

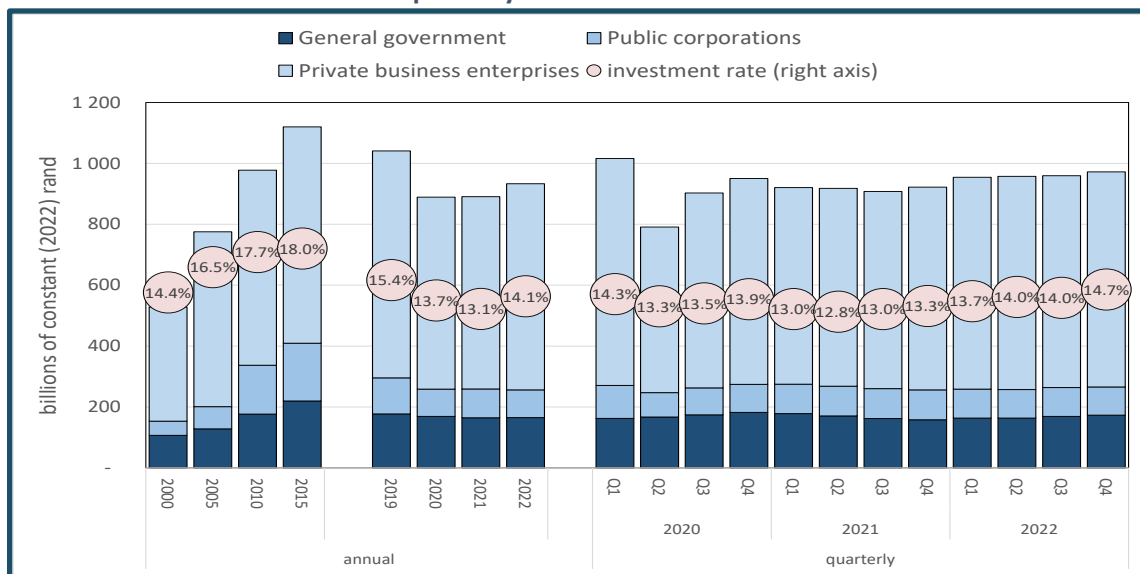
Investment

Investment this quarter increased by 1.3% relative to the third quarter of 2022, nudging the investment rate up to 14.7% of the GDP – still well below the level normally considered adequate for sustained rapid growth. Government investment climbed 2.5% (offset by the fall in government consumption, which mainly covers social services and grants) and private investment 1.5%. State-owned companies, however, cut their capital spending by 2.3%. In 2022, total investment in manufacturing was down by a third compared to 2019.

As Graph 19 shows, investment is still around 20% below pre-pandemic levels. Overall, it peaked in 2013, then largely plateaued before falling sharply at the start of the pandemic.

The investment rate (that is, gross fixed capital formation as a percentage of the GDP) came to 14% for 2022 as a whole, and 14.7% for the last quarter, compared to 18% in 2015 and just over 15% in 2019. Still, it was up from a low of 13% in 2021. Total investment in constant rand climbed 1.3% in the fourth quarter of 2022, with a 2.5% increase in general government investment and a 1.5% hike in private investment. In contrast, investment by state-owned companies fell 2.3%.

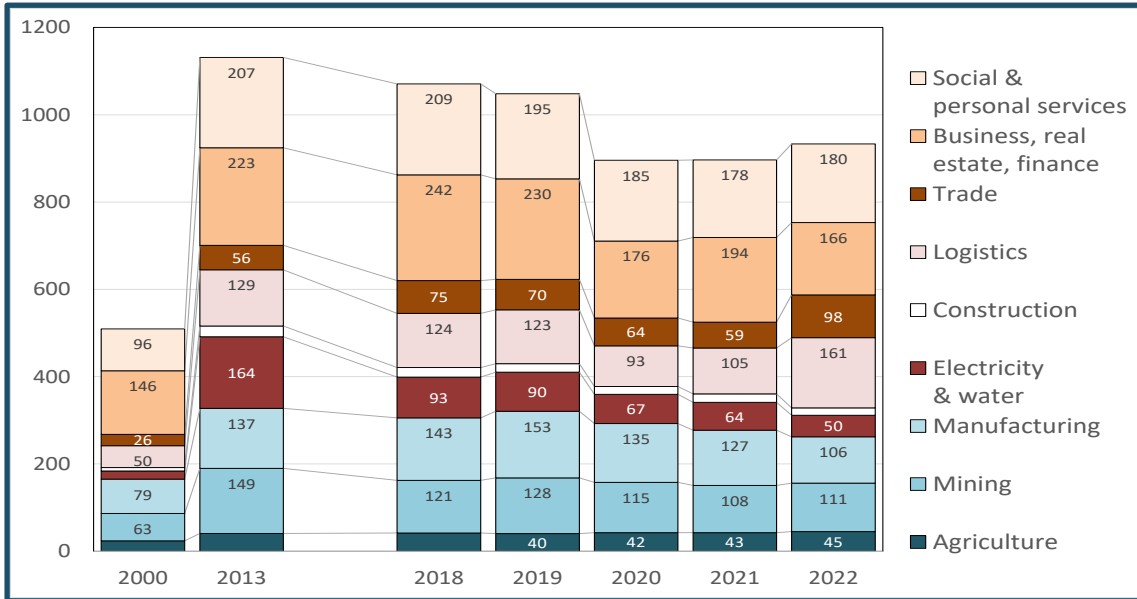
Graph 19. Investment by type of investor and the investment rate (gross fixed capital formation as percent of GDP), annual from 2000 to 2015 and 2019 to 2022 and quarterly from 2020 to 2022



Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet. from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

Data by sector are only available on an annual basis. The biggest decline from the mid-2010s emerged in electricity, gas and water, which in constant terms plummeted from R164 billion in 2013 to R50 billion in 2022. Mining investment also fell, from almost R150 billion in 2013 to a low of R108 billion in 2021, but recovered marginally in 2022. In contrast, manufacturing investment peaked just before the pandemic at R153 billion in 2019, but dropped steadily to R106 billion in 2022. (Graph 20) Logistics – that is, communications and transport – jumped from R105 billion in 2021 to R161 billion in 2022.

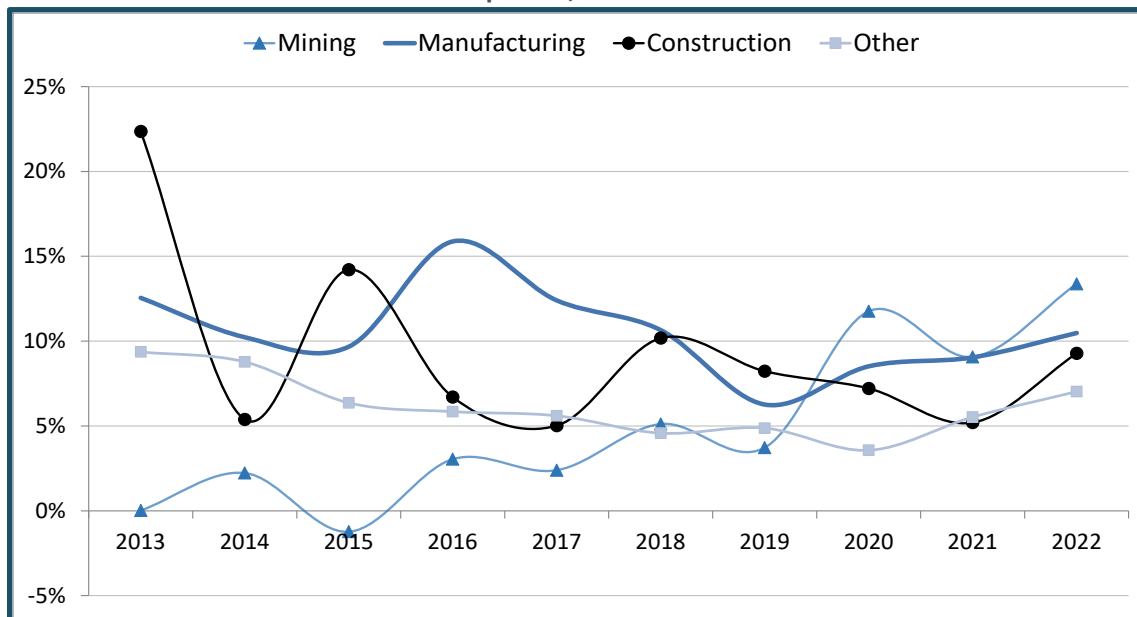
Graph 20. Annual investment by sector in billions of constant (2022) rand (a)



Note: (a) Refflated with implicit deflator rebased to 2022. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

Profitability for formal enterprises generally improved in 2022. Still, it remained well below the early 2010s for manufacturing and construction. The latest available data are for the third quarter of 2022. (Graph 21)

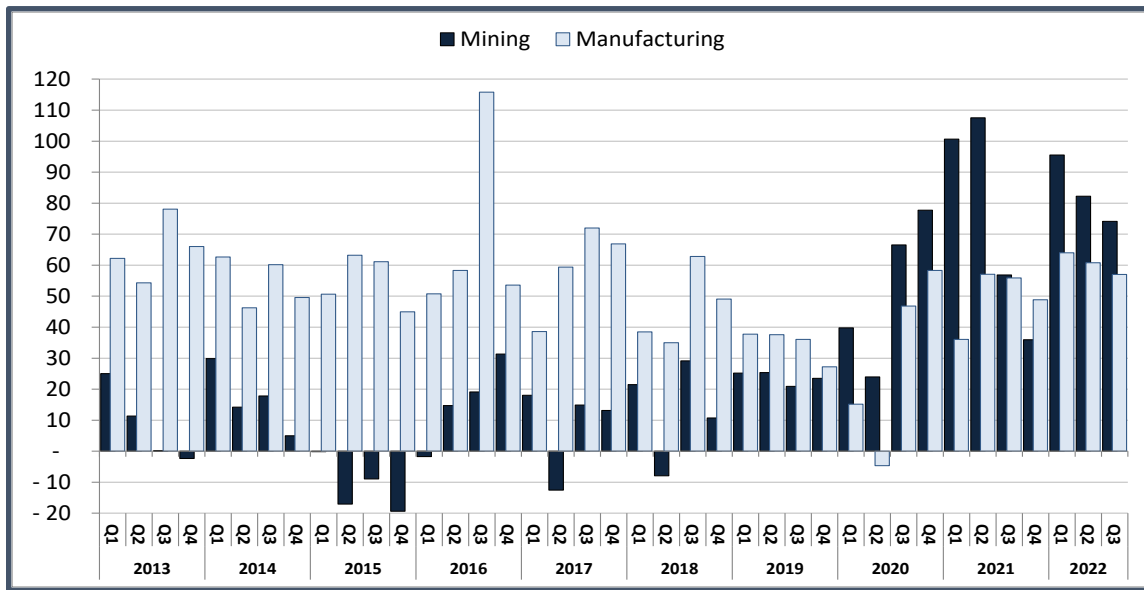
Graph 21. Return on assets (net profit as percentage of fixed assets), third quarter, 2013 to 2022



Source: Calculated from Statistics South Africa. Quarterly Financial Statistics. Excel spreadsheet.

In constant rand, mining profits increased as first the pandemic and then the Russian invasion of Ukraine led to (largely speculative) hikes in commodity prices. In contrast, although manufacturing returns improved compared to the late 2010s, they remain lower than a decade ago.

Graph 22. Quarterly profits in manufacturing and mining in billions of constant 2022 rand (a), 2013 to 2022



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