**KwaZulu-Natal Investment Monitor**

**December 2011**



**Firm standing for fixed investment in KwaZulu-Natal**

Fixed investment growth in KwaZulu-Natal is still very strong.

Although the growth in the KwaZulu-Natal Fixed Investment Monitor, as compiled by Mike Schüssler of Economists.co.za, is not as smooth as that of the Reserve Bank’s index, the general trend over the past year was upwards.

The total investment index grew by 20% year-on-year in December, after growing by 14.6% and 22.8% in the preceding two months. Quarter-on-quarter total fixed investment grew by 4.2%.See Results table below.

**No ceiling for ICT equipment growth**

Investment in ICT equipment remained strong all through 2011, driven mainly by very strong growth in cell phone and data use. In December, cell phone minutes used and the number of unique internet page impressions countrywide were around 10 times higher than 10 years ago.

Fixed investment in ICT equipment in KwaZulu-Natal grew by 30.9% year-on-year, the strongest growth since August 2006. Quarter-on-quarter investment in ICT equipment grew by 9.9%.

The growth in ICT equipment investment emphasised the growing importance of the communication sector, as a lot of the equipment invested in are cables, cell phone towers, cell phones, network cards and the likes. The increased use is one of the reasons why so much ICT equipment is being bought as service providers try to satisfy demand.

Since the recession in the middle of 2009, the ICT equipment index grew by more than 50% and while the year-on-year growth is not as strong as the growth in transport equipment investment, it gives a good indication of where the growth in the country and KwaZulu-Natal is.

**Transport equipment investment on the move**

Transport equipment investment has been the one big growth driver of fixed investment in KwaZulu-Natal over the last year, especially with big purchases of aeroplanes, ships and trucks.

Investment in transport equipment grew by 51.9% year-on-year in December compared to 42.8% in November. Quarter-on-quarter this investment category, which contributes 14% to total fixed investment in KwaZulu-Natal, recorded its second consecutive decline, this time by 11.8%.

**Machinery investment slowing in the wake of unstable global economy and stronger rand**

Growth in machinery investment slowed down somewhat in the last few months of 2011. It grew by 19.8% year-on-year in December, after growing by more than 30% year-on-year in some months during the first half of the year.
Quarter-on-quarter investment in machinery grew by only 1% after double-digit quarter-on-quarter growth was noted in the three previous months. The double-digit growth was driven by some pre-emptive buying as the rand’s exchange rate started to weaken in September and October and businesses bought machinery in an attempt to make maximum use of the exchange rate before it weakened substantially. Although the rand’s exchange rate has strengthened again, investment in machinery will most likely stay weak for the next month or so as businesses are holding back due to the weak global environment.

**Buildings suffer under premature investment**

Growth in buildings investment slowed to 0.8% year-on-year in December compared to 6.5% in November. The halt in investment is not due to a slowdown in the construction industry, but rather a somewhat premature increase in fixed investment in buildings earlier. But quarter-on-quarter investment in buildings is strong and grew by 17.8% – the strongest quarter-on-quarter growth since August 2008.

While growth in buildings investment should remain volatile for the next year or so, it should pick up substantially in coming years.

**Civil construction comes out on top despite setbacks**

Investment in civil construction in KwaZulu-Natal grew by 17.4% year-on-year in December and 11.6% quarter-on-quarter. Although these growth figures are strong, there were some constraints in civil construction investment, especially roads, such as the on-going bitumen shortage. Other types of civil construction projects, like dams and sewage systems, are going ahead strongly and helping along the growth in civil construction investment.

**Transfer investment growing, but still to be rooted**

Investment in transfers in KwaZulu-Natal is influenced by buildings and civil construction investments; and given the volatility of these two indices; a clear trend cannot be identified.

Investment in transfers grew by 2.9% year-on-year and decreased by 1.9% quarter-on-quarter.

Although transfers do not contribute a large portion to total fixed investment, it gives the impression that the KwaZulu-Natal housing and commercial property market is not as secure as one would like yet.

**Results Table:**

