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KWAZULU-NATAL PROVINCIAL GOVERNMENT



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**PROVINCE OF KWAZULU-NATAL**



## KwaZulu-Natal Investment Monitor

**September 2012**

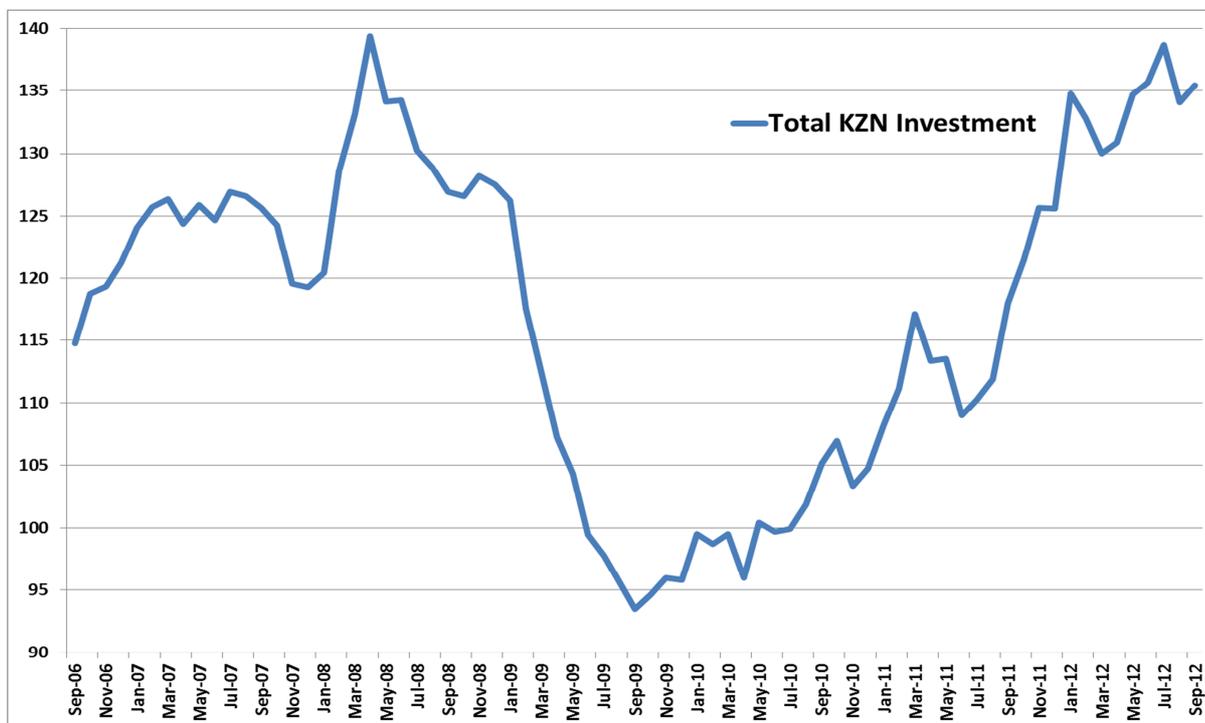
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## Fixed investment slowing



Total fixed investment in KwaZulu-Natal is slowing down, but is still in positive territory from a year ago. The latest KwaZulu-Natal fixed investment monitor, as compiled by Mike Schüssler of Economists.co.za, shows total fixed investment increased by 14.8% year-on-year compared to 19.8% the month before. On a quarter-on-quarter basis, fixed investment declined by 0.1%. The slowdown in fixed investment growth might worsen as this fixed investment index does not yet contain much of the bad news of the strikes or the fall of the rand, and people were still trying to buy ahead of an even weaker rand.

### Transport equipment looking up

The transport equipment index was still down on a year ago, but the 2.3% decline was much less than the double-digit declines of the previous five months. Quarter-on-quarter investment in transport equipment was up 23.6%. Investment in land transport equipment, like trucks and buses, declined by 5.4%. After several months of double-digit growth last year and early this year, there might have been a slight oversupply of trucks in KwaZulu-Natal, which could've lead to the breathing space in investment numbers.

The turnaround in the transport equipment index came from the sudden pick-up in the imports of ships and aircrafts. Imports of ships and aircrafts were up 3.9%, the first growth in six month. That was mainly due to the importation of aeroplanes by Comair for kulula.com, and the effect will probably flow through to the next month's fixed investment monitor as well.

### Non-residential buildings push up buildings investment

Investment in buildings showed a big year-on-year increase of 44.2% compared to growth of 19.6% the month before. This was partly due to a big jump in non-residential buildings, which were up 91%, the first increase in nine months. On the other hand, residential buildings declined for the ninth consecutive month, this time by 21%. Lumber, which is a good indication of usage, is pretty much flat with growth of 0.1%. This strengthens the notion that much of the building reported as completed, have taken place already, and from the private sector side the building industry is not in a great state. However, the building of RDP houses is estimated to have continued at a

100% growth rate over the last year, which helped the buildings index to increase at its highest rate in more than six years.

#### Transfers decline shows weakness in residential market

Transfers in KwaZulu-Natal were down year-on-year for the second consecutive month, but managed to grow by 5.8% on a quarter ago. The poor growth in transfers shows there is still a weakness in the residential property market. This is aggravated by the fact that some consumers have credit problems as noted by the National Credit Regulator which recently said 47% of all consumers have a bad credit record.

#### Civil construction investment sees double-digit growth

Investment in civil construction in KwaZulu-Natal is still relatively strong with year-on-year growth of 14.7%. Quarter-on-quarter it grew by 0.6%. The continued growth is probably mainly due to state expenditure on infrastructure like roads.

There are signs of a slowdown as investment in structural steel declined by 1.9% after seven months of growth. That likely has to do with a bit of a loss of confidence in the economy at the moment.

#### ICT equipment slowly getting out of quarterly slump

Investment in ICT equipment grew by 15.9% year-on-year, but was down 1.8% on a quarter ago. With the next evolution of cell phones and related technology, investment in ICT equipment is not expected to remain in the red on a quarter-on-quarter basis for too long, but the next three to six months could still be negative. Due to changes to technology and heavy investment by the cell phone operators, fixed line operators and companies are upgrading to new software like Windows 8. This means that big investments in computers and communications should continue.

It is an unusual trend for investment in ICT equipment to decline with the release of a new operating system. This could, however, be due to the fact that the rand has weakened, causing some people to hold off on these investments until the new year.

#### Machinery investment shows year-on-year growth

Despite the drastic weakening of the rand since August, there still seems to have been some pre-emptive buying from people who predict that the rand could grow even weaker, especially with regards to ICT equipment and machinery.

Investment in machinery in KwaZulu-Natal grew by 13.7% year-on-year and contracted by 4.9% on a quarter ago. The year-on-year increase was mainly due to a 17% increase in total imports of machinery and equipment. The local part of machinery investment only grew by 2.4% compared to 9.7% and 6.2% in the two preceding months. This could be partly because of strike action delaying investment somewhat, and the fact that confidence in many parts of the manufacturing sector is still under pressure.

#### September Results Table:

Main and sub indices of the Kwa-Zulu Investment Monitor	% Change on a year ago	% Change from a quarter ago
Transport Equipment	-2.3%	23.6%
Buildings	44.2%	-2.9%
Civil Construction	14.7%	0.6%
Machinery	13.7%	-4.9%
ICT Equipment	15.9%	-1.8%
Transfers	-7.8%	5.8%
Total Investment Index	14.8%	-0.1%