

FreeFACTS

No 03/2022 / March 2022 / Issue 47

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Investment is drying up

For South Africa to become a prosperous country with opportunities for all who live in it, investment is vital, whether from domestic or foreign sources.

The only way that we will tackle issues such as unemployment and poverty is for money to come into this country, sparking economic activity, which in turn will lead to businesses and jobs.

However, as this edition of *FreeFACTS* shows South Africa is struggling to attract the investment it needs.

Real gross fixed capital formation (GFCF) – which is the most important kind of investment as it reflects growth in fixed assets – has been declining for some time now. In 2020 GFCF was only 13.7% of GDP, far off its 21st century peak of 21.6% in 2008 and a far cry from the 30% envisaged by the National Development Plan.

At the same time there was a significant drop in overall investment in physical infrastructure in 2020. In that year the value of investment declined by 15% compared to the previous year. However, this was primarily as a result of the Covid-19-triggered lockdown and this number is likely to bounce back.

In addition, the number of foreigners investing in the JSE and in South African bonds is also slowing down, and even reversing. For example, in 2021 foreign net investment in South African equities, as recorded on the JSE was negative R153 billion, i.e. overall foreigners sold R153 billion in South Africa equities more than they bought. There was a similar figure in terms of bonds, with this figure being a negative net of R160 billion. These were by far the worst figures recorded by the JSE in the 21st century and is a reflection of the lack of confidence that foreigners have in South Africa.

President Cyril Ramaphosa has hosted a number of investment summits during his administration with large sums of money ostensibly on its way. However, until South Africa's economic fundamentals change, starting with the ejection of bad policies, the level of investment this country receives will be far below the level it needs.

— **Marius Roodt**

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The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. *FreeFACTS* publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

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Economy

Real Gross Fixed Capital Formation (GFCF), 2001-2020

Year	Total ^a Rbn	Change	GFCF as a proportion of GDP ^b
2001	376.7	2.8%	14.4%
2002	389.9	3.5%	14.0%
2003	429.8	10.2%	14.7%
2004	485.1	12.9%	15.2%
2005	538.4	11.0%	15.9%
2006	603.8	12.1%	17.4%
2007	686.9	13.8%	19.0%
2008	775.0	12.8%	21.6%
2009	723.2	-6.7%	19.5%
2010	694.9	-3.9%	17.6%
2011	742.5	6.8%	17.8%
2012	755.5	1.8%	17.9%
2013	796.0	5.4%	18.6%
2014	785.5	-1.3%	18.3%
2015	796.1	1.3%	18.0%
2016	780.8	-1.9%	17.4%
2017	764.9	-2.0%	16.4%
2018	751.4	-1.8%	15.9%
2019	733.3	-2.4%	15.3%
2020	624.1	-14.9%	13.7%

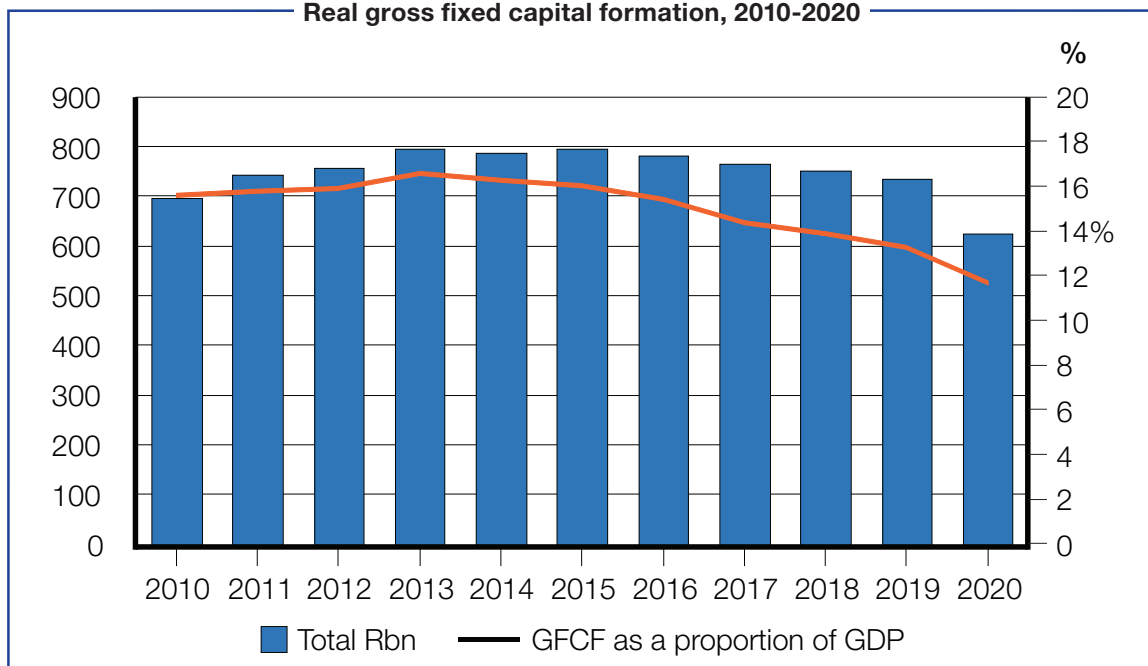
Source: SARB, www.resbank.co.za, time series data, accessed 4 January 2022

a At constant 2015 prices.

b At current prices.

Note: The National Development Plan set 30% as a target for GFCF as a percentage of GDP.

Real gross fixed capital formation, 2010-2020



Economy

Investment ^a by type of investment, 2001-2020					
Year	Economic infrastructure ^b	Public Social infrastructure ^c	Economic services ^d	Private	Total ^e
	Rbn				
2001	55.6	16.5	27.9	282.2	376.7
2002	57.5	19.8	33.9	289.2	389.9
2003	69.4	22.4	35.1	313.2	429.8
2004	73.9	23.9	35.9	359.3	485.1
2005	79.5	25.2	32.0	406.6	538.4
2006	85.2	28.0	45.3	448.2	603.8
2007	119.1	30.1	55.6	486.5	686.9
2008	169.5	25.6	51.2	530.5	775.0
2009	187.2	25.8	47.8	462.3	723.2
2010	173.8	29.3	38.1	453.6	694.9
2011	186.0	34.9	44.0	477.8	742.5
2012	180.9	34.1	44.1	496.5	755.5
2013	204.7	30.5	43.6	517.2	796.0
2014	203.1	32.3	37.5	512.6	785.5
2015	216.8	37.2	39.2	503.0	796.1
2016	203.1	35.8	43.2	498.7	780.8
2017	179.4	34.4	41.7	509.3	764.9
2018	157.2	31.8	37.5	524.8	751.4
2019	133.4	29.6	40.3	530.0	733.3
2020	117.1	25.2	37.5	444.3	624.1
2001-20	110.6%	52.7%	34.4%	57.4%	65.7%
2010-20	-32.6%	-14.0%	-1.6%	-2.1%	-10.2%
2019-20	-12.2%	-14.9%	-6.9%	-16.2%	-14.9%

Source: SARB, www.resbank.co.za, time series data, accessed 1 October 2021

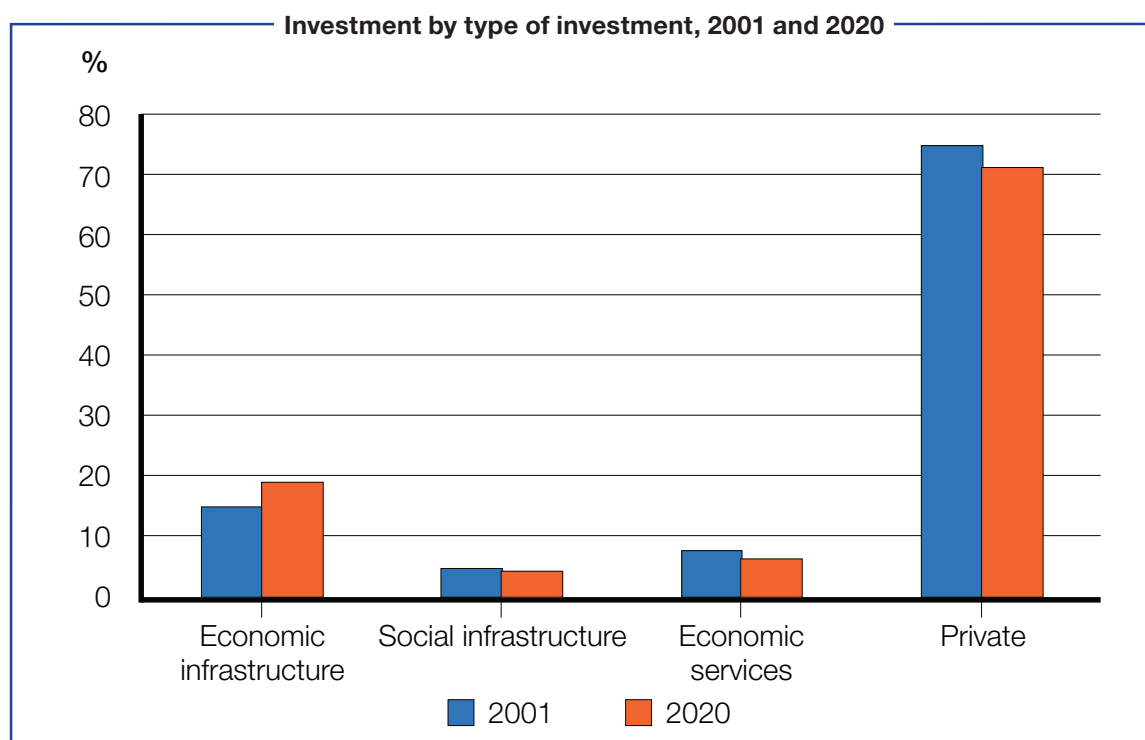
a At constant 2015 prices.

b Roads, bridges, dams, electricity and water supply, etc.

c Schools, hospitals, etc and administrative services.

d Business enterprises not included in economic infrastructure.

e Figures should add up but may not, owing to rounding.



Economy

GFCF by type of economic activity ^a , 1970-2020								
Sector	1970	1980	1994	2008	2019	2020	Change	
	Rbn						2008-20	2019-20
Agriculture, forestry and fishing	26.6	36.0	18.4	22.7	26.3	28.9	27.3%	9.9%
Mining and quarrying	13.4	41.7	31.7	95.3	86.5	74.6	-21.7%	-13.8%
Manufacturing	24.2	56.6	42.2	97.7	98.7	85.5	-12.5%	-13.4%
Electricity, gas and water	15.0	35.7	19.0	57.4	57.6	46.6	-18.8%	-19.1%
Construction (contractors)	2.6	5.3	2.9	13.1	15.6	12.7	-3.1%	-18.6%
Trade etc	11.8	10.5	13.4	38.9	49.4	42.2	8.5%	-14.6%
Transport and communication	19.5	30.4	23.5	98.6	89.5	80.8	-18.1%	-9.7%
Finance etc	66.6	75.3	86.7	203.7	165.2	123.8	-39.2%	-25.1%
Community, social and personal services	49.5	50.3	46.6	146.4	144.4	129.0	-11.9%	-10.7%
Total	223.2	354.8	285.5	775.0	7 333.3	624.1	-19.5%	-91.5%

Source: SARB, www.resbank.co.za, time series data, accessed 4 January 2022

a At constant 2015 prices.

GFCF by type of economic activity ^a (proportions), 1970-2020								
Sector	1970	1980	1990	2000	2008	2019	2020	
Agriculture, forestry and fishing	7.4%	9.8%	5.8%	3.9%	2.6%	3.6%	4.7%	
Mining and quarrying	6.0%	11.1%	12.5%	10.7%	11.9%	11.8%	12.2%	
Manufacturing	12.8%	16.9%	15.4%	14.6%	12.3%	13.4%	13.8%	
Electricity, gas and water	7.6%	11.1%	8.1%	3.8%	7.6%	8.1%	7.6%	
Construction (contractors)	1.4%	1.7%	1.4%	1.6%	1.7%	2.2%	2.1%	
Trade etc	6.1%	3.3%	4.2%	5.7%	5.0%	6.7%	6.8%	
Transport and communication	10.0%	9.1%	6.2%	12.6%	14.7%	11.9%	12.6%	
– Public corporations	0.1%	0.2%	1.0%	3.6%	4.9%	4.0%	4.0%	
– Other	9.9%	8.9%	5.2%	8.9%	9.8%	7.9%	8.7%	
Finance etc	25.5%	17.6%	23.7%	29.0%	26.3%	22.4%	19.4%	
– Private residential buildings	13.5%	6.3%	8.8%	11.8%	14.0%	13.3%	10.6%	
Community, social and personal services	23.1%	19.3%	22.8%	18.2%	17.9%	20.0%	20.7%	
– Central government	11.4%	13.2%	17.5%	5.7%	6.2%	6.3%	6.2%	
– Provincial governments	6.3%	3.3%	2.1%	2.8%	5.3%	4.1%	4.1%	
– Local authorities	7.4%	3.9%	4.1%	9.9%	6.4%	7.2%	8.0%	
– Other	0.6%	0.3%	0.6%	1.3%	0.9%	2.4%	2.4%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: SARB, www.resbank.co.za, time series data, accessed 5 January 2022

a At current prices. IRR calculations.

Economy

Foreign liabilities (foreign investment in South Africa), 2001-2019

Year	Direct investment ^a	Non-direct investment ^b	Total	Year-on-year change	Direct investment as a proportion of total investment
	Rbn				
2001	420.7	555.8	976.5	28.7%	43.1%
2002	310.0	471.7	781.7	-19.9%	39.7%
2003	378.9	462.5	841.4	7.6%	45.0%
2004	452.0	498.6	950.6	13.0%	47.5%
2005	611.6	700.2	1 311.8	38.0%	46.6%
2006	745.3	969.3	1 714.6	30.7%	43.5%
2007	897.8	1 273.1	2 170.9	26.6%	41.4%
2008	778.4	1 388.8	2 167.2	-0.2%	35.9%
2009	1 024.0	1 373.4	2 397.4	10.6%	42.7%
2010	1 190.8	1 624.4	2 815.2	17.4%	42.3%
2011	1 297.9	1 803.2	3 101.1	10.2%	41.9%
2012	1 390.0	2 277.7	3 667.7	18.3%	37.9%
2013	1 595.8	2 694.2	4 290.0	17.0%	37.2%
2014	1 608.7	3 324.6	4 933.3	15.0%	32.6%
2015	1 970.4	3 573.9	5 544.3	12.4%	35.5%
2016	1 853.6	3 636.3	5 489.9	-1.0%	33.8%
2017	1 925.5	4 522.5	6 448.0	17.5%	29.9%
2018	1 992.1	4 417.1	6 409.2	-0.6%	31.1%
2019	2 037.2	4 508.0	6 545.2	2.1%	31.1%

Source: SARB, www.resbank.co.za, time series data, accessed 1 July 2021

a Investment by foreigners in undertakings in South Africa in which they (individually or collectively in the case of affiliated organisations or persons) have at least 10% of the voting rights.

b Includes portfolio investment, banking sector financial derivatives and long- and short-term loans from various sources.

Economy

Purchases and sales by foreigners on the JSE, 2001-2021

Year	Net purchases/sales by foreigners	
	Equities	Bonds
	Rbn	
2001	29.8	N/A
2002	-5.6	N/A
2003	-0.4	-7.2
2004	32.9	0.2
2005	50.2	-7.7
2006	73.7	26.8
2007	63.3	17.4
2008	-54.4	73.0
2009	75.4	57.7
2010	36.4	58.6
2011	-17.2	49.2
2012	-3.4	93.7
2013	-0.2	32.5
2014	13.4	2.8
2015	-1.0	0.8
2016	-123.9	32.3
2017	-47.6	55.6
2018	-53.0	-65.1
2019	-114.2	-22.2
2020	-125.6	-48.4
2021	-153.1	-160.0

Source: JSE, www.jse.co.za, market trading statistics, accessed 15 January 2022

Purchases and sales by foreigners on the JSE, 2011-2021

