



TRADE & INDUSTRIAL POLICY STRATEGIES

Foreign Direct Investment Tracker

Quarter 1 2019

Report prepared for the Department of Trade and Industry

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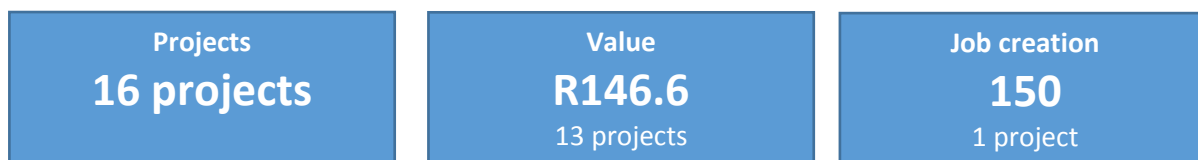
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FDI Trends, Q1 2019

Quarterly trends

Investment monitoring for the first quarter of 2019 added 16 new projects. Based on the available investment value data, a total investment value of R146.6 billion accrued from seven projects. Six projects were updated in the FDI Tracker. Five projects were updated this quarter, having either come to completion or moved to a new stage in the project.



Investments into the energy sector dominated in the first quarter of 2019. The largest potential investment this quarter was by Saudi Aramco with a pledged value of US\$10 billion (R138 billion) into a new oil refinery and petrochemical plant. This pledged investment was a result of the South African President's state visit to Saudi Arabia in 2018. At this stage, negotiations are still taking place, and it is unclear where the potential refinery and petrochemicals plant will be located. Coega and Richard's Bay have been touted as potential sites for the investment. In addition to investments into the refinery and petrochemicals plant, other potential investments are expected to accrue later in the renewable energy space and also a potential natural gas supply by Saudi Arabia to South Africa. The Saudi investment amount accounts for 94% of the total value for announced investments in this quarter. Enel Green Power South Africa (EGP RSA) has begun constructing the 140 MW Nxuba Wind Farm in the Eastern Cape as part of the pool of projects awarded in Round 4 of the Renewable Energy Independent Power Producer Programme (REIPPP) in 2015. Total South Africa has resumed oil and gas exploration activities off the coast of Mossel Bay in the Brulpadda block. Previous exploration activity was conducted in 2014; however, the depth of the fields and the ocean (current) conditions required an improved design. The investment of R2 billion included deploying a suitable rig for the operation and a sophisticated weather forecasting system. These top three investments in the energy sector accounted for 98% of investments in the quarter.

Moving beyond the energy sector, other notable investments include a potential R1.4 billion investment by SA Towers into building and acquiring telecommunications tower infrastructure in the country. This investment comes on the back of investor company, Helios Towers, seeing a future growth in demand for telecommunications infrastructure, and mobile network operators considering selling off their infrastructure to free capital for other activities. Finally, capital equipment manufacturer Komatsu completed a R0.9 billion investment into its campus, where the firm will manage its operations in the country and region. The property consists of head office operations, a technical training centre, an equipment workshop and parts distribution centre.

Investment projects categorised by investment stage reveals seven new projects announced contributed R139.7 billion to the total investment value. The highest contributors to new project announcements were Saudi Aramco's potential investment of R138 billion, followed by the R1.4 billion SA Towers investment. The other new projects announced include pledged investments by Komatsu Africa Holdings, plant upgrades by Weir Minerals Africa, and an investment in a copper processing plant by Handa Mining. The total value of investment from projects completed this quarter amounts to R1.4 billion, with the largest project being the Komatsu Industrial Campus that was developed for R985 million. Complete projects also comprise, among others, the Hisense Atlantis factory, Cummins

power hub and the Afarak Mogale alloys plant. The two projects under construction are the Nxuba Wind Farm being developed by Enel Green Power amounting to about R3 billion, and the roll-out of electric vehicle charging stations by Jaguar South Africa in partnership with GridCars. Total South Africa is the only exploration investment with R2.3 billion.

Table 1: Investment stages

Stage	Value (R billion)	Number
Announced	139.70	7
Complete	1.40	6
Construction	3.10	2
Exploration	2.30	1
Total	146.60	16

Distinguishing the projects by type allows for the differentiation between greenfield, brownfield, upgrades and expansion activities. Greenfield investments were the largest in pledged investment value and number of projects for the past quarter. The leading greenfield investment project is the potential Saudi Aramco US\$10 billion (R138 billion) oil refinery and petrochemical plant investment. Other greenfield projects include the €200 million (R3.1 billion) Nxuba Wind Farm by Enel Green Power and the R985 million Komatsu Industrial Park. Brownfield investments amounted to R 2.3 billion on account of the investment into exploration activities by Total South Africa, with the values for the other two projects unavailable at present. Expansion projects include the R1.4 billion investment by Helios Towers, the Hisense Atlantis Factory investments, and two projects by Komatsu Africa Holdings in remanufacturing and rebuild and repair centres. Of the three upgrade projects, two are by Weir Minerals Africa at its Heavy Bay Foundry (a total of R40 million). The other is by Afarak at the Mogale Alloys plant, for which no investment value was reported.

Table 2: Investment type

Type	Value (R billion)	Number
Greenfield	142.40	6
Brownfield	2.30	3
Expansion	1.70	4
Upgrade	0.04	3
Total	146.60	16

Regional variations in investment activity are also tracked as part of the FDI Tracker. The Eastern Cape had the largest pledged investment value – based on reported locations — with R3.1 billion, with a total four projects. This is dominated by the Nxuba Wind Farm contributing R3.1 billion to the services industry. The other three projects in the province are by Weir Minerals Africa with two projects valued at a total R40 million, and Jaguar South Africa. The latter is installing charging stations for electric vehicles across the nine provinces¹.

¹Jaguar South Africa indicated it will install 82 charging stations in the region with 45 of these in South Africa. For the purposes of the FDI Tracker, the total R30 million investment by Jaguar South Africa is proportionately distributed according to the reported locations and number of stations per province. Total allocation for the 45 locations is an estimated R16.4 million. Installation for the remaining 37 stations amounts to R13.5 million and is classified as unspecified as these investments may likely be allocated to the installation of stations in neighbouring countries. For purposes of the FDI Tracker the 37 stations and the value are categorised as “unspecified”.

This is followed by the Western Cape, which benefits from Total South Africa’s R2.3 billion oil and gas project in the mining industry. Other projects in the province include investments by Hisense and Jaguar South Africa.

Gauteng province has the highest number of projects this quarter with six investments. The province contributes R1.6 billion to the pledged investment value. With the exception of the projects in the mining industry by Afarak and services by Jaguar South Africa, projects in the province are in manufacturing. The largest contributor is Komatsu Africa Holdings with three projects that have a total pledged value of approximately R1.3 billion.

Projects contributing to investment in the other provinces include four projects. Jaguar’s installation of electric vehicle charging stations contributes across the provinces where it is the only project in five of the provinces namely; KwaZulu Natal, Free State, North West, Limpopo and Mpumalanga. The Northern Cape will get two stations for R0.7 million in addition to a potential project by Handa Mining for a processing plant in the province, for which an investment value was not reported. Limpopo and Mpumalanga province will each have one station installed at a strategic location with a value of R0.3 million each.

Projects assigned in the “unspecified” category refer to those projects where the location is not reported or cannot be inferred from available information. The largest project is the planned oil refinery and petrochemical plant to be developed by Saudi Arabian oil and gas company Saudi Aramco for US\$10 billion (R138 billion). Discussions around the location of the Saudi Aramco activities are still to be decided on so the regional intensity of this investment may change as the project evolves, with Richard’s Bay being one of the potential sites. The other projects are the Helios Towers and Shell South Africa investments. The project by Helios Towers has the largest investment value with R1.4 billion, contributing to services.

Figure 1: Value of FDI by location, R’ billion, quarter 1, 2019

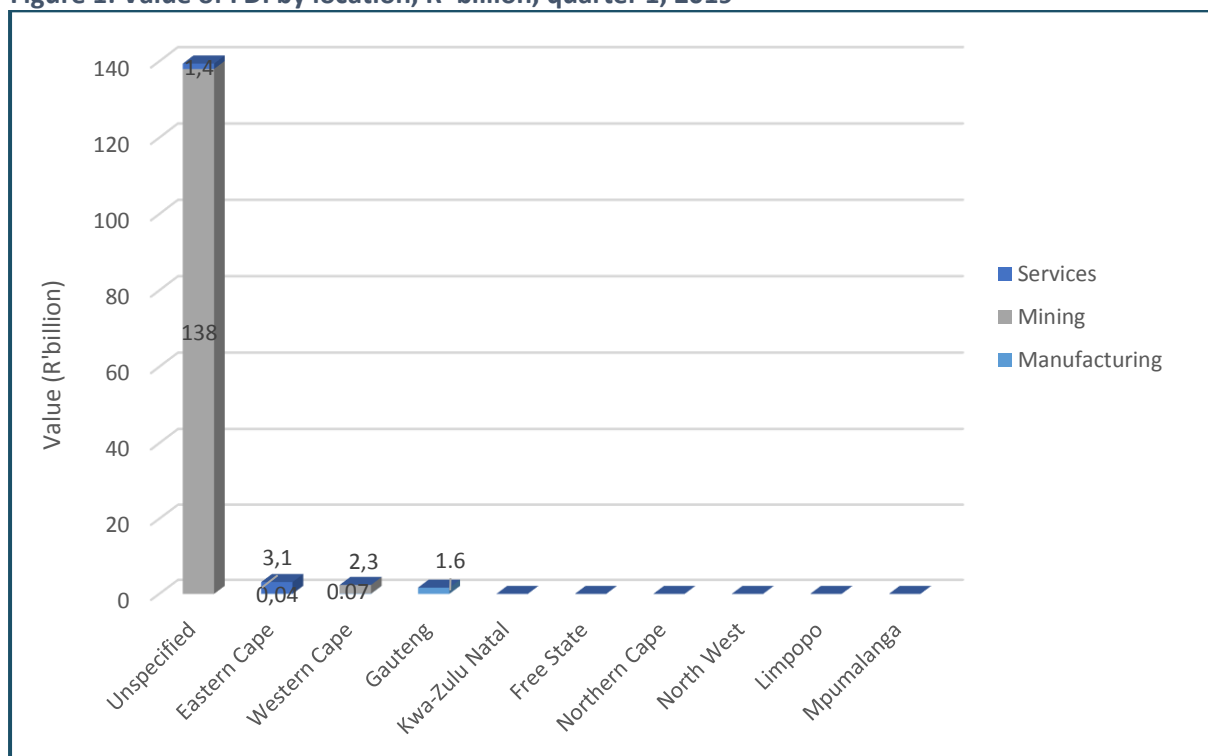
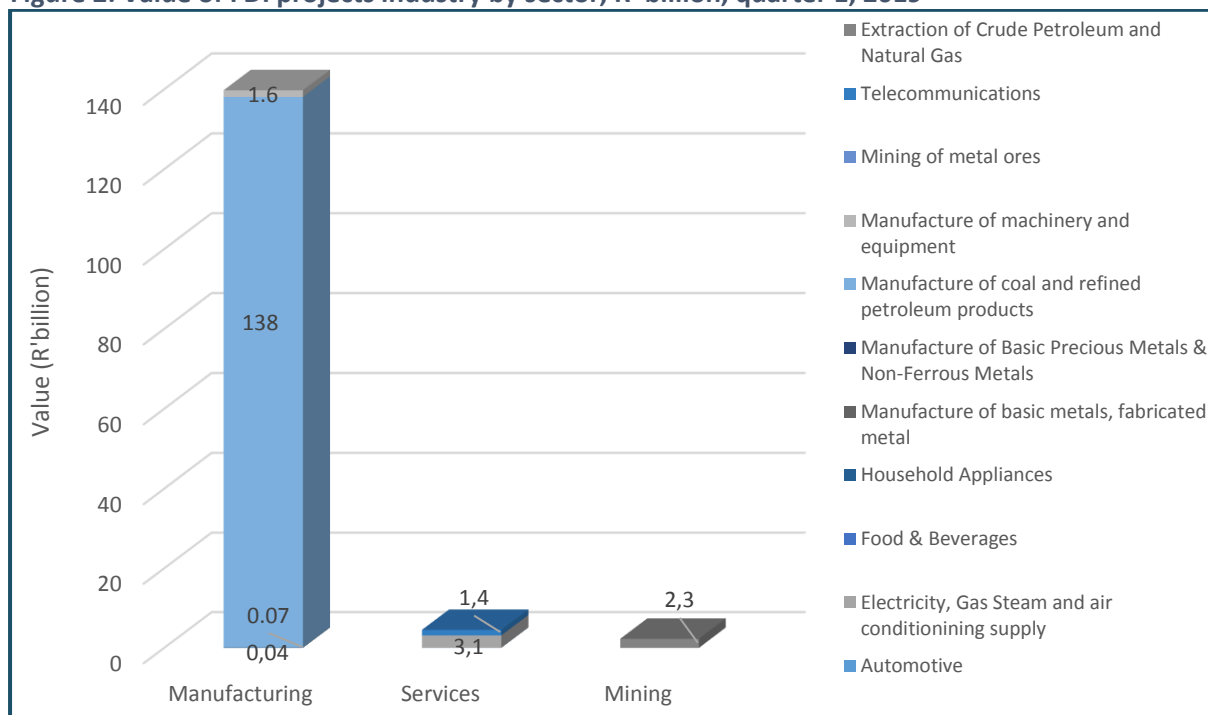


Figure 2 indicates the distribution of projects by sector in their respective industries. Monitoring identified investment activity in only three sectors this quarter: manufacturing, services and mining.

Manufacturing had the highest value of pledged investment with R139 billion. It also has the most projects with eight investments. The largest project is in oil refining and petrochemical production contributing R138 billion from the project by Saudi Aramco. Machinery and equipment has the highest number of projects in manufacturing with four projects that have a pledged investment value of R1.6 billion, comprising projects by Cummins and Komatsu Africa Holdings.

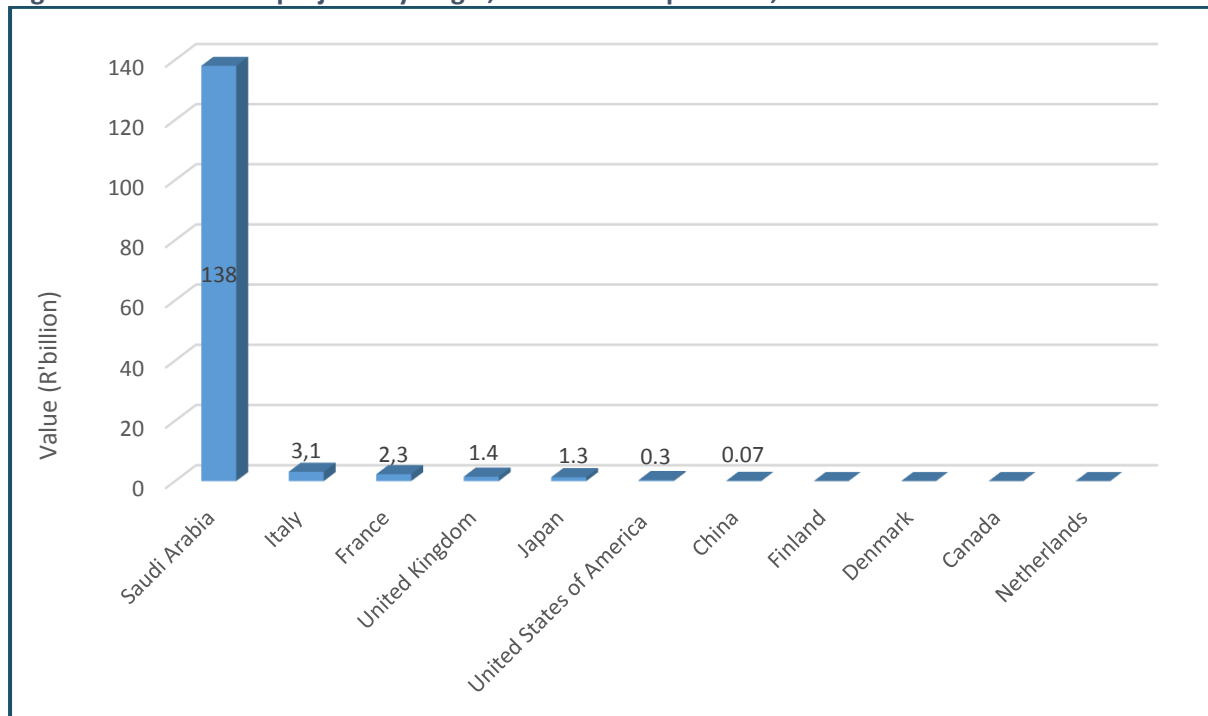
Services contributed R4.5 billion to the total pledged investment value. The largest projects by value are in electricity supply with the construction of the Nxuba Wind Farm for R3.1 billion followed by telecommunications infrastructure investment with the R1.4 billion Helios Towers project. Automotives also contributed to the services industry through the investments by Jaguar South Africa and Shell South Africa. Investments in mining are from three sectors through the Handa Mining copper processing plant, the Afarak Mogale Alloys plant, and Total oil and gas exploration off Mossel Bay.

Figure 2: Value of FDI projects industry by sector, R' billion, quarter 1, 2019



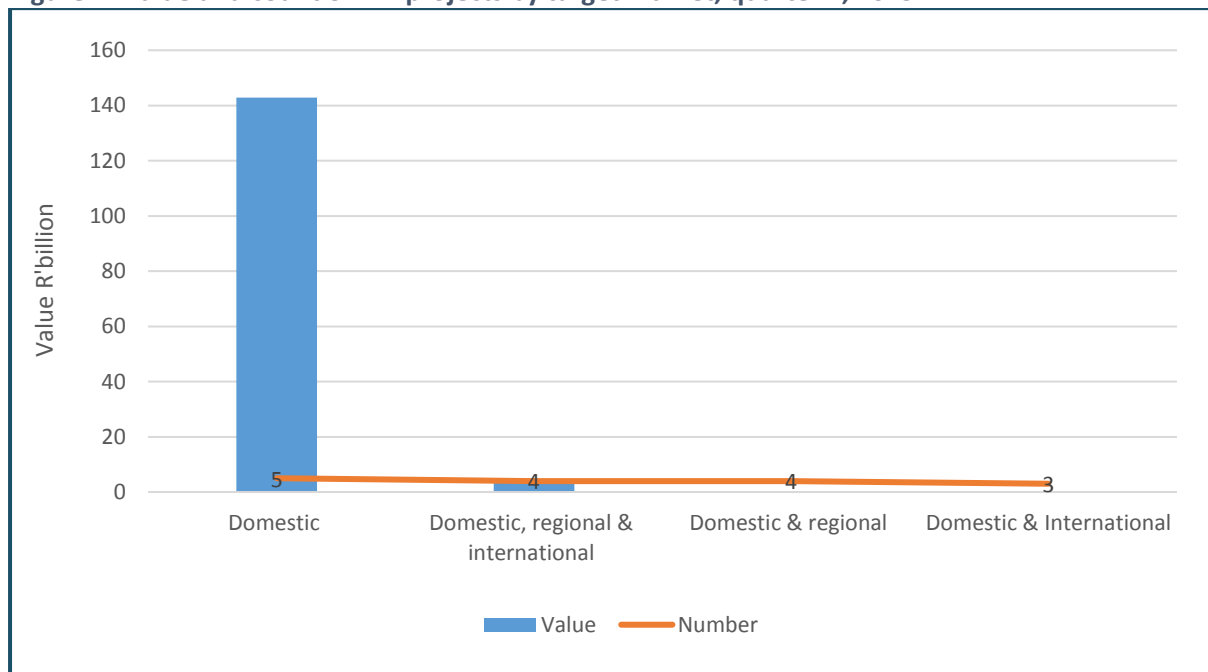
Similar to the previous quarter, European countries lead investment by number of projects, with nine projects coming from the region contributing R6.8 billion from six projects. Investment values were not reported for the other three projects. The largest in value is by Italian renewable energy company Enel Green Power, with the R3.1 billion Nxuba Wind Farm Project. In terms of number the United Kingdom leads with four projects, the total value of investment from the country is R1.4 billion. Saudi Arabia is the biggest investor this quarter in terms of value with the planned oil refinery and petrochemical plant for US\$10 billion (R138 billion). Monitoring also identified projects from Asia, with projects from Japan and China adding R1.3 billion and R72 million respectively.

Figure 3: Value of FDI projects by origin, R' billion for quarter 1, 2019



Most investments this quarter target the domestic market, which also has the highest value of investment. The high value is because of the large Saudi Aramco investment. Four projects have a domestic, regional and international outlook, similarly domestic and regional markets are the target for four projects. Three investments have a domestic and international outlook.

Figure 4: Value and count of FDI projects by target market, quarter 1, 2019



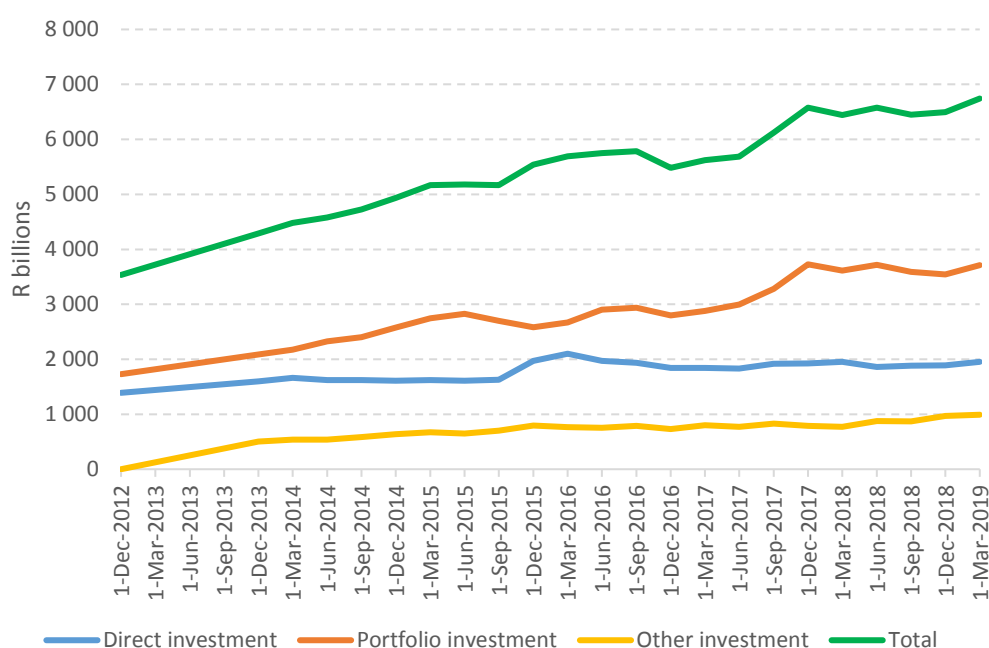
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Investment environment

Analysis of the investment environment is important for a number of reasons. Metrics that measure investment indicate the extent to which pledged investments materialise into actual investments and also provide a glimpse into investor sentiment regarding future growth prospects in the economy. A flurry of investment activity is typically a sign of future growth, while during times of lacklustre growth investors tend to hold back investments given a pessimistic view of future growth and the risk of tying up capital, hampering the returns on that capital. With the President’s Investment Summit held at the end of 2018, it is important, from a policy point of view, to monitor whether pledges are materialising into a substantial improvement in investment levels. To evaluate the investment environment, a number of key investment metrics have been incorporated.

The total market value of South Africa’s inward investment increased from a revised R6 493 billion at the end of December 2018 to R6 743 billion at the end of March 2019, an increase of 3.9% in the first quarter of 2019 following a marginal increase of 0.6% in the fourth quarter of 2018, according to inward investment data released by SARB for the first quarter of 2019. Direct investment² as measured by the SARB inward investment data increased from R1 888 billion to R1 954 billion between the fourth quarter of 2018 and quarter one of 2019, with a modest increase of 3.5%. Compared to the first quarter of 2018, direct investment was approximately stable, increasing by a marginal 0,1%. Taking a longer term view, direct investment has remained roughly stable over the past two years with no major increases being noted, and no recovery to the most recent historical high (R2 101 billion) in the first quarter of 2016.

Figure 5: South Africa’s inward investment



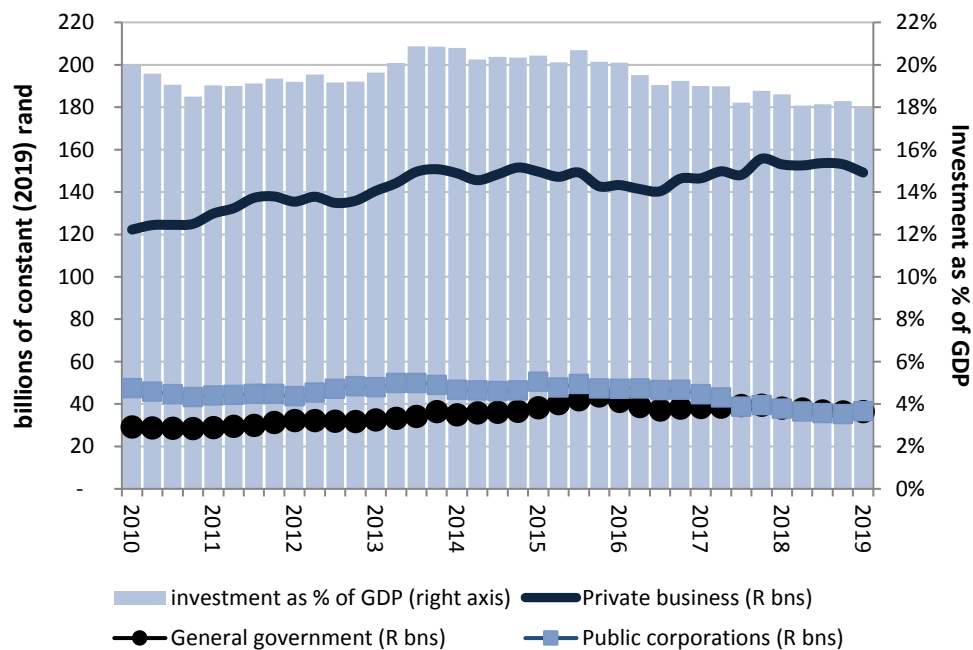
Source: SARB, South Africa’s international investment position, downloaded April 2019

² Direct Investment is defined as: *the objective of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise).* See (SARB 2019)

As shown above the increase in total investment in the first quarter of 2019 reflected increases in almost all functional categories, except financial derivatives. The increase in the FTSE/JSE All-share Index of 7.1% in the first quarter of 2019 contributed to higher values of both direct and portfolio investments. The increase in other investments resulted mainly from short-term loans extended to the domestic private nonbanking sector according to the SARB.

Gross fixed capital formation (GFCF) is calculated as part of the expenditure component of GDP by Stats SA. The metric is an important measure of overall investment in the economy. It includes money spent on improvements to land, equipment purchases, and road and building construction. Despite the slight growth in direct investment, GFCF declined for the fifth consecutive quarter. According to Stats SA, the main contributors to the 4.5% decline in GFCF were transport equipment (2,9%), construction works (1,7%) and non-residential buildings (1,4%). This trend indicates declining investment levels, which is concerning given the relationship between GFCF and overall economic growth. The decline in private sector investment levels between Q4 2018 and Q1 2019 highlights the lack of confidence by private firms in the economy. Investor reports point to public sector maladministration, corruption, and imprudent fiscal policy as potential reasons for investors holding back on capital (Stoddard 2019). Volatility in the construction industry has been pointed to by analysts as a possible reason for reduced investment intensity (Stoddard 2019; BusinessTech 2019). It is noted that the construction industry has been in a recession for the past two years, with 2019 being the most severe in that declining period (Brown 2019).

Figure 6. Gross fixed capital formation (GFCF)



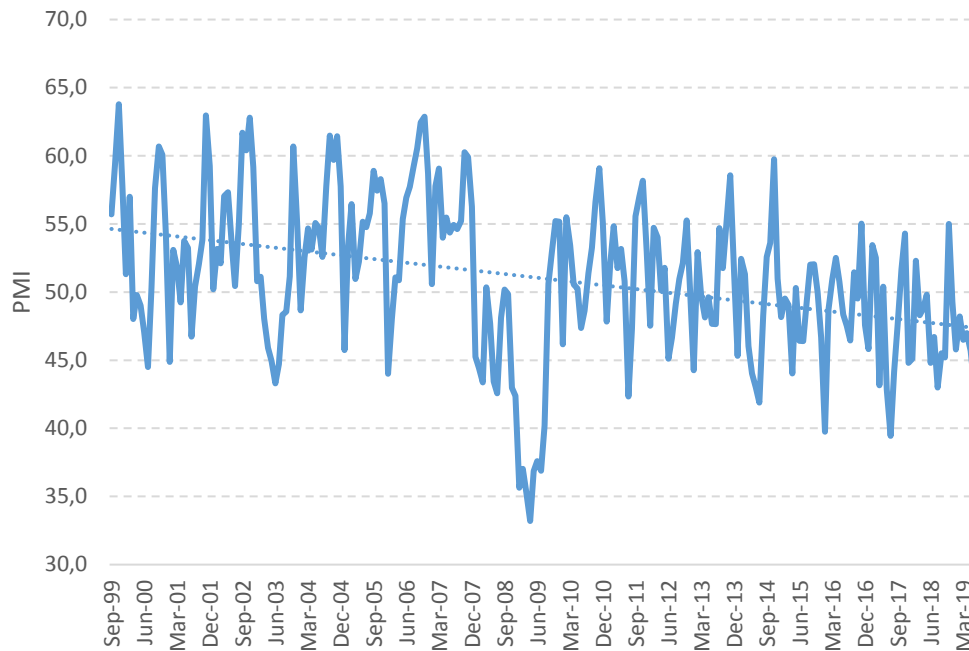
Source: Stats SA, TIPS

Notes: Values are on a constant, seasonally-adjusted and not annualised basis. Values are deflated using the implicit deflator rebased to first quarter 2019.

Disentangling GFCF by the type of institution reveals the contributions to investment levels by the public and private sectors. In the first quarter of 2019, private investment decline by 3% from the last quarter of 2018. Public sector investment remained fairly stable as indicated by both general government and public corporation investment. This decline in private investment is concerning given the efforts by the state being directed towards increasing investment levels in the economy,

particularly around foreign investment. It is noted that a time lag between investment pledges and actual investments is bound to occur, so it remains to be seen if private investment will pick up as investments begin to materialise.

Figure 7. Purchasing Manager’s Index (PMI) time series



Source: BER

The ABSA PMI focuses on business conditions in the manufacturing sector, pointing to challenges within the sector. These challenges may inform and influence investor decisions in the future. A value that exceeds a value of 50 implies an improvement from the previous month, and vice versa. The seasonally adjusted Absa (PMI) has been consistently declining since December 2018. The PMI fell to 45.0 points in March 2019 from 46.2 in February, in-turn declining from 49.9 in January of the same year. In December of 2018, the PMI exceeded 50, with a value of 50.5. Notable challenges in the first quarter of 2019 were experienced in manufacturing including weakened export and domestic demand, particularly due to lacklustre demand from the Eurozone, load-shedding experienced in February 2019, the sharp fuel price hike at the start of the March, as well as the weaker rand exchange (BER 2019). These insights point to curbed consumer sentiment (domestic and international), and electricity supply issues as constraints to growth in manufacturing, and likely to impact on future investment sentiment.

Figure 8. SARB Leading indicator



Source: BER

The SARB also reports a useful composite leading indicator that aims to predict future growth in the economy and serves as supplementary evidence for future changes in the economy. The composite leading business cycle indicator is calculated on the basis of a number of underlying datasets that predict growth (see Appendix). The SARB leading indicator declined in January (1.8%) and after a modest recovery in February (2%), declined again in March (0.4%). The largest declines in the first quarter of 2019 were attributable to decelerations in the twelve-month percentage changes in job advertisement space, the number of new passenger vehicles sold, the BER's Business Confidence Index, the average number of hours worked in the manufacturing sector, and in the number of residential building plans approved.

Examining some of the key metrics related to investment in the first quarter of 2019 has revealed that the investment environment has improved by very little, given the substantial political efforts to stimulate investment in the economy. The President's drive was initiated late in 2018 and it is apparent that many of the investment pledges and projects have yet to be finalised and commence. It is concerning that electricity supply blockages remain for key sectors like manufacturing, hampering their productivity and competitiveness. Dampened consumer demand at a domestic and international level combined with other cost inflationary pressures like the fuel hike in February, are also further pressures on the profitability of firms and constrain the forward-looking investment sentiment.

FDI Projects, Q1 2019

New FDI projects

The largest project announced this quarter is by Saudi Arabia's Saudi Aramco. The oil company pledged U\$10 billion (R138 billion) for a new crude oil refinery and petrochemical plant. There is also interest in using South Africa's major oil facilities. Saudi Aramco and the Central Energy Fund will jointly conduct studies that will inform the next steps. The exact location of the project was not reported. The Saudi Aramco investment is followed by Helios Towers, a network infrastructure group based in the United Kingdom, which pronounced plans to build about 500 cellphone towers across South Africa for a pledged value of U\$100 million (R1.4 billion). The company entered the South African market through a joint venture with local telecommunications firm, Vumatel, creating Helios Towers South Africa. It also acquired a controlling stake in SA Towers, a South African network infrastructure company. The project will be rolled out over a period of three years, expanding on the foundations laid by SA Towers.

Following the launch of the Komatsu Industrial Campus in Germiston last year November, Japan headquartered Komatsu announced additional investment with two projects for a total of R320 million. The first is a component remanufacturing centre by South Africa based subsidiary, Komatsu Africa Holdings, which will cost an estimated R280 million. The facility will be based at the new campus in Germiston with construction expected to start in April of this year, to be completed in 2020. The plant will be the final phase completing the campus. In addition to the remanufacturing facility, the capital machinery manufacturer plans to expand operations in South Africa by building an undercarriage repair and rebuild centre for a pledged value of an estimated R40 million. Pending the company board's approval, KAfH plans to start construction in 2021.

Engineering solutions provider Weir Minerals Africa received capital expenditure approval of R30 million to upgrade its foundry in Port Elizabeth. The Heavy Bay Foundry supplies castings globally to Weir Minerals operations and direct customers. The investment will allow the firm to open its fourth moulding bay and enable the foundry to reach 100% capacity, from between 60% and 70%, in manufacturing metal castings. The moulding bay will be able to produce four castings of 18 tons a month. The company plans to commission the moulding bay at the end of June this year. The announcement of this project follows a R10 million investment completed last year, added to the FDI Tracker this quarter. Weir Minerals installed a Giesserei Umwelt Technik (GUT) secondary sand reclamation plant. The GUT plant is a pneumatic conveyor system that is operating at 14 t/h. The plant consists of three 70 t silos that store the facing sand, reclaimed sand and new sand, cooler-classifiers, rotary scrubber and magnetic separator. The investment aims to improve the reclamation and reusability of the sand used in the moulding process. As a result, it reduces the impact on the environment while improving the quality of the product at reduced production costs.

Shell South Africa and Canada-based Handa Mining also announced new projects. However, they did not report on the value of their investments. Shell South Africa plans to launch electric vehicle charging stations in its retail network this year. The investment is part of Shell's roadmap to 2025. The number of charging stations will be installed incrementally depending on demand. This investment follows a pronouncement last year by Shell of plans to invest about R1 billion. This was intended to go towards additional filling stations at 22 new locations, refurbishing existing stations and upgrading convenience stores, across South Africa. The last project announced is a potential copper processing plant to be constructed and operated by Handa Mining. The mining company has signed a joint venture with two companies, O'Okiep Copper Company (OCC) and SHIP Copper Company (SHIP),

where it will construct and fund the facility. The proposed plant will be in the Northern Cape. It will recover copper from broken rock on the surface of properties owned by OCC and SHIP. Handa has 60 days to determine whether the project will proceed.

The two projects under construction added to the FDI Tracker this quarter are by Jaguar South Africa and EGP RSA. Jaguar, in partnership with South African electric vehicle charging service equipment provider GridCars, is undertaking a R30 million infrastructure project. The automotive company is rolling out the installation of about 82 public electric vehicle-charging stations across the country. The project was initiated in September 2018 and was scheduled for completion in November 2018.

EGP RSA has started construction of the Nxuba Wind Farm in the Eastern Cape investing over €200 million (R3.1 billion) for the project. The 140 MW wind farm is expected to generate over 460 GWh annually while avoiding 500 000 tons of carbon dioxide (CO₂) emissions per year. The project is part of the pool of projects in Round 4 of the REIPPP awarded in 2015. It has a 20-year power purchasing agreement with Eskom. EGP RSA will introduce tools and practices that will enable rapid, accurate and reliable data collection that improves the quality of construction and aids team communication. The project is expected to be complete by September 2020.

French oil and gas company Total South Africa announced a major gas discovery about 275 kilometres south of Mossel Bay. The Brulpadda well spans about 19 000 square kilometres with water depths between 200 and 1 800 metres. It is estimated to have a potential one billion barrels of gas condensate, which has the potential to unlock further gas based investments as well as for use in petroleum products. The gas condensate is a “wet” gas that contains small amounts of oil. Total owns 45% of the Brulpadda licensing rights in partnership with Qatar Petroleum (25%), Canadian Natural Resources (20%), and South African company Main Street (10%). Total and partners invested US\$160 million (R2.3 billion) on the exploration. Total first attempted to drill in 2014 and abandoned that effort due to mechanical failures caused by the rough environment. The company intends to resume drilling in December 2019.

Of the complete projects added to the FDI Tracker, the previously mentioned Komatsu Industrial Campus is the largest with a R985 million investment value contributing to the manufacturing industry. The facility will serve as the central hub through which the company will manage its operation across South Africa and Southern Africa. The campus comprises head office operations, a technical training centre, an equipment workshop and parts distribution centre. The campus consolidates and streamlines KAFH’s operations enhancing safety, health and efficiency.

Another manufacturing company that has consolidated its operations in a central hub is global power company Cummins. Cummins designs, manufactures and distributes engines, power generation and filtration products, among others. The US-based firm officially launched its new R350 million premises, the Power Hub, at the Midrand Waterfall Logistics Precinct. The investment consolidates the company’s South African services and sales business units in one location, bringing together the company’s expertise from mining, power systems, automotive and technical training. The premises house the Cummins Southern Africa Regional Headquarters, the Master Rebuild Centre, Africa Learning Centre and Gauteng Operations. The facility is fitted with the latest technology to cater for industry need and aims to make it easier for customers to conduct business.

Also contributing to manufacturing is the expansion the Hisense Atlantis plant. The electronics and appliances manufacturer completed the expansion of the facility this quarter for an investment value of R72 million. The company is preparing for an anticipated growth in the fast-moving consumer goods

sector in Africa. Investment tracking was only able to identify the creation of 150 temporary jobs from the investment by Hisense into the company's manufacturing plant in Atlantis.

The FDI Tracker added an investment by Afarak South Africa subsidiary to the Afarak Group based in Finland. Afarak is a global producer of specialty alloys. The company has upgraded the Mogale Alloys processing plant in Krugersdorp by installing a PWR BLOCK 400-F system that converts industrial residual and flare gases into electricity. The system would reduce energy costs and improve the plant's environmental footprint. This is the first such system introduced in South Africa. There was no investment value reported for the investment.

Rounding out projects added to the FDI Tracker is the Lake Foods dairy application centre in Cape Town. The centre is a partnership between Christian Hansen and Lake Foods. Christian Hansen is global bioscience company headquartered in Denmark. The company has also been Lake Foods' ingredient supplier. Lake Foods is the food and beverage division of chemical group AECL and manufactures and supplies specialty ingredients for bakery, dairy and nutrition among others. Lake Foods specialty ingredients and commodities include bacterial cultures, enzymes, natural colours, phosphates and stabilisers. The centre would be used to replicate household conditions for dairy products so that the company can support customers throughout the product development life, providing capacity in research and development manufacturing, packaging and logistics. Christian Hansen provided financing for the facility; however, the value of the investment was not reported. The centre signifies Christian Hansen's entry into Africa.

Updated projects

Microsoft officially launched two Azure cloud data centres in Cape Town and Johannesburg. The enterprise-grade data centre regions will power cloud, artificial intelligence and edge computing innovations across the African ICT sector. Tyme Bank is now operational, a digital bank the result of a partnership between Australia's Commonwealth Bank and African Rainbow Capital. The bank received its banking licence in 2017, the first issued by SARB since 1999. Ford SA officially started building the Raptor this quarter. This was a culmination of the company's R3 billion investment programme to expand the Silverton plants capacity in order to build the Ford Ranger and Raptor.

In mining there are updates for two projects:

- Vedanta Zinc International officially opened the first phase of the Gamsberg Mine in the Northern Cape. Phase one was developed at a cost of US\$400 million (R5.5 billion). With a 13-year life of mine, this phase will produce 4Mtpa of ore from the open pit and 250 000 t/y of concentrate. Investigations into Phase 2 and 3 are underway and they could yield an additional investment of US\$350-US\$400 million.
- MC Mining, formerly Coal of Africa, has revealed its phased plan to develop the Makhado hard coking and thermal coal project following approval by the company's directors. The project was initiated in 2012 with progress on the development project delayed by a lack of access to the key Lukin and Salaita properties, which were required to complete geotechnical drilling and confirm, among others, the positioning of the processing plant infrastructure. The owners of these properties have since agreed to sell the properties, and legal title to the properties was transferred to MC subsidiary, Baobab Mining & Exploration, in January.

Barriers and constraints

A further aim of the FDI Tracker is to inform and improve policymaking by assisting the government in better understanding the environment in which investors operate. To gain deeper insight into investor experiences, the FDI Tracker from this quarter will capture and detail concerns and challenges that companies experience. These challenges will include government-related issues, infrastructure and service constraints. In addition to barriers and constraints, the analysis will also highlight challenges that have been unblocked or resolved.

Projects identified this quarter that are facing constraint include the R138 billion Saudi Aramco investment where the choice of location has prevented the project from moving forwards. The investor has described previous locations presented by South Africa as unattractive. The unsuitable locations were not identified. However, as mentioned above, the company will be undertaking a feasibility study in partnership with the Central Energy Fund, which will prioritise the selection of a location among other objectives.

MC Mining's subsidiary, Baobab Mining and Exploration, had challenges unblocked following an approximate 12-month delay in developing Makhado's hard coking coal and thermal coal project on account of a lack of access to two key properties where the mine's east pit and other infrastructure would be located. This quarter the firm managed to complete the acquisition of the properties mentioned in the projects as updated above, following a legal process. The delays were due to opposition to the land claims process. The company, this quarter was, also waiting for an outcome from an appeal by an interest group against the Makhado Environmental Authorisation submitted to the Department of Mineral Resources, and the Limpopo Department of Economic Development, Environment and Tourism. The application for the environmental authorisation will allow the company to transport coal to Musina by road rather than by rail. It was submitted in January 2018.

Credibility classification

FDI pledges are subject to frequently changing plans, and may not happen in the form initially announced. For this reason, the FDI Tracker assigns a subjective measure of credibility to each project, based on the standard described below.

Table 3: Classification of project by stage of investment pledge

Grading	Explanation
Tentative	Project has been announced, but the plan lacks details (such as company commitment or clear development plan) or is too early to be substantive.
Potential	Project has been announced, shows possibility for future development and the company has a strong track record, but the plan lacks some details or there are doubts on specific aspects of the announcement.
Commitment	Project has been announced, and is highly credible, often with plans that are partially in progress, such as completed feasibility studies or regulatory approval.
Construction/ implementation	Projects that are underway. Figures will be updated to reflect changes to the project during the construction/implementation period.
Cancelled	The project is no longer moving ahead.

Table 4: Project credibility grading

Project	Credibility
Jaguar South Africa/Grid Cars electric vehicle charging stations	Construction
Enel Green Power South Africa (EGP RSA) Nxuba Wind Farm	Construction
Shell South Africa electric vehicle charging stations	Potential
Wier Minerals Africa – Heavy Bay Foundry plant upgrade	Likely
Wier Minerals Africa – New equipment installation	Complete
Helios Towers telecommunications infrastructure	Potential
Cummins Power Hub	Complete
Handa Mining copper processing plant	Commitment
Komatsu Africa Holdings industrial campus	Complete
Komatsu Africa Holdings remanufacturing plant	Likely
Komatsu Africa Holdings rebuild and repair centre	Potential
Hisense Atlantis Factory expansion	Complete
Afarak Group Mogale Alloys plant	Complete
Christian Hansen and AECI Lake Foods dairy application centre	Complete
Total drilling in South Africa	Construction
Saudi Aramco oil refinery and petrochemical plant	Likely

Table 4 shows the ranking of projects added or updated during Q1 2019. One project is considered tentative. Handa Mining is waiting for internal company approval to move ahead with the project. Shell South Africa has only pronounced that it will be installing charging stations, and substantive detail on the project such as the locations or value of the investment have not yet been indicated, however, because of the long-standing investment in South Africa it is classified as potential. Komatsu has three projects in South Africa, with the planned rebuild and repair centre classified as potential as the company is waiting for internal approval to move ahead with project.

Investment Profiles, Q1 2019

Jaguar South Africa/GridCars electric vehicle charging stations and power way network	
Invest value	Not Reported
Invest Rand value	R30 million
Project location: Province	Multiple locations
Project location: City/Town	Multiple locations
Investor firms	Jaguar Cars
Investor country	United Kingdom
Investor city	Coventry
Indicative start date	September 2018
Indicative end date	November 2018
Project phase	Construction
Project type	Greenfield
Project industry	Services
Project sector	Automotive
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not Reported
Target market	Domestic and regional
Social Development Programme	Not reported
Project description	Jaguar South Africa in partnership with GridCars is rolling out the installation of approximately 82 public electric vehicle charging stations across the country. There will be stations located at every Jaguar Land Rover retailer. Thirty stations will be installed in shopping centres in major hubs in major cities. The project includes the development of the Jaguar Powerway, a network of charging stations along major routes connecting major cities.
Motivation	Jaguar improving facilities and offerings in line with broader product and technological upgrades. Technology upgrades in line with changes in the industry.

Nxuba Wind Farm	
Invest value	€200 million
Invest Rand value	R3.1 billion
Project location: Province	Eastern Cape
Project location: City/Town	East London
Investor firms	Enel Green Power South Africa (EGP RSA)
Investor country	Italy
Investor city	Rome
Indicative start date	February 2019
Indicative end date	September 2020
Project phase	Construction
Project type	Greenfield
Project industry	Services
Project sector	Electricity, gas steam and air conditioning supply
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Eskom (Power Purchase Agreements - PPA); Department of Energy (REIPPP) and regulations; Municipalities (rights and licences)
Target market	Domestic
Social Development Programme	Community ownership; Free Wi-Fi to communities; training to communities on wind technology; scholarships and feeding schemes.
Project description	Enel Green Power South Africa (EGP RSA) is constructing a 140 MW wind farm. The 140 MW wind farm is expected to generate over 460 GWh annually while avoiding 500 000 tons of carbon dioxide (CO2) emissions a year. The project is part of the pool of projects in Round 4 of the Renewable Energy Independent Power Producer Programme (REIPPP) awarded in 2015. It has 20-year PPA with Eskom.
Motivation	Renewable Energy Independent Power Producer Programme (REIPPP) incentive programme

Shell South Africa electric vehicle charging stations	
Invest value	Not reported
Invest Rand value	Not reported
Project location: Province	Multiple locations
Project location: City/Town	Multiple locations
Investor firms	Royal Dutch Shell
Investor country	Netherlands
Investor city	The Hague
Indicative start date	February 2019
Indicative end date	Not reported
Project phase	Announced
Project type	Brownfield
Project industry	Services
Project sector	Electricity, gas steam and air conditioning supply
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic
Social Development Programme	Not reported
Project description	Shell South Africa plans to launch electric vehicle charging stations in its retail network this year. The number of charging stations will be installed incrementally depending on demand.
Motivation	The investment is part of Shell's investment roadmap to 2025.

Heavy Bay Foundry facility upgrades		
Invest value	Not reported	Not reported
Invest Rand value	R30 million	R10 million
Project location: Province	Eastern Cape	Eastern Cape
Project location: City/Town	Port Elizabeth	Port Elizabeth
Investor firms	Wier Minerals Africa	Wier Minerals Africa
Investor country	United Kingdom	United Kingdom
Investor city	Glasgow	Glasgow
Indicative start date	March 2019	2018
Indicative end date	June 2019	2018
Project phase	Announced	Complete
Project type	Upgrade	Upgrade
Project industry	Manufacturing	Manufacturing
Project sector	Manufacture of basic metals, fabricated metal	Manufacture of basic metals, fabricated metal
Permanent jobs	Not reported	Not reported
Temporary jobs	Not reported	Not reported
Government partnership	Not reported	Not reported
Target market	Domestic and international	Domestic and international
Social Development Programme	Not Reported	To be confirmed
Project description	The Port Elizabeth foundry supplies castings across the globe, to Weir Minerals operations as well as direct customers. Wier Minerals has received a capital allowance of R30 million to upgrade the facility, to allow the firm to open a fourth moulding bay and enable the foundry to reach 100% capacity, from between 60% and 70%, in manufacturing metal castings. The moulding bay will be able to produce four types of 18-ton castings per month.	Wier Minerals Africa installed a Giesserei Umwelt Technik (GUT) secondary sand reclamation plant.
Motivation	Efficiency in production process and increase output.	The investment aims to improve the reclamation and reusability of the sand used in the moulding process, thus reducing the impact on the environment while improving the quality of the product at substantially reduced production costs.

SA Towers/Helios Towers telecommunications infrastructure expansion	
Invest value	US\$100 million
Invest Rand value	R1.4 billion
Project location: Province	Multiple locations
Project location: City/Town	Multiple locations
Investor firms	Helios Towers
Investor country	United Kingdom
Investor city	London
Indicative start date	January 2019
Indicative end date	January 2022
Project phase	Announced
Project type	Expansion
Project industry	Services
Project sector	Telecommunications
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic
Social Development Programme	B-BBEE (Vumatel Pty)
Project description	Helios Towers entered South Africa in 2019 through a partnership with Vumatel, creating Helios Towers South Africa (HTSA). The venture plans to incrementally invest in towers, small cell sites, and fibre and “edge” data centres. This project will consist of new builds and acquisitions of other infrastructure. This includes plans for 500 cellphone sites across South Africa. HTSA anticipates mobile network operators to sell off infrastructure to free up capital and is also interested in acquiring existing infrastructure.
Motivation	A growing demand for telecommunications infrastructure in South Africa and mobile operators’ considering selling infrastructure to free capital. The venture seeks to introduce competition in telecommunications and infrastructure provision where only 10% of tower infrastructure is owned and operated by independent tower companies.

Cummins Power Hub	
Invest value	US\$24 million
Invest Rand value	R350 million
Project location: Province	Gauteng
Project location: City/Town	Midrand
Investor firms	Cummins
Investor country	United States of America
Investor city	Columbus
Indicative start date	March 2016
Indicative end date	March 2019
Project phase	Complete
Project type	Greenfield
Project industry	Manufacturing
Project sector	Manufacture of machinery and equipment
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic
Social Development Programme	Training and skills development
Project description	Cummins designs, manufactures and distributes engines, power generation and filtration products amongst others. The Power Hub consolidates the company's services and sales business units in South Africa at one strategic location. It brings together the company's expertise from mining, power systems, automotive and technical training. The hub includes an environment-friendly water purification plant and an efficient wastewater treatment system.
Motivation	Benefits include efficiency and ease of delivering services to customers by centralising the base of operations in one strategic location.

Handa Mining copper processing plant	
Invest value	US\$750 000
Invest Rand value	R10.5 million
Project location: Province	Northern Cape
Project location: City/Town	Not reported
Investor firms	Handa Mining
Investor country	Canada
Investor city	Vancouver
Indicative start date	February 2019
Indicative end date	Not reported
Project phase	Announced
Project type	Greenfield
Project industry	Mining
Project sector	Mining of metal ores
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic and international
Social Development Programme	Not reported
Project description	Handa Mining announced that it had completed the debt financing of US\$750 000 for the project. Handa Mining plans to build and operate a copper processing plant. It has entered into a joint venture with O'Okiep Copper Company (OCC) and SHIP Copper Company (SHIP). The plant will recover copper from broken surface rock on the properties owned by the joint venture (JV) partners. The company's JV agreements aim to secure further exposure to surface mining opportunities that are in the pre-production or production stage.
Motivation	Not Reported

Komatsu Industrial Campus	
Invest value	Not reported
Invest Rand value	R320 million
Project location: Province	Gauteng
Project location: City/Town	Germiston
Investor firms	Komatsu Africa Holdings
Investor country	Japan
Investor city	Tokyo
Indicative start date	April 2019
Indicative end date	2020
Project phase	Announced
Project type	Expansion
Project industry	Manufacturing
Project sector	Manufacture of machinery and equipment
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic, regional and international
Social Development Programme	To be Confirmed
Project description	Komatsu's focus in the region is on its aftermarket sales and services – maintenance and spare parts. Komatsu provides a wide range of remanufactured components that consist of a mix of reused, repaired and new parts that are typically 30%-65% cheaper than new.
Motivation	Efficiency, streamlining operations

Komatsu Africa Holdings undercarriage rebuild repair and rebuild centre	
Invest value	Not reported
Invest Rand value	R40 million
Project location: Province	Gauteng
Project location: City/Town	Germiston
Investor firms	Komatsu Africa
Investor country	Japan
Investor city	Tokyo
Indicative start date	2021
Indicative end date	Not reported
Project phase	Announced
Project type	Expansion
Project industry	Manufacturing
Project sector	Manufacture of machinery and equipment
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic, regional and international
Social Development Programme	To be confirmed
Project description	The firm also plans to develop an undercarriage repair and rebuild centre. Pending the company board approval construction could begin in 2021, with an investment of R40 million.
Motivation	Efficiency and streamlining operations.

Hisense Atlantis Factory expansion	
Invest value	Not reported
Invest Rand value	R72 million
Project location: Province	Western Cape
Project location: City/Town	Cape Town
Investor firms	Hisense
Investor country	China
Investor city	Qingdao
Indicative start date	Not reported
Indicative end date	March 2019
Project phase	Complete
Project type	Expansion
Project industry	Manufacturing
Project sector	Household Appliances
Permanent jobs	150
Temporary jobs	Not reported
Government partnership	The Department of Trade and Industry (Manufacturing Competitiveness Enhancement programme - MCEP)
Target market	Domestic and regional
Social Development Programme	To be confirmed
Project description	The electronics and appliances manufacturer completed the expansion of the facility. Hisense is expanding its plant as it gears up for the growth of the fast-moving consumer goods sector on the African continent.
Motivation	Anticipates growth in the fast-moving consumer goods markets in Africa.

Afarak Mogale Alloys plant	
Invest value	Not reported
Invest Rand value	Not reported
Project location: Province	Gauteng
Project location: City/Town	Krugersdorp
Investor firms	Afarak Group
Investor country	Finland
Investor city	Helsinki
Indicative start date	2018
Indicative end date	March 2019
Project phase	Complete
Project type	Upgrade
Project industry	Mining
Project sector	Manufacture of basic precious metals and non-ferrous metals
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic and international
Social Development Programme	To be confirmed
Project description	Afarak South Africa is a producer of specialty alloys. The firm has upgraded the Mogale Alloys processing plant with the installation of a PWR BLOCK 400-F system that converts industrial residual and flare gases into electricity.
Motivation	The system would reduce Mogale's energy costs and improve the plant's environmental footprint. The technology is expected to reduce the Mogale plant's carbon emissions by about 3 500 t/y. It would also provide an alternative energy source to offset the unreliable supply from power utility Eskom.

Christian Hansen and AECl Lake Foods dairy application centre	
Invest value	Not reported
Invest Rand value	Not reported
Project location: Province	Western Cape
Project location: City/Town	Cape Town
Investor firms	Christian Hansen
Investor country	Denmark
Investor city	Hørsholm
Indicative start date	Not reported
Indicative end date	March 2019
Project phase	Complete
Project type	Greenfield
Project industry	Manufacturing
Project sector	Food and beverages
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Not reported
Target market	Domestic and regional
Social Development Programme	To be confirmed
Project description	Chemical company AECl's food and beverage division, Lake Foods, partnered with global bioscience company Christian Hansen to establish a dairy application centre. The centre will provide a platform for new product development and the production of concept samples, as well as technical support and training to dairy processors. The centre is to replicate household conditions for dairy products so that the company can support customers throughout the product development life-cycle, providing capacity in research and development manufacturing, packaging and logistics. Christian Hansen provided financing for the facility. The centre aims for: localised expertise and ingredients, recipe and process support, reduced cost and risk of new product development, improved speed to market, and development of world-class industry know-how on the continent.
Motivation	Christian Hansen's entry into South African market. It already has a long-standing collaborative relationship with AECl.

Total drilling in South Africa	
Invest value	US\$160 million
Invest Rand value	R2.3 billion
Project location: Province	Western Cape
Project location: City/Town	Mossel bay
Investor firms	Total South Africa
Investor country	France
Investor city	Courbevoie
Indicative start date	2018
Indicative end date	Not reported
Project phase	Exploration
Project type	Brownfield
Project industry	Mining
Project sector	Extraction of crude petroleum and natural gas
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	While it is common internationally for the state to be entitled to participate directly in any production operation through partnership with the producer, the extent of the state's entitlement will be determined by the licensing terms and the new legislation.
Target market	Domestic, regional and international
Social Development Programme	To be confirmed
Project description	Total deployed a suitable rig for the operation and a sophisticated weather forecasting system, coupled with the presence of an on-site specialist, in order to more accurately assess prevailing weather and ocean conditions. This cost about US\$160 million. This was the second attempt at accessing the wells as the first attempt failed due to the depth of drilling and adverse ocean (current) conditions. The Brulpadda well spans about 19 000 square kilometres with water depths between 200 to 1 800 metres. It is said to have a potential one billion barrels of gas condensate. The company intends to resume drilling in December 2019.
Motivation	Exploration for oil and gas for the South African electricity sector and chemicals; and potentially for export.

Saudi Aramco oil refinery and petrochemical plant	
Invest Value	US\$10 billion
Invest Rand Value	R138 billion
Project location: Province	Unspecified (still being decided)
Project location: City/Town	Unspecified (still being decided)
Investor firms	Saudi Aramco
Investor country	Saudi Arabia
Investor city	Dhahran
Indicative start date	January 2019
Indicative end date	Not reported
Project phase	Announced
Project type	Greenfield
Project industry	Manufacturing
Project sector	Manufacture of coke, refined petroleum products and chemicals
Permanent jobs	Not reported
Temporary jobs	Not reported
Government partnership	Department of Energy, Central Energy Fund (CEF)
Target market	Domestic
Social Development Programme	Not reported
Project description	Saudi Aramco plans to build a new crude oil refinery and petrochemical plant. In addition, it is interested in using existing oil facilities such as the tanks at Saldanha to store the oil. Possible locations are Coega in the Eastern Cape and Richards Bay in Kwa-Zulu Natal. The company initially announced the investment into South Africa's energy sector in July 2018 without detail, some of which it released this quarter. Saudi Aramco and the CEF will conduct a feasibility study.
Motivation	Saudi Aramco sees growth prospects in the country. Additional projects in renewable energy and natural gas supply to South Africa may follow those currently under discussion.

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APPENDIX

Table 4. Investment-related metrics used in the analysis

Metric	Source	Frequency	Latest series	Description
Inward investment data	SARB	Quarterly	28 June 2019	Inward investment is composed of direct investments, portfolio investments, financial derivatives, and other investments.
Gross fixed capital formation	Stats SA	Quarterly	4 June 2019	GFCF is a component of GDP that groups transactions on the net acquisitions (acquisitions less disposals) of capital assets, both existing and new, by general government, private enterprises (i.e. private and quasi-corporations) and public corporations and in addition households and unincorporated enterprises.
Purchasing Managers Index (PMI)	ABSA/BER	Monthly	1 July 2019	The survey is conducted by way of questionnaires to a panel of purchasing managers in the manufacturing sector. The questionnaire consists of nine questions on the monthly changes in business conditions in the manufacturing sector. Respondents indicate qualitatively whether a particular activity has increased, decreased or remained unchanged.
Leading Indicator Index	SARB	Monthly	20 August	The leading indicator index aims to predict future economic activity. The index is based on: job advertisements, building plans passed, interest rate spread, real M1 money supply, an index of commodity prices for export commodities, the composite leading business cycle indicator of South Africa's major trade partners, gross operating surplus as a percentage of GDP, the RMB/BER Business Confidence Index, the average number of hours worked per factory worker, the net balance of manufacturers observing an increase in the volume of domestic orders received, and the number of new passenger vehicles sold.