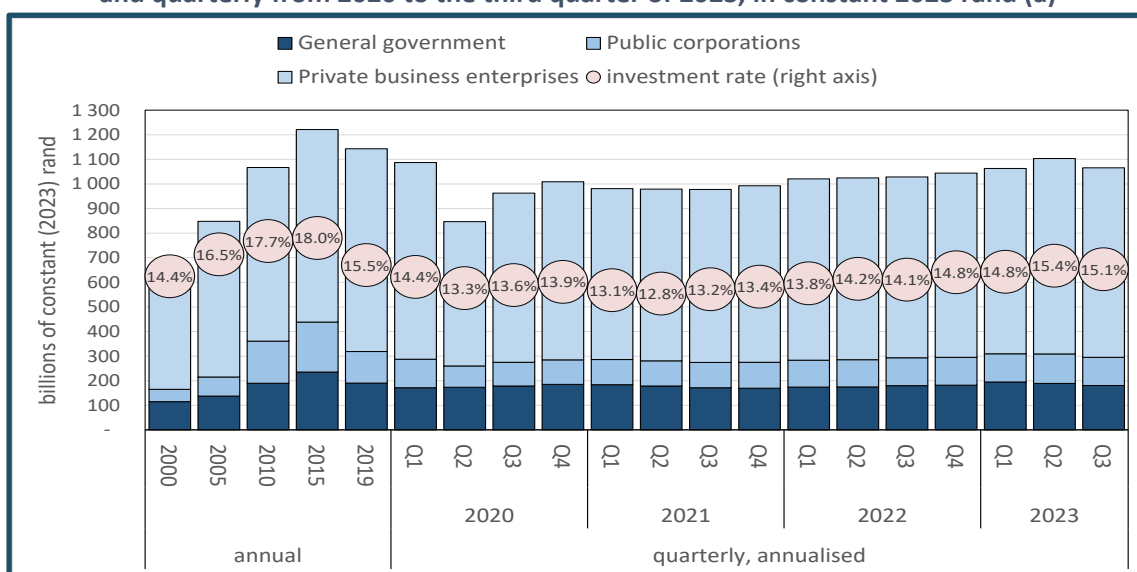


Investment and profitability

Investment climbed 3.6% in the year to the third quarter 2023, driven almost exclusively by growth in private capital expenditure. As a result, the investment rate rose from 14% in the third quarter of 2022 to 15% in the third quarter of 2023. Profitability in manufacturing improved somewhat, but mining continued its downward trend.

Private investment dropped 3.1% in the third quarter of 2023, following the 5.4% growth in the previous quarter. Public investment dropped even faster, at 4.5% for general government and 4.1% for public corporations. As a result, total investment declined 3.4% for the quarter. Still, it was 3.6% up for the year to the third quarter 2023. In year-on-year terms, public investment increased by less than 1%, while private investment rose 4.8%.

Graph 18. Investment by type of investor and the investment rate, annual from 2000 to 2019 and quarterly from 2020 to the third quarter of 2023, in constant 2023 rand (a)



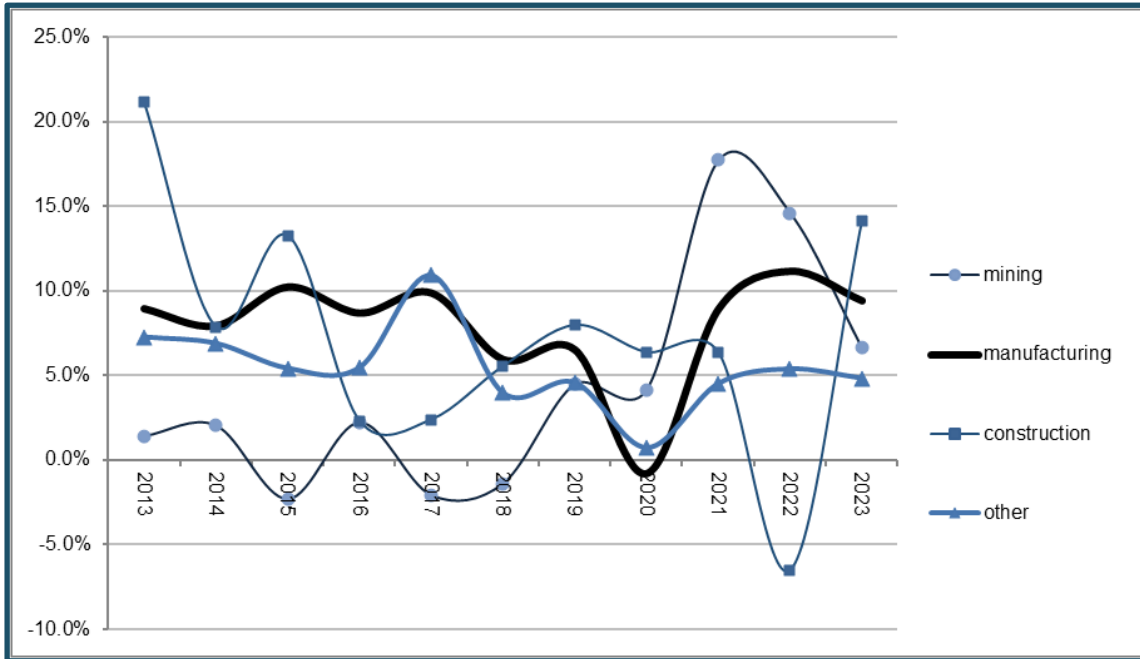
Note: (a) Figures for investment are reflatd with implicit deflator rebased to third quarter 2023. The investment rate is gross fixed capital formation as a percentage of expenditure on the GDP. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

South Africa still ranks among countries with the lowest rate of investment in the world. In 2021, of 38 upper-middle income countries excluding South Africa, only two – Libya and Iraq – had investment rates under 16%. Nineteen, including Brazil, Argentina, Mexico, Russia and Malaysia, had rates under 20%. China’s investment rate was 42%, which was broadly seen as causing both increasing inefficiency and depressed consumption. The average for other upper-middle-income economies was 22%.¹

Both the mining and manufacturing sectors in South Africa saw profitability decline in the second quarter of 2023, the latest available information (Graph 19). The mining sector, in particular, witnessed a downturn, with profitability decreasing from 14.6% in 2022 to 6.6% in 2023. In contrast, the construction sector recovered from substantial losses in the third quarter of 2022, returning to a rate of return of almost 15% a year later.

¹ Calculated from World Bank. World Development Indicators. Interactive dataset. Accessed at <https://databank.worldbank.org/reports.aspx?source=world-development-indicators> in December 2023.

Graph 19. Return on assets by sector, third quarter, 2013 to 2023



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

In constant rand terms, mining profits have dropped consistently from early 2022. By comparison, manufacturing profits have been fairly stable, with an upward trend in the past three quarters.

Graph 20. Quarterly profits in manufacturing and mining in billions of constant 2023 rand (a), 2013 to second quarter of 2023



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