



Economic Commentary: Issue No. 2

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 AFF sector. National announcements are frequently pronounced on macro economic issues; therefore the intention 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.

EMPLOYMENT OF THE AGRICULTURE SECTOR IN THE SECOND QUARTER 2016

According to Statistics South Africa, the official unemployment rate in the second quarter of 2016 declined slightly by 0.1 of a percentage point to 26.6%, announced. That means of the 36.6 million people of working age in South Africa between the ages of 15 and 64 years old, 5.6million people are currently not employed. Largest decreases were recorded in Community & social services (127 000), Agriculture (44 000) and Transport (39 000) industries. During this period, the number of employed people increased in four industries, with large increases in Manufacturing, Private households and Construction industries (67 000, 39 000 and 25 000 respectively). The country has lost almost 500,000 jobs in the first half of 2016 which highlights the intense pressure the economy is under. The situation will be bad should the country slide into recession.

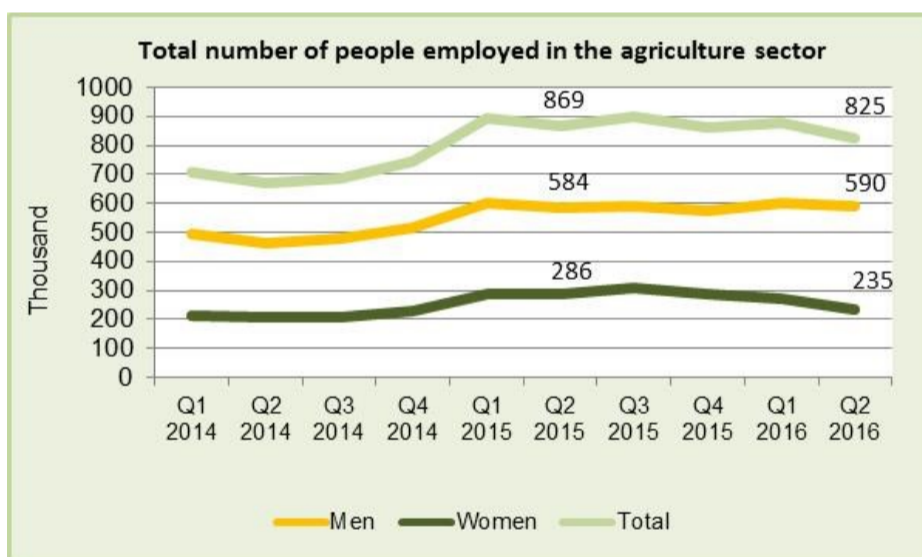


Figure 1: Total number of people employed in the agriculture sector (source: statistics SA)

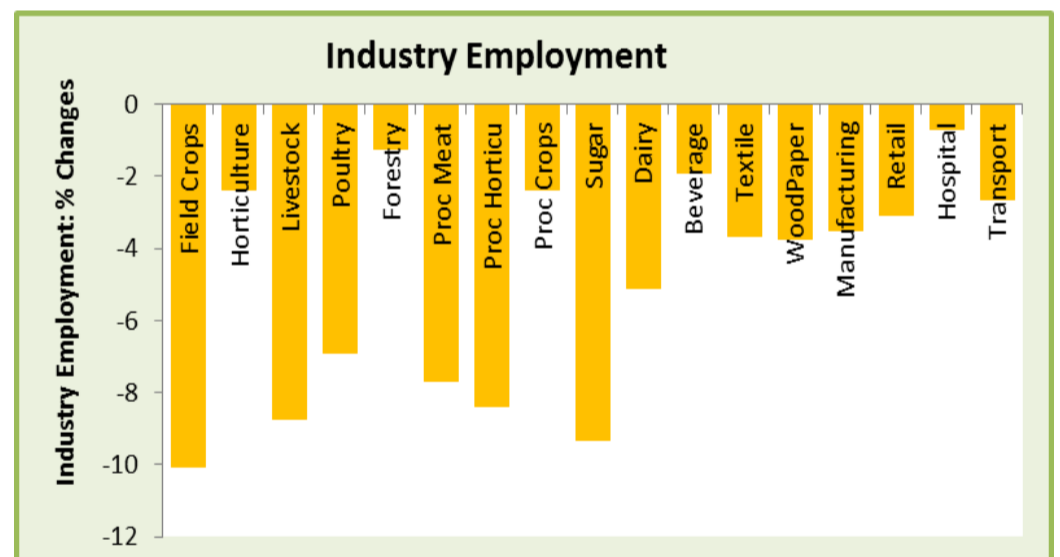


Figure 2: The impact of drought on industry employment (source: DAFF & NAMC)

Figure 1 show employment in the agriculture sector declined by 5.0% in the second quarter of 2016 from 869 000 persons in the second quarter of 2015 to 825 000 persons in the second quarter of 2016. Of the 44 000 jobs lost in the sector in the second quarter of 2016 compared to the second quarter of 2015, 36 000 jobs were lost by women while 8 000 jobs were lost by men. In total, the agricultural sector comprised of 235 000 women and 590 000 men in the second quarter of 2016 compared to 286 000 women and 584 000 men the previous quarter. The decline reflects the effects of the drought, global and local economic challenges. The 2030 target set out in the National Development Plan (NDP) of 6% unemployment rate seem unattainable under current economic conditions. With economic growth expected to be 0% this year, 1.1% in 2017 and 1.5% in 2018, the outlook for job creation is bleak for the millions of unemployed. These growth rates were insufficient to make significant inroads into the deteriorating unemployment numbers and deteriorating economic growth forecasts.

Figure 2 shows that the decline in industry employment due to drought. All industries lost employment with food and agricultural industries suffering the most. The biggest employment losses were found to be in the field crops (-10%), sugar (-9.3%) and livestock (-8.7%). These three depend mostly on rain fed pasture or on rainfall for planting. It is important to note that the impact of drought on employment in all sectors stands to be negative. The intervention by government mainly through the Department of Agriculture, Forestry and Fisheries' drought relief has assisted in saving some of the jobs that could have been lost due to drought. The amount injected as drought relief is clearly not enough, which speaks to fiscal constraints that South Africa as a country faces under the currently difficult economic climate.

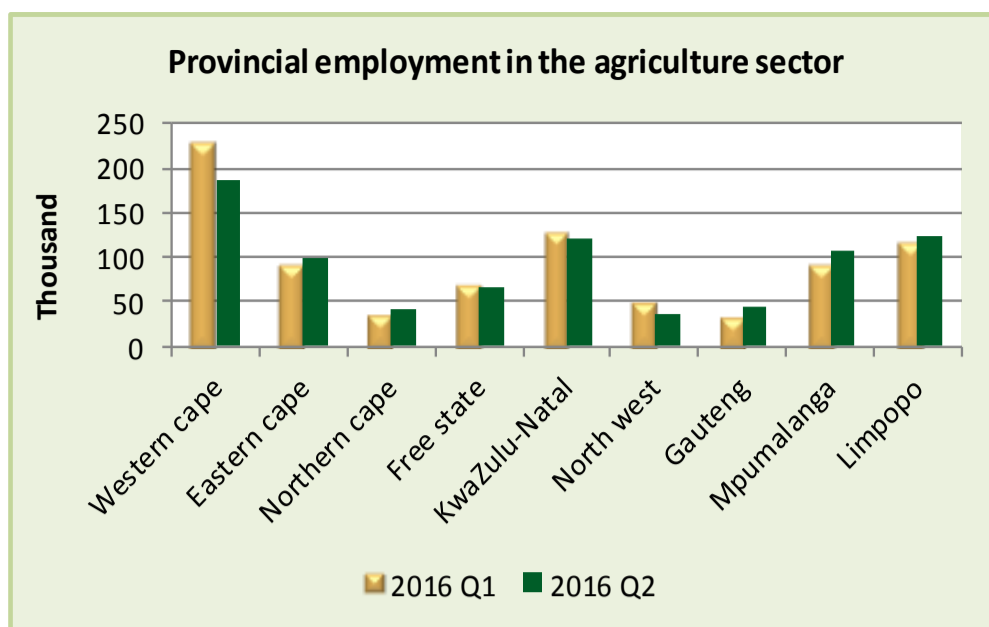


Figure 3: Provincial employment in the agriculture sector, (Statistics SA)

Figure 3 shows that agriculture employment increased in five provinces and decreased in other four provinces in the second quarter of 2016 compared to the previous quarter. Agriculture employment in Gauteng increased by 19.2%, Mpumalanga, Northern Cape, Eastern Cape and Limpopo employment increased by 11.3%, 5.8%, 5.2% and 4.3% respectively between the two quarters. While the agriculture employment in the Northern Cape, Western Cape, Free State and KwaZulu-Natal decreased by 31.9%, 18.4%, 8.3% and 6.8% respectively. The huge decline in employment in Northern Cape is attributed to the effect of drought amongst other factors as it was one of the province that was badly affected by drought. Though employment decreased in the Western Cape but the province remained with the highest agriculture employment compared to other provinces.

TRACTOR AND COMBINE HARVESTER FOR AGRICULTURE SECTOR

	July 2015	July 2016	Percentage change (%)	Jan - July 2015	Jan - July 2016	Percentage change (%)
Tractors	665	451	-32.2%	3 973	3 403	-14.4%
Combine Harvester	12	14	16.7%	146	132	-9.6%

Table 1 shows the comparison of the tractors and combine harvester on monthly and quarterly basis (Source: SAAMA)

Table 1 shows the comparison of the tractors and combine harvesters on monthly basis and quarterly basis. During July 2016, national tractor sales amounted to 451 units, 32% less than 665 units sold in July 2015. Between January to July 2016, national tractor sales amounted to 3 403 units, 14.4% less than 3 973 units sold during the same period last year. National combine harvester sales during July 2016 amounted to 14 units, 2 units (16.7%) less compared to July 2015. According to the South African Agricultural Machinery Association (SAAMA), market sentiment remains positive while farmers are awaiting to see their yields. Late rains, particularly in the east of summer rainfall areas is expected to assist wheat plantings and the upcoming summer crops. Meanwhile, SAAMA anticipates market sentiment to be depressed for the next coming two months while in the medium term, market sentiment is expected to be driven by weather conditions. Industry expectations are that 2016 tractor sales will likely be 15% to 20% down compared to 2015.

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.

REFERENCES :

- South African Agricultural Machinery Association (SAAMA): Available at <http://www.saama.co.za/>
- NAMC & DAFF (2016) ECONOMY-WIDE EFFECTS OF DROUGHT ON AGRICULTURE
- Statistics South Africa (Stats SA), (2015): Quarterly Labour Force Survey, Quarter 1, 2016: Available at <http://www.statssa.gov.za>

Date: 15 August 2016

For more information contact: Directorate Statistics & Economic Analysis (SEA) Ms Ellen Matsei at Das@daff.gov.za or 0123198454.