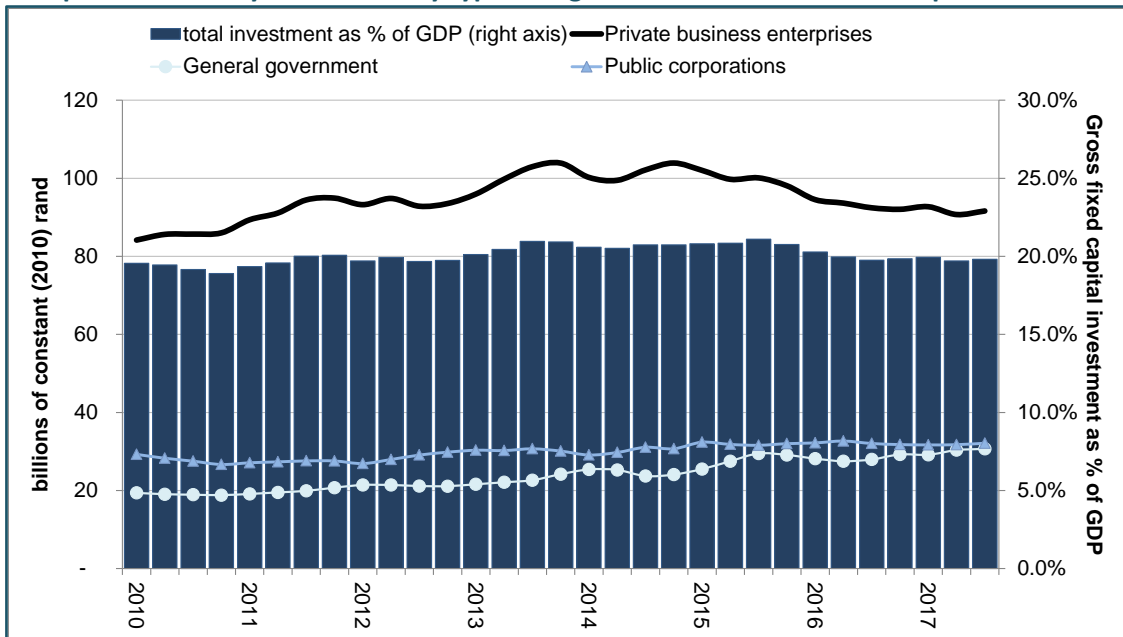


## Investment and Profitability

Investment levelled out in constant terms from mid-2016, and remained under 20% of the GDP. Mining and construction profits dropped sharply in the second quarter of 2017, the latest available data, while the returns in manufacturing remained fairly stable.

The overall investment rate remained just under 20%, substantially lower than two years earlier, despite a modest recovery in the past quarter (see Graph 16). From 2015, private investment has fallen by 12%, SOE government investment has climbed some 27%, and SOC investment has been essentially flat.

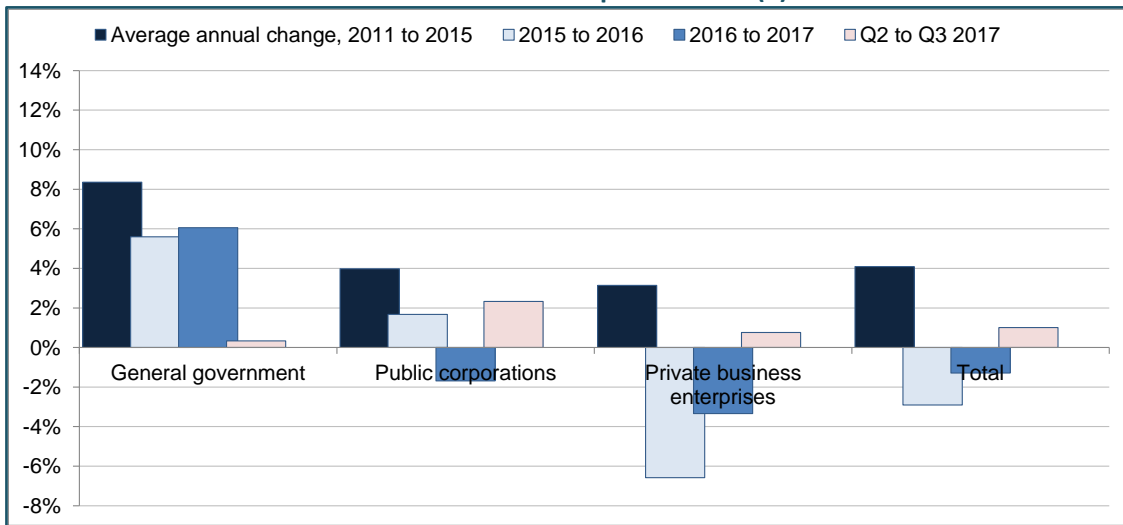
**Graph 16. Quarterly investment by type of organisation and investment as percent of GDP**



Source: StatsSA GDP quarterly figures. *GDPP\_Tables\_2q\_2017*. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

Graph 17 shows that, in the past quarter, investment recovered slightly in both public and private business, but not enough to offset the decline in the previous three quarters. In contrast, government investment grew significantly more slowly in the past quarter than in the previous year, but it did not decline.

**Graph 17. Change in investment by type of investor, year to third quarter and second to third quarter 2017 (a)**

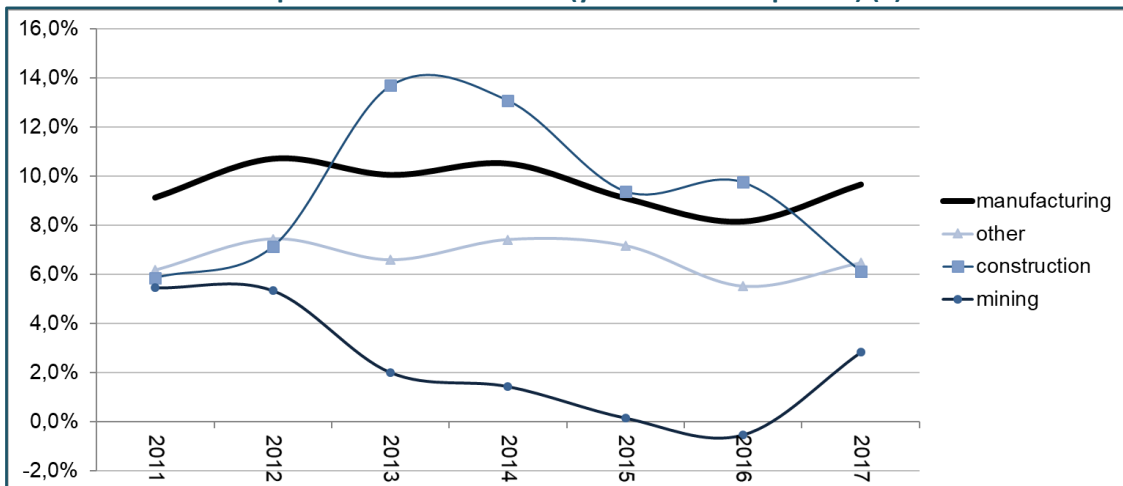


Note: (a) Second to third quarter 2017 figures are seasonally adjusted. Source: StatsSA GDP quarterly figures. GDPp\_Tables\_2q\_2017. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

11

Using the year to the second quarter, returns on assets for the manufacturing sector, climbed to 9,7% in 2017, compared to 8% in 2016. The mining sector returned to positive territory after losses in the year to the second quarter of 2016, reaching a modest 2,8%. In contrast, returns in construction have fallen from a peak of 14% in 2013 to only around 6% in the current year (see Graph 18).

**Graph 18. Return on assets (year to second quarter) (a)**

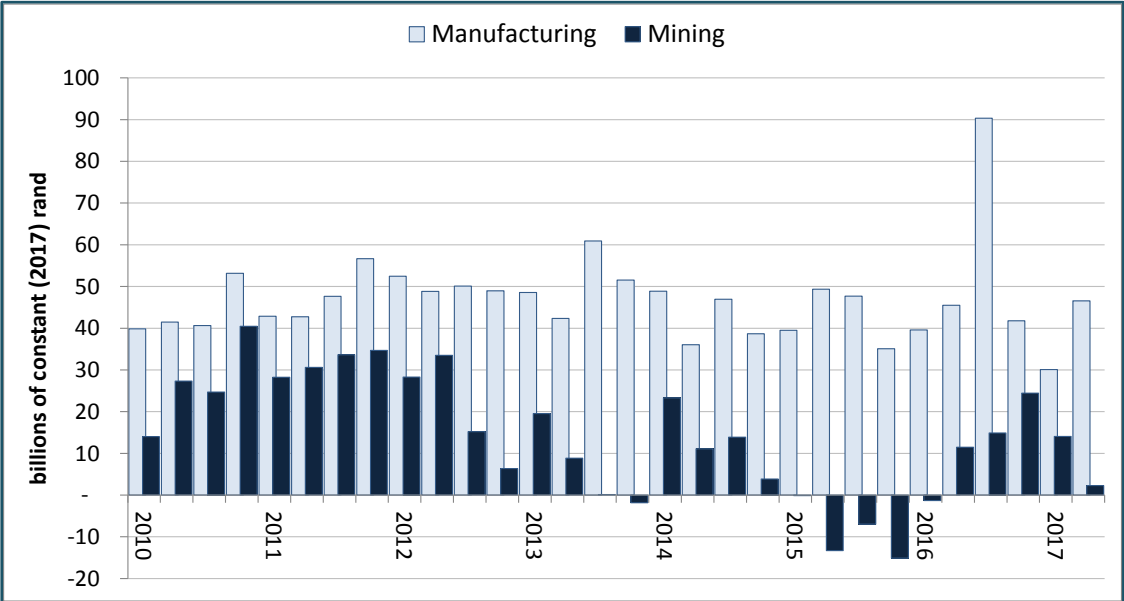


Note: Net profit before tax as % of carrying value of assets. Source: StatsSA, Quarterly Financial Statistics

Profits in manufacturing remained stable in constant rand (the spike in 2016 resulted from restructuring in the beverages industry). In contrast, over the past six months mining profits have fallen to near zero (see Graph 19).

Construction profits declined by around 50% in the year to the second quarter of 2017 compared to the year to second quarter 2016.

Graph 19. Manufacturing and mining profits (year to second quarter)



Source: StatsSA, Quarterly Financial Statistics, relevant quarters.