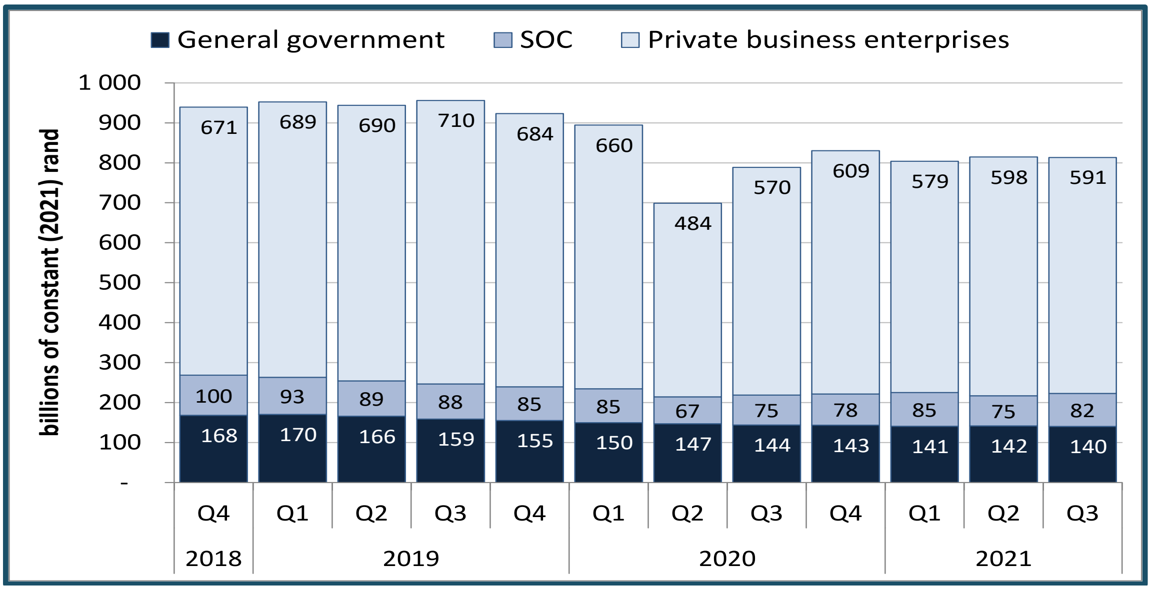
Investment

Since the end of 2020, the recovery in investment has stalled well below pre-pandemic levels. Private investment, which accounts for the bulk of capital formation, is still down by more than state-owned company (SOC) and government investment. That said, public investment has fallen almost continuously, although gradually, since well before the pandemic.

In the third quarter of 2021, total investment was virtually unchanged, as a surge in capital expenditure by SOCs offset a fall in the private sector. Overall, investment remains 9% below pre-pandemic levels. Private investment is down by 11%, government by 6%, and SOCs by 3%. In the past quarter, SOC investment climbed by R7 billion, or 10%. The fall in private investment essentially equalled the growth in SOC capital expenditure. Because private investment is so much larger, however, it contracted by only 1.2% in the third quarter of 2021.

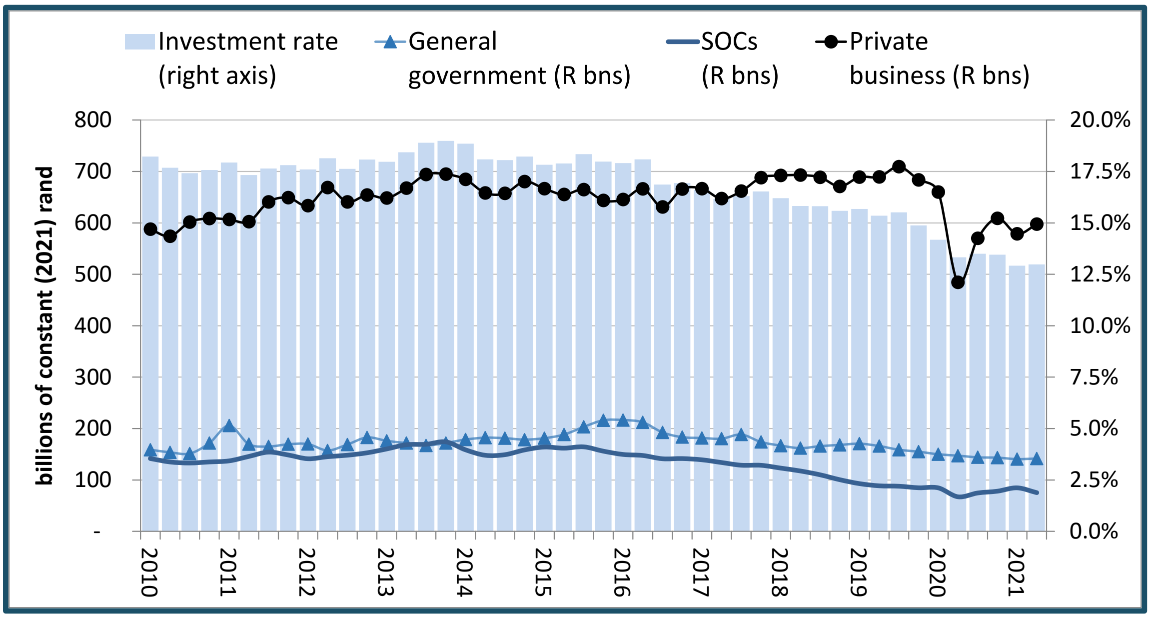
Graph 16. Quarterly investment by type of organisation, seasonally adjusted, fourth quarter 2018 to third quarter 2021, in billions of constant (2021) rand (a)



Note: Reflated with implicit deflator rebased to third quarter 2021. *Source:* Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za.

The share of investment in the GDP – the investment rate – remains very low, at just over 12.5%. Government and SOC investment has fallen gradually but substantially since 2016. Private investment was more stable before the pandemic, but did not grow fast enough to offset the fall in capital expenditure by the state.

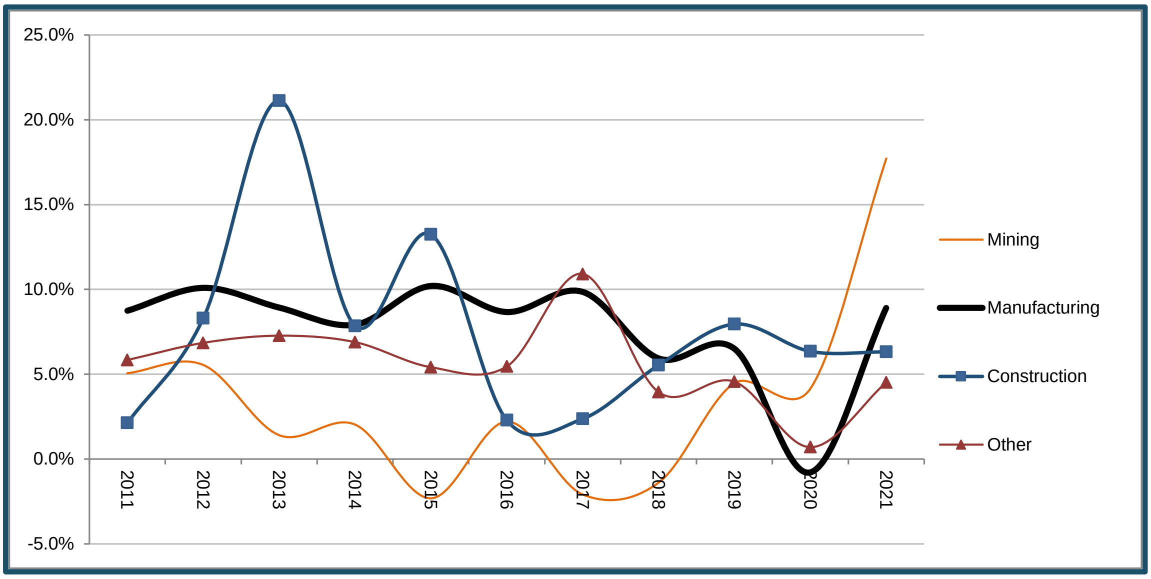
Graph 17. Quarterly investment by type of organisation in billions of constant (2021) rand, and total investment as a percentage of GDP, 2010 to second quarter 2021



Note: Reflated with implicit deflator rebased to third quarter of 2021. *Source:* Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za.

Data on profitability by sector are available only through to the second quarter of 2021, as shown in Graph 18. Year-on-year comparisons are misleading for this quarter, because the lockdown started a year earlier. Still, the percentage return in mining is at a high for the decade, and manufacturing has largely recovered to pre-pandemic levels.

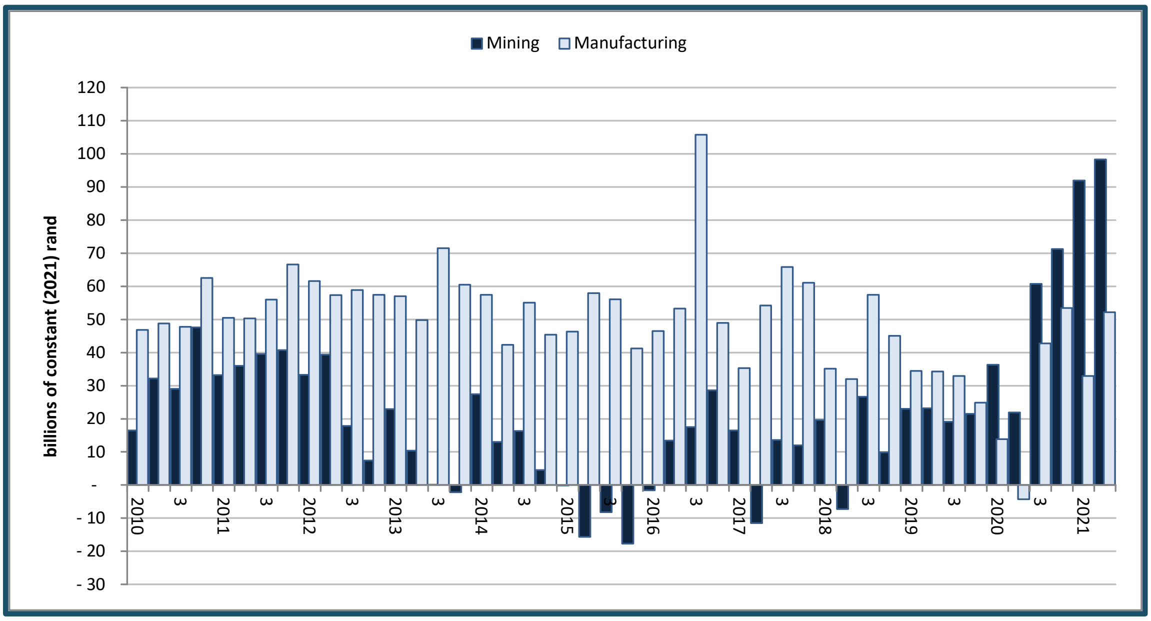
Graph 18. Percentage return on assets, 2011 to second quarter 2021



Source: Stats SA, Quarterly Financial Statistics adjusted to constant rand. Excel spreadsheet downloaded www.statssa.gov.za. July 2021.

As shown in Graph 19, manufacturing profits recovered significantly to R52 billion, with a 58% increase between the first and second quarter in 2021. The jump raised profits to levels last seen before the pandemic. Mining profits increased even further, reaching levels last seen in the global metals price boom that ended in 2011.

Graph 19. Quarterly profits in manufacturing and mining in billions of constant rand (a), 2010 to second quarter 2021



Note: (a) Deflated with CPI rebased to January 2021. *Source:* Statistics South Africa, Quarterly Financial Statistics.