

Steady interest rates outcome still positive for agriculture in tough times

As widely expected, the South African Reserve Bank (Sarb) kept the repo rate steady at a record low of 3.5% in its first meeting of 2021.

 By [Paul Makube](#) 22 Jan 2021



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Although the inflation outlook remains subdued below the mid-point of the 3% to 6% range, the Sarb's forecast model points to a potential 50 basis hike for 2021 (second and third quarters).

The lower rates were positive for the agriculture sector especially at the height of agricultural activity and increased credit demand. Strong commodity prices have also helped keep farmers afloat, although there are pockets of Covid-19 induced challenges such as the wine value chain.

The extended reprieve will provide an opportunity for farmers to do the necessary refurbishments and replacement of machinery and equipment.

Record low-interest rates coupled with strong commodity prices boosted machinery sales for 2020. This saw robustness in tractor and combine harvester purchases with increases of 8.9% and 25% respectively year-on-year.

Another strong agriculture output will limit further upside in food inflation which is positive for overall consumer inflation in the year ahead. We still expect the agriculture sector to post another stellar performance during 2021.

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