

ECONOMICS | SOUTH AFRICA

# Nedbank

## Capital Expenditure Project Listing H1 2023



**Group Economic Unit**

Johannes Khosa, Crystal Huntley and Busisiwe Nkonki

25 July 2023

# Nedbank Capital Expenditure Project Listing



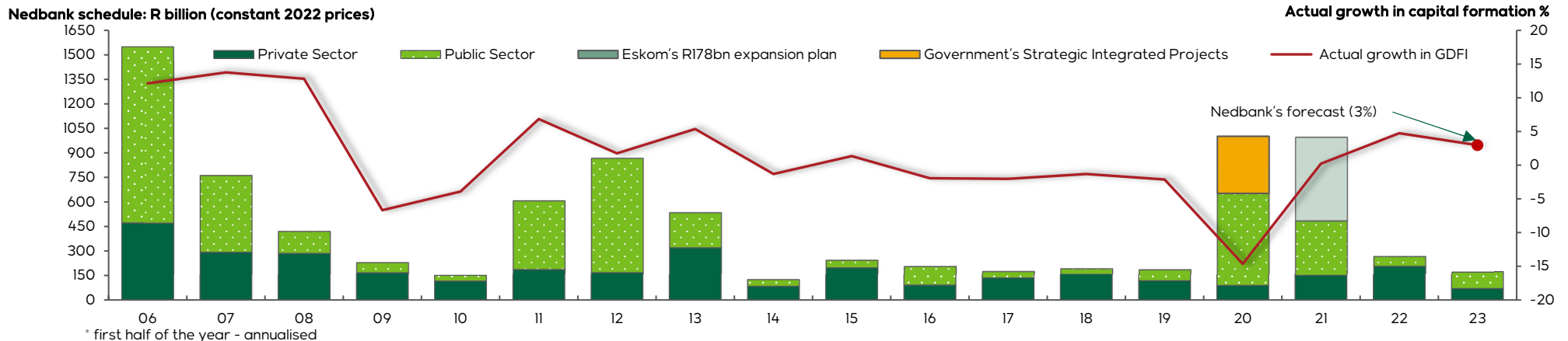
ECONOMICS | SOUTH AFRICA

25 July 2023 | ISSN 1023-7097

## EXECUTIVE SUMMARY OF KEY FINDINGS

- Nedbank's listing shows a dramatic decline in fixed investment activity in the first half of 2023 as persistent power outages, rising interest rates and cost pressures weigh on profitability and erode business confidence.
- The value of new projects announced during the first half of the year fell to an annualised R173.1 billion from R248.5 billion in 2022.
- The government replaced the private sector as the major driver, with planned new projects rising to R103.4 billion, accounting for 60% of the total value of new projects announced in the first half of 2023. In sharp contrast, no new projects were announced by public corporations following a flurry of announcements in previous years.
- Capital projects by the private sector dropped to an annualised R697.8 billion, amounting to around 40% of the total value of new projects announced.
- Nedbank expects the slowdown in capital spending to continue during the remainder of 2023 and into 2024. Gross fixed capital formation (GFCF) is forecast to grow by about 3%, down from 4.7% in 2022. The only boost will come from investment in renewable-energy generation and public sector infrastructure spending.
- The sharp drop in new investment plans point to a deeper slowdown in 2024 and possibly beyond. The electricity shortage and its impact on domestic economic activity, combined with the evolving downturn in global demand will keep business confidence subdued.

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



Source: Nedbank & SARB

## KEY FINDINGS

- Nedbank's listing shows a relatively sharp fall in fixed investment activity in the first half of 2023. The value of new projects announced amounted to an annualised R173.1 billion, down from R248.5 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 zero announcements from public corporations. Projects announced by the private sector fell to R69.8 billion from R193.6 billion, accounting for only 40% of the total. The largest project planned by the private sector is worth R1.5 billion by Ardagh Glass Packaging (AGP) Africa and involves extending its Nigel production facility in Gauteng. Most projects outside AGP's planned expansion involve a shift to renewable energy sources (projects valued at R10.9 billion), indicating the greater need for self-generating capacity by businesses in the wake of the country's energy crisis.
- Although Nedbank could not pick up any new projects by public corporations in the first half of the year, R236.9 billion worth of projects are underway, most of which were announced in 2021. These involve large undertakings by Eskom, the Passenger Rail Agency of South Africa (PRASA) and the South African National Roads Agency (SANRAL).
- General government announced an annualised R103.4 billion worth of projects, 93% 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. These include a solar plant in Paardevelei capable of providing a full stage of load shedding protection during the day and the Steenbras hydro pump storage scheme, which aims to save up to two stages where possible.

**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 2023 prices)			
	Total	Private sector	General government	Public corporations	Total	Private sector	General government	Public corporations
2008	184.0	125.5	53.1	5.5	421.8	287.6	121.7	12.5
2009	101.8	74.7	24.8	2.3	231.5	170.0	56.3	5.2
2010	67.5	51.8	4.2	11.4	150.8	115.8	9.4	25.5
2011	287.4	89.5	42.1	155.8	607.6	189.3	89.0	329.4
2012	465.6	91.1	54.2	320.3	871.2	170.5	101.4	599.4
2013	286.3	172.0	24.2	90.1	535.8	321.9	45.3	168.6
2014	71.5	48.0	12.7	10.9	124.5	83.5	22.1	18.9
2015	146.2	119.0	10.9	16.4	246.0	200.1	18.3	27.5
2016	132.5	58.0	58.4	16.1	208.1	91.1	91.8	25.3
2017	118.2	90.5	26.6	1.1	177.1	135.5	39.9	1.6
2018	136.9	112.4	6.7	17.8	194.4	159.7	9.5	25.2
2019	138.7	86.8	14.5	37.4	188.3	117.8	19.7	50.8
2020	425.4	67.3	357.3	0.8	563.4	89.1	473.2	1.1
2021	392.7	122.0	33.8	236.9	485.5	150.8	41.8	293.0
2022	248.5	193.6	20.0	34.9	268.6	209.3	21.6	37.7
2023*	173.1	69.8	103.4	0.0	173.1	69.8	103.4	0.0

\*Figures captured in the first half of the year are annualised

**Table 2: Recently announced projects by institution and industry**

General government	R million	Major industries	Infrastructure type
City of Cape Town infrastructure portfolio for economic growth - water and sanitation	45 000	Community, social and personal services	Other community
Welisizwe Rural Bridges programme	3 800	Transport, storage, and communication	Transport services
Steenbras Hydro Pumped Storage Scheme	1 200	Electricity, gas, and water	Water
Paardevelei ground-mounted solar photovoltaic (PV) and battery storage	1 200	Electricity, gas, and water	Electricity, gas, and steam
New public transport interchange (PTI) in Nyanga	168	Transport, storage and communication	Transport services
New PTI in Nolungile	77	Community, social and personal services	Other community
New PTI in Nonkqubela and Upgrade of the Manenberg PTI	68	Community, social and personal services	Other community
New minibus-taxi facility in Mfuleni	60	Transport, storage, and communication	Transport services
For a PTI in Vuyani	54	Community, social and personal services	Other community
CoalCO2-X project	50	Mining and quarrying	Coal and lignite mining
<b>Private</b>			
Expansion project at Ardagh Glass Packaging Africa (AGP)	15 000	Manufacturing	Other non-metallic mineral products
Grootfontein solar projects	5 100	Electricity, gas, and water	Electricity, gas, and steam
BMW X3 hybrid-electric	4 200	Manufacturing	Transport equipment
ArcelorMittal South Africa (AMSA) renewable-energy project	4 000	Manufacturing	Basic metals
Volspruit North platinum group metals project	2 500	Mining and quarrying	Gold and uranium mining
Lephalale solar project	1 560	Electricity, gas and water	Electricity, gas and steam
Platinum Village Grade RR Classroom Block	875	Mining and quarrying	Other mining and quarrying
South African Breweries (SAB) Prospection brewery expansion	825	Manufacturing	Food, beverages and tobacco
HyShift renewable hydrogen project	277	Electricity, gas and water	Electricity, gas and steam
Motus renewables push	250	Mining and quarrying	Metal ore mining
Princess Mkabayi Mall	200	Finance, real estate, and financial and business services	Real estate
Wits Anglo American digital dome	75	Community, social and personal services	Education
Hume Dry store facility expansion	30	Agriculture, forestry, and fishing	Agriculture and related services

## INDUSTRY BREAKDOWN

- In the first half of 2023, **community, social and personal services** dominated, with projects worth R45.3 billion, 99.8% of which falls within the realm of the City of Cape Town's infrastructure portfolio. R36.4 billion will go towards major wastewater upgrades and refurbishments at Potsdam, Zandvliet, Athlone, Macassar and Bellville. R8.6 billion will be allocated 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 remaining R75 million is an undertaking between the University of the Witwatersrand and Anglo American, which entails the refurbishment, expansion, and digitalisation of the old Johannesburg Planetarium.
- The manufacturing industry announced R24 billion worth of planned projects. The most significant new project captured is AGP Africa's R1.5 billion expansion project. The second largest 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.

**Table 3: Announced projects by sector.**

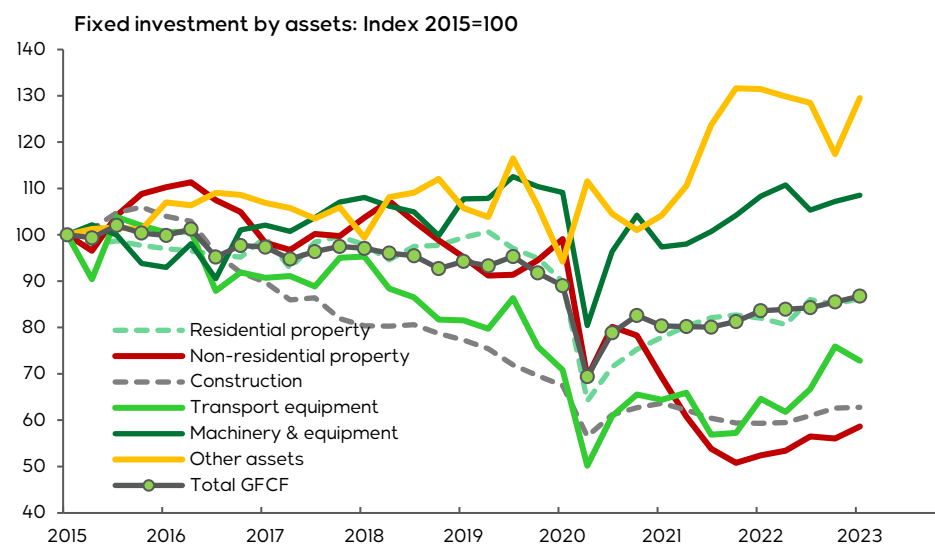
	2018	2019	2020	2021	2022	2023	2023 % of total
Agriculture, forestry, and fishing	0	0	7 000	0	0	30	0.0
Community, social and personal services	8 310	3 365	113	6 000	18 370	45 274	52.3
Construction	0	0	0	0	0	0	0.0
Electricity, gas, and water	39 800	4 850	0	53 260	122 400	9 337	10.8
Finance, real estate, financial and business services	8 000	9 729	13 200	656	13 460	200	0.2
Manufacturing	7 651	8 051	1 750	21 650	6 730	24 025	27.8
Mining and quarrying	4 300	11 058	4 187	13 140	20 800	3 675	4.2
Transport, storage, and communication	2 457	42 921	57 662	82 290	8 767	4 028	4.7
Wholesale, retail and motor trade, hotels, and accommodation	1 630	0	60	350	2 650	0	0.0
<b>Total</b>	<b>72 148</b>	<b>79 974</b>	<b>83 972</b>	<b>177 346</b>	<b>193 177</b>	<b>86 569</b>	<b>100</b>

- Electricity, gas, and water industries** announced projects to the tune of R9.3 billion, boosted by the Grootfontein solar project valued at R5.1 billion. The project - by Scatec - involves the construction of three solar power plants, with a total capacity of 273 megawatts. The City of Cape Town's planned investments into solar at Paardevlei and hydro-pumped energy generation at Steenbras account for R2.5 billion of the industry's total.
- The **transport, storage, and communications** industries announced new projects worth R4 billion, dominated by the Welisizwe Rural Bridges programme worth R3.8 billion.
- The **mining and quarrying** sector announced plans to invest R3.7 billion. The largest project is a proposal by Sylvania Platinum and Volspruit Mining to establish an open-cast Platinum Group Metals (PGM) mine. Smaller projects worth R1.2 billion range from Impala Platinum's early-childhood development facility to a CoalCO2-X project, which aims to use green hydrogen and pollutants from coal-power-station flue gas to create value-added products. The construction of the Princess Mkabayi Mall in Vryheid, worth R3 billion, was the only project announcement by the **finance, real estate, and business services** sector.
- Hume International announced plans to invest R30 million into agriculture, forestry and fishing to expand its dry-store facilities.

## IMPLICATIONS FOR FIXED INVESTMENT

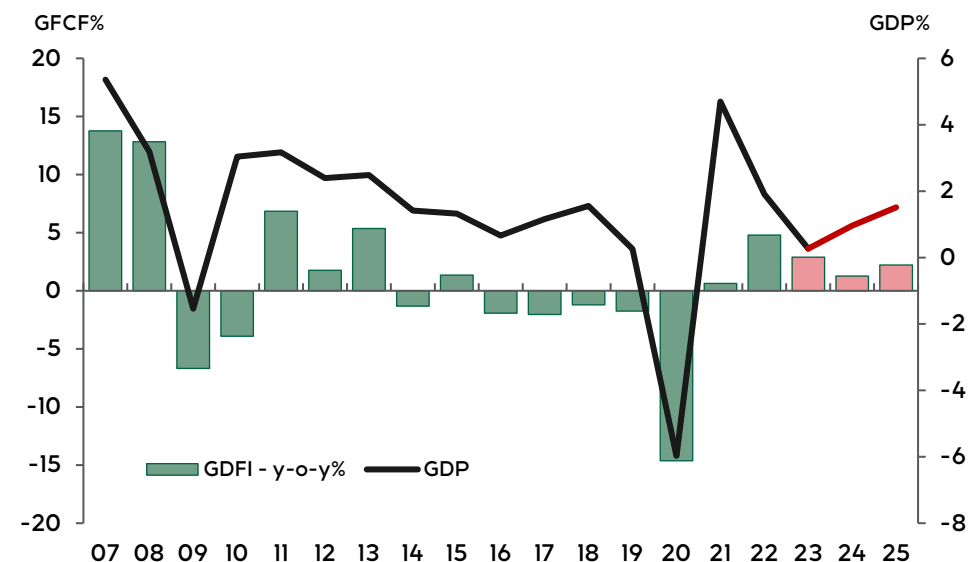
- Fixed investment activity continued its slow recovery off a low base in the first quarter of 2023, with gross fixed capital formation (GFCF) increasing by 1.4% qoq and 3.5% yoy. The quarterly rise was mainly driven by general government outlays (up 7%) and a slight increase in capital expenditure by public corporations (0.8%). These were probably lifted by the rebuilding of infrastructure damaged by last year's floods in KZN and investment on machinery and equipment by Eskom to improve the performance of its power stations. Growth in private sector outlays slowed to only 0.2% as business confidence dwindled. Capital outlays by asset types were mixed. The biggest boost came from rebounds in residential buildings, non-residential buildings, other assets including software, machinery and other equipment. Construction works remained positive for the fourth consecutive quarter, but the growth rate moderated significantly in the first quarter. In contrast, outlays on transport equipment contracted following a strong jump in the last quarter of 2022.
- Underlying investment activity remains subdued and well below pre-Covid 19 levels, predominately due to weak business sentiment. The RMB/BER Business Confidence Index has remained below the critical 50 level (which divides contraction and expansion) for the past two years. weighed down by many factors, including acute power outages, surging operating costs, deteriorating logistical infrastructure (such as rail, roads, and ports), weaker global and local growth prospects, tighter financial conditions, and slow implementation of much needed economic reforms. Consequently, the private sector has been hesitant to expand production capacity. Instead, capital expenditure over the past few years has been driven primarily by the energy crisis and resultant investment into renewable energy projects.
- 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. Furthermore, companies in some industries have sufficient capacity and therefore do not need to expand operations until demand improves substantially. Although GFCF will increase further in 2023, the growth rate will slow given the difficult operating conditions. GFCF growth is forecast to fall to 3% in 2023 from 4.7% in 2022, mainly reflecting the impact of projects announced in previous years and currently underway. Much of this year's activity will be renewable-energy generation and public sector infrastructure. **The sharp drop in new investment plans point to a deeper slowdown in 2024 and beyond.** The electricity shortage and its adverse impact on domestic economic activity will keep business confidence subdued for some time to come, thereby limiting investment in new projects. A sustained increase in fixed investment by the private sector will occur only when the energy crisis has been resolved and structural reforms are accelerated.

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)
2021	Feb-21	Lanseria Smart Mega City	Crosspoint, in cooperation with the Gauteng Department of Human Settlements	Dec-41	500000
	Nov-21	Eskom grid infrastructure investment plan	Eskom	Dec-32	178000
	May-21	Renewable Energy Independent Power Producer Procurement Programme (REIPPP) - Fifth round - 25 projects	Various companies	Dec-26	50000
	May-21	SA Connect Phase 2	Department of Communications and Digital Technologies	Dec-30	20000
	Mar-21	Gauteng Department of Roads and Transport infrastructure project book	Gauteng Department of Roads and Transport	Dec-30	17400
	Oct-21	Vantage Data Centers Johannesburg Campus	Vantage Data Centers - DigitalBridge Group and PSP Investments	Dec-25	15243
	May-21	One Stop Border Posts	Department of Home Affairs and Border Management Authority (BMA)	Dec-30	6000
	Mar-21	Gauteng Department of Roads and Transport infrastructure project book - Private developer contribution	Various	Dec-30	5600
	Sep-21	Zaaiplaats gold project	Harmony Gold	Dec-25	4500
	May-21	Strategic Integrated Projects - Student Housing Infrastructure Programme	Department of Higher Education and Training (DHET)	Dec-30	3400
	May-21	Saldanha Bay Industrial Development Zone Phase 1	Saldanha Bay Industrial Development Zone (SBIDZ)	Dec-30	3200
	Sep-21	Kareerand tailings facility	Harmony Gold	Dec-25	3200
	May-21	Crocodile Mokolo water augmentation project (CMWAP) - Phase 2	Department of Water Affairs and Trans-Caledon Tunnel Authority (TCTA)	Dec-30	3000
	Jun-21	Prasa Cape Town commuter train service	Passenger Rail Agency of SA (Prasa)	Dec-24	3000
	Oct-21	Sibanye-Stillwater platinum group metals (PGMs) operations solar photovoltaic (PV) projects	Sibanye-Stillwater	Jan-25	2500
	Apr-21	Bekezela Colliery greenfield project	Menar, subsidiary of Canyon Coal	Dec-23	1500
	Apr-21	Inxuba Yethemba local municipality road projects.	South African National Roads Agency Limited (Sanral) and Inxuba Yethemba local municipality	Dec-24	1200
	Apr-21	Transvaal Gold Mining Estate Ltd (TGME) underground project.	Theta Gold Mines	Jun-23	1009
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

## 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)
	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	Investec Property logistics hub	Investec	Dec-23	6000
	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	SA own & commercial-use generation facilities projects	Nersa	Jun-24	3650
	Jul-22	Earth & Wire independent renewable-energy company	Earth & wire	Jun-25	3500
	Jul-22	Soetwater Wind Farm	Enel Green Power, an IPP and subsidiary of the Italian multinational, ENEL	Dec-23	3500
	Aug-22	Shoprite: Environmental programme expansion	Shoprite	Dec-25	3500
	Jan-22	South32 aluminium plant	South32	Dec-23	3000
	Jun-22	Mogale Gold Tailings storage facilities (TSFs)	Pan African Resources	Apr-25	2500
	Jun-22	Vametco and Vanchem operations expansion	Bushveld minerals	Dec-28	2300
	May-22	Pick n Pay - Eastport distribution centre	Pick n Pay and partner Fortress Reit	Dec-23	2000
2023	Apr-23	City of Cape Town infrastructure portfolio for economic growth - water and sanitation	City of Cape Town (CoCT)	Dec-30	45000
	Jan-23	Expansion project at Ardagh Glass Packaging Africa (AGP)	Ardagh Glass Packaging Africa.	Jan-27	15000
	Jun-23	Grootfontein solar projects	Scatec	Dec-25	5100
	Jun-23	BMW X3 hybrid-electric	BMW SA	Dec-26	4200
	Apr-23	ArcelorMittal South Africa (AMSA) renewable-energy project	ArcelorMittal South Africa	Dec-25	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	Volspruit North platinum group metals project	Sylvania Platinum	Dec-27	2500
	Mar-23	Lephalale solar project	Exxaro	Feb-25	1560
	Apr-23	Steenbras Hydro Pumped Storage Scheme	City of Cape Town	Dec-29	1200
	May-23	Paardevelei ground-mounted solar photovoltaic (PV) and battery storage	City of Cape Town	Aug-26	1200



## 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.

## GROUP ECONOMIC UNIT

Johannes Matimba Khosa  
+27 10 234 8359  
johannesk@nedbank.co.za

Crystal Huntley  
+27 10 221 8468  
crystalhu@nedbank.co.za

Busisiwe Nkonki  
+27 10 223 2966  
busisiwenkon@nedbank.co.za

Nicky Weimar  
+27 10 234 8356  
nickywe@nedbank.co.za

135 Rivonia Road Campus  
135 Rivonia Road Sandton 2196 South Africa

