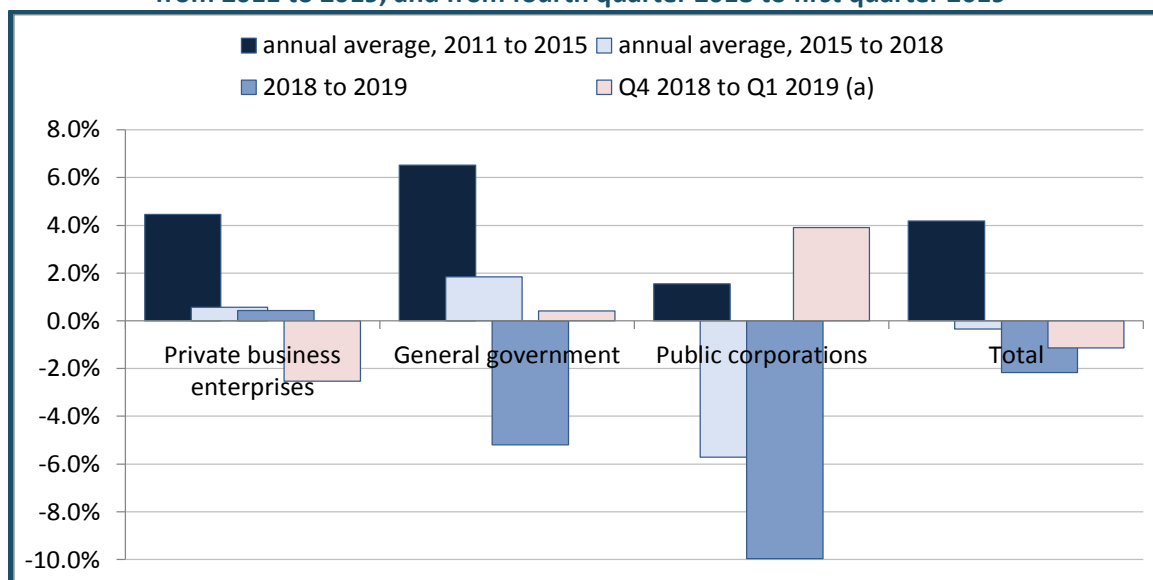


## Investment and profitability

The 2% fall in investment from the year to the first quarter 2018 to the year to the first quarter 2019 was a central factor behind the economic downturn. The sharpest decline emerged for public investment, although both state-owned enterprises and government departments reported a recovery in the first quarter of 2019 alone. Private investment, in contrast, grew slightly year on year, but contracted sharply from the fourth quarter of 2018 to the first quarter of 2019.

Year-on-year, using the year to the first quarter, total investment dropped by 2.2% from 2018 to 2019. From the fourth quarter of 2018 to the first quarter of 2019 alone, it fell by 1.1%. For the past four quarters, investment has hovered at just 18% of the GDP, which is generally considered too low to sustain rapid growth. In constant rand, public investment has declined since 2016. Private investment, which is far larger, was flat for most of the past three years but dipped over 2% in the last quarter.

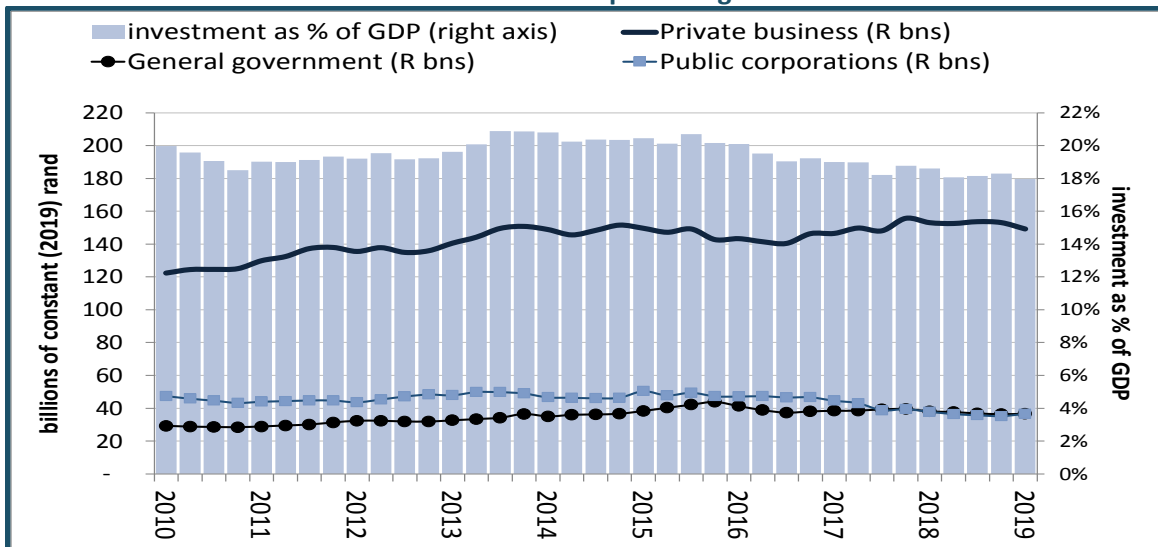
**Graph 1: Change in investment by type of organisation, year on year for year to first quarter from 2011 to 2019, and from fourth quarter 2018 to first quarter 2019**



Note: (a) Seasonally adjusted change from fourth quarter 2018 to first quarter of 2019. Source: StatsSA GDP data. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

As a share of GDP, total investment hovered around 18% for the year to the first quarter of 2019. It had dropped from just over 20% in the two years to 2016.

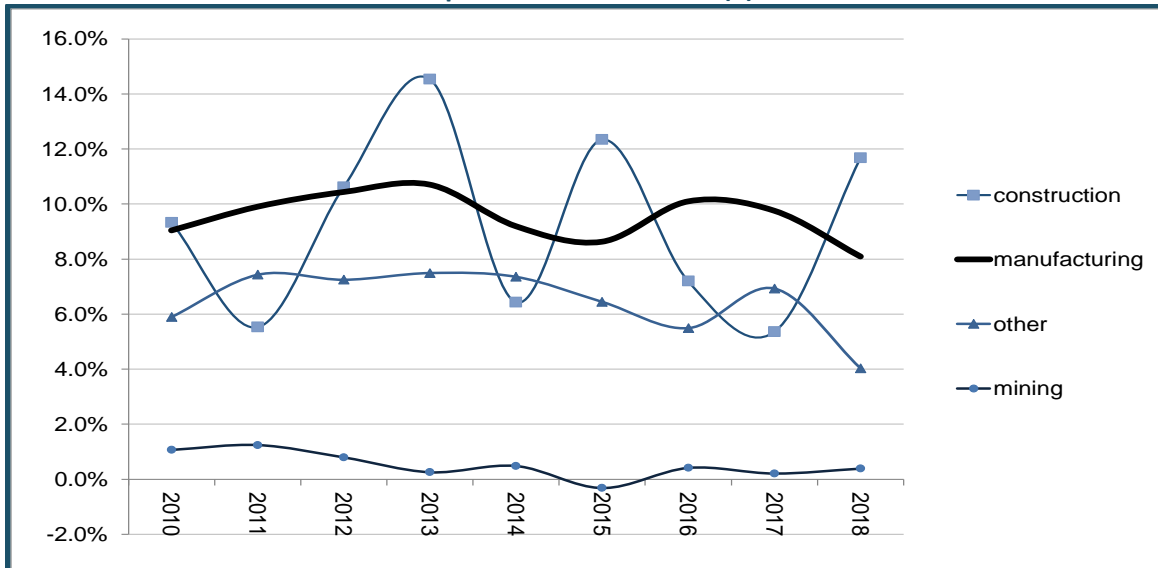
**Graph 2. Quarterly seasonally adjusted investment by type of organisation in constant rand and as percentage of GDP**



Note: (a) Seasonally adjusted change from fourth quarter 2018 to first quarter of 2019. Source: StatsSA GDP data. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in June 2019.

Returns on assets for the manufacturing sector dropped from 9.8% in 2017 to 8.1% in 2018, highlighting continuing strain on the sector. Returns in mining remained low in 2018 despite a slight improvement, increasing from 0.2% in 2017 to 0.4% in 2018. The construction sector remained highly volatile. Its rate of return more than doubled from 5.4% in 2017 to 11.7% in 2018.

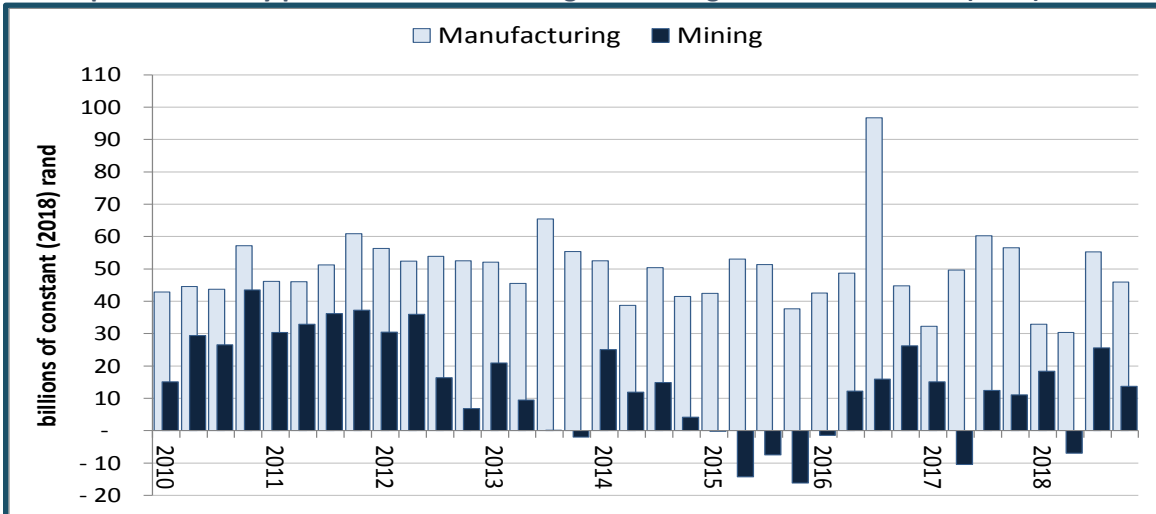
**Graph 3: Return on assets (a)**



Note: (a) Net profit before tax as % of carrying value of assets. Source: StatsSA, Quarterly Financial Statistics

Graph 17 shows quarterly manufacturing and mining profits in constant rand from 2010. It indicates the increased volatility of manufacturing returns in the past two years, as well as the challenges facing mining since the global commodity boom ended eight years ago. Mining profits dropped from R26 billion in the third quarter to R14 billion in the fourth quarter of 2018, while manufacturing profits fell from R55 billion to R46 billion.

**Graph 4: Quarterly profits in manufacturing and mining in billions constant (2018) rand**



Source: StatsSA, Quarterly Financial Statistics