

SA agricultural machinery sales remained reasonably strong in April 2023 but will likely soften in the second half of the year

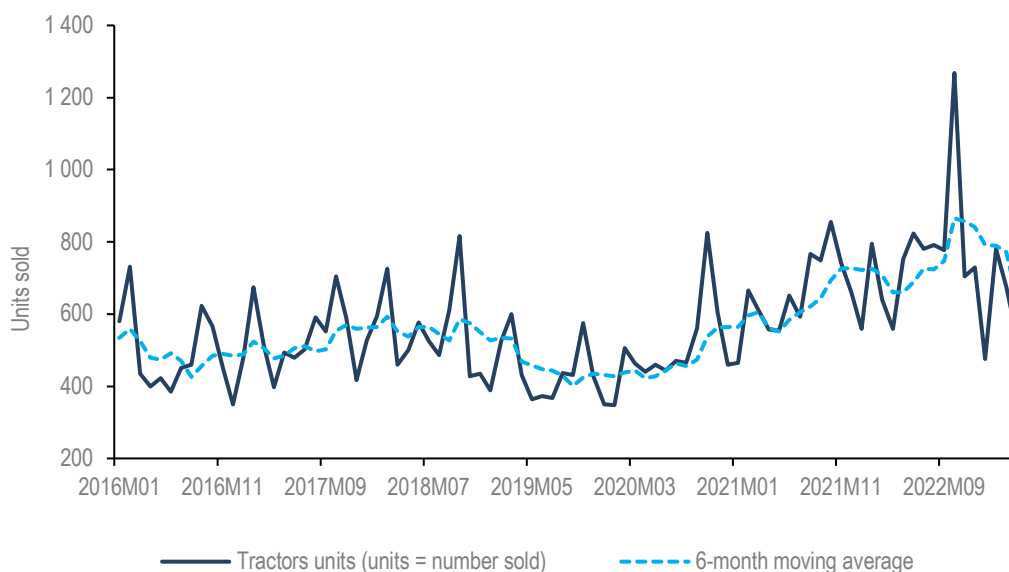
We continue to see a mixed picture in South Africa's agricultural machinery sales. For example, tractor sales were down by 3% y/y in April 2023, with 543 units sold – see the chart. Meanwhile, combine harvester sales were at 104 units, up significantly from the 44 units sold in April last year.

The robust combine harvester sales are surprising, as we thought by now there would be a general moderation in the agricultural equipment sales from last year's intense levels. In addition to varied farmers' financial reasons, part of the reason for these strong combine harvester sales is that we have a large summer grain and oilseed crop in the 202/23 season, and the harvest will gain momentum later this month.

That said, we still believe South Africa's agricultural machinery sales will likely cool off this year, following a few years of excellent activity. For example, South Africa's tractor sales for 2022 amounted to 9 184 units, up 17% y/y and the highest annual sales for the past 40 years. The combine harvester sales amounted to 373 in the same period, up 38% y/y and the highest yearly sales figure since 1985.

This year will likely be a pause from this robust sales period for several reasons. Chief amongst them is that the possible replacement rate of older machinery will likely be lower this year as the past three years saw increased new machinery sales. This will possibly be a reality in the second half of the year. Moreover, the rising interest rates will continue to pressure farmers' finances. While other input costs prices, such as fertilizer and agrochemicals, have softened in recent months, the current price levels are still well above long-term levels, thus adding pressure on farmers' finances.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

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