



**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

June 2012

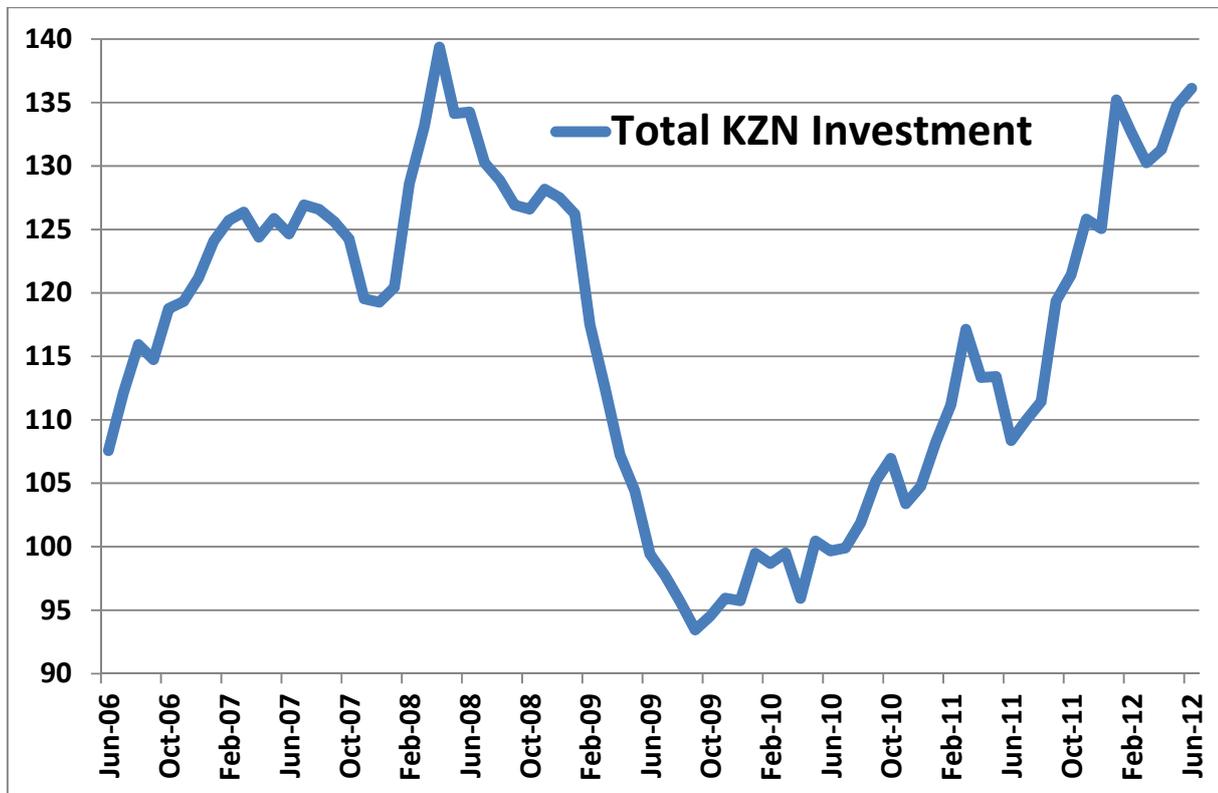
Ex-Joshua Doore building
270 Jabu Ndlovu Street
Pietermaritzburg
Tel: +27 33 264 2500
Web: www.kznded.gov.za

Treasury House
145 Chief Albert Luthuli
Pietermaritzburg
Tel: +27 33 897 4200
Web: www.kzntreasury.gov.za

Trade and Investment House
Kingsmead Office Park
Kingsmead Boulevard, Durban
Tel: +27 31 368 9600
Email: info@tikzn.co.za
Web: www.tikzn.co.za

Gauteng Office: +27 12 346 4386

Countrywide fixed investment boost supports KwaZulu-Natal investment monitor



There seems to be a real attempt at putting more money into fixed investment in South Africa in the current difficult times. This is a good sign of confidence which is flowing into the KwaZulu-Natal investment monitor.

The latest investment monitor, as compiled by Mike Schüssler of Economists.co.za, bounced back strongly and grew by 25.6% year-on-year, the strongest year-on-year growth in more than 10 years. The total investment index increased by 4.5% quarter-on-quarter after it grew by only 1.6% the month before. These robust growth figures do not necessarily mean a new growth phase is being entered, but it does point to a recovery. However, total investment will most likely return to weaker levels again before it increases to the next level of growth.

Civil construction showing short-term decline

Investment in civil construction is the only investment category which is still really struggling on a quarter-on-quarter basis. This category declined by 11.4% quarter-on-quarter, the second consecutive month of decline. Year-on-year investment in civil construction is not doing too badly, with growth of 12.6%. This is, however, the slowest year-on-year growth in eight months.

Imports of civil construction material in KwaZulu-Natal, which includes, among others, natural stone, grindstone and slag wool, was up 20.5% on a year ago. Imports of asphalt for the whole of South Africa was up 119%. Most of this would have been imported to KwaZulu-Natal, which indicates road construction is still taking place in the province.

Investment in structural steel, which is manufactured in SA, increased by 2.4% from a year ago. While this growth figure is dwarfed by the growth of imported civil construction materials, it is not to be snuffed at. Investment in structural steel has been positive for five months and supported the entire construction industry on a year-on-year basis.

Some civil engineering projects are in the pipeline again. It seems to be a government policy to spend money on such infrastructure and as long as the money is spent, the trend in civil construction should remain quite positive.

Robust growth in buildings investment

In a similar sector, investment in buildings grew at impressive rates and even if growth slows down in this sector, it should still remain fairly robust. This investment category was up 27.6% year-on-year in June and grew by 17.5% quarter-on-quarter after it could only manage quarter-on-quarter growth of 0.8% the previous month.

Investment in non-residential buildings is still struggling and declined by 10% year-on-year. On the bright side, this was the smallest decline in five months. Investment in residential buildings was down 7%, which was also an improvement on the 18% decline recorded only three months before.

Transfers investment shows small year-on-year gains

Investment in transfers has been negative quarter-on-quarter for several months which shows a lack of confidence among consumers.

The transfers index was down 5.5% quarter-on-quarter and managed year-on-year growth of 6.4%.

This investment category should recover once consumers start to regain confidence. At the moment the government, rather than the private sector, is leading investment in buildings.

Pre-emptive buying short-changes transport equipment investment

The category for investment in transport equipment has still not regained its strong position of double-digit growth late last year and early this year. Investment in transport equipment declined by 4.4% year-on-year and 8.5% quarter-on-quarter.

While purchases of trucks and buses were up 10.5% year-on-year, the imports of ships and aeroplanes were down 33.8%. This decline is partly due to the earlier pre-emptive buying when the rand started weakening, which meant purchases were made earlier causing the current low import levels. Furthermore, high oil prices are adversely affecting the aircraft industry as a whole. This is leading to higher ticket prices and a decline in passenger numbers. World trade is also under pressure, as is trade in South Africa, causing less demand for ships.

ICT equipment booming again

The growth figures of investment in ICT equipment seem to have recovered from the effects of earlier pre-emptive buying. Year-on-year, investment in ICT equipment was up 24.1%, the best growth in four months, and quarter-on-quarter it was up 15.4% after declining in the three preceding months.

The growth in investment in ICT equipment is driven by new cellphone releases, new releases from Microsoft and continuous investment in data and cellphone towers.

eThekweni is now also one of only a few metros in the country where fibre optics are installed by the metro council.

Machinery investment impresses

Investment in machinery accounts for 36% of KwaZulu-Natal's fixed investment index. This investment category contributed to the overall performance of the index after it grew by 38.7% year-on-year and 11.7% quarter-on-quarter.

Growth in machinery investment was partly driven by the 48% growth in imported machinery – the strongest growth since last May.

Investment in machinery also hit a soft spot after some pre-emptive buying earlier this year, but is making a strong comeback. It will also be supported by even lower interest rates after the rate cut in July.

Results Table:

Main and sub indices of the Kwa-Zulu Investment Monitor	% Change on a year ago	% Change from a quarter ago
Transport Equipment	-4.4%	-8.5%
Buildings	27.6%	17.5%
Civil Construction	12.6%	-11.4%
Machinery	38.7%	11.7%
ICT Equipment	24.1%	15.4%
Transfers	6.4%	-5.5%
Total Investment Index	25.6%	4.5%