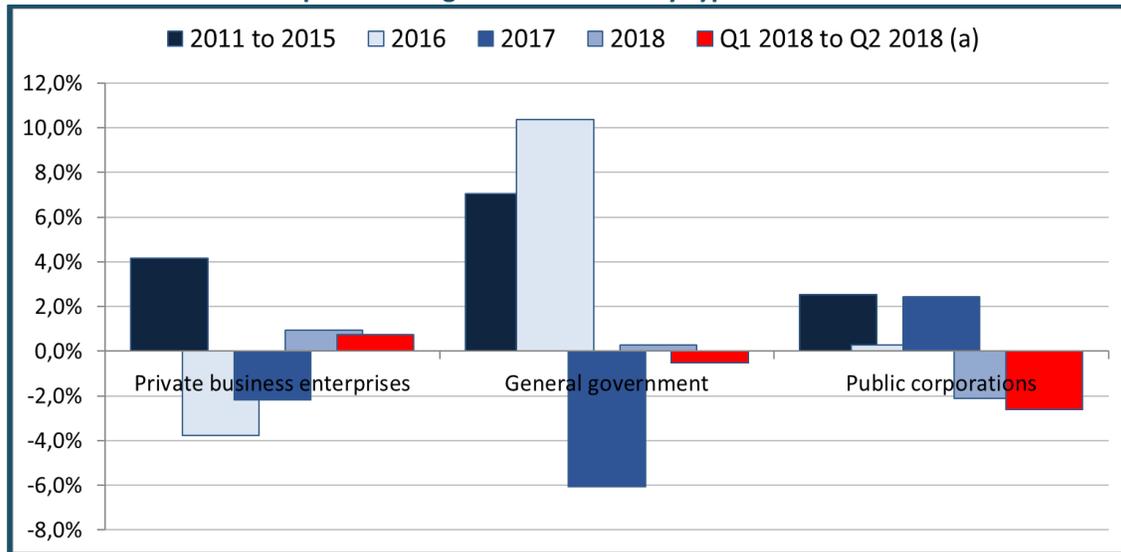


Investment and profitability

Overall, investment declined, entirely due to a fall in investment by government and state-owned corporations. In contrast, in the year to the second quarter of 2018, private investment increased by 0.9%.

Private investment climbed 0.8% in the second quarter of 2018, contributing to a 0.9% increase in private investment in the year to the second quarter. In contrast, investment by the general government dropped by 0.5% in the second quarter, and investment by public corporations by some 2.6%. General government – that is, national and provincial departments and municipalities – eked out a small increase in investment in year-on-year terms. The state-owned corporations, however, which have been a central driver of investment since around 2005, saw their investments drop 2.1% in the year to the second quarter of 2018 (see Graph 16).

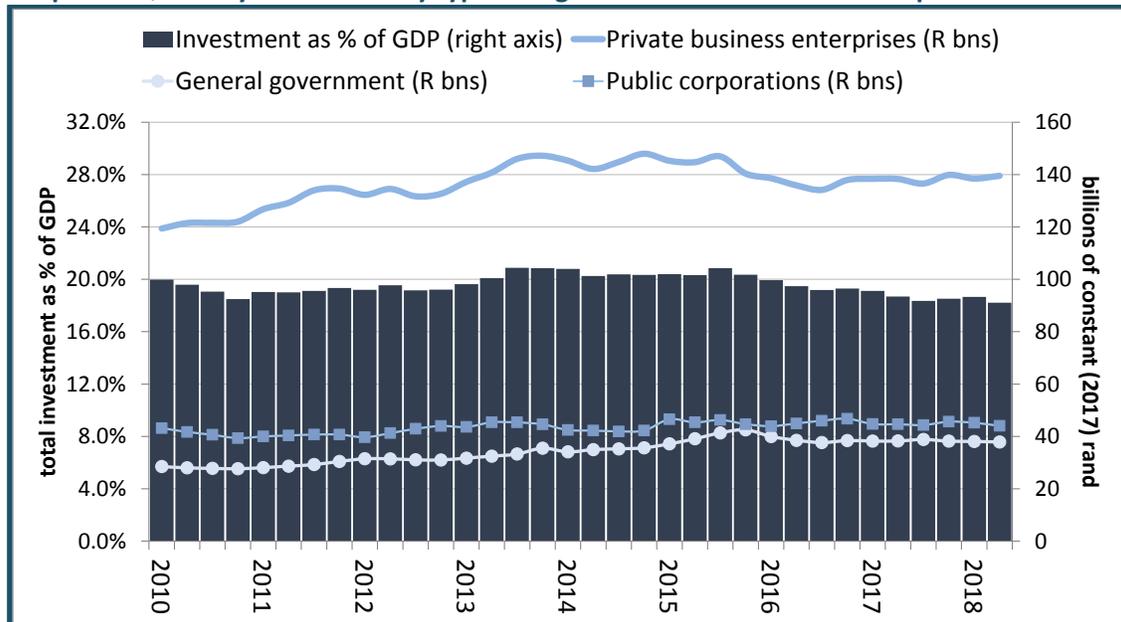
Graph 16. change in investment by type of investor



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

As Graph 17 shows, the investment rate – that is, investment as a percentage of the GDP – continued to decline in the second quarter of 2018, despite the growth in private-sector investment. The rate has fallen steadily since 2015.

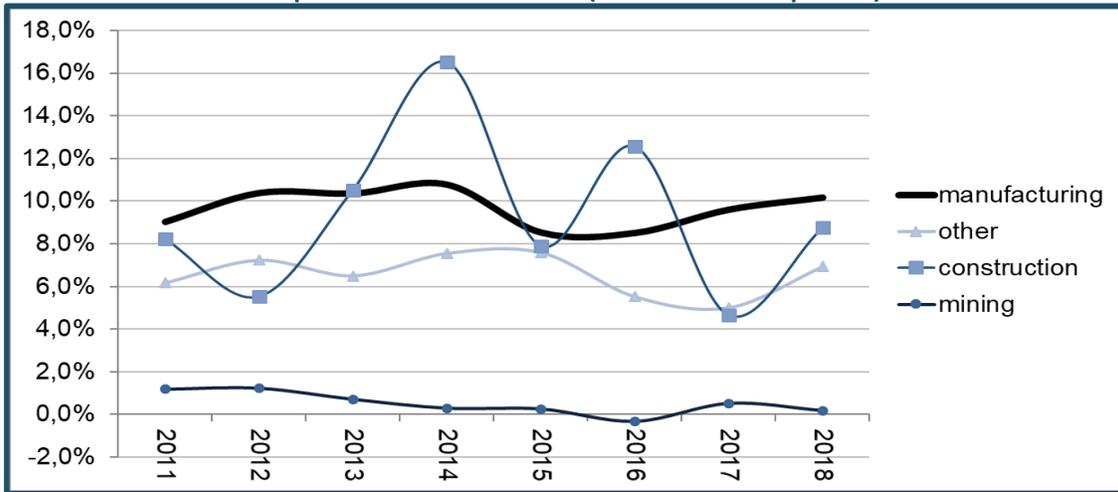
Graph 17. Quarterly investment by type of organisation and investment as percent of GDP



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

Returns on assets in manufacturing continued to increase, reversing the fall in 2015. They climbed to 10.2% in 2018 from 9.6% in 2017. The mining industry, on the other hand, saw its return on assets fall to 0.2% in 2018, down from 0.5% in 2017, but better than the 0.3% loss in 2016 (see Graph 18). As with manufacturing, construction returns on assets improved, rising to 8.7% in 2018 from 4.7% in 2017. However, these returns remain below the rate of 12.6% in 2016.

Graph 18. Return on Assets (Year to second quarter)

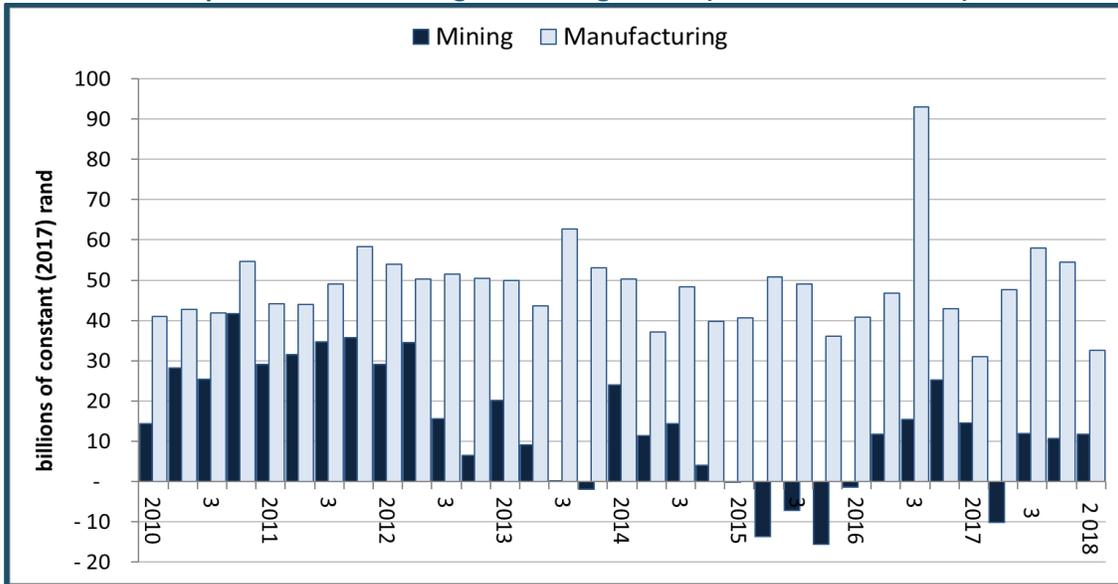


Source: StatsSA, Quarterly Financial Statistics.

Manufacturing profits increased in constant rand in the year to the first quarter of 2018, rising from R31 billion in the first quarter of 2017 to R33 billion in the first quarter of 2018. However, on a quarterly basis, profits declined by R22 billion from the fourth quarter.

Mining profits declined compared to the first quarter of 2017. Construction saw a substantial improvement in profits, rising to R7 billion in the first quarter of 2018, from R2 billion in the first quarter of 2017 (see Graph 19).

Graph 19. Manufacturing and Mining Profits (Year to First Quarter)



Source: StatsSA, Quarterly Financial Statistics.