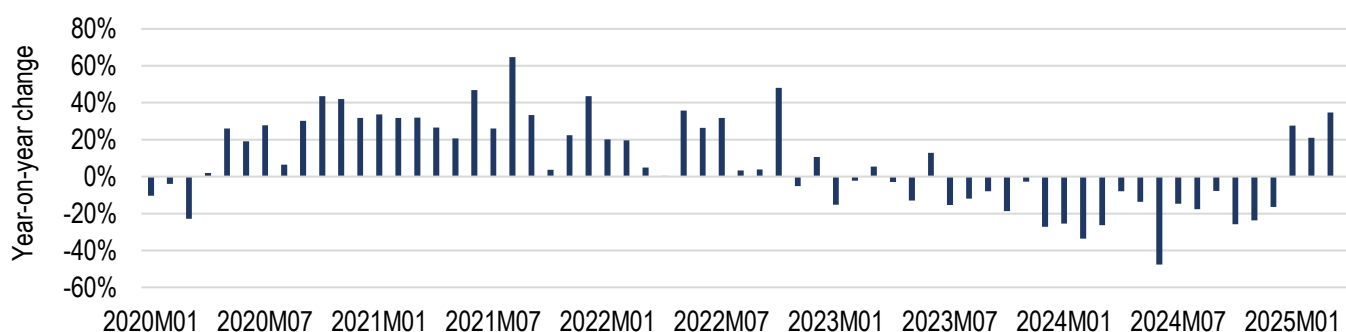


SA agricultural machinery sales were robust in April

- We continue to see encouraging agricultural machinery sales in South Africa. For example, tractor sales increased for the fourth consecutive month, up 5% year-on-year in April 2025, with 527 units sold. The combine harvesters' sales were even more encouraging, up 77% year-on-year in April, with 46 units sold. As we stated in the previous notes, the substantial increase in sales primarily reflects the positive sentiment in the sector about the 2024-25 crop and horticulture harvest due to favourable weather conditions and the base effects, given the weak sales in 2024. Indeed, the heavy rains in April have caused concerns about the crop quality. Still, there remains optimism about the yields, which supports the robust sales. For example, the Crop Estimates Committee forecasts South Africa's 2024-25 summer grain and oilseeds production at 18.01 million tonnes, 16% higher than the 2023-24 production season, representing a decent recovery from drought.
- If we reflect briefly on the past few years' performance, it is fair to say that the poor agricultural machinery sales performance in 2024 resulted from three major factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes supported higher sales due to an ample harvest and higher commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024. Second, we struggled with a mid-summer drought in the 2023-24 season, weighing on farmers' fortunes and worsening sales performance. Lastly, the relatively higher interest rates for much of 2024 added to the economic pressures to the sector, leading to poor sales.
- This year, however, things are different, as the sales for the first quarter have already shown. The interest rates have eased somewhat from last year's levels, although there remains uncertainty about the path ahead given the renewed risks to the global economy. Also, agricultural production conditions are favourable across most commodities. Also worth noting is that some farmers may start with machinery replacement in the coming months. All this will support the sales of tractors and combine harvesters.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research