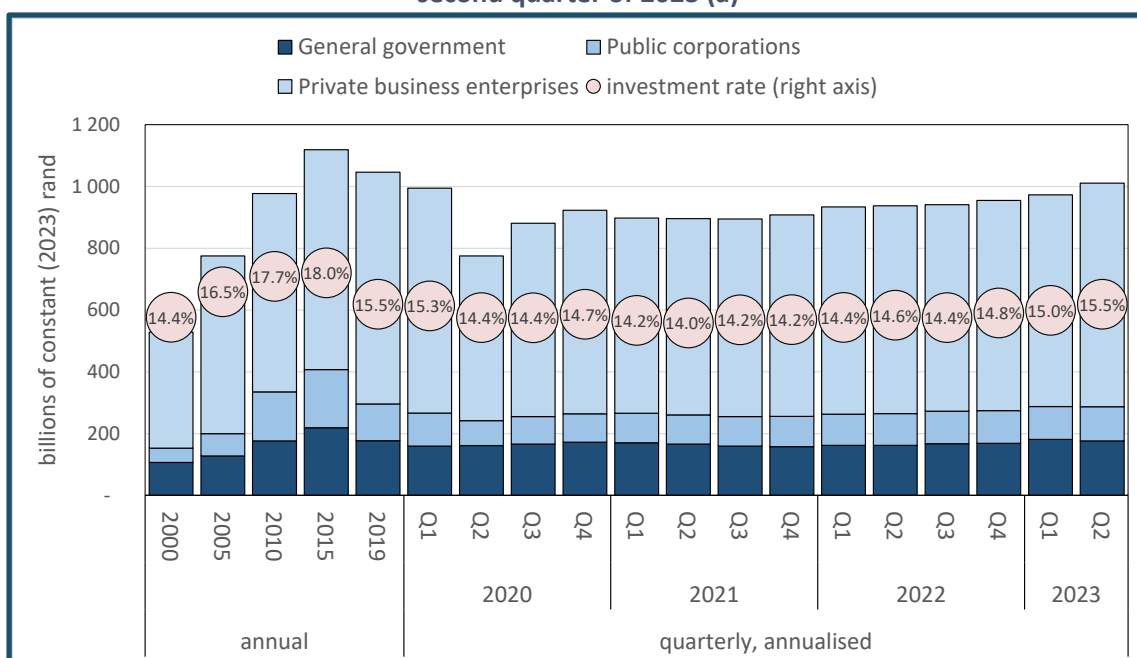


Investment and profitability

Investment rose to 15.5% of GDP from a low of 14% in mid-2021. Although this equalled the pre-pandemic investment rate, it remained below the level of 20% to 25% most economists consider necessary for rapid industrialisation. Profitability continues to fluctuate sharply. In construction, returns on capital shot up compared to the previous three years. In contrast, mining and manufacturing dropped off their peaks in the second quarter of 2021 and 2022.

The sharp increase in private investment was complemented by a 4.2% rise in capital spending by state-owned companies. Although general government spending declined 2.7%, it came off a spike in the previous quarter. As a result of these trends, total investment exceeded pre-pandemic levels. It rose to 15.5% of the GDP, from a low of 14% in mid-2021. That equalled the pre-pandemic investment rate, although it remained well below the level of 20% to 25% most economists consider necessary for rapid industrialisation.

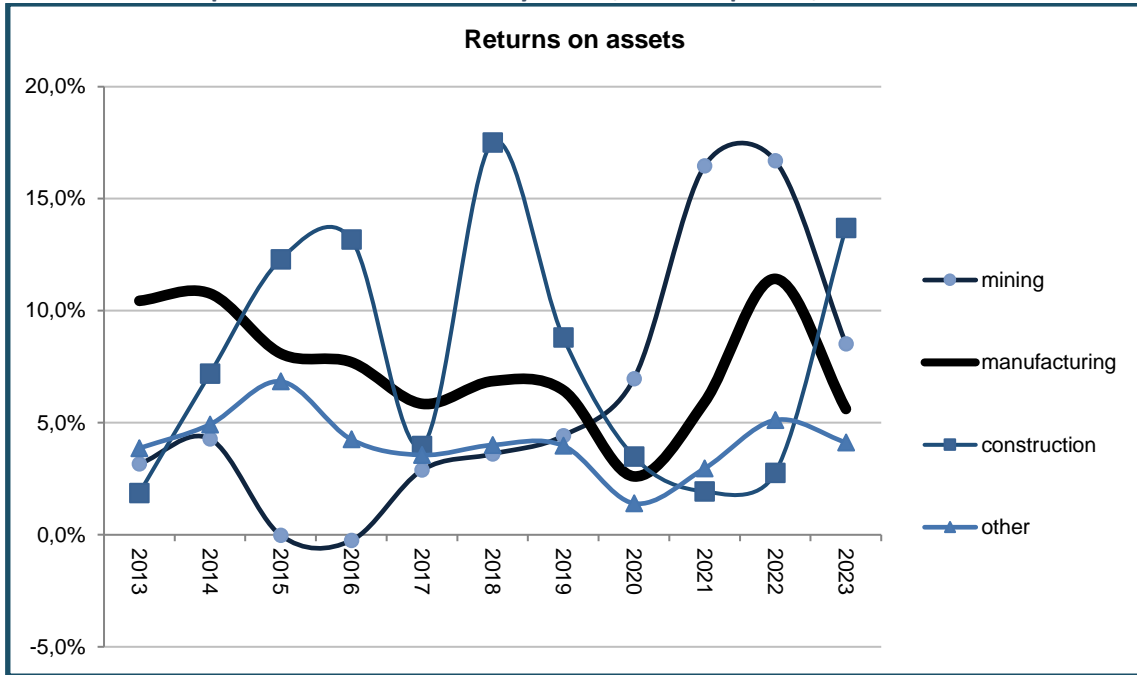
Graph 16. Investment by type of investor and the investment rate (gross fixed capital formation as percent of GDP), annual from 2000 to 2019 and quarterly from 2020 to the second quarter of 2023 (a)



Note: (a) Rebased with implicit deflator rebased to March 2023. Source: Calculated from Statistics South Africa. GDP quarterly figures. GDP P0441 – 2022Q4. Excel spreadsheet.

Profitability continues to fluctuate sharply, as Graph 15 shows. In construction, returns on capital shot up compared to the previous three years. In contrast, mining and manufacturing dropped off their peaks in the second quarter of 2021 and 2022.

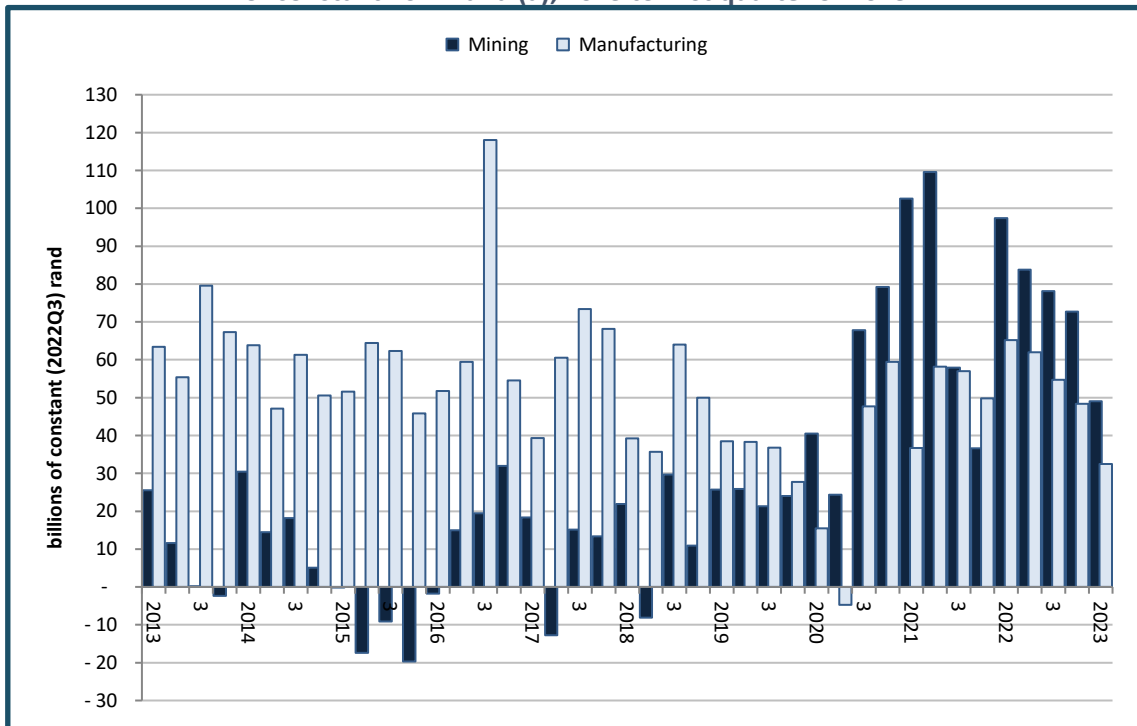
Graph 17. Return on assets by sector, second quarter, 2013 to 2023



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

In constant rand, mining and manufacturing profits have declined steadily since early 2022. (Graph 16) The fall presumably reflects the combination of lower export prices and soaring loadshedding.

Graph 18. Quarterly profits in manufacturing and mining in billions of constant 2022 rand (a), 2013 to first quarter of 2023



Note: (a) Deflated with CPI. Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.