

# *Economics & Agriculture: We are here, now what?*



GOSA Symposium 2023

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# *Disclaimer*

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FOR WHAT I SAY  
NOT FOR WHAT YOU UNDERSTAND

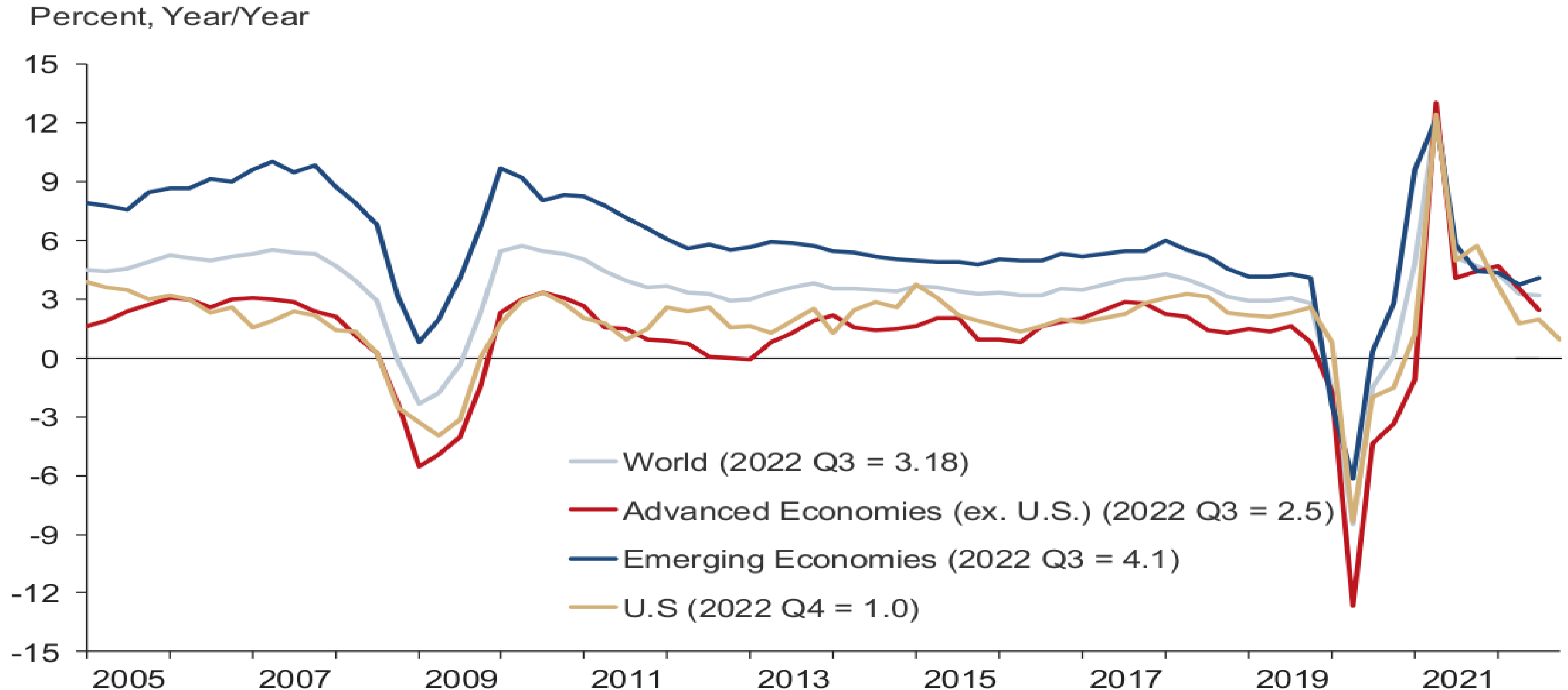


# Global Economics





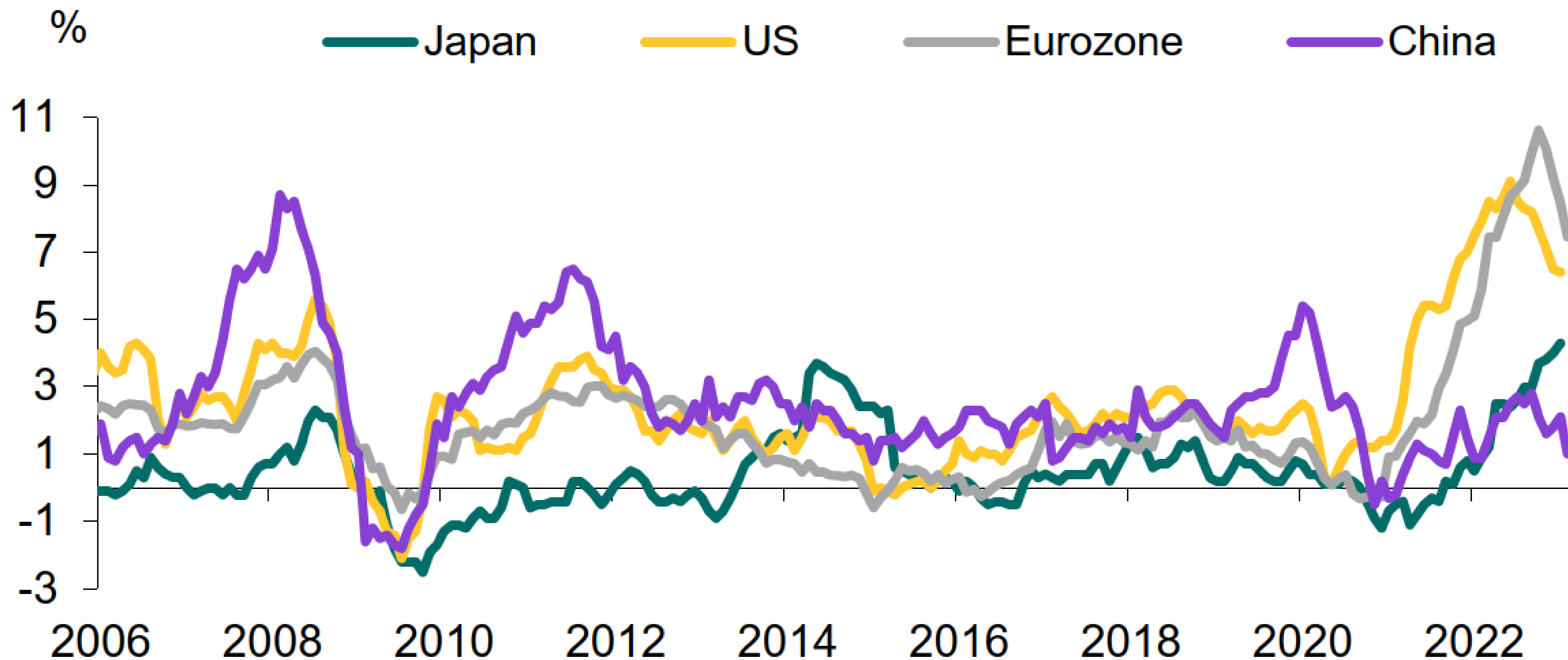
# Chart 1. Global GDP Growth



NOTE: The advanced economies (ex. U.S.) aggregate includes the Euro Area, Japan, the U.K., Canada, Australia, South Korea, Switzerland and Sweden. The emerging economies aggregate includes China, Brazil, Russia, India, Mexico, Indonesia, Turkey, Argentina, South Africa and Colombia. The world aggregate includes these countries, which make up approximately 80 percent of world GDP computed using purchasing power parity (PPP)-adjusted GDP weights.

# Global Inflation

## Inflation has peaked



# Global Forecasts



	2020	2021	2022	2023f	2024f
<b>Economic growth (% y/y, year average)</b>					
US	-2.8	5.9	2.1	0.6	0.9
Eurozone	-6.1	5.3	3.5	0.5	1.2
China	2.2	8.4	3.0	5.3	5.0
<b>Inflation (% y/y, year average)</b>					
US	1.2	4.3	8.0	4.1	2.4
Eurozone	0.3	2.6	8.4	5.6	2.4
China	2.5	0.9	2.0	2.4	2.3
<b>Policy rate (% , year end)</b>					
US (mid-point)	0.25	0.25	4.375	4.875	2.375
Eurozone (deposit rate)	0.00	0.00	2.50	3.75	3.00
China (1-year lending rate)	3.85	3.80	3.65	4.30	4.30

# Global Outlook



- Uncertainty remains significant
  - US banks.....
- Slow-down → recession ???
- Geopolitical tensions
- End of zero-Covid policy in China
  - Support for commodity prices



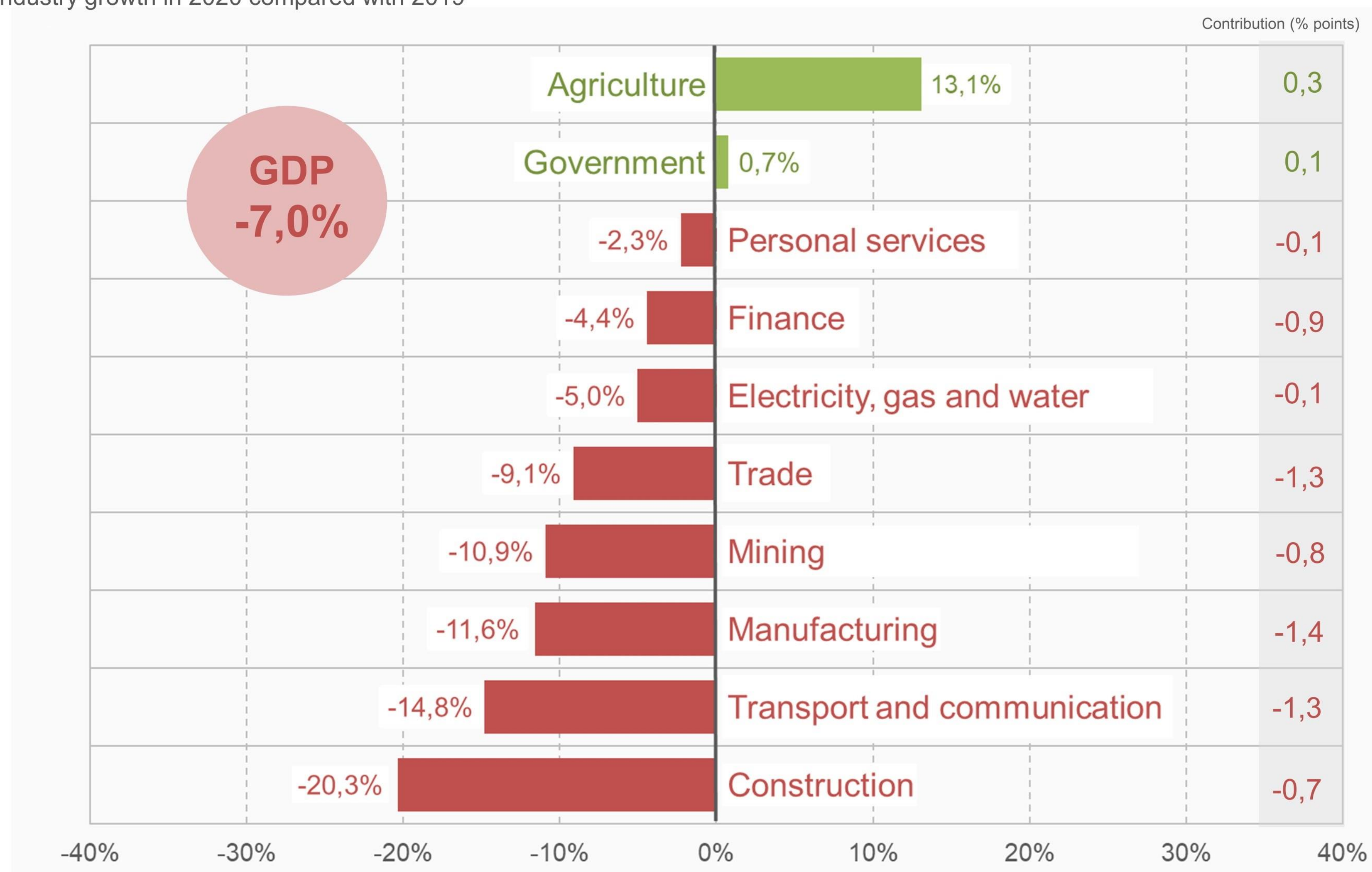
# Local Economics





# Eight of the ten industries recorded decreased economic activity in 2020

Industry growth in 2020 compared with 2019

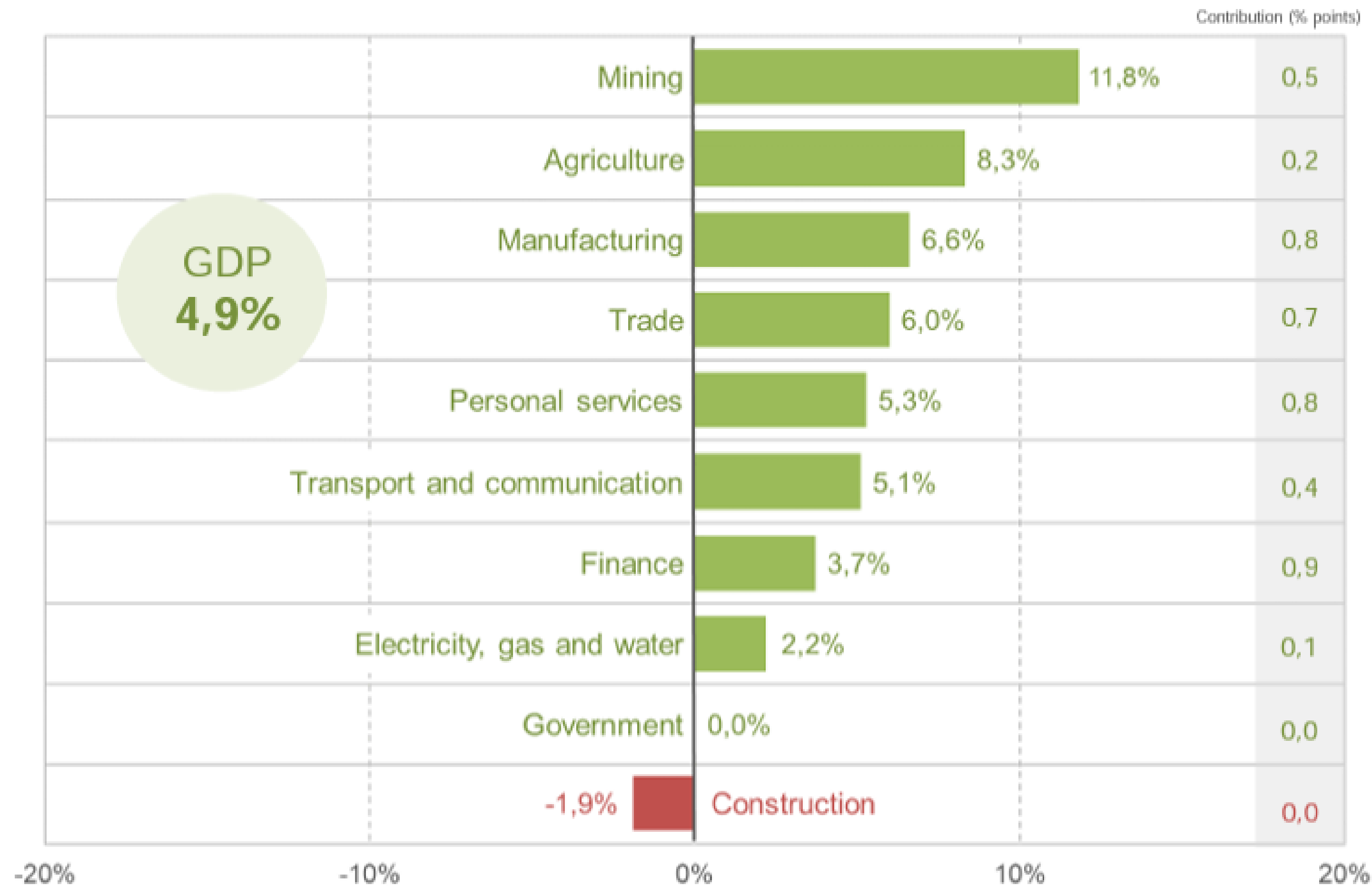


Source: Gross domestic product (GDP), 4<sup>th</sup> quarter 2020



# Construction was the only industry that contracted in 2021

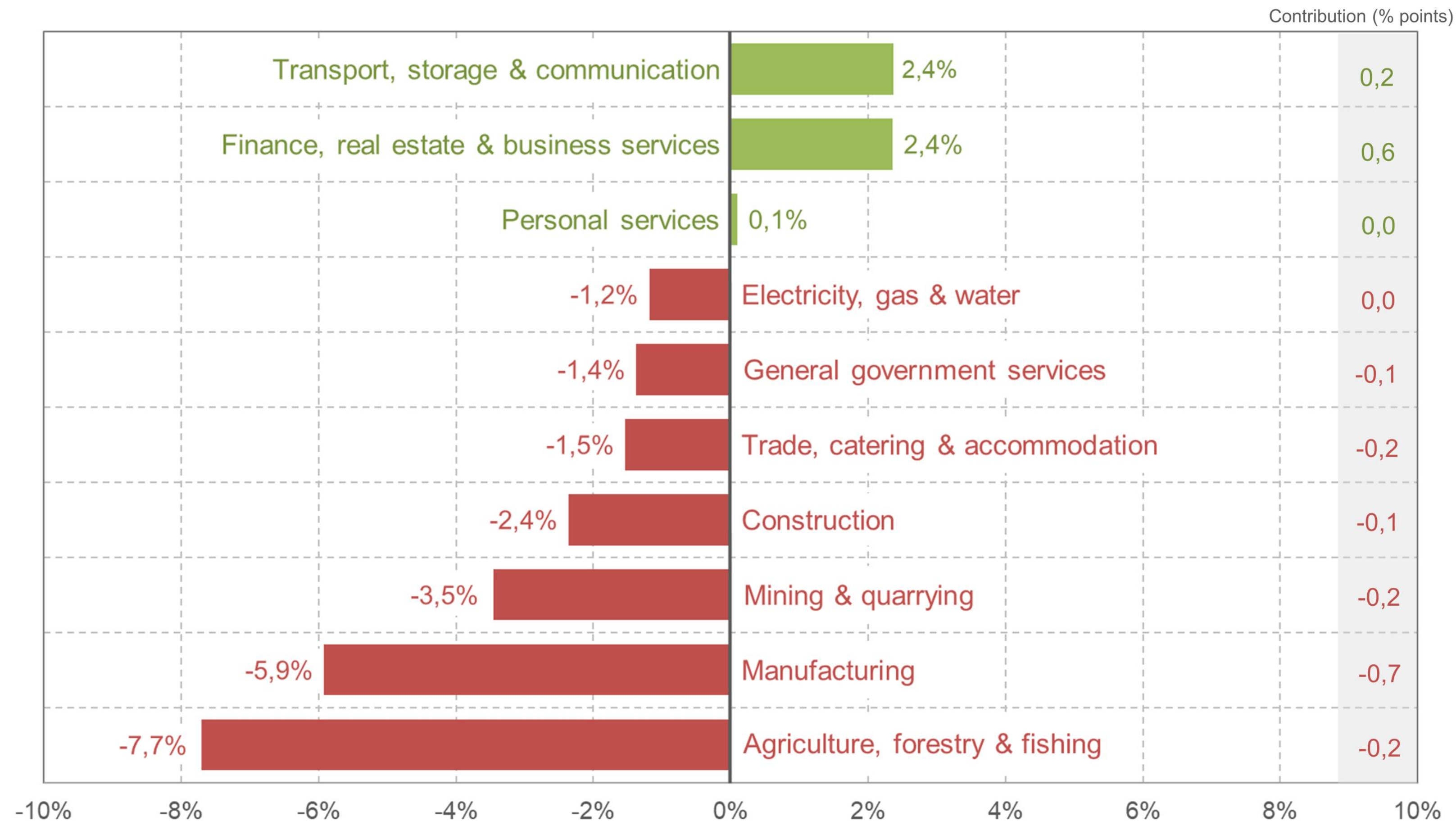
## Industry growth rates in 2021 (constant 2015 prices)





# Figure 1: Seven of the ten industries recorded a contraction in Q2: 2022

Industry growth rates. Q2: 2022 compared with Q1: 2022 (constant 2015 prices, seasonally adjusted)

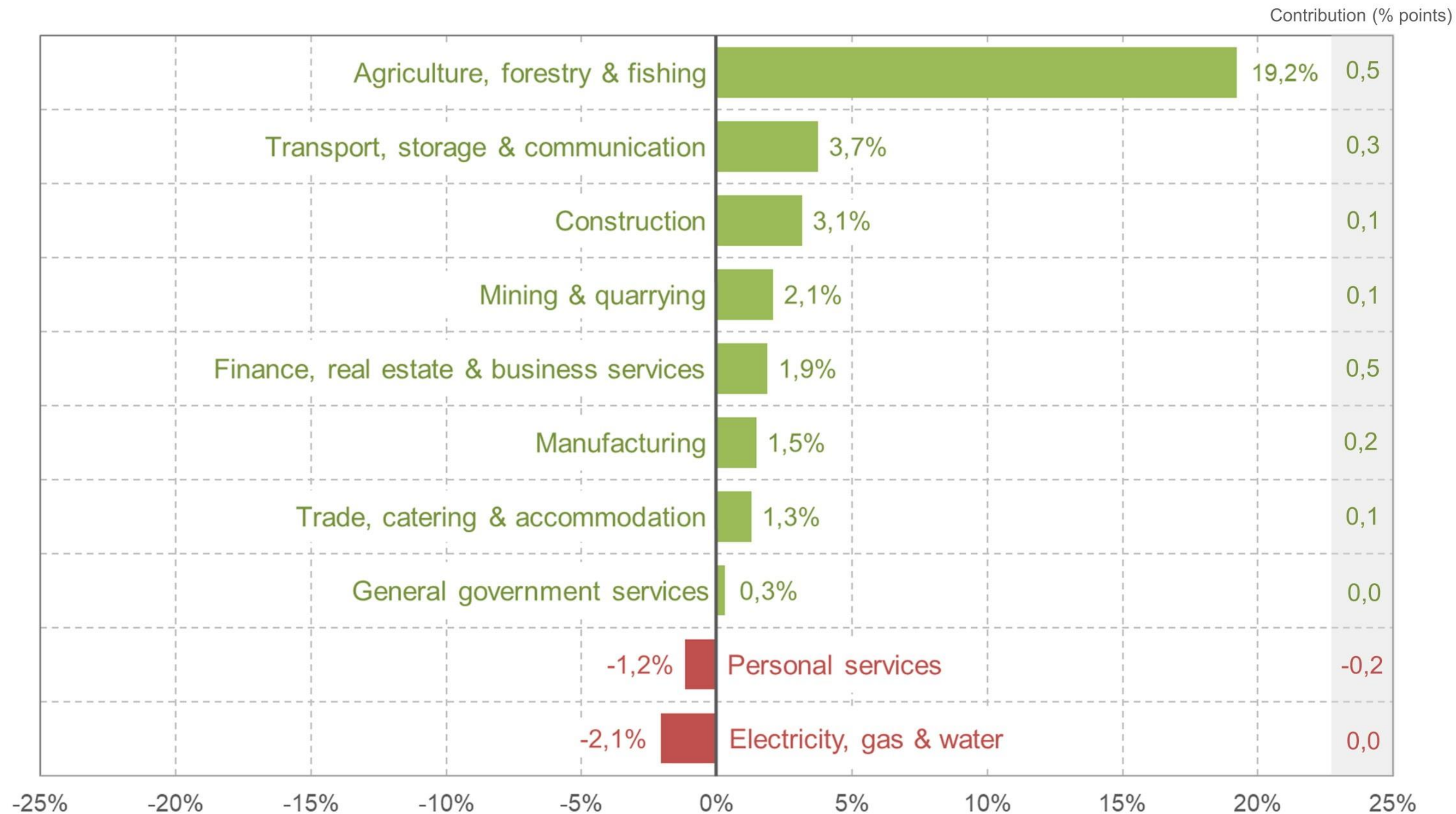


Source: Gross domestic product (GDP), 2<sup>nd</sup> quarter 2022



# Figure 1: Eight of the ten industries recorded a rise in economic activity in Q3: 2022

Industry growth rates. Q3: 2022 compared with Q2: 2022 (constant 2015 prices, seasonally adjusted)

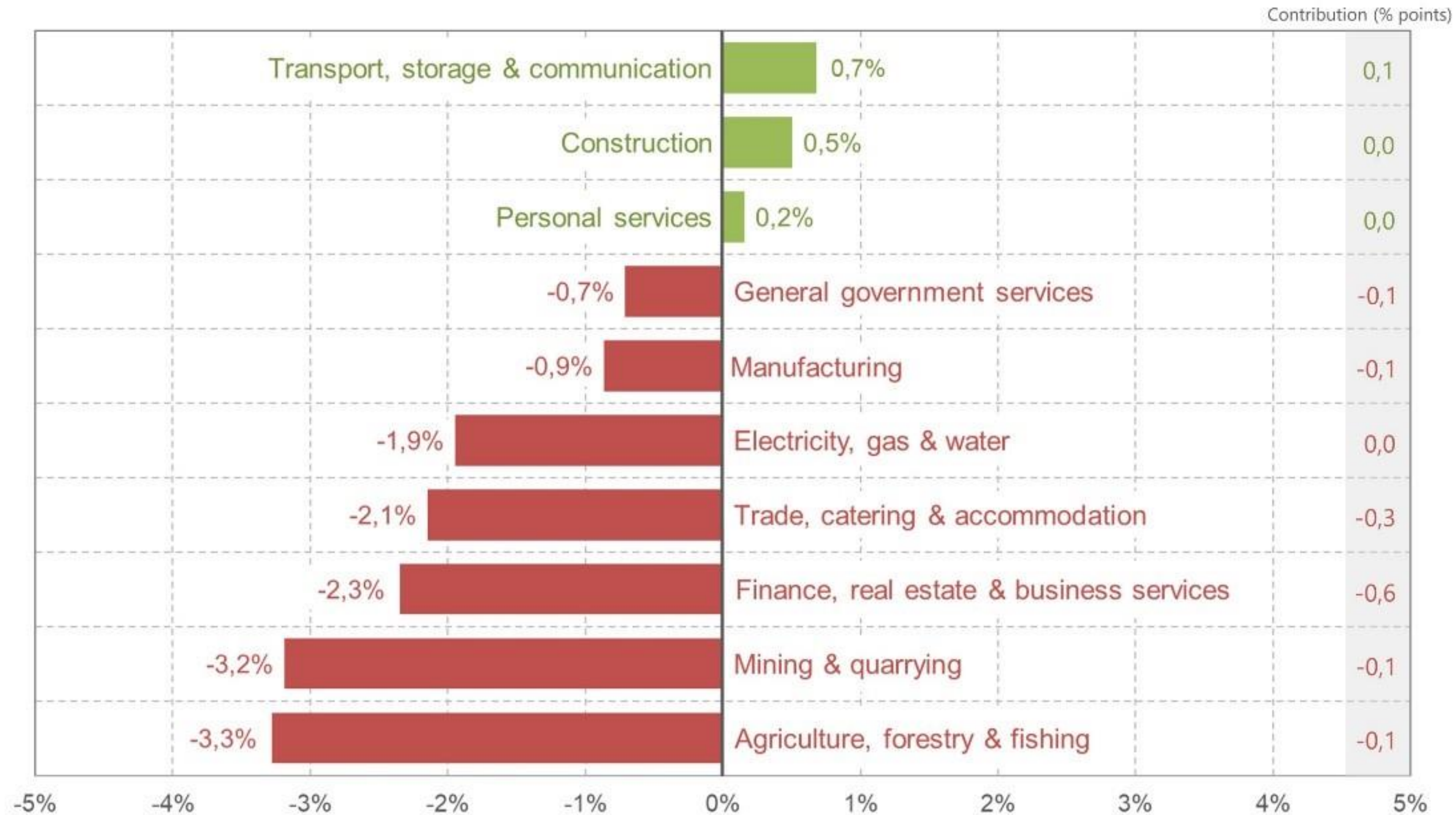


Source: Gross domestic product (GDP), 3<sup>rd</sup> quarter 2022



## Figure 1: Seven industries contracted in Q4: 2022

Industry growth rates – Q4: 2022 compared with Q3: 2022 (constant 2015 prices, seasonally adjusted)

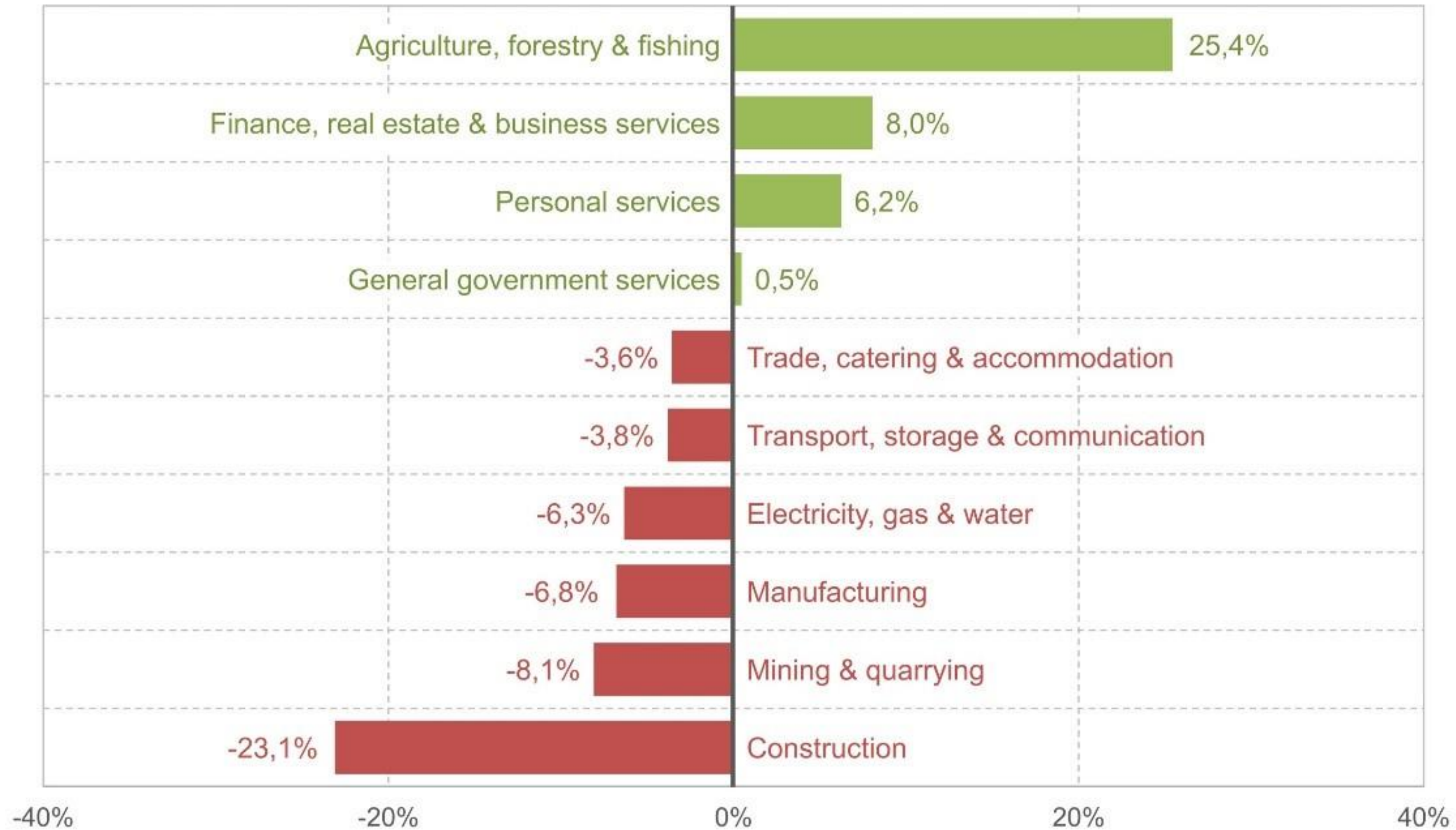


Source: Gross domestic product (GDP), 4<sup>th</sup> quarter 2022



### Figure 3: Six industries lag their pre-pandemic levels of production

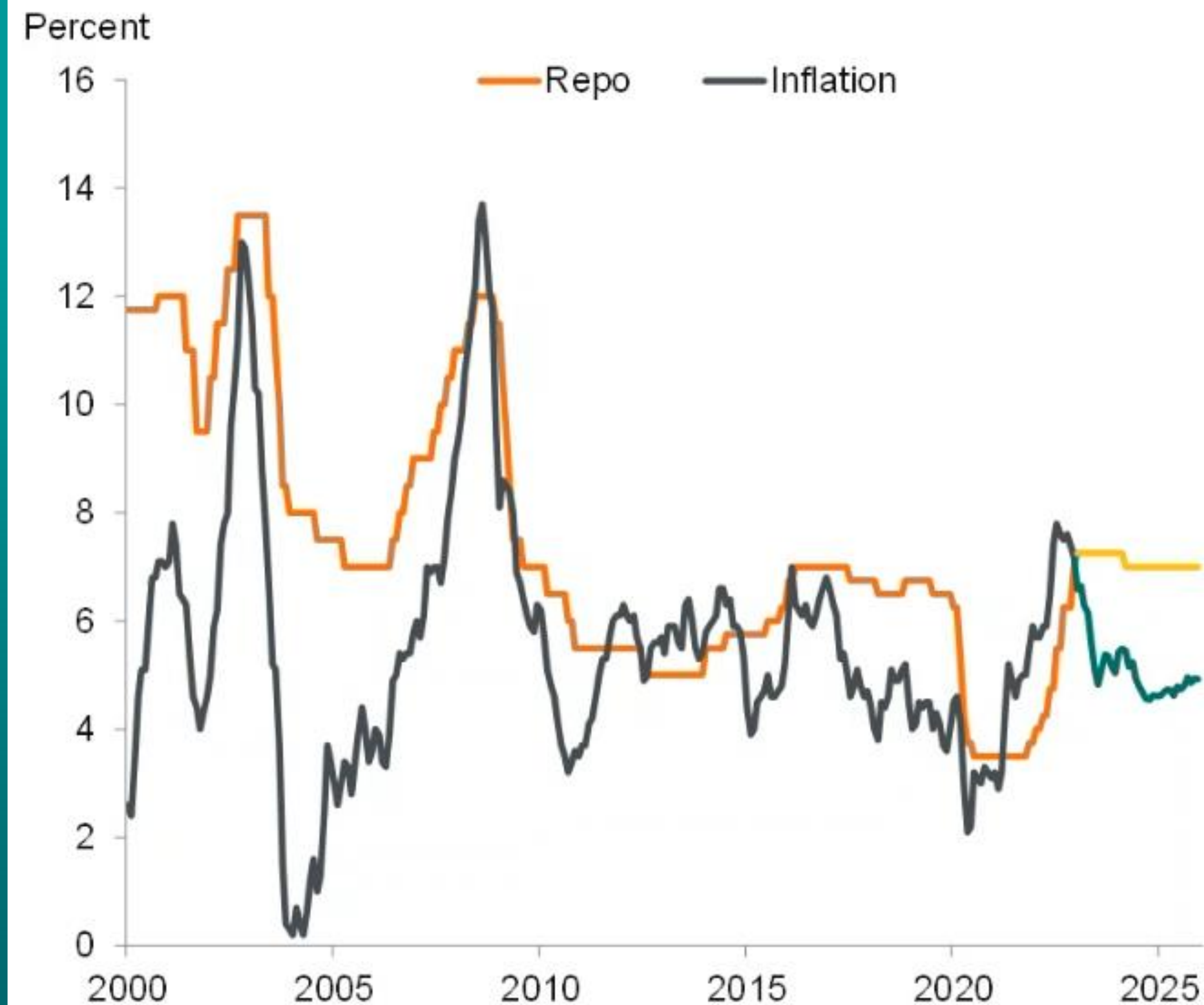
Percentage change in annual value added – 2022 compared with 2019 (constant 2015 prices)



Source: Gross domestic product (GDP), 4<sup>th</sup> quarter 2022



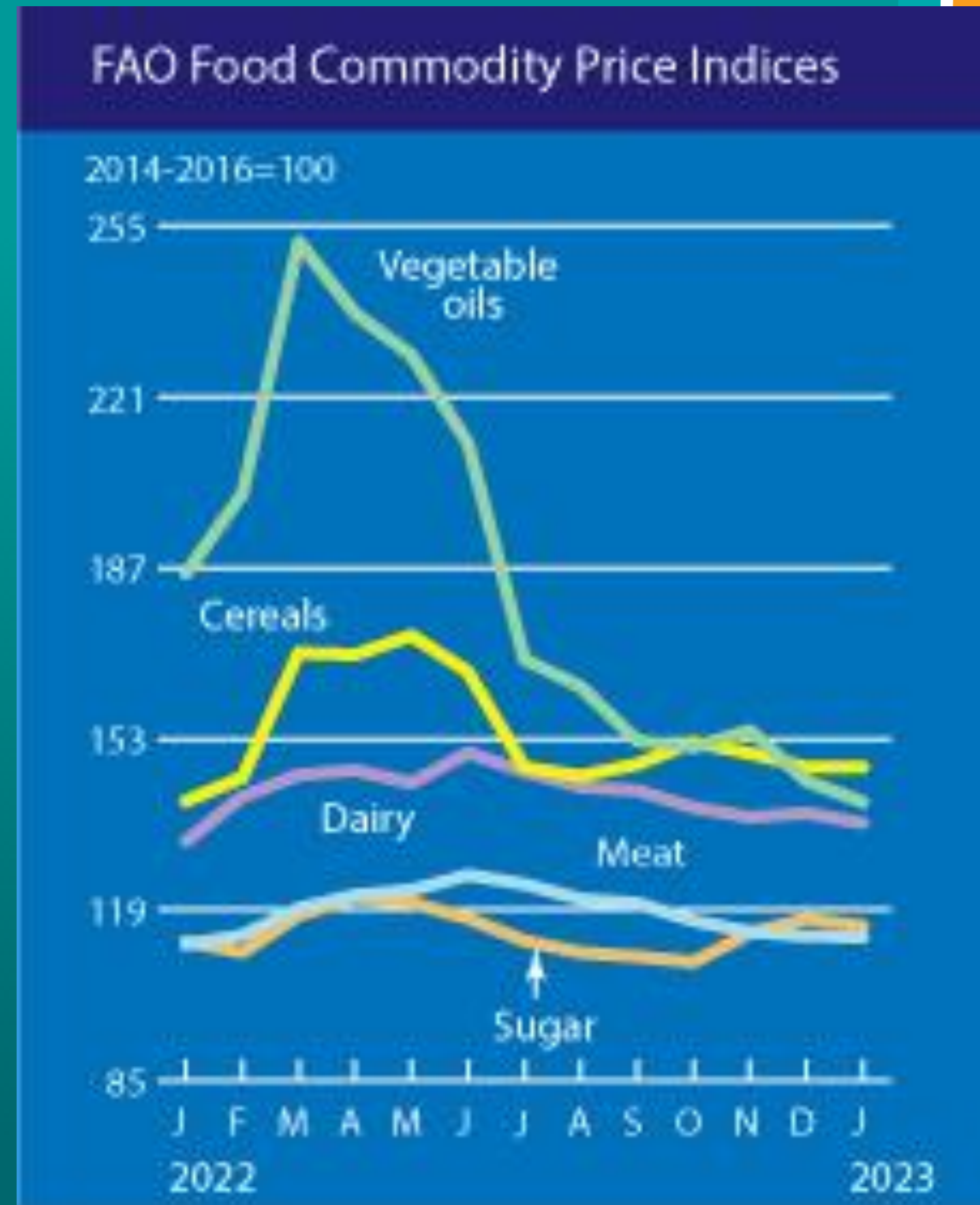
# Inflation & Repo Rate



- Inflation to fall in 2023
  - Lower fuel prices
  - Stabilising food prices
  - Lower global inflation
  - Easing supply chain issues
- Inflation to stabilise around the 4.5% midpoint
- SARB first cut in 2024
- Rates to move sideways in ranges, similar to 2015-2019
- Massive risks
  - Fuel
  - Food
  - Global inflation
  - Load shedding



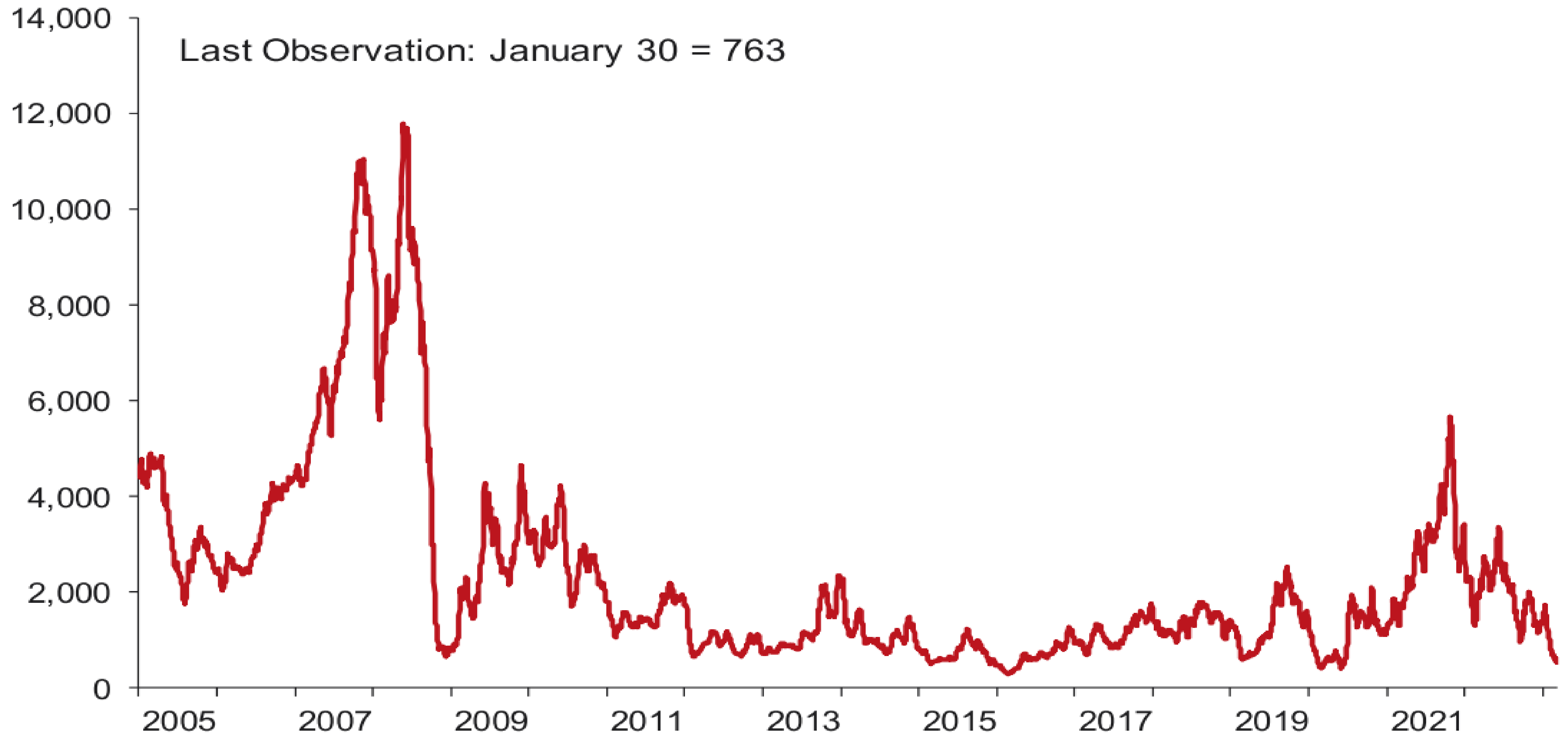
# FAO Food Price Index





## Chart 8. Baltic Dry Index

Index, 1/4/1985 = 1,000



NOTE: The Baltic Dry Index is a maritime shipping index that measures charter rates for shipping dry bulk commodities such as coal, grain and iron ore.



# Exchange Rates



CS471811



"This chart will simplify our market projections."



USD / ZAR

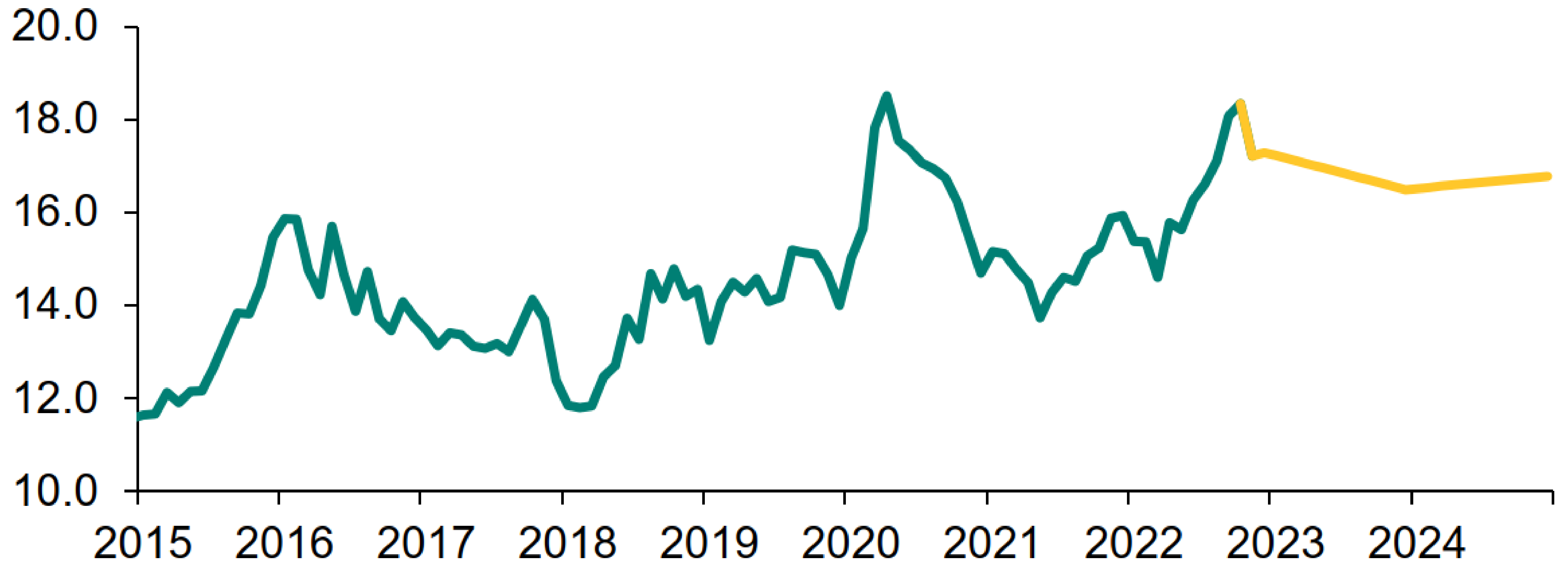
Monday, 13 March





— USD/ZAR

— Forecast





# SA Forecasts (Jan 2023)



	2020	2021	4Q22f	2022f	1Q2023f	2023f	2024f
Real GDP (% y/y, average)	-6.4	4.9	-0.1	2.4	0.4	1.1	1.6
CPI inflation (% y/y, average)	3.3	4.5	7.2	6.9	6.5	5.6	5.0
Repo rate (% , year-end)	3.50	3.75	6.25	6.75	7.00	7.50	7.00



# SA Forecasts (March 2023)



	2020	2021	2022f	2023f	2024f	2025f
<b>Real GDP</b>						
GDP (% y/y, year average)	-6.4	4.9	2.4	0.3	1.6	1.8
<b>Inflation</b>						
CPI (% y/y, year average)	3.3	4.5	6.9	5.7	5.1	4.9
CPI (% y/y, year end)	3.1	5.9	7.2	5.1	4.7	5.0
Core CPI (% y/y, year average)	3.0	3.1	4.3	5.0	4.7	4.7
Core CPI (% y/y, year end)	3.3	3.4	4.9	4.7	4.6	4.7
PPI (% y/y, year average)	2.5	7.1	14.3	7.4	6.3	6.3
<b>Interest rates</b>						
Repo rate (% , year end)	3.50	3.75	7.00	7.50	7.00	7.00
Prime rate (% , year end)	7.00	7.25	10.50	11.00	10.50	10.50



# Local Outlook



- Weak household consumption due to higher interest rates
- Moderation in inflation
- Interest rate – likely to be last in cycle, given there is no further upside surprises, March decision will be data-dependant



# Agriculture





# Input costs

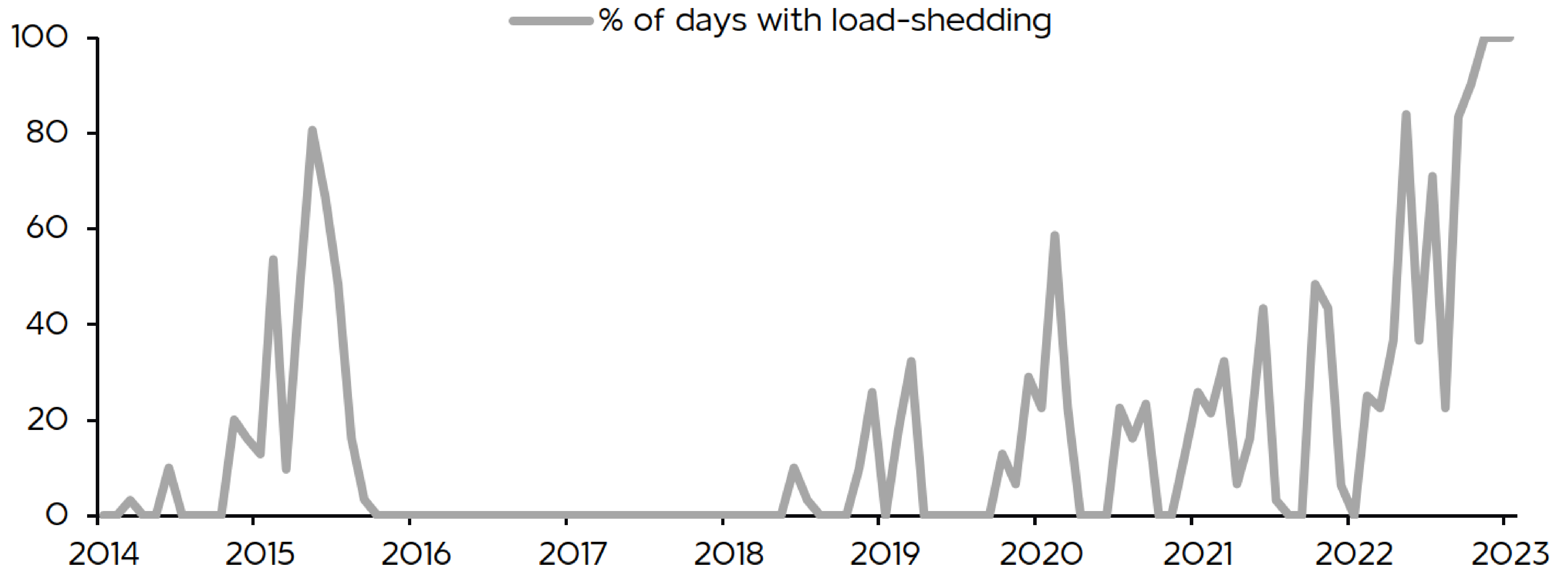


- Electricity – +18.69%
- Fuel – +???
- Fertilizer – +/- ???
- Feed costs – +/- ???





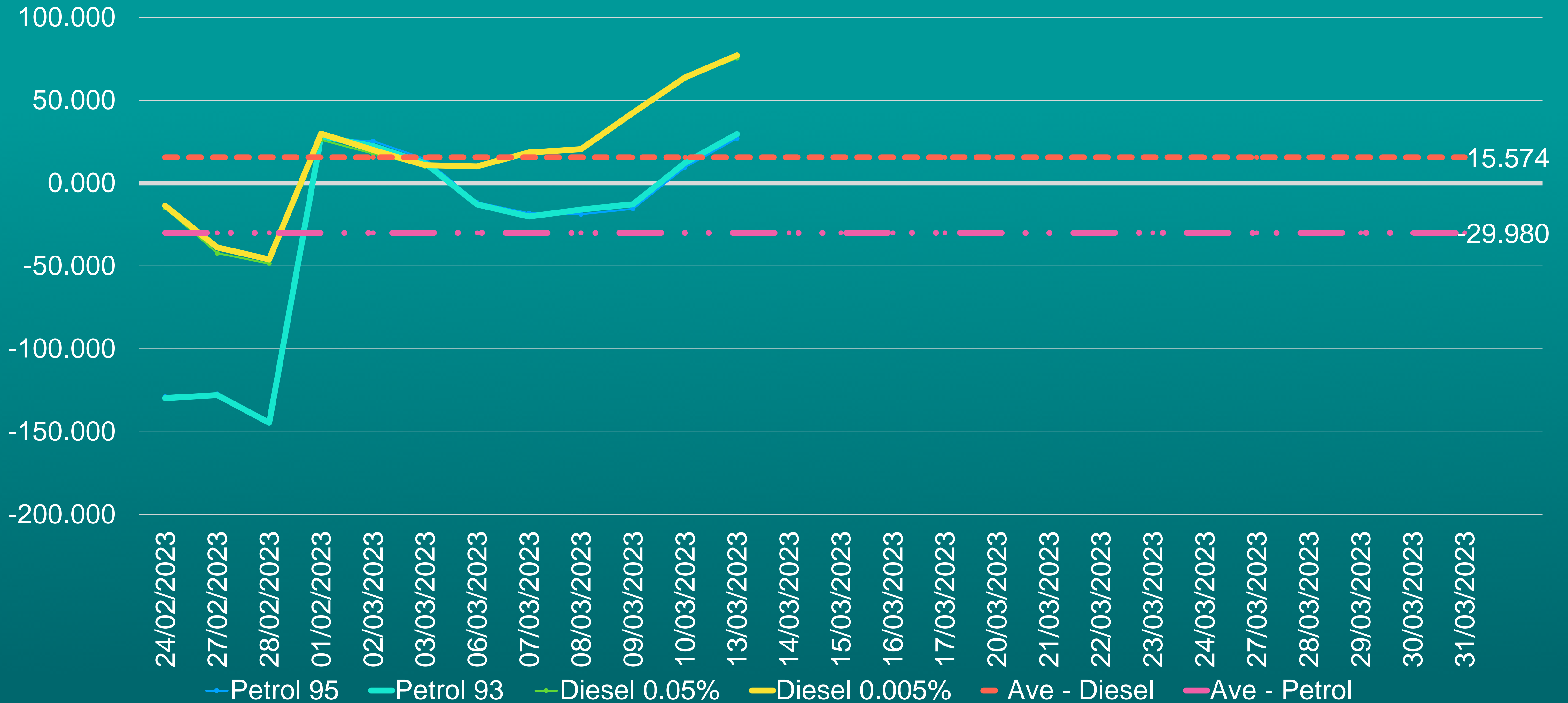
# Electricity



Sources: Eskom and RMB Markets (data as at January 2023)

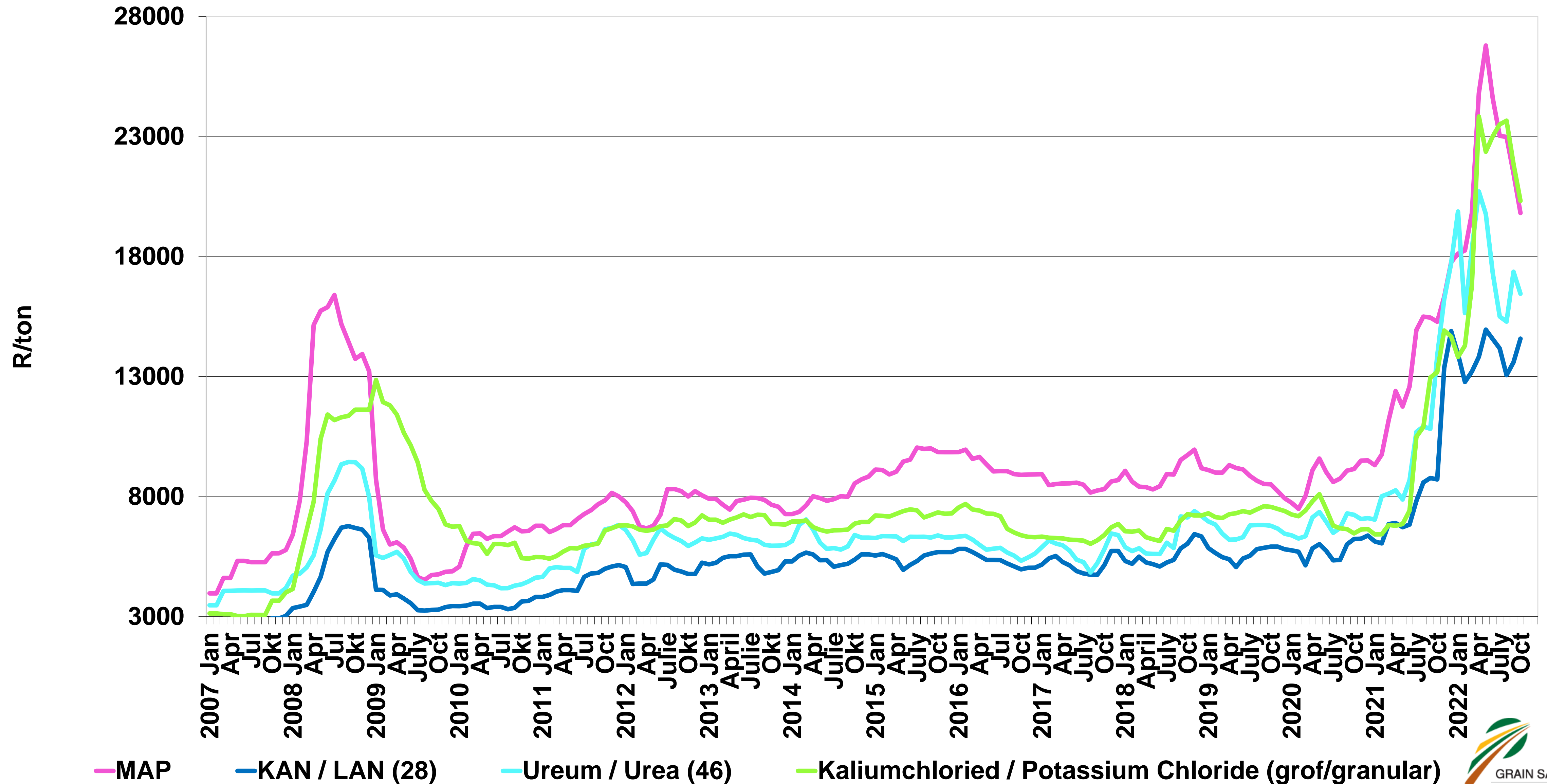
# Fuel

Over / (Under) Recovery





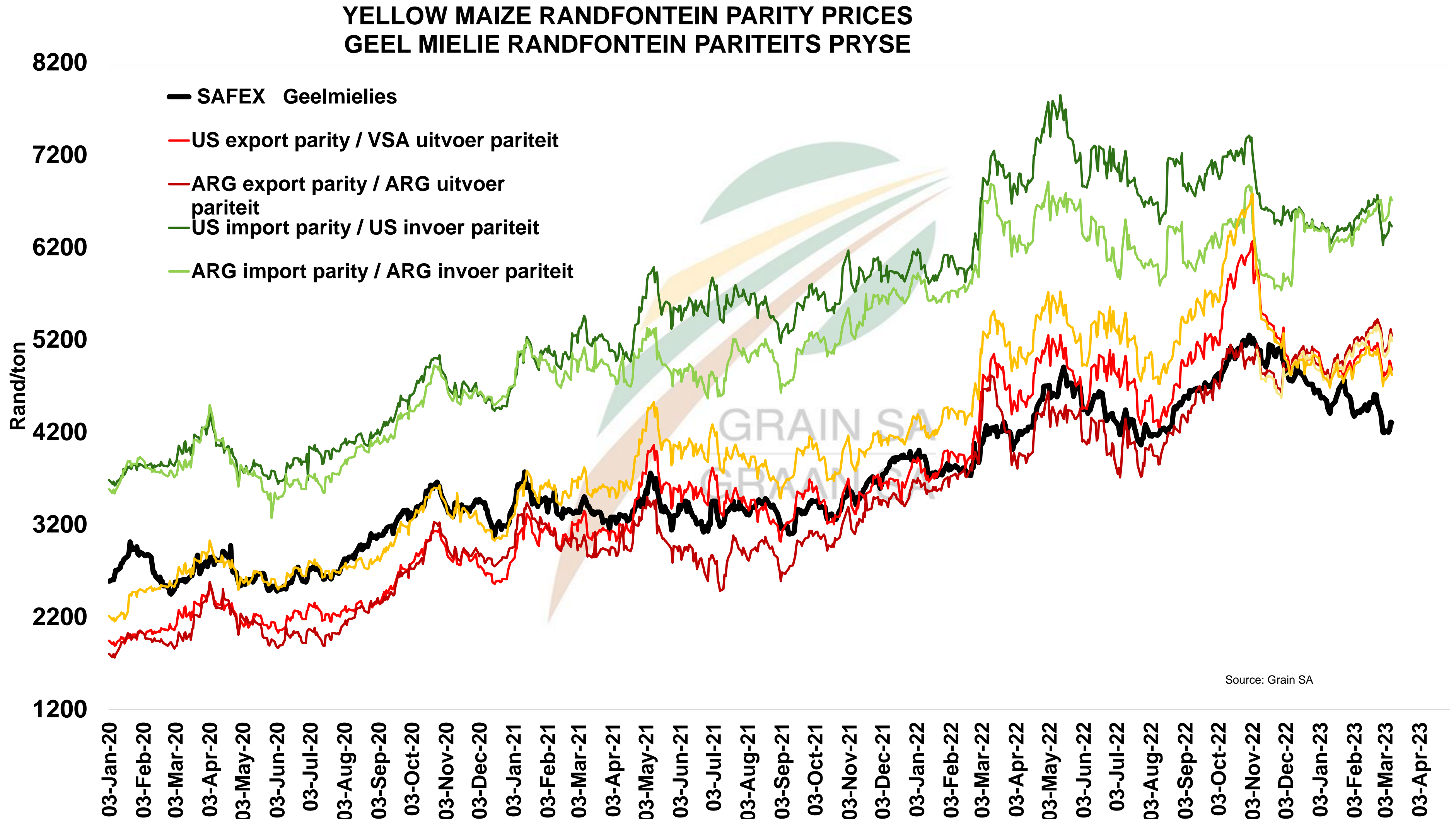
# LOCAL FERTILIZER PRICES



# Grain markets



- Weather market
- Exchange rate
- International markets





# Factors weighing down SA agricultural growth prospects are well known

## External factors

- Increasing input costs (fuel, fertilisers, chemicals, transport)
- Non-tariff barriers introduced by main trading partners (citrus, wool, meat)
- Slowing global growth, high inflation and higher interest rates
- Logistical and shipping bottlenecks

## Domestic (self-inflicted) factors

- Malfunctioning State Veterinary Service
- Complete destruction of our rural road and rail system
- High levels of crime and theft destroying production infrastructure and harvests of farmers
- Electricity crisis – impacting on irrigation of crops, food processing, cold storage, etc.
- Dysfunctional local municipalities with no service delivery

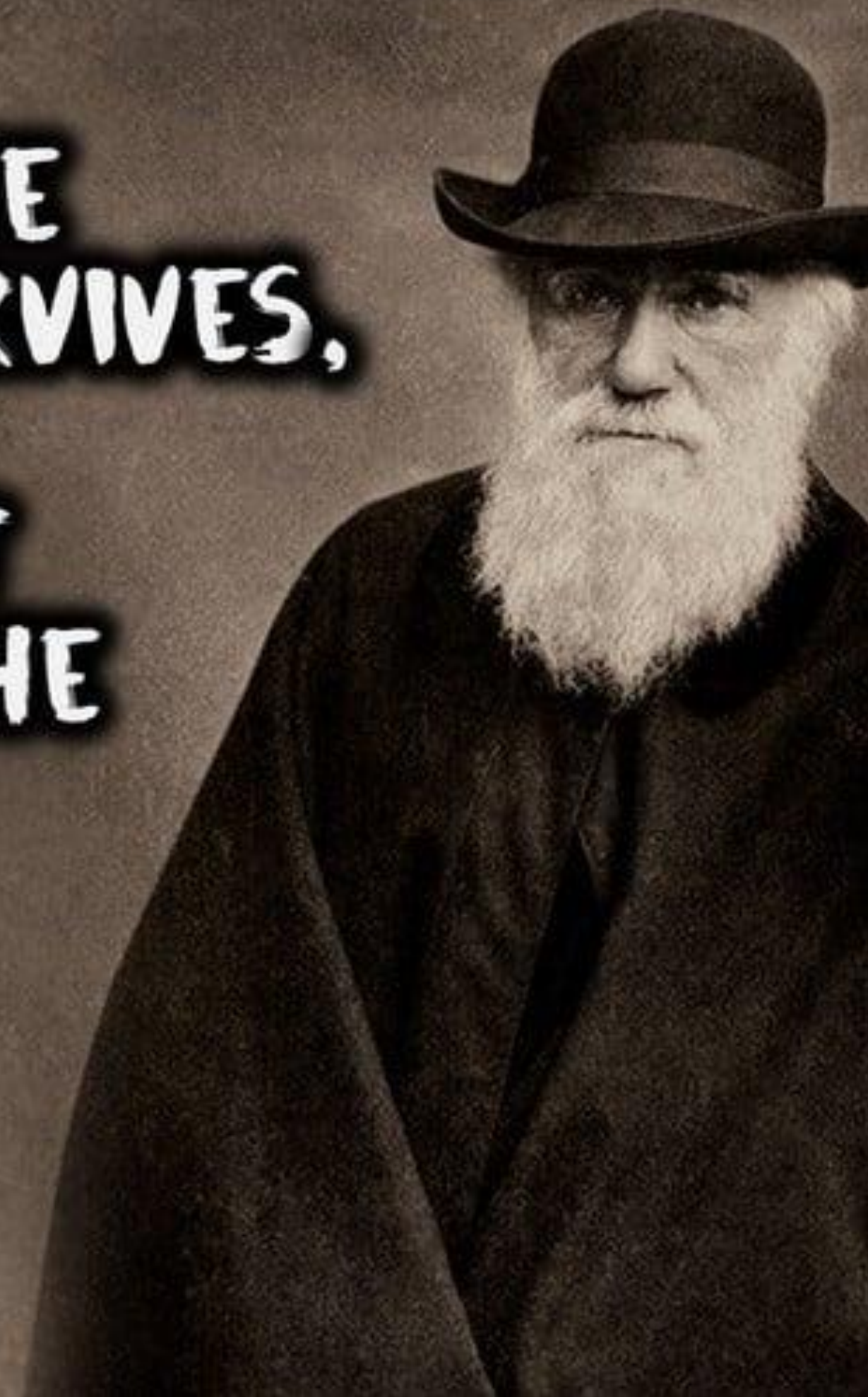


# Adapt or die



"IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT THAT SURVIVES. IT IS THE ONE THAT IS THE MOST ADAPTABLE TO CHANGE."

CHARLES DARWIN  
- [WEALTHYGORILLA.COM](http://WEALTHYGORILLA.COM)





# Timelapse of The World's Most Valuable Brands

## From 2007 To 2020



# Who do you want to be?



- Nokia?
- Apple?
- Microsoft?
  
- Stay relevant
  - Products
  - Technology
  - Service delivery
  
- Adapt to stay in the market
  
- Be informed
  - Know what your customer wants



**Business lesson from nature:**

**If you're chasing the mouse, it will always run away from you.  
But if you have what the mouse wants, it will come to you.**

**Attract the mouse!**



  
**GAVIN  
SHARPLES**  
**The Change Guy**

**FNB**  
First National Bank



# Summary



- Focus on the things you can control!
  - If there is a problem, don't look the other way
- Be innovative *(and bank with the most innovative)*
- Use what you can manage / afford
- Not all new things always works







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# Summary



Agriculture makes out 34% of FNB Business

FNB will continue investing in the agricultural sector, within the regulatory environment as well as acceptable credit criteria of profitability, client affordability, etc.



Don't loose your focus



**FNB**  
First National Bank



# Thank you



## Invest in alternative energy solutions

We understand the challenges associated with energy costs and how the supply thereof can affect businesses throughout the country. At FNB, we offer funding for alternative energy solutions which not only provide savings over the longer term but also help with uninterrupted business productivity.

Contact a relationship manager at your nearest FNB branch or email [AlternativeEnergy@fnb.co.za](mailto:AlternativeEnergy@fnb.co.za) for more information.

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