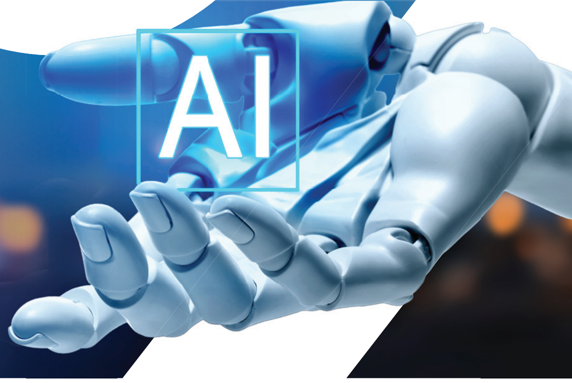
Economies
at a glance - June 2026

momentum
investments



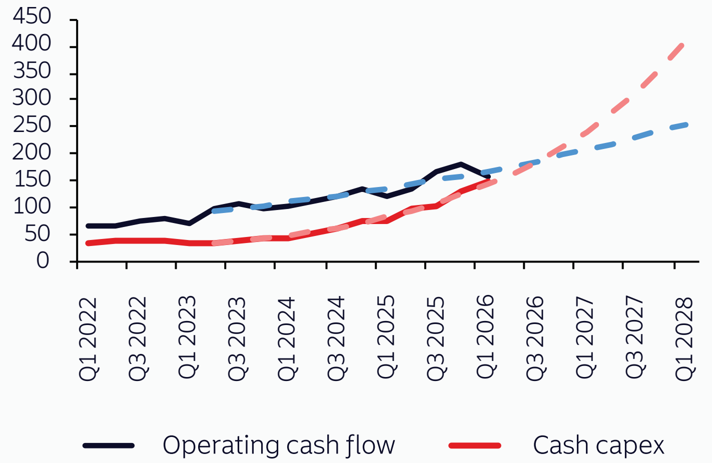
The AI investment surge has yet to find its economic equivalent

While investment in artificial intelligence infrastructure is accelerating across capital markets and corporate balance sheets, the corresponding gains in productivity, profitability and economic growth are lagging behind the scale of investment.

The AI boom is consuming capital faster than it is generating cash

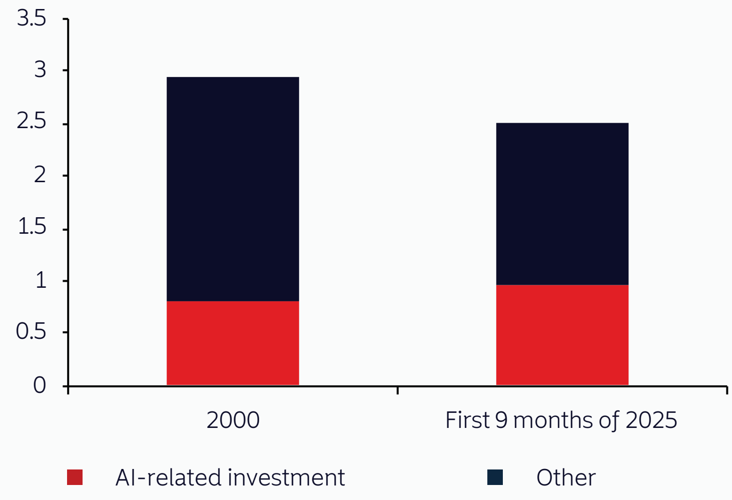
The world's largest technology firms are pouring hundreds of billions of dollars into chips, data centres and energy infrastructure, betting that future productivity gains and revenues will eventually justify today's unprecedented spending.

Hyperscaler capex and cash flows (US$ billions)

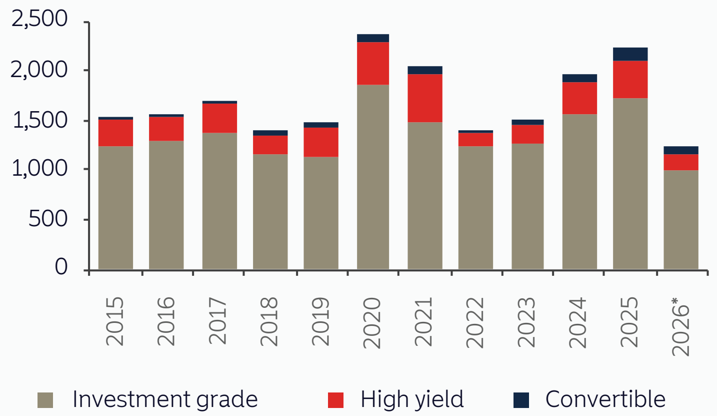


*Hyperscalers used in the chart = Microsoft, Amazon, Alphabet, Meta and Oracle

Contribution of AI-related investment categories to real GDP (%) has outstripped the dot-com

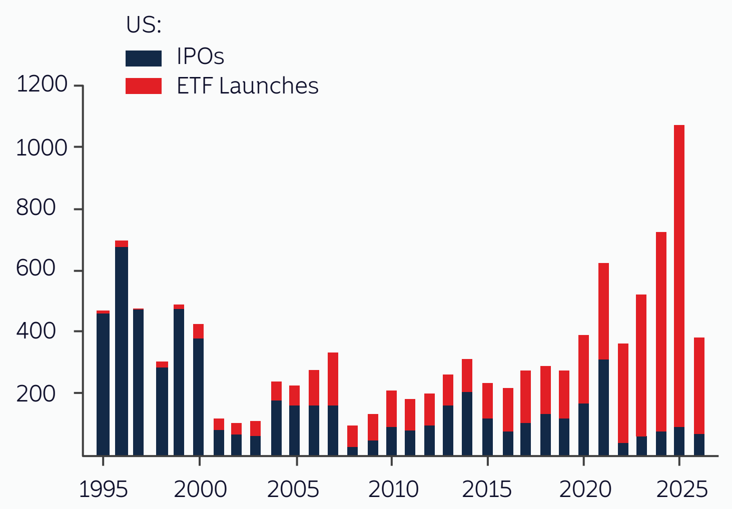


Goldman Sachs notes that 30% of US corporate bond issuance (US$ billion) in 2025 was



*Year-to-date

Systemic dependence increasing on a small number of AI-related stocks

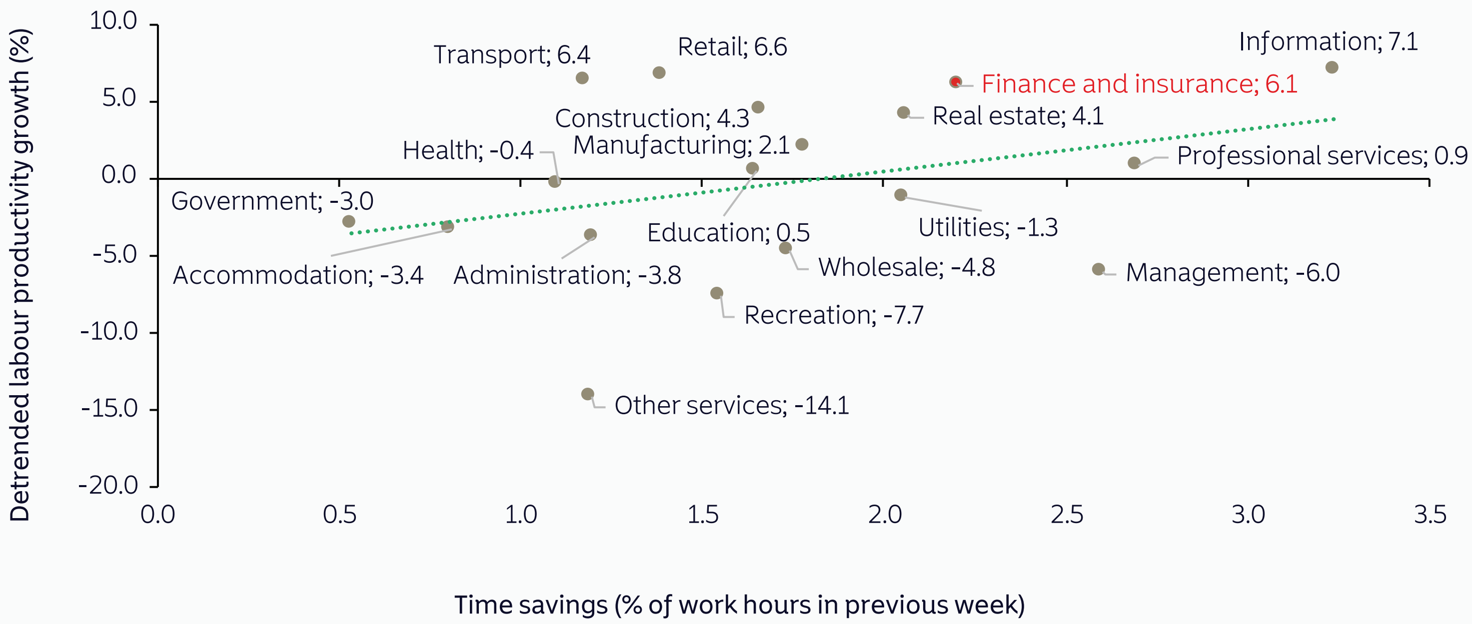


Note: Data for 2026 is year-to-date

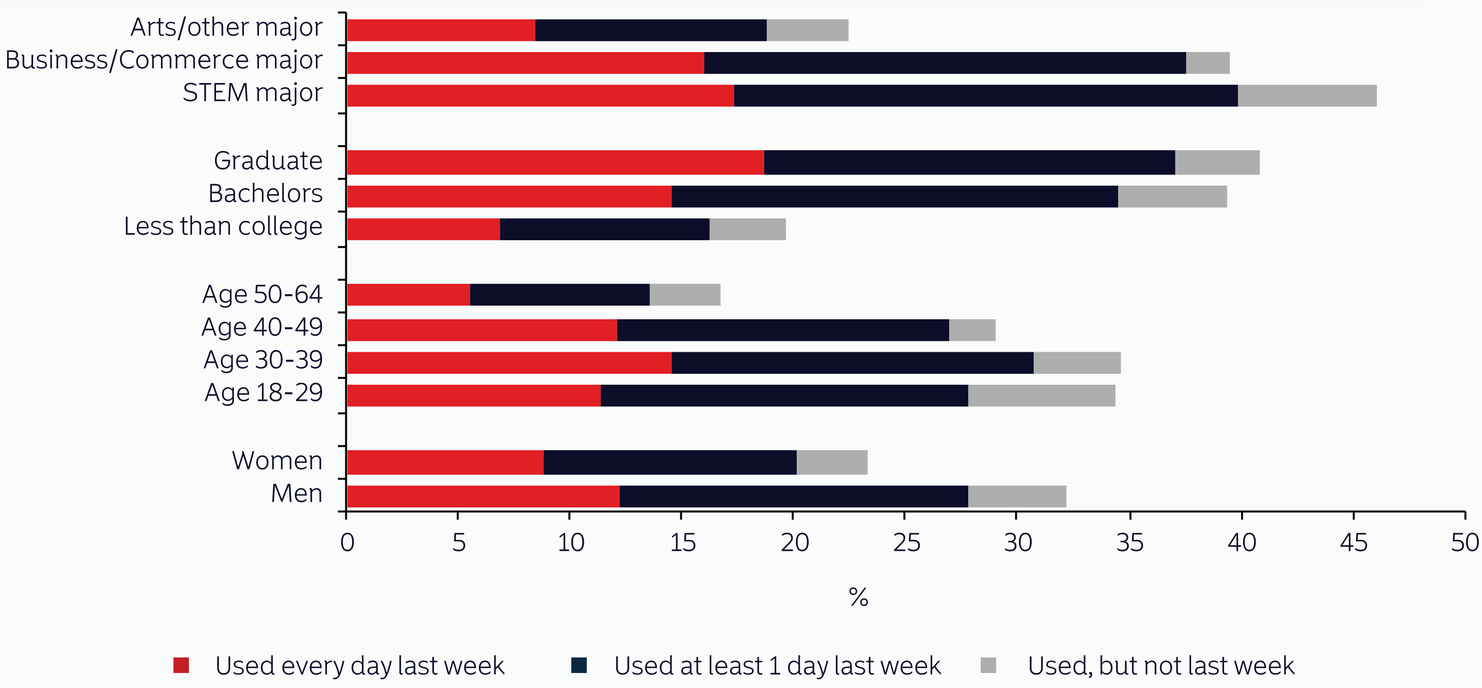
AI is everywhere in the workplace, but productivity is not yet fully visible

The adoption of generative AI is rising rapidly across US workers, but early estimates point to only modest aggregate productivity gains so far.

Industries which adopt AI at higher rates also experienced more rapid productivity growth



Adoption rates of generative AI amongst Americans



Can South Africa power AI?

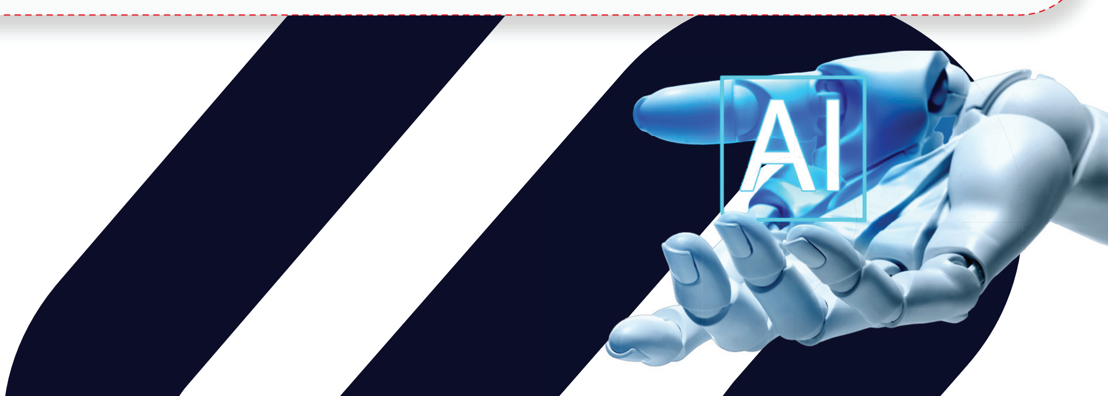
South Africa has the digital foundations to participate in the AI economy, but turning infrastructure into innovation will require more reliable power, deeper skills and greater investment in research.

South Africa is well-positioned to adopt AI, but less so to develop frontier AI technologies. This is due to lower research and development spending, persistent infrastructure bottlenecks and limited AI research scale (innovation ecosystem and talent pool).

AI readiness scores (higher = better, score out of 100)

	South Africa	Sub-Saharan Africa	Kenya	Upper-middle income	India	Brazil
Policy vision	70	26	60	40	90	70
Policy commitment	25	22	75	37	100	100
Compute capacity	30	3	9	8	49	39
Enabling technical infrastructure	75	43	53	60	65	80
Data quality	75	47	56	65	76	78
Governance	75	43	61	50	63	75
Regulatory compliance	78	40	80	46	66	81
Government digital policy	41	22	55	36	71	92
E-Government delivery	89	40	69	59	87	98
Human capital	41	28	47	35	59	47
AI sector maturity	21	8	17	14	47	37
AI technology diffusion	55	26	48	37	61	59
Societal transition	39	33	41	44	36	52
Safety and security	43	30	100	36	83	83
Total	**54**	**29**	**53**	**40**	**67**	**70**

(Not ready) 100 (Ready)



Building the foundations for scaling AI in South Africa

Constraint	Why it matters	How it is being addressed
ELECTRICITY	AI data centres require reliable, uninterrupted power and are among the most electricity-intensive forms of infrastructure	• Rapid growth in private-sector renewables • Energy wheeling arrangements • Grid expansion plans • Load shedding largely absent through improved fleet reliability
WATER	Data centres require substantial cooling capacity to maintain performance and prevent hardware failure	• Water-efficient cooling systems are becoming standard in new data-centre developments • Operators are increasing the use of water recycling and reuse technologies • Facility design is increasingly incorporating water-scarcity and climate-risk considerations • Sustainability targets are driving greater focus on reducing water consumption
SKILLS	AI requires highly skilled engineers, data scientists, and specialised software developers	• University enrolments are shifting toward computer science, data science and AI-related fields • Cloud and AI certification programmes are expanding through global tech partnerships • Private coding academies and bootcamps are scaling to meet skills shortages • Corporates are accelerating internal reskilling in response to AI adoption • South African talent is increasingly integrated into global digital and AI labour markets
RESEARCH AND DEVELOPMENT	AI requires robust research and development ecosystems to sustain long-term innovation and localisation	• Startup ecosystem actively developing and maturing • Corporate innovation programmes scaling up investment • Growing AI adoption in financial services driving commercial research and development • Government digitalisation initiatives expanding support frameworks

Sources: St Louis Fed, Epoch AI, SIFMA, Oxford Insights (Government AI Readiness Index 2025)

June 2026

UNITED STATES

The United States (US) enters the second half of the year with geopolitical risks easing, but inflation concerns lingering. The ceasefire framework with Iran unwound much of the war-related risk premium in oil prices, reducing the immediate threat of a renewed energy shock. Even so, inflation remains above the Federal Reserve's (Fed) comfort zone. Headline inflation accelerated to 4.2% year-on-year (y/y) in May, while core inflation held at 2.9% y/y, reinforcing the view that price pressures remain persistent even as energy markets stabilise. Against this backdrop, Governor Kevin Warsh's first Fed meeting struck a cautious tone. The Federal Open Market Committee left the federal funds target range unchanged at 3.50% to 3.75%, while offering less explicit forward guidance than usual. Instead, the emphasis shifted towards a data-dependent approach, signalling a willingness to keep policy restrictive, despite easing geopolitical tensions, until there is greater confidence that inflation is returning sustainably to target.

Forecast 2026:
GDP: **2.2%**
Core PCE Inflation: **3.2%**
Forecast 2027:
GDP: **2.1%**
Core PCE Inflation: **2.5%**

EUROZONE

This month's European Central Bank (ECB) meeting underscored the Eurozone's increasingly difficult balancing act. Policymakers unanimously raised interest rates by a further 25 basis points to 2.25%, even as economic activity remained subdued. While the ceasefire between Israel, the US and Iran has eased immediate energy price pressures, headline inflation accelerated to 3.2% y/y in May, while core inflation remained at 2.6% y/y. At the same time, the economy contracted by 0.2% quarter-on-quarter in the first quarter of 2026, highlighting the fragility of the recovery. Manufacturing has shown tentative signs of stabilisation, but weak domestic demand continues to weigh on the services sector, particularly in Germany and France. With growth subdued and inflation still elevated, the ECB has adopted a more cautious, data-dependent stance, signalling that future policy decisions will depend on whether easing energy prices translate into broader disinflation.

Forecast 2026:
GDP: **0.4%**
HICP Inflation: **2.8%**
Forecast 2027:
GDP: **1.2%**
HICP Inflation: **2.2%**

UNITED KINGDOM

Britain is preparing for its seventh prime minister in a decade after Keir Starmer announced his resignation, with Andy Burnham expected to assume office as early as next month. The leadership change reflects a broader challenge that has persisted since the Brexit referendum. Weak productivity, subdued business investment and strained public services have left successive governments unable to lift living standards or restore confidence in the economy. Burnham inherits a difficult political landscape. Immigration remains the defining electoral fault line, with Reform UK capitalising on public frustration over border control and asylum policy. At the same time, Labour risks losing younger, progressive voters to the Green Party over climate policy, housing and public spending. With weak economic growth, elevated public debt and mounting defence commitments limiting fiscal space, the next government will have little room to manoeuvre. A change in leadership may reset the political narrative, but it does little to alter Britain's underlying economic constraints.

Forecast 2026:
GDP: **1.0%**
Inflation: **3.3%**
Forecast 2027:
GDP: **1.2%**
Inflation: **2.6%**

JAPAN

Japan is moving further away from its era of ultra-loose monetary policy. In June, the Bank of Japan (BoJ) raised its policy rate by 25 basis points to 1.0%, the highest level since the mid-1990s, as underlying inflation became more entrenched· Headline inflation stood at 1.5% y/y in May 2026, while core inflation was 1.4% and the measure excluding fresh food and fuel (also known as the core-core measure) eased to 1.8% y/y from 1.9% a month earlier. The monetary policy shift has been politically delicate. Prime Minister Sanae Takaichi's government has urged the BoJ to remain supportive of growth, even as policymakers signal that interest rates may need to move closer to neutral. This creates a new tension in Japan's policy mix. After decades of trying to escape deflation, the challenge is no longer whether inflation can be generated, but whether it can be managed without derailing a still-fragile economic recovery.

Forecast 2026:
GDP: **0.7%**
Inflation: **2.0%**
Forecast 2027:
GDP: **0.9%**
Inflation: **2.1%**

CHINA

While Beijing continued implementing its trade understanding with Washington in June, it also imposed fresh restrictions on several US companies, underscoring that strategic competition remains firmly in place despite renewed dialogue. At the same time, China strengthened its trade engagement with Europe as it sought to diversify export markets amid an increasingly fragmented global trading environment. The People's Bank of China left its one-year loan prime rate unchanged at 3.0% and the five-year rate at 3.5%, suggesting policymakers see little urgency for broader monetary easing. Officials increasingly view weak household spending and the property downturn as structural rather than cyclical challenges, while manufacturing and high-tech exports continue to underpin growth. Rather than deploying broad-based stimulus, Beijing continues to prioritise targeted fiscal support and industrial policies aimed at strengthening strategic sectors, including advanced manufacturing, artificial intelligence and green technologies.

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

EMERGING MARKETS

Emerging markets regained momentum during June as easing geopolitical tensions supported investor sentiment and reduced pressure on energy-importing economies. The reopening of the Strait of Hormuz helped stabilise international oil prices, encouraging capital to return to local bond and currency markets after months of heightened volatility. India was among the beneficiaries after announcing measures to attract foreign capital, including tax exemptions on foreign holdings of government bonds and broader market access for overseas investors. Despite improving financial conditions, the outlook remains uneven. Many commodity-importing economies continue to contend with elevated debt levels, weak fiscal buffers and lingering cost-of-living pressures, limiting governments' ability to respond to future shocks. According to political risk consultancy *Verisk Maplecroft*, countries including India, Mexico, Brazil, Argentina, Colombia and Turkey remain among the emerging markets most exposed to social unrest as governments balance fiscal consolidation against rising public expectations.

Forecast 2026:
GDP: **4.1%**
Inflation: **4.5%**
Forecast 2027:
GDP: **4.2%**
Inflation: **3.7%**

SOUTH AFRICA

Immigration dominated South Africa's (SA) policy agenda during June as government intensified efforts to curb illegal immigration ahead of the planned 30 June protests and the November 2026 local government elections. President Cyril Ramaphosa announced a five-point migration strategy centred on stronger border enforcement, faster deportations, improved inter-agency coordination, stricter employer compliance and modernising immigration systems through digital identity verification. The strategy also reaffirmed government's commitment to attracting critical skills through initiatives such as the Trusted Employer Scheme, while strengthening the operational capacity of the Border Management Authority. Implementation accelerated throughout the month. According to *IOL*, at the time of writing, Home Affairs had repatriated and deported 9 488 undocumented foreign nationals from the Durban Drive-In site, while an estimated 7 000 individuals remained there awaiting verification and processing. The report also noted that a further 657 people had been repatriated from a temporary site in Pietermaritzburg as operations continued across affected provinces. Elsewhere in the economy, price pressures continued to build. Headline inflation rose to 4.5% y/y in May, from 4.0% in April, marking the highest rate since July 2024. Statistics SA attributed the increase largely to higher fuel prices, which fed through to transport costs and broader goods inflation. While July fuel price cuts (estimated at R1.53/l for Gauteng 95 petrol and R2.72/l for diesel) are expected to provide some relief, the May inflation print showed that SA remains vulnerable to external energy shocks.

Forecast 2026:
GDP: **1.2%**
Inflation: **4.1%**
Forecast 2027:
GDP: **1.5%**
Inflation: **3.5%**

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Indices summary for June 2026

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	-3.68%	-2.36%	18.42%	17.39%	17.94%	15.16%	16.75%	13.65%	11.58%
FTSE/JSE Shareholder Weighted Index (Swix)	-3.68%	-2.36%	19.38%	17.54%	17.68%	15.41%	17.52%	13.89%	11.54%
FTSE/JSE Capped Swix All Share index	-4.54%	-3.25%	18.59%	16.87%	18.17%	15.33%	16.57%	13.96%	11.96%
FTSE/JSE All Share Top 40 Index	-2.12%	-4.76%	11.96%	16.44%	14.15%	12.03%	15.34%	9.93%	7.47%
FTSE/JSE Mid Cap Index	2.27%	6.22%	23.84%	23.32%	20.07%	19.95%	26.52%	17.87%	11.24%
FTSE/JSE Small Cap Index	-15.93%	-18.68%	42.27%	21.36%	16.48%	15.30%	17.56%	16.81%	17.94%
FTSE/JSE Resources Index	2.78%	8.28%	28.46%	24.36%	21.57%	20.13%	21.99%	11.62%	9.97%
FTSE/JSE Financials Index	2.24%	4.79%	-1.64%	10.08%	15.66%	10.88%	12.26%	11.05%	8.18%
FTSE/JSE Industrials Index	-5.91%	-4.47%	27.33%	17.83%	17.96%	17.77%	20.10%	14.41%	13.13%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	-5.29%	-3.98%	24.96%	18.04%	17.57%	17.10%	19.73%	14.01%	12.74%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.74%	10.03%	29.72%	26.62%	22.24%	17.48%	18.73%	7.70%	4.61%
FTSE/JSE SA Listed Property Index (Sapy)	3.78%	10.47%	28.75%	26.87%	22.13%	17.32%	18.66%	7.58%	3.74%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	1.50%	7.87%	21.48%	17.81%	15.34%	12.38%	12.59%	11.14%	10.76%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.61%	2.10%	7.77%	9.57%	9.02%	8.05%	7.53%	7.96%	8.28%
FTSE/JSE Inflation-linked Index (Ili)	1.40%	6.60%	19.85%	11.92%	9.10%	9.43%	10.31%	8.26%	6.27%
Short-term Fixed Interest Composite Index (Stefi)	0.55%	1.67%	7.07%	7.89%	7.61%	6.91%	6.42%	6.49%	6.77%
Commodities									
NewGold Exchange-Traded Fund	-10.06%	-15.69%	13.21%	22.05%	21.98%	21.03%	13.22%	18.41%	12.74%
Gold price (in rands)	-10.25%	-14.86%	13.35%	22.12%	22.22%	21.29%	13.69%	18.72%	12.98%
Platinum Exchange-Traded Fund	-17.12%	-22.05%	8.10%	14.25%	14.60%	10.77%	9.80%	11.50%	5.30%
Platinum price (in rands)	-16.60%	-20.89%	7.58%	15.27%	14.02%	10.51%	10.19%	11.54%	5.31%
Currency movements									
Rand/euro movements	-0.86%	-4.96%	-10.20%	-3.13%	2.25%	2.05%	-0.67%	2.22%	1.42%
Rand/dollar movements	1.22%	-4.21%	-7.78%	-4.63%	0.00%	2.80%	-0.96%	2.16%	1.14%
Inflation index									
Consumer Price Index (CPI)			4.51%	4.17%	4.70%	5.06%	5.08%	4.64%	4.68%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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