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KWAZULU-NATAL PROVINCIAL GOVERNMENT



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KwaZulu-Natal Investment Monitor

May 2013

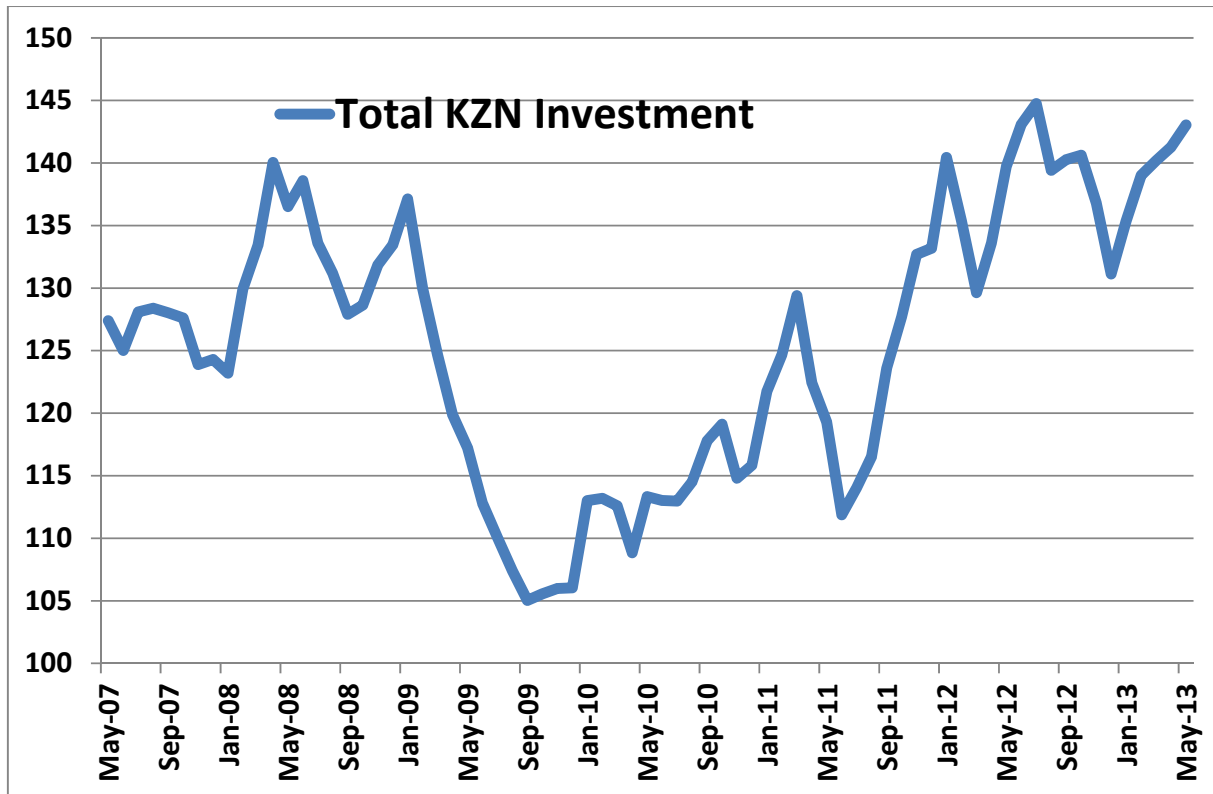
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Fixed investment bears the brunt of global slowdown



Fixed investment in KwaZulu-Natal cooled down somewhat in recent months as the local and world economy continued to struggle. The latest KwaZulu-Natal investment monitor, as compiled by Mike Schüssler of Economists.co.za, grew by 2.4% year-on-year, the slowest growth in four months. Despite the slowdown, most of the individual fixed investment categories were still positive year-on-year, which showed that things are generally better than this time last year. Over the last three months some of the types of fixed investment declined as the economy was not at its best, but the overall fixed investment index still grew by 2.9% quarter-on-quarter.

ICT equipment saw double-digit growth

The main contributor to fixed investment growth, especially over the longer term, remains investment in ICT equipment. Investment in ICT equipment increased by 12.5% year-on-year, the fourth consecutive month of double-digit growth. Quarter-on-quarter investment in ICT equipment was down 7.8%, another indicator that investment was not too abundant in the last three months.

Overall the imports of ICT equipment like computers, printers and cables are still strong. Businesses seem to be purchasing some ICT equipment every month. However, as stated in a recent report South Africa is still one of the lowest ranked amongst its peers in terms of internet speed and connectivity. South African businesses are importing all the equipment, but when it comes to internet usage we are still far below where we should be. It is a whole system problem and the high cost of internet connectivity just makes it worse.

Buildings investment slowing down

Investment in buildings grew by 1.8% year-on-year, the slowest growth in five months. This growth was mainly due to the 20% year-on-year growth in RDP houses built by the government. Non-residential buildings completed were down 26% and residential buildings declined by 1%. Lumber sales have been negative for five months and fell by 14.1% year-on-year, showing that even in the informal building sector not much is happening.

Growth in civil construction

Investment in civil construction was up 7.2% year-on-year, somewhat less than the double-digit growth of the previous two months. Imports of civil construction material still grew by a strong 17.1% on a year ago, but investment in structural steel was down 12.1%, the ninth consecutive month of decline. The decline in structural steel caused the weaker growth in the overall civil construction index. The slack in structural steel was largely due to Chinese economy slowing down.

Quarter-on-quarter investment in civil construction was down 1.5%.

Property transfers looking good

Despite the decline in the building sector, people in KwaZulu-Natal seem to be buying property again. Investment in transfers grew year-on-year for the second month in a row, this time by 4.2%. Quarter-on-quarter transfers grew by 5.1%. The fact that people are buying property again is good for property agents and business in KwaZulu-Natal as a whole. It shows the property sector is slowly making a comeback. Houses are in demand and the very low interest rates also help ensure that sales do not take very long. However, the growth in transfers is not only for transactions involving residential buildings, but also non-residential buildings, which could point to some revival in business confidence.

Slight increase for transport equipment investment

Investment in transport equipment also showed some signs of increased confidence. The transport index was up 0.9% year-on-year following two months of decline. Quarter-on-quarter investment in transport equipment was still down 18.8%.

Investment in land transport equipment helped to boost the transport index year-on-year. This investment category was up 11.3% as the sales of especially smaller commercial vehicles grew.

Investment in sea and air transport equipment continued to fall by double-digits, this time by 29.3%. The continued decline is mainly due to the weaker exchange rate and the high base that was created when some airlines purchased new aircraft last year.

Machinery investment double-digit growth quarter-on-quarter

Investment in machinery in KwaZulu-Natal also continued to reflect the effects of the weak exchange rate. Investment in machinery was down 0.5% year-on-year. However, quarter-on-quarter investment in machinery was up 13.7%, the third consecutive month of growth. This might be a sign that business are starting to adjust to the weaker exchange rate and are reorganising their finances to import the machinery they need. If the currency stabilises, it will increase confidence, even at its current weak level, and encourage business to start investing even more.

Results Table: May 2013

Main and sub indices of the Kwa-Zulu Investment Monitor	% Change on a year ago	% Change from a quarter ago
Transport Equipment	0.9%	-18.8%
Buildings	1.8%	-2.6%
Civil Construction	7.2%	-1.5%
Machinery	-0.5%	13.7%
ICT Equipment	12.5%	-7.8%
Transfers	4.2%	5.1%
Total Investment Index	2.4%	2.9%