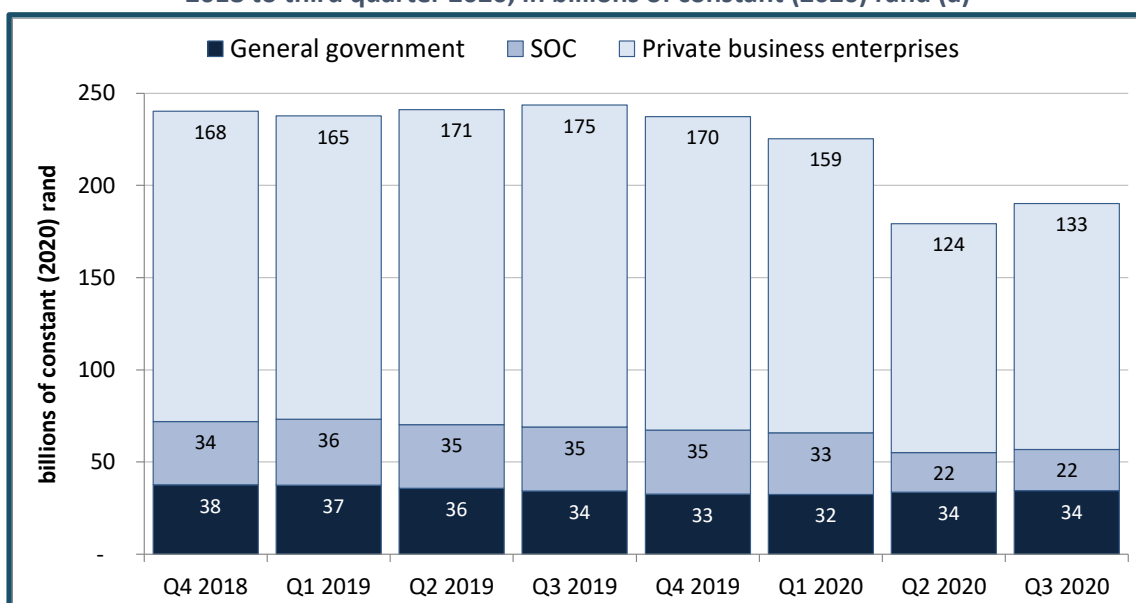


## Investment

The slowdown and uncertainty from the pandemic led to a near stand-still in investment by both private and state-owned companies (SOCs). Since production recovered more strongly, investment fell to 16% of the GDP in the third quarter of 2020, its lowest level in almost 20 years. The latest available data on profitability suggest that manufacturing returns sank to almost zero in the second quarter, although other sectors did somewhat better.

Although investment by private companies and SOCs recovered slightly in the third quarter, it remained far below pre-pandemic levels. Private investment plummeted by a fifth and investment by SOCs by a third in the second quarter. In the third quarter, private investment recovered only 7%, leaving it 16% lower than in the first quarter of 2020. SOC investment increased by only 4% in the third quarter, so it remained 33% below pre-pandemic levels. General government investment, which is relatively small, climbed 4% in the second quarter but only 2% in the third quarter. These trends meant that investment in the third quarter of 2020 was R40 billion lower than a year earlier in constant rand terms.

**Graph 20. Quarterly seasonally adjusted investment by type of organisation, fourth quarter 2018 to third quarter 2020, in billions of constant (2020) rand (a)**

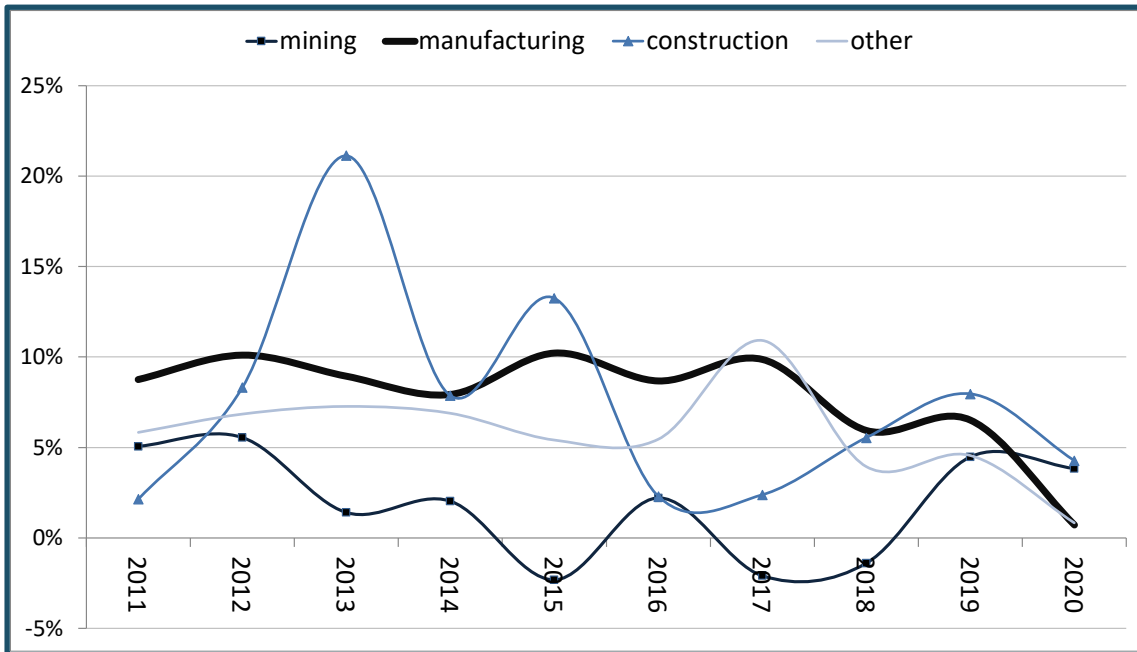


Note: Rebased with implicit deflator rebased to third quarter 2020. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

Because investment did not recover as quickly as production, it fell to 16% of the GDP, a level not seen since 2003. For most of the past decade, the share of investment in the GDP has hovered around 20%, which is the minimum generally considered adequate to secure growth.

The April crash brought a sharp fall in the return on assets across the economy, with a particularly steep decline in manufacturing. In contrast, mining saw a fairly modest fall in profitability as output and international prices recovered fairly rapidly in May and June. Data are not available for the third quarter, so the extent of the rebound since the second quarter is not clear.

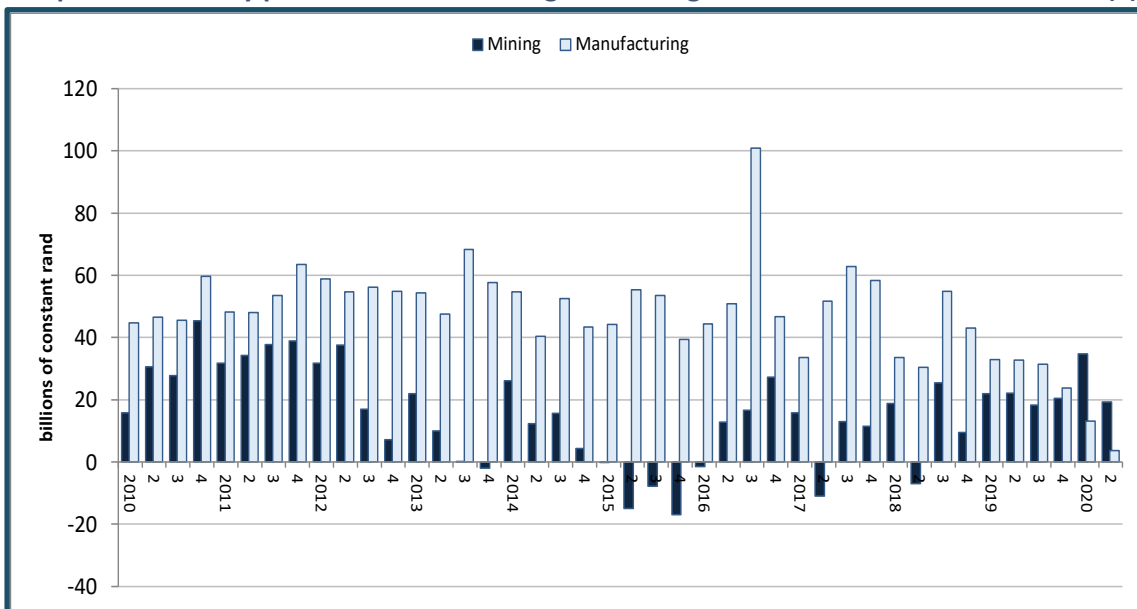
**Graph 21. Return on assets (a), 2010 to June 2020**



Note: Defined as pre-tax profits over carrying value of assets. Source: Calculated from Statistics South Africa. Quarterly Financial Statistics. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).

In constant rand, profits in manufacturing fell almost 50% from the first to the second quarter, dropping from R35 billion to R20 billion. A year earlier, they had been around R100 billion. Mining profits recovered largely because of soaring gold and diamond prices.

**Graph 22. Quarterly profits in manufacturing and mining in billions of constant 2020 rand (a)**



Note: Deflated with CPI rebased to June 2020. Source: Statistics South Africa, Quarterly Financial Statistics. Excel spreadsheet downloaded from [www.statssa.gov.za](http://www.statssa.gov.za).