

Economies at a Glance

August 2026

Forecast 2026:

GDP: **2.1%**

Core PCE Inflation: **3.2%**

Forecast 2027:

GDP: **2.2%**

Core PCE Inflation: **2.5%**

EUROZONE

Europe's extreme summer has turned climate risk into an economic constraint. Record drought and depleted rivers disrupted agriculture, freight and electricity generation, forcing nuclear plants to reduce output and constraining shipping along the Rhine. Triodos Bank estimates the direct cost at €50-75 billion, while the effects of heat, wildfires and lost productivity could approach 1% of the European Union's GDP. Although S&P Global's composite purchasing managers' index (PMI) edged up to 52.1 points in August, households remain cautious. Eurostat reported a household saving rate of 14.3% in the first quarter, above its pre-pandemic average, restraining consumption despite resilient labour markets. Headline inflation rose to 2.9% in July, driven by an annual 10.3% surge in energy prices. Having raised its deposit rate to 2.25% in June and kept it steady in July, the European Central Bank faces an uncomfortable choice between containing inflation and avoiding further damage to demand, investment and climate-exposed industries.

Forecast 2026:

GDP: **1.1%**

Inflation: **3.1%**

Forecast 2027:

GDP: **1.2%**

Inflation: **2.6%**

JAPAN

Japan's policy constraints tightened as currency weakness, inflation and security demands converged. After the yen breached ¥163 to the dollar, its weakest level in four decades, Japan and the US staged a coordinated intervention. The move lifted the currency towards ¥155.5, but much of the gain faded, underscoring the difficulty of resisting the interest rate gap between the US and Japan. The 10-year Japanese government bond yield approached 3%, its highest since 1996, as markets anticipated further interest rate tightening. While the weak yen benefits exporters, it raises imported energy and food costs. In addition, fiscal pressures are mounting. Japan's white paper on defence envisages taking primary responsibility for repelling an invasion by fiscal year 2027, while tensions involving Russia and North Korea reinforce pressure for higher security spending. These moves show intervention can buy time, but it cannot resolve Japan's monetary and fiscal tensions.

UNITED STATES

Inflation in the United States (US) remains above target, while geopolitical tensions and energy costs threaten renewed price pressure. Nearly 60% of economists surveyed by the Financial Times and Chicago Booth expect the return to 2% inflation to take longer than previously thought. Fiscal strains are becoming harder to ignore, with federal debt having crossed US\$40 trillion and the 30-year Treasury yield reaching its highest level in 19 years. Treasury Secretary Scott Bessent's decision to double buybacks of long-dated bonds steadied markets but raised questions about policy credibility. The external backdrop offers little relief. Israeli strikes on Lebanon risk complicating diplomacy with Iran, while Iran-Oman talks on a shipping lane have yielded little progress. With the collapse of trade negotiations between the US and Canada, these strains have left markets divided over a September interest rate hold.

Forecast 2026:

GDP: **0.7%**

HICP Inflation: **2.8%**

Forecast 2027:

GDP: **1.2%**

HICP Inflation: **2.3%**

UNITED KINGDOM

Britain's government received an economic lift, but its honeymoon may prove brief. The GfK Consumer Confidence Index rose three points to -14 in August, a two-year high reflecting a "Burnham bounce". The economy expanded by 0.4% in the second quarter, as business investment and household consumption strengthened. S&P Global's flash composite PMI rose from 52.2 to 52.5 in August, a four-month high that exceeded forecasts and was driven by services. Yet inflation accelerated from 2.6% to 2.9% in July, as higher energy costs renewed pressure on household budgets and complicated the Bank of England's policy outlook. Prime Minister Andy Burnham must square energy security with climate commitments as the government reconsiders the Rosebank and Jackdaw oil and gas fields amid heat, drought and wildfires. The larger test will come with Chancellor John Healey's October Budget, where popular cost-of-living pledges, strained public finances and the need to sustain investment will prove harder to reconcile.

Forecast 2026:

GDP: **0.8%**

Inflation: **1.9%**

Forecast 2027:

GDP: **0.8%**

Inflation: **2.1%**

CHINA

China's growth slowdown deepened as weak domestic demand offset strength in exports and state-backed technology. Industrial production growth eased to 4.5% in July, retail sales rose only 0.6% and real estate investment contracted 19.2%. The manufacturing PMI slipped below 50, signalling contraction. Beijing responded by opening applications for an RMB800 billion policy-financing facility for infrastructure and strategic projects, although implementation delays may limit its impact. China's 10-year government bond yield fell to a 13-month low even as global yields rose, reflecting excess savings, weak investment demand and expectations of further policy support. Labour market strains continue, with an estimated 53 million workers now relying on lower-paid gig employment, according to the Financial Times, which offers weaker income security. By contrast, Alibaba's HK\$80 billion (US\$10.2 billion) share placement to fund AI investment highlights continued momentum in favoured sectors.

Forecast 2026:

GDP: **3.7%**

Inflation: **3.4%**

Forecast 2027:

GDP: **4.3%**

Inflation: **3.1%**

EMERGING MARKETS

Emerging markets faced a common energy shock but entered August with markedly different policy constraints. Türkiye's inflation eased but remained elevated at 31.8% in July, prompting its central bank to hold interest rates at 37%. Conditions were less restrictive in Asia. India's inflation rose to 4.5% but remained within the Reserve Bank of India's tolerance band, allowing policymakers to hold the repo rate at 5.25% while lifting their growth forecast to 6.7% for this fiscal year. Indonesia's 5.3% second-quarter growth figure, coupled with inflation of 2.9% in July, enabled Bank Indonesia to hold rates at 5.75% after earlier hikes to defend the rupiah. In Latin America, Brazil delivered a fourth quarter-point cut, taking the Selic rate to 14.25%, although above-target inflation and fiscal uncertainty favour gradual easing. Political risk also increased as President Luiz Inácio Lula da Silva led first-round polls but ran neck-and-neck with Flávio Bolsonaro in hypothetical run-off scenarios. Russia faced the harshest trade-off, cutting interest rates to 14% despite persistent inflation (6% in July) driven by war spending, sanctions and fuel shortages following Ukrainian attacks on refineries.

Forecast 2026:

GDP: **1.2%**

Inflation: **4.2%**

Forecast 2027:

GDP: **1.5%**

Inflation: **3.7%**

SOUTH AFRICA

South Africa's (SA) institutional reform agenda advanced alongside renewed scrutiny of political accountability, law enforcement and municipal governance. National Treasury and the SA Reserve Bank (SARB) published draft rules bringing cross-border crypto transactions into the capital-flow framework. Offshore transfers would have to pass through authorised providers, remain within individuals' foreign-currency allowances and be reported to the SARB's Financial Surveillance Department. The proposals extend oversight to digital assets without yet abolishing exchange controls. Political accountability also returned to the foreground in SA. Proceedings in the Phala Phala impeachment inquiry remained suspended pending President Cyril Ramaphosa's legal challenge, while the Economic Freedom Fighters (EFF) pursued an appeal against the court-ordered pause. Meanwhile, the Madlanga Commission intensified its investigation into alleged criminal influence over policing and procurement. It resolved for the first time to lay charges against a witness for defying a summons, while testimony from alleged crime boss Vusimuzi "Cat" Matlala continued to expose links between business, police contracts and political networks. Governance pressures extended to local government ahead of November's municipal elections. Parliament introduced legislation to formalise coalition agreements, while Johannesburg's settlement of its R5.25 billion Eskom debt averted electricity restrictions yet underscored the ongoing financial fragility of municipalities.



Indices summary for August 2026

Indices	One Month	Three Month	One Year	Three Years	Four Years	Five Years	Six Years	Seven Years	Ten Years
S.A. equity indices									
FTSE/JSE All-Share Index (ALSI)	4.65%	1.99%	18.42%	20.04%	18.96%	15.94%	17.43%	15.39%	12.06%
FTSE/JSE All Share Top 40 Index	5.73%	2.30%	19.55%	20.24%	19.70%	16.47%	17.47%	15.97%	12.61%
FTSE/JSE Mid Cap Index	-0.15%	-0.91%	10.35%	16.14%	13.47%	10.87%	15.57%	10.38%	7.30%
FTSE/JSE Small Cap Index	-2.16%	-0.31%	14.94%	21.03%	17.34%	17.99%	25.42%	18.36%	10.50%
FTSE/JSE Resources Index	24.46%	6.78%	54.44%	33.93%	24.47%	19.48%	20.46%	21.83%	20.39%
FTSE/JSE Financials Index	-1.59%	2.50%	24.58%	21.96%	20.90%	17.75%	22.73%	13.26%	10.00%
FTSE/JSE Industrials Index	-5.65%	-3.25%	-9.05%	8.88%	12.58%	10.46%	11.39%	10.47%	7.42%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (RAFI)	4.36%	1.52%	29.10%	21.47%	19.72%	17.80%	21.52%	16.76%	13.90%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.72%	1.12%	25.99%	21.23%	18.91%	16.92%	20.85%	16.15%	13.34%
FTSE/JSE SA Listed Property Index (SAPY)	-3.81%	2.09%	18.54%	24.61%	20.88%	15.58%	20.85%	8.20%	4.63%
FTSE/JSE All Property Index (ALPI)	-4.10%	1.75%	18.52%	24.68%	20.76%	15.35%	20.78%	8.16%	3.68%
S.A. interest-bearing indices									
FTSE/JSE All Bond Index (ALBI)	0.69%	0.79%	16.55%	16.74%	14.36%	11.66%	12.18%	11.00%	10.63%
FTSE/JSE All Bond Index 1-3 years (ALBI)	0.74%	2.06%	7.54%	9.26%	9.21%	8.04%	7.45%	8.05%	8.35%
FTSE/JSE Inflation-Linked Government Index	1.01%	2.17%	18.34%	11.50%	8.98%	9.23%	9.95%	8.42%	6.36%
Short-term Fixed Interest Composite Index (SteFI)	0.58%	1.71%	6.99%	7.81%	7.68%	7.02%	6.49%	6.48%	6.76%
Commodities									
NewGold Exchange-Traded Fund	6.90%	-2.98%	17.33%	24.56%	24.64%	21.88%	13.30%	17.07%	13.63%
Gold price (in rands)	10.58%	-0.11%	21.35%	26.37%	26.04%	22.74%	14.37%	17.86%	14.47%
Platinum Exchange-Traded Fund	6.85%	-6.53%	20.90%	16.00%	18.49%	14.27%	10.31%	10.28%	6.12%
Platinum price (in rands)	6.07%	-6.56%	22.21%	16.83%	18.88%	14.00%	10.22%	10.40%	6.22%
Currency movements									
Rand/euro movements	-1.57%	-0.84%	-9.50%	-3.02%	2.27%	1.87%	-1.30%	1.64%	1.34%
Rand/dollar movements	-2.51%	-0.35%	-8.78%	-5.17%	-1.35%	2.20%	-0.82%	0.87%	0.94%
S.A. inflation index									
Consumer Price Index (CPI)			4.26%	4.11%	4.27%	4.97%	4.93%	4.67%	4.63%
Global indices									
MSCI World Index (All Countries)	1.66%	2.46%	11.43%	14.28%	17.13%	13.52%	12.74%	15.38%	13.44%
MSCI Developed Markets Index	0.01%	2.00%	9.80%	13.90%	17.36%	13.66%	13.18%	15.48%	14.04%
MSCI Emerging Markets Index	7.59%	0.16%	26.94%	16.62%	15.84%	11.00%	9.04%	12.06%	10.27%
Global Property Research (GPR) 250 REIT Index	-8.12%	1.75%	-7.85%	-0.45%	3.77%	6.79%	5.91%	5.97%	6.37%
MSCI Africa Index	7.37%	2.98%	16.35%	17.78%	15.19%	10.99%	10.82%	8.70%	5.92%
FTSE World Government Bond Index	-2.12%	-1.13%	-8.46%	-2.46%	0.54%	-0.77%	-3.37%	-0.64%	0.44%
Three-month US dollar LIBOR rate	-2.23%	0.55%	-5.40%	-0.88%	3.05%	5.91%	2.21%	3.67%	3.33%
ICE LIBOR 1 Month USD ZAR converted	-2.23%	0.55%	-5.40%	-0.81%	3.22%	6.15%	2.39%	3.81%	3.49%
FTSE EPRA/NAREIT Developed Index	-5.14%	0.03%	0.93%	4.10%	4.24%	3.05%	4.60%	3.61%	4.14%

Note:

- Source: Momentum Multi-Manager, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- The return for the 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).
- The MSCI World Index (All countries) returns are adjusted to correspond with global investment prices received.
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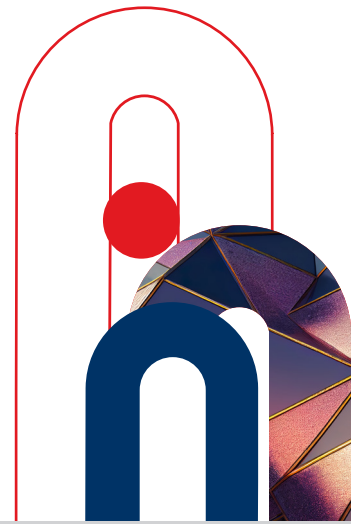
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