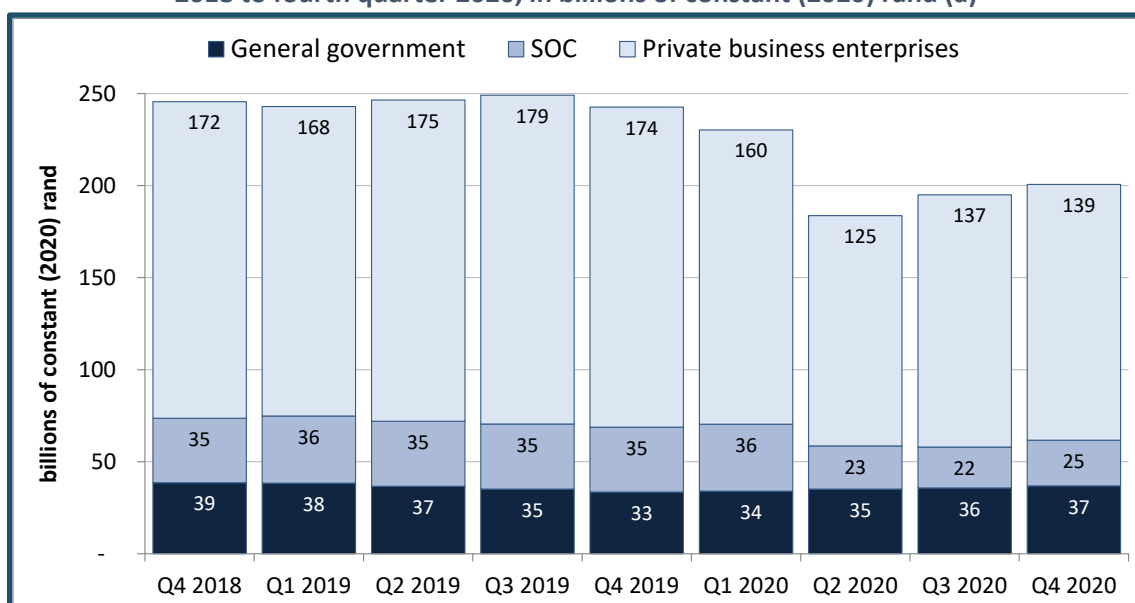


Investment

Private investment flattened out in the fourth quarter of 2020 while public investment showed strong growth. The investment rate (investment as a percentage of the GDP) improved marginally from 15.1% of the GDP in the third quarter to 15.4% in the fourth quarter – still far below pre-pandemic levels. Returns on assets improved for mining and manufacturing in the third quarter, but fell for construction.

After climbing by 10% in the third quarter of 2020, private investment rose only 1% in the fourth quarter. Since it had fallen 22% in the lockdown from the first to the second quarter, it remained some 13% below pre-pandemic levels. In contrast, investment by state-owned companies (SOCs) fell a total of 39% in the second and third quarter, but climbed 12% in the fourth quarter of 2020. It remained 32% below the first quarter, however, due to the sharp and prolonged decline during and immediately after the lockdown. In contrast, investment by the government itself climbed steadily through the pandemic, and by December was 8% above the start of the year.

Graph 16. Quarterly seasonally adjusted investment by type of organisation, fourth quarter 2018 to fourth quarter 2020, in billions of constant (2020) rand (a)

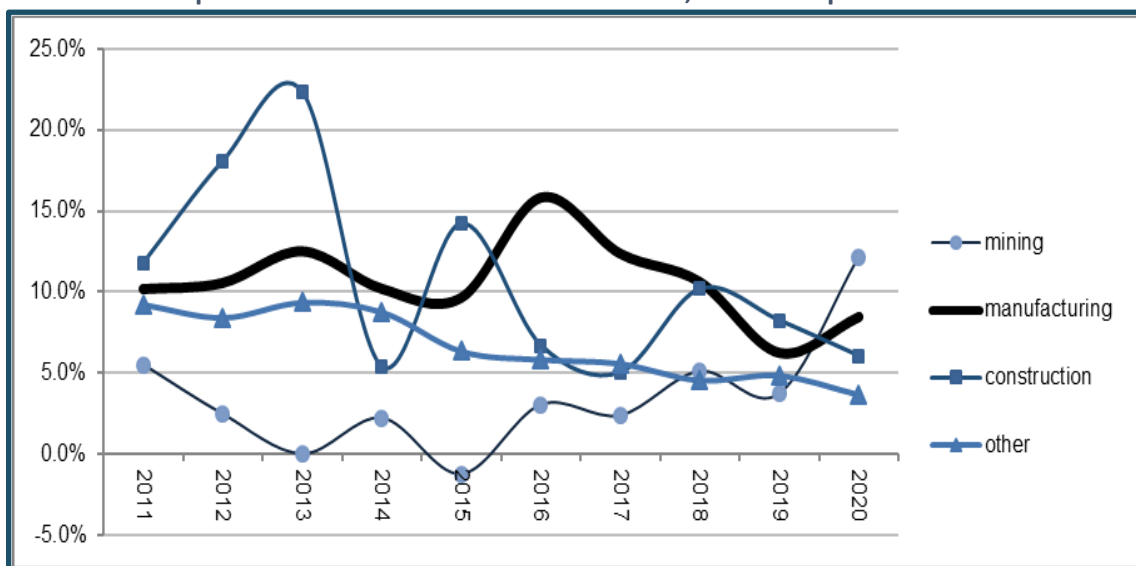


Note: Rebased with implicit deflator rebased to fourth quarter 2020. Source: Calculated from Statistics South Africa. GDP quarterly figures. Excel spreadsheet downloaded from www.statssa.gov.za.

The trends in investment meant that public investment (that is, government and SOC investment combined) recovered to 31% of the total. That compared to 29% in 2019, but was still down from over 35% in 2010 and 2011, when it was boosted by the global commodity boom, which brought higher revenues, and the FIFA World Cup.

The return on assets for mining and manufacturing improved in the third quarter of 2020 (the latest available data), while construction saw a decline to 6%. Mining saw the largest improvement, with returns on assets rising to 12.1%, compared to 3.7% in the same quarter in 2019. Manufacturing returns on assets increased slightly, from 6.3% to 8.5% in the year to the third quarter of 2020. Construction returns on assets continued to decline, from 8.2% to 6% over the same period.

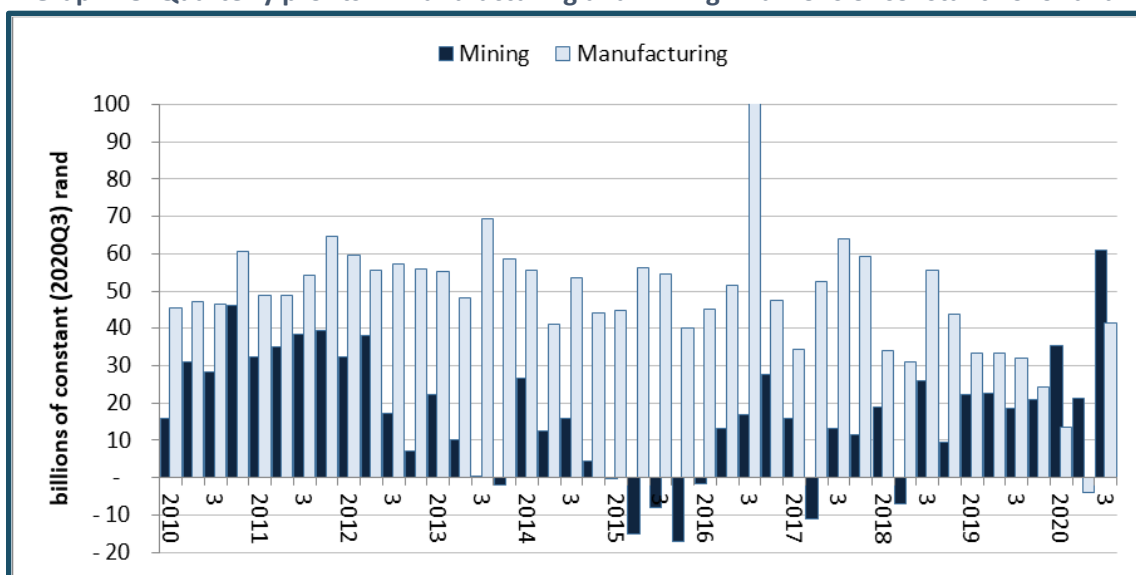
Graph 17. Return on assets in constant rand, 2011 to September 2020



Source: Stats SA, Quarterly Financial Statistics adjusted to constant rand. Excel spreadsheet downloaded www.statssa.gov.za. February 2021

Mining profits more than tripled in constant 2020 rand in the year to the third quarter of 2020, from R19 billion to R61 billion. The high profitability reflects overall improvements in the global economy (in the form of increased output and increased prices) as countries reopened their economies following COVID-19 related lockdowns. Anglo American for instance reported operating at about 95% capacity in October 2020. Manufacturing also showed some improvements in profitability over the same period, rising from R32 billion to R41 billion. Although it initially appeared that manufacturing profits declined to R3.6 billion in the second quarter of 2020, revised data show a loss of R4.1 billion, largely the result of the national lockdown that began towards the beginning of the second quarter.

Graph 18. Quarterly profits in manufacturing and mining in billions of constant 2020 rand



Note: Deflated with CPI rebased to June 2020. Source: Statistics South Africa, Quarterly Financial Statistics