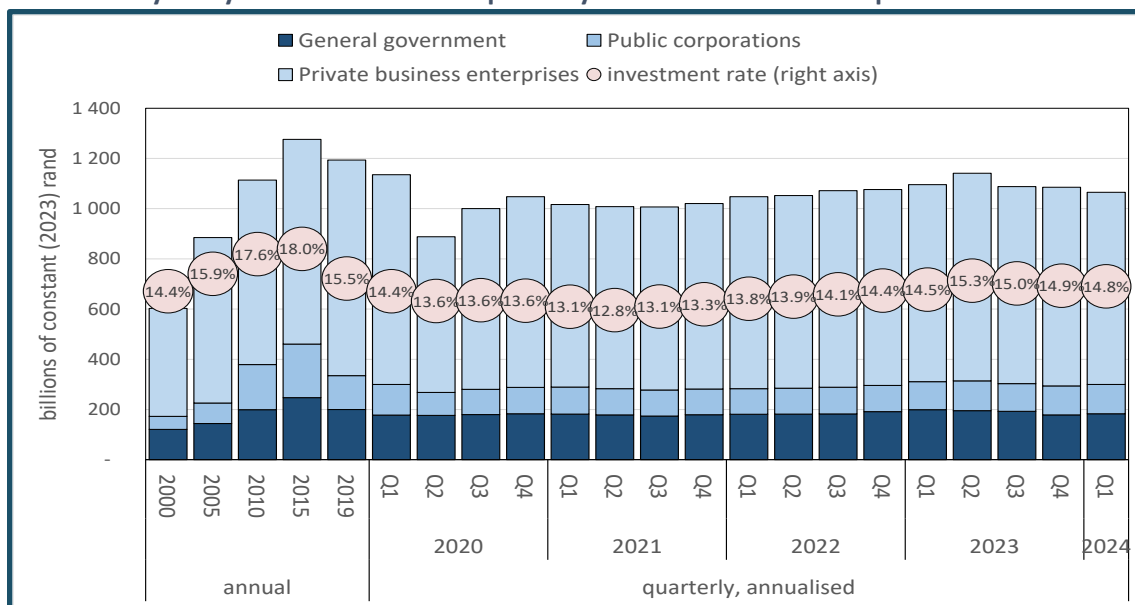


## Investment and profitability

Investment fell 1.8% in seasonally adjusted terms in the first quarter of 2024. In consequence, it dropped 6.6% from the second quarter of 2023, when for the first time since the lockdown it exceeded pre-pandemic levels. The investment rate (the share of investment in GDP) fell to 14.8%, down from 15.3% in the second quarter of 2023, 15.5% in 2019, and 18% in 2015. The sharpest fall occurred in private investment, which dropped 3.3% in the first quarter of 2024. General government investment fell by 2.4% and state-owned companies by 1.3%. (Graph 18)

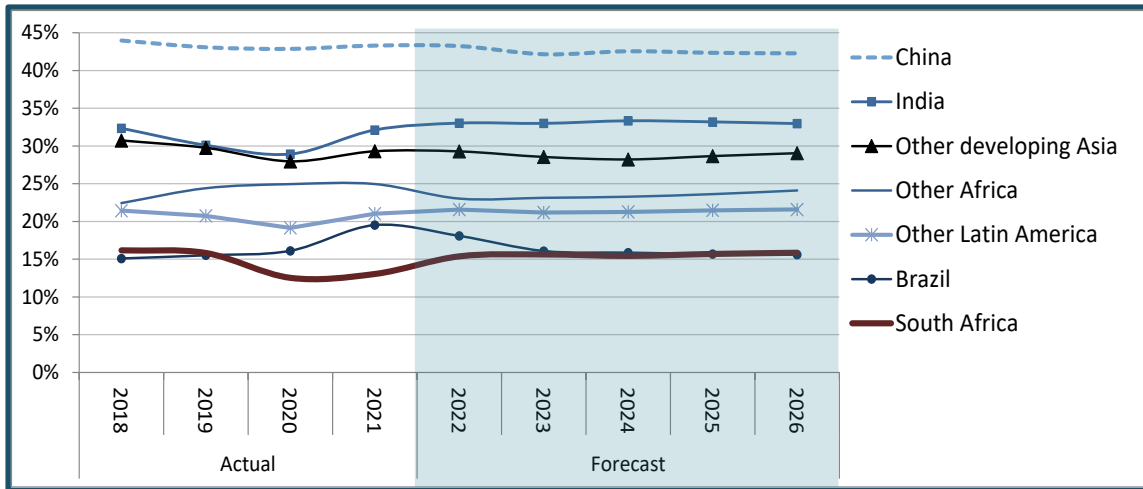
**Graph 18. Investment by type of investor in constant 2024 rand and the investment rate (a), every five years from 2000 and quarterly from 2020 to the first quarter of 2024**



*Note: (a) Figures for investment are reflatd with implicit deflator rebased to March 2023. The investment rate is gross fixed capital formation as a percentage of expenditure on the GDP. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2024Q1. Excel spreadsheet.*

As Graph 19 shows, the investment rate in South Africa remains low by global standards. It is on par with Brazil, but lower than other African and Latin American countries. Investment in Asia is unusually high, especially in China. Most economists argue that investment of between 20% and 25% is necessary to sustain long-term growth. Higher rates are associated with significant inefficiency and falling returns; lower rates with inadequate maintenance and expansion of productive assets as well as economic and social infrastructure.

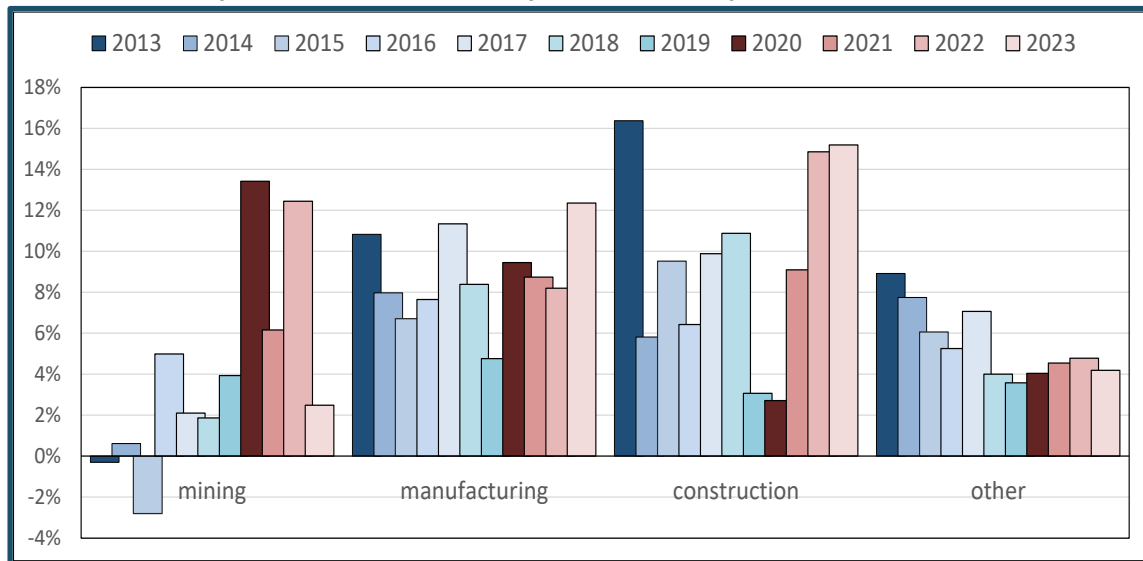
**Graph 19. Investment rate in South Africa compared to China, India, Brazil and other developing countries by region, actual 2018 to 2022 and IMF forecast to 2026**



Source: Calculated from IMF. World Economic Outlook. April 2024.

Figures for business returns on assets are only available through the fourth quarter of 2023. Manufacturing saw a marked improvement in the year to the quarter four of 2023, increasing from 8.2% to 12.4% (Graph 20). Construction also saw relatively high returns of around 15% for the second year in a row. Falling world prices brought a steep decline in mining profitability, however. It dropped to levels last seen at the bottom of the commodity cycle in the 2010s.

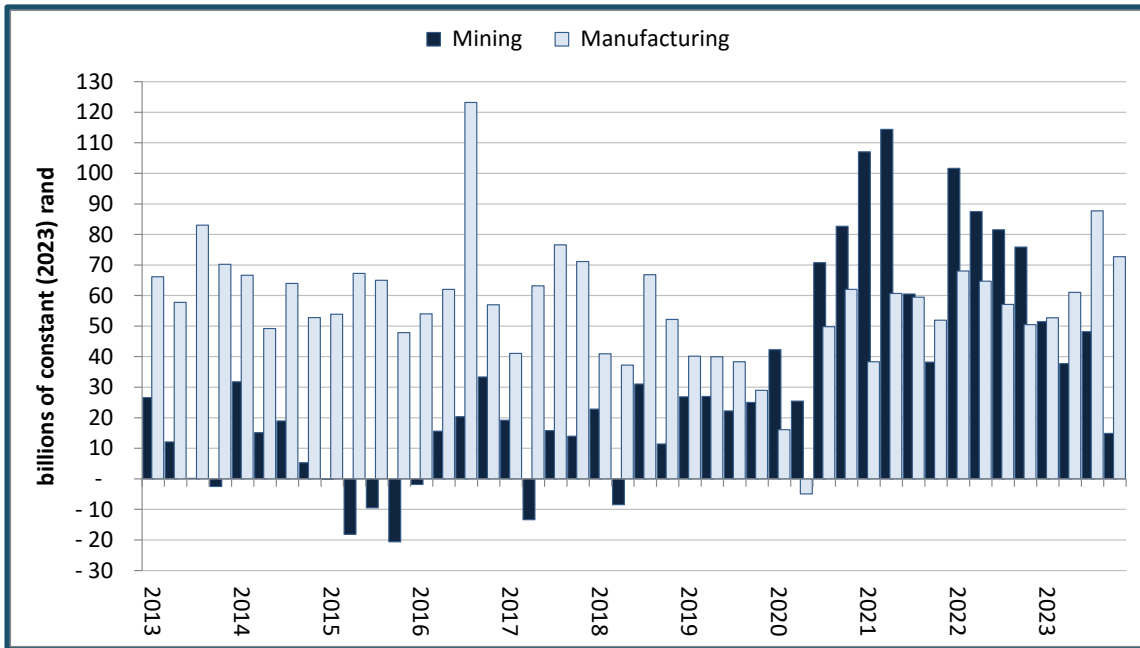
**Graph 20. Return on assets by sector, fourth quarter, 2013 to 2023**



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

In constant (2023) rand, mining profits in the final quarter of 2023 were 90% lower than at the top of the speculative mining boom in early 2022, just after Russia invaded Ukraine. In contrast, manufacturing profits in the second half of 2023 were higher than any time since 2017. (Graph 21)

**Graph 21. Quarterly profits in manufacturing and mining in billions of constant 2023 rand (a), 2013 to fourth quarter of 2023**



Note: (a) Rebased with CPI rebased to fourth quarter 2023. Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.