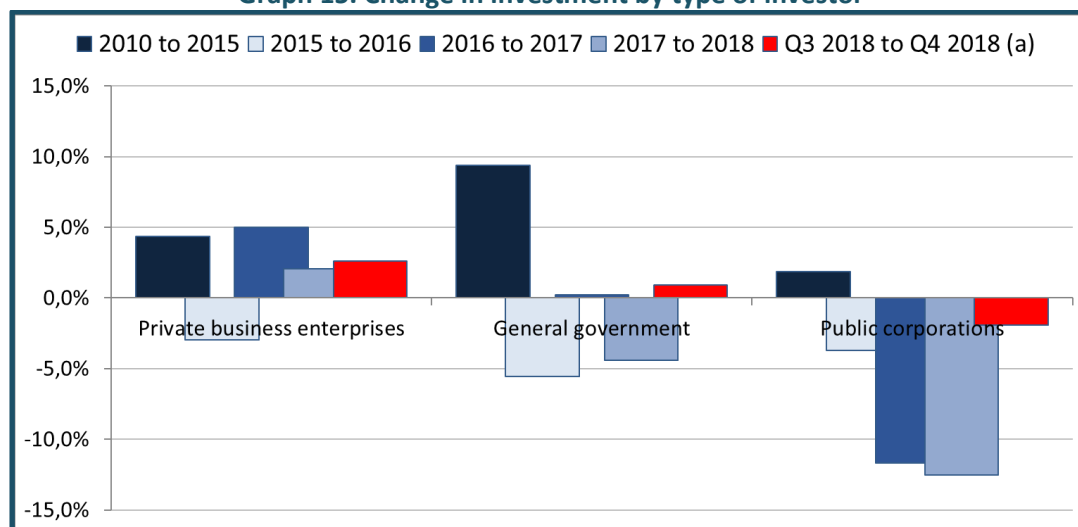


Investment and profitability

The decline in public investment, which has contributed to slower GDP growth since 2015, continued in 2018. In contrast, private investment picked up somewhat, although it remained below levels achieved before the commodity boom ended in 2012.

Private investment increased 2.1% in 2018, after a 5% rise in 2017. In contrast, public investment fell 8.5%, with government investment down by 4.4% and state-owned companies by 12.5%. From 2015 to 2018, public investment fell a total of 18%, with state-owned companies alone down by 25.6%. The fall in public investment contributed to the relatively precarious state of the economy since 2015 (see Graph 15).

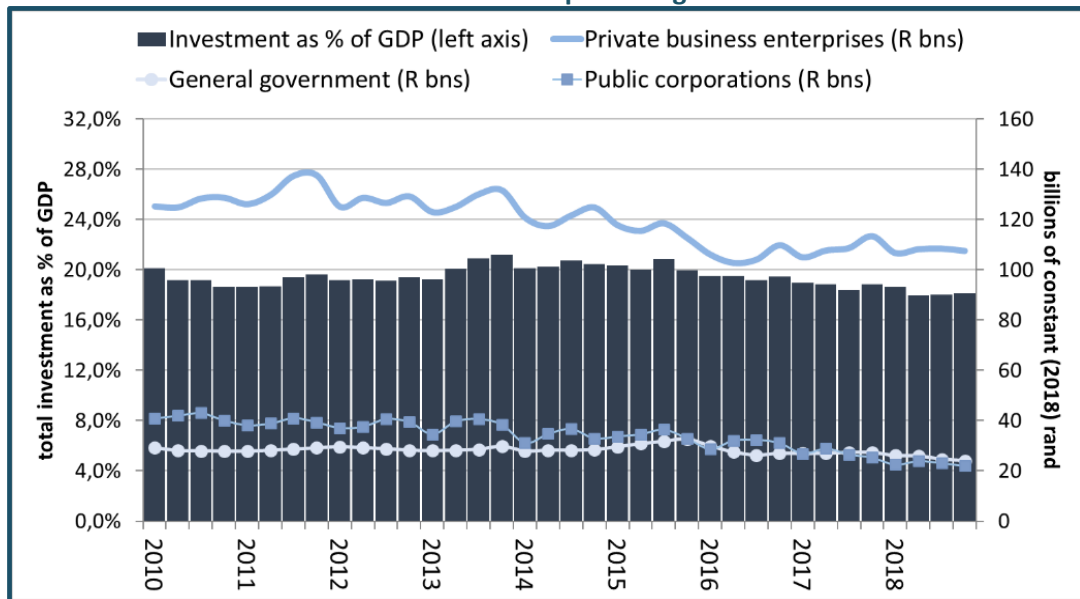
Graph 15. Change in investment by type of investor



Note: (a) seasonally adjusted. Source: Stats SA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in March 2019.

As a percentage of GDP, investment in 2018 fell to 18% – well below the 20% to 25% normally required for rapid growth, although on a par with most upper-middle-income economies outside of East Asia (see Graph 16). It ticked up slightly in the final quarter due to the growth in private investment. In contrast, investment by both government and state-owned corporations declined steadily over the year. These trends meant that the share of private investment in national investment climbed from 64% in 2015 to 69% in 2018.

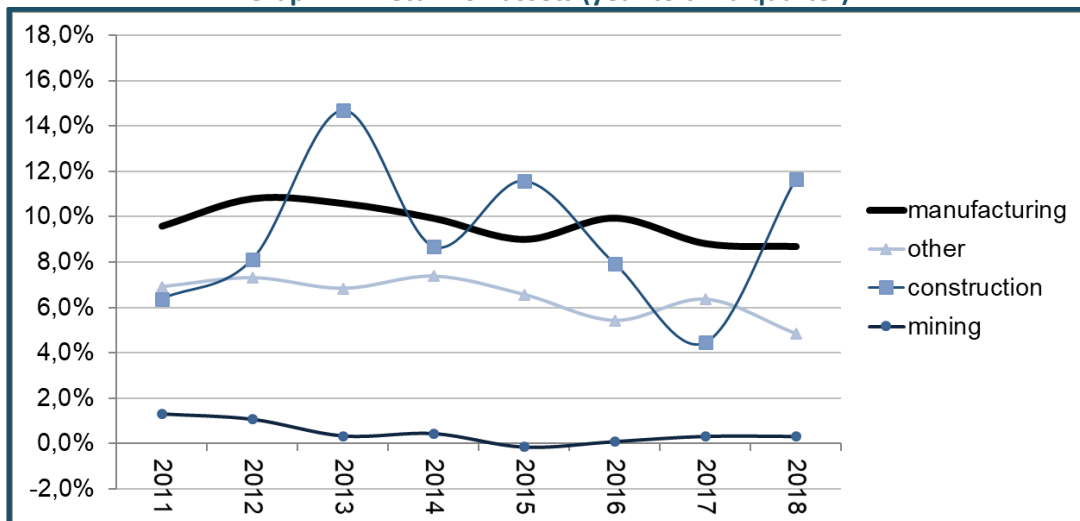
Graph 16. Quarterly seasonally adjusted investment by type of organisation in constant rand and as percentage of GDP



Source: Stats SA GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in March 2019.

Data on the return on assets are available through the third quarter of 2018. While the construction sector continued to shrink in the year to the third quarter, it showed a significant improvement, with its return on assets rising from 4.4% to 11.7%. In contrast, manufacturing and mining profitability levelled out, and in other sectors of the economy return on assets dropped (see Graph 17).

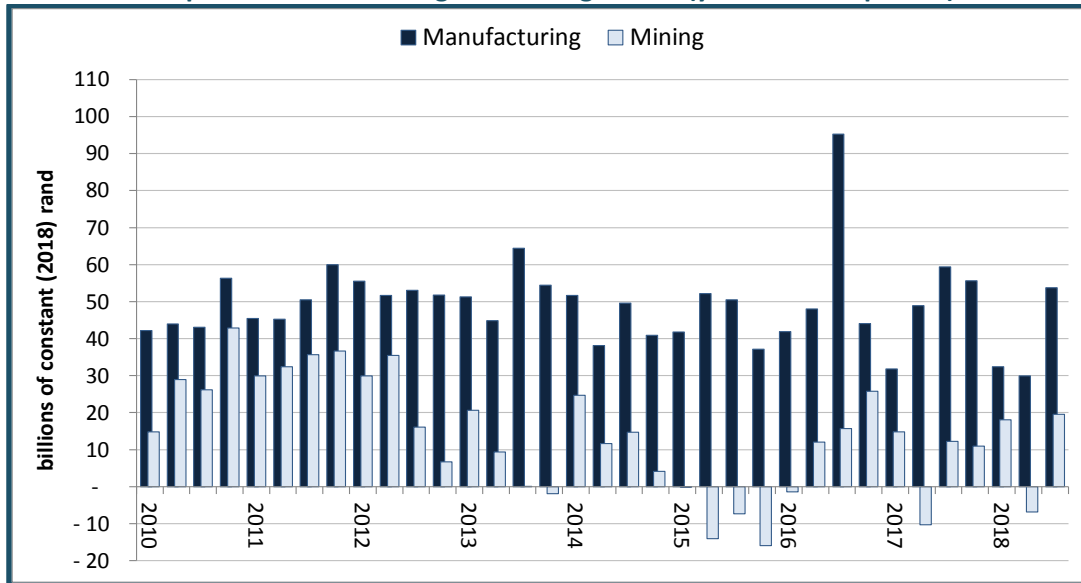
Graph 17. Return on assets (year to third quarter)



Source: Stats SA, Quarterly Financial Statistics.

Figures for profitability are not seasonally adjusted. Profits for manufacturing in the third quarter were lower than a year earlier. In contrast, mining returns have improved since the start of the year compared to the equivalent period in 2017 (see Graph 18).

Graph 18. Manufacturing and Mining Profits (year to third quarter)



Source: StatsSA. Quarterly Financial Statistics.