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On financing a South African growth recovery

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Please refer to the glossary on the BER's website for explanations of technical terms.

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Executive summary

This note explores the investment and financing requirements of more rapid growth in the South African economy. Drawing on elementary capital-output assumptions and an analysis of the institutional financial flow accounts, indicative projections are made for an investment-led growth recovery over the 2026-2031 period.

Key findings include:

- South Africa's fixed capital stock is about two times the output of the economy. At present rates of investment, net fixed capital formation is near-zero as investment barely exceeds the annual consumption of fixed capital.
- Investment peaked as a percentage of GDP in 2008. Over the past decade, it has declined in real terms across most sectors and kinds of assets. The decline in fixed capital formation has been particularly severe in physical infrastructure: buildings and construction works.
- For economic growth of about 3% a year to be realised by 2030 and beyond, we estimate that investment must first recover to its 2018 level (8% GFCF growth a year between 2026 and 2028) and then must increase by 10% a year between 2028 and 2031, raising gross fixed capital formation from 13.9% of GDP in 2025 to 19% in 2031.
- Though stronger economic growth will lead to higher domestic saving, it has in the past lagged investment (as a percentage of GDP). Net foreign financing will therefore need to rise; we project from 0.5% of GDP at present to around 3% of GDP.
- If higher public infrastructure investment is to be financed alongside stabilisation of the public debt-GDP ratio, a reduction in general government dissaving is required. In our projections, an investment-led growth recovery is financed in part by a decline in general government dissaving from 2% to 0.5% of GDP, while the net public sector borrowing requirement ranges from 4.3% to 5.4% of GDP depending on sectoral investment assumptions.
- Against the background of inadequate infrastructure investment and maintenance over many years, an acceleration of investment in public infrastructure is a critical pre-condition for more rapid business investment in income-generating sectors.

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The investment imperative

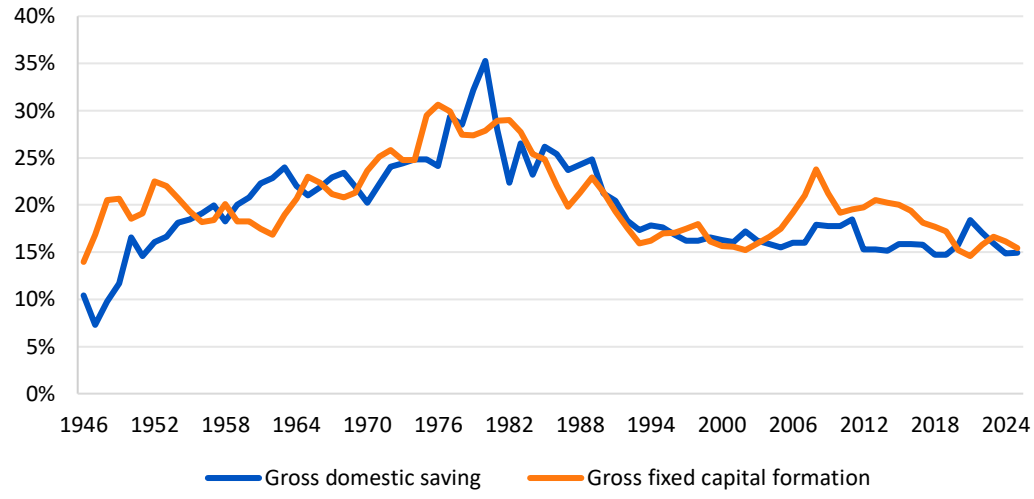
South Africa's slow economic growth over the past decade is, in part, an outcome of investment failing to regain its 2002-2008 momentum after the 2009 recession. But it also reflects a much longer period of insufficient investment in productive capital, and inadequate maintenance of infrastructure as far back as the 1980s.

Figure 1 illustrates gross domestic investment and saving as percentages of gross value added[1] since 1946. Several features of the long-run trends stand out.

- Only in the late 1970s and early 1980s, during the gold price boom, have investment and saving exceeded 25% of gross value added.
- Saving and investment follow broadly similar paths, though there have been two extended periods of investment exceeding domestic saving: financial inflows from abroad account for a substantial share of capital formation in the early post-war years, and again in the 2004-2019 period.
- Although there was strong investment growth in the mid-2000s, this followed many years of investment and saving well below 20% of gross value added.
- While domestic saving increased moderately during the 2020-21 slowdown, before its subsequent downward trend, investment has remained subdued for the past 20 years.

Figure 1: Investment and saving, 1946-2025

% of Gross Value Added (at basic prices)



Source: SARB Quarterly Bulletin, national accounts data series.

Both domestic saving and investment are now around 15% of gross value added (at basic prices), and less than 14% of gross domestic product (GDP).

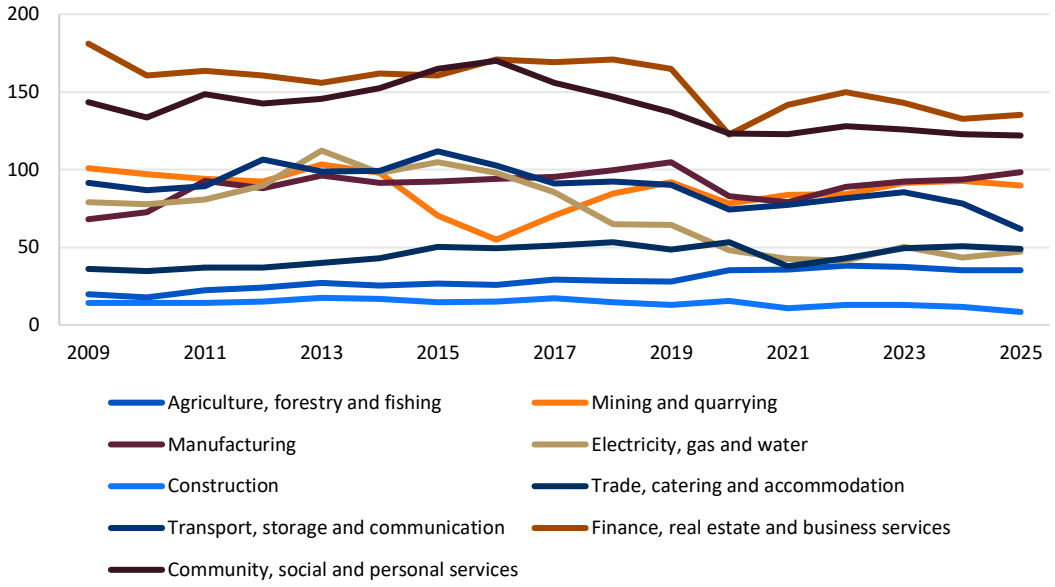
Gross fixed capital formation (GFCF) in 2025 was R1 060 billion, 13.9% of GDP. This was 12% *lower* in real terms than the 2009 level. As a percentage of gross value added, investment has fallen from 22% then to 15% last year. In 80 years of national accounts

[1] Gross value added at basic prices (ie before taxes and subsidies on products).

statistics, capital investment has only twice, in 1946 and then in the early 2000s, been as low as it is now, relative to gross value added.

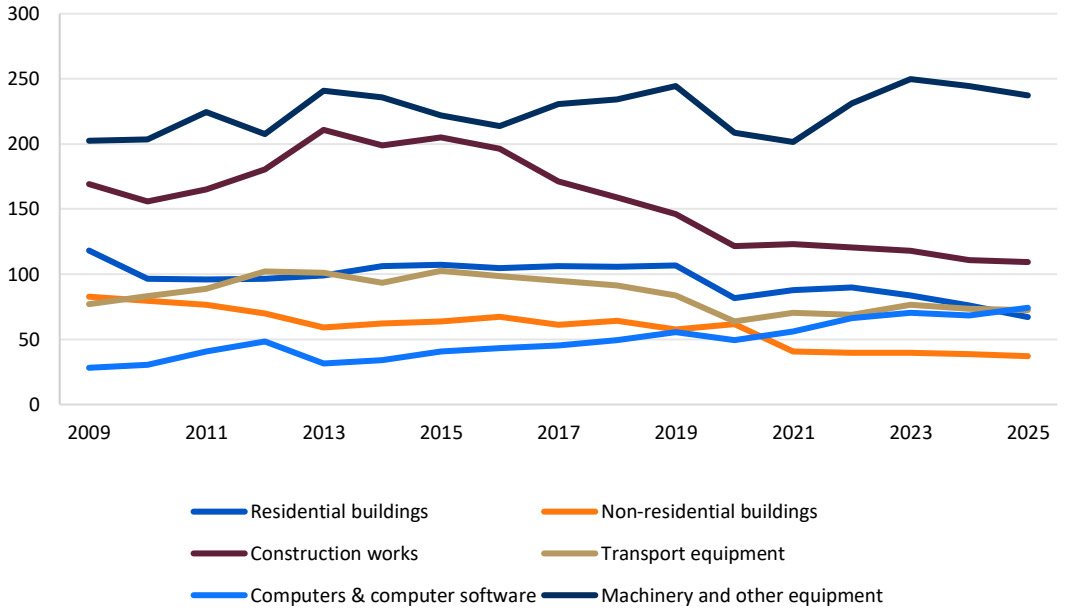
Figure 2 illustrates the sectoral trends in investment since 2009. Only agriculture has recorded a significant increase in real investment over this period, though it is a small share of the total.

Figure 2: Gross fixed capital formation by sector, 2009-2025
R billion (2015 prices)



Source: Statistics SA, P0441, March 2026.

Figure 3: Gross fixed capital formation by type of asset, 2009-2025
R billion (2015 prices)



Source: Statistics SA, P0441, March 2026.

It is instructive also to review the changing structure of investment by type of asset. Figure 3 illustrates that the decline over the past decade has been most marked in physical infrastructure. Since 2009, real investment in residential buildings has declined by 43%, in non-residential buildings by 55% and in construction works by 36%. Investment in machinery and equipment has increased by 17%, and in computers and computer software by 43%.[2]

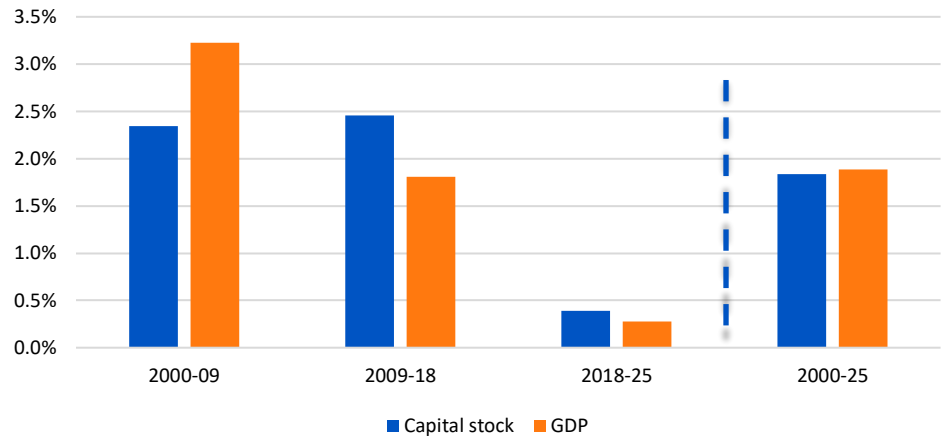
Measured as a contribution to growing South Africa's capital stock, the deterioration in fixed investment has been particularly stark. Almost all of South Africa's capital investment in recent years, is accounted for as replacement or replenishment of depreciated assets, rather than additions to productive capacity. Consumption of fixed capital each year is approximately 7.4% of the previous end-of-year fixed capital stock – equivalent in recent years to nearly 14% of GDP. After allowing for depreciation (consumption of fixed capital), *net capital formation* (including inventories) has declined from 5.0% of GDP in 2009 to just 0.2% in 2025.

Between 2000 and 2009, and between 2009 and 2018, the real fixed capital stock as measured for national accounts purposes grew (cumulatively) by around 24% in each period. However, between 2018 and 2025 it expanded by less than 3%. In manufacturing, and in transport, storage and communication, the capital stock has shrunk since 2018. In *per capita* terms, the real capital stock is declining across all sectors.

The fixed capital stock is about double the annual output of the economy: 2.1 times gross value added at basic prices, and 1.9 times GDP at market prices. But capital accumulation and output growth are not proportionately related. Between 2000 and 2009, GDP growth was somewhat faster than the expansion in the capital stock, and in the 2009-18 period it was somewhat slower. Since 2018, both the capital stock and GDP have expanded only marginally. Figure 4 illustrates the long-term trends – over the full 2000-25 period, GDP growth has approximately equalled the average annual rate of growth of the capital stock.

Figure 4: Increase in capital stock and GDP growth, 2000-2025

% increase per annum



Source: SARB Quarterly Bulletin, data series.

[2] Rising *real* investment in computers and computing software is largely an outcome of falling relative prices, rather than an increase in nominal spending relative to other categories of investment.

Since 2021, South Africa's measured capital stock has increased only slightly, while aggregate output has continued to rise by around 1% a year. As a first approximation, *baseline economic growth* is around 1% a year. This can be thought of as the combined effect of rising employment with a fixed capital stock and marginal productivity improvements associated with replacement (modernisation) of fixed capital. Our analysis abstracts entirely from employment considerations – we model the economy as capital-constrained. Over a longer timeframe, of course, skills and technology come into play, investment growth may be capacity-constrained and there may be diminishing returns to capital formation. In this model we think of skills and technology mobilisation as mainly the outcome of capital accumulation[3] and we defer consideration of capital project implementation constraints.

The underlying sectoral capital-output relationships vary. Capital requirements differ by industry, and the lifetimes of capital assets vary considerably. Actual investment trends can diverge substantially from the economy's short-term growth requirements. There may be large lags between infrastructure spending and future production gains, showing up in the statistics as under-utilised capital. There are valuation difficulties in capital stock accounting. Output growth in final goods industries is conditional on capacity in intermediate good sectors – transport and energy supply, for example.

As measured in South Africa's accounts, nearly one-third of the increase in the fixed capital stock between 2009 and 2018 was in electricity, gas and water. Yet, in volume terms, output of this sector declined. *Deferral*, over several decades, in the investment required to maintain electricity and water supply capacity emerges in the accounts as a marked decline in productivity. As new investments lead to restored capacity, the economic benefit diffuses across the economy in ways that cannot satisfactorily be reflected in the national accounting conventions.

But the broad picture seems clear. At present levels of capital investment, South Africa is doing little more than replenishing the inherited capital stock. In public infrastructure facilities, evidence of decay is widespread: failures in electricity and water distribution networks, badly maintained roads and railways, inadequate sanitation and waste management capacity. Although private business investment has held up in some sectors, this reflects in part compensation for public utility and municipal infrastructure deterioration. The overall picture is that gross capital formation by private business enterprises has exceeded consumption of fixed capital in only four of the last eight years.

Declining investment means not only that replenishment of equipment and physical infrastructure has been held back. It also means that investment in *technological change* is slow. New technologies are introduced mainly through investment projects: replacement and modernisation of equipment, shifts in industrial value chains and adoption of new and more efficient production techniques. South Africa's progress in global technological transitions, such as the adoption of clean energy processes and investment in data-analytic capabilities, is slow in part because investment as a share of income and output is low.

[3] This understanding of the relationship between capital accumulation, technology change and productivity is the central argument of Arrow's well-known "learning by doing" model. Kenneth J Arrow, The Economic Implications of Learning by Doing, *The Review of Economic Studies,* 29:3, 1962.

We explore two questions in the analysis that follows: What levels of investment would be required for economic growth of 3% to be achieved by 2030 and beyond? And how could this be financed?

Investment requirements: 2026-2031

We set out below an indicative investment path for a growth recovery over the five years ahead. It is not an investment plan: it is a national accounting model adapted to illustrate the broad magnitude of investment required and its distribution across production and institutional sectors.[4]

Key points of departure include the following:

- Although electricity generation is no longer the immediate constraint impeding growth that it was five years ago, substantial investments in the transmission grid, renewable power and local distribution networks are needed to continue this transition.
- Similarly, substantial investment backlogs must be addressed in port infrastructure and railways to ease transport constraints to trade.
- Overcoming barriers to growth in electricity and freight transport is a necessary but not sufficient condition for a broad-based recovery in business investment. Progress in municipal infrastructure and services is also vital.
- Against the background of slow or negative growth in capital formation over the past decade, business investment can be expected to recover strongly with improved confidence and a pick-up in aggregate demand.
- Housing investment, currently lagging well behind population growth and household formation, is a key ingredient both in improving livelihoods and in building urban environments in which enterprise development and employment can grow.

Though improvements in South Africa's public infrastructure can be expected to *crowd-in* broader business investment over time, there are also other important policy reforms that are relevant to business confidence and growth. The analysis below focuses only on investment and savings considerations.[5]

Statistics SA's GDP estimates for the first half of 2026 indicate that GFCF has remained flat relative to the 2025 average and has declined somewhat since a modest boost in the

[4] South Africa's 2012 *National Development Plan* suggested a GFCF target of 30% of GDP by 2030. In 2022, the government published a *Country Investment Strategy* which aimed to "position South Africa as a key preferred African investment destination by attracting and facilitating quality foreign and domestic direct investment into the country, in a well-coordinated manner, anchored by quality institutions and robust economic infrastructure networks." *Government Gazette, 27 May 2022, No. 46426.* A *National Infrastructure Plan 2050* has also been gazetted to be managed through Infrastructure South Africa, operating under the auspices of the Department of Public Works and Infrastructure. Though government's commitment to accelerated investment is well-documented, progress is not yet evident in the country's economic performance.

[5] Economic consultancy *Krutham* provides a detailed review of South Africa's planned and in-progress infrastructure projects, including commentary on their links to reform initiatives that would "unblock" investment constraints or accelerate implementation. *South Africa's R3.9 trillion infrastructure pipeline. 2026 Second edition October.* https://www.krutham.com/infrastructure-pipeline/#Ouranalysis.

fourth quarter of last year. Our model therefore begins with the 2025 investment levels as the 2026 starting point.

For growth to rise above its current trend, a *net* increase in the capital stock is required.

Our primary model is a simple economy-wide projection of a *baseline* economic growth rate of 1.0% a year, supplemented by growth associated with fixed capital formation *above the level required to replace capital consumption.* Based on past performance, we assume an incremental net capital-output ratio of 2.5 (with output measured as gross value added at basic prices). Consumption of fixed capital is set at 7.4% of the previous year-end's capital stock (derived from the 2009-2025 average).[6] The combined effect of our baseline growth and incremental capital-output ratio assumptions is that the aggregate capital-output ratio (at constant prices) declines over our projection period, but at a diminishing rate. Our projections are consistent with a moderate improvement in the utilisation of capital during a medium-term growth recovery, but beyond 2030, the capital-output ratio would begin to rise if the growth recovery continued.

To generate economic growth approaching 3% a year in 2030 and beyond, a cumulative increase in the fixed capital stock of about 10% must be achieved by 2031. This requires a sharp turnaround in investment: from under 14% of GDP in 2025 to around 19% in 2031. Our model assumes that real GFCF recovers to its 2018 level by 2028, at an average real investment growth rate of 8% a year from 2026 to 2028. For the 2028-2031 period, GFCF increases by 10% a year, raising the capital stock by just under 10% by comparison with 2025.

Model results are summarised in table 1.[7] Investment as a share of GDP is expected to decline from 2025 to 2026 and then must increase by around one percentage point of GDP every year to 2031. Our initial assumption is a balanced investment recovery across general government, public corporations and the private business and household sectors. GDP growth rises to 2.8% in 2030 and 3.3% in 2031 and averages 2.0% a year between 2025 and 2031.

An advantage of an aggregated model of this kind is that it involves no assumptions about the sectoral distribution of investment or growth. But this is also a limitation. There are inter-relationships between sectoral and investment trends, and growth depends in part on sectoral policies and priorities. Four alternative models incorporating sectoral investment assumptions are outlined in Appendix 1. They illustrate somewhat different capital stock and growth outcomes for private sector-led versus public infrastructure-led investment growth, though the overall differences from the projections in table 1 are not large. Appendix 1 also sets out institutional financing requirements for these alternative sector-based investment models.

[6] Between 2009 and 2025, consumption of fixed capital declined from 7.6% to 7.3% of the end-of-previous year capital stock (in 2015 prices). In Appendix 1, sector-specific depreciation rates are used, set out in table A2. The sensitivity of the growth rates realised in our models is easily illustrated: an overall depreciation rate of 7.0% (rather than 7.4%) applied to the same levels of GFCF generates growth of 3.5% (rather than 3.3%) in 2031.

[7] Our models are reported in 2025 constant prices. Sectoral baseline estimates for earlier years in 2025 prices are constructed by escalating the 2015 constant price series (SARB Quarterly Bulletin, Sept 2026) by the relevant sectoral GDP production deflators for the 2015-2025 period. Capital stock and capital investment estimates are escalated by the sectoral GFCF deflators for the same period.

Table 1: Balanced investment-led economic growth, 2025-2031

R billions (2025 prices)	2025	2026	2027	2028	2029	2030	2031
Gross capital formation	**1 061**	**1 061**	**1 147**	**1 241**	**1 365**	**1 502**	**1 652**
% of GDP	*13.9%*	*13.7%*	*14.7%*	*15.6%*	*16.8%*	*18.0%*	*19.2%*
Financial intermediaries	27	27	29	31	34	38	42
General government	185	185	200	216	238	262	288
Non-financial business enterprises							
Public	125	125	135	146	161	177	195
Private	593	593	641	693	763	839	923
Households	131	131	142	153	169	185	204
Gross domestic product	**7 642**	**7 715**	**7 806**	**7 936**	**8 111**	**8 336**	**8 614**
% growth		*1.0%*	*1.2%*	*1.7%*	*2.2%*	*2.8%*	*3.3%*
Fixed capital stock	**14 460**	**14 447**	**14 522**	**14 685**	**14 960**	**15 350**	**15 861**
Capital-output ratio	*1.89*	*1.87*	*1.86*	*1.85*	*1.84*	*1.84*	*1.84*

In Table 2, the sensitivity of the growth and investment projections above to our initial model assumptions is illustrated. Setting investment growth at 50% of the Table 1 GFCF growth rates results in an investment-to-GDP ratio of 16% in 2031, 3.2 percentage points lower than the Table 1 outcome. GDP growth reaches just 2.0% in 2031. Alternative assumptions for baseline growth, the incremental capital-output ratio and the rate of depreciation of the capital stock result in slower economic growth and therefore somewhat higher investment-GDP ratios by 2031, though the changes over time vary.

Table 2: Sensitivity of investment and growth projections

	2026	2027	2028	2029	2030	2031	
Investment (GFCF) as % of GDP (table 1):	**13.7%**	**14.7%**	**15.6%**	**16.8%**	**18.0%**	**19.2%**	
Change to GFCF as % of GDP as result of:							
Lower GFCF growth[1]	0.0%	-0.5%	-1.1%	-1.8%	-2.5%	-3.2%	
Lower baseline growth[2]	0.1%	0.1%	0.2%	0.3%	0.4%	0.5%	
Higher incremental capital output ratio[3]	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	
Higher depreciation of fixed capital[4]	0.0%	0.1%	0.1%	0.2%	0.3%	0.3%	
	2026	**2027**	**2028**	**2029**	**2030**	**2031**	**Growth pa 2025-31**
GDP growth (table 1):	**1.0%**	**1.2%**	**1.7%**	**2.2%**	**2.8%**	**3.3%**	**2.0%**
Change to GDP growth as result of:							
Lower GFCF growth[1]	0.0%	-0.1%	-0.4%	-0.6%	-0.9%	-1.3%	-0.6%
Lower baseline growth[2]	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.4%	-0.5%
Higher incremental capital output ratio[3]	0.0%	-0.1%	-0.2%	-0.3%	-0.5%	-0.6%	-0.3%
Higher depreciation of fixed capital[4]	-0.2%	-0.4%	-0.4%	-0.3%	-0.3%	-0.2%	-0.3%

1. *50% reduction in GFCF growth rates, ie to 4-5% a year rather than 8-10% a year.*
2. *Baseline growth reduced from 1% a year to 0.5% a year.*
3. *Incremental capital output ratio increased from 2.5 to 3.5.*
4. *Consumption of fixed capital increased from 7.4% to 7.9% of end-of-previous-year capital stock.*

Financing of investment: 2026-2031

While investment may be the key driver of an economic recovery, its sustainability will depend in part on complementary savings trends. The financing requirements of the investment growth outlined in table 1 are substantial: if investment is to increase from under 14% to 19% of GDP, an equivalent increase in savings must be mobilised. But in the absence of external shocks that drive down consumption expenditure or raise profitability markedly, *domestic* saving cannot be expected to rise so rapidly.

We assume that domestic saving will rise from 13.4% of GDP to 16.1% in 2031, which is an increase about half the size of the investment boost to the economy. Our models assume that just over half of the increase in domestic saving comes from lower government dissaving.

As is typical in periods of investment-led growth, imports initially rise more rapidly than exports and an increasing share of investment must be financed from abroad.

Table 3 illustrates the saving, investment and net lending flows between institutional sectors in 2025.[8]

Table 3: Institutional saving and investment flows, 2025

2025	R billions			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	35.0		35.0	0.5%		0.5%
Financial intermediaries	160.2	26.8	133.4	2.1%	0.4%	1.7%
General government	-154.3	184.9	-339.3	-2.0%	2.4%	-4.4%
Non-financial business enterprises						
Public	73.1	124.9	-51.8	1.0%	1.6%	-0.7%
Private	825.7	592.5	233.3	10.8%	7.8%	3.1%
Households	120.3	130.9	-10.6	1.6%	1.7%	-0.1%
Total	**1 060.0**			**13.9%**		
Domestic economy	**1 025.0**	**1 060.0**	**-35.0**	**13.4%**	**13.9%**	**-0.5%**
GDP	*7 641.8*					

[1] Gross saving including capital transfers received and less capital transfers paid.

Source: S Madonsela, Note on the flow of funds in South Africa's national financial account for the year 2025. SARB Quarterly Bulletin, June 2026.

The consolidated financial flows reflect several key features of the South African economy: the overall savings rate is low, net private savings contribute to financing substantial general government and public enterprise borrowing requirements, and domestic investment is partially dependent on net foreign capital inflows.

- Net foreign inflows in 2025 contributed 0.5% of GDP, accounting for the difference between domestic investment of 13.9% of GDP and domestic saving of 13.4%. Net foreign sector flows have fluctuated widely over the past decade, from inflows of 4.0% of GDP in 2015 to net outflows of 3.7% in 2021.
- Financial institutions account for 2.1% of GDP in savings and less than 0.5% of GDP in direct investment, though their intermediation role is much larger than this.
- General government dissaving accounted for 2.0% of GDP in 2025, down from its 7.0% peak in 2020 but nonetheless still a material drawdown on available savings. General government capital spending accounted for 2.4% of GDP, well below the 3.3% recorded a decade ago.
- Public corporations recorded savings of 1.0% of GDP in 2025 and accounted for 1.6% of GDP in capital spending.
- Private sector non-financial business enterprises accounted for savings of 10.8% of GDP and investment of 7.8% of GDP in 2025. In recent years, non-financial

[8] Changes in inventories are a small share of gross capital formation and are ignored in this analysis.

enterprises have generated surplus funds substantially more than their investment spending.

- Households and non-profit organisations accounted for savings of 1.6% of GDP in 2025 and 1.7% of capital spending, mainly in residential building. Household wealth accumulation largely falls outside these flows and is recorded in the retained earnings of business enterprises and in contractual savings funds.

Institutional financial flows cannot be modelled as structural functions of real investment and growth trends. There are many possible financing configurations that might accompany an investment-led growth path. Our initial approach is to take South Africa's 2025 institutional saving and investment flows as the point of departure and to indicate broad magnitudes of financing requirements over the period ahead, assuming a *balanced* investment growth trend across the public and private sectors.

In Table 4, we set out indicative saving and investment flows for 2031, based on the balanced investment growth assumptions summarised in Table 1.

Table 4: Balanced GFCF growth – institutional saving and investment flows, 2031

2031	R billions (2025 prices)			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	260.8		260.8	3.0%		3.0%
Financial intermediaries	216.7	41.7	175.0	2.5%	0.5%	2.0%
General government	-43.5	288.0	-331.5	-0.5%	3.3%	-3.8%
Non-financial business enterprises						
Public	123.6	194.5	-71.0	1.4%	2.3%	-0.8%
Private	930.7	922.9	7.8	10.8%	10.7%	0.1%
Households	162.7	203.9	-41.2	1.9%	2.4%	-0.5%
Total	**1 651.1**			**19.2%**		
Domestic economy	**1 390.3**	**1 651.1**	**-260.8**	**16.1%**	**19.2%**	**-3.0%**
GDP	*8 613.9*					

[1] *Gross saving including capital transfers received and less capital transfers paid.*

Our domestic savings assumptions for 2031 are as follows:

- Financial intermediaries contribute a 20% increased share of GDP in surplus earnings than in 2025.
- General government dissaving declines from 2.0% to 0.5% of GDP.
- Public corporations increase their retained surplus income from 1.0% to 1.4% of GDP.
- Private non-financial enterprises record savings equivalent to an unchanged share of GDP.
- Households increase their gross saving from 1.6% to 1.9% of GDP.

The resulting foreign financing requirement is R261 billion in 2031, equal to 3.0% of projected GDP. This implies an equivalent deficit on the current account of the balance of

payments, broadly consistent with past experience under conditions of rising investment and growth.[9]

The critical assumption here is that the *current balance* in the consolidated government accounts improves by 1.5% of GDP. This implies a substantial shift in the composition of government expenditure from consumption to capital spending, perhaps together with an increase in revenue as a percentage of GDP. Without this reduction in government dissaving, the foreign financing requirement would be higher.

Sensitivity of the foreign financing requirement to our assumptions on domestic institutional savings outcomes in 2031 is illustrated in table 5. Reversion to the 2025 general government dissaving rate of 2.0% of GDP results in an increase in implied foreign financing from 3.0% to 4.5% of GDP. Lower levels of retained earnings by private business corporations also result in a foreign financing requirement over 4% of GDP.

Table 5: Sensitivity of foreign financing in 2031 to domestic institutional saving assumptions

Gross savings: % of GDP - 2031	Institutional saving		Implied foreign financing		
	Base model	Alternative	Base model	Alternative	Difference
Financial institutions[1]	2.5%	2.1%	3.0%	3.4%	0.4%
General government[1]	-0.5%	-2.0%	3.0%	4.5%	1.5%
Public corporate enterprises[1]	1.4%	1.0%	3.0%	3.5%	0.5%
Private business enterprises[2]	10.8%	9.7%	3.0%	4.1%	1.1%
Households[1]	1.9%	1.6%	3.0%	3.3%	0.3%

1. Alternative institutional savings: financial institutions, general government, public corporate enterprises and households - reversion to 2025 institutional saving rates.

2. Alternative institutional savings: Private business enterprises - 90% of 2025 savings rate.

Table 6: Institutional financial flows – net lending (+)/net borrowing (-), 2025-2031[1]

	2025		2031							
Investment model:			1. Balanced investment growth		2. Balanced increase in capital stock		3. Private sector led investment		4. Infrastructure led investment	
	Rb 2025 prices	% of GDP	Rb 2025 prices	% of GDP	Rb 2025 prices	% of GDP	Rb 2025 prices	% of GDP	Rb 2025 prices	% of GDP
Foreign sector	35.0	0.5%	243.2	2.8%	249.6	2.9%	232.4	2.7%	247.8	2.9%
Financial intermediaries	133.4	1.7%	176.5	2.0%	170.2	2.0%	178.8	2.0%	176.4	2.0%
General government	-339.3	-4.4%	-335.3	-3.9%	-366.0	-4.2%	-310.7	-3.6%	-359.2	-4.1%
Non-financial business enterprises										
Public	-51.8	-0.7%	-93.3	-1.1%	-103.0	-1.2%	-62.3	-0.7%	-114.2	-1.3%
Private	233.3	3.1%	42.5	0.5%	91.7	1.1%	-0.5	-0.1%	88.7	1.1%
Households	-10.6	-0.1%	-33.6	-0.4%	-42.5	-0.5%	-37.7	-0.4%	-39.5	-0.4%
Domestic economy	**-35.0**	**-0.5%**	**-243.2**	**-2.8%**	**-249.6**	**-2.9%**	**-232.4**	**-2.7%**	**-247.8**	**-2.9%**
Gross Domestic Product	***7 641.8***		***8 695.1***		***8 658.8***		***8 762.0***		***8 666.7***	

1. Gross saving plus capital transfers minus capital formation by institutional sector.

The alternative sector-based scenarios outlined in Appendix 1 adopt the same domestic savings assumptions but have different implications for projected institutional financing balances over the period ahead. These results are summarised in Table 6. Sector-based

[9] During the 2002-2008 growth phase, the foreign financing requirement (current account of the balance of payments) averaged 2.7% of GDP. It varies considerably in size, affected in part by commodity price movements, and in the composition of portfolio and other flows. In more recent years, the foreign financing requirement has varied from a deficit of 2.9% in 2018 to a surplus of 3.7% in 2021, followed by an average deficit of 0.6% of GDP from 2022 to 2025.

investment and growth projections all yield somewhat higher GDP outcomes by 2031 than the simple aggregate model in Tables 1 and 4, and slightly lower foreign financing requirements. Private sector-led growth generates a GDP level about 1 percentage point higher by 2031 than the infrastructure-led simulation and requires a somewhat lower foreign financing requirement. Infrastructure-led growth requires higher public-sector borrowing than a private-sector-led expansion.

Three summary points should be noted.

- Though government dissaving declines from 2% to 0.5% of GDP between 2025 and 2031 in our scenarios, the combined general government and state-owned enterprise borrowing requirement remains above 4% of GDP in the private sector-led model and over 5% of GDP in the infrastructure-led projection, still a substantial drawdown on domestic savings.
- Net foreign sector financing reflects both foreign asset and liability flows. A foreign financing inflow of 3% of GDP, after offsetting capital outflows, would not be unusual in the context of rising South African investment and growth. But sustainability and financial stability will depend in part on securing a healthy balance between portfolio and direct investment flows and between inward and outward investment, and on ensuring that debt costs moderate over time, after consideration of inflation trends.[10]
- These projections take no account of inter-sectoral linkages. A growth strategy must allow, for example, for the reliance of private business investors on expanded capacity in public infrastructure.

Consolidated public sector debt dynamics are beyond the scope of this paper. Our models envisage a moderate decline in the general government deficit as a percentage of GDP alongside a rise in public enterprise borrowing, depending on the balance between private business and infrastructure investment. Fiscal sustainability will depend on the growth-enhancing efficiency of investment in addition to interest rate trends and the revenue performance of government, municipalities and state enterprises, amongst other factors. A credible debt stabilisation trajectory is a critical element of a viable growth recovery plan.

The Government's 2020 *Economic Reconstruction and Recovery Plan* emphasises the scope for raising private finance to complement the public funding of infrastructure projects. The renewable energy investment programme, for example, and more recent railway concessions, bring private investment, business management and technical capacity into the construction and operation of infrastructure utilities. However, private equity or blended finance typically raises the financing costs of infrastructure projects. Higher costs of capital must be weighed against institutional and efficiency considerations when selecting project implementation options.

We do not take a view, in this analysis, on the potential role of private ownership or concession arrangements in accelerating investment in public infrastructure. If there is a substantial shift towards private investment in network industries, this would reduce the

[10] Trends in domestic public investment and offshore flows of assets under institutional management are explored in *Contractual savings and public investment: are our retirement funds misallocated?* Bureau for Economic Research, Impumulelo Growth Lab Research Note, 17 April 2026.

general government or public utility financing requirement and raise private investment over the period ahead. But it is ultimately the recovery of costs through user charges, alongside budgetary capital and operating subsidies, that determines the long-term fiscal burden of infrastructure investments, rather than the initial financing structure of projects.

Concluding note: institutional financing flows, 2026-2031

Financial intermediaries do not, in general, initiate capital projects or determine the pace and distribution of infrastructure development and business investment. An investment-led economic recovery must be driven primarily by business and state enterprises, municipalities and public authorities with infrastructure responsibilities. But the investment strategies of savings institutions and their assessments of the risks and returns of alternative portfolio holdings are nonetheless important. Taking 2025 financial flows as the point of departure, we suggest below possible shifts in investment patterns that might accompany a growth acceleration over the period ahead.

Appendix 2 sets out a summary of the 2025 financial flows between institutional sectors and discusses how these might shift to accommodate accelerated domestic investment.

Stronger economic growth requires a substantial increase in domestic investment, supported by both domestic and foreign financing flows. The shifts in institutional financing flows outlined in table 4 above are neither projections nor even indicative trends: many alternatives could be outlined. But it is worth noting that although an investment-led growth recovery need not be constrained by financing considerations, the changes required in net financing flows are considerable. More rapid investment and growth will be accompanied by substantial shifts in asset allocations and savings portfolios. An investment recovery will require greater net foreign inflows to the South African capital market and result in changes over time in the balance between public infrastructure financing and business investment needs. As private sector investment recovers retained earnings by corporations will increasingly be allocated to business needs. The availability of private savings to meet public borrowing requirements will diminish. Sustainability requires improvements over time in domestic savings, both in the balance between government income and expenditure and in household and private sector accounts.

Against the background of the deterioration in South Africa's investment trends over the past decade, an increase in fixed capital formation from under 14% currently to 19% of GDP by 2031 will require changes in policy and the business environment. This paper provides an accounting simulation indicative of the investment growth and savings required to achieve economic growth of 3% a year in 2030 and beyond. Although this is not an investment strategy, nor a reform programme or sectoral-prioritisation exercise, it signals the broad dimensions of the investment and savings challenge to be addressed.

An important limitation of the arithmetic capital-output assumptions in these models is that inter-linkages between sectoral capacity and potential growth are not specified.

Expansions in agriculture and industry are in part reliant on transport and electricity networks, for example. More broadly, economic growth over the long term requires progress in skills development and institutional capacity. Our projections indicate plausible magnitudes of investment and saving that might accompany a growth recovery, but not the underlying dynamics of public policy and market responses, or the planning, project management and implementation capabilities required to sustain accelerated investment and growth.

Our sectoral models suggest that private sector-led investment might generate somewhat faster growth than infrastructure-led investment, but a growth strategy must take account of the complementarity between infrastructure capacity and industrial expansion. In South Africa's present circumstances, critical public infrastructure investments in electricity networks, ports and logistics and municipal services are needed to unblock agricultural, mining and industrial expansion opportunities. Against the background of the deterioration in capital formation in recent years, this crowding-in effect of public infrastructure investment is a key consideration in a domestic growth recovery strategy.

Our review in Appendix 2 of consolidated institutional financial flows illustrates the depth and inter-connectedness of South Africa's financial intermediaries, government, business corporations and households, even in a context of comparatively low national savings levels. The financial account also reflects two structural weaknesses in the cumulative institutional balance-sheet trends:

- Although substantial investments on behalf of households are made every year in retirement and life policies, early withdrawals and other lumpsum outflows detract materially both from domestic savings outcomes and the contribution of pension plans to lifetime income-smoothing.
- Increases over time in unpaid invoice accruals and other unfunded shifts in payables, receivables or other assets and liabilities – for example in the financial accounts of municipalities, their suppliers and their customers – represent material barriers to more structured financing of infrastructure investment.

If progress is to be made towards more rapid infrastructure investment, poor preservation of institutional savings and weaknesses in the integrity of payments flows associated with infrastructure services must be addressed.

APPENDIX 1: ALTERNATIVE INVESTMENT PROJECTIONS: 2026-2031

Table A1 sets out the national accounts estimates of the fixed capital stock and real output by sector for 2000, 2009, 2018 and 2025. The table also shows capital-output ratios by sector derived from these capital stock and production estimates.

Table A1: Capital stock, value added and capital-output ratios, 2000 to 2025

	Fixed capital stock				Gross value added				Capital output ratio			
R billion 2025 prices	**2000**	**2009**	**2018**	**2025**	**2000**	**2009**	**2018**	**2025**	**2000**	**2009**	**2018**	**2025**
Agriculture, Forestry & Fisheries	467	462	509	559	112	137	179	216	4.2	3.4	2.8	2.6
Mining & Quarrying	583	693	878	964	514	487	521	477	1.1	1.4	1.7	2.0
Manufacturing	1 152	1 337	1 221	1 184	752	898	1 020	936	1.5	1.5	1.2	1.3
Electricity Gas & Water	502	681	1 618	1 723	285	334	315	272	1.8	2.0	5.1	6.3
Construction (contractors)	42	80	125	122	98	217	227	155	0.4	0.4	0.6	0.8
Trade, Catering & Accommodation	400	517	589	618	619	841	1 002	965	0.6	0.6	0.6	0.6
Transport, Storage & Communication	878	1 086	1 288	1 240	277	439	539	542	3.2	2.5	2.4	2.3
Finance, Real estate, Business Services	2 861	3 643	4 239	4 272	646	1 105	1 383	1 611	4.4	3.3	3.1	2.7
Community, Social & Personal Services	2 296	2 808	3 602	3 779	1 019	1 326	1 567	1 702	2.3	2.1	2.3	2.2
of which General Government	*735*	*803*	*970*	*987*	*371*	*461*	*581*	*599*	*2.0*	*1.7*	*1.7*	*1.6*
Other	*1 562*	*2 004*	*2 633*	*2 791*	*648*	*865*	*986*	*1 103*	*2.4*	*2.3*	*2.7*	*2.5*
Total	**9 181**	**11 306**	**14 069**	**14 460**	**4 321**	**5 784**	**6 753**	**6 876**	**2.1**	**2.0**	**2.1**	**2.1**

Source: SARB Quarterly Bulletin, September 2026, data series. 2015 constant price estimates raised to 2025 prices using sectoral GDP and GFCF deflators. Output measured by gross value added at basic prices.

Although the capital-output ratio for the overall economy remained broadly stable over the 2000-2025 period, there were several notable sectoral shifts.

Production efficiency appears to have improved in agriculture, forestry and fisheries, perhaps associated with improved trade competitiveness and shifts in production patterns within the sector. The capital-output ratio has also fallen in manufacturing, though this is associated with a relative decline in the sector's share of value added and a decline, since 2018, in the capital stock. In mining, the capital output ratio has increased, consistent with the increasing capital requirements of deep-level mining and lower grades of mineral resources.

Large investments in electricity generation are reflected in a substantial rise in the electricity, gas and water sector capital stock, although output volumes (as measured in the national accounts) decline. Over the 2000-25 period, the capital-output ratio in the utilities sector rises from 1.8 to 6.3. The implied incremental capital-output ratio is negative, but this is best understood as a statistical artefact of the delayed and then very sharp rise in electricity investment over this period, and the effect on demand of substantial price rises. The accounting conventions do not measure the improved life expectancy of electricity generation assets that has accompanied this investment.

Construction industry contractors have comparatively low capital requirements relative to output. But in the period since 2018, there has been a 32% decline in value added, indicative of the overall decline in infrastructure spending by public authorities.

In the large and comparatively fast-growing finance, real estate and business services sector, the capital-output ratio declines as measured in these estimates. This comprises several distinct components, however. It includes residential real estate, which has seen a marked decline in the real capital stock over this period, alongside financial and business services in which value-added activity has expanded even during years of slow growth.

Table A2 sets out the assumptions for fixed capital consumption and the capital-output ratio for 2025-31 that underlie the capital stock growth projections below. In all scenarios, GFCF in 2026 is assumed to be equal to 2025 GFCF in real terms.

Table A2: Consumption of fixed capital and capital-output ratio assumptions, 2025-2031

	Consumption of fixed capital[1]	Capital - Output Ratios[2]						
	% of prior-year stock	2025	2026	2027	2028	2029	2030	2031
Agriculture, Forestry & Fisheries	9.0%	2.59	2.56	2.54	2.53	2.52	2.52	2.52
Mining & Quarrying	14.8%	2.02	2.00	1.99	1.98	1.97	1.97	1.97
Manufacturing	13.0%	1.26	1.25	1.24	1.24	1.23	1.23	1.23
Electricity Gas & Water	4.7%	6.32	6.26	6.22	6.18	6.16	6.15	6.15
Construction (contractors)	19.2%	0.78	0.78	0.77	0.77	0.76	0.76	0.76
Trade, Catering & Accommodation	11.8%	0.64	0.63	0.63	0.63	0.62	0.62	0.62
Transport, Storage & Communication	10.1%	2.29	2.26	2.25	2.24	2.23	2.23	2.23
Finance, Real estate, Business Services	5.2%	2.65	2.62	2.61	2.59	2.58	2.58	2.58
Community, Social & Personal Services								
of which General Government	4.7%	1.65	1.63	1.62	1.61	1.61	1.60	1.60
Other	5.1%	2.53	2.50	2.49	2.47	2.47	2.46	2.46

[1] Consumption of fixed capital as % of end-of-previous-year stock, average for 2009-2025.

[2] Capital-output ratios decline but at a diminishing rate over the 2025-31 period, as a result of the combined effect of an assumed 1% baseline economic growth rate and an aggregate incremental capital-output ratio of 2.5.

We set out investment and growth projections below for four scenarios, based on the following assumptions.

Model 1: Balanced investment growth

- Between 2026 and 2028, GFCF increases to its 2018 level in manufacturing, continues to grow by about 8% a year in agriculture and mining and increases to somewhat below the 2018 levels in sectors that recorded declines in GFCF between 2018 and 2025.
- Between 2028 and 2031, GFCF increases by 10% a year in all sectors.

Model 2: Balanced expansion in fixed capital stock

- Sectoral GFCF levels are set each year to achieve an expansion between 2026 and 2031 of about 10% in the fixed capital stock of each sector, while retaining aggregate GFCF growth each year at the levels set for other models.

Model 3: Leading investment recovery in agriculture, mining and secondary industry

- Between 2026 and 2028, GFCF per sector increases as in Model 1.
- Between 2028 and 2031, GFCF in agriculture, mining, manufacturing and trade, catering and accommodation increase by 15% a year (5% a year higher than in model 1).
- Between 2028 and 2031, GFCF in electricity, gas and water; transport, storage and communication; finance, real estate and business services; and community, social and personal services, increases by 6% a year (4% lower than in model 1).

Model 4: Leading investment recovery in public infrastructure

- Between 2026 and 2028, GFCF per sector increases as in Model 1.
- Between 2028 and 2031, GFCF in agriculture, mining and manufacturing increases by 4% a year (6% a year lower than in model 1).
- Between 2028 and 2031, GFCF in electricity, gas and water; construction; and transport, storage and communication increases by 16% a year (6% higher than in model 1).
- Between 2028 and 2031, GFCF in community, social and personal services, increases by 13% a year (3% higher than in model 1).

In tables A3 and A4 we summarise the GFCF and growth projections to 2031 for these four models. In all scenarios, aggregate real GFCF recovers by 2028 to its 2018 level, representing growth of 8% a year between 2026 and 2028, and increases by 10% a year thereafter.

As the aggregate investment assumptions are shared across these scenarios, they generate similar growth outcomes, ranging from 2.1% to 2.3% a year. The initial investment and capital-output assumptions lead to somewhat higher GDP growth in the private sector-led model than in others over the medium term, with estimated GDP in 2031 about 1% higher than in the alternative models. However, our model specifications do not take account of sectoral inter-linkages, such as the reliance of business enterprises on public infrastructure. We also do not take into account the differences between planning and implementation of projects in the public sector and market-based investment considerations in private sector decision-making.

The agriculture and mining sectors grow more strongly in value-added terms over the 2025-31 period, even when GFCF recovers more rapidly in infrastructure and other sectors. This reflects the continuing gains after 2025 of investment growth in the primary sectors in earlier years, whereas investment was in decline between 2018 and 2025 in the secondary and tertiary sectors.

Table A3: Gross fixed capital formation – alternative investment models, 2025-2031

Investment model:	2018	2025		2031							
				1. Balanced investment growth		2. Balanced increase in capital stock		3. Private sector led investment		4. Infrastructure led investment	
	Rb 2025 prices		Growth pa 2018-25	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31
Agriculture, Forestry & Fisheries	50	62	3.2%	97	7.7%	75	3.2%	111	10.1%	82	4.7%
Mining & Quarrying	143	151	0.8%	235	7.7%	189	3.8%	269	10.1%	199	4.7%
Manufacturing	165	163	-0.1%	219	5.1%	208	4.1%	250	7.4%	185	2.2%
Electricity Gas & Water	113	81	-4.5%	140	9.5%	149	10.6%	125	7.5%	164	12.4%
Construction (contractors)	26	14	-8.6%	32	15.2%	27	11.9%	32	15.2%	37	18.3%
Trade, Catering & Accommodation	87	79	-1.4%	109	5.4%	101	4.1%	124	7.8%	109	5.4%
Transport, Storage & Communication	138	93	-5.5%	172	10.8%	173	10.9%	155	8.9%	201	13.7%
Finance, Real estate, Business Services	277	219	-3.3%	345	7.9%	389	10.1%	311	6.1%	345	7.9%
Community, Social & Personal Services	239	198	-2.7%	298	7.0%	337	9.2%	269	5.2%	324	8.5%
of which General Government	*60*	*46*	*-3.8%*	*75*	*8.5%*	*85*	*10.7%*	*68*	*6.6%*	*81*	*10.0%*
Other	*179*	*152*	*-2.3%*	*223*	*6.6%*	*252*	*8.8%*	*201*	*4.8%*	*243*	*8.1%*
Total	**1 237**	**1 061**	**-2.2%**	**1 647**	**7.6%**	**1 647**	**7.6%**	**1 647**	**7.6%**	**1 647**	**7.6%**

Table A4: GDP growth projections – alternative investment models, 2025-2031

Investment model:	2018	2025		2031							
				1. Balanced investment growth		2. Balanced increase in capital stock		3. Private sector led investment		4. Infrastructure led investment	
	Rb 2025 prices		Growth pa 2018-25	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31	Rb 2025 prices	Growth pa 2025-31
Agriculture, Forestry & Fisheries	179	216	2.7%	279	4.3%	250	2.5%	288	4.9%	268	3.6%
Mining & Quarrying	521	477	-1.3%	605	4.1%	545	2.2%	634	4.9%	573	3.1%
Manufacturing	1 020	936	-1.2%	1 080	2.4%	1 069	2.2%	1 123	3.1%	1 031	1.6%
Electricity Gas & Water	315	272	-2.1%	307	2.0%	309	2.1%	302	1.7%	314	2.4%
Construction (contractors)	227	155	-5.3%	172	1.8%	161	0.7%	172	1.8%	184	2.9%
Trade, Catering & Accommodation	1 002	965	-0.5%	1 130	2.7%	1 104	2.3%	1 173	3.3%	1 130	2.7%
Transport, Storage & Communication	539	542	0.1%	585	1.3%	598	1.6%	572	0.9%	608	1.9%
Finance, Real estate, Business Services	1 383	1 611	2.2%	1 778	1.7%	1 823	2.1%	1 754	1.4%	1 778	1.7%
Community, Social & Personal Services	1 567	1 702	1.2%	1 889	1.8%	1 933	2.1%	1 865	1.5%	1 913	2.0%
of which General Government	*581*	*599*	*0.4%*	*663*	*1.7%*	*678*	2.1%	*655*	*1.5%*	*671*	*1.9%*
Other	*986*	*1 103*	*1.6%*	*1 225*	*1.8%*	*1 254*	2.2%	*1 210*	*1.5%*	*1 241*	*2.0%*
Total value added at basic prices	**6 753**	**6 876**	**0.3%**	**7 824**	**2.2%**	**7 792**	**2.1%**	**7 884**	**2.3%**	**7 799**	**2.1%**
Taxes less subsidies on products	*742*	*765*	*0.4%*	*871*	*2.2%*	*867*	*2.1%*	*878*	*2.3%*	*868*	*2.1%*
Total gross domestic product	**7 495**	**7 642**	**0.3%**	**8 695**	**2.2%**	**8 659**	**2.1%**	**8 762**	**2.3%**	**8 667**	**2.1%**

This analysis also allows indicative financing requirements to be outlined for alternative investment trends over the period ahead.

The institutional savings projections for these models are based on the same assumptions that underly the simple balanced GFCF growth model summarised in Table 4. Government dissaving declines to 0.5% of GDP; financial intermediaries, public corporations and households increase their savings or retained earnings by fixed proportions of GDP; and private sector business enterprises retain the same share of GDP as in 2025.

Table A5: Presumptive distribution matrix – GFCF by institutional sector

	Financial Intermediaries	General Government	Public Enterprises	Private Enterprises	Households	Total
Agriculture, Forestry & Fisheries				50%	50%	100%
Mining & Quarrying				100%		100%
Manufacturing				100%		100%
Electricity Gas & Water		20%	80%			100%
Construction (contractors)				100%		100%
Trade, Catering & Accommodation			5%	90%	5%	100%
Transport, Storage & Communication		25%	50%	25%		100%
Finance, Real estate, Business Services	12%		4%	47%	37%	100%
Community, Social & Personal Services						
of which General Government		100%				100%
Other		65%		25%	10%	100%

The capital investment projections for these alternative models are derived from a highly simplified presumptive distribution matrix, set out in table A5. Empirically sourced estimates would improve these projections, though they would remain at best broadly indicative.

Tables A6-A9 illustrate net financing requirements and institutional financing projections for the four sector-based models.

We assume that private corporate businesses retain earnings equivalent to 10.8% of GDP. In the private sector-led model this is not quite sufficient to meet projected business investment, whereas in the infrastructure-led model savings equivalent to 1.1% of GDP flows from the business sector to other institutional sectors.

In all investment growth scenarios, the external financing requirement increases from 0.5% of GDP (table 3 above) to between 2.7% and 2.9% of GDP. Our key saving assumption is that government dissaving falls from 2% to 0.5% of GDP between 2025 and 2031.Considerably higher foreign financing would be required if government dissaving does not decline.

The consolidated public sector borrowing requirement (general government plus state enterprises) is somewhat higher in the infrastructure-led model (5.4% of GDP) than in the private investment-led alternative (4.3% of GDP). The public sector borrowing requirement is driven, in these models, by the growth in government and state enterprise investment.

Table A6: Balanced investment growth after recovery to 2018 levels

2031	R billions (2025 prices)			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	243.2		243.2	2.8%		2.8%
Financial intermediaries	218.7	42.2	176.5	2.5%	0.5%	2.0%
General government	-43.9	291.4	-335.3	-0.5%	3.4%	-3.9%
Non-financial business enterprises						
Public	124.8	218.1	-93.3	1.4%	2.5%	-1.1%
Private	939.5	897.1	42.5	10.8%	10.3%	0.5%
Households	164.3	197.8	-33.6	1.9%	2.3%	-0.4%
Total	**1 646.6**			**18.9%**		
Domestic economy	**1 403.4**	**1 646.6**	**-243.2**	**16.1%**	**18.9%**	**-2.8%**
GDP	*8 695.1*					

1. Gross saving including capital transfers received and less capital transfers paid.

Table A7: Balanced expansion in capital stock – saving and investment flows, 2031

2031	R billions (2025 prices)			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	249.6		249.6	2.9%		2.9%
Financial intermediaries	217.8	47.6	170.2	2.5%	0.6%	2.0%
General government	-43.7	322.3	-366.0	-0.5%	3.7%	-4.2%
Non-financial business enterprises						
Public	124.2	227.3	-103.0	1.4%	2.6%	-1.2%
Private	935.6	843.9	91.7	10.8%	9.7%	1.1%
Households	163.6	206.1	-42.5	1.9%	2.4%	-0.5%
Total	**1 647.1**			**19.0%**		
Domestic economy	**1 397.5**	**1 647.1**	**-249.6**	**16.1%**	**19.0%**	**-2.9%**
GDP	*8 658.8*					

1. Gross saving including capital transfers received and less capital transfers paid.

Table A8: Private investment-led recovery – saving and investment flows, 2031

2031	R billions (2025 prices)			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	232.4		232.4	2.7%		2.7%
Financial intermediaries	220.4	41.6	178.8	2.5%	0.5%	2.0%
General government	-44.2	266.5	-310.7	-0.5%	3.1%	-3.6%
Non-financial business enterprises						
Public	125.7	188.1	-62.3	1.4%	2.2%	-0.7%
Private	946.7	947.2	-0.5	10.8%	10.9%	-0.1%
Households	165.5	203.2	-37.7	1.9%	2.3%	-0.4%
Total	**1 646.6**			**18.8%**		
Domestic economy	**1 414.2**	**1 646.6**	**-232.4**	**16.1%**	**18.8%**	**-2.7%**
GDP	*8 762.0*					

Table A9: Public infrastructure-led recovery – saving and investment flows, 2031

2031	R billions (2025 prices)			% of GDP		
	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)	Gross saving[1]	Gross capital formation	Net lending (+) / Net borrowing (-)
Foreign sector	247.8		247.8	2.9%		2.9%
Financial intermediaries	218.0	41.6	176.4	2.5%	0.5%	2.0%
General government	-43.7	315.5	-359.2	-0.5%	3.6%	-4.1%
Non-financial business enterprises						
Public	124.4	238.5	-114.2	1.4%	2.7%	-1.3%
Private	936.4	847.8	88.7	10.8%	9.7%	1.1%
Households	163.7	203.2	-39.5	1.9%	2.3%	-0.4%
Total	**1 646.6**			**19.0%**		
Domestic economy	**1 398.8**	**1 646.6**	**-247.8**	**16.1%**	**19.0%**	**-2.9%**
GDP	*8 666.7*					

[1] Gross saving including capital transfers received and less capital transfers paid.

APPENDIX 2: INSTITUTIONAL FINANCIAL FLOWS: IMPLICATIONS OF AN INVESTMENT-LED GROWTH RECOVERY

A summary of the 2025 financial flows between institutional sectors is set out below, together with brief commentary on how these might shift to accommodate accelerated domestic investment.

An investment recovery will require greater net foreign inflows to the South African capital market, together with higher domestic savings and lower government dissaving to meet both public infrastructure financing requirements and business investment needs.

Table A10 summarises the 2025 financial flows between the foreign sector, five financial intermediary categories and government, public corporations, private business enterprises and households. Net acquisitions of financial assets are marked in green, net incurrence of liabilities are marked in red. These flows are recorded at *transaction value* – that is, they take no account of in-year valuation effects.

This compilation nets off the “incurrence of liabilities” and “acquisition of financial assets” in eight broad categories of financial instrument for the eleven institutional sectors recognised in the financial account. Changes on both sides of the institutional balance sheets are consolidated. For banks, for example, an increase in deposit liabilities of some R450 billion together with deposits placed (at the SARB or other financial institutions) results in an increase in net consolidated deposit liabilities of just under R400 billion. For private business corporations, a net incurrence of equity and quasi-equity liabilities of R55 billion (share issues, for example) and net purchases of shares or loan stock from financial institutions or the foreign sector of R200 billion result in a net consolidated acquisition of equity and quasi-equity of just under R150 billion.

Table A10 provides some insight into the financial flows underlying the institutional net lending/borrowing figures summarised in table 2 above.

- While the *foreign sector* in 2025 acquired assets of over R200 billion in South African public sector securities and in bank loans and trade credit, these inflows were largely offset by net outflows of over R230 billion (3% of GDP) through funds placed by domestic institutions in offshore investments.
- The *banking sector's* largest financial investments were in public sector securities (R129 billion), followed by loans and trade credit mainly to private sector businesses and households. Net issuance of mortgage loans amounted to R77 billion (1% of GDP), split roughly equally between the private corporate sector and households.
- The *Public Investment Corporation*, investing on behalf of the Government Employees' Pension Fund (GEPF) and other statutory funds, purchased some R98 billion in corporate shares and business loans, while investing just R27 billion (net) in public sector securities.
- *Insurers and retirement funds* received over R300 billion from household and business policy holders (contributions net of annuity benefits). Equity investments were drawn down by over R230 billion, and net investments in public sector securities were reduced by R34 billion. Over R200 billion was placed with the Public Investment Corporation (PIC) and collective investment schemes. Under receivables/payables and other transactions, the financial accounts reflect large reductions in household financial assets and in retirement fund liabilities associated with policy terminations and early withdrawals.
- *Other (non-bank) financial institutions* raised over R130 billion from equity and quasi-equity net sales in 2025 while also increasing use of bank loan facilities. The accounts reflect a R125 billion net increase in cash and monetary deposits by non-bank intermediaries.
- The *national government* accounts for R285 billion in net borrowing in 2025, and a further R30 billion in accounts payable and other liabilities.
- The consolidated *local government* account reflects a deficit position of R34 billion, mainly in a deteriorating balance between amounts receivable and payable.
- *Public sector corporations* recorded a borrowing requirement of R52 billion in 2025, but repaid debt, loans and shares equivalent to R58 billion. The accounts reflect a R129 billion deterioration in amounts receivable/payable, other assets/liabilities and financial derivatives.
- *Private business corporations* increased their cash and monetary deposits and funds placed with other institutions by just under R150 billion in 2025, while drawing on bank loans and trade credit by a net R96 billion. Equity and quasi-equity issues raised around R55 billion, while equity and related asset acquisitions amounted to over R200 billion. Private business corporations contributed R233 billion in net lending to the rest of the economy.
- *Households, unincorporated enterprises and non-profit institutions* invested R298 billion in cash and monetary deposits and funds placed with financial institutions in 2025. Households drew on bank loan facilities of R91 billion and mortgage loans of R36 billion. Households contributed R222 billion more to retirement and insurance policies than they drew in income benefits but recorded over R400 billion in early withdrawals or policy cancellations and other financial asset reductions or increases in liabilities.

Our indicative net financing projections for 2031 summarised in table 4 above imply the following (in 2025 prices):

- An increase in net foreign sector inflows from R35 billion to R261 billion, realised in part by a reduction in outflows which currently exceed R200 billion a year.
- A moderate increase in net saving attributable to financial institutions, from R133 billion to R175 billion, together with a transition toward enterprise and trade financing in banks' intermediation functions.
- Reduced dissaving in the general government accounts, an increase in gross capital formation and a moderate decline in the net borrowing requirement from R339 billion to R332 billion.
- Higher surplus generation to finance an investment increase from R125 billion to R195 billion by public corporations, with an increased net borrowing requirement of R71 billion.
- A substantial increase in private business investment from R593 billion to R923 billion, largely self-financed but accompanied by a reduction in the business sector's net saving contribution from R233 billion to just R11 billion, and hence a marked increase in the underlying role of domestic intermediation and foreign financing of business investment.
- An increase in household saving and capital formation, accompanied by a moderate increase from R11 billion to R41 billion in mortgage and other net lending to households.

While these may be plausible consolidated shifts in institutional balance sheets, it should be stressed that the national financial account is a highly simplified reconciliation of many millions of transactions, based on far-from-complete records.

It is notable, for example, that South Africa's financial account includes very large in-year balance-sheet entries between households, local government, public corporations and financial intermediaries in "amounts receivable/payable" and in "other liabilities/assets". These reflect, for example, accruals and other unfunded claims and obligations – invoices that households or businesses might or might not settle in future, advances reflected as deferred liabilities in the accounts of organisations or public entities, or accrued bills owed to service providers. Early drawdowns on life and retirement funds are also included in the flows.

Although the financial account does not provide a complete picture of the build-up of implicit debt and financial claims through unpaid bills or accruals, we know that the financial position of many municipalities reflects both poor revenue collection from customers and rising accruals of payment obligations to suppliers. Without concerted efforts to address these recurring cashflow imbalances, progress in financing increased investment by local authorities and public utilities will be held back.

Table A10: Net financial flows by institutional sector, 2025

	Foreign sector	SARB	Other monetary institutions	Public Investment Corporation	Insurers and retirement funds	Other financial institutions	Central and prov govts	Local govenments	Public corporations	Private business corporations	Households & unincorporated enterprises
Cash and monetary deposits	27.1	-41.8	-399.2	31.2	10.8	126.5	-2.3	3.6	20.1	125.7	98.3
Funds placed with other institutions	-231.3		57.7	-168.4	206.3	-111.2	24.1	1.5	-1.0	23.1	199.4
Public sector securiities	96.3	4.4	129.0	27.1	-34.2	34.2	-284.7	0.8	10.2	17.0	
Bank loans, trade credit & other loans	111.1	-55.6	128.4	-1.5	75.4	-50.0	-33.1	-10.8	22.1	-95.3	-90.8
Ordinary shares, loan stock & pref shares	-51.1		125.0	97.5	-234.6	-132.2	20.4	-0.3	26.4	148.9	
Mortgage loans	-3.4		76.9			1.6			-0.3	-38.7	-36.0
Interest in insurers a retirement funds	19.6		0.8		-306.3					64.0	221.9
Receivables/payables & other transactions	66.7	72.0	-16.5	14.2	325.9	140.2	-30.1	-28.3	-129.3	-11.4	-403.4
Total: net lending (+) borrowing (-)	**35.0**	**-21.0**	**102.0**	**0.1**	**43.2**	**9.1**	**-305.7**	**-33.6**	**-51.9**	**233.3**	**-10.6**