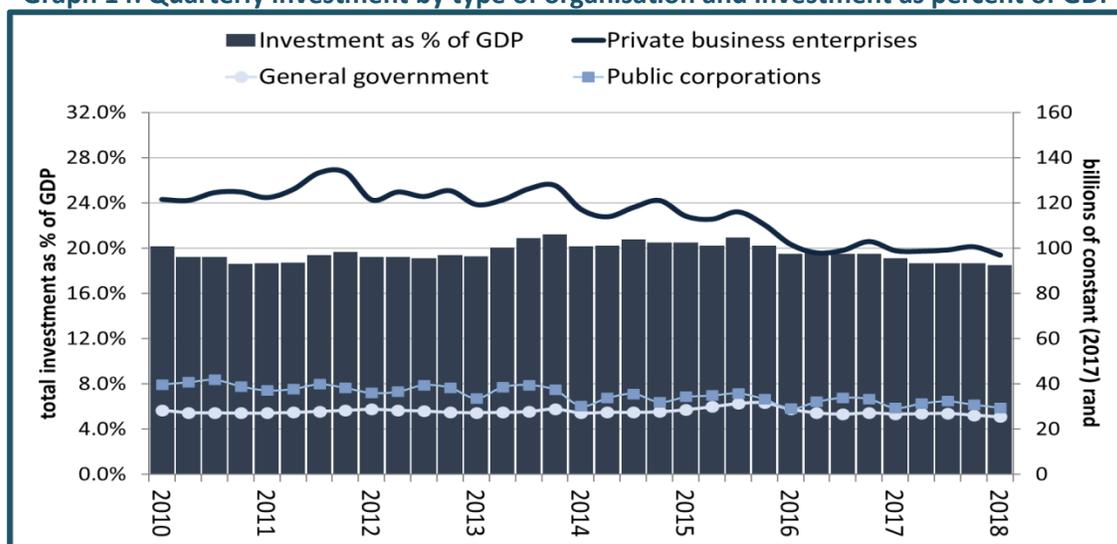


Investment and profitability

Investment started declining in 2012 with the end of the commodity boom, with an accelerating decline from 2015. In the first quarter of 2018 it was 18% lower than six years earlier. In the year to March 2018, private investment dropped 2%, public enterprises saw no change, and general government investment contracted 5%, reflecting the turn toward austerity.

Investment as a percentage of GDP fell from 19.1% to 18.5% from the year to the first quarter of 2017 to the year to first quarter of 2018 (see Graph 14). That was down from around 20% through 2015. Total investment dropped by 2% in the year to March 2018. Overall, investment fell at 4% a year from the first quarter of 2012 to the first quarter of 2016. Since then it has fallen an average of 2% a year.

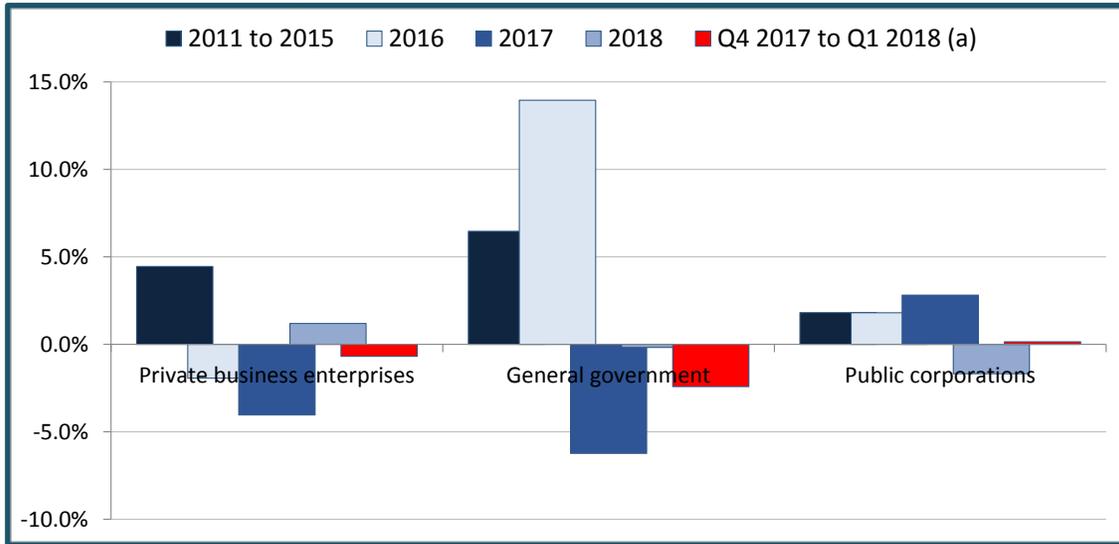
Graph 14: Quarterly investment by type of organisation and investment as percent of GDP



Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

In the year to March 2018, the sharpest fall occurred in general government investment, at 5%, reflecting the shift toward austerity. Fiscal restraint usually leads to sharper falls in capital spending, which is easier to restrain because it is project-based and often contracted out. Investment by public corporations remained virtually unchanged. Private investment, which constitutes the bulk of all investment, fell by 2% in the year to ch 2018.

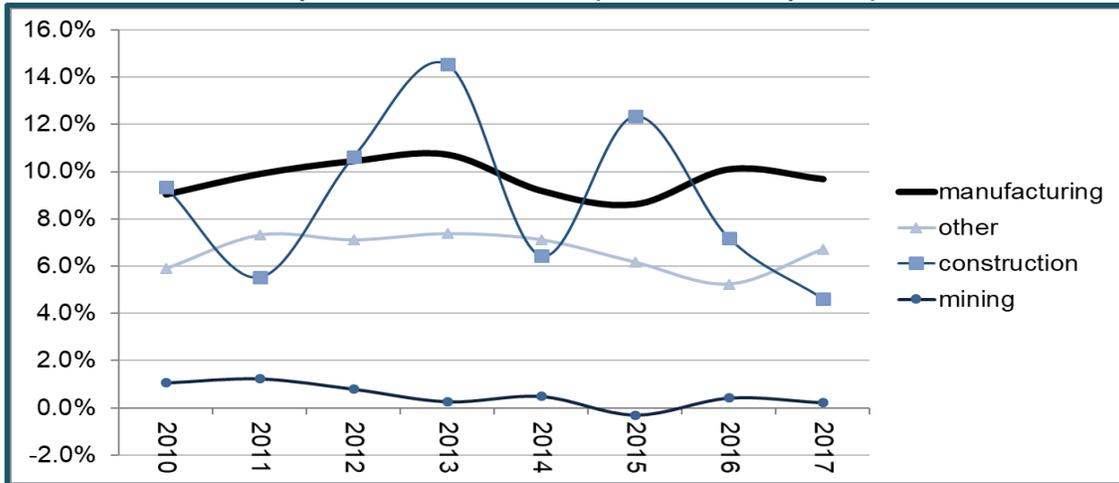
Graph 15: Change in investment by type of investor



Note: (a) seasonally adjusted. Source: StatsSA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in June 2018.

The latest profitability data cover 2017. They show a 9.7% return on assets in manufacturing for 2017, slightly lower than the 2016 level of 10.1% but higher than the 8.6% figure for 2015 (see Graph 16). Returns in mining remained very weak, at 0.2% in 2017 compared to 0.4% in 2016. Returns on assets in construction continued to decline, falling to 4.6% in 2017 compared to 7.2% in 2016.

Graph 16: Return on Assets (Year to fourth quarter)

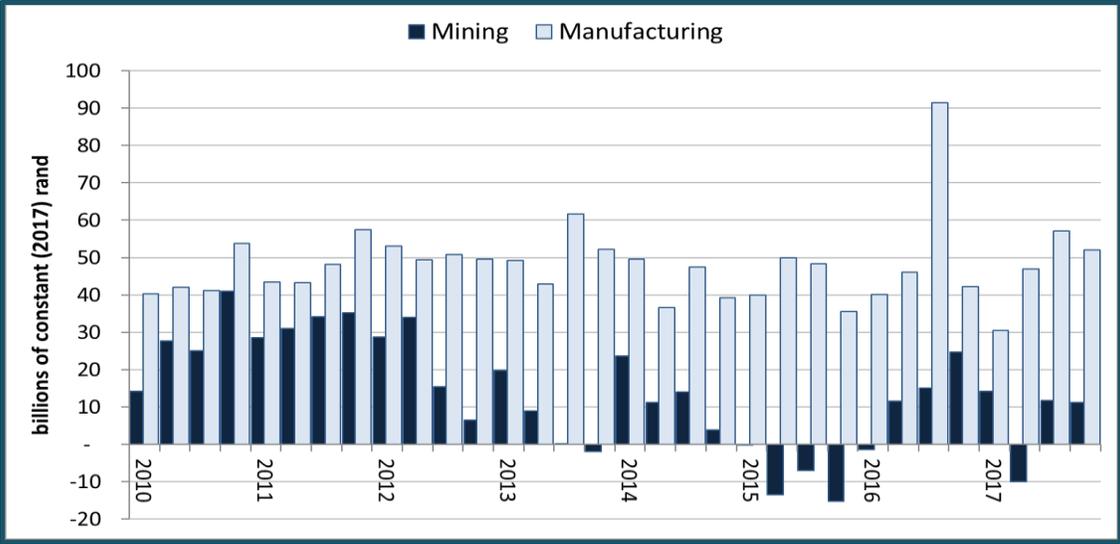


Source: StatsSA, Quarterly Financial Statistics.

Manufacturing profits increased over the course of 2017, rising from R30 billion in the first quarter to R52 billion in the last quarter, in constant (Q4 2017) rand. Over the same period, mining profits declined from R14 billion to R11 billion (see Graph 17). Throughout 2017, the mining sector saw substantial variability in profits, moving from a R14 billion gain in the first

quarter of 2017 to a loss of R10 billion in the second quarter, and then recovering to R11 billion in the final quarter of 2017. The construction sector remained profitable in 2017, with a profit of R3 billion in the final quarter of 2017, up from R2 billion in the third quarter.

Graph 17: Manufacturing and Mining Profits (Year to fourth Quarter)



Source: Statistics South Africa. Quarterly Financial Statistics.