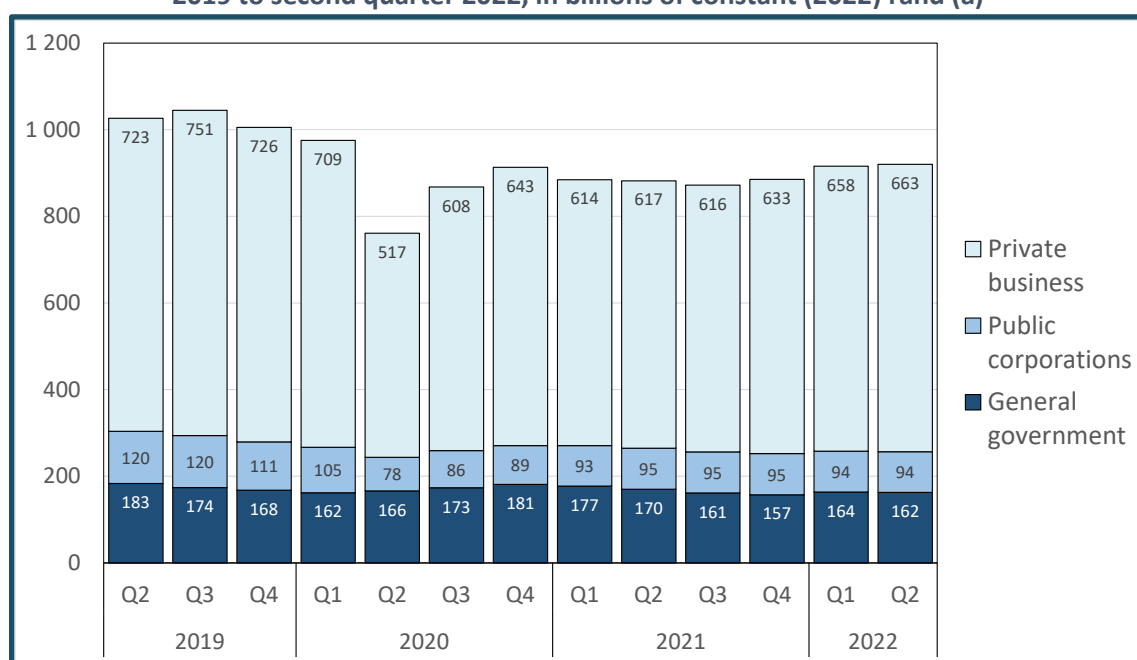


Investment

Private investment has begun to grow again, although public investment remains flat. As a result, the investment rate climbed from 13% in the second quarter of 2021 to 14% a year later. Meanwhile, the average return on assets improved for most of the economy in the year to March 2022.

Private investment climbed 8% from the third quarter of 2021, after declining for the first half of last year. In contrast, government investment rose just 0.6% in this period, and investment by state-owned companies (SOC) shrank.

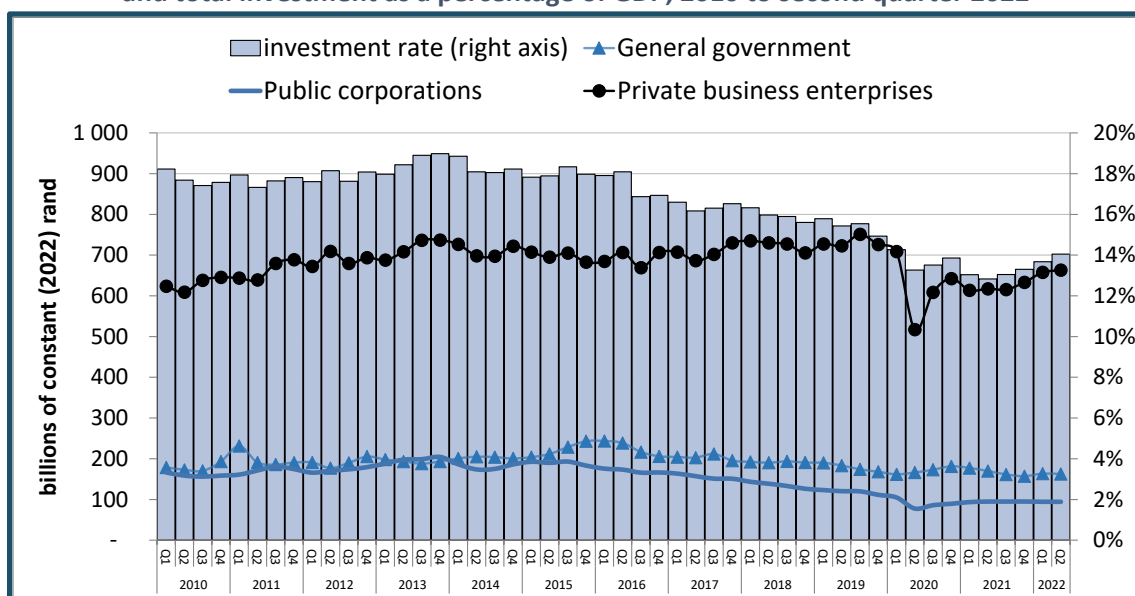
Graph 1. Quarterly seasonally adjusted investment by type of organisation, second quarter 2019 to second quarter 2022, in billions of constant (2022) rand (a)



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

Investment began to slide in 2016, mostly because of a drop in the public sector. From the second quarter of 2016 to the second quarter of 2022, private investment shrank 6%, but general government fell 32% and SOCs some 46%. As a result of these trends, the share of capital formation in the GDP – the investment rate – plummeted from around 18% in the early 2010s to 14% in mid-2022.

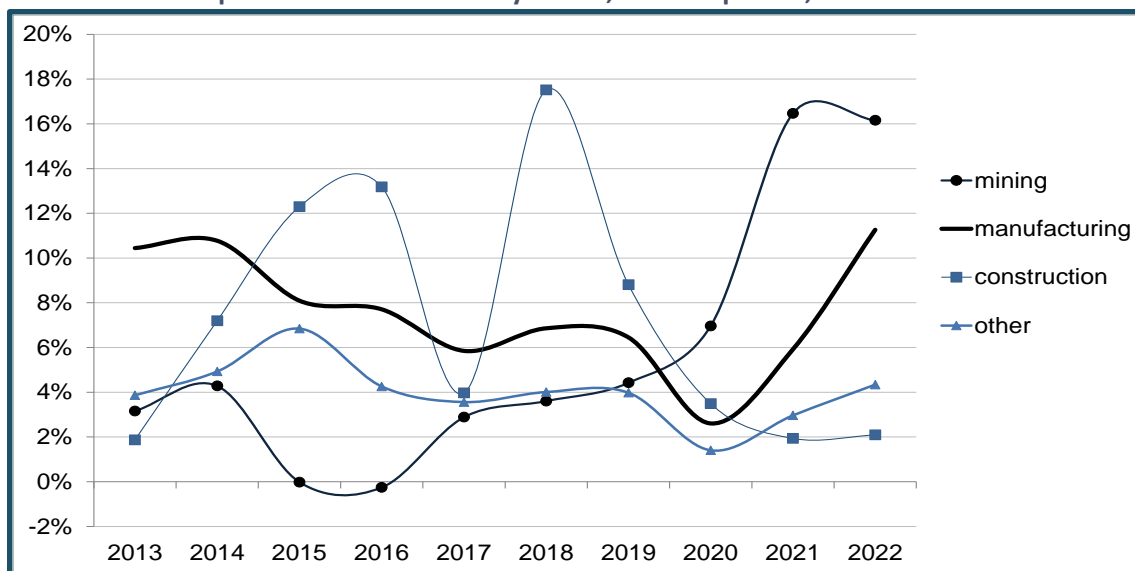
Graph 2. Quarterly investment by type of organisation in billions of constant (2022) rand (a), and total investment as a percentage of GDP, 2010 to second quarter 2022



Note: Reflated 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 are available only through the first quarter of 2022. Returns on capital in manufacturing rose sharply from 5.9% in Q1 2021 to 11.3% in Q1 2022, generating the highest return in the sector over the past decade. Similarly, the return on capital in construction increased to 2.1%, although mining saw a marginal decline to 16.2% – still a higher rate than in the other sectors.

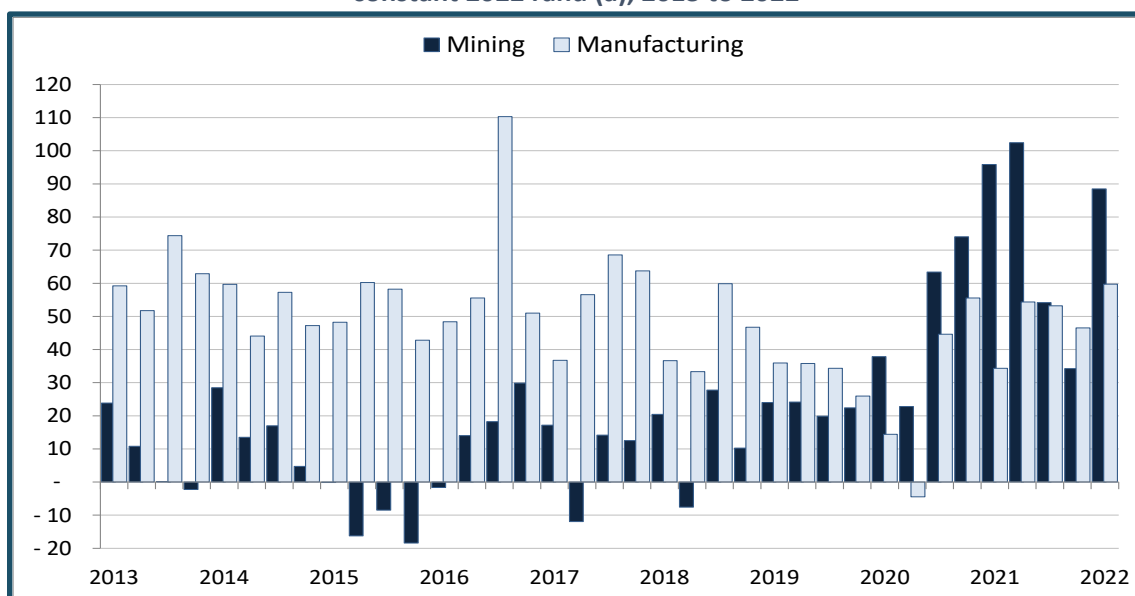
Graph 3. Return on assets by sector, second quarter, 2013 to 2022



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

In the first quarter of 2022, profits from mining, in constant rand, more than doubled, spiking from R34 billion in the fourth quarter of 2021 to R88 billion. This impressive growth resulted from the surge in commodity prices following the Russian invasion of Ukraine in the first quarter of 2022. Manufacturing profits also increased by 28%, from R47 billion in the fourth quarter of 2021 to R60 billion in the first quarter of 2022.

Graph 4. 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.