

South Africa's investment recovery is not yet an investment boom

Five H1 2026 signals point to improving investment enablers, but realised private capital formation remains weak.

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LINKAGE VIEW South Africa entered H2 2026 with some better preconditions for investment - firmer corporate credit, improving non-residential building intentions and less acute electricity constraints - but the hard outcome measure still lagged. Private business fixed investment fell 5.0% q/q in Q1 and 0.2% in Q2. The recovery is therefore better described as an improvement in investment conditions than a broad-based capital-spending cycle.

South Africa investment pulse: H1 2026

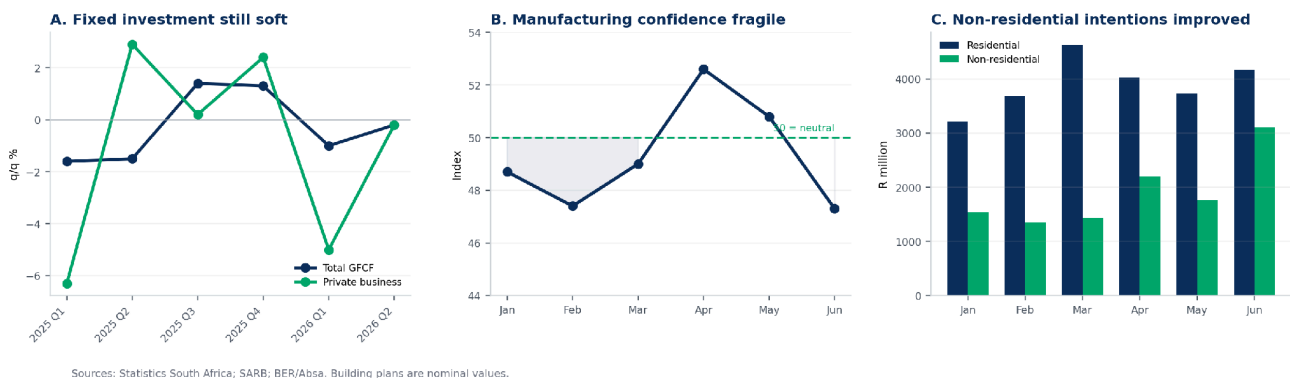


Figure 1. The investment signal is improving at the margin, but not yet broad-based.

Five signals, one investment story

Indicator	Latest H1 signal	Direction	Linkage interpretation
Real GFCF	Total: -1.0% q/q Q1; -0.2% Q2. Private business: -5.0% Q1; -0.2% Q2.	Weak	Realised capital spending is still the binding weakness.
Building plans	Non-residential approvals rose from R1.54bn in Jan to R3.11bn in Jun.	Improving	A forward-looking sign of stronger commercial investment intent.
Corporate credit	Corporate loans/advances growth peaked at 13.2% y/y in Feb.	Supportive	Finance is available, but credit composition matters: borrowing is not automatically capex.
Absa PMI	H1 average 49.3; only Apr-May above 50.	Fragile	Manufacturing demand and confidence have not sustained an expansionary signal.
Electricity	Seasonally adjusted distribution rose 0.8% q/q in Q2; Jun remained 2.8% lower y/y.	Easing constraint	Power conditions are less binding than before, but not yet a positive growth engine.

The disconnect: better enablers, weak realised investment

The most useful way to read H1 2026 is as a sequencing story. Electricity reliability and financing conditions are inputs into investment; building plans and the PMI provide forward-looking signals; gross fixed capital formation (GFCF) records the capital spending that actually occurred. On that hierarchy, the evidence is not yet strong enough to call an investment up-cycle. Total

real GFCF contracted in both Q1 and Q2, while private business investment recorded a particularly sharp 5.0% decline in Q1 before stabilising at -0.2% in Q2. The South African Reserve Bank nevertheless notes that the level of real fixed investment in H1 was 0.8% above the same period of 2025, suggesting that the picture is weak rather than uniformly deteriorating.

The leading indicators are more constructive. Non-residential building plans increased materially into June, reaching R3.11 billion compared with R1.54 billion in January. Corporate loans and advances grew 13.2% year on year in February before moderating, and the SARB reports that lending to non-financial companies remained relatively firm, supported by investment-related borrowing and working-capital needs. This matters because it suggests that financing itself is not the only constraint. The translation from credit to productive assets remains incomplete.

Confidence is the missing transmission mechanism. The Absa manufacturing PMI averaged 49.3 in H1 2026. April and May briefly moved above the neutral 50 level, but June fell back to 47.3. Firms facing uneven demand and uncertain operating conditions can borrow without committing to large, irreversible capex projects. In that sense, the PMI helps explain why stronger credit and building intentions have not yet produced a broad GFCF acceleration.

Electricity has shifted from acute shock to residual constraint. Stats SA reported a 0.8% quarter-on-quarter increase in seasonally adjusted electricity distribution in Q2 2026, although June distribution remained 2.8% below a year earlier. The direction is encouraging, but a durable investment cycle requires not merely fewer power disruptions, but confidence that energy availability and cost will remain predictable over the life of new capital projects.

What would change the call?

- **Private GFCF turns positive for more than one quarter:** the clearest confirmation that intentions are becoming actual capex.
- **PMI holds above 50:** evidence that manufacturing demand and production expectations are becoming durable rather than episodic.
- **Non-financial corporate credit leads credit growth:** a stronger signal that borrowing is funding production, machinery and expansion rather than mainly financial-sector balance sheets.
- **Non-residential approvals convert into construction:** confirmation that the June rise in plans is more than a pipeline effect.
- **Electricity supply improves year on year:** a shift from “less binding constraint” to a genuine productivity tailwind.

Bottom line

South Africa's investment story in H1 2026 is one of improving conditions without sufficient conversion. Credit, commercial building intentions and electricity conditions are no longer pointing in the same adverse direction, but business confidence and realised private investment remain too soft to support a strong long-run growth claim. For investors and policymakers, the next phase is about transmission: whether better financing and operating conditions become sustained private-sector capital formation.

Sources and notes

Statistics South Africa, P0441: Gross domestic product, quarter ended June 2026 (8 September 2026).

South African Reserve Bank, Quarterly Bulletin, September 2026, No. 321.

Bureau for Economic Research / Absa Manufacturing PMI dataset, January-June 2026.

Statistics South Africa, P5041.1 building statistics, January-June 2026 (building-plan values supplied in the underlying dataset).

Statistics South Africa, P4141: Electricity generated and available for distribution, June/July 2026 releases.

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