

ECONOMICS | SOUTH AFRICA

Nedbank

Capital Expenditure Project Listing: 2023



Group Economic Unit

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Nedbank Capital Expenditure Project Listing



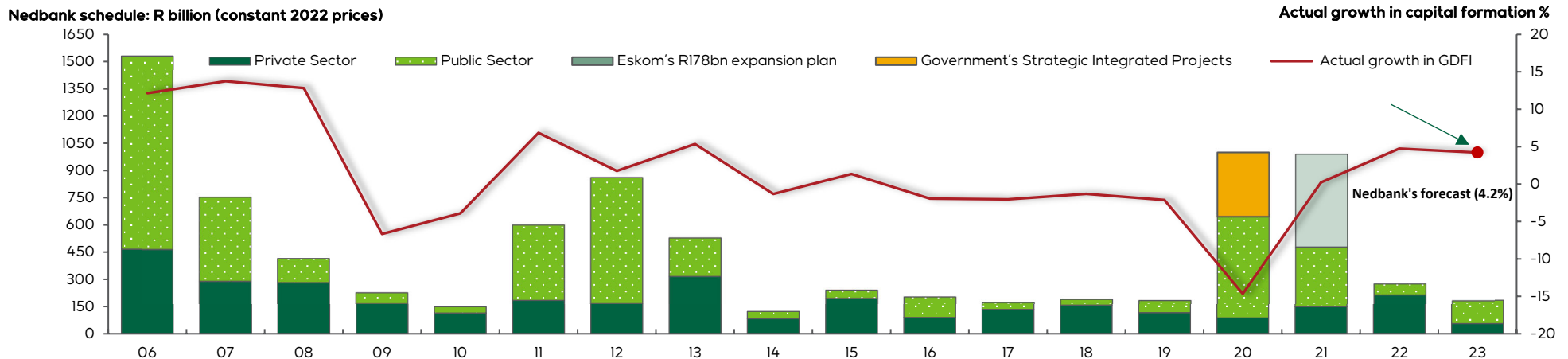
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EXECUTIVE SUMMARY OF KEY FINDINGS

- Nedbank's listing shows a dramatic decline in fixed investment activity in 2023 as persistent power outages, rising interest rates and cost pressures weighed on profitability and eroded business confidence.
- The value of new projects announced during the year fell to R184.8 billion from R259.9 billion in 2022.
- The government replaced the private sector as the major driver, with planned new projects of R101.6 billion, accounting for 55% of the total value of new projects announced in 2023.
- Project announcements by public corporations picked up in the second half of the year, bringing the total value to R27 billion, which is nonetheless a sharp decline from the flurry of announcements in the previous years.
- Capital projects by the private sector dropped to a meagre R56.1 billion, amounting to around 30% of the total value of new projects announced.
- Nedbank expects the weakness in capital spending to continue into 2024. Gross fixed capital formation (GFCF) is forecast to grow by about 0.5%, down from a forecasted 4.2% in 2023. The only boost will come from investment in renewable-energy generation and public sector infrastructure spending.
- GFCF growth is, however, expected to accelerate to 3.9% in 2025, supported by renewable energy investments, stronger global growth, and firmer commodity prices.

Chart 1: Value of announced projects and growth in fixed investment



Source: Nedbank & SARB

KEY FINDINGS

- Nedbank's listing shows a sharp fall in fixed investment activity in 2023. The value of new projects announced amounted to R184.8 billion, down from R259.9 billion and R392.7 billion recorded in 2022 and 2021, respectively.
- The slowdown resulted from a moderation in new projects announced by the private sector and public corporations. Projects announced by the private sector fell to R56.1 billion from R203.3 billion, accounting for only 30% of the total. The largest project planned by the private sector is worth R11 billion and involves the construction of a solar farm in the Northern Cape to be built by Mulilo Renewables. Almost 50% of the projects announced by the private sector involve a shift to renewable energy sources (projects cumulatively valued at R27 billion), indicating the greater need for self-generating capacity by businesses in the wake of the country's energy crisis.
- Six projects were announced by public corporations in the second half of the year, amounting to R27 billion. While it represents an improvement from the first half of the year, when no projects were picked up, the value of the projects are approximately R8 billion less than in 2022. The largest is a 7-year undertaking worth R18 billion by Lepelle Northern Water for the upgrade and refurbishment of the Olifantspoort and Ebenezer bulk water supply scheme.
- General government announced R101.6 billion worth of projects, 60% of which are projects by the City of Cape Town. These include R45 billion for upgrading wastewater works, sewers and road infrastructure and R24 billion toward minimising load-shedding. The second largest project is a partnership between the South African government and some of the world's largest mining companies, which involves supplying major platinum and chrome mining operations and several hundred thousand of people with drinking water.

Table 1: The value of announced projects

Projects by type of organisation								
	Value of projects (R billion in current prices)				Value of projects (R billion in constant prices)			
	Total	Private sector	General government	Public corporations	Total	Private sector	General government	Public corporations
2008	184.0	125.5	53.1	5.5	416.8	284.2	120.2	12.3
2009	101.8	74.7	24.8	2.3	228.7	167.9	55.6	5.1
2010	67.5	51.8	4.2	11.4	148.9	114.5	9.3	25.2
2011	287.4	89.5	42.1	155.8	600.4	187.0	87.9	325.4
2012	465.6	91.1	54.2	320.3	860.8	168.4	100.2	592.2
2013	286.3	172.0	24.2	90.1	529.4	318.1	44.7	166.6
2014	71.5	48.0	12.7	10.9	123.1	82.5	21.8	18.7
2015	146.2	119.0	10.9	16.4	243.0	197.7	18.1	27.2
2016	132.5	58.0	58.4	16.1	205.6	90.0	90.7	25.0
2017	118.2	90.5	26.6	1.1	175.0	133.9	39.4	1.6
2018	136.9	112.4	6.7	17.8	192.1	157.7	9.4	24.9
2019	138.7	86.8	14.5	37.4	186.0	116.4	19.5	50.2
2020	426.7	67.3	357.7	1.7	558.3	88.1	468.1	2.2
2021	392.7	122.0	33.8	236.9	479.7	149.0	41.3	289.4
2022	259.9	203.3	21.7	34.9	277.6	217.1	23.2	37.3
2023	184.8	56.1	101.6	27.1	184.8	56.1	101.6	27.1

Table 2: Recently announced projects by institution and industry

General government	Value	Major industries	Infrastructure type
City of Cape Town infrastructure portfolio for economic growth	45 000	Other community	Community, social and personal services
Urban Mobility Directorate projects (Total)	8 300	Transport services	Transport, storage, and communication
Tygerberg Hospital redevelopment megaproject	5 000	Health and social work	Community, social and personal services
Rooiwal wastewater works repair and upgrade	4 000	Other community	Community, social and personal services
Welisizwe rural bridges programme	3 800	Transport services	Transport, storage, and communication
Gqeberha installation of solar powered streetlights	3 500	Public administration and defence	Community, social and personal services
Steenbras Hydro Pumped Storage Scheme	1 200	Water	Electricity, gas, and water
Paardevelei ground-mounted solar photovoltaic (PV) and battery storage	1 200	Electricity, gas, and steam	Electricity, gas, and water
Agro Energy Fund (AEF)	1 200	Agriculture and related services	Agriculture, forestry, and fishing
Private	Value	Major industries	Infrastructure type
Water Project	27 000	Water	Electricity, gas, and water
75 MW Northern Cape solar farm	11 600	Electricity, gas, and steam	Electricity, gas, and water
Teraco expansion project	5 700	Post and telecommunications	Transport, storage, and communication
Grootfontein solar projects	5 100	Electricity, gas, and steam	Electricity, gas, and water
BMW X3 hybrid-electric	4 200	Transport equipment	Manufacturing
ArcelorMittal South Africa (AMSA) renewable-energy project	4 000	Basic metals	Manufacturing
Expansion project at Ardagh Glass Packaging Africa (AGP)	3 300	Other non-metallic mineral products	Manufacturing
Volspruit North platinum group metals project	2 500	Gold and uranium mining	Mining and quarrying
Carnival City Lifestyle Estate residential development project – Phase 1.	2 500	Real estate	Real estate and financial and business services
Shongweni Park lifestyle estate	2 000	Real estate	Real estate and financial and business services
DRDGOLD solar power plant and battery energy storage system	2 000	Gold and uranium mining	Mining and quarrying
Dunlop tyre plant upgrade	1 700	Transport equipment	Manufacturing
Lephalale solar project	1 560	Electricity, gas, and steam	Electricity, gas, and water
Airport Business Park	1 200	Real estate	Real estate and financial and business services
Public corporation	Value	Major industries	Infrastructure type
Olifantspoort/Ebenezer upgrade project	18 000	Water	Electricity, gas, and water
N3 Westville to Paradise Valley upgrade	4 700	Transport services	Transport, storage, and communication
Square Kilometre Array project, South Africa	2 000	Post and telecommunications	Transport, storage, and communication
KwaBhaca to Ngcweleni river project	1 200	Transport services	Transport, storage, and communication

INDUSTRY BREAKDOWN

- In 2023, **electricity, gas and water** dominated, with projects worth R66.9 billion. Two of the projects account for 67% of the total and are associated with water distribution. The first and largest project is a R27 billion undertaking between the SA government and large mining companies aimed at improving the country's dilapidated water infrastructure. The second is worth R18 billion and entails the upgrade and refurbishment of the Olifantspoort and Ebenezer Bulk Water Supply Scheme. The remaining R21.9 billion will be invested into green energy, R20.5 billion into solar photovoltaic plants, R1.2 billion for hydro pump storage and R277 million toward a green hydrogen project.
- Community, social and personal services** announced projects to the tune of R58.2 billion, 87% of which falls within the realm of the City of Cape Town's infrastructure portfolio. R45 billion will go towards major wastewater upgrades and refurbishments at Potsdam, Zandvliet, Athlone, Macassar and Bellville and to major upgrades on bulk sewers in the Cape Flats, Milnerton, Phillipi and Gordon's Bay. R198.5 million is for the upgrade of community infrastructure and facilities in Vuyani, Nolungile, Nonkqubela and Manenberg. The second largest project is a R5 billion redevelopment of Tygerberg hospital. The bulk of the remaining R8.2 billion is for the upgrade of community infrastructure and facilities in Gauteng and Gqeberha, including R4 billion toward the Rooiwal wastewater works repair and upgrade project.
- The **transport, storage, and communications** industries announced new projects worth R27 billion. 68% of the total value of projects is geared toward road development, upgrades and maintenance. It is dominated by the Urban Mobility Directorate projects, which are worth R8.3 billion and involves the maintenance of a road network spanning 10 700km under the jurisdiction of the City of Cape Town. Other dominant investment projects include the Teraco expansion project (R5.7 billion) and the Square Kilometre Array (R2 billion).

Table 3: Announced projects by sector.

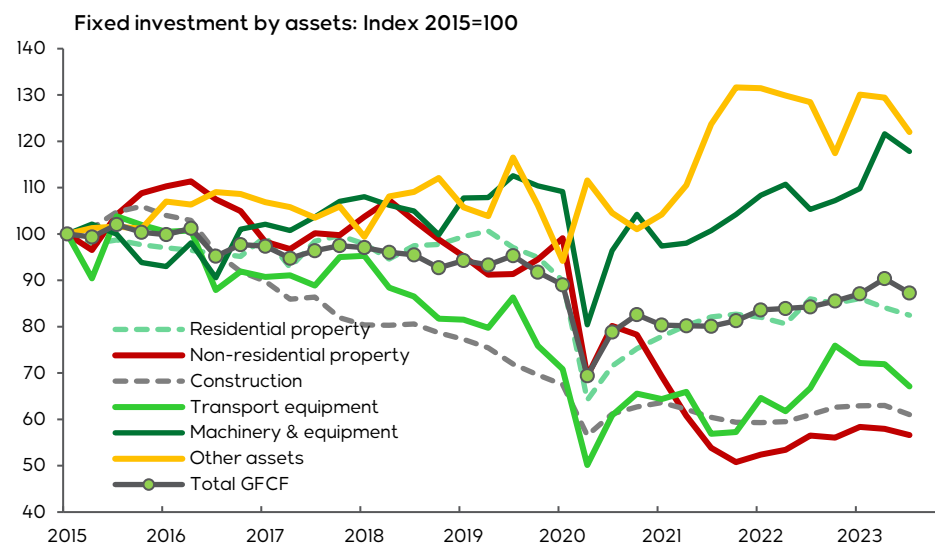
Industry (R million)	2018	2019	2020	2021	2022	2023	2023 % of total
Agriculture, forestry, and fishing	0	0	7 000	0	102	1 230	0.7
Community, social and personal services	8 882	4 088	139 293	9 809	18 370	58 244	31.5
Construction	0	0	0	0	0	0	0.0
Electricity, gas, and water	53 800	13 248	156 140	231 260	145 137	66 937	36.2
Finance, real estate, financial and business services	13 800	41 160	29 015	1 798	17 390	6 372	3.4
Manufacturing	42 184	16 993	21 265	23 100	7 930	19 025	10.3
Mining and quarrying	7 000	16 378	15 137	25 396	35 080	5 875	3.2
Transport, storage, and communication	9 093	45 656	58 382	85 399	28 903	27 124	14.7
Wholesale, retail and motor trade, hotels, and accommodation	2 130	1 170	425	15 943	7 000	0	0.0
Total	136 889	138 693	426 657	392 704	259 912	184 807	100

- The **manufacturing industry** announced R19 billion worth of planned projects. The most significant new project captured is BMW's R4.2 billion investment in the upgrade of its Rosslyn plant. The upgrade is in line with its move toward producing more energy-efficient vehicles, including the new BMW X3 plug-in hybrid. ArcelorMittal South Africa (AMSA) will also spend R4 billion on building a 200-megawatt solar photovoltaic plant.
- Project announcements by the **finance, real estate, and business services** sector amounted to R6.3 billion and were dominated by real estate. In summary, these included three malls (one new and upgrades of the remaining two), a business park and two residential lifestyle estates.
- The **mining and quarrying** sector announced plans to invest R5.9 billion. The largest project is a proposal by Sylvania Platinum and Volspruit Mining to establish an open-cast Platinum Group Metals (PGM) mine. The second largest is an investment by DRDGOLD into renewable energy.
- Investment into the **agricultural sector** consists mainly of the Agro Energy Fund's initiatives worth R1.2 billion, which aims to assist farmers in circumventing loadshedding.

IMPLICATIONS FOR FIXED INVESTMENT

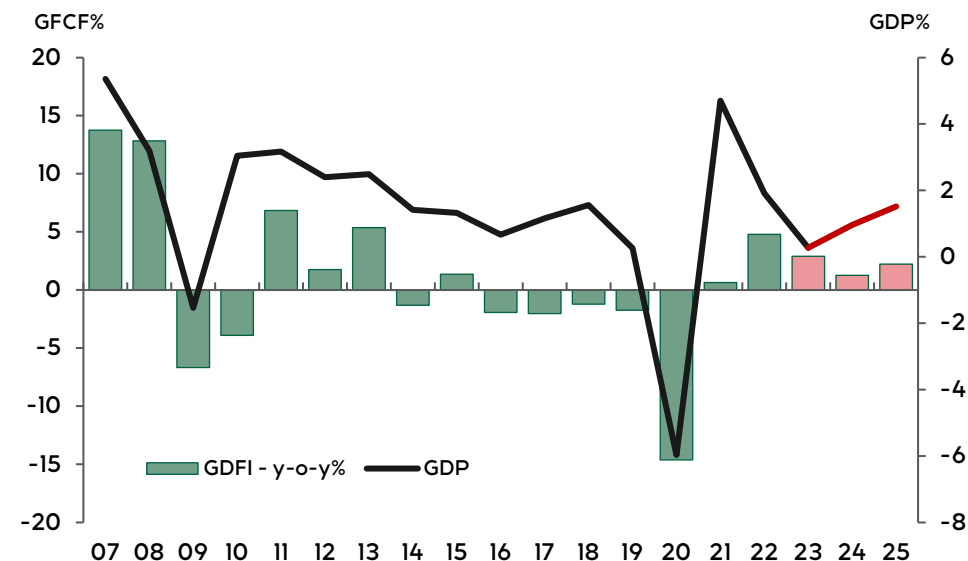
- Gross fixed capital formation (GFCF) contracted by 3.4% qoq in the third quarter of 2023, marking the first contraction in almost two years. The resilience in preceding months was concentrated in private sector investments of machinery and other equipment, reflecting the shift to alternative sources of energy spurred on by load-shedding. The contraction in GFCF in the third quarter was driven by a sudden turnaround in private sector outlays on machinery equipment, accompanied by declines in transport equipment and residential and non-residential buildings. On aggregate, investment by the private sector (which accounts for 74% of GFCF) contracted by 3.1% qoq, public corporations by 4.1% and government by 4.5%. This decline reflects higher interest rates, shrinking corporate profits and failure by public corporations to make significant progress in delivering on key infrastructure projects essential to supporting capital spending by the private sector.
- Nedbank's latest research confirms that the recovery in fixed investment is struggling to gain momentum and that the challenging economic environment is convincing more private companies to delay or postpone major investment plans.
- The outlook for fixed investment remains cloudy. Consumer spending is likely to remain subdued, particularly in the first half of the year, depressed by high interest rates, worries about job security and weak consumer confidence. On the production side, persistent load-shedding and a weak global economy will continue undermining activity in the mining and manufacturing sectors. The RMB/BER Business Confidence Index fell to 31 in the fourth quarter of 2023 from 33 in the third and has been below the neutral 50 mark for ten consecutive quarters. Business confidence is unlikely to improve significantly in 2024 due to persistent infrastructure constraints, slow economic reforms, and higher production costs. Consequently, the private sector will remain wary of large capital investment spending. Activity in the renewable energy sector, including the seventh window of the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), will continue to support investment. Nonetheless, we forecast GFCF growth to slow to a modest 0.5% in 2024.
- GFCF growth is expected to accelerate to 3.9% in 2025, supported by renewable energy investments, better prospects for global growth and firmer commodity prices. Government infrastructure programmes will continue as government attempts to create employment and address some of the social and infrastructure backlogs. However, the pace will be slow, limited by budget constraints. Faster growth in fixed investment can be achieved through resolving the energy crisis, accelerating structural reforms, restoring fiscal discipline, and tackling crime and corruption. All of which will lift business confidence, raise the country's potential growth rate, and encourage investment by the private sector.

Chart 2: Fixed investment by assets



Source: Stats SA

Chart 3: GDP and GFCF performance and forecasts



Source: Stats SA and Nedbank

APPENDIX I: LARGE CAPITAL PROJECTS ANNOUNCED SINCE 2021 THAT ARE LIKELY TO DRIVE FIXED INVESTMENT ACTIVITY

Year	Announced date	Project name	Company name	Estimated completion date	Estimated value (R million)
2022	Jan-22	Green hydrogen plant	Hive Hydrogen and Linde, through its wholly owned South African subsidiary Afrox	Dec-26	75000
	May-22	Round 5 - Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)	Various companies	Dec-26	34300
	Jun-22	Salvokop mixed use government district	Public Works and Infrastructure	Dec-25	18000
	Jul-22	TNPA Western Region ports expansion project	Transnet National Ports Authority (TNPA)	Dec-28	16100
	May-22	Round 6 - Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)	Various companies	Dec-26	12100
	Sep-22	Seriti coal mine windfarm project	Seriti Resources	Jun-24	12000
	Dec-22	Komati power station repurposing project	Eskom	Sep-28	9000
	Jun-22	Prasa rolling stock overhaul	PRASA	Sep-25	7500
	Mar-22	Gamsberg Phase 2 expansion project	Vedanta Zinc International	Dec-24	7000
	Feb-22	Nkuna Smart City	Masingita Group of Companies	Jun-24	5500
	Apr-22	Marula Phase II	Impala Platinum	Dec-28	5100
	Jan-22	Mototolo/Der Brochen life extension project	Anglo American Platinum (Amplats)	Dec-24	3900
	Jul-22	South Africa own- and commercial-use generation facilities projects.	Nersa	Jun-24	3650
	Jul-22	Earth & Wire independent renewable-energy company	Earth & wire	Jun-25	3500
	Aug-22	Shoprite: Environmental programme expansion	Shoprite	Dec-25	3500
	Jun-22	Mogale Gold Tailings storage facilities (TSFs)	Pan African Resources	Apr-25	2500
	Dec-22	African Rainbow Minerals (ARM) solar photovoltaic power project	Sola Group and African Rainbow Minerals	Jul-26	2500
	Jun-22	Vametco and Vanchem operations expansion	Bushveld minerals	Dec-28	2300
	Jun-22	Harmony Gold renewable energy project	Harmony Gold Mining Company	Dec-26	1700
2023	Apr-23	City of Cape Town infrastructure portfolio for economic growth - water and sanitation	City of Cape Town (CoCT)	Dec-30	45000
	Jul-23	Water Project	Lebalelo Water User Association	Dec-30	27000
	Aug-23	Olifantspoort/Ebenezer upgrade project	Lepelle Northern Water (LNW).	Dec-30	18000
	Jul-23	75 MW Northern Cape solar farm	Air Products South Africa	Oct-25	11600
	Jul-23	Urban Mobility Directorate projects (Total)	City of Cape Town	Jun-25	8300
	Jan-23	Teraco expansion project	Teraco	Mar-25	5700
	Jun-23	Grootfontein solar projects	Scatec	Dec-25	5100
	Nov-23	Tygerberg Hospital redevelopment megaproject	Western Cape department of health and wellness	Dec-24	5000
	Oct-23	N3 Westville to Paradise Valley upgrade	SANRAL	Jan-28	4700
	Jun-23	BMW X3 hybrid-electric	BMW SA	Dec-26	4200

APPENDIX 1: LARGE CAPITAL PROJECTS ANNOUNCED SINCE 2021 THAT ARE LIKELY TO DRIVE FIXED INVESTMENT ACTIVITY - CONTINUED

Year	Announced date	Project name	Company name	Estimated completion date	Estimated value (R million)
	Apr-23	ArcelorMittal South Africa (AMSA) renewable-energy project	ArcelorMittal South Africa	Dec-25	4000
	Jun-23	Rooiwal wastewater works repair and upgrade.	Department of wastewater treatment works and City of Tshwane	Jun-26	4000
	May-23	Welisizwe Rural Bridges programme	Department of Public Works and Infrastructure, the Department of Defence, and the KwaZulu-Natal Department of Transport	Dec-27	3800
	Jan-23	Expansion project at Ardagh Glass Packaging Africa (AGP)	Ardagh Glass Packaging Africa.	Jan-27	3 300
	Sep-23	Stellantis automotive manufacturing facility	Stellantis, Industrial Development Corporation and the Department of Trade and Industry and Competition	Dec-25	3000
	Jan-23	Volspruit North platinum group metals project	Sylvania Platinum	Dec-27	2500
	Jul-23	Carnival City Lifestyle Estate residential development project – Phase 1.	Carnival East Village Property Company	Dec-24	2500
	Oct-23	Shongweni Park lifestyle estate	Baldwin properties	Dec-28	2000
	Dec-23	DRDGOLD solar power plant and battery energy storage system	DRDGOLD	Sep-24	2000
	Dec-23	Square Kilometre Array project, South Africa	SKA Observatory	Jan-28	2000
	Oct-23	Dunlop tyre plant upgrade	Dunlop	Dec-24	1700
	Mar-23	Lephalale solar project	Exxaro	Feb-25	1560

APPENDIX 2:

What is fixed investment?

- Fixed investment is spending on physical assets such as buildings, infrastructure, plant, machinery and equipment, which adds to production capacity.
- Fixed investment is a flow concept, consisting of additions to the capital stock of a firm, a public enterprise or government.
- It can take two forms:
- Replacement investment maintains the existing capital stock, replacing depleted or fully depreciated assets.
- Expansionary investment allows for the production of more goods and services. These are projects that increase production capacity, such as new plants or infrastructure and expansions to existing operations.
- It is not easy to distinguish between these two types of investments. There are many grey areas. The overhaul or refurbishment of existing plants with new machinery and equipment more often than not expands capacity, enabling the production of more goods and services at a lower cost through the use of improved design, processes and technology.

What is Nedbank's Capital Expenditure Project Listing?

- Nedbank's schedule is a record of major capital projects undertaken within SA's borders.
- The schedule only includes projects that have been announced to the public. The information is gathered from a variety of sources, but the listing would not be possible without the valuable work done by Engineering News and Mining Weekly.
- The schedule tries to isolate and record expansionary projects, but also includes the automation or modernisation of existing capacity. These projects are included because they result in the production of more goods and services by improving the productivity of existing operations.
- Only projects of R20 million and above are included. The details of all projects over R250 million are verified directly with the company or institution undertaking the investment. This implies that the schedule does not always reflect changes to the scale, the value, starting and ending dates of the projects below this cut-off value.
- Nedbank's project listing is not an approximation of the official fixed investment figures, which records actual fixed investment spending in a quarter. The listing records project announcements. There is always a lag between when a project is announced and when the spending starts. The schedule is a rough guide of the trajectory of fixed investment in the years ahead. It is also a useful guide to identify and track activity in the various industries.

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