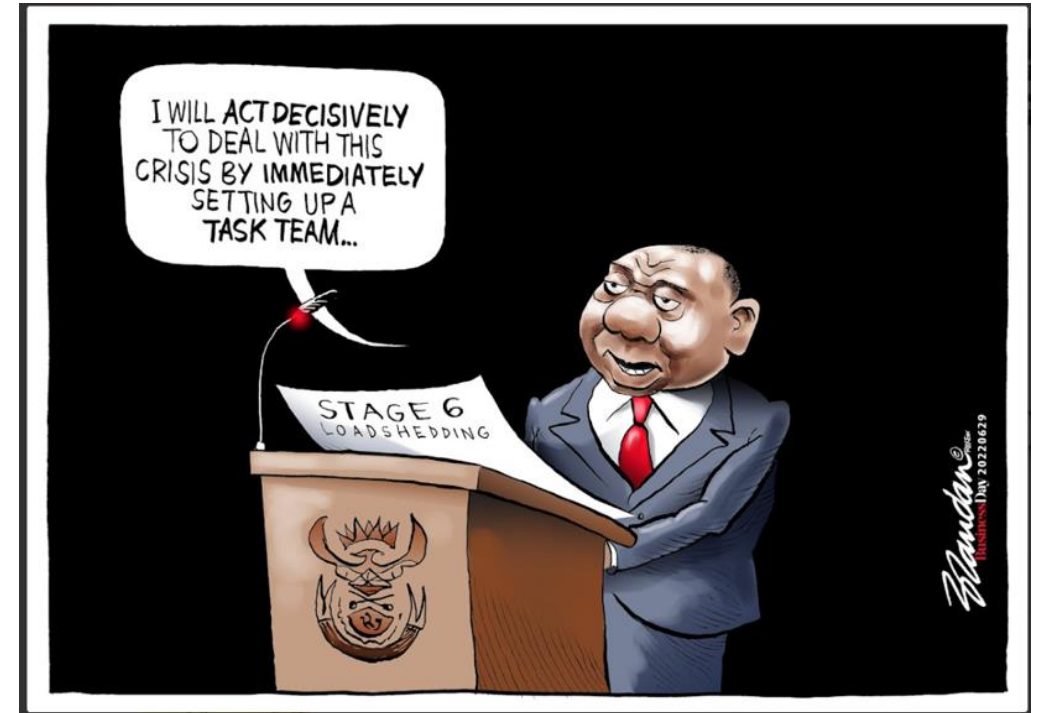
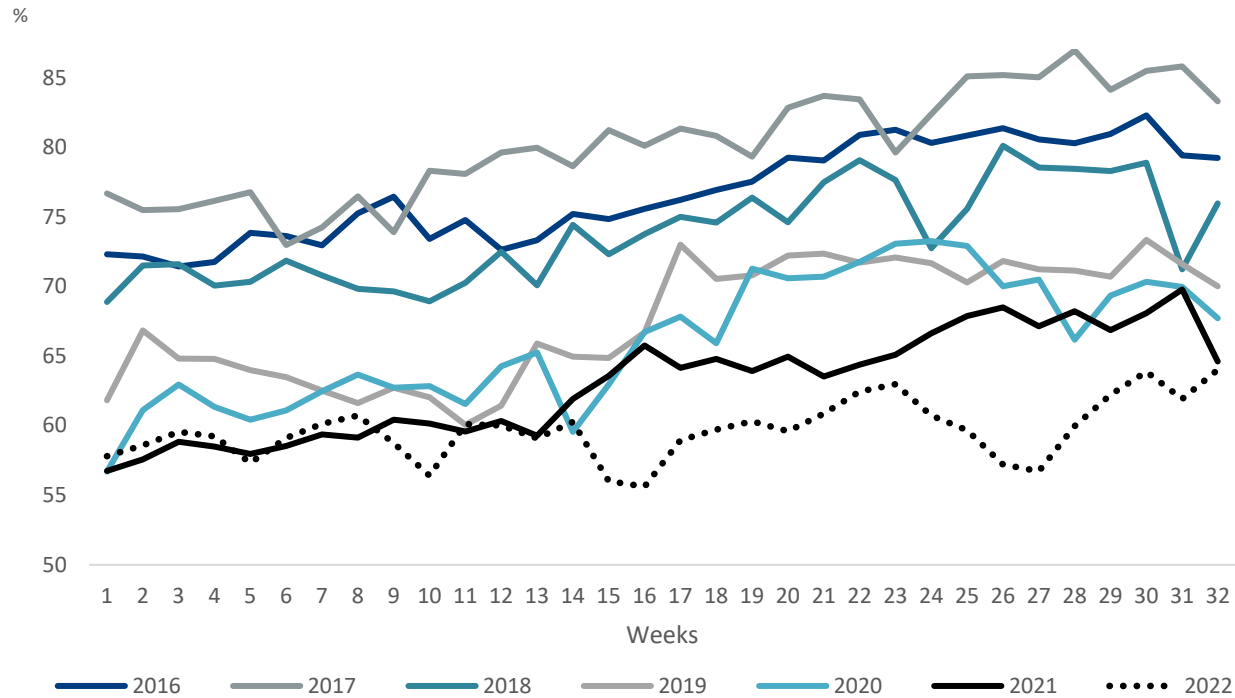
- BER outlook: Another 50bps in Sept, 25bps in Nov & Jan '23
- Implies another 100bps, peak at 6.5%

But what about growth?

- Moving early and having to do less through cycle limits growth damage vs. falling behind inflation and having to hike more later (like the Fed)

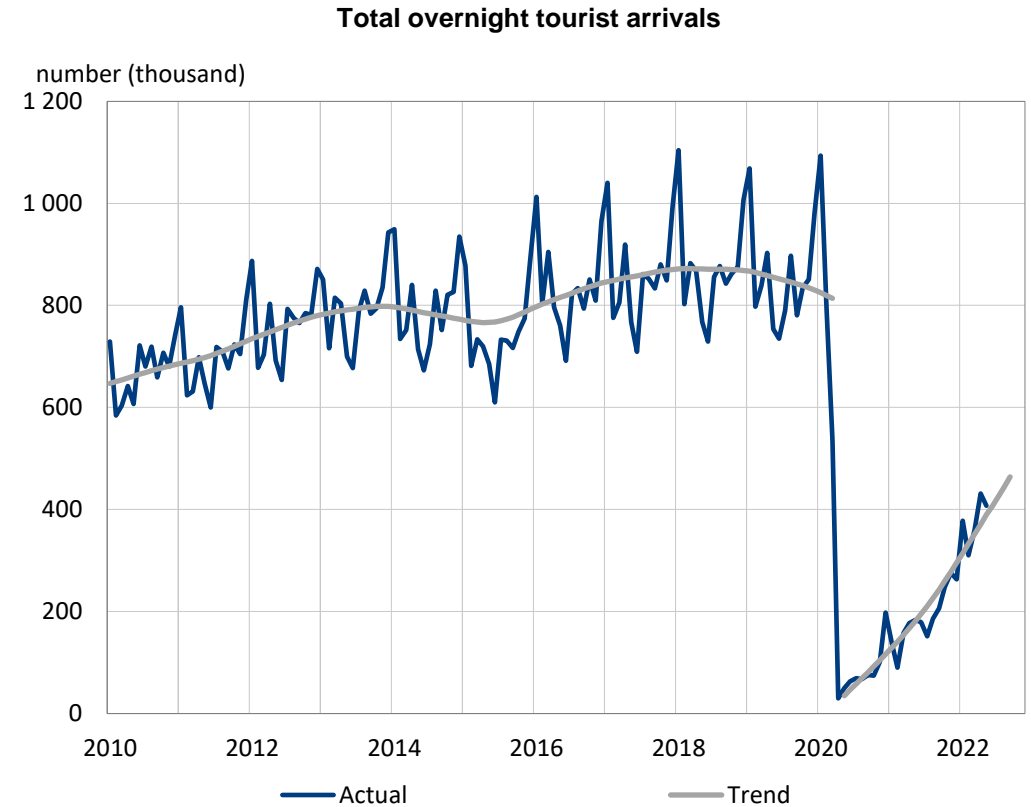
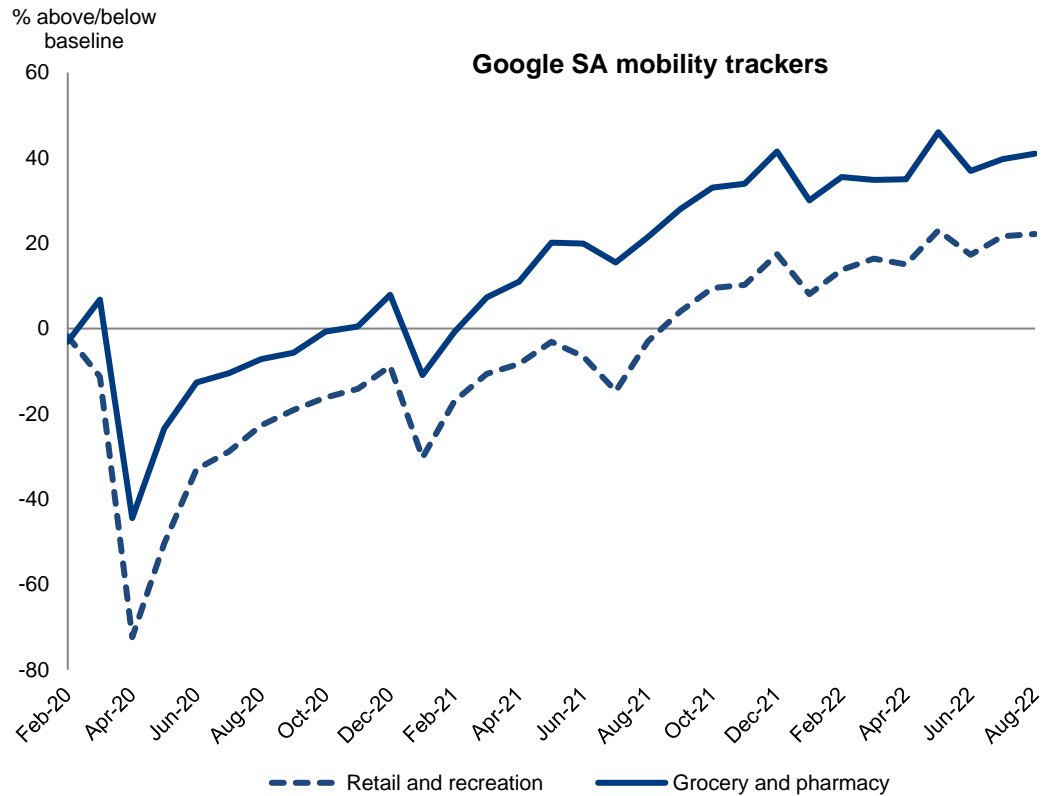


Intensity of load-shedding



- EAF averaged 59.7 in 1st 32 weeks of year vs. 63 same time in 2021
- Dents sentiment and outlook for non-energy private capital expenditure
- Recent major energy reform announcement: Large bunching of **renewable construction projects**, probably from late 2023/2024

Full reopening of economy & accompanied (modest) job growth should provide some GDP growth lift in 2022H2



- All remaining COVID restrictions removed in June
- Should support tourism and broader hospitality sector

Wesgro

- CPT airport international terminal passenger movement recovered to 74% (about 120 000 arrivals) in May (compared to May 2019)

Baseline forecast scenario in a nutshell

y-o-y real % change unless stated otherwise	2019	2020	2021	2022	2023	2024-27
Consumer spending	1.1	-6.5	5.6	2.8	1.5	1.9
Govt consumption	2.7	1.3	0.6	0.4	-1.6	
Fixed investment	-2.4	-14.9	0.2	3.7	4.2	5.9
Private	1.0	-16.2	0.1	5.3	4.7	
Public	-10.3	-11.5	0.4	-0.2	2.9	
Gross domestic expenditure	1.1	-8.0	4.8	2.8	1.9	
Exports	-3.4	-12.0	10.0	3.5	1.9	
Imports	0.5	-17.4	9.5	5.4	2.6	3.2
Real GDP	0.2	-6.4	4.9	2.3	1.8	1.9
Total employment	-0.3	-7.9	-1.4	2.2	2.6	2.0
Headline CPI	4.1	3.3	4.6	6.6	5.0	4.5
Dollar/rand (Q4 ave)	14.72	14.69	15.41	16.25	15.70	
Repo rate (end of period)	7.50	3.50	3.75	6.25	6.50	
Current account balance (% GDP)	-2.7	2.0	3.7	1.4	0.2	
Main budget balance (% GDP)	-6.1	-9.9	-5.1	-6.0	-5.8	

The output mix for South African agriculture (top 10 commodities in selected years according to production value)

Rank	Production years			
	1994	2000	2010	2018
1	Maize	Maize	Fowls slaughtered	Fowls slaughtered
2	Fowls slaughtered	Fowls slaughtered	Maize	Cattle and calves slaughtered
3	Cattle and calves slaughtered	Cattle and calves slaughtered	Cattle and calves slaughtered	Maize
4	Milk	Milk	Deciduous fruit	Citrus
5	Deciduous fruit	Deciduous fruit	Milk	Deciduous fruit
6	Wheat	Wheat	Vegetables	Milk
7	Vegetables	Sugar cane	Eggs	Vegetables
8	Eggs	Vegetables	Citrus	Eggs
9	Sugar cane	Citrus	Sugar cane	Other livestock products
10	Hay	Eggs ³	Other livestock products	Sugar cane
Share	74,85%	74,39%	74,36%	74,78%

Farm structure in South Africa, 2017

Category (Gross Farm Income)	Number of farming units	Share of commercial farming units (%)	Share of Total Gross Farm Income (%)
R22.5 million and more (large)	2 607	6.5	67.0
R13.5 million to R22.5 million (medium)	1 847	4.6	9.7
R2.5 million to R13.5 million (small)	10 712	26.7	18.5
R1 million to R2.5 Million (micro)	6 219	15.5	2.9
Less than R1 000 000 (micro)	18 737	46.7	1.9
Total (VAT registered famers)	40 122	100	100

Present day challenges that constrain growth in the agricultural sector

1. Inefficiencies in state administration
 - Biosecurity (animal disease and hygiene – key for facilitating exports)
 - Crop diseases
 - Modernisation of the Fertilizers, Farm Feeds, Seeds and Remedies Act 36 of 1947
 - Enforcement of Agricultural Products Standards Act and labelling of food produce
 - Inefficient staff complement
2. Infrastructure issues
 - Rural roads
 - Water – urgent investment in dam and irrigation infrastructure and more agile management of water rights allocation
 - Ports and rail systems (for facilitating exports)
 - Cost-effective and reliable electricity supply
3. Security
 - Stock theft
 - Theft and vandalization of farm infrastructure
 - Farm attacks
 - Rail infrastructure theft and vandalization
4. Geopolitics
 - Impact on export markets
 - Rising farm input costs

Landscape of organised agriculture and the various national farmer organisations

Name	Membership	Comments
Agri SA	25 000	Mainly white commercial farmers with some few black members
National African Farmers' Union (NAFU)	Not able to verify claims of membership	Used to be the main representative body for black farmers. Infighting led to a split and the formation of AFASA.
African Farmers Association of South Africa (AFASA)	3 000	Focus on promoting the interests of African (black) commercial farmers
TLU-SA	5 500	Only white commercial farmers and not aligned to Agri SA and mostly on the right of the political spectrum
Southern Africa Agri Initiative (SAAI)	2 630	A network of family farms to protect the future and sustainability of family farms (160 black farmers paid-up). Most are also members of the other organisations listed here.

Some reflections on the Land Bank saga

Key milestones in the saga

1996 – Strauss Committee

2002 – New Land Bank Act

1999 – 2009

2010 – 2020

New Land Bank Board – December 2021