A further sign of resilience as agriculture posts a strong GDP rebound in Q2

By Paul Makube

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Statistics SA's latest economic growth numbers came out stronger than expected in the second quarter of 2021 underpinned by robust gains in the transport sector, personal services, as well as agriculture with quarterly increases of 6.9%, 2.5%, and 6.2% respectively.

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Overall growth came in 1.2% higher quarter-on-quarter from 1% q/q in the first quarter of 2021. Resilience in the agriculture sector continued as expected despite the ongoing Covid-19 related challenges with all sectors, field crops, horticulture crops, and animal products making immense contributions.

Leading signs of yet another impressive rebound, ahead of the release of 2Q2021 GDP numbers included the robust harvest of summer grain and oilseed crops, good commodity prices, the record high agribusiness confidence, as well as strong exports.

South Africa recorded an agriculture trade surplus of US$1.5m which is 40% ahead of the same period in 2020. This follows a 36% year-on-year spike in total agriculture exports in quarter two of 2021 at US$3.2 billion, bringing the total 1H2021 export value to US$6.1bn which is 30% higher year-on-year.

The overall good export revenue was underpinned by strong export demand despite the 2Q2021 Rand exchange rate appreciation of 6% quarter-on-quarter and 21% relative to 2Q2020 at R14.09/ US$. Further, the Agbiz/IDC Agriculture Business Confidence for 2Q2021 reached a 10-year high of 75 points in the earlier update.

Looking ahead, another great agriculture year is in the offing if the recent weather forecasts of another La Nina year (normal to above normal rainfall) materialise for the 2021/21 summer crop season. This combined with relatively strong commodity prices despite input cost pressures, should deliver another year good agriculture year ahead and positive news on the inflation front with the food category likely to be tamed.

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