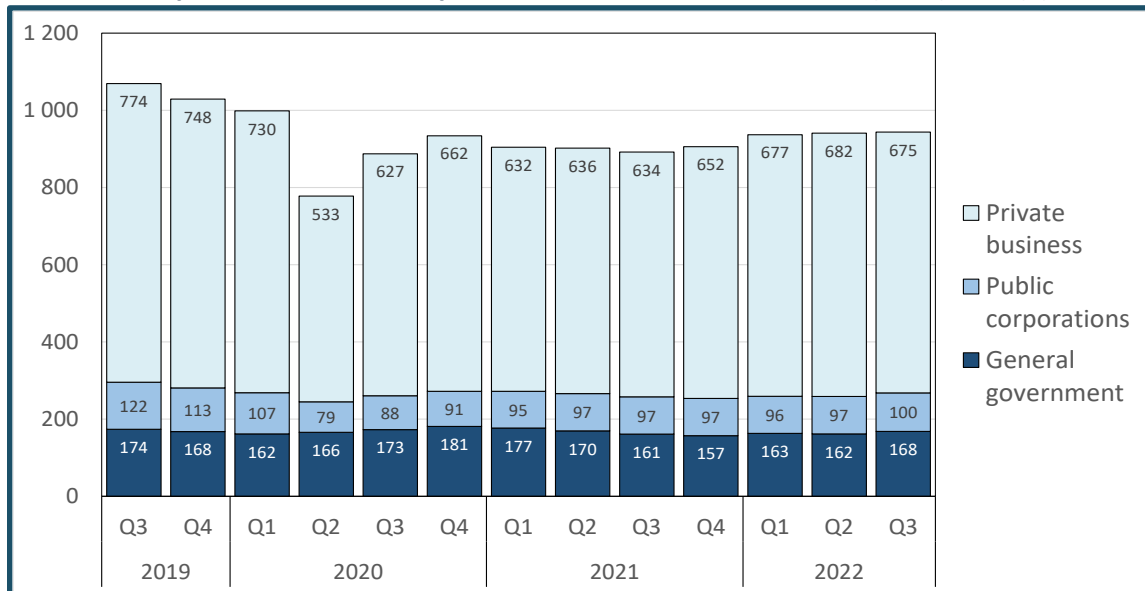


Investment

Investment in the third quarter of 2022 grew 0.3%, with private investment contracting slightly and public investment expanding sharply for the first time in a decade. The investment rate maintained the 14% level from the previous quarter, up from 13% in the third quarter of 2021 – still far below the level of around 20% required for steady growth. Returns on assets climbed sharply in manufacturing and the rest of the economy outside of mining and construction. Despite the decline in mining, profitability remained very high by historic standards.

Public investment expanded in the third quarter of this year, with state-owned corporations and general government investment up by 3% and 2% respectively from last quarter. Private investment, while over 9% higher than in the third quarter of 2021, contracted slightly compared with the previous quarter. (Graph 18)

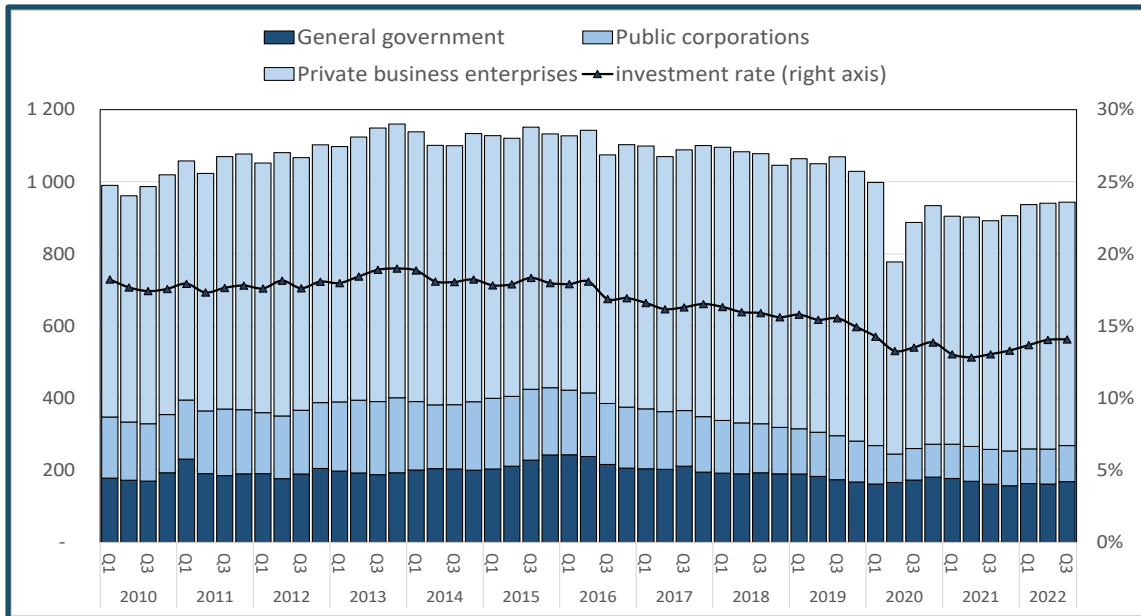
Graph 18. Quarterly seasonally adjusted investment by type of organisation, third quarter 2019 to third quarter 2022, in billions of constant (2022) rand (a)



Note: Rebased with implicit deflator rebased to third quarter 2022. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet.

Investment in the third quarter of 2022 remains well below pre-pandemic levels, at 8% lower than three years earlier. Overall investment began to decline before the pandemic, however, falling from 2016. The contraction was driven by a sharp fall in investment by state-owned entities and to a lesser extent by general government. As of the third quarter of this year, levels of investment were 24% lower than in 2016 for general government, 43% for state-owned entities and 6% for private businesses. The investment rate fell from 17.5% to 14% over this period. (Graph 19)

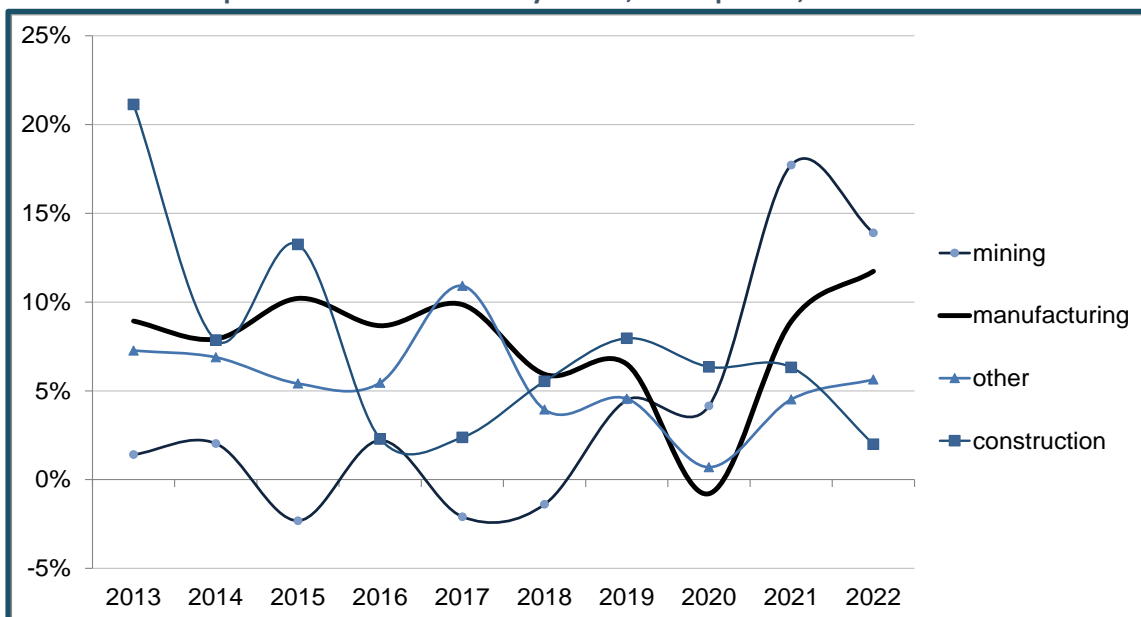
Graph 19. Quarterly investment by type of organisation in billions of constant (2022) rand (a), and total investment as a percentage of GDP, 2010 to second quarter 2022



Note: (a) Refflated with implicit deflator rebased to first quarter of 2022. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet.

Data on profitability by sector lag a quarter behind the other data presented in this bulletin. As measured by return on assets, these indicate that mining profitability had declined from a high of 17.7% in 2021 to 13.9% by the second quarter of 2022, reflecting generally lower commodity prices but still high by historical standards. Manufacturing profitability maintained a strong recovery from net losses in 2020, climbing to 8.9% in 2021 and 11.7% in the second quarter of this year. Profitability in the construction sector fell from 2021, dropping from 6.3% to 2% as of last quarter. (Graph 20)

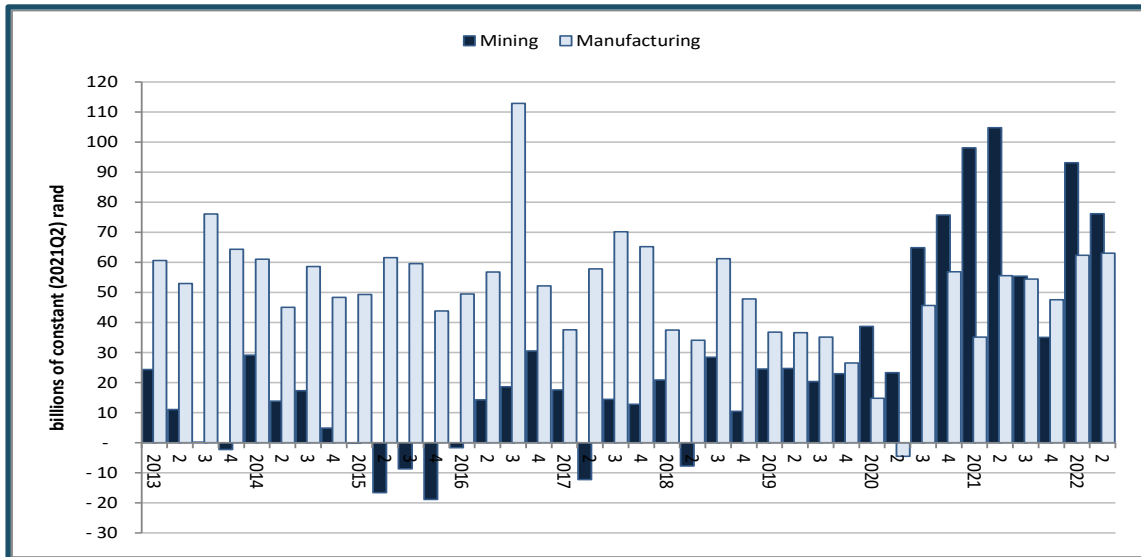
Graph 20. Return on assets by sector, third quarter, 2013 to 2022



Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.

In constant rand, mining profits fell from R93 to R76 billion from the first to second quarter of 2022. These remain well above pre-pandemic levels, as mining profits averaged R23 billion on a quarterly basis in 2019. Manufacturing profits in the second quarter of 2022 increased 13% from the same quarter last year.

Graph 21. Quarterly profits in manufacturing and mining in billions of constant 2022 rand (a), 2013 to 2022



Note: (a) Deflated with CPI. Source: Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.