

## Foreign Direct Investment projects

The TIPS Foreign Direct Investment (FDI) monitor tracks FDI projects based on public announcements, analysing new and updated projects on a quarterly basis.

In the fourth quarter of 2017, the monitor identified eight projects. Two of these were newly announced, one was in construction and five recently completed. In short, most of the projects tracked in this quarter indicate deepening of existing investment.

**Table 2: FDI projects as of the fourth quarter of 2017**

	<b>ANNOUNCED</b>	<b>CONSTRUCTION</b>	<b>COMPLETE</b>
<b>Number of projects</b>	2 Projects	1 Project	5 Projects
<b>Value of projects</b>	R4,46 billion	R3 billion	R2,85 billion
<b>Sectors</b>	Manufacturing and mining	Manufacturing	Manufacturing, mining and services
<b>Type of investment</b>	2 Upgrades	1 Expansion	2 Greenfield 3 Expansions
<b>Companies investing</b>	South 32 BMW South Africa (BMW SA)	Ford Motor Company South Africa (Ford SA)	Africa Pipe Industries North The Goodyear Tire and Rubber Company (Goodyear) Volvo Financial Services Hino Motors (Hino)

Continuing the trend from the third quarter, manufacturing and mining projects dominate investment in this quarter. Manufacturing contributed R4,4 billion, or 42%, to the total reported FDI value for the quarter, with the rest going to a single large mining project valued at R5,59 billion. Automotives once again feature a strong presence, with only one project outside of the sector. Value data was available for only six of the projects with a total value of R10,31 billion.

Of the five auto investments, three expand existing manufacturing capacity in core automotive activities at Ford SA, BMW SA and Toyota's subsidiary Hino. The remaining two investments, by Volvo and Goodyear, strengthen the broader value chain.

Ford announced plans to invest a further R3 billion to expand its plant in Silverton. It is building on a R2,5 billion investment announced in 2016 to increase the facility's capacity to manufacture the Ford Everest in South Africa. This new investment project will expand output of the Ford Ranger and initiate production of the Ford Raptor SUV, which is expected to reach the local market in 2019.

BMW announced that it would invest a further R160 million to upgrade the company's Rosslyn plant. This follows its R6 billion investment in 2015 to expand to produce the next generation BMW X3s and other products in its X-line. The new investment includes a new 22 000 m<sup>2</sup> body shop and increased automation. It will raise production-line speed to expand production capacity by just under 10%, from 71 000 to 76 000 units per annum.

Hino, Toyota's light industrial vehicle subsidiary, has completed the expansion of its Prospecton plant in Durban, ahead of the introduction of the Hino 500 Wide Cab. The range is being expanded from five models to 12, representing the company's first full model change in 14 years. The R20 million investment will upgrade the assembly process to improve productivity and quality. It will permit more adaptability in design, permitting additional engine options, automatic transmission and 6x4 drive systems.

Goodyear has completed a R1 billion upgrade and expansion of its tyre production facility in Uitenhage. The new state-of-the-art facility, coupled with training, will improve production capacity to produce low rolling resistance tyres that enhance fuel efficiency. It will produce high value-added (HVA) 4x4 tyres to meet the needs of the growing SUV market.

Finally, Volvo is establishing a new financial services division. It will focus on commercial and industrial products, including buses, trucks and construction equipment, while continuing to provide consumer finance through WesBank. The value of Volvo's expansion was not available.

Amplats and joint venture partner API's pipe manufacturing plant in Mokopane, Limpopo, is the only reported manufacturing project outside of the automotives sector. The recently completed factory will be owned and operated by API, although it was funded mainly by Amplats. It will provide 76 permanent jobs at peak capacity, operating a modern pipe mill to manufacture technically advanced helical welded steel piping for the water, oil and gas industries. The project forms part of efforts to promote sustainable mine community development, as required by the Mining Charter.

In mining, South32 is investing R4,3 billion to extend the life of the Klipspruit colliery by 20 years. The colliery employs 720 people. The expansion will unlock 616 million tonnes of coal at the Klipspruit South and Weltevreden deposits. This will feed into offtake agreements with Transnet rail, with the remainder focused on export. It may also supply other long-term offtake customers such as the Kusile power plant. The project is part of a broader plan by South32 to regroup its energy coal business into a separate subsidiary, South Africa Energy Coal (SAEC), which will then seek new BEE partners.

Petra Diamonds completed its R1,65 billion development of a new diamond processing plant at the Cullinan site. The new plant replaces an older facility that dated back to 1947. It will increase throughput capacity to six million tonnes per year while significantly increasing efficiency. It will incorporate improved diamond-liberation technology that will increase the overall grade by 10%. The new processing plant is linked to a R4,2 billion expansion at Cullinan in an attempt to revitalise the mine, which still produces a quarter of the world's diamonds. The new investments have avoided closure and provided access to an entirely fresh and untapped ore body that should extend the life of the mine to at least 2030.