

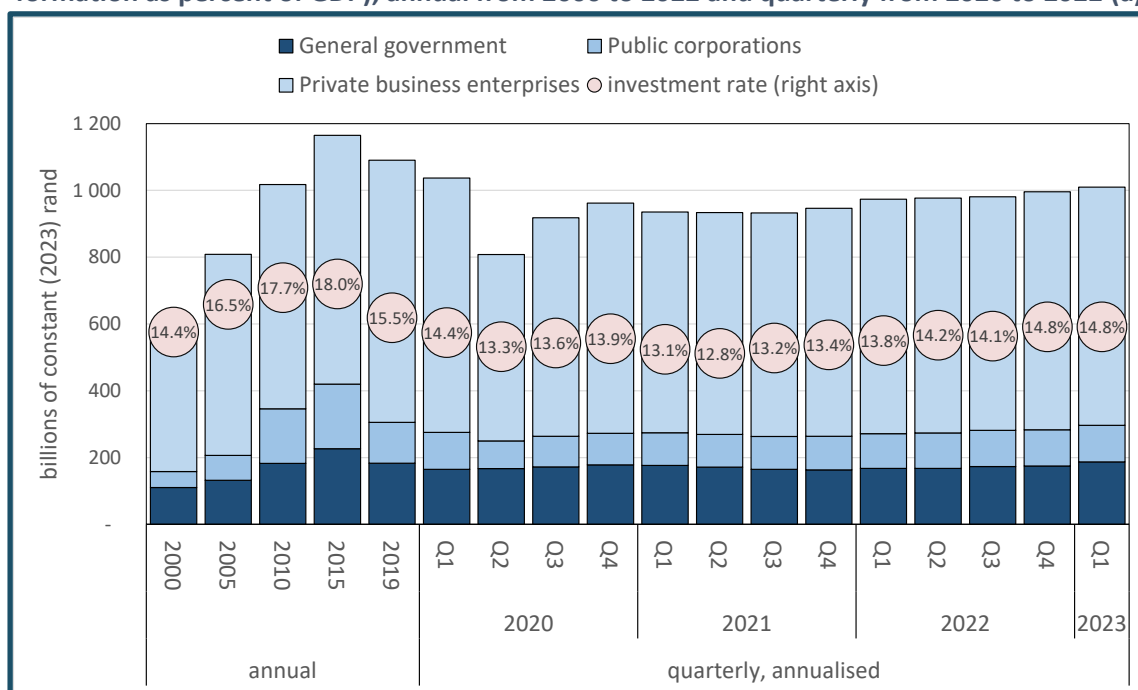
## Investment and profitability

Investment increased by 1.4% in the first quarter of 2023, driven primarily by an extraordinary 7% jump in government investment for the quarter. The private sector was far more cautious, with investment climbing just 0.2% for the quarter, compared to 1.8% in the fourth quarter of 2022. The investment rate stabilised at 14.8% of the GDP, down from a high of 22% in 2008 and unchanged from the previous quarter.

As Graph 20 shows, investment has recovered steadily, albeit slowly, from the start of 2021 in constant rand terms. Still, in constant rand, it remains 3% below pre-pandemic levels, and 20% below its peak in 2013. Government investment is down around a third from its highest value, in 2016, and investment by state-owned companies is half its peak in the mid-2020s. As a result, the state-owned companies now account for just over a tenth of total investment, compared to almost 20% a decade ago.

Private investment fell slightly in constant rand in the first quarter of 2023. It peaked in September 2019, just before the pandemic, and is now 15% lower. Still, overall it has climbed 8% since March 2021.

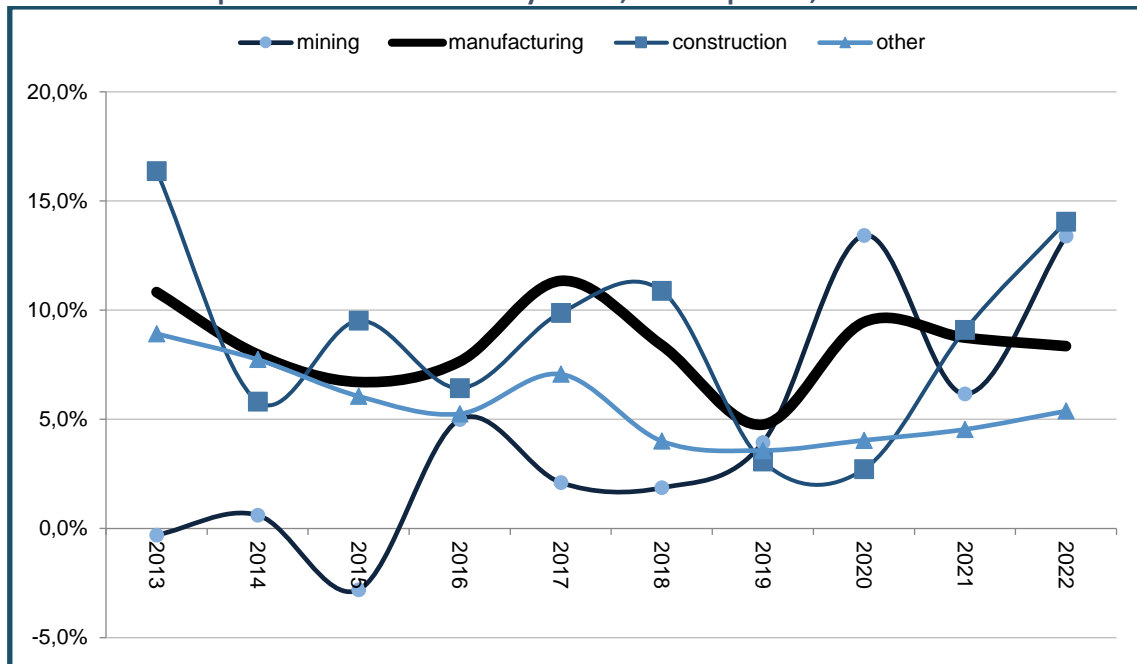
**Graph 20. Investment by type of investor and the investment rate (gross fixed capital formation as percent of GDP), annual from 2000 to 2022 and quarterly from 2020 to 2022 (a)**



Note: (a) Rebased with implicit deflator rebased to March 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2023Q1. Excel spreadsheet.

As measured by return on assets, mining and construction profitability increased sharply in the year to the fourth quarter of 2022 (the latest available data). The figure rose from 6.2% to 13.4% for mining and from 9.1% to 14% for construction. In contrast, manufacturing profitability declined slightly, from 8.7% to 8.4%.

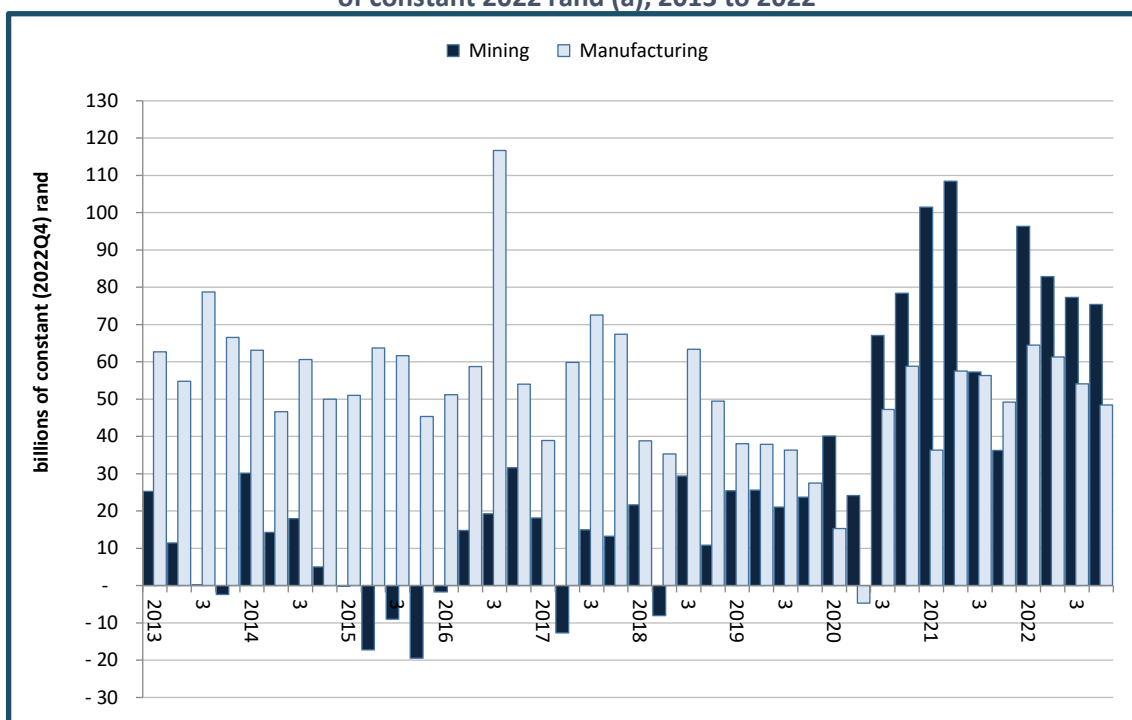
**Graph 21. Return on assets by sector, fourth quarter, 2013 to 2022**



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

In real terms, mining profits more than doubled in the year to the fourth quarter of 2022, from R36 billion to R75 billion, while manufacturing profits declined by 2% to R48 billion in the same period. Overall, profits across mining and manufacturing were on a downward trend through 2022, reaching their lowest point in the final quarter of the year.

**Graph 22. 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.