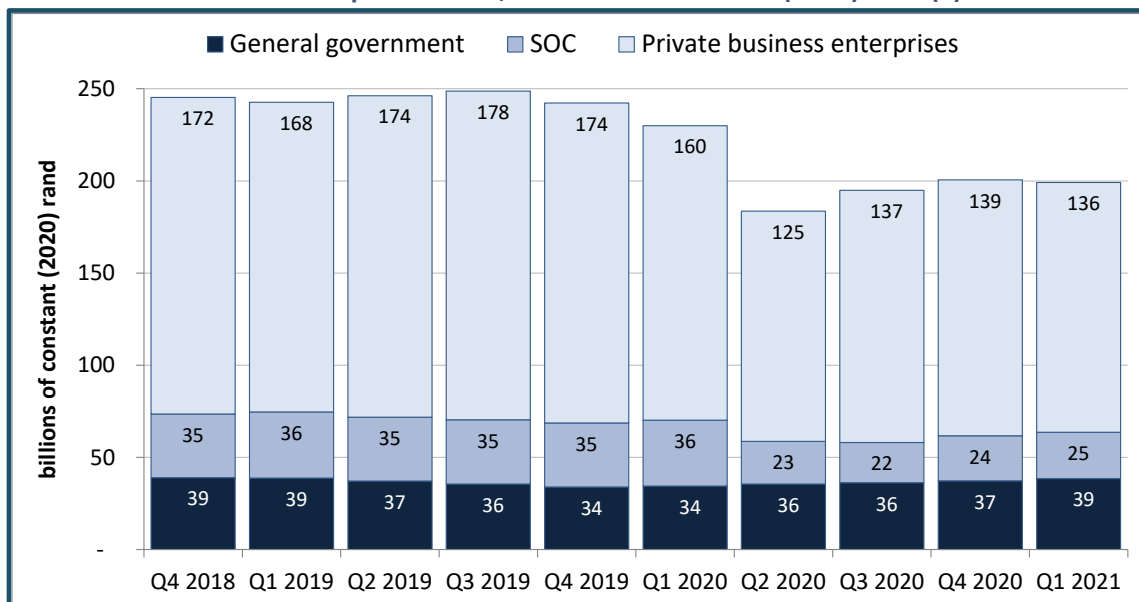


Investment

Private investment fell in the first quarter of 2021 in seasonally adjusted terms, even though it remained almost 20% lower than in 2019. In contrast, public investment showed modest growth. Returns on assets continued to improve for mining and manufacturing in the fourth quarter of 2020 – the latest available data – but declined for construction.

Private investment declined by 2.3% from the fourth quarter of 2020 to the first quarter of 2021. Yet it was still far from recovering to pre-pandemic levels. It stalled out at 15% lower than a year earlier, and 19% below the first quarter of 2019. In contrast, government investment, which barely declined during the pandemic, grew by 3.4%, leaving it 1% below the first quarter of 2019. Investment by state-owned companies increased by 2.5%. Because it fell by over a third in the second quarter of 2020 – far more steeply than either private or general government investments – that meant state-owned companies invested 30% less in the first quarter of 2021 than a year earlier.

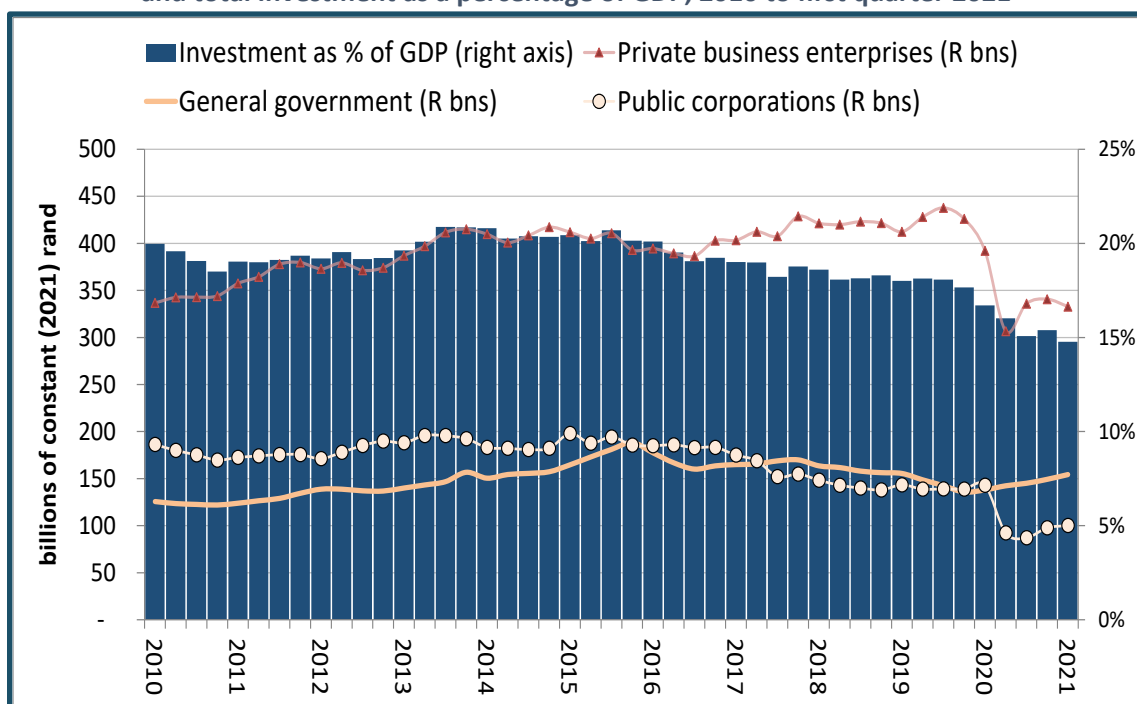
Graph 18. Quarterly seasonally adjusted investment by type of organisation, fourth quarter 2018 to first quarter 2021, in billions of constant (2021) rand (a)



Note: (a) Reflated with implicit deflator rebased to fourth quarter 2020. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za.

In the first quarter of 2021, the share of investment in the GDP fell to 14.8%, the lowest figure on record (the series reported by the Reserve Bank goes back to 1960). The investment rate fell to 15.6% in the final quarter of 1993, just before the transition to democracy, and to 15% in the second quarter of 2002, during the dotcom crisis.

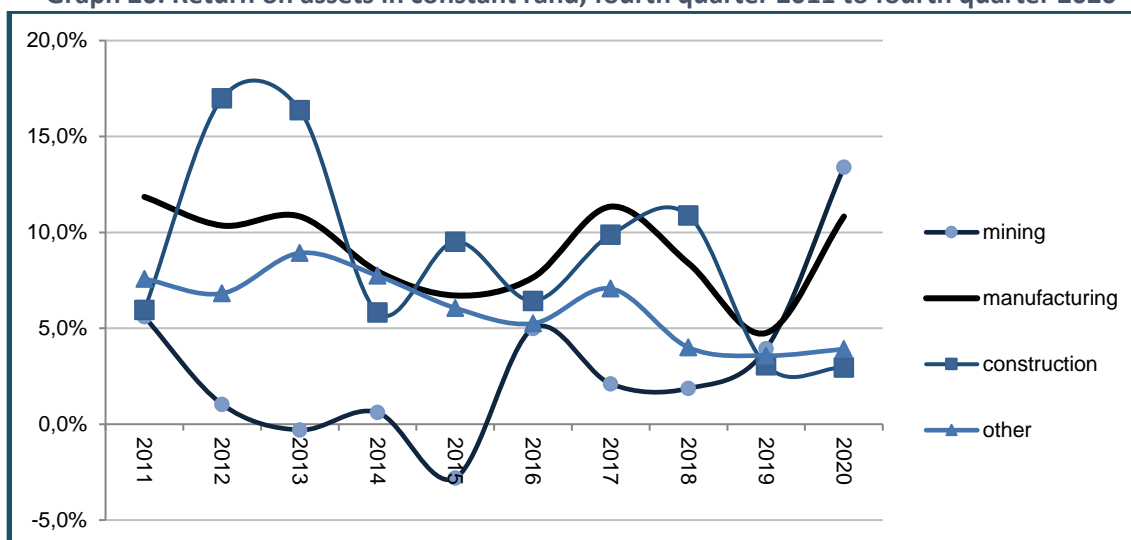
Graph 19. Quarterly investment by type of organisation in billions of constant (2021) rand, and total investment as a percentage of GDP, 2010 to first quarter 2021



Note: (a) Refflated with implicit deflator rebased to fourth quarter 2020. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za.

Although investment fell in the first quarter of 2021, the return on assets for mining and manufacturing continued to improve in the fourth quarter of 2020 (the latest available data). Mining profits surged with the escalation in export prices, rising to the highest levels since the commodity boom ended in 2011. Manufacturing recovered from a downturn in the fourth quarter of 2019. In contrast, although construction profits doubled in rand terms, they did not keep up with the growth in assets in the industry.

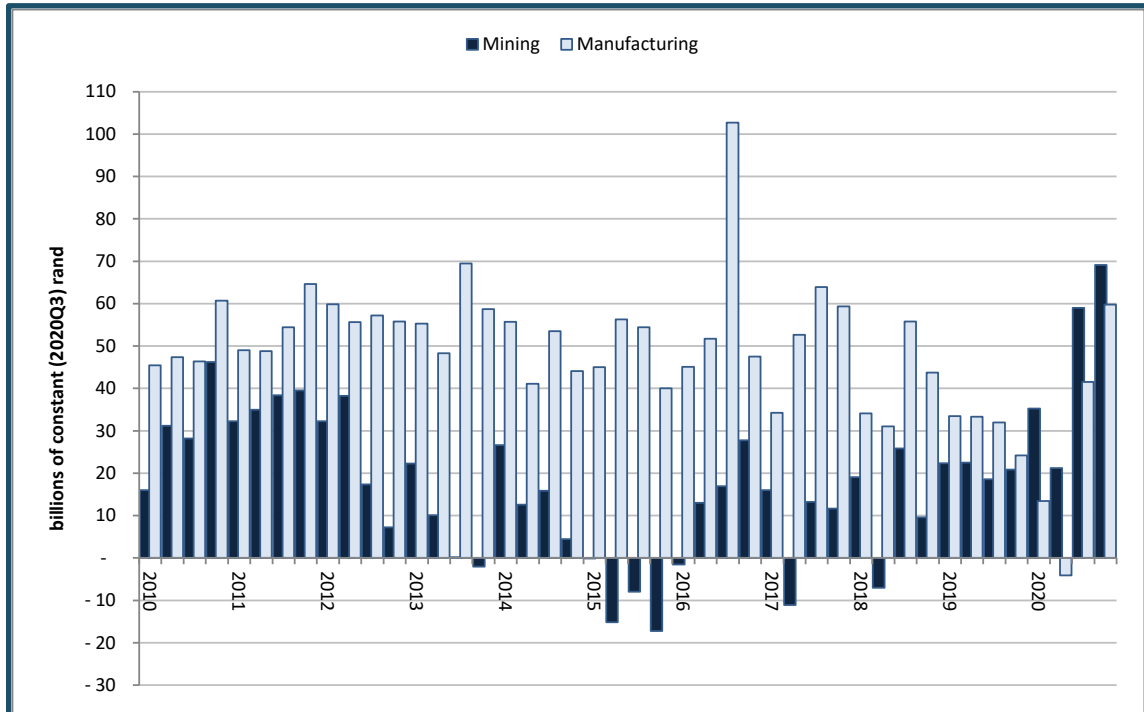
Graph 20. Return on assets in constant rand, fourth quarter 2011 to fourth quarter 2020



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

Graph 21 shows the spike in mining and manufacturing profits in the second half of 2020. Mining profits in particular climbed to their highest level in a decade, while manufacturing reached sums last seen in 2018.

Graph 21. Quarterly profits in manufacturing and mining in billions of constant 2020 rand, 2010 to 2021.



Note: Deflated with CPI rebased to December 2020. Source: Statistics South Africa, Quarterly Financial Statistics