

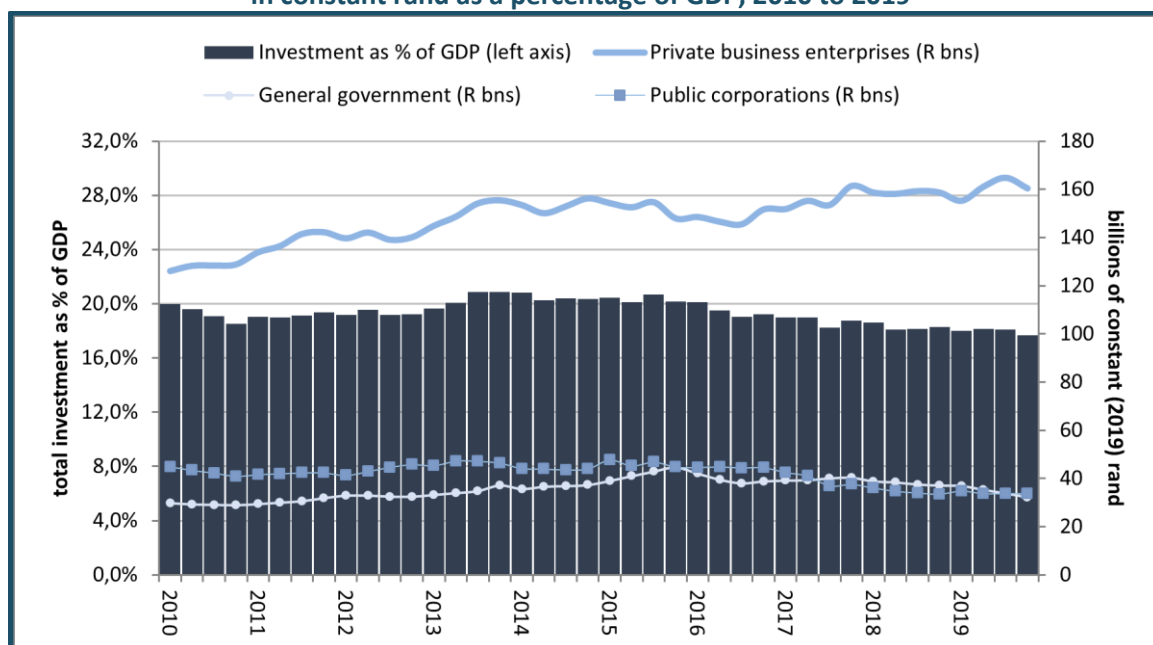
Investment and profitability

Investment was generally depressed in 2019, mostly as a result of the decline in public investment. Private investment fell in the final quarter, although it increased over the year. Profitability continued to fall in manufacturing and dropped in construction. Mining saw some improvement, mostly because the value of its assets fell even faster than its profits.

As noted above (see Graph 11), investment was down in 2019 compared to 2018, largely as a result of long-run disinvestment by the public sector. Private business investment climbed 1.1%, compared to an annual average of 1.3% growth over the previous three years.

As a percentage of GDP, investment fell to 17.7% in the fourth quarter of 2019, representing the lowest investment rate for any quarter since 2010. The rate dipped as a result of a 2.6% fall in private investment and a 4.7% decline in government investment in the quarter. It had, however, been falling steadily from 2014, when investment climbed above 20% of the GDP.

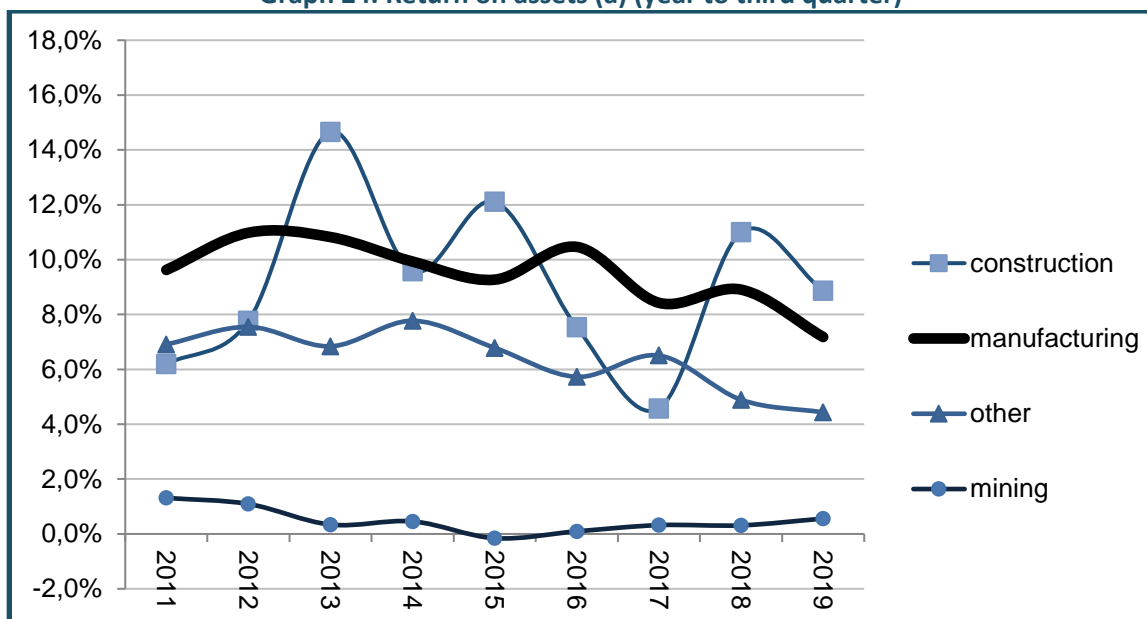
Graph 23. Quarterly seasonally adjusted investment by type of organisation in constant rand as a percentage of GDP, 2010 to 2019



Source: Statistics South Africa GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za in March 2020.

The return on assets in manufacturing declined from 8.9% to 7.2% in the year to the third quarter 2019 (the latest available data), continuing the downward trend of the past five years. Construction also saw a decline from 11% to 8.9% after improving in 2018. The rest of the economy saw the return on assets fall from 4.9% to 4.4%. In contrast, mining had an improvement in profitability, although off a low base, rising from 0.3% to 0.6%.

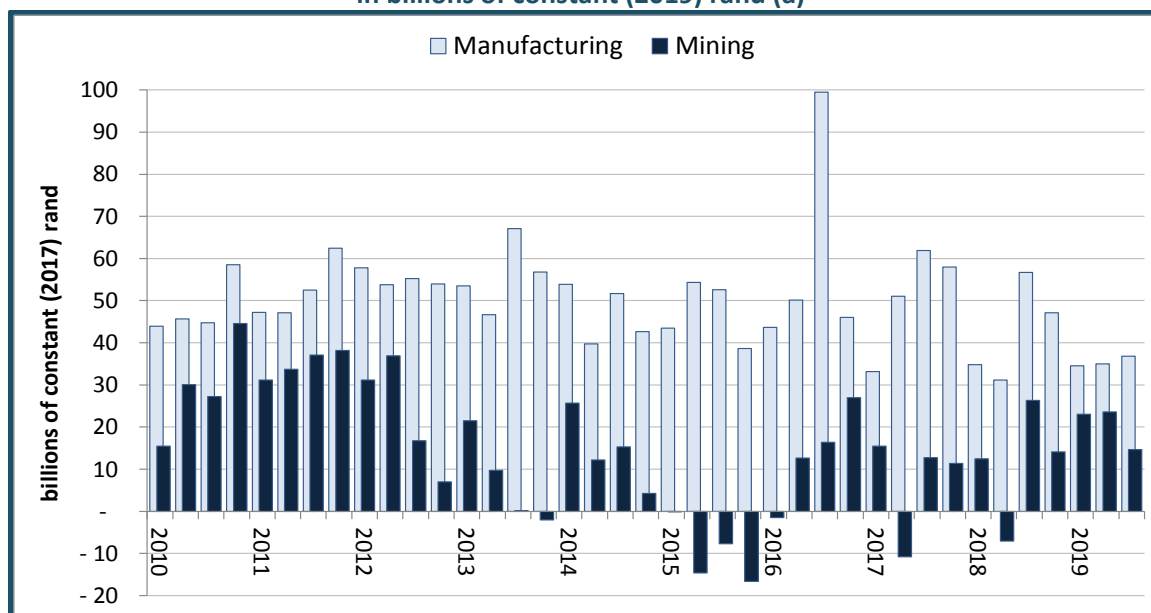
Graph 24. Return on assets (a) (year to third quarter)



Note: (a) Net profit or loss before tax as percentage of total assets. Source: Statistics South Africa. Quarterly Financial Statistics. Details SML. Excel spreadsheet. Downloaded from www.statssa.gov.za in March 2020.

While mining profits increased for much of 2017, they dropped sharply in constant (2019) rand from R24 billion in the second quarter of 2019 to R15 billion in the third. Manufacturing profits rose slightly from the first half of 2019 to the third quarter, from R35 billion in constant 2019 rand in the first and second quarters to 37 billion in the third quarter.

Graph 25. Quarterly profits in manufacturing and mining in billions of constant (2019) rand (a)



Note: (a) Deflated with CPI rebased to September 2019. Source: Statistics South Africa. Quarterly Financial Statistics. Details SML. Excel spreadsheet. Downloaded from www.statssa.gov.za in March 2020.