

## Profitability and investment

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Statistics South Africa's Quarterly Financial Statistics provides information on trends in profitability and capital expenditure in the formal sector outside of agriculture, with information currently available through the third quarter of 2015. The most recent data on construction, however, appear to be faulty, so the sector is excluded here. The data are not seasonally adjusted, so quarterly fluctuations should be treated with care.

Profitability in manufacturing has tended to decline from 2011. Return on capital dropped from around 8% in 2012 and 2013 to 6,5% in 2014 and the first three quarters of 2015. Mining as a whole made a loss for the first three quarters of 2015, after making a return of 1,4% on capital in 2014. Overall, the return on capital outside of agriculture and construction dropped from around 5% in 2014 to just over 4% from the first to the third quarter of 2015.

While capital expenditure in mining has tended to decline as a percentage of assets over the past five years, it has generally increased in manufacturing and construction. For the economy as a whole outside of construction and agriculture, however, capital expenditure as a percentage of assets fell from an average of 4,1% in 2014 to 3,5% in the first three months of 2015.

### Profitability and capital expenditure by sector, third quarter 2015, 2014 and 2010

	Mining	Manufac- turing	Utilities	Other sectors	Total excluding construction
<b>Profitability</b>					
Profits, Q3 2015	-R7,5 bn	R25,6 bn	R15,3 bn	R72,4 bn	R105,8 bn
Return on capital (a)					
- Q3 2015	-1,5%	5,9%	2,9%	7,2%	4,3%
- Q3 2014	2,0%	7,0%	2,4%	9,5%	6,2%
- Q3 2010	3,4%	6,5%	3,3%	5,1%	4,8%
<b>Capital expenditure</b>					
Capital expenditure, Q3 2015	R13,1 bn	R17,2 bn	R20,9 bn	R34,0 bn	R85,2 bn
Capital expenditure as % of assets					
- Q3 2015	2,5%	4,0%	4,0%	3,4%	3,4%
- Q3 2014	3,0%	4,2%	5,2%	3,6%	3,9%
- Q3 2010	2,5%	4,0%	4,0%	3,4%	3,4%

*Notes:* Return as capital calculated as profits less tax divided by the carrying value of assets. *Source:* Calculated from Statistics South Africa, Quarterly Financial Statistics, relevant quarters.