



**Department of Economic  
Development and Tourism**

Umyango Wezokuthuthukiswa  
Komnotho Nezokuvakasha

KWAZULU-NATAL PROVINCIAL GOVERNMENT



**treasury**

Department:

Treasury

PROVINCE OF KWAZULU-NATAL



## KwaZulu-Natal Investment Monitor

January 2013

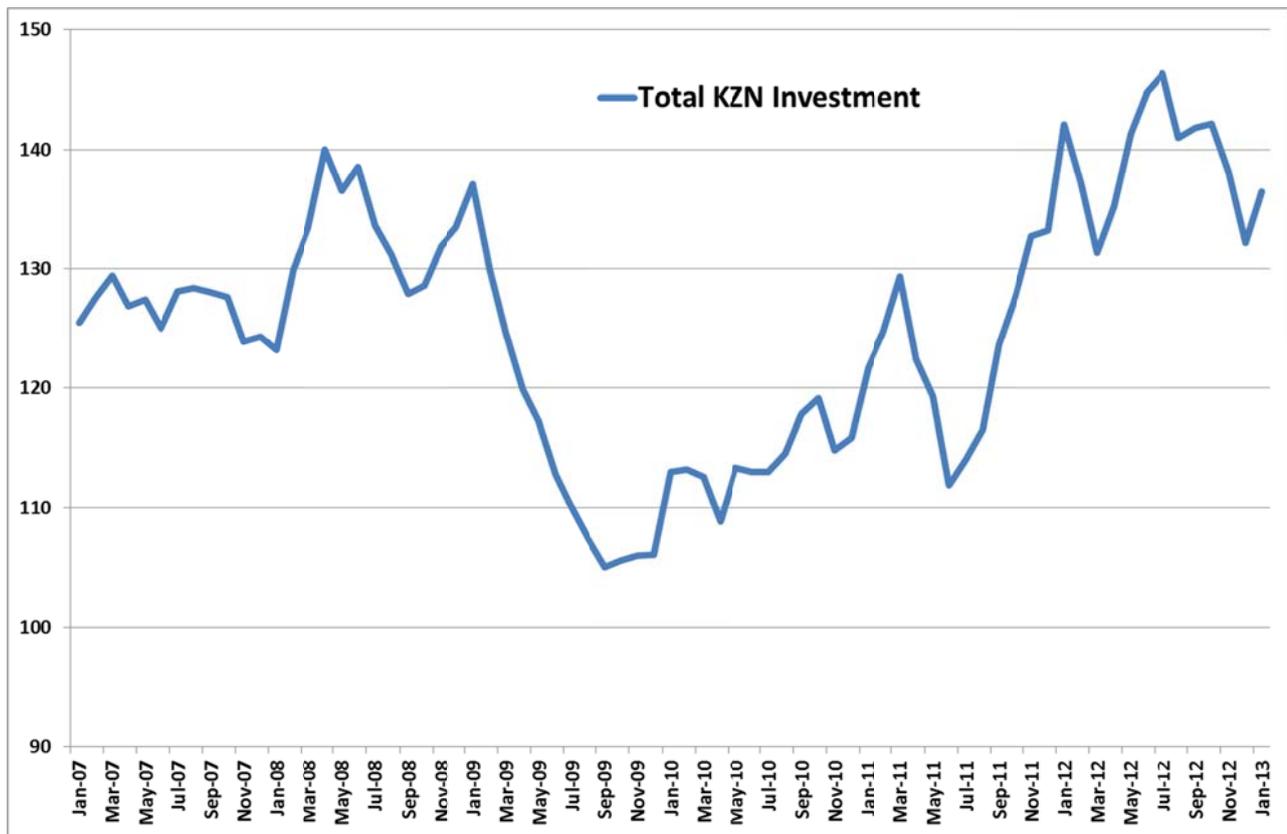
Ex-Joshua Doore building  
270 Jabu Ndlovu Street  
Pietermaritzburg  
Tel: +27 33 264 2500  
Web: [www.kznded.gov.za](http://www.kznded.gov.za)

Treasury House  
145 Chief Albert Luthuli  
Pietermaritzburg  
Tel: +27 33 897 4200  
Web: [www.kzntreasury.gov.za](http://www.kzntreasury.gov.za)

Trade and Investment House  
Kingsmead Office Park  
Kingsmead Boulevard, Durban  
Tel: +27 31 368 9600  
Email: [info@tikzn.co.za](mailto:info@tikzn.co.za)  
Web: [www.tikzn.co.za](http://www.tikzn.co.za)

Gauteng Office: +27 12 346 4386

## Currency weakness affects fixed investment



The depreciation of the rand's exchange rate since the beginning of this year has had a clear effect on fixed investment in KwaZulu-Natal. The latest KwaZulu-Natal investment monitor's total investment index, as compiled by Mike Schüssler of Economists.co.za, declined by 4% year-on-year, the biggest decline in almost three years. Quarter-on-quarter the index also fell by 4%.

The effect of the weaker rand on fixed investment is, however, not only visible in KwaZulu-Natal, but in most other provinces as well.

### Mild growth for transport equipment

Investment in transport equipment was boosted by major increases in the investment in medium and heavy commercial vehicles and grew by 1% year-on-year. However, the sales of trucks and cars increased sharply worldwide in January and most of the first quarter.

Despite the role of the weak rand in South Africa, a lot of businesses still preferred to purchase their transport equipment in January.

Investment in sea and air transport equipment was down by 1.9% year-on-year, also reflecting the effect of the rand's depreciation. Most sea and air transport equipment is pre-ordered months in advance, but the rand started weakening in August last year already, so even pre-orders which are coming into the country now, were already affected by the currency. Given the further weakness so far this year, the declining trend of investment in planes, boats and ships is expected to continue for a while.

### Machinery investment down

Investment in machinery fell sharply and was down 13.1% year-on-year, the biggest drop in 33 months. Quarter-on-quarter it was down 13.6%, the sixth consecutive month of decline. The drop in machinery investment was also due to the weaker rand. Of all the equipment South Africa imports, machinery is one of the most expensive categories, so it makes sense that during a time of a weaker rand there would be a decline in machinery imports.

### Buildings investment disappoints

Investment in buildings in KwaZulu-Natal declined by 4.7% year-on-year after 12 months of double-digit growth. Residential and non-residential buildings completed were both down by 12% and lumber sales fell by 0.4%. Quarter-on-quarter total investment in buildings was down 6%.

The annual indicator for housing in KwaZulu-Natal will be published in the next month and that should give an indication of what buildings the KwaZulu-Natal government is planning for the year, especially RDP houses which has been an important part of the building sector in KwaZulu-Natal in recent years.

### Transfers still not performing well

With the slump in the building sector, the tentative temporary recovery in investment in transfers that came through in some months of 2012 also disappeared again. Investment in transfers was down 8.3% year-on-year and 7.4% quarter-on-quarter.

The decline in transfers shows that consumers still have got other things to worry about than buying houses.

### Turnaround for civil construction equipment

Investment in civil construction equipment was up 10.8% year-on-year and 12.2% quarter-on-quarter after some months of low or negative growth.

The big changes were partly due to changes the changes and rebasing Stats SA's consumer price index (CPI) and producer price index (PPI). The deflators used to compile the investment monitor's indices thus also changed.

Furthermore, the data for bitumen and asphalt sales that used to be included in the index for investment in civil construction was replaced by the National Treasury's provincial data and budget for road works, ensuring much more up-to-date data.

The improvements in the data used to compile the index now show that investment in civil construction is back on track, as opposed to the perception that there was not much activity in the sector.

Another reason for the double-digit increase in investment in civil construction was the 30% growth in imported civil construction material. While a lot of this was also pre-ordered before most of the rand's weakening, some developers will import the materials they need regardless of the exchange rate as they need the material to continue doing business.

### ICT equipment up despite weaker rand

Investment in ICT equipment was also partly affected by changes in the deflators derived from the CPI and PPI.

Investment in ICT equipment grew 5.8% year-on-year and 17.1% quarter-on-quarter. Most of the quarter-on-quarter changes in ICT equipment investment were due to the new deflator. However, there has also been an increase in the imports of ICT materials in the last three months, although not to the same extent as a year ago. Just like with civil construction equipment, the rand's weakness would not deter businesses from importing vital equipment to continue with their business.

### January 2013 Results Table:

Main and sub indices of the Kwa-Zulu Investment Monitor	% Change on a year ago	% Change from a quarter ago
Transport Equipment	1.0%	-0.6%
Buildings	-4.7%	-6.0%
Civil Construction	10.8%	12.2%
Machinery	-13.1%	-13.6%
ICT Equipment	5.8%	17.1%
Transfers	-8.3%	-7.4%
Total Investment Index	-4.0%	-4.0%