
South Africa Economic Outlook: Q3 2026

The bottleneck is moving

September 2026



Contents

About this series	3
PwC house view	3
South Africa economic pulse	4
How South Africa’s infrastructure constraints are shifting across systems, places and industries	7
1. Structural theme or constraint	8
2. Industry transmission	9
3. Business and capital response	12
4. PwC analysis	14
5. Implications for clients	17
Sources list	19
Contacts	21



About this series

South Africa has economic growth potential. The challenge is understanding why that potential does not always translate into investment, productive activity, employment, and value creation.

The answer lies in the conditions that shape economic outcomes. Infrastructure, the operating environment, industry dynamics, and business investment decisions each influence how opportunities are converted into growth.

This edition of the South Africa Economic Outlook is the first in a five-part series examining that process from different perspectives. Each edition will draw on economic indicators, industry analysis, and PwC insights to explore the structural shifts shaping business decisions and economic outcomes. The series will focus on five key questions:

Where is South Africa’s growth bottleneck moving?

As constraints in electricity, freight, water, and infrastructure delivery evolve, where are they becoming most binding on growth and investment?

How is the need for resilience changing the way businesses allocate capital?

How are businesses balancing resilience investment with spending that improves productivity and expands capacity?

How are South Africa’s production and distribution patterns evolving?

What do shifts across manufacturing, trade, logistics, and warehousing reveal about the structure of future economic growth?

What kind of growth will create the employment South Africa needs?

How do differences in labour intensity, skills requirements, and industry composition influence the extent to which growth translates into jobs?

Is resilience becoming a source of economic divergence?

How might differences in infrastructure reliability and operating conditions affect competitiveness, investment, and growth?

Together, these themes explore a common question: What determines whether South Africa’s economic potential is converted into realised growth, investment and employment?

PwC house view

South Africa’s economy continues to grow, but the pace remains modest relative to the country’s income and employment needs. Our forecast of 1.1% real GDP growth in 2026 and 1.3% in 2027 reflects this challenge. At the same time, the factors limiting stronger economic performance are changing. As some long-standing constraints begin to ease, greater attention is shifting towards investment, logistics, municipal service delivery and the strength of household demand. Elevated inflation and interest rates continue to weigh on activity, suggesting that the recovery is likely to remain gradual rather than broad-based.

Macroeconomic forecasts (8 September 2026)

Baseline scenario				
	2024	2025	2026F	2027F
ZAR/USD (annual average)	18.32	17.88	16.50	17.00
Consumer price inflation (%)	4.4	3.2	4.4	4.2
Repo rate (end-of-period)	7.75	6.75	7.25	6.75
Real GDP growth (%)	0.5	1.1	1.1	1.3
Unemployment rate (%)	32.6%	32.4%	30.9%	29.5%

Probability-weighted average				
	2024	2025	2026F	2027F
ZAR/USD (annual average)	18.32	17.88	16.52	17.03
Consumer price inflation (%)	4.4	3.2	4.4	4.2
Repo rate (end-of-period)	7.75	6.75	7.28	6.80
Real GDP growth (%)	0.5	1.1	1.1	1.2
Unemployment rate (%)	32.6%	32.4%	30.9%	29.4%

South Africa economic pulse

The heatmap used below provides a snapshot of the economy across a broad set of economic, industry, consumer, price, and confidence indicators. For each indicator, it presents the four latest available observations, showcasing both the most recent reading and how the variable has moved over its last four reporting periods. The latest picture is mixed: vehicle demand, exports, and the SARB’s leading business cycle indicator remain supportive, while industrial activity, business confidence, real household income, and parts of the cost environment remain under pressure. The SARB leading indicator combines a range of forward-looking measures to provide an early indication of whether economic activity is likely to strengthen or weaken in the months ahead. Overall, the heatmap suggests that conditions are not deteriorating across the board, but that the recovery remains uneven and too narrow to signal a broad-based acceleration in activity.

Current state and direction of key economic indicators (8 September 2026)

The four columns show each indicator’s latest four published observations. Dates differ because publication frequencies and lags vary. Thresholds reflect the economic meaning of each indicator, so a higher reading is not automatically treated as better.

Theme	Indicator	T-3	T-2	T-1	Latest	State	What this means
Economy	Absa PMI (manufacturing) (index)	50.8	47.3	46.8	45.8	• Negative	Manufacturing survey remains contractionary.
	S&P Global SA PMI (private sector) (index)	49.6	50.5	50.3	50.5	• Neutral	Private-sector activity is broadly flat.
	PayInc Economic Index (% y/y) (context only)	+6.1%	+4.0%	+2.5%	+0.9%	• Neutral	Real transaction activity still positive but easing.
	New vehicle sales (% y/y)	+12.8%	+15.3%	+11.9%	+11.4%	• Positive	Vehicle demand remains strong.
	Composite leading business cycle indicator (% y/y)	+5.7%	+3.9%	+4.2%	+2.1%	• Positive	Forward signal remains positive but has softened.
	RMB/BER Business Confidence Index (index)	44.0	47.0	39.0	38.0	• Negative	Confidence remains below the neutral 50 mark.
External	Exports (% y/y)	+1.8%	+6.8%	+13.5%	+5.8%	• Positive	Export growth is positive but slower than June.
	Imports (% y/y) (context only)	+11.8%	+3.9%	+18.1%	+5.8%	• Neutral	Import growth is moderate in the latest reading.
	*Merchandise trade-balance ratio (%)	3.8	1.2	4.8	5.5	• Positive	Merchandise exports exceeded imports; the surplus was equivalent to 5.5% of total merchandise trade.
	ZAR/USD (context only) (monthly average)	16.48	16.40	16.46	16.18	• Neutral	Rand stronger than a year ago; volatility remains a risk.
Industry	Mining production (% y/y, volume)	+2.5%	+7.9%	-5.1%	-4.0%	• Negative	Mining output remains under pressure.
	Manufacturing production (% y/y)	+1.4%	-3.0%	-4.4%	-1.7%	• Neutral	Manufacturing remains weak but off the May low.
	Electricity production (% y/y) (context only)	-8.7%	-8.5%	-7.9%	-7.9%	• Negative	Grid output remains lower.
Consumer	Retail sales (% y/y)	+2.5%	+1.2%	+2.2%	+1.6%	• Neutral	Household spending is positive but modest.
	Motor trade sales (% y/y)	+15.3%	+6.1%	+0.2%	+1.5%	• Neutral	Motor trade is broadly stable.
	*Real tourism income (% y/y)	+10.3%	+1.8%	-2.2%	-2.5%	• Negative	Accommodation income declined after adjusting for inflation.
	*Real PayInc salary (% y/y)	-2.4%	-2.8%	-3.6%	-2.2%	• Negative	Real take-home pay remains under pressure.
Prices and financial	CPI (% y/y)	+4.0%	+4.5%	+5.0%	+4.3%	• Negative	Inflation is above the new preferred target range.
	PPI (% y/y)	+4.8%	+7.8%	+7.5%	+5.7%	• Neutral	Producer price pressure remains elevated.
	SARB policy rate (%)	7.00%	7.00%	7.00%	7.00%	• Neutral	The policy rate remains above PwC’s estimated neutral level, implying relatively tight monetary conditions.
	Prime lending rate (%) (context only)	10.50%	10.50%	10.50%	10.50%	• Neutral	Lending rates remain elevated.
Government and fiscal	*Expenditure execution (pp)	0.3	0.7	0.3	0.4	• Neutral	Spending execution is broadly in line with last year.
	*Tax revenue performance (pp)	0.2	0.1	0.5	0.0	• Neutral	Tax collection pace is broadly in line.

Current-state key ▶ ■ Positive ■ Neutral ■ Negative

Sources: PwC analysis based on sources 1-15 and 17-18. See Sources list. Data cut-off: 8 September 2026.

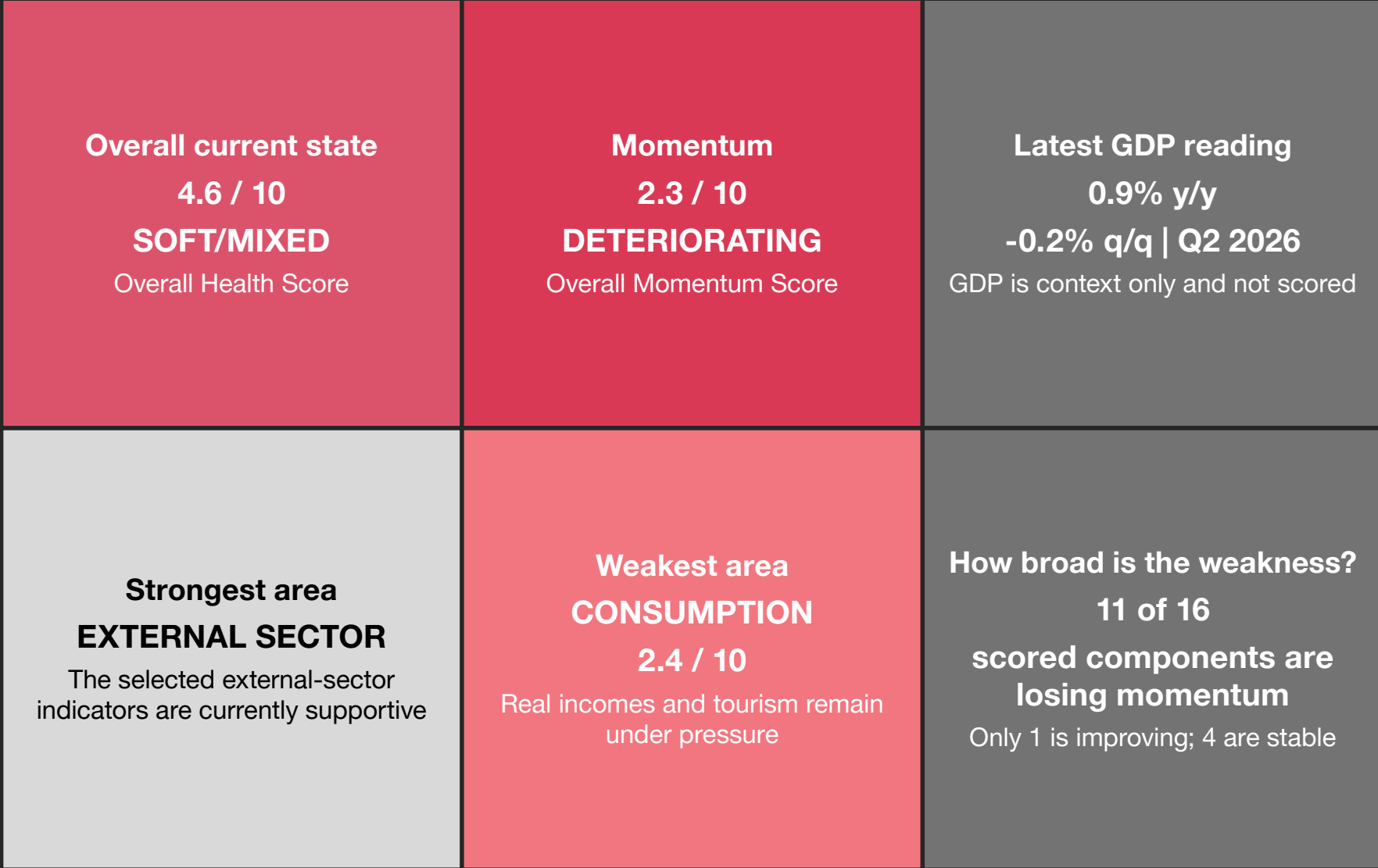
Notes: T-3 to Latest are the latest four published observations for each series at its natural frequency. Reference periods therefore differ across indicators. y/y = year-on-year; pp = percentage points; index = index level; monthly average = average exchange rate for the month; context only = shown for interpretation but not included in the Health or Momentum scores. Real tourism income, real PayInc salary, the trade-balance ratio and fiscal gaps are PwC-derived measures. Fixed, indicator-specific thresholds determine the state. For the Merchandise trade-balance ratio: positive readings indicate a merchandise trade surplus and negative readings a deficit—historical values use the latest revised SARS data available at the cut-off. The scoring is categorical: indicators within the same state receive the same score, regardless of how far they are inside that range. *PwC-derived measure based on official or published source data.

What the signals mean for the whole economy

The Economic Pulse below brings the individual heatmap signals together to show both the current health of the economy and whether conditions are improving or weakening. It combines the scored indicators into four broad areas: consumption, investment, government, and the external sector. This then converts into an overall health and momentum view. The latest reading points to a soft economy with weakening momentum - the external sector remains the strongest pillar, while consumption and investment conditions are much weaker. This is consistent with the latest GDP data, which showed the economy contracting by 0.2% q/q in Q2 2026, although output remained 0.9% higher than a year earlier. The key message is that growth remains fragile, with stronger investment, industrial activity, and real income growth still needed for a more durable recovery.

From individual indicators to the bigger picture (8 September 2026)

The Pulse is a directional diagnostic based on a selected set of indicators, not a comprehensive measure of the economy.



Note: Health = where conditions are now. Momentum = whether they are improving or weakening



What this means for the economy

- Growth lost momentum in Q2**
Real GDP fell 0.2% q/q in Q2, while output remained 0.9% higher y/y. Trade, manufacturing, and mining were the main drags.
- The external sector is the strongest area**
Exports and the merchandise trade balance are providing support, but this has not translated into broad-based domestic strength.
- Consumption is the weakest area**
Real take-home pay and tourism income remain under pressure, limiting the strength of household demand.
- A broader recovery still needs stronger investment and production**
Business confidence, manufacturing, and mining remain weak, making investment conversion and industrial activity important for a more durable recovery.

Outlook at a glance (out of 10)

Pillar health scores

C	2.4
I	4.1
G	5.0
X-M	10.0

- Scores show how the selected indicators compare with fixed thresholds and should not be interpreted as a measure of absolute performance. A score of 10 means that all scored indicators in that pillar are currently classified as positive.
- Scores use the same 0-10 scale; the grey portion is the remaining distance to 10.

Momentum: Is each pillar getting better or worse?

Health shows where conditions are now; Momentum shows whether they are improving or weakening. The two measures are assessed separately and can therefore point in different directions.

Consumption (C)
0.4 / 10

Investment (I)
1.9 / 10

Government (G)
7.0 / 10

External sector (X-M)
2.5 / 10

Overall momentum
2.3 / 10

Bottom line: Current economic health remains soft/mixed and momentum is deteriorating. Q2 GDP contracted, reinforcing the weak production signal despite pockets of support in household demand and monthly merchandise trade.

Sources: PwC analysis based on sources 1-18, with selected indicators used for scoring as described above. See Sources list. Data cut-off: 8 September 2026.

Notes: The Economic Pulse assesses selected high-frequency indicators across consumption, investment, government, and the external sector. Health shows where conditions are now by classifying each scored indicator as positive, neutral, or negative against fixed, indicator-specific thresholds. Momentum separately assesses whether recent conditions are improving, stable, or deteriorating, allowing for predefined materiality levels. The four pillars are combined using fixed weights. Closely related PMI and vehicle indicators share sub-buckets to avoid double-counting. Some indicators shown in the heatmap are included for context only and do not enter the scores. The Pulse is a directional diagnostic based on a selected set of indicators and should not be interpreted as a comprehensive measure of the economy or as an absolute performance rating. Weights are C 30%, I 40%, G 15% and X-M 15% for both outputs.

How South Africa's infrastructure constraints are shifting across systems, places, and industries

Core proposition

South Africa has made meaningful progress in addressing some of the infrastructure constraints that have weighed on economic activity in recent years. Most visibly, national electricity generation reliability has improved materially, while recovery and reform are underway across freight logistics, water, and infrastructure delivery.^{19, 20, 21, 22, 23}

But improvement in one part of the system does not necessarily mean that businesses can immediately use the additional capacity. The PwC Growth Conversion Map developed for this Outlook shows that the constraint stack is becoming more distributed and interdependent. Electricity provides the clearest evidence of a bottleneck shifting from national generation towards transmission, connection, and distribution. Freight performance is recovering, but substantial constraints remain at national and corridor level. Water remains a widespread challenge, while the reliability experienced by businesses differs materially across utilities and locations. Across all three systems, project execution influences how quickly planned capacity becomes usable capacity.^{24, 21, 25, 22, 26, 23}

The growth challenge is therefore increasingly one of conversion: whether improvements in national systems can travel through networks, corridors, and local operating environments before becoming business investment, production, exports, and jobs.

What we mean by a “moving bottleneck”

A moving bottleneck does not mean that an earlier constraint has disappeared or that every constraint is shifting from national to local. It means that, as performance improves in one part of the system, another part can become relatively more important in determining whether economic capacity can actually be accessed and used.

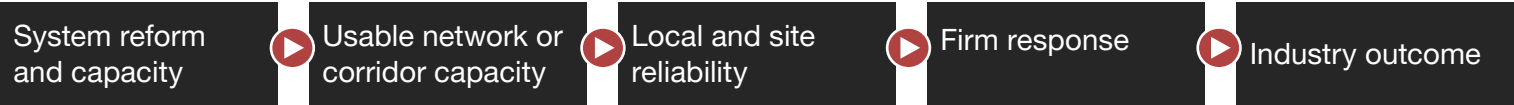


From the Economic Pulse to the structural question

The Economic Pulse and PwC house view establish the near-term direction of South Africa’s economy. Recent mining, manufacturing, and business-survey indicators nevertheless show that improved electricity conditions have not yet translated into broad industrial momentum.^{27, 28, 29,}
³⁰ This thematic analysis asks a different question: what is preventing improving economic and infrastructure conditions from converting more consistently into productive activity?

The answer depends increasingly on where the constraint sits. It may remain within a national system, such as a freight network; along a transmission or logistics corridor; within a municipal utility; at a particular infrastructure project; or at the site where a business ultimately needs to access the capacity.

This Outlook therefore follows the constraint through the full growth-conversion chain:



The analysis focuses on electricity, freight, and water/local utilities and then tests how these systems interact differently across mining, manufacturing, agriculture and agro-processing, and tourism and hospitality. The objective is not to identify preferred industries or locations, but to understand where economic potential can be lost between infrastructure reform and realised growth.

1. Structural theme or constraint

From stabilisation to growth conversion: Where growth is still getting stuck

Summary

South Africa’s infrastructure constraint has not simply shifted from national systems to local delivery. It is changing differently across systems. National electricity generation has improved materially, making transmission, grid connection, and distribution relatively more important to whether available power can be used. Freight performance is recovering, but rail and port throughput remain substantial national and corridor-level constraints. Water losses remain high nationally, while utility performance differs materially between locations. Across all three systems, project preparation and execution determine how quickly planned capacity becomes operational capacity.

The emerging growth challenge is therefore increasingly about conversion: whether improvements in infrastructure systems remain usable through the full chain to the industries, firms, and locations where production, investment, and employment ultimately occur.



Infrastructure reform is producing different types of constraint

South Africa’s infrastructure systems are no longer characterised by one dominant and uniformly experienced constraint. The evidence instead points to a more distributed constraint stack, with the limiting point differing according to the system concerned.

Electricity provides the clearest example of this change. Eskom’s Energy Availability Factor increased from 54.56% in FY2024 to 65.16% in FY2026, an improvement of 10.60 percentage points, while the utility completed 365 consecutive days without load-shedding in May 2026.^{19,}
²⁰ This represents a material improvement in national generation reliability.

However, improved generation does not automatically translate into usable electricity at the point of demand. During FY2026, 270.8 km of transmission lines were delivered against a planned 423 km, equivalent to 64.0% of the annual target. Transformer capacity performed more strongly, with 4,000 MVA delivered against a 3,750 MVA target.²⁴ The electricity bottleneck has therefore not disappeared; rather, the evidence increasingly shifts attention towards transmission capacity, grid connection, and the reliability of distribution networks.

Freight presents a different pattern. Rail freight volumes increased from 151.7 million tonnes to 160.1 million tonnes in 2024/25, representing a 5.5% improvement. Yet throughput remained 89.9 million tonnes, or 36.0%, below the government’s end-of-decade target of 250 million tonnes.^{21, 31} Port performance also improved from a low base: container crane productivity increased from 15.1 to 16.0 moves per gross crane hour but remained materially below the 30-move benchmark.^{25, 32}

Freight should therefore not be interpreted as evidence of a wholesale movement from national to local constraints. Reform and performance recovery are visible, but the principal bottlenecks remain substantially at national and corridor level. For traded industries, the relevant question is whether improving production capacity can be matched by sufficient rail, port, and corridor throughput to move additional output to market.

Water presents a third pattern. National non-revenue water remained effectively unchanged at approximately 47.3%, compared with 47.4% previously, leaving the country 22.3 percentage points above the Department of Water and Sanitation’s 25% benchmark.²² The national figure indicates widespread system weakness, but the operating reality faced by firms depends on the performance of the relevant utility and network.

Johannesburg illustrates this local differentiation. Johannesburg Water reduced non-revenue water from 46.18% in FY2023/24 to 44.79% in FY2024/25. This was an improvement, but performance remained 4.79 percentage points above the utility’s 40% FY2024/25 target.^{33, 26} The national data therefore provide important context, but they cannot on their own describe the reliability experienced at a particular business location.

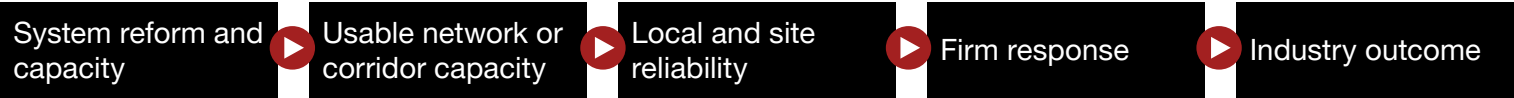
In July 2026, the South African Reserve Bank stated that municipal dysfunction had “become a binding constraint on growth”.³⁴ This matters because firms experience infrastructure through particular networks: the electricity distributor supplying a facility, the water utility serving a processing plant, the road connecting a warehouse to a freight corridor, or the municipal approval required before construction can begin.

Execution cuts across the constraint stack

Project execution should not be treated as the final stage of this story or as a separate infrastructure system. It is a cross-cutting conversion constraint. Planning, approvals, procurement, and construction determine when new electricity, freight, and water capacity becomes available for use.

Recent public infrastructure evidence illustrates this distinction: 37 projects were recorded as completed, 82 as under construction, and 54 as being in documentation or procurement, while the proportion of planned tenders subsequently advertised improved from approximately 42% to 58%.²³ These measures describe different stages of delivery and should not be interpreted as a common-cohort project-completion rate. Their relevance is simpler: an announced or funded project does not create productive capacity until it becomes an operational asset.

This is why the infrastructure challenge increasingly needs to be understood as a conversion chain:



An improvement at one point in the chain can raise economic potential, but growth can still be constrained by a weaker relevant link elsewhere. The location of that link differs by system and, as the next section shows, by industry.

2. Industry transmission

The same infrastructure improvement does not unlock every industry in the same way

Summary

Growth is converted through industries, not infrastructure systems in isolation. Mining depends on production capacity and export corridors working together; manufacturing requires electricity, water, and logistics to operate simultaneously; agricultural output must move through processing, cold-chain, and market-access links to create downstream value; and tourism depends on access as well as the quality and reliability of the destination itself. The implication is that the same improvement in national infrastructure can produce very different economic outcomes across industries. A stronger electricity system may increase productive potential, but that potential only becomes output, exports, visitor expenditure, or jobs when the other relevant links in an industry's conversion chain are also functioning.



Four industries illustrate four different conversion problems

Phase 3 of the Government-Business Partnership identifies mining, infrastructure, tourism, and agriculture and agro-processing as priority growth drivers, alongside economy-wide reforms in energy and transport and logistics.³⁵ For this Economic Outlook, we use mining, manufacturing, agriculture and agro-processing, and tourism and hospitality as four transmission cases.

The industries were selected because they combine economic and policy relevance with materially different exposure to the changing constraint stack and sufficiently robust data to test the transmission mechanism. Manufacturing is included deliberately even though it is not one of the four Phase 3 priority sectors: it provides a particularly useful test of whether improvements across several infrastructure networks can be converted into sustained productive activity.

Infrastructure and construction are treated differently. They remain important to growth, but in this analysis they are principally part of the delivery mechanism through which electricity, freight, water, and other capacity becomes operational. Treating infrastructure simultaneously as an enabler and as another full industry case risks obscuring where the economic benefit ultimately materialises.

The four industries are therefore not intended to rank economic opportunities or indicate where investment should be directed. They illustrate four different ways in which infrastructure and operating conditions can interrupt, or enable, the conversion of economic potential into activity.

Industry	Core conversion chain	Where the constraint can interrupt conversion	What successful conversion looks like
Mining	Electricity and water -> mine production -> rail and ports -> exports and sales	Improved production capability does not translate fully into sales when rail or port throughput remains binding. Grid access and water availability can also constrain additional production before the commodity reaches the corridor.	Production capacity and market-access capacity expand together, allowing additional tonnes to become sustained export volumes and revenue.
Manufacturing	Electricity, water, and inputs -> factory utilisation -> road and port logistics -> output and jobs	Manufacturing depends on several network inputs at the same time. Reliable electricity cannot fully compensate for water interruptions, delayed inputs, or disrupted outbound logistics.	Higher and more stable utilisation, fewer operational interruptions, and more reliable conversion of productive capacity into output and employment.
Agriculture and agro-processing	Water and electricity -> primary output -> processing and cold chain -> logistics and markets -> value-add and exports	Strong primary output does not necessarily translate one-for-one into downstream processing. Processing capacity, electricity, cold chains, biosecurity, logistics, and market access all influence the conversion.	Primary-sector gains are accompanied by stronger processing and downstream value addition rather than being lost between production and market.
Tourism and hospitality	Air and road access -> destination functionality -> visitor experience -> visitor expenditure and jobs	Demand and air access can bring visitors to South Africa, but local transport, utilities, safety, and destination services influence whether that opportunity converts into expenditure.	Increased arrivals translate into sustained visitor spend, greater activity across tourism-linked businesses, and employment.

Mining: Production and market access must move together

Mining provides the clearest physical example of the conversion problem. Greater production potential only creates economic value when additional tonnes can reach customers. The PwC Growth Conversion Map shows that rail freight volumes have begun recovering, but remain 89.9 million tonnes, or 36.0%, below the 250 million tonne end-of-decade policy target (PwC calculation).^{21, 31}

The 89.9 million tonne difference is a system-wide rail throughput gap, not an estimate of lost mining production. Its significance for mining is that better electricity and water reliability can increase production potential while insufficient rail or port throughput still constrains the conversion of that output into exports and sales.

This makes mining an important example of why the bottleneck has not simply become local. For an export-oriented mine, the limiting point can still sit in a national rail system or a specific freight corridor even after conditions at the production site improve.

Agriculture and agro-processing: Stronger primary output does not automatically mean stronger processing

Agriculture and agro-processing illustrate the distinction between producing a primary commodity and converting it into higher-value downstream activity. On a common 2019=100 basis, the PwC analysis places primary agricultural production at 110.3 in 2024, compared with 104.2 for food and beverage manufacturing, a difference of 6.1 index points (PwC calculation).^{38, 39}

The divergence is descriptive rather than causal. It does not show that infrastructure shortcomings produced the difference, and the gap has narrowed from the larger divergences observed earlier in the period. It does, however, demonstrate that stronger primary-sector activity and downstream processing do not move automatically in tandem.

The conversion chain matters. Water supports primary production; electricity and processing capacity enable transformation; cold-chain infrastructure preserves output; and logistics and market access determine whether products reach customers. Biosecurity and trade access are additional sector-specific factors. Weakness at any of these points can reduce the extent to which stronger farm-level activity translates into domestic value addition.

Manufacturing: The conversion chain is simultaneous

Manufacturing illustrates a different problem because its infrastructure dependencies operate simultaneously rather than sequentially. Statistics South Africa’s 2021 detailed manufacturing financial survey records utilities and railage/transport-out among manufacturing expenditure items, showing that network services form part of the production cost base.³⁶

Recent capacity data provide current operating context. Large manufacturers used 76.6% of production capacity in May 2026, down from 77.8% a year earlier. Total under-utilisation was 23.4%: insufficient demand accounted for 12.6 percentage points, shortages of raw materials 3.6 points, labour shortages 1.5 points, and other reasons 5.7 points.³⁷

These data do not isolate infrastructure as the cause of under-utilisation. They support a narrower conclusion: manufacturing performance reflects several operating constraints at the same time, while Panel A identifies the infrastructure systems through which electricity, water, and logistics reliability can affect production.

For manufacturers, the relevant issue is therefore not whether one infrastructure indicator improves in isolation. Sustained production depends on power, water, inbound inputs, industrial roads, and outbound logistics remaining usable together. The public data do not quantify an infrastructure-specific share of output at risk, but they support manufacturing as a multi-system conversion case.^{36, 37}

Tourism and hospitality: Access is necessary, but the destination must also function

Tourism provides a useful counterpoint because its principal conversion chain is place-based rather than dependent on bulk industrial infrastructure.

South Africa recorded approximately 10.48 million international arrivals in 2025, compared with the 15 million target for 2030. Closing the 4.52 million visitor gap at the published mean foreign direct spend of approximately R10,400 per tourist would be associated with around R47 billion in additional gross visitor expenditure (PwC calculation).^{40, 41, 42}

This is an illustrative gross-spend scenario, not a forecast, GDP estimate, or estimate of expenditure currently being lost because of infrastructure. Its value is in demonstrating a different type of growth conversion. Airlift, visas, and underlying demand influence whether visitors reach South Africa. Once they arrive, transport, safety, electricity, water, public-space quality, and the wider destination experience influence whether that access converts into visitor expenditure and repeat demand.

Tourism therefore reinforces the wider point: the relevant bottleneck depends on the industry’s conversion chain. Mining may be constrained by a freight corridor; manufacturing by several network inputs operating together; agro-processing by the links between primary production and downstream processing; and tourism by access and place-based functionality.

What the four industries tell us

Taken together, the industry cases reinforce the central finding of the PwC Growth Conversion Map. Infrastructure systems are complements rather than substitutes. Improvement in one system can increase productive potential without guaranteeing that the potential becomes economic activity.

The relevant growth question is therefore not simply which national infrastructure indicator is improving. It is whether the combination of infrastructure, operating conditions, and market access required by a particular industry remains functional through the full conversion chain.

This is the point at which the changing infrastructure constraint becomes economically visible—in production, utilisation, processing, exports, visitor expenditure and, ultimately, employment.

Methodology note: Industry calculations are descriptive transmission indicators, not causal loss estimates or sector rankings. The analysis distinguishes system-wide gaps from industry-specific outcomes and does not attribute observed production, utilisation, or visitor gaps solely to infrastructure.



3. Business and capital response

From operating resilience to productive investment

Summary

Businesses do not wait passively for infrastructure systems to improve. Where reliability remains weak, firms can absorb higher costs, build operational buffers, self-provide critical services, reconfigure supply chains, or locations, collaborate in targeted delivery initiatives, or delay and resize investment. These responses can protect existing activity, but they do not necessarily expand productive capacity. The wider growth question is therefore whether improvements in the infrastructure conversion chain create sufficient operating reliability and confidence for firms to move beyond protecting existing operations towards productivity-enhancing and expansionary investment.

Firms respond to the constraint they actually experience

The PwC Growth Conversion Map shows that national reform creates economic value only when usable capacity survives through the network, corridor, and local operating environment to the firm. Businesses therefore respond not to national reform in the abstract, but to the reliability they experience through their own sites, suppliers, logistics routes, utilities, and customer markets.

Those responses are not necessarily sequential, and firms may pursue several at the same time. The mix of responses will depend on the nature of the constraint, the firm’s industry and location, and its financial capacity. The table below sets out the main responses and their potential economic and capital implications.

Business response	What it is intended to protect or change	Potential economic or capital implication	Illustrative industry touchpoints
Absorb or manage the disruption	Maintain production or service delivery despite interruptions.	Higher operating costs, overtime, spoilage, downtime, or reduced utilisation.	Manufacturing downtime; agricultural losses; tourism service interruptions.
Build operational buffers	Reduce exposure to unreliable supply chains or infrastructure.	More inventory, storage, working capital, and logistical redundancy.	Manufacturing inputs; mining stockpiles; agricultural cold chain and storage.
Self-provide critical services	Reduce dependence on unreliable public systems.	Capital and operating expenditure on backup electricity, water, security, or other resilience measures.	Factories, commercial property, hospitality facilities, and large operating sites.
Reconfigure the operating model	Shift activity towards more reliable sites, routes, suppliers, or working arrangements.	Relocation and transition costs, different property requirements, and changes in supply-chain economics.	Corporate services, logistics, manufacturing, and retail.
Collaborate or co-deliver	Improve a shared infrastructure or operating constraint.	Management and capital commitments, but potentially better reliability across a node or corridor.	Precinct management, local roads, public-space management, and targeted infrastructure partnerships.
Reassess capital commitments	Preserve flexibility where future operating conditions remain uncertain.	Projects may be delayed, resized, staged, or reprioritised; improved reliability may strengthen the case for productivity or expansion investment.	New mining capacity, manufacturing plant, agro-processing facilities, and tourism assets.

The important distinction is between maintaining the ability to operate and adding new productive capacity. Both can require capital, but their economic effects are different.

Johannesburg illustrates the adaptation response

Johannesburg provides a useful local illustration of how businesses respond when the operating environment becomes less reliable. It should not be interpreted as a national estimate or as evidence that municipal conditions alone determine corporate investment.

Publicly available city data provide a useful investment anchor. In its 2026 State of the City material, the City reported that R26.6 billion in investment had been attracted into Johannesburg and that R73 billion of infrastructure and development projects were under implementation.⁴³ These are city-reported investment indicators, not a measure of economy-wide fixed capital formation or company-level capital expenditure.

Separately, private adaptation is also visible in publicly available energy data. City Power reported that 63.43 MW of embedded generation capacity was integrated into Johannesburg’s municipal grid during the fourth quarter of 2024/25, including rooftop solar initiatives by large power users. This provides evidence of continued investment in customer-side generation and resilience capacity.⁴⁴

The city-reported investment indicators and City Power’s embedded-generation measure are not directly comparable and should not be used to infer that resilience spending displaced expansion investment. Read together, they show that investment activity can coexist with continued customer-side spending on self-provision and resilience where local operating reliability remains a concern.^{43, 44}

The broader Johannesburg evidence points to adaptation rather than wholesale corporate exit. Firms have consolidated activity in better-serviced nodes, adjusted property footprints, and workplace models, invested in private resilience, and reconfigured logistics and supply-chain arrangements. These adaptations can protect existing economic activity, but they also increase the cost of maintaining operational certainty and can reinforce concentration in locations and buildings that offer more reliable services.^{44, 45, 46, 47}

The fixed-cost nature of backup systems and operational buffers also means that the proportional burden can differ materially across firms. Organisations with stronger balance sheets can more readily fund backup power, water, security, additional inventory, or relocation, while firms with less financial flexibility may remain more exposed to the same service disruption.

Resilience spending is not the same as growth investment

The economic effect of capital expenditure depends partly on what the expenditure is intended to achieve. Investment in backup electricity, water storage, security, inventory capacity, or logistics alternatives can be economically valuable because it avoids disruption and protects existing output. However, it does not necessarily add production capacity, increase employment, or create new markets in the same way as investment in a new factory line, processing facility, mine expansion, or tourism asset.

This does not mean that resilience expenditure necessarily crowds out growth expenditure. The evidence assembled for this publication does not quantify such a displacement effect. The relevant question for businesses is instead how much financial and managerial capacity is being used to maintain and protect existing operations versus improve productivity or create additional capacity.

That distinction is important enough to warrant further analysis in its own right, but in this publication it serves a narrower purpose: explaining why an improvement in national infrastructure conditions may not immediately appear as stronger private investment or employment.

Confidence influences whether potential becomes capital expenditure

The conversion from infrastructure reform to growth ultimately depends on business decisions. For this analysis, confidence should therefore be treated as a conversion factor rather than as a separate source of economic output. It affects whether an otherwise viable investment proceeds, how quickly the decision is made, and the scale at which capital is committed.



This sequence does not imply that confidence alone creates growth. Growth is realised when businesses respond to improved conditions through actual investment, production, and hiring.

The converse is equally important. A national system can improve materially while firms remain cautious if another relevant link in the conversion chain remains unreliable. A manufacturer may face improved national electricity availability but remain exposed to water interruptions or logistics delays. A mine may have production capacity but insufficient export throughput. An agro-processor may have access to primary output but face cold-chain or water constraints.

The PwC Growth Conversion Map therefore adds an important business interpretation: infrastructure systems are complements. Improvement in one system increases productive potential, but the investment response depends on whether businesses have sufficient confidence in the combination of systems required by their operating model.

Methodology note: Johannesburg is used as a local illustration of business adaptation, not as a national estimate. City-reported investment-attraction figures are not equivalent to economy-wide fixed capital formation or company-level capital expenditure. The analysis does not estimate a causal displacement of growth capital by resilience spending.

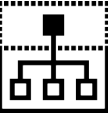
From reform to productive investment

Operating responses when reliability remains uncertain

Businesses can respond to infrastructure constraints in a number of ways. These responses are not necessarily sequential, and firms may pursue several at the same time.



Absorb disruption



Build buffers



Self-provide



Reconfigure operations



Collaborate/co-deliver



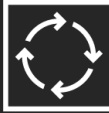
Delay, resize or stage investment

Growth-conversion sequence

Growth is realised when improved conditions translate into investment, production and employment.



Infrastructure reform



Usable operating reliability



Business confidence



Productive/expansion CAPEX



Output, exports and jobs



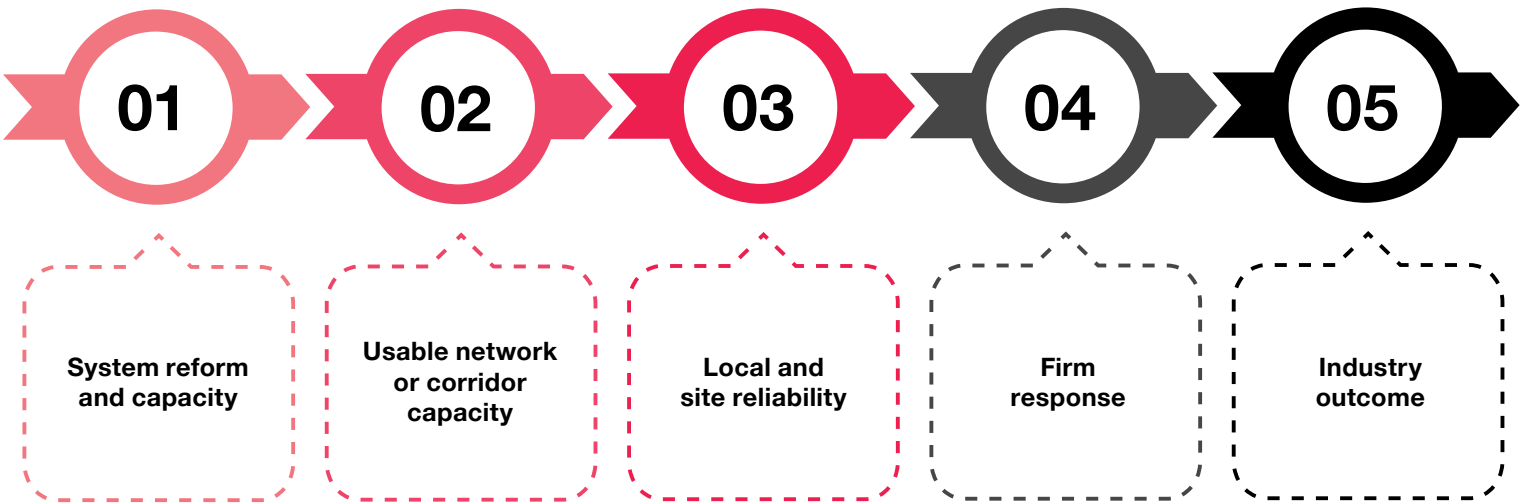
4. PwC analysis

The PwC Growth Conversion Map: Growth depends on the full conversion chain

Summary

The PwC Growth Conversion Map links performance in electricity, freight, and water/local utilities to four industry conversion points. The evidence does not suggest that one new bottleneck has simply replaced another. Instead, the constraint pattern differs by system: electricity provides the clearest evidence of a shift from national generation towards transmission, connection, and distribution; freight remains materially constrained at national and corridor level; and water remains persistently weak but locally differentiated. Panel A locates the remaining system gap; Panel B shows where those gaps can interrupt sector-specific conversion chains.

Figure 1: From system reform to realised industry growth



Conversion-chain effect: Upstream improvements create greater economic value when the relevant links remain usable through to the sector outcome; a weak link can constrain conversion.

Electricity	Freight/transport	Water/local utilities	Execution overlay
Supports site operations and also powers water pumping, processing, cold chains, and parts of rail/port operations.	Moves production to market and delivers inputs; corridor or port failure can bind even when production capacity improves.	Determines site continuity and service quality; failures can interrupt production, processing, and destination operations.	Planning, approvals, procurement, and delivery determine when new capacity in every system becomes usable.

Panel A: Where the bottleneck is moving

Panel A applies the same test to each system: what has improved, what remains below the relevant requirement or benchmark, and where the unresolved gap now sits.

System	Evidence of change	Remaining gap	Conversion implication
Electricity	EAF rose from 54.56% in FY2024 to 65.16% in FY2026 (+10.60 pp). Eskom completed 365 consecutive days without load-shedding on 16 May 2026. ^{19, 20}	Transmission lines: 270.8 km/423 km FY2026 plan = 64.0%, leaving a 152.2 km shortfall. Transformer capacity: 4,000 / 3,750 MVA = 106.7% (PwC calculations). ²⁴	Generation reliability improved materially. Electricity now provides the clearest evidence of a shift down the conversion chain: usable power increasingly depends on transmission, connection, and distribution capacity, while generation remains foundational.
Freight rail and ports	Rail freight increased from 151.7 Mt to 160.1 Mt in FY2024/25 (+5.5%). Container crane productivity improved from 15.1 to 16.0 moves/GCH. ^{21, 25}	Rail remains 89.9 Mt, or 36.0%, below the 250 Mt target. Container crane productivity remains 14 moves/GCH, or 46.7%, below the 30 GCH benchmark (PwC calculations). ^{21, 25, 32, 31}	Recovery is visible, but physical throughput remains binding at system and corridor level. Corridor and port performance can still prevent additional production from reaching market.
Water and local utilities	National NRW was virtually unchanged at 47.3% versus 47.4%. ⁴⁸ Johannesburg Water improved from 46.18% in FY2023/24 to 44.79% in FY2024/25. ^{49, 26}	National NRW is 22.3 pp above the 25% DWS benchmark. Johannesburg remained 4.79 pp above its 40% FY2024/25 NRW target (PwC calculations). ^{22, 33, 26}	Water remains persistently constrained but locally differentiated. National averages set context; utility performance determines the operating reality at site level.

Source: PwC analysis and calculations based on the sources cited in Panel A. NTCSA = National Transmission Company South Africa.



Cross-cutting execution overlay

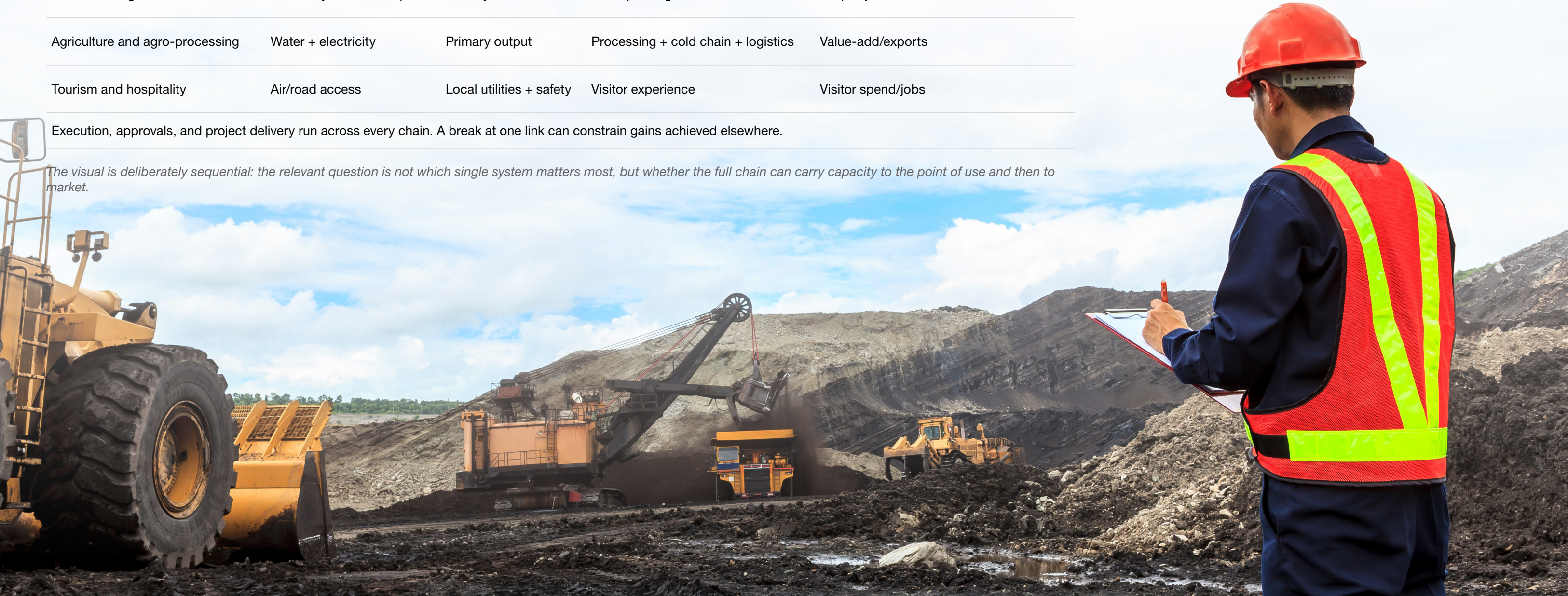
Latest official evidence records 37 projects completed, 82 in construction and 54 in documentation/procurement, while the share of planned tenders subsequently advertised improved from approximately 42% to 58%. These are stage indicators and a procurement-stage proxy, not a common-cohort completion rate from approved project to operational asset.²³

Figure 2: Why sector growth depends on system combinations

Industry	Foundation	Operating conversion	Market/service gateway	Outcome
Mining	Electricity + water	Mine production	Rail + ports	Exports/sales
Manufacturing	Electricity + water + inputs	Factory utilisation	Road/port logistics	Output/jobs
Agriculture and agro-processing	Water + electricity	Primary output	Processing + cold chain + logistics	Value-add/exports
Tourism and hospitality	Air/road access	Local utilities + safety	Visitor experience	Visitor spend/jobs

Execution, approvals, and project delivery run across every chain. A break at one link can constrain gains achieved elsewhere.

The visual is deliberately sequential: the relevant question is not which single system matters most, but whether the full chain can carry capacity to the point of use and then to market.



Panel B: Four industries, four conversion calculations

Panel B should be read as linked system chains rather than four independent sector analyses. The added system column makes the Panel A read-across explicit and shows how infrastructure constraints can compound. It does not rank systems or assign sector losses to infrastructure.

Industry	Conversion question	Focused calculation	System dependencies and interconnections	PwC interpretation
Mining	Can additional production physically reach export markets?	160.1 Mt vs 250 Mt target = 89.9 Mt gap; 36.0% of target (PwC calculation). ^{21, 31}	Panel A: electricity/ grid; freight/ports; water; execution. Power and water support production; rail and ports convert tonnes into exports.	Mining growth depends on several systems working together. More reliable electricity and water can support output, but additional tonnes cannot become marketable exports if rail or port throughput is binding. The 89.9 Mt gap is system-wide and should not be interpreted as a mining loss estimate.
Manufacturing	Can firms combine network inputs reliably enough to sustain production?	Stats SA capacity utilisation: 76.6% in May 2026 vs 77.8% in May 2025 (-1.2 pp). Under-utilisation = 23.4%: insufficient demand 12.6 pp; raw-material shortages 3.6 pp; labour shortages 1.5 pp; other reasons 5.7 pp. ³⁷	Stats SA's manufacturing financial survey records utilities and railage/ transport-out among manufacturing expenditure items. ³⁶ Panel A: electricity/ grid; freight/transport; water/ local utilities; execution. These networks can affect the same production process simultaneously.	Manufacturing remains a multi-system case, but the public data do not isolate an infrastructure-specific cost share or output loss. The utilisation data show that spare capacity reflects several constraints, while Panel A explains why electricity, water, and logistics must remain usable together. No part of the 23.4% under-utilisation is attributed to infrastructure.
Agriculture and agro-processing	Is primary-sector strength converting into downstream processing and value addition?	Common 2019=100 basis: primary agriculture = 110.3 in 2024; food and beverages manufacturing = 104.2; divergence = 6.1 index points, narrowing from 11.8 in 2023 (PwC calculations). ^{38, 39}	Panel A: water/local utilities; freight/transport; electricity remains foundational; execution. Sector-specific: biosecurity and market access.	Primary agricultural output has expanded more strongly than the selected food and beverage processing proxy since 2019, although the gap narrowed materially in 2024. This is a conversion indicator, not evidence that infrastructure caused the divergence. Water, power, processing, cold chain, logistics, biosecurity, and market access determine whether upstream strength converts into downstream value.
Tourism and hospitality	Is travel demand converting into arrivals and visitor expenditure?	2025 arrivals: 10.48m vs 15m target = 4.52m gap (30.1%). At R10,400 mean foreign direct spend per tourist, a purely illustrative gross conversion scenario closing the target gap equates to approximately R47.0bn in direct spend (PwC calculations). ^{40, 41, 42}	Panel A: water/local utilities; electricity remains foundational; execution. Sector-specific: airlift/road access, safety, and visas.	Tourism depends on a different combination of systems. Airlift and transport create access; local utilities, safety, and destination services shape conversion into expenditure. The R47.0bn is a gross scenario illustration—not a forecast, GDP uplift, net benefit, or infrastructure-attributable loss.

Source: PwC analysis and calculations based on the sources cited in the focused calculations.

Reading Panel B with Panel A

Panel A identifies where usable capacity is still constrained; Panel B shows how that constraint can become economically visible. The systems are complements rather than substitutes: mining requires production inputs and export corridors to work together; manufacturing needs utilities and logistics simultaneously; agricultural output must pass through processing, cold-chain and market-access links; and tourism needs access plus reliable destination services before arrivals become spend. A weaker link can therefore constrain the conversion of upstream gains into output, exports, or expenditure.

What the completed map adds

- Electricity provides the clearest evidence of a shift down the conversion chain: generation reliability improved materially, while transmission-line delivery reached 64.0% of the FY2026 plan.^{19, 20, 24}
- Freight remains a binding complement for traded activity: rail throughput is still 89.9 Mt (36.0%) below target, while container crane productivity remains below benchmark despite improving.^{21, 25, 32, 31}
- Water remains persistently constrained but locally differentiated: the national NRW rate is essentially flat, while Johannesburg improved modestly but remained above its own target.^{48, 22, 33, 49, 26}
- The cross-industry result is complementarity: growth can be constrained by the weakest relevant link in the conversion chain, which may sit at national, corridor, municipal, or site level. One system can improve while another still limits the sector response.

Interpretation

The PwC contribution is not to claim that one new bottleneck has replaced the old one. It is to show that the constraint pattern now differs by system: electricity increasingly depends on networks and point-of-use access; freight remains substantially system- and corridor-bound; and water is persistent but locally differentiated. Across sectors, the relevant question is whether the full conversion chain can carry available capacity through to output, exports, visitor spend, and employment.

External cross-check: the World Bank’s 2026 infrastructure reform programme treats electricity, freight transport, water and sanitation as interconnected productivity channels. It supports the multi-system framing but does not determine where the PwC Growth Conversion Map locates the remaining constraint or attribute sector losses to any single system.⁵⁰

5. Implications for clients

Follow the bottleneck through the business

Summary

National infrastructure reform remains essential, but businesses experience infrastructure through specific sites, suppliers, corridors, utilities, and customer markets. The relevant question is therefore not simply whether South Africa's infrastructure outlook is improving, but where the weakest relevant link sits in a company's own operating model and investment case. Businesses can respond by mapping these dependencies, testing how disruption or delayed reform affects financial and operational assumptions, distinguishing resilience spending from growth capital, monitoring the indicators that signal a change in conditions, and defining in advance how the organisation will respond.

National improvement does not remove company-specific exposure

The PwC Growth Conversion Map shows that infrastructure systems work in combination. Improved national electricity generation can increase productive potential, but this does not guarantee that a particular site can secure a timely grid connection or reliable local distribution. Higher mining output does not become export revenue if the relevant rail corridor or port remains constrained. Stronger agricultural production does not automatically become higher-value processing when water, cold-chain, or logistics capacity cannot carry the output through the next stage of the value chain.

For businesses, this means that infrastructure risk should be considered at the point where it affects production, revenue, cost, working capital, and capital expenditure assumptions, rather than only through national indicators.

The appropriate response will differ by industry. A mining company may need to understand grid connection, water availability, and export-corridor throughput together. A manufacturer may depend on several network inputs operating reliably at the same time. An agro-processor may need to follow the chain from farm-level production through water, electricity, processing, cold storage, and market access. In tourism, airlift and demand must ultimately convert through functioning local transport, utilities, and destination services before becoming visitor expenditure.

Five questions for business leaders

Client question	Why it matters	Practical output	Illustrative industry touchpoints
1. Where can system capacity fail to reach our operations?	National or network-level capacity may exist without being reliably usable at a particular site, supplier, or customer location.	Infrastructure and value-chain dependency map showing sites, suppliers, corridors, utilities, and critical interfaces.	Mining: Grid connection and export corridor. Manufacturing: Municipal electricity, water, and supplier routes. Agriculture: Water, packhouses and cold chain. Tourism: Access and destination services.
2. Which infrastructure assumption is carrying the business case?	A project or operating model may depend disproportionately on one connection, corridor, utility, or delivery milestone that is not visible in a national forecast.	Downside and break-point scenario showing how delays or deterioration affect production, revenue, costs, working capital, and investment timing.	Rail throughput for mining; water and electricity reliability for manufacturing; processing and logistics for agriculture; air access and local functionality for tourism.
3. How much capital is protecting existing operations rather than creating new capacity?	Resilience spending may be necessary and value-preserving, but its purpose differs from productivity, or expansion investment.	Capital-spend view separating resilience, maintenance/replacement, productivity, and growth expenditure.	Backup electricity and water; additional storage and inventory; alternative logistics; new production, or processing capacity.
4. Which indicators would tell us that the bottleneck is moving again?	The relevant constraint can change as reforms progress or other parts of the system deteriorate. Leading indicators allow assumptions to be revisited before the full financial effect appears.	Trigger dashboard linked to the infrastructure dependencies carrying the business case.	Grid-connection milestones; rail and port throughput; water losses and interruptions; municipal service indicators; approval and project-delivery milestones.
5. What will we do if a trigger is breached?	Monitoring is useful only when management knows which decision or response follows a material change in conditions.	Governance and response protocol defining decision thresholds, accountable owners, and agreed actions.	Stage or resize CAPEX; activate resilience measures; adjust inventory, or logistics; change sequencing; engage infrastructure partners or authorities.

Test combinations, not only individual sensitivities

Infrastructure risks should not always be assessed one at a time. A manufacturer, for example, could face a water interruption while inbound logistics are delayed; an agro-processor could simultaneously experience water pressure, cold-chain disruption, and a port constraint.

The available analysis does not quantify an interaction effect between these risks. The appropriate implication is therefore to test plausible combined scenarios, rather than assume that the impact of several disruptions will necessarily be larger than the sum of their individual effects.

Scenario analysis can ask: what happens if one critical system improves while another remains constrained; which operating or financial assumption becomes binding first; at what point the investment case needs to be resized, delayed, or reconsidered; and which resilience action protects the greatest amount of operational flexibility.

This keeps the analysis decision-useful without implying a level of causal precision that the evidence does not support.

Distinguish physical constraints from conversion modifiers

The Growth Conversion Map also requires discipline over how different factors are treated. Electricity, freight, water, and infrastructure execution represent physical or delivery constraints within the conversion chain. Factors such as business confidence and, where relevant, safety can affect whether available capacity actually converts into investment or expenditure, but they should not automatically be counted again as additional infrastructure constraints.

For example, destination safety can influence whether tourism access converts into visitor spend, while business confidence can influence the probability, timing and scale of investment. In both cases, these factors operate as conversion modifiers rather than additional physical infrastructure systems.

This distinction helps prevent the same factor from being counted twice when businesses assess their exposures and responses.

From monitoring infrastructure to managing the conversion chain

Map: Identify the infrastructure and operating dependencies connecting sites, suppliers, corridors, and customers.

Stress-test: Determine which assumptions are most sensitive to delays, disruption, or slower reform, including plausible combinations of constraints.

Separate capital: Understand how much expenditure is maintaining resilience and existing capacity versus improving productivity or creating new capacity.

Monitor: Track the small number of leading indicators that signal whether the relevant constraint is improving, deteriorating, or moving elsewhere in the chain.

Govern: Define the decisions, thresholds, and accountable owners associated with those indicators.

This approach is not intended to rank sectors, projects, or locations or to indicate where capital should be deployed. Its purpose is to help businesses understand which link in the growth-conversion chain their strategy depends on, how that dependency affects the economics of the business, and when changing conditions warrant a different response.

Ultimately, national reform matters, but growth is realised only when capacity can be used through the relevant site, corridor, and industry conversion chain. For businesses, the task is therefore to follow the bottleneck to the point where it reaches their own operating model.

Source basis: This section is primarily PwC interpretation derived from the evidence and calculations established in the preceding Growth Conversion Map. It introduces no new quantitative estimates. The references below support the electricity, freight, water, municipal, and execution examples used in the client framework.



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Thank you

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