NATIONAL SAVINGS MONTH

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group

The global race for **savings**

Economies
at a glance July 2026

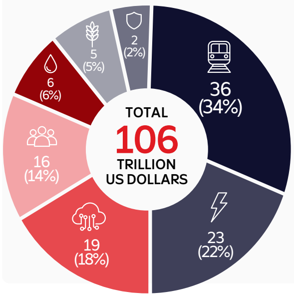
Addressing major global priorities, such as artificial intelligence leadership, the clean energy transition and defence capabilities, will demand trillions in capital.

Economies capable of successfully mobilising savings and pulling in investment will be best positioned to secure sustainable growth and attain higher living standards.

1 THE WORLD IS ENTERING A NEW CAPITAL ERA

Investment demands are rising rapidly as economies finance AI, the energy transition, defence and critical infrastructure.

TOTAL GLOBAL INFRASTRUCTURE INVESTMENT PROJECTED THROUGH TO 2040



	INVESTMENT NEEDS (US DOLLARS TRILLION)	SHARE OF TOTAL
Transportation	36	34%
Energy	23	22%
Digital	19	18%
Social	16	15%
Waste and water	6	6%
Agriculture	5	5%
Aerospace and defence	2	2%

Numbers do not sum because of rounding

Investment is only one claim on global capital. Beyond investment demands, governments must also finance fiscal deficits, ageing populations, healthcare and social security, further intensifying competition for the global pool of savings.

2 WHY FOREIGN SAVINGS MATTER

Foreign capital bridges the domestic funding gap to fund large-scale economic priorities.

WHAT ATTRACTS FOREIGN SAVINGS?

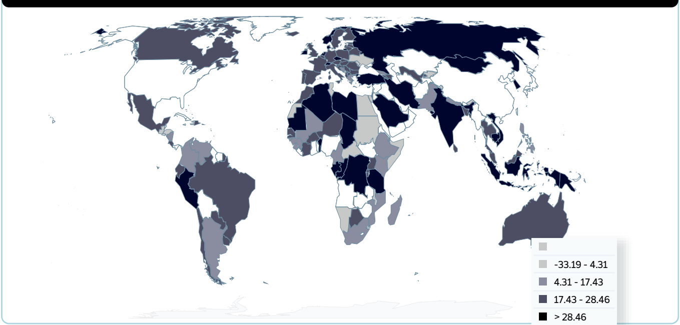
Strong growth prospects	Efficient infrastructure	Low and stable inflation	Predictable exchange rates	Fiscal responsibility
Rule of law and property rights	Ease of capital repatriation	Contract enforcement	Independent judiciary	Political and policy stability

Countries that offer credibility, stability and a predictable environment earn the confidence of global investors.

3 THE GLOBAL CAPITAL LANDSCAPE

Nations with deep domestic savings pools are less vulnerable to sudden capital flight, currency crashes or external debt crises.

GROSS DOMESTIC SAVINGS (% OF GDP)

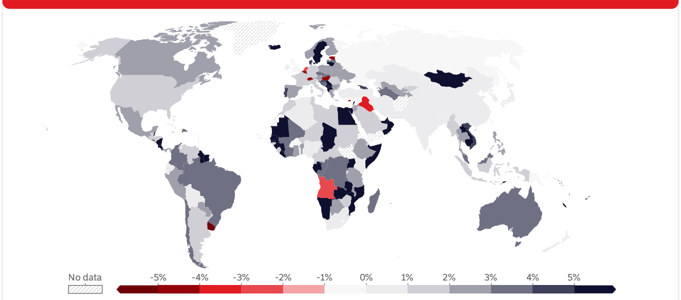


A high domestic savings pool generally pushes down domestic borrowing costs, making it cheaper for businesses and the state to raise capital.

4 WHERE FOREIGN CAPITAL FLOWS

High foreign direct investment (FDI)-to-GDP ratios signal strong investor confidence, competitive regulatory regimes and high-yielding local opportunities.

FDI (% OF GDP)

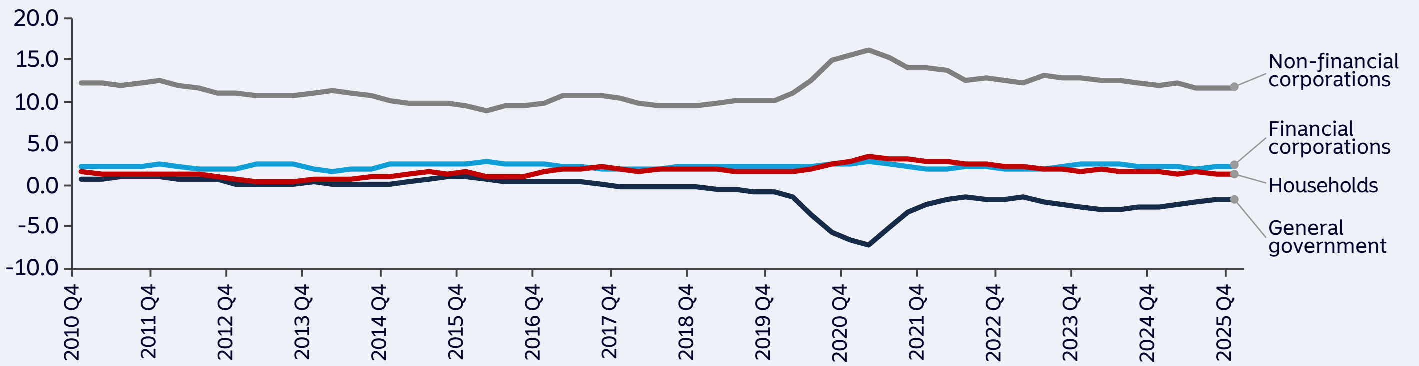


In general, higher FDI-to-GDP ratios reflect a vote of global confidence in a country's governance, policy predictability and long-term return on investment.

5 THE ANATOMY OF SOUTH AFRICA'S SAVINGS CONUNDRUM

Analysing sectoral contributions reveals that corporate resilience offsets persistent government deficits and structurally weak household savings.

Gross domestic savings (% of GDP)



South Africa's national savings rate lags far behind emerging market peers. While corporates act as the primary net savers via retained earnings, households battle structural living-cost pressures and government remains a net dissaver through persistent fiscal deficits, forcing the country to rely heavily on foreign capital inflows.

6 WHY SOUTH AFRICA ISN'T GROWING

Despite deep financial markets and strong institutional investors, South Africa's low household savings, persistent fiscal deficits, limited pipeline of bankable projects and weak investor confidence continue to constrain investment, leaving the country reliant on foreign capital to bridge the savings gap.

LOW NATIONAL SAVINGS

Gross national savings remain below the level needed for faster growth.

INVESTMENT CONSTRAINTS

Investment is too low to drive productivity and job creation.

INVESTABLE PROJECTS

A pipeline of bankable projects is limited, holding back private investment.

DEEP INSTITUTIONAL INVESTOR BASE

Institutional investors hold large assets (e.g. pension funds) with the capacity to finance growth.

CONFIDENCE IS KEY

Restoring confidence is essential to unlock investment and growth.

STILL RELIANT ON FOREIGN CAPITAL

Less reliant on foreign capital than historically, but South Africa must still improve its inward investability.

SOUTH AFRICA VS SELECT PEERS (% OF GDP)

	Gross national savings (% of GDP)		Fixed investment (% of GDP)		FDI (% of GDP)	
	10-year average	Latest	10-year average	Latest	10-year average	Latest
South Africa	14.4	12.9	15.0	13.9	1.9	-0.5
Upper Middle-Income Average	34.1	33.4	34.8	33.7	1.6	1.0
OECD Countries	22.7	22.3	22.8	22.5	1.6	1.1
World	26.4	26.1	26.5	26.3	1.9	1.3

BUILDING THE CAPITAL PIPELINE FOR GROWTH

National savings is a macroeconomic imperative for South Africa's growth trajectory and should extend beyond a micro-level discussion about household budgets. While boosting our low gross national savings rate remains vital, scarce capital is not the key problem. South Africa holds significant domestic capital pools, particularly within large institutional and retirement funds, yet these savings remain under-allocated to domestic growth because of a scarcity of bankable, low-risk infrastructure projects.

Bridging South Africa's structural investment shortfall requires building a transparent, well-governed project pipeline that turns existing domestic capital into productive infrastructure, while simultaneously implementing structural reforms, in energy, logistics, local municipalities and regulation, to attract long-term, greenfield investments in a competitive global environment.

Sources: McKinsey, World Bank, Our World in Data, South African Reserve Bank and Momentum Group momentum group

July 2026

UNITED STATES

The fragile ceasefire between the United States (US) and Iran collapsed in July as strikes resumed. Regional escalation swiftly spread to a second vital chokepoint, the Bab el-Mandeb Strait, where Iran-aligned Houthi forces declared a naval blockade of Saudi Arabia, targeting tankers and energy infrastructure along the Red Sea. The dual disruption temporarily propelled Brent crude oil prices past US$100 a barrel. American public support is meanwhile crumbling. A Reuters/Ipsos poll, conducted between 10 and 12 July, showed that 79% of respondents expect a protracted conflict, only 37% endorse the strikes, and half judge the war as not worth the costs incurred. US President Donald Trump's approval remains pinned near second-term lows. Economic data brought little cheer during the month. Though June inflation eased to 3.5%, lingering energy risks and fresh tariffs on 60 trading partners compound economic uncertainty.

Forecast 2026:
GDP: 2.2%
Core PCE Inflation: 3.2%
Forecast 2027:
GDP: 2.2%
Core PCE Inflation: 2.5%

EUROZONE

The European Central Bank (ECB) opted for a tactical pause in July, holding its deposit rate at 2.25% following June's 25-basis point hike, while pointedly leaving the door open to further tightening. The ECB reaffirmed its forecasts of 3.0% inflation in 2026 and 2.3% in 2027. ECB President Christine Lagarde delivered a stark warning that the full inflationary impact of the Middle Eastern energy shock has yet to bite, even as input costs continue to rise. Survey data offered a rare bright spot. The Eurozone composite purchasing managers' index (PMI) ticked up to 51.9 points in July, a five-month high, as both manufacturing and services edged back into growth territory. Yet physical and geopolitical headwinds continue to gather. Severe heatwaves and wildfires raging across France and Spain disrupted agriculture, tourism and critical infrastructure, underscoring the escalating fiscal burdens of climate adaptation, while fresh American tariffs threaten to choke off an already fragile export recovery.

Forecast 2026:
GDP: 0.4%
HICP Inflation: 2.8%
Forecast 2027:
GDP: 1.2%
HICP Inflation: 2.3%

UNITED KINGDOM

Britain turned another political page in July as Andy Burnham became its seventh prime minister in a decade, offering promises of stability, cost-of-living respite and a 10-year blueprint to rebuild the economy. His announcements included lower electricity levies, a reduced cap on bus fares, and a 20% property-based business rate cut aimed at rescuing pubs and clubs. A warm summer, the FIFA World Cup and the change at Number 10 buoyed consumer spirits, pushing the GfK confidence index to a post-January high of -17 points. Retail sales volumes surprised pleasantly with a 1.0% bounce in June, driven by spending on sports merchandise, summer apparel and air-conditioning units. However, this brief feel-good factor faces escalating Middle Eastern hostilities, which threaten to drive energy prices higher and further complicate the interest rate outlook. Meanwhile, energy bailouts and pledges for increased defence spending are muddying fiscal consolidation prospects.

Forecast 2026:
GDP: 1.0%
Inflation: 3.1%
Forecast 2027:
GDP: 1.2%
Inflation: 2.6%

JAPAN

Japan's retreat from an era of ultra-cheap money accelerated as the Bank of Japan raised its benchmark rate by 25 basis points to 1.0%, a three-decade high. The hike signals growing confidence in solid wage growth and persistent inflation, even as sluggish private consumption argues for a measured path ahead. Prime Minister Sanae Takaichi's cabinet unveiled a bold fiscal playbook, committing ¥370 trillion (US$2.3 trillion) in combined public and private investment through 2040. Targeted at artificial intelligence, semiconductors and space technology, the initiative aims to propel gross domestic product to ¥1,100 trillion, although its vast scale has unsettled bond markets and reignited fears over long-term fiscal discipline.
The transition to higher borrowing costs has carried inevitable casualties. The collapse of Osaka-based payment processor Zentoshin, offered a warning for small merchants who are bracing for contagion.

Forecast 2026:
GDP: 0.7%
Inflation: 2.0%
Forecast 2027:
GDP: 1.0%
Inflation: 2.3%

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CHINA

China's growth lost momentum in the second quarter, expanding by a lower-than-expected 4.3% year on year. The slowdown, which was the sharpest in over three years, has exposed a macroeconomic divergence between a lagging domestic consumer and an aggressive export machine. Retail sales limped to a 1.0% expansion in June, while exports surged 27%, propelled by sustained global demand for semiconductors, artificial-intelligence components and electric vehicles. Asset markets have reflected the gloom. A brutal two-week equity rout wiped out roughly 10 trillion yuan (US$1.4 trillion) in market value, prompting state-backed "national team" funds to deploy 60 billion yuan in intervention purchases as regulators scrambled to reassure nervous institutions. Meanwhile, factory-gate inflation surged to a four-year high of 4.1% in June, driven by elevated raw-material costs. However, consumer prices rose by just 1.0%, revealing that the corporate sector is being forced to absorb rising input costs.

Forecast 2026:
GDP: **4.5%**
Inflation: **1.0%**
Forecast 2027:
GDP: **4.5%**
Inflation: **0.9%**

EMERGING MARKETS

Emerging markets faced a more hostile trade and investment backdrop after the US imposed fresh duties of 10% to 12.5% across 60 trade partners, with some Brazilian exports hit by cumulative, punitive levies as high as 37.5%. In Latin America's largest economy, the economic blow quickly turned political ahead of October's presidential election. President Luiz Inácio Lula da Silva decried the measures as overt political interference, while his conservative rival, Flávio Bolsonaro, scrambled to distance himself from his allies in Washington. Voters appeared unmoved, with polling continuing to place Lula ahead in a second-round runoff. Meanwhile in Indonesia, MSCI deferred a decision on whether to downgrade the country to frontier-market status to November, pointing to opaque ownership structures, poor free-float visibility and suspected market manipulation. Compounding foreign jitters, the unexpected resignation of Bank Indonesia's governor, Perry Warjiyo, sparked fresh doubts over central bank independence, following renewed concerns over executive pressure on monetary policy.

Forecast 2026:
GDP: **3.7%**
Inflation: **3.5%**
Forecast 2027:
GDP: **4.3%**
Inflation: **3.3%**

SOUTH AFRICA

The South African Reserve Bank (SARB) unexpectedly held its repo rate at 7.0%, judging monetary policy to be sufficiently restrictive even as the war continues to lift international oil prices. A split 4–2 vote laid bare the central bank's dilemma, as prolonged Middle Eastern energy disruptions threaten to push up inflation expectations further. The SARB raised its 2026 growth forecast to 1.4% following a larger-than-expected first-quarter growth outcome. However, we see downside risks to this figure, with external demand coming under pressure. Trade pressures intensified once again after the US imposed 12.5% tariffs on select SA exports over alleged forced labour enforcement lapses, an assertion SA has disputed. Crucially, key line items including motor vehicles, platinum group metals, critical minerals, citrus and pharmaceuticals remain exempt. While these exclusions soften the immediate blow to headline export volumes, the remaining duties still raise input costs for manufacturers and smaller agricultural producers, with lingering trade uncertainty threatening to delay capital investment and hiring. Although institutional accountability is gradually tightening, SA's economic recovery remains tightly bound by municipal decay, in addition to trade friction and imported price shocks. National Treasury temporarily withheld transfers from Johannesburg and 68 other municipalities to enforce compliance with financial rules. Although the short intervention was not expected to disrupt services, it exposed weak cash buffers and persistent governance failures, while conditional releases aimed to ensure that creditors were paid.

Forecast 2026:
GDP: **1.2%**
Inflation: **4.2%**
Forecast 2027:
GDP: **1.5%**
Inflation: **3.5%**

Group Economic Insights

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