

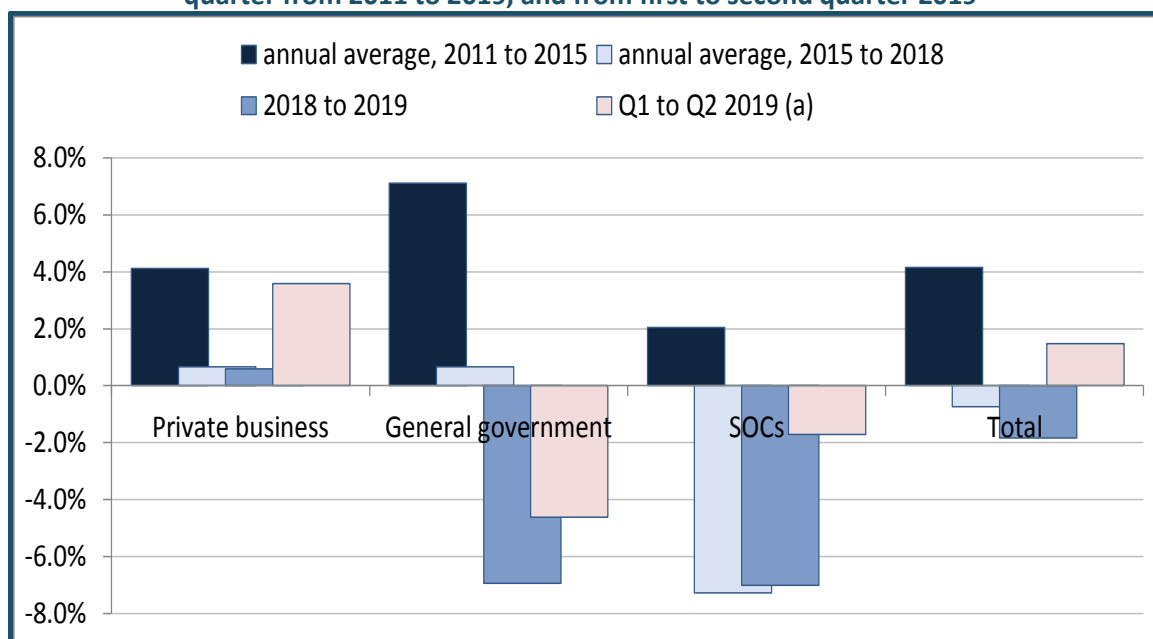
Investment and profitability

Investment fell almost 2% in year-on-year terms through the second quarter of 2019, although it showed a sharp recovery in the past quarter. The decline was due entirely to a fall in public sector investment over the year, with gains in the second quarter of 2019 reflecting a steep improvement in private business investment.

Year on year, using the year to the second quarter, total investment dropped 1.8% from 2018 to 2019, although it climbed by 1.5% from the first to the second quarter of 2019.

Over both the year and the past quarter, growth entirely reflected private investment. Both government and state-owned corporation (SOC) investment dropped by over 6% in the year to the second quarter of 2019.

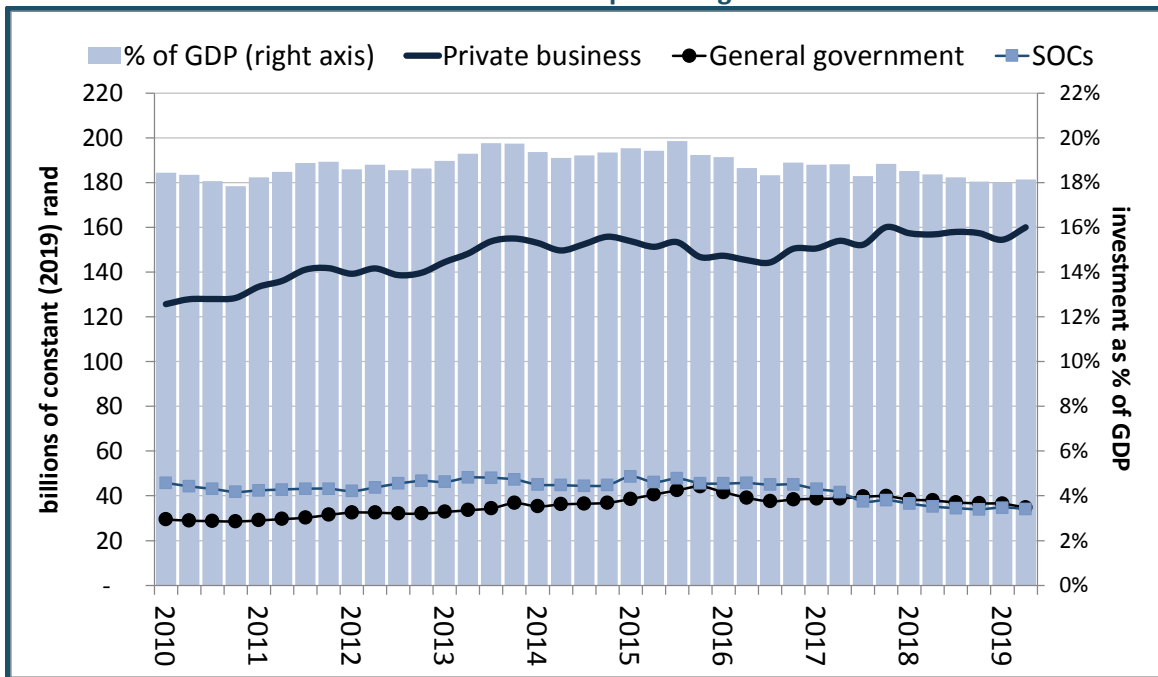
Graph 14. Change in investment by type of organisation, year on year for year to second quarter from 2011 to 2019, and from first to second quarter 2019



Note: (a) Seasonally adjusted but not annualised change from the first quarter to the second quarter of 2019. Source: StatsSA GDP data. Excel spreadsheet downloaded from www.statssa.gov.za in June 2019.

As a share of GDP, total investment hovered around 18% for the year to the second quarter of 2019. That compared with just over 20% in the two years to mid-2015.

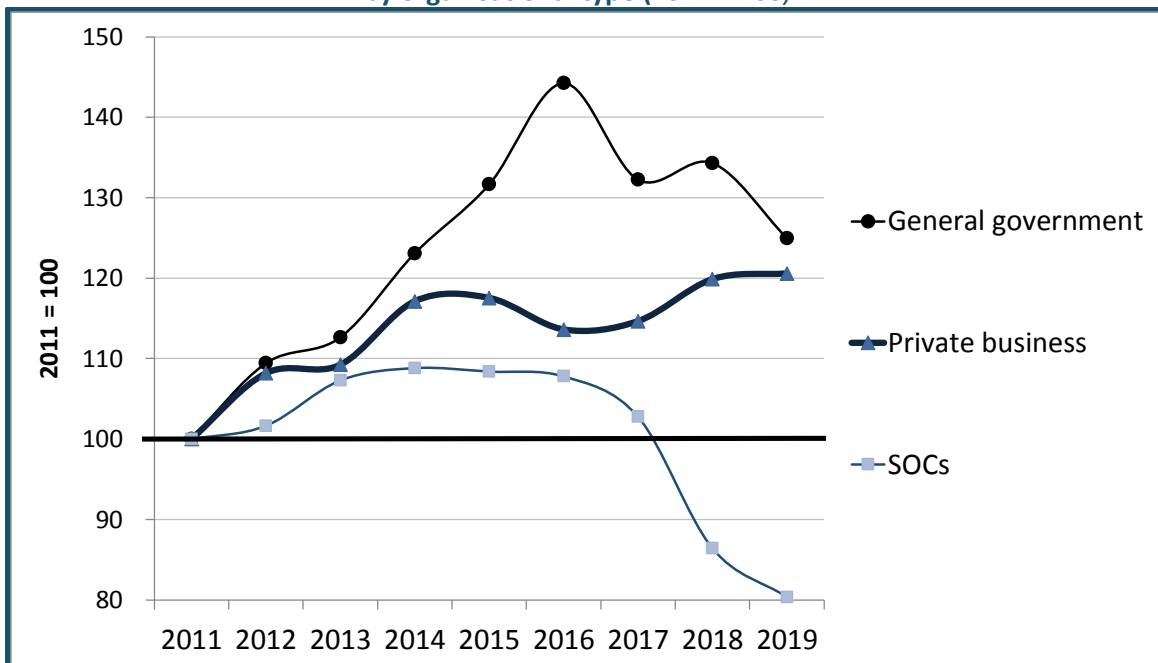
Graph 15. Quarterly seasonally adjusted investment by type of organisation in constant rand and as percentage of GDP



Source: StatsSA GDP data. Excel spreadsheet downloaded from www.statssa.gov.za in June 2019.

The decline in investment was principally due to the public sector. From 2016, private business investment climbed 6%, but general government investment dropped by 13% and SOC investment by 25%.

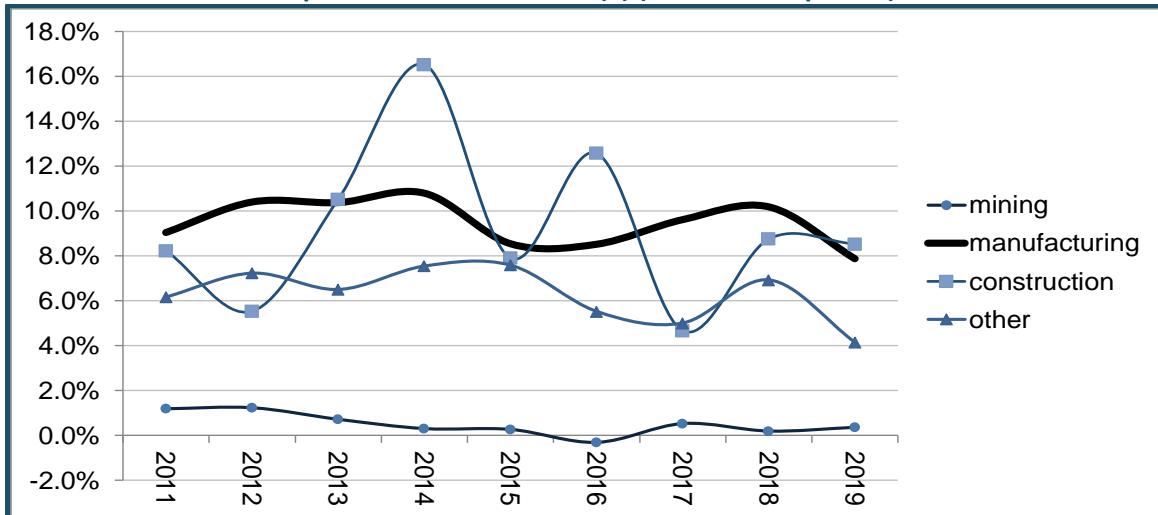
Graph 16. Index of investment in year to second quarter, 2011 to 2019, by organisational type (2011 = 100)



Source: Calculated from StatsSA GDP data. Excel spreadsheet downloaded from www.statssa.gov.za in June 2019.

In the year to the first quarter of 2018 compared to the year to first quarter 2019 – the latest available data – returns on assets in the manufacturing sector dropped from 10% to 8%, highlighting continuing strain on the sector. Returns in mining remained below 0.5%. The construction sector saw almost no change in its rate of return in the year to first quarter 2019 compared to the year to first quarter 2018.

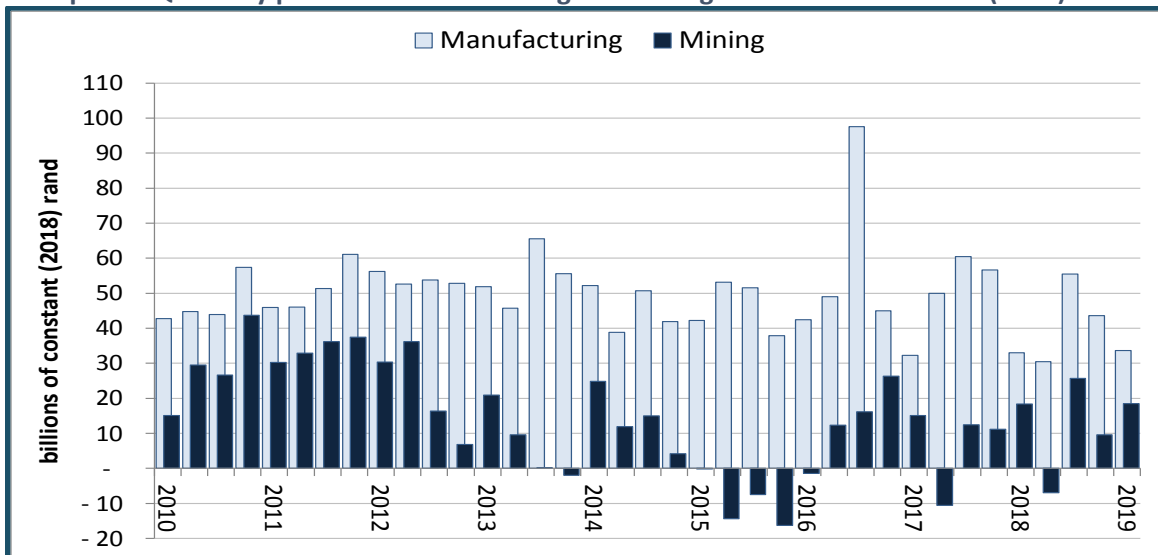
Graph 17. Return on Assets (a) (Year to first quarter)



Note: a. Net profit or loss before tax as percentage of total assets. Source: StatsSA, Quarterly Financial Statistics

Graph 18 shows quarterly manufacturing and mining profits in constant rand from 2010. Mining continues to show a slow recovery from the end of the commodity boom. Profits in manufacturing have been volatile and generally lower in the past two years. From 2010 to 2015, quarterly profits in manufacturing averaged R50 billion before tax, in 2018 rand; from 2017 to 2019, they averaged only R45 billion.

Graph 18. Quarterly profits in manufacturing and mining in billions of constant (2018) rand



Source: StatsSA, Quarterly Financial Statistics.