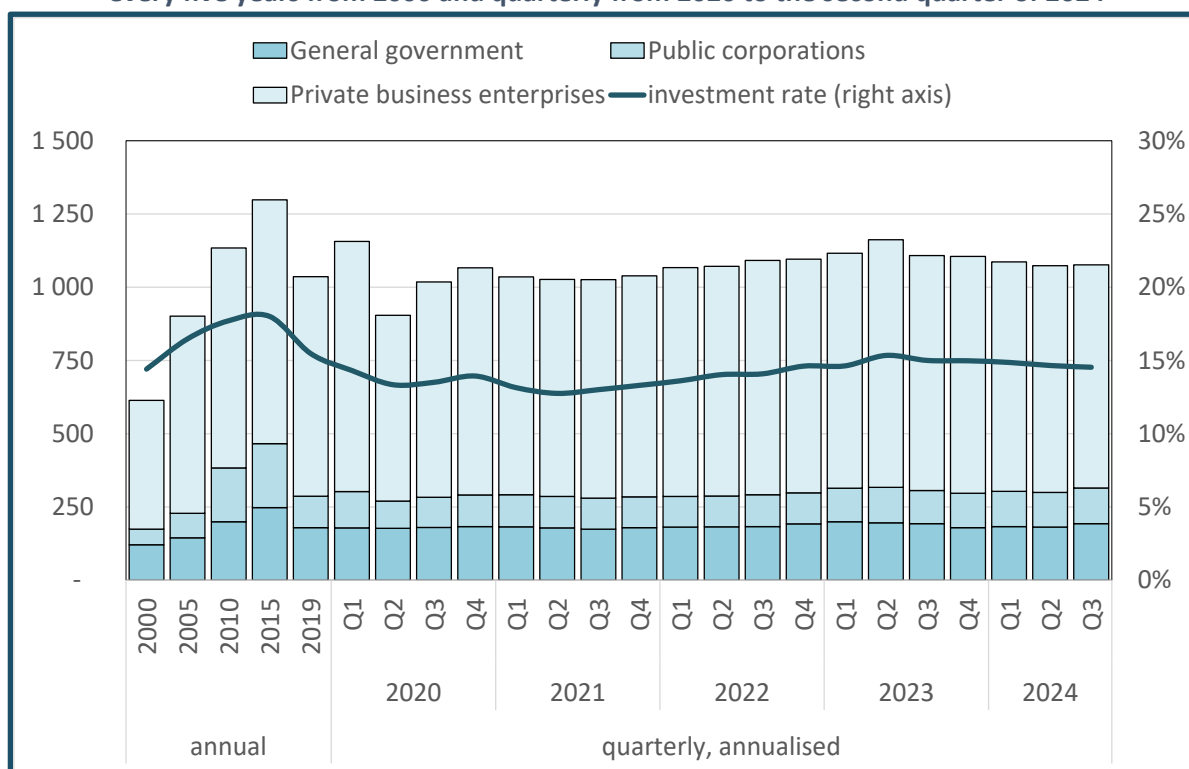


Investment and profitability

Investment continued to decline in the third quarter of 2024. It was almost 3% lower than in the third quarter of 2023, and 7% below its post-pandemic peak in the second quarter of that year. Private investment fell 1.7% in the past quarter, while public investment gained 5%. Still, public investment remains a third lower than at its peak in the mid-2010s. In terms of return on assets, mining and construction declined in the second quarter of 2024, but manufacturing remained stable.

Investment stabilised in the third quarter of 2024, although it remains well below its post-pandemic peak in the second quarter of 2023. (Graph 17) As a result, the investment rate fell from 15.3% at the height of the investment recovery to 14.5% in the third quarter of 2024.

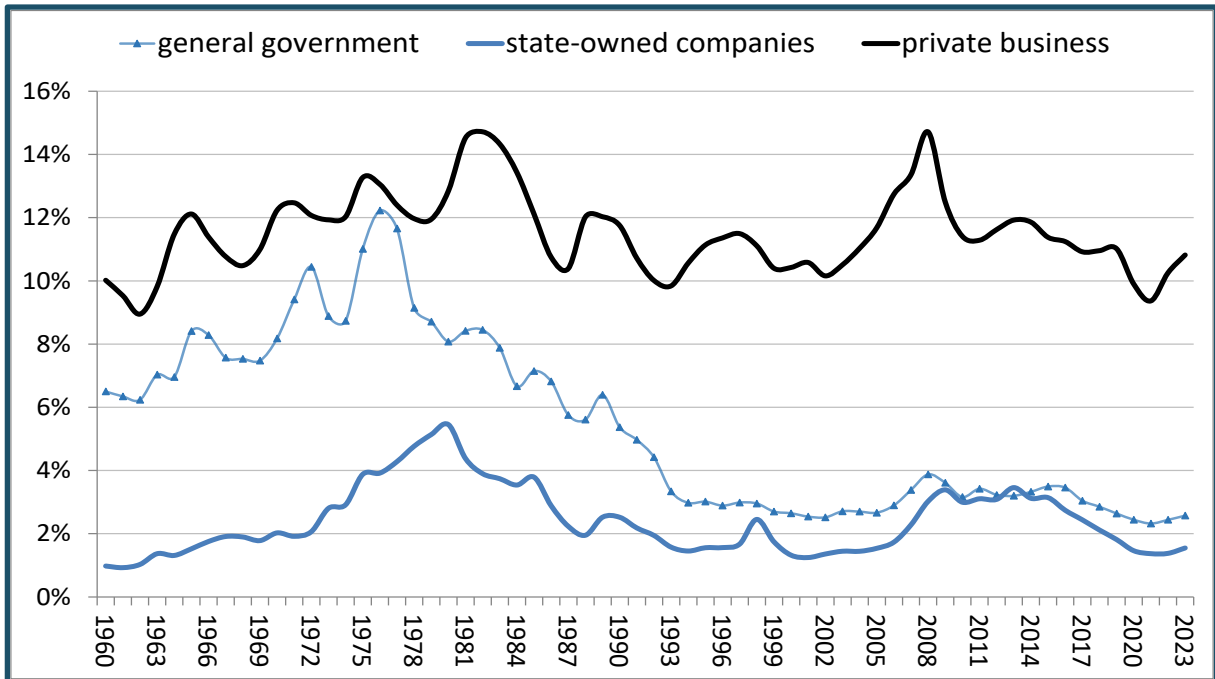
Graph 17. Investment by type of investor in constant 2024 rand and the investment rate (a), every five years from 2000 and quarterly from 2020 to the second quarter of 2024



Note: (a) Figures for investment are reflatd with implicit deflator rebased to third quarter 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 – 2024Q3. Excel spreadsheet.

Taking a long-term perspective, business investment has fluctuated between 10% and 15% of the GDP. Public investment has been far more variable. It dropped from a peak of over 15% in the mid-1970s to 4% in 1994, recovered briefly to between 6% and 7% for a decade from 2008, and has now fallen back to 4%. (Graph 18)

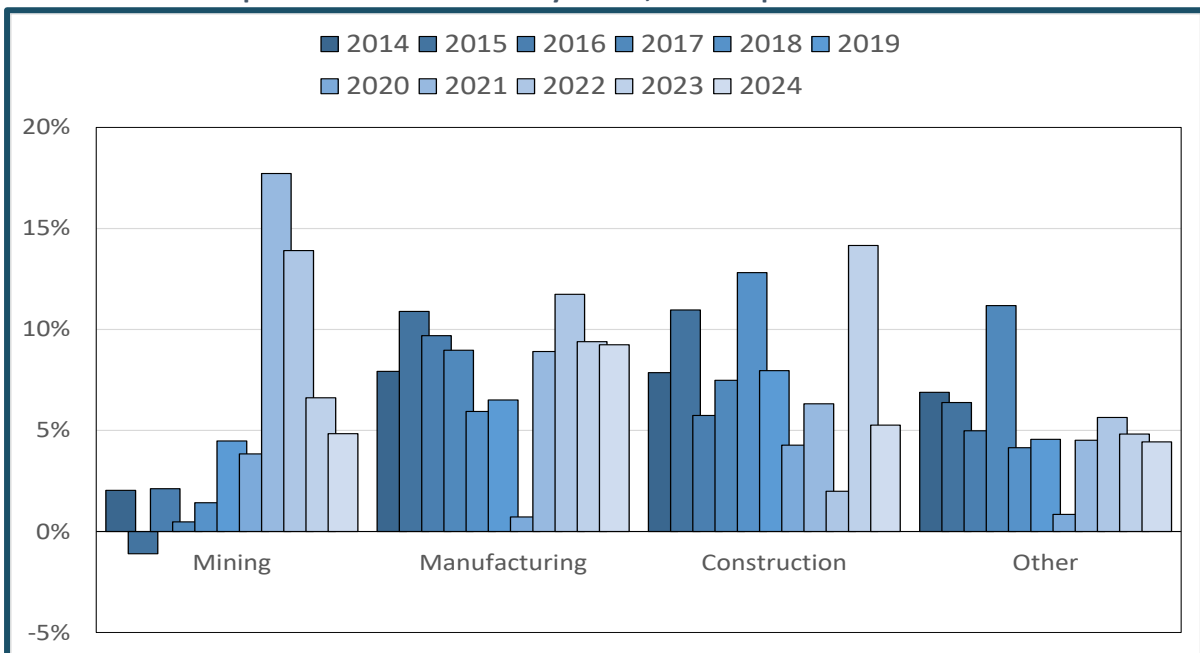
Graph 18. Gross fixed capital formation as a share of the GDP by type of organisation, 1960 to 2023



Source: Calculated from South African Reserve Bank. Online statistical query. Interactive dataset. Accessed at www.resbank.co.za in November 2024.

Data on profitability by sector are available only through the second quarter of 2024, from Statistics South Africa’s Quarterly Financial Statistics. Graph 19 shows that the return on assets in mining fell from 18% at the peak of the commodity price spike in 2021 to 5% in mid-2024. Profitability in construction also fell back from an unusual uptick in the first quarter. In contrast, the return on assets in manufacturing remained essentially unchanged. Data for the second quarter does not yet reflect the decline in export revenues for the auto industry.

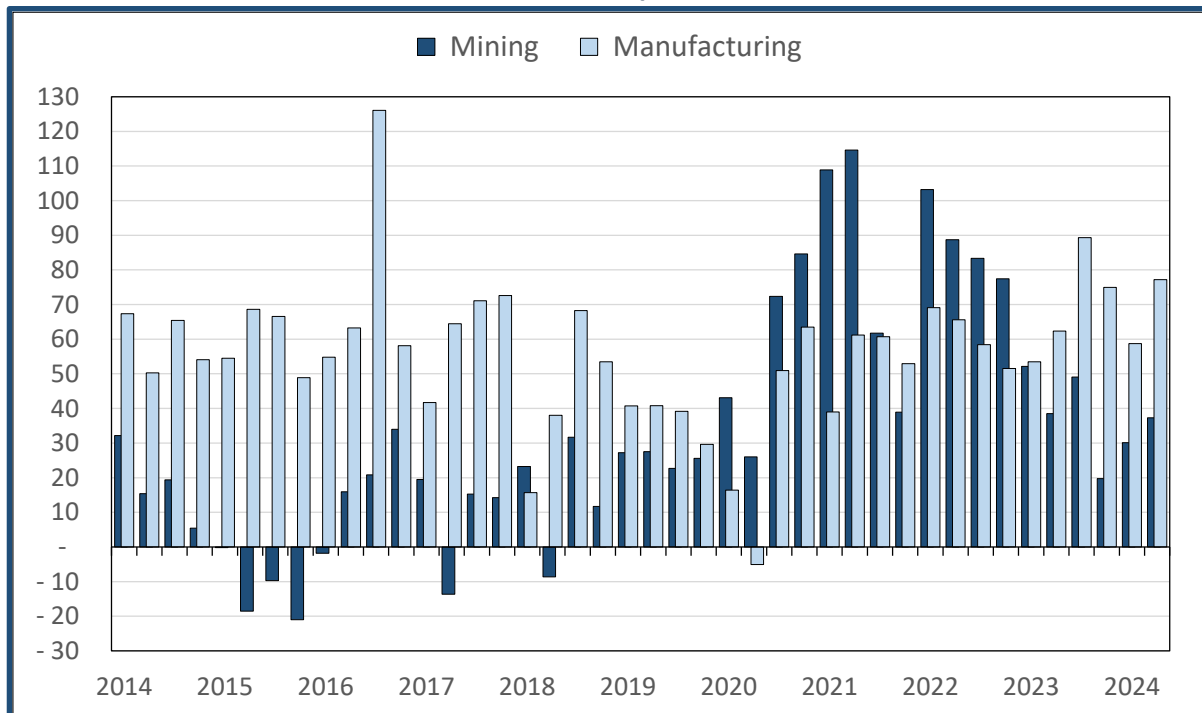
Graph 19. Return on assets by sector, second quarter 2014 to 2024



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

In constant rand terms, mining and manufacturing profits increased in the second quarter of 2024. Manufacturing earnings rose 31%, from R59 billion in the first quarter of 2024 to R77 billion in the second quarter. The improvements are likely due to minimal loadshedding in the second quarter of 2024 and higher export prices. Mining profits climbed from R30 billion in the first quarter of 2024 to R37 billion in the second quarter.

Graph 20. Quarterly profits in manufacturing and mining in billions of constant 2024 rand (a), 2014 to the second quarter of 2024



Note: Rebased with CPI rebased to the second quarter of 2024. Source: Calculated from Stats SA, Quarterly Financial Statistics. Excel spreadsheet.