

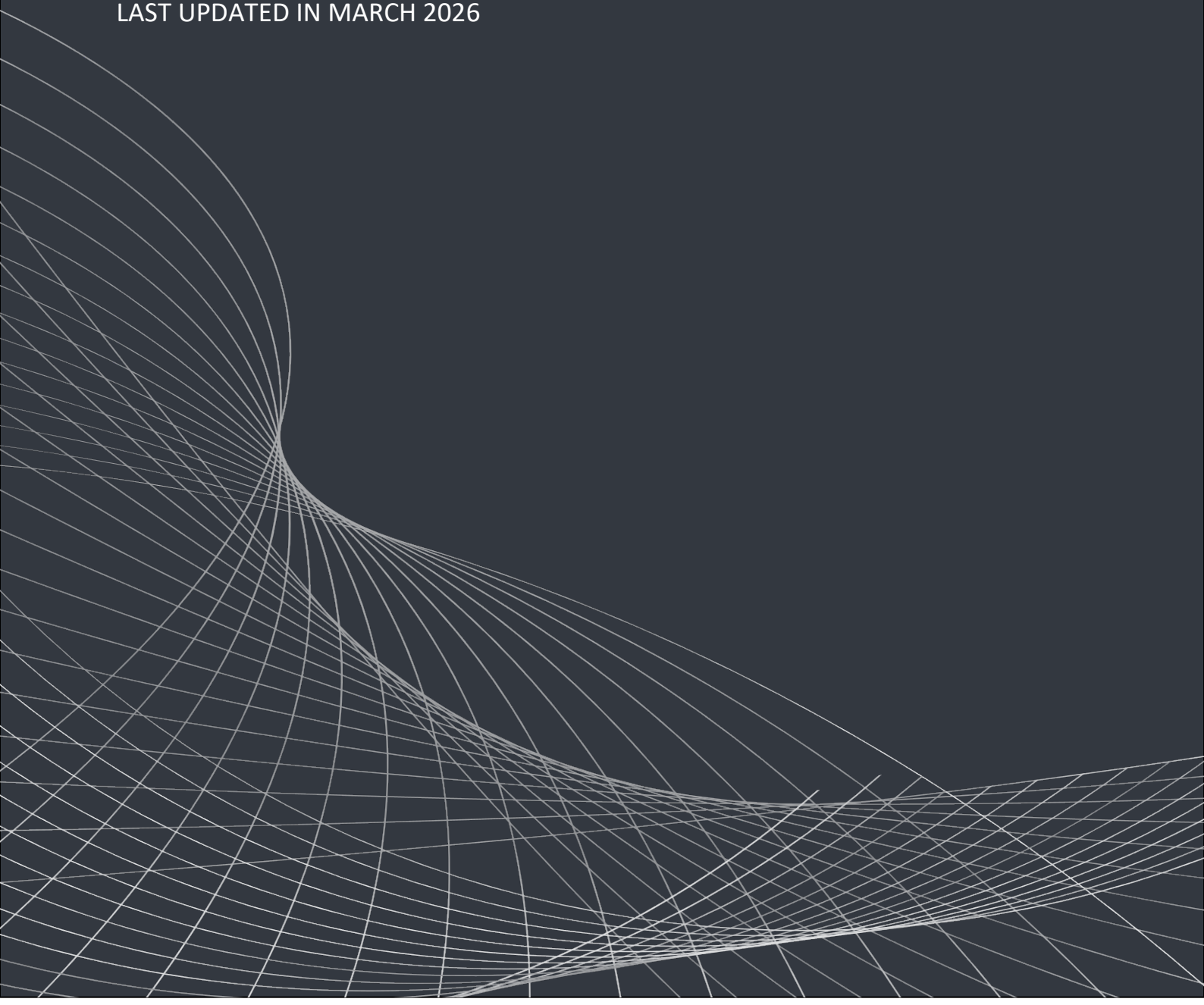


**BUSINESS
LEADERSHIP**
SOUTH AFRICA

SOUTH AFRICA'S SOVEREIGN CREDIT RATING

BLSA POSITION PAPER

LAST UPDATED IN MARCH 2026





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Foreword

After a challenging decade, South Africa is starting to turn the corner – reaffirmed by the recent sovereign ratings upgrade by S&P from BB- to BB. This turnaround is characterised by the strengthening of our fiscal position, with two consecutive primary budget surpluses (FY2023/24 and FY2024/25), and the Budget framework projecting a third consecutive primary surplus in FY2025/26, and substantial progress in implementing reforms to resolve obstacles that hamper economic growth, specifically in energy and logistics. Additionally, a stabilising political environment and improvements made in combatting crime and corruption signal a positive shift in the nation’s trajectory.

To enable South Africa’s return to investment grade status, it is essential for the local and international investor community, credit rating agencies (CRAs), and other stakeholders to understand the progress being made across all elements that define the country’s creditworthiness.

Whilst National Treasury will lead advocacy and engagements with CRAs, the private sector has an important role to play in showcasing our achievements to the global community, aiming to present compelling evidence that supports an upgrade in our future sovereign credit rating. Business Leadership South Africa (BLSA) is committed to fostering greater transparency and driving better communication on the achievements to reshape the narrative around South Africa's creditworthiness.

This position paper is grounded in factual analysis and aims to establish a clear narrative surrounding the challenges that South Africa is currently addressing, as well as the initiatives being undertaken to respond to the concerns raised by CRAs. It builds on several other initiatives led by the business community, including the tracking of major reforms that will drive economic growth in South Africa.

Busi Mavuso
CEO, Business Leadership South Africa



Executive Summary

Since 2012, South Africa has suffered successive sovereign rating downgrades by all major CRAs - S&P Global, Fitch, and Moody's - culminating in sub-investment grade status across all three by 2020 (S&P and Fitch in 2017, Moody's in 2020), which raised borrowing costs, eroded investor confidence, and redirected capital away from the country. South Africa has now moved from a period of institutional erosion, rising fiscal risk and weakening confidence into one of rebuilding credibility, policy traction and stabilisation. This shift is no longer tentative. It is visible in a sequence of reinforcing milestones, including South Africa's exit from the FATF grey list in October 2025, S&P's sovereign rating upgrade from BB- to BB with a positive outlook in November 2025¹. The MTBPS confirmation of fiscal consolidation and debt stabilisation, and the formal adoption of a 3% inflation target with a 1 percentage point tolerance band. Continued improvements in the fiscal position, three consecutive primary budget surpluses, a turnaround in energy availability, improvements in logistics, and steps to curb crime and corruption are now establishing a stronger platform for growth and further fiscal strengthening. The implication is clear. The credit profile reflected in prior rating actions increasingly no longer matches South Africa's present trajectory or the institutional momentum now evident in the data. To see further upgrades across the other CRAs, South Africa must continue to sharpen transparency and proactively communicate reform progress to shape stakeholder perceptions and credit assessments and create further cross-the-board support for growth-enhancing reforms.

History of South Africa's sovereign rating

South Africa's sovereign rating has mirrored our post-apartheid trajectory: after the early-1990s democratic transition and overhaul of political and economic frameworks, the country enjoyed upgrades, stability, and investment-grade status from the late 1990s to 2011, consistently at least two notches above sub-investment grade across all three major agencies. From 2012, mounting headwinds triggered a downgrade cycle culminating in sub-investment-grade ratings from S&P and Fitch in 2017 and Moody's in 2020. Downgrades extended into 2021 with limited positive momentum towards an upgrade until November 2025, when S&P upgraded the sovereign from BB- to BB with a positive outlook.^{2, 3} Prior to this, agencies typically applied 1- to 2-notch qualitative downward adjustments from model-indicative levels, signalling persistent concerns about future economic and fiscal resilience beyond the quantitative metrics.

Impact of sovereign rating downgrades on South Africa

Sovereign credit ratings influence countries' borrowing costs, with lower ratings raising risk premiums. In South Africa an improved rating could save about R30 billion in interest over five years⁴ - funds that could be redirected to development projects like schools and hospitals (illustratively, up to 10 district hospitals)⁵, thereby supporting growth and social progress. Beyond cost of capital, low ratings erode market perception, reduce liquidity and elevate refinancing risk for speculative-grade debt, and restrict the investor base due to mandate constraints. Moreover, whilst there are rating-above-the-sovereign criteria that are frequently applied to corporates, banks and SOEs cannot practically be rated higher than the sovereign. Hence, the sovereign's credit rating acts as a ceiling for the whole economy.

¹ S&P Global: South Africa Foreign Currency Rating Raised

² Fitch Ratings: South Africa Credit Ratings [\[Link\]](#); Trading Economics [\[Link\]](#)

³ South African Reserve Bank: South Africa's long-term sovereign credit ratings history [\[Link\]](#); National Treasury: Historical Reports [\[Link\]](#)

⁴ Standard Bank Group analysis

⁵ Oliver Wyman analysis; uKesa: Estimators for infrastructure cost of health facilities [\[Link\]](#)



Key drivers of South Africa's sovereign rating downgrade

Since 2012 CRAs have focused on several themes to assess South Africa's economic, fiscal, institutional, external, and monetary landscape. These include:

- **Persistently low real GDP growth**, which declined from 2.5% in 2013 to ~1% for the following 11 years (2014 - 2025)⁶, along with an increase in unemployment from 26.7% in 2016 to 31.9% towards the end of 2025⁷, and an increase in poverty and inequality
- **Deteriorating public finances**, with the government debt-to-GDP ratio significantly worsening, rising from 35% in 2012 to 78.9% in FY2025/26 (Budget framework peak)⁸. The debt-service burden is now stable, with debt-service costs now around 18% of expenditure under the latest Budget framework
- **Political instability and governance challenges**, marked by cabinet reshuffles and tensions among leaders. Although these challenges have subsided and CRAs remain positive on this front, the current coalition government is seen to still pose risks.

Together, these themes underscore the complex interplay of economic and political factors contributing to South Africa's sovereign credit rating challenges.

Key rating upgrade triggers outlined by the CRAs

Fitch, S&P, and Moody's have consistently highlighted two main rating upgrade catalysts for South Africa. First, stronger medium-term growth prospects driven by effective structural reform implementation and addressing unemployment and inequality. Second, durable improvement in public finances, notably a credible stabilisation of the debt-to-GDP ratio through sustained revenue performance and disciplined expenditure control, alongside effective management of SOE contingent liabilities. Supporting indicators include rising private-sector investment as evidence of an improving business environment and, crucially, stable and effective governance, especially in a coalition government context, to ensure policy continuity and reform delivery.

South Africa's progress on structural reforms and macro-economic developments

South Africa has adopted a 4-pillar growth strategy:

- **Pillar 1:** A clear and stable macroeconomic framework; ensuring continued economic stability and enabling the reform programme
- **Pillar 2:** Implementing economic growth reforms; addressing structural reforms in areas such as rail, energy, regulation and product markets
- **Pillar 3:** Restoring the implementation capability of the State, through improving and enhancing State capacity and capability
- **Pillar 4:** Supporting growth-enhancing public infrastructure investment; through prioritised spend and addressing structural barriers

Within this strategy, South Africa is advancing a broad reform agenda across energy, logistics, water, housing, local government, digital modernisation and skills attraction to unlock growth and crowd in investment. Eskom is being unbundled to foster a competitive power market with the energy availability factor (EAF) set to be maintained at over 70% by 2026⁹. Freight rail and port operations are being improved to increase capacity and efficiency, with rail volumes increasing by 10 million tonnes¹⁰ and

⁶ Statistics South Africa

⁷ South African Reserve Bank: Official Unemployment rate (%)

⁸ South African Reserve Bank: Total loan debt of national government: Total gross loan debt as percentage of GDP

⁹ South African Government Energy Action Plan - 18 Month progress Report: March 2024 [\[Link\]](#)

¹⁰ South African Government – Minister Barbara Creecy: Rand Merchant Bank Think Summit 2025 [\[Link\]](#)



another 20 million tonnes¹¹ expected from the privatisation of key rail corridors. A National Water Resource Infrastructure Agency is being established. Complex housing rules are under review. Home Affairs is being modernised through the Trusted Employer Scheme, the points-based visa system, Electronic Travel Authorisation, Digital ID and stronger digital border-management systems. At local government level, the metro trading services reform programme is driving ring-fenced and professionally managed water and electricity utilities so that revenues are reinvested into core maintenance and infrastructure, directly supporting service delivery and the turnaround of water supply performance. Public-private partnerships (PPPs) are also accelerating infrastructure delivery. Business and government are partnering more closely (e.g., Business For South Africa's (B4SA) Government Business Partnership), while BLSA's recently launched reform tracker boosts transparency and accountability. Targeted advocacy is crucial to shape expert perceptions that influence credit rating models, ensuring CRAs capture the pace and credibility of structural reforms.

South Africa is also making progress as a global leader. Its capital markets and financial sector are strong, evidenced by the Johannesburg Stock Exchange (JSE) being Africa's largest and most liquid stock exchange. The country dominates the critical minerals market, supplying the majority of the world's platinum-group metals (PGMs) and playing a key role in producing chromite, manganese, and vanadium - essential for automotive, hydrogen, steel, and battery industries. It leads renewable energy in Sub-Saharan Africa with the largest installed solar and wind capacity, propelled by the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). The Durban port serves as the central hub of the North-South Corridor, enhancing intra-African trade integration. It is pioneering in rare earth mineral extraction from waste in the Phalaborwa project and Cape Town's growing role as an alternative maritime route to the congested Suez Canal, increasing significance in global shipping and trade.

Macro and market signals are further supportive. Projections in the World Bank's January 2026 Global Economic Prospects report estimates South Africa's GDP to be 1.4% in 2026, 1.5% in 2027¹² and Moody's projects this to be 1.8% in 2027 which is a stark increase from a decade ago when the World Bank was projecting growth in the region of 0.7% per annum. This is underpinned by R1 066.4 billion in public infrastructure investment over the next three years and operational improvements at Eskom and Transnet. Fiscal credibility has strengthened with debt-to-GDP averaging 77% for 2025, foreign currency holding is at only ~10%¹³, and two consecutive primary budget surpluses have been delivered (FY2023/24 and FY2024/25), with the Budget framework projecting a third consecutive primary surplus in FY2025/26. Inflation has fallen sharply, with 2025 having an average of 3.2%¹⁴, enabling lower yields, record foreign inflows into government bonds, and improved risk sentiment. Investor confidence is evident in resilient foreign direct investment (FDI) since 2017¹⁵, rising bank credit extension at stable loss ratios, and stronger local market indicators (e.g., improved Bureau for Economic Research Business Confidence Index¹⁶ and a robust Johannesburg Stock Exchange (JSE) FTSE Top 40 growing by ~42% from January 2025 to January 2026¹⁷). Social programs like the Presidential Employment Stimulus have created more than 2.2 million work opportunities¹⁸, and reforms aimed at removing South Africa from the Financial Action Task Force (FATF) grey list were completed, resulting in the country's exit at the end of October 2025¹⁹.

Governance and risk management have also improved. The GNU provides a platform for policy continuity and reform delivery. Anticorruption capacity has been reinforced (National Prosecution Authority (NPA),

¹¹ Reuters: South Africa opens freight rail network to private firms [\[Link\]](#)

¹² World Bank: Global Economic Prospects, January 2026 [\[Link\]](#)

¹³ South African Reserve Bank: Monetary Policy Review, October 2025 [\[Link\]](#)

¹⁴ Statistics South Africa [\[Link\]](#)

¹⁵ World Bank WDI: Foreign Direct Investment, net inflows (BoP, current US\$)

¹⁶ Bureau for Economic Research: Business Confidence Index (December 2025) [\[Link\]](#)

¹⁷ Financial Times: JSE FTSE Top 40 Indices [\[Link\]](#)

¹⁸ South African Government: Highlights of the State of the Nation Address 2025 – Jobs [\[Link\]](#)

¹⁹ National Treasury: South Africa Exits the FATF Grey List [\[Link\]](#)



Financial Intelligence Centre (FIC), Hawks, and legislative upgrades), the 2025 Budget affirmed fiscal consolidation, and local government reforms aim to stabilise coalitions ahead of the November 2026 elections. External risks remain, such as U.S. tariff exposure, but are mitigated by a flexible exchange rate, predominantly rand denominated debt, deep capital markets, and strong official reserve buffers. As at 31 January 2026, the SARB reported gross reserves of US\$80.2 billion, including foreign exchange reserves of US\$52.9 billion and gold reserves of US\$20.7 billion. Early declines in key crime categories, supported by data-driven policing, further support business confidence.

Resolving challenges that remain being a top priority

South Africa has made progress, but securing sustainable growth and fiscal stability requires sustained momentum and disciplined reforms to lift real GDP growth to 2%+ and reduce fiscal risks by lowering debt-to-GDP from 78.9% (FY2025/26 peak) to 60–65% and debt-service costs-to-expenditure from ~18% to 11–12% over the medium to long term. Policy and reform priorities include improving SOE performance (Transnet back to 200+ Mt capacity and Eskom sustaining EAF >70%), strengthening water systems (National Water Action Plan, private participation and utility reform), modernising visas (points-based skilled visas, expanded remote-worker visas and Electronic Travel Authorisation), boosting security and investor confidence (higher conviction rates and progress on Zondo reforms), and advancing spatial policy (releasing public land and restoring PRASA). Metro and municipal governance and service delivery remain a serious obstacle to confidence and growth, but new legislation, updated Operation Vulindlela Phase 2 and the metro trading services reform programme are beginning to remove these obstacles by ring-fencing and professionalising water and electricity services so that revenues are reinvested into maintenance and infrastructure. Transparent, proactive reporting remains central to building credibility with stakeholders and ratings agencies and mobilising broad-based support.

South Africa's demonstrated strength and durability

Despite severe shocks over the past two decades, such as the early-2000s HIV crisis, the global financial crisis in 2008/2009, the 2015/16 commodity shock, the 2020 COVID pandemic, and recent years of loadshedding, South Africa remained resilient, anchored by decisive crisis management, credible inflation-targeting with a flexible exchange rate, a well-capitalised banking system, and deep local-currency capital markets, preventing GDP contraction in most episodes and, where it did contract, delivering immediate rebounds.

Conclusion

South Africa's story today is one of strength, durability, reform and renewal. The momentum is real, the progress is measurable, and the commitment is unwavering. Whilst challenges remain, the qualitative weaknesses that once weighed us down are being replaced by focused gains in fiscal credibility, growth, governance and implementation capacity, supporting the case for an improved sovereign rating. More fundamentally, the credit profile reflected in prior rating actions no longer fully matches South Africa's present trajectory or the institutional reality now taking shape.



1. Introduction and context

Since 2012, South Africa has faced multiple credit rating downgrades from major agencies - S&P Global, Fitch, and Moody's. These downgrades culminated in the sovereign rating being classified as 'junk' or sub-investment grade status by all three agencies by the end of 2020. This has had detrimental implications for the country, resulting in higher borrowing costs, decreased investor confidence and a pivot of funds away from South African investments.

Despite the challenges posed by recent downgrades, South Africa has made notable progress in addressing the concerns highlighted by CRAs. Whilst these efforts are beginning to translate into meaningful improvements in the country's credit rating - evident through S&P's recent upgrade of the country from BB- to BB- there is still risk of mixed messaging due to limited understanding and awareness of completed and planned reform activity. This lack of awareness also risks impacting wider expert opinion which is drawn on as a key input to the development of quantitative indicators by the CRAs.

Now is a pivotal moment for South Africa. With three consecutive primary budget surpluses, significant advancements in managing the energy crisis, improvements in logistics, and tangible steps taken to reduce crime and corruption, South Africa is turning a positive corner and has a solid platform for economic growth and fiscal strengthening. Enhanced transparency and proactive advocacy of the reforms implemented will be essential in reshaping the narrative surrounding South Africa's creditworthiness, ensuring that stakeholders are informed about the progress being made and the potential for future improvements.



2. Credit rating agency sovereign ratings process

2.1.1. Collection of data

CRA's collect both quantitative and qualitative data and information. This comprehensive approach ensures a holistic assessment of a country's creditworthiness.

Data collection occurs through various channels, primarily reports published by local institutions such as the South African Reserve Bank (SARB) and the National Treasury and credible global sources such as the World Bank and the International Monetary Fund (IMF). Beyond these published resources, CRA's also engage in discussions with key stakeholders across the market, including data providers, government ministries, state-owned enterprises (SOEs), prominent business representatives, buy-side investors, market experts, and political commentators. This multi-faceted data collection strategy enhances the depth and robustness of the ratings process.

Table 1: CRA quantitative and quali-quantitative assessments overview

| | | Fitch Ratings | Moody's Ratings | S&P Ratings |
|-----------------------|--------------------|--|---|---|
| Assessment overview | Model Type | Econometrics | Scorecard | Scorecard |
| | Indicator Type | Quantitative | Quali-quantitative | Quali-quantitative |
| | Indicator Grouping | 4 Pillars | 4 Factors | 5 Assessments |
| | Model Approach | Multiple linear regression | Modular (matrix) | Modular (matrix) |
| Assessment categories | | <ul style="list-style-type: none"> Economic strength Institutional and governance strength Fiscal strength External finances | <ul style="list-style-type: none"> Economic strength Institutional and governance strength Fiscal strength Susceptibility to event risk | <ul style="list-style-type: none"> Economic strength Institutional and governance strength Fiscal strength External finances Monetary strength |

2.1.2. Analyst assessment

Quantitative data is modelled and scored (some variances by CRA), while qualitative factors are used to adjust the final scores.

Scores are aggregated and an indicative rating is provided, which an analyst may adjust up or down according to qualitative factors.

2.1.3. Committee review and adjustments

Within each CRA, a dedicated committee oversees the review of assessments proposed by analysts. Typically, this committee holds the authority to not only qualitatively challenge but also to adjust ratings at both the category and overall levels. Importantly, the scrutiny of quantitative data is significantly influenced by the reliance on forecasts, which, while grounded in historical quantitative figures, often incorporate qualitative elements. As a result, the committee's evaluations extend beyond merely



challenging specific qualitative aspects of the model; they encompass a comprehensive review of all factors influencing the ratings, recognising that the interplay between qualitative insights and quantitative data is crucial for accurate assessments.

The table below indicates the different agencies varying thresholds for these adjustments:

Table 2: Notch adjustments employed by each CRA

| | Fitch | Moody's | S&P |
|---------------------------|-----------------|-----------------|--|
| Category level adjustment | Up to 2 notches | Up to 3 notches | Up to 2 notches |
| Indicative rating | Up to 3 notches | Up to 3 notches | 1 notch typically, although methodology allows for 2 |

This structured review process ensures that various perspectives are considered, fostering a more robust and balanced credit rating determined by both quantitative analyses and qualitative insights.

The extensive nature of quantitative and qualitative inputs in the CRA methodology process lends itself to limitations when reliable input sources are scarce. In the African context, data comprehensiveness, accuracy, and ease of access are large challenges that often lead to inaccurate assessments. Despite South Africa having world class quantitative data, negative qualitative input is often over emphasised, while positive reform progress is under emphasised. To reduce inaccuracies in rating outcomes, it is critical for all stakeholders interviewed in the process to be transparent and proactively communicate all progress that has been achieved through structural reforms.



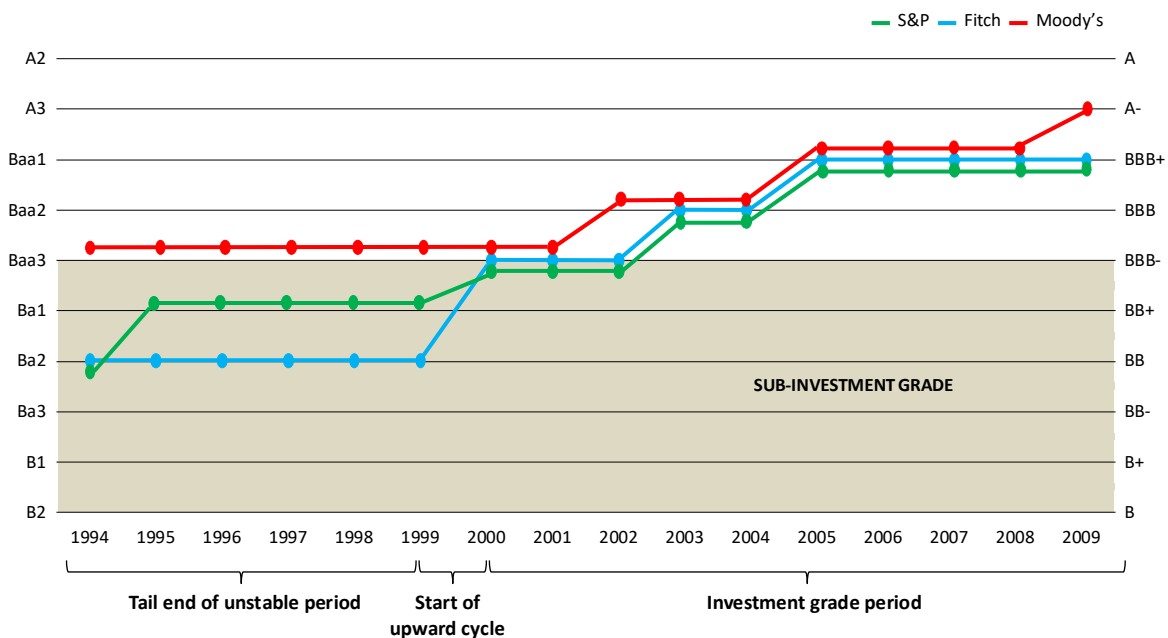
3. History of South Africa's sovereign rating

3.1. South Africa's sovereign rating history

In the early 1990s, South Africa underwent a significant transformation as it emerged as a democratic nation. This transition involved a major overhaul of both the political and economic landscape, setting the stage for a new era of governance and economic policy.

From the late 1990s until 2011, South Africa enjoyed a period of credit rating upgrades, stability and investment grade status. During this time, the country consistently maintained ratings that were at least two notches above the sub-investment grade threshold across all three major CRAs. This period of growth was indicative of the country's improving economic fundamentals and political stability.

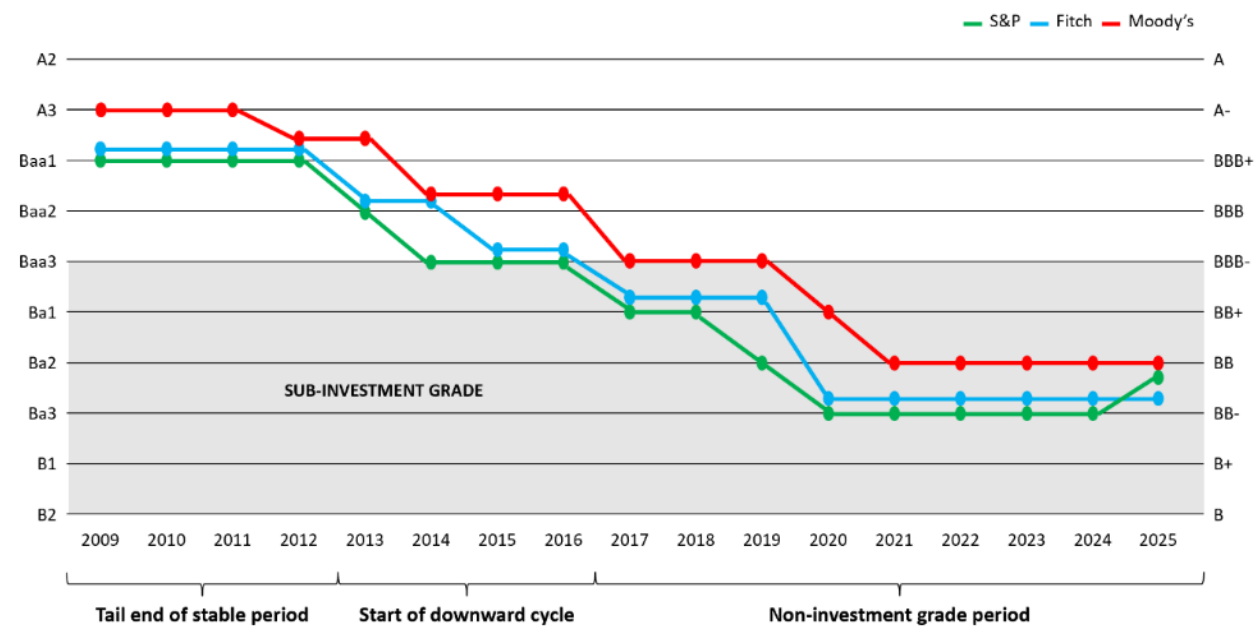
Figure 1: South Africa's credit ratings from S&P, Fitch and Moody's (1994 – 2009)^{2, 3}



However, as South Africa approached 2012, it encountered several headwinds that negatively impacted its economic performance and creditworthiness. This culminated in a series of downgrades that began in 2012 and continued in the following years. In 2017, South Africa was downgraded to sub-investment grade by S&P and Fitch, with Moody's downgrading the country into sub-investment grade in 2020. South Africa's challenges remained and the downgrades continued through to 2021. Between 2021 and 2024, there was limited positive momentum towards an upgrade, except for S&P shifting their outlook to 'positive' in November 2024. Towards the end of 2025, South Africa received their first sovereign rating upgrade since 2009. S&P upgraded the sovereign from BB- to BB, with a continued positive outlook, now placing the country two notches below investment grade. This aligns with Moody's Ba2 rating, which they reaffirmed in November 2025.



Figure 2: South Africa's Credit Ratings from S&P, Fitch and Moody's (2009 – 2025)^{2, 3}



3.2. South Africa's challenges have been captured at both the quantitative level and qualitative level, having been consistently rated down by 1-2 notches from the indicative rating by all rating agencies based on qualitative factors. These adjustments place emphasis on the future concerns that rating agencies have on the country's economic and fiscal strength over and above the quantitative results.

Table 3: Final ratings and notch adjustments by major CRA^{2, 3}

| Year | Fitch | | | | Moody's | | | S&P | | | |
|------|-------------------|--------------------|--|--------------|--------------|--------------------|-----------|-------------------|--------------------|--|---------------|
| | Indicative rating | Adjustment applied | Rationale | Final rating | Final rating | Adjustment applied | Rationale | Indicative rating | Adjustment applied | Rationale | Final rating |
| 2025 | BB+ | -2 | Reflecting weak growth prospects relative to the BB median and uncertainty over the government's ability to stabilize the debt/GDP ratio | BB- (stable) | Ba2 | 0 | N/A | BB+ | -1 | Reflecting economic pressures on GDP per capita, noting the very high exchange rate volatility | BB (positive) |

Despite Moody's not applying a notch adjustment to the indicative rating of the model, qualitative negative adjustments are made at the category level for both economic strength (weak potential growth; tensions within ruling coalition; difficult global environment) and deteriorating public finances (reflecting historical debt trends and foreign currency debt, partly offset by large stock of government financial assets), which are aligned with the assessments of Fitch and S&P.



4. Impact of sovereign rating downgrades on South Africa

Sovereign credit ratings significantly drive the risk premium countries must pay when borrowing. A lower credit rating means higher costs of capital. In South Africa's case, an improved credit rating could save the government around R30 billion over the next five years in interest payments. For instance, if freed up, these savings could be invested into the development of ~10 district hospitals²⁰. Lowering borrowing costs therefore creates financial space to support economic growth and social progress. This highlights the important role that sovereign ratings play in enabling countries to fund their development more sustainably.

While the cost of capital is a significant drawback of a lower credit rating, it is not the only challenge faced by affected countries. Firstly, it creates a negative reputation and perception in the market, where investor sentiment often outweighs fundamental analysis, leading to reduced investor confidence and adverse investment decisions. Secondly, low ratings contribute to lower market liquidity and increased refinancing risk, as debt instruments with speculative-grade ratings tend to trade less frequently. This reduced liquidity makes it difficult for companies or governments to roll over or refinance existing debt, increasing the risk of financial distress. Thirdly, the investor base becomes limited as many institutional investors operate under regulatory or internal policy restrictions that prevent them from investing in sub-investment grade securities. Together, these factors compound the challenges posed by low credit ratings, illustrating why their impact goes well beyond simply higher borrowing costs.

On the broader market impact, while rating-above-the-sovereign criteria applies to corporates, a sovereign's credit rating acts as the ceiling for the ratings of SOEs and domestic banks, since their performance is intrinsically linked to the country's fiscal and macroeconomic risks. In practice, this means that even if a bank or SOE has a strong balance sheet and profitability, it cannot be rated higher than the sovereign. For example, South Africa's sovereign is currently rated BB by S&P, BB- by Fitch and Ba2 by Moody's; major South African banks such as Standard Bank, ABSA, FirstRand, and Nedbank have stand-alone credit profiles in the BBB- range, but their issuer credit ratings are capped at the sovereign's BB-level. This results in entities that would otherwise have a higher credit rating being effectively impacted to the same extent as the State.

It should be noted that, across the broader African continent, there is an ongoing and significant debate regarding the disproportionately negative impact of credit ratings on African countries. Building increased sovereign capacity and capability to engage with CRAs and provide accurate data in a timely manner is acknowledged as a critical factor in mitigating further disparity. While some have advocated for the creation of a new African Credit Agency, there is a strong view that this is not the solution; instead, improved engagement with existing CRAs, greater consideration and understanding of country context and improved data availability, together form a coherent path to improved ratings for the continent.

²⁰ Oliver Wyman analysis; uKesa: Estimators for infrastructure cost of health facilities [Link]



5. Key drivers of South Africa's sovereign rating downgrades

Since 2012 CRAs have focused on several themes to understand South Africa's economic, fiscal, institutional, external, and monetary landscape. These include:

- **Persistently low real GDP growth**, which declined from 2.5% in 2013 to ~1% for the following 11 years (2014 - 2025)²¹, along with an increase in unemployment from 26.7% in 2016 to 31.9% towards the end of 2025²², and an increase in poverty and inequality
- **Deteriorating public finances**, with the government debt-to-GDP ratio significantly worsening, rising from 35% in 2012 to 78.9% in FY2025/26 (Budget framework peak), driven by budget deficits and increasing costs associated with state-owned enterprises. The debt service burden is expected to stabilise, with debt-service costs now around 18% of expenditure under the latest Budget framework
- **Political instability**, marked by cabinet reshuffles and tensions among leaders, further created governance and policy effectiveness challenges

Together, these themes underscore the complex interplay of economic and political factors contributing to South Africa's sovereign credit rating challenges. Overall, the three major CRAs deliver consistent rationale behind South Africa's current rating and previous downgrades.

Table 4: Comparison across CRAs of reasonings behind low credit rating in latest reports^{2,3}

| Reason/indicator behind low credit rating | Fitch | Moody's | S&P |
|---|-------|---------|-----|
| Low real GDP growth | ✓ | ✓ | ✓ |
| Inequality and social risks | ✓ | ✓ | ✓ |
| High Govt Debt/GDP | ✓ | ✓ | ✓ |
| Structural constraints (i.e., poorly performing SOEs) | ✓ | ✓ | ✓ |
| Governance issues and political risk | ✓ | ✓ | ✓ |
| Current account deficits | ✓ | | |

5.1.1. Low real GDP growth

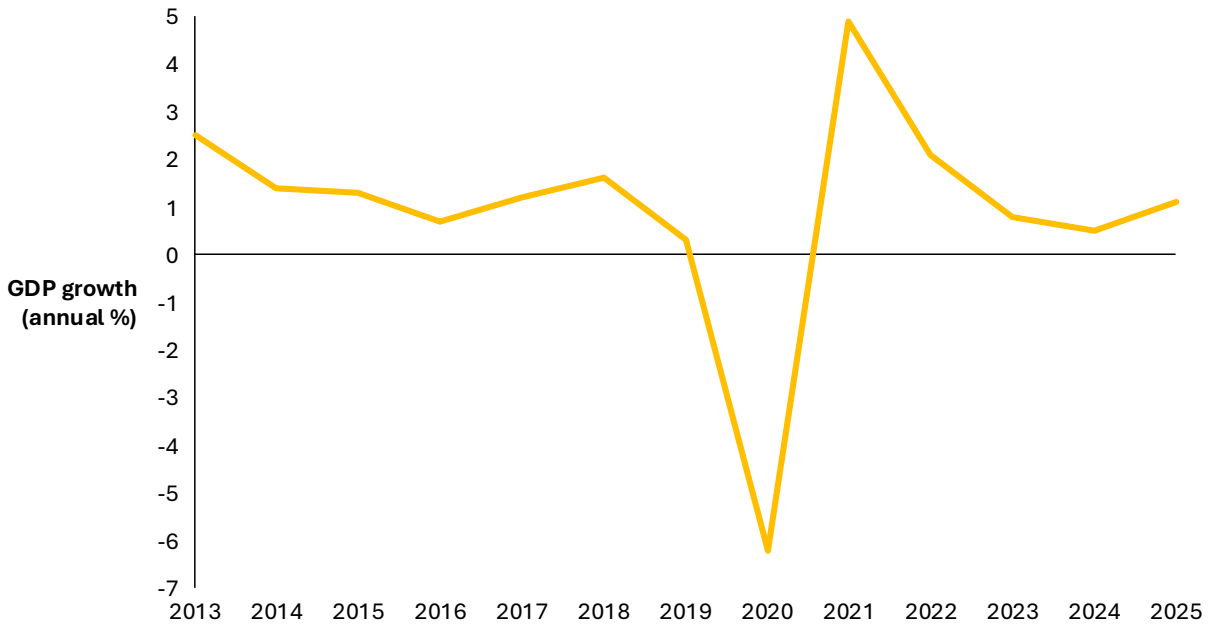
Low real GDP growth has been one of the major issues cited since South Africa was downgraded to sub-investment grade in 2017. GDP growth declined from 2.5% in 2013 to averaging 1.1% in 2014 – 2017. A slight rebound to 1.6% in 2018 was seen, however, this dropped again in 2019 (0.3%) and 2020 (-6.2% – driven by COVID). The rebound post COVID (5% in 2021 and 1.9% in 2022) was not sustained as 2023 and 2024 growth fell below 1% to 0.7% and 0.6% respectively. Several challenges have hindered growth, most notably, inconsistent energy supply, bottlenecks in logistics, and low productivity and investor confidence.

²¹ Statistics South Africa

²² South African Reserve Bank: Official Unemployment rate (%)



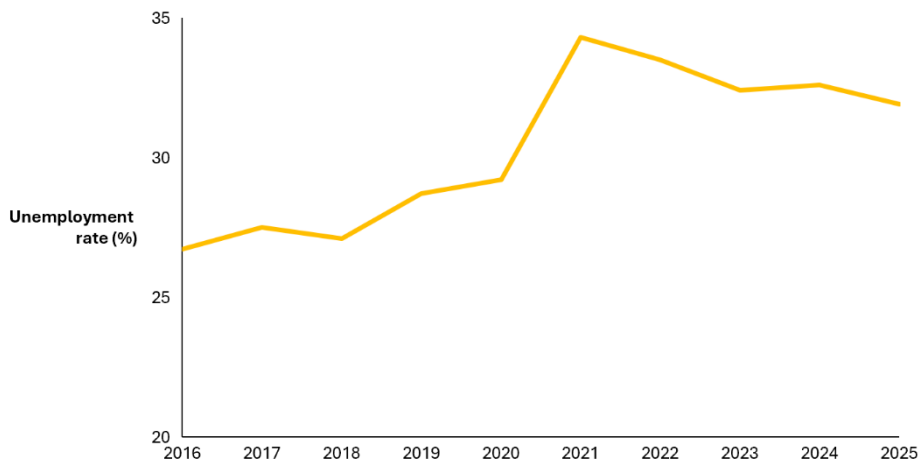
Figure 3: South Africa's annual real GDP Growth (%) (2013 – 2025)⁶



5.1.2. Unemployment, poverty, inequality and potential for social unrest

South Africa's unemployment rate increased from 26.7% in 2016 to 33.5% in 2022. By the end of 2024, unemployment had decreased slightly to 32.6% and 31.9% by the end of 2025.

Figure 4: South Africa's unemployment rate (%) (2016 – 2025)⁷





While unemployment is not explicitly captured in CRA rating models (such as Fitch), all CRAs document state that high unemployment and inequality add to the pressures on public finances and contribute to broader political risks, illustrated by the violent unrests seen in KZN in July 2021. S&P published a 2021 article titled '*Social Unrest in South Africa Is a Reminder of Institutional and Structural Constraints to a Fragile Recovery*' which highlighted that acute civil unrest is reflective of deeper institutional and structural fragilities and has affirmed the need for consistent social reform as recently as their 2024 positive outlook rating report.

5.1.3. Public finances

South Africa's government debt-to-GDP ratio has witnessed a substantial increase, rising from 35% to 46% between 2012 and 2017, coinciding with the lead-up to the downgrade to sub-investment grade. This upward trend in the debt burden continued through to 2024, reaching 74%. The most significant increase occurred in 2020, when the debt-to-GDP ratio surged from 57% to 70%. Moody's and S&P both assign the worst scores to fiscal strength, underpinning the need for accelerated fiscal consolidation and discipline. Notably, however, the actual ratio for fiscal year 2022/2023 was recorded at 70.4%, which was lower than Fitch's November 2020 forecast of 94.8%, and a projected 100.4% by 2024. Under the latest Budget framework, the government debt-to-GDP ratio is projected to peak at 78.9% in FY2025/26.

The key driver of this escalating debt burden is persistent budget deficits. Over the past decade, South Africa has averaged a budget deficit of approximately 5%²³, with every fiscal year ending in deficit. Additionally, the financial difficulties stemming from state-owned enterprises (SOEs) have exacerbated public finance deterioration, particularly through bailouts and contingent liabilities.

From 2013 to 2023, the cumulative value of bailouts amounted to around R330 billion. Most of this support was directed towards specific entities, with Eskom receiving approximately R182 billion, South African Airways (SAA) about R48 billion, the South African National Roads Agency (SANRAL) around R24 billion, and the South African Special Risk Insurance Association (SASRIA) approximately R22 billion²⁴. In 2023, the government committed to an additional debt relief package for Eskom valued at R254 billion²⁵.

The current exposure in guarantees is estimated to exceed R500 billion, with Eskom accounting for more than R300 billion, Transnet about R78.6 billion, and SANRAL approximately R30 billion²⁶.

Despite worsening public finances, South Africa's government debt-to-GDP did not reach the highs previously forecasted by CRAs (see figure 5).

²³ IMF World Economic Outlook: General government net lending / narrowing (% GDP)

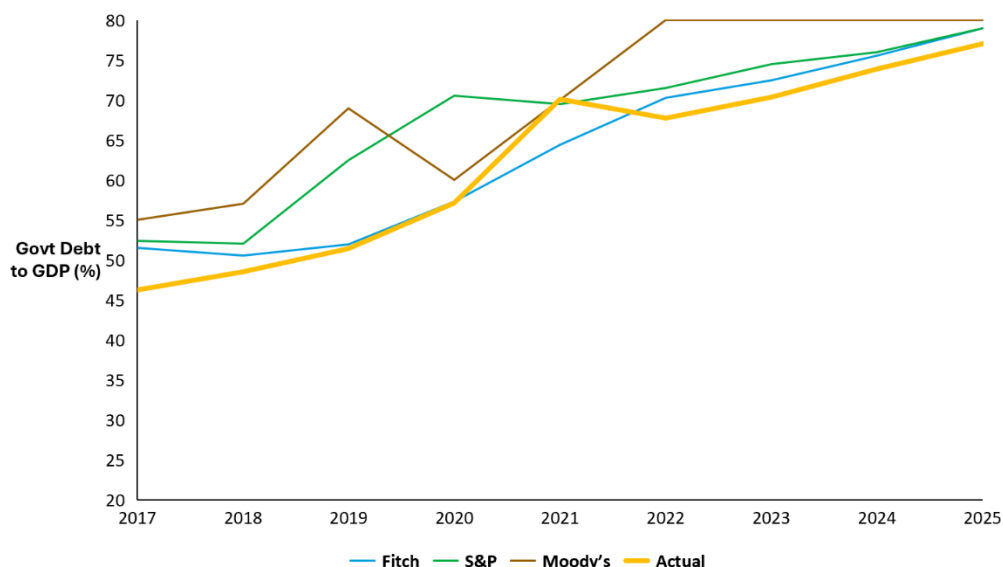
²⁴ Daily Investor: South Africa's government blew R331 billion on SOE bailouts [\[Link\]](#)

²⁵ National Treasury: 2025 Budget Review, Government Debt and Contingent Liabilities [\[Link\]](#)

²⁶ National Treasury: 2025 Budget Review, Government Debt and Contingent Liabilities [\[Link\]](#)



Figure 5: CRA forecasted versus actual Govt. Debt to GDP (%) (2017 – 2025)^{3, 8}



Government debt-to-GDP is not the only concern; the interest-payments-to-revenue ratio has also risen. In line with the debt-to-GDP trend, the debt-service burden is expected to stabilise, with debt-service costs now around 18% of expenditure under the latest Budget framework²⁷.

5.1.4. Political instability and governance

Political instability and governance challenges were a driving factor of South Africa's downgrades in 2017. All CRAs were concerned by leadership changes in ministries and perceived conflict within the African National Congress (ANC), the ruling party at the time. CRAs believed that these challenges would result in lower institutional strength and deterioration in policy effectiveness.

In recent reports, CRAs acknowledge the recent formation of the Government of National Unity (GNU) as a positive development in promoting stability and addressing structural challenges. Fitch notes a short-term easing of policy uncertainty, particularly with key political players, the ANC and DA, driven by a broad alignment on growth priorities. Similarly, S&P and Moody's emphasise the GNU's potential to facilitate reforms and enhance investor confidence, with S&P revising its outlook to positive in late 2024 due to improved political stability and reform momentum in crucial sectors.

However, there are nuanced differences in their perspectives. While in their October 2024 report, Fitch highlights easing of political tensions, concerns regarding risks to political stability remain, with some topics, such as foreign policy, social grants and the national health insurance, being potentially contentious. Both S&P and Moody's view the GNU more favourably, seeing it as a framework for reform and continuity. In their May 2025 report, S&P notes that the GNU coalition government has been embroiled in disputes over the budget, but the fact that it has held together bodes well for broad policy continuity and enhanced reform momentum, and it has established a common reform agenda. In their December 2024 report, Moody's notes the smooth formation of the GNU and its commitment to continuing structural reforms indicate a solid legislative and executive framework. Moody's believes the DA

²⁷ South African Reserve Bank

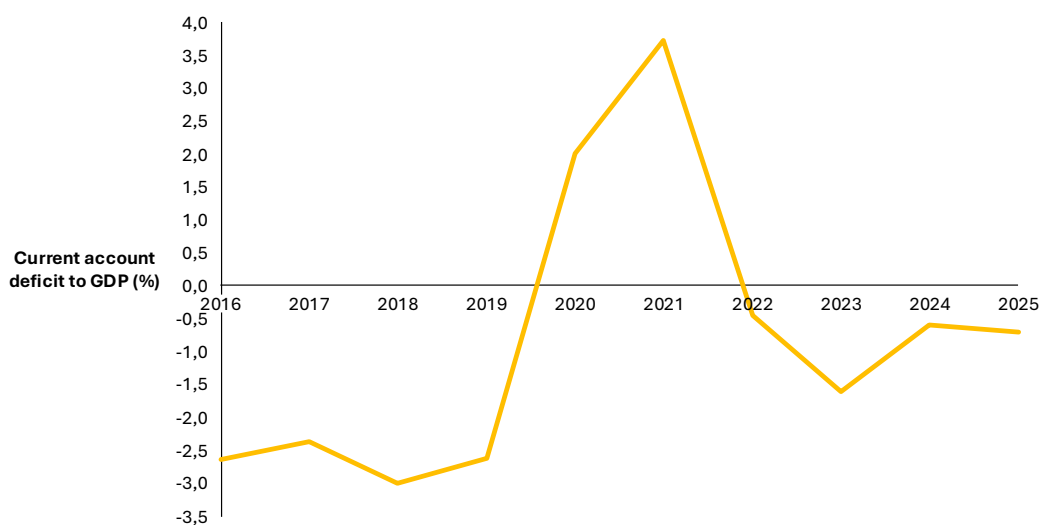


is bringing valuable policy experience from managing the Western Cape, experience that may enhance policy effectiveness at the national level. Lastly, it notes the GNU's more inclusive and cooperative approach to governance along with a more pluralistic political climate which bodes well for social cohesion.

5.1.5. Current account deficit

In the years leading up to the pandemic, specifically from 2016 to 2019, South Africa's current account deficit fluctuated around 3% of GDP. Excluding the anomalies presented by the COVID-19 years, this deficit decreased to just below 1% in 2022 and continued to fluctuate around negative 1% in 2023 and 2024.²⁸ By September 2025, the deficit sat at -0.7% of GDP.

Figure 7: Current account deficit to GDP (%) (2016 - 2025)¹⁰



Fitch emphasised that while the current account deficit is a significant indicator of external vulnerability, South Africa's flexible exchange rate regime and liquid currency markets serve to mitigate some of this risk. These attributes provide a buffer against the potential impacts of a widening current account deficit, contributing to a more stable economic environment.

²⁸ South African Reserve Bank



6. Key rating upgrade triggers identified by the credit rating agencies

Across the three major CRAs' most recent reports on South Africa (2023 – 2025), two key expectations have consistently emerged as critical triggers for the country's credit outlook: improvement in real GDP growth and public finances. However, specific thresholds or targets for an upgrade have not been explicitly indicated. Instead, the agencies emphasise that these factors could, either individually or collectively, lead to a credit rating upgrade.

Table 5A: Comparison across CRAs of triggers for an upgrade mentioned in their latest reports

| Triggers for an upgrade | Fitch | Moody's | S&P |
|--|-------|---------|-----|
| Growth prospects - effective implementation of structural reforms that will drive economic growth (including targeted reforms for improvements of SOEs to ensure reduced contingent liabilities and supply side bottlenecks) | ✓ | ✓ | ✓ |
| Growth prospects - increased investment (sign that government strategies to encourage private sector capture are effective) | | ✓ | ✓ |
| Improved public finances | ✓ | ✓ | ✓ |
| Political stability (allowing ongoing reform implementation and improvement in business environment) | ✓ | ✓ | ✓ |

6.1.1. Growth prospects

The first of these factors is growth prospects. There is a need for greater confidence that South Africa's medium-term growth prospects will become sufficiently strong to support fiscal consolidation and effectively address persistent structural challenges such as high unemployment and inequality. This expectation is assessed through improved and effective implementation of structural reforms, which are crucial for unlocking South Africa's growth potential. Reform progress is closely monitored as a key indicator of whether the country is on a path towards sustainable economic expansion, which is necessary to bolster fiscal sustainability and restore investor confidence.

6.1.2. Improved public finances

The second significant expectation centres on improved public finances. The CRAs are looking for confidence that the government's debt-to-GDP ratio will not only stabilise durably in the short-medium term but eventually decline in the medium-long term. Further, the interest payments-to-revenue ratio is also expected to decline. To achieve this, South Africa would need a combination of persistently higher tax collections and sustained control of government expenditures. This focus reflects concerns about the fiscal risks associated particularly with contingent liabilities tied to SOEs, which have historically complicated the country's debt dynamics. Managing these liabilities effectively is vital to maintaining fiscal discipline and preventing potential fiscal slippage that could jeopardise credit ratings or increase borrowing costs, thereby impacting broader economic stability.



6.1.3. Additional factors

In addition to these core expectations relating to growth and fiscal health, the reports also point to several other important factors that contribute to the overall credit assessment. One such factor is increased private sector investment, which serves as a proxy for the government's success in cultivating a conducive environment for private sector participation. A rise in private investment would indicate that government policies and reforms are fostering confidence and enabling economic activity beyond the public sector. This is particularly important for South Africa given its need to broaden economic growth drivers beyond state-led initiatives.

Moreover, effective governance remains a critical component, especially within the context of a coalition government. The ability to maintain stable and effective governance is seen as essential for delivering policy continuity, ensuring the successful implementation of reforms, and managing economic challenges in a complex political landscape.



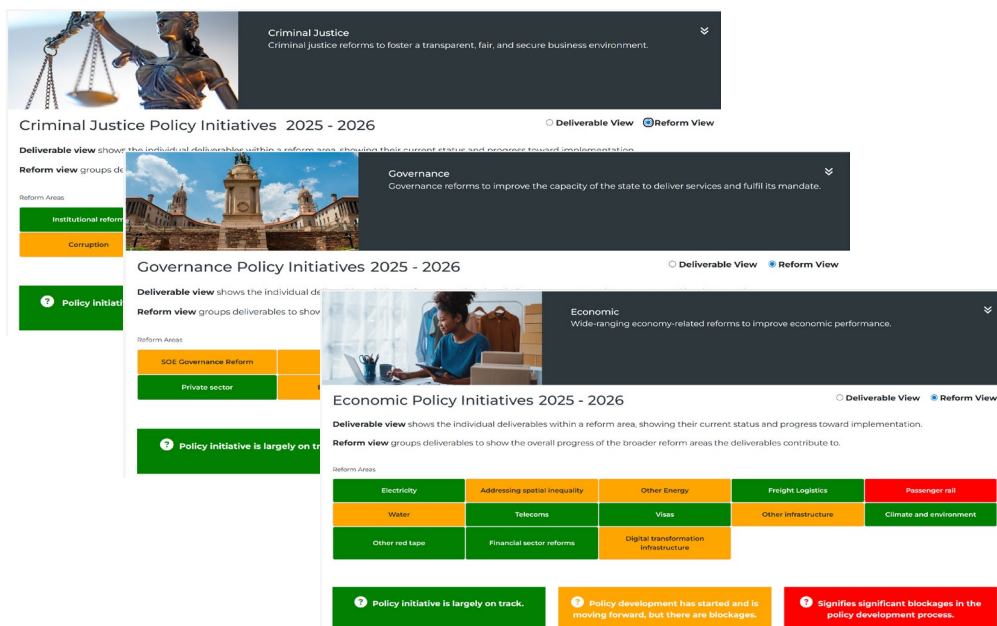
7. South Africa's progress on structural reforms linked to rating upgrade triggers

South Africa has adopted a 4-pillar growth strategy:

- **Pillar 1:** A clear and stable macroeconomic framework; ensuring continued economic stability and enabling the reform programme
- **Pillar 2:** Implementing economic growth reforms; addressing structural reforms in areas such as rail, energy, regulation and product markets
- **Pillar 3:** Restoring the implementation capability of the State, through improving and enhancing State capacity and capability
- **Pillar 4:** Supporting growth-enhancing public infrastructure investment; through prioritised spend and addressing structural barriers

As part of this, efforts to enhance South Africa's economic landscape are underway, encompassing a wide range of reforms aimed at addressing critical sectors such as energy, logistics, real estate, and water management. Key initiatives include the unbundling of Eskom to foster a competitive energy market, improvement of the freight rail and port operations to increase capacity and efficiency (with rail volumes increasing by 10 million tonnes and another 20 million tonnes expected from the privatisation of key rail corridors), the establishment of a National Water Resource Infrastructure Agency for improved water governance, and the review of complex housing regulations to increase access to affordable housing. Additionally, the government has implemented a Trusted Employer Scheme to streamline the work visa process and is actively pursuing public-private partnerships to stimulate infrastructure investments. To raise public awareness and ensure accountability regarding these reforms, BLSA has introduced a reforms tracker, which will serve as a vital tool for monitoring progress and promoting transparency in the implementation of these initiatives.

Figure 8: BLSA Reform Tracker





Advocacy for these reforms is paramount, as it plays a crucial role in shifting the mindsets of experts and stakeholders whose inputs are essential to key credit rating models, including the World Governance Indicators, which are developed through surveying experts on specific index themes. Engaging in transparent discussions surrounding these reforms not only informs the qualitative assessments used by CRAs but also fosters a broader understanding of the country’s commitment to structural improvement. Such advocacy efforts can enhance the credibility of South Africa’s governance and economic policies.

Below is an overview of key reforms completed and ongoing. While not exhaustive, it provides a comprehensive view of overarching themes and progress. Further, Operation Vulindlela Phase II has added local government strengthening and spatial integration housing as key focus areas.

Table 6: Key reforms completed and ongoing in South Africa

| Key reforms completed and ongoing Non-exhaustive – prioritised based on rationale previously outlined by CRAs | | |
|--|---|--|
| Area | Completed | Ongoing |
| Energy | <p>Policy reforms</p> <ul style="list-style-type: none"> • Electricity Regulation Amendment (ERA) was passed allowing private sector investment in power generation to enable the transformation of the country’s electricity grid into a competitive market under a Transmission System Operator • The National Energy Regulator of South Africa (NERSA) approved a Market Operator license for the National Transmission Company of South Africa (NTCSA) on 27 November 2025 • The finalised Electricity Transmission Infrastructure Regulations were published on 31 October 2025. The regulations aim to facilitate investment in transmission capacity by private parties and the connection of electricity generation into the transmission system as well as enhance the reliability and security of the grid • Cabinet approved the final draft of the Integrated Resource Plan (IRP 2025) in October 2025 outlining an indicative and forward-looking plan for South Africa’s future energy supply <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> • Eskom was unbundled through the establishment of the National Transmission Company of South Africa • Eskom implemented the Generation Recovery Plan to improve plant performance, ramping-up planned | <p>Policy reforms</p> <ul style="list-style-type: none"> • Pass the Energy Security Bill to streamline regulatory framework • Develop the Electricity Distribution Industry (EDI) reform roadmap <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> • Complete Eskom unbundling • Establish a competitive wholesale market for electricity generation • Expand the transmission network by enabling independent transmission projects |



| Key reforms completed and ongoing Non-exhaustive – prioritised based on rationale previously outlined by CRAs | | |
|--|--|----------------|
| Area | Completed | Ongoing |
| | <p>maintenance to more than 8,000MW to enable improved performance in future</p> <ul style="list-style-type: none"> – Eskom has already reduced loadshedding days from 329 days in FY24 to 13 days in FY25 ²⁹ – >7.8GW generation capacity has been recovered through long term outage completions and new builds ³⁰ – Expected Energy Availability Factor to return to 70%+ by 2026 <ul style="list-style-type: none"> • Private renewable energy participation increased through the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) as well as the official designation of three new areas as Renewable Energy Development Zones (REDZs) • Four additional preferred bidders with a total capacity of 890 MW and expected investment of R16 billion have been announced for the seventh round of the renewable energy procurement programme (REIPPPP 7) in December 2025, bringing the total capacity secured through the bid window to 3 940 MW • Private Investment pipeline of 22.500MW in renewable energy projects ³¹ • Eskom’s own generation capacity is expected to remain near constant over the next 5-year period, shifting slowly to more renewable mixes in the future ³² <ul style="list-style-type: none"> – Over the same period Independent Power Producers (IPPs) are expected to increase generation capacity from 6.33GW to ~14.4GW (primarily made up of renewables) ³³ | |
| Logistics | <p>Policy reforms</p> <p>1. Economic Regulation of Transport Act passed</p> | Policy reforms |

²⁹ National Treasury

³⁰ National Treasury

³¹ National Treasury

³² Eskom Just Energy Transition (JET) Plan

³³ US International Trade Administration South Africa country commercial guide



| Key reforms completed and ongoing Non-exhaustive – prioritised based on rationale previously outlined by CRAs | | |
|--|--|--|
| Area | Completed | Ongoing |
| | <p>Market-stimulating reforms</p> <p>2. Freight Logistics Roadmap and Draft Network Statement finalised</p> <p>A. Improved rail and port operations, with rail volumes increasing by more than 10 million tonnes to 161 million tonnes¹²</p> <p>3. Private Sector Participation (PSP) unit established</p> <p>4. Corporatisation of Transnet National Ports Authority (TNPA) allowing private sector participation in container terminals</p> <p>5. Transnet has made notable progress in rolling out additional locomotives under its fleet renewal programme, with the remaining 40 of 240 locomotives expected by June 2026</p> <p>6. Transnet Rail Infrastructure Manager (TRIM) completed the adjudication process to select new Train Operating Companies (TOCs)</p> <p>A. 11 private TOCS have been shortlisted, granting them access to 41 routes and six corridors</p> <p>B. New operators are expected to carry an additional 20 million tons of freight annually</p> | <ul style="list-style-type: none"> Finalise the National Rail Bill to gain open access to freight rail network Establish the Transport Economic Regulator <p>Market-stimulating reforms</p> <p>7. Complete Transnet restructuring</p> <p>8. Release a revised Network Statement for private sector participation through PSP unit</p> <p>9. Establish a fully independent National Ports Authority and Rail Infrastructure Manager</p> |
| Real Estate | <p>Policy reforms</p> <ul style="list-style-type: none"> Complex laws and regulations that increase the cost of low-cost housing developments are being reviewed to increase access to affordable housing <ul style="list-style-type: none"> City of Cape Town is already piloting innovations such as overlay zones | N/A |
| Visas | <p>Policy reforms</p> <ul style="list-style-type: none"> Work visa system was reviewed and immigration regulations were revised Trusted Employer Scheme (TES) was implemented <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> eVisas were introduced to 34 countries | <p>Policy reforms</p> <ul style="list-style-type: none"> Implement a points-based system for skilled worker visas <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> Expand the TES remote worker visa Implement Electronic Travel Authorisation (ETA) for tourist visas |
| Telecoms | Market-stimulating reforms | Market-stimulating reforms |



| Key reforms completed and ongoing Non-exhaustive – prioritised based on rationale previously outlined by CRAs | | |
|--|--|--|
| Area | Completed | Ongoing |
| | <ul style="list-style-type: none"> Spectrum auctions have been completed <ul style="list-style-type: none"> Six qualified telecoms providers (Cell C, Liquid Intelligent Technologies, MTN, Rain Networks, Telkom and Vodacom) were awarded spectrum <p>Key metric: 51% reduction in the cost of data for a 1.5 GB bundle³⁴</p> | <ul style="list-style-type: none"> Establish a secondary market for spectrum |
| Water | <p>Policy reforms</p> <p>10. National Water Resource Infrastructure Agency (NWRIA) Act was passed</p> <ul style="list-style-type: none"> Water Partnership Office (WPO) established (develop PPP projects) Water quality monitoring system revived <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> Water use license backlog cleared Raw water pricing revised <p>Key metric: 90 days to obtain a water use licence, down from 300³⁵</p> | <p>Policy reforms</p> <ul style="list-style-type: none"> Develop the National Water Action Plan Establish the National Water Resource Infrastructure Agency (NWRIA) & other institutional reforms Finalise the Water Services Amendment Bill to strengthen regulatory oversight <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> Introduce private sector participation through the WPO and PPP unit |
| Local Government | NA | <p>Policy reforms</p> <ul style="list-style-type: none"> Review the funding model and institutional structure Standardise appointments of senior officials <p>Market-stimulating reforms</p> <ul style="list-style-type: none"> Reform trading services through development of a utility model for water and electricity services Improve service delivery |
| Spatial Policy | NA | <p>Policy reforms</p> <ul style="list-style-type: none"> Review development regulations for release of public land for development Clear subsidised housing title deed backlog |

³⁴ National Treasury

³⁵ National Treasury



| Key reforms completed and ongoing Non-exhaustive – prioritised based on rationale previously outlined by CRAs | | |
|--|-----------|--|
| Area | Completed | Ongoing |
| | | Market-stimulating reforms <ul style="list-style-type: none"> • Restore & revitalise passenger rail services (PRASA) • Build out demand-side housing policy |
| Digital Transformation | NA | Policy reforms <ul style="list-style-type: none"> • Develop the Digital Transformation Roadmap • Establish a data-exchange • Implement digital identity and create trusted digital channels |



8. Macro-economic indicator developments and outlook for South Africa

Improvements and transformative reforms position South Africa for a near- to medium-term ratings upgrade. The country's growth potential is being bolstered by comprehensive reforms aimed at addressing key infrastructure deficiencies in organisations like Eskom and Transnet, with Treasury forecasting 1.6% (2026), 1.8% (2027) and 2.0% (2028), which will ensure a positive GDP/capita despite population growth. S&P and Moody's appear to be as bullish on the growth forecasts, while Fitch has remained sceptical, suggesting modest growth will be realised. The government's commitment of R1 066.4 billion in public infrastructure spending over the next three years further underscores this growth trajectory.

Additionally, significant strides have been made in the management of government debt, with debt-to-GDP projected to peak at 78.9% in FY2025/26, supported by revenue growth that exceeded budgeted estimates (in 2024/2025) as well as primary budget surpluses achieved for two consecutive years. In addition, the significant bailouts for Eskom (ZAR 80bn in 2025 budget) are expected to end from 2026 onwards, having a material positive impact to the fiscal position of the country. Supporting this, for the 2025 financial year, Eskom reported a return to profitability for the first time in eight years³⁶. Progress in monetary policy and inflation management has seen inflation rates decrease significantly, promoting attractive yields that have resulted in record foreign inflows into government bonds. Social initiatives like the Presidential Employment Stimulus aim to address unemployment and inequality while navigating fiscal consolidation objectives. Work to review the Fiscal Responsibility Laws (FRLs) is ongoing. Furthermore, governance improvements and enhanced political stability, evidenced by strengthened anti-corruption measures and effective democratic processes, contribute to an increasingly favourable environment for economic recovery and potential credit rating enhancements.

South Africa also has a unique collaboration mechanism between business and government. The Government-Business Partnership is a structured collaboration led by the Presidency and organised business, under Business for South Africa (B4SA), with over 160 CEOs supporting to accelerate solutions to binding constraints on growth, principally in energy, freight logistics, and crime/corruption, by combining policy authority with private-sector execution capacity (experts, data, funding, and delivery discipline), coordinated through high-level forums and focused delivery units.

8.1.1. Growth potential and market confidence

South Africa's reforms extend beyond fixing key infrastructure in Eskom and Transnet, encompassing broader, multi-sector changes aimed at boosting GDP. Reforms are anticipated to substantially increase long-term growth and their short-medium term impacts are understated; estimates state that growth will gradually lift to ~ 2% by 2027.

Business confidence indicators are showing early but tangible improvement, consistent with strengthening macroeconomic and reform signals. The RMB/BER Business Confidence Index rose by a further 3 points to 47 in the first quarter of 2026, building on the improvement recorded in late 2025. This reflects improved sentiment as fiscal consolidation has taken hold, energy supply has stabilised, and progress in logistics reform has begun to ease long-standing operational constraints. While confidence has not yet reached outright neutrality, the direction of travel supports the view that reform momentum is translating into improved expectations among firms.

³⁶ ESI-Africa [\[Link\]](#)



This confidence is mirrored in the investor community, with the JSE FTSE Top 40 having increased by ~42% in 2025. Comparatively, the S&P 500 and MSCI EM Index respectively increased by only ~17%³⁷ and ~30%³⁸ over the same period. This outperformance indicates that the increased confidence is not simply following a global economic trend but is a specific response to the reforms and progress our local market is making. Moreover, in 2024, the 10-year bond yield dropped to 10% - its lowest level in two years³⁹. This has continued into 2025, with the 10-year bond yield having steadily decreased from ~10% in April to ~8% in November⁴⁰. This downward trend is expected to continue, with investors likely welcoming the recent progress in monetary policy reforms as announced in a joint statement by National Treasury and SARB at the beginning of September 2025 - emphasising the value of reducing inflation to levels consistent with the country's trading partners⁴¹. Additionally, 5-year CDS spreads have come down from over 250bps pre-GNU formation to 142bps at the start of March 2026, showing increased market confidence. South Africa's CDS spread is much lower than peers with a similar Fitch BB- rating of around 200bps.⁴²

Finally, whilst it is difficult to predict the exact impact that the end to loadshedding will deliver for South Africa's GDP growth, NERSA (in conjunction with Nova Economics) estimated the cost that loadshedding had on the economy from 2007 – 2019 was R35 billion. Had all the load shedding experienced over the period taken place in a single quarter in 2019, it would have resulted in a 5% contraction real q/q GDP growth. To put this into perspective the total cost of load shedding at R35 billion is roughly equivalent to the impact the 2008/9 financial crisis had on GDP growth⁴³. Hence, without this cost burden on the economy, improved growth prospects might be seen.

In South Africa, the democracy often drives negative narratives, which is thought to cause poorer external market confidence. However, the perceived external market confidence is relatively minor given the significant improvements in observed confidence data (as mentioned previously). The strong performance of the JSE and the bond market would suggest that contrary to what CRAs may perceive, the external market is as confident in our investment potential as local investors are. This performance underscores the country's ability to navigate economic obstacles effectively. Strong governance structures and capable management teams foster a robust framework for investor sentiment, demonstrating that South Africa's democracy, while noisy, has proven to be durable and institutionally strong.

8.1.2. Infrastructure investments

As a key pillar of the government's growth strategy, R1 066.4 billion in public infrastructure spending over the next 3 years has been committed alongside the creation of Infrastructure South Africa. This spending is seen as the bedrock for economic development (by improving operations within key sectors, such as energy and logistics), an integral source of jobs, and an avenue to scale-up service delivery. As part of this, for FY2025/26, South Africa has launched a pipeline of more than 250 projects, cumulatively valued at over R230 billion. The Budget Facility for Infrastructure continues to drive infrastructure funding and has identified 9 projects with a total value of R55bn, of which R15.3bn will be funded by the Facility. Example catalytic projects are:

- Boegoebaai Port and Rail Development (Transnet)
- Durban-Johannesburg Container Corridor (Transnet)

³⁷ Financial Times: S&P 500 [\[Link\]](#)

³⁸ Financial Times: MSCI EM Index [\[Link\]](#)

³⁹ Investec: A resurgence of investor confidence in South Africa [\[Link\]](#)

⁴⁰ Trading Economics: South Africa 10-Year Government Bond Yield [\[Link\]](#)

⁴¹ South African Reserve Bank: South Africa's Inflation Target [\[Link\]](#)

⁴² World Government Bonds: CDS historical data [\[Link\]](#)

⁴³ Nova Economics: Estimating the economic cost of load shedding in South Africa [\[Link\]](#)



- Coega SEZ 100MW Solar Farm (Coega Development Corporation)
- LEUA Regional Energy Infrastructure (Limpopo Energy User Association)
- City of Ekurhuleni wastewater conveyance and treatment programme (City of Ekurhuleni)
- South Africa's Water Reuse Programme (Department of Water and Sanitation)
- Gauteng Urban Upgrade Programme – Johannesburg Central Business District (Gauteng Department of Infrastructure Development)

8.1.3. Durability of Foreign Direct Investment (FDI) net inflows

Since the onset of the sub-investment grade ratings cycle in 2017, when FDI net inflows totalled \$2.06 billion, FDI has remained durable, rising to \$2.49 billion by 2025 (20.8% increase) and, aside from a pandemic-related dip followed by a post-pandemic surge, not falling below 2017 levels. Additionally, the value of South African bonds under custody grew from R61.6 trillion in 2024 to R67.3 trillion in 2025.⁴⁴ Hence, despite the sub-investment grade rating, investor confidence is resurging as reforms take hold.

8.1.4. South African banks extending additional credit at stable loss ratios

There has been a significant uptick in credit extension from banks, with overall loan growth rising by 5.3% year-over-year, particularly in household loans and middle corporate sectors. All four of South Africa's major retail banks have significantly expanded their portfolios since the start of the ratings downgrade cycle, while maintaining stable Credit Loss Ratios (CLRs), indicating a resilient banking environment despite challenging economic conditions.⁴⁵ Notably, Standard Bank has managed to improve its CLRs over this period. Key investments, such as the R4.9 billion Seriti Green project⁴⁶, reflect a proactive approach by banks towards sustainable financing. The table below captures each of the major SA banks' book values in billions of ZAR, and associated CLR in each period.

Table 7: SA banks' book values and associated CLR in each period⁴⁷

| Metric | Standard Bank | | | Absa | | | FirstRand | | | Nedbank | | |
|------------|---------------|-------------|----------------|-------------|-------------|--------------|-------------|-------------|------------|------------|-------------|------------|
| | ZAR BN | 2017 | 2024 | Δ | 2017 | 2024 | Δ | 2017 | 2024 | Δ | 2017 | 2024 |
| VAF | 108 1.5% | 135 1.4% | 25% (6.7%) | 86 1.6% | 98 1.6% | 14% - | 110 1.4% | 130 1.5% | 18% 7% | 84 1.4% | 95 1.6% | 13% 14% |
| Home Loans | 344 0.7% | 471 0.6% | 27% (14.3%) | 237 0.6% | 317 0.4% | 34% (33%) | 190 0.7% | 272 0.8% | 42% 14% | 133 0% | 160 0.9% | 20% - |

8.1.5. Reforms and unique offerings that position South Africa as a global leader

South Africa is firmly established as a global leader in several high-impact sectors. Its capital markets and financial sector are strong, evidenced by the Johannesburg Stock Exchange (JSE) being Africa's largest and most liquid stock exchange. It dominates the critical minerals market, serving as the world's premier source of platinum-group metals (PGMs), producing about 70% of the global supply⁴⁸. The country is also a key

⁴⁴ Strate: Market Insights [[Link](#)]

⁴⁵ Company Annual Reports

⁴⁶ Seriti Green: About [[Link](#)]

⁴⁷ Oliver Wyman analysis aggregated from annual reports, risk reports and investor presentations

⁴⁸ International Platinum Group Metals Association: The six metals [[Link](#)]



player in the production of chromite, manganese, and vanadium - minerals essential for industries such as automotive, hydrogen, steel, and battery manufacturing. The renewable energy sector is thriving as well, with South Africa holding the largest installed solar and wind capacity in Sub-Saharan Africa⁴⁹, fueled by the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and an expanding distributed generation market.

Strategically, the Durban port acts as the central hub of the North-South Corridor, linking Southern African Development Community (SADC) economies and enhancing intra-African trade integration despite existing infrastructure constraints.

Furthermore, South Africa also has promising emerging opportunities that could significantly enhance its global leadership. The country is pioneering innovation in rare earth mineral extraction, exemplified by the Phalaborwa project which extracts 65% of rare earth elements from waste material⁵⁰. This positions South Africa to become a key player in the African supply chain. In addition, Cape Town is increasingly recognised as a vital alternative maritime route to the congested and geopolitically sensitive Suez Canal⁵¹, with a growing number of vessels diverted around the Cape of Good Hope since 2025. This emerging role enhances the city's importance in global shipping and trade. These growing capabilities and strategic initiatives position South Africa as a forward-thinking innovator with significant potential to strengthen its global standing.

8.1.6. Unemployment, poverty, inequality and potential for social unrest

In addition to the economic growth initiatives, the President committed to expanding and institutionalising the Presidential Employment Stimulus, which includes the Social Employment Fund, the Basic Education Employment Initiative, the National Youth Service, and input vouchers for small scale and subsistence farmers. These initiatives have created >2.2 million work opportunities post COVID.

While social welfare programmes will continue to be improved, debates on maintaining spending in this area within the objectives of fiscal consolidation remain at the centre.

8.1.7. Management of public finances

In 2020, the CRAs forecast that South Africa's debt levels would exceed 100% of GDP by 2025, but these forecasts did not materialise due to tighter budget management, with debt now projected to peak at 78.9% in FY2025/26. In addition, South Africa's share of debt held in foreign currency is below 10% compared to peers of similar ratings that stand at 30-60%. Treasury is also making more active use of short-term issuance through flexible Treasury bill auctions, with net Treasury bill issuance expected to average R36 billion over the next three years, improving cash-flow management while preserving overall funding flexibility.

South Africa also achieved a primary budget surplus for the first time in fifteen years during the financial year ending March 2024, with revenue exceeding non-interest expenditure by 0.4% of GDP. This positive shift was driven by stronger tax collections and prudent fiscal measures. The trend continued into 2025, with the latest data showing a second consecutive primary budget surplus of R48.9 billion (about 0.7% of GDP) for the year ending March 2025⁵². This marks a major fiscal milestone demonstrating fiscal credibility: back-to-back primary surpluses last occurred before the 2008 global financial crisis.

⁴⁹ InvestSA [\[Link\]](#)

⁵⁰ Mining Weekly [\[Link\]](#)

⁵¹ Institute for Security Studies: Position SA as guardian of the Cape route [\[Link\]](#)

⁵² Bloomberg: South Africa Posts First Successive Primary Surplus in 16 years [\[Link\]](#)



Despite severe global headwinds, government remains committed to debt stabilising primary surpluses⁵³ and the debt-to-GDP ratio is forecast to peak at 78.9% of GDP in 2025/26, with prevailing monthly revenue and expenditure trends on track. It is notable that government's growth projections are credibly conservative, being marginally weaker than market consensus for the medium term.

Further, >60% of government bailouts and guarantees to SOEs are to Eskom⁵⁴, which is now in a better operational and financial position (as demonstrated by recent CRA upgrades of its standalone rating), and we expect this burden to decrease significantly going forward.

While discussions around the implementation of the National Health Insurance (NHI) have raised questions for South Africa's fiscal health, this is unlikely to be implemented in the medium-term having not yet received National Treasury budget allocation.

8.1.8. Monetary policy and inflation management

Monetary policy remains a strength for South Africa and has allowed a less restrictive policy stance through moderate interest rate cuts (repo rate has reduced from 8.25% in mid-2023 to below 7% by end of 2025), with real rates remaining relatively high. Inflation declined from a peak of 7.8% in 2022 to 2.7% in March 2025, a four-year low. South Africa has now formally adopted a 3% inflation target with a 1 percentage point tolerance band, better aligning the framework with emerging-market peers and strengthening the anchoring of inflation expectations. A lower inflation target creates better macroeconomic outcomes by reducing inflation and borrowing costs and improving the transmission of policy, indirectly generating both macroeconomic stability and growth gains⁵⁵. Attractive yields, reduced inflation expectations and improved fiscal policy credibility have supported record foreign inflows into South African government bonds.

8.1.9. Resilience in crises

South Africa has faced several economic and social challenges over the past 2 decades, including a HIV crisis (early 2000s), the global financial crisis (2008/9), the commodity shock (2015/16), COVID pandemic (2020), and the July 2021 KZN riots. Through all these shocks, the country remained resilient through clear crisis management policy actions, effective monetary policy and inflation targeting, well capitalised banking system, and deep local-currency capital markets. The country managed to prevent GDP from contracting through these shocks, however, when it did in 2009 (-1.5%) and 2020 (-6%), these contractions were followed by strong rebounds of 3% and 5% respectively in the immediate years that followed. Further, even though GDP growth has remained low in recent years, it has not been volatile.

8.1.10. Impact of exogenous factors

Fitch and Moody's have also highlighted South Africa's notable capacity to withstand external shocks, supported by several key mechanisms, citing the predominantly Rand-denominated debt profile, flexible exchange rates, and well-established local capital markets.

Despite a general ability to withstand external shocks, South Africa's export sectors are exposed to U.S. tariffs. Preliminary analyses indicate that the cost to real GDP growth in 2025 can be quantified by up to

⁵³ Budget Speech: 21 May 2025 [[Link](#)]

⁵⁴ National Treasury 2024 Budget Review: Government Debt and Contingent Liabilities [[Link](#)]

⁵⁵ South African Reserve Bank: Working Paper Series (WP/25/05) – Less risk and more reward revisiting South Africa's inflation target



0.5% - reducing growth from 1.8% to 1.1%⁵⁶, with Fitch forecasting growth of between 1.5% - 1.7% in 2026/2027.

8.1.11. FATF Grey List progress

As of June 2025, South Africa had substantively completed all 22 Action Plan items adopted after it was grey listed in February 2023 and in October 2025, South Africa's grey listing was rescinded. This meant that South African was on the grey list for three years, which is the global median, and showcases the country's ability to galvanise required reform.

8.1.12. Governance

The World Governance Indicators (WGI) are the largest driver of how CRAs measure institutional and governance strength. These indicators have known methodological and data limitations, including the frequency of updates. As such, Moody's and S&P rating scorecards explicitly supplement the WGI with a qualitative overlay, unlike Fitch's model which relies purely on WGI scores for capturing this rating dimension. However, there is a precedent of Fitch adjusting its modelled rating to account for governance issues, which it did (negatively) for South Africa in 2022, in the wake of 2021's KZN riots.

South Africa has made significant improvement in factors that are measured in the WGI since the latest figures. The peaceful national elections and GNU formulation in 2024, accelerated structural reform implementation, and a growing track record of credible macroeconomic (especially fiscal) policy implementation are examples of areas where significant progress has been made. Therefore, there is a case to be made for a positive qualitative adjustment to align the outdated WGI with today's reality.

Additionally, the passing of 2025's National Budget was subject to meaningful democratic debate and demonstrably signals a long-term commitment to fiscal consolidation.

8.1.13. Political stability and corruption

Significant strides are being made to bolster political stability and combat corruption, which are critical for improving the country's sovereign credit rating. The National Prosecuting Authority (NPA) and the Financial Intelligence Centre (FIC) have recently received increased funding, enabling the establishment of specialised units focused on tackling state capture and financial crimes. This investment is complemented by new forensic and investigative capabilities, including a collaborative State Forensic Capability and a dedicated forensic analysis centre within the Hawks. These initiatives harness partnerships with financial oversight bodies to enhance the investigation and prosecution of complex financial offenses.

South Africa has also made progress in anti-crime efforts. Notably, in the first quarter of 2025 (January – March), there was a ~20% and ~13% decrease in the number of reported burglaries at non-residential and residential premises respectively⁵⁷. These reductions could in part be accredited to the efforts being made to analyse crime trends using police and insurance data. Specifically, a major data research initiative is underway to assess crime trends, with early findings indicating notable declines in house breakings, hijackings, and car theft, particularly in the employed sector.

Moreover, legislative reforms such as the General Intelligence Laws Amendment Act are refining the structure and oversight function of intelligence services, implementing recommendations designed to address state capture while promoting transparency. Concurrent efforts to strengthen financial legislation,

⁵⁶ Oliver Wyman analysis

⁵⁷ Republic of South Africa: Police Recorded Crime Statistics (January 2025 to March 2025)



regulate public procurement, and protect whistleblowers aim to enhance disclosure, surveillance, and accountability in the public sector. Collectively, these measures contribute to a more stable and transparent governance environment essential for fostering investor confidence and improving South Africa's credit standing.

South Africa's political outlook surrounding the 2026 Local Government Elections (LGEs) is more stable than often assumed, largely due to new institutional safeguards. *The Local Government: Municipal Structures Amendment Bill (2024)* and its follow-up 2025 threshold proposals introduce reforms aimed at enhancing stability, such as requiring collective executive committees in hung councils, limiting frivolous motions of no confidence, mandating independent panels to validate removals, and setting minimum vote thresholds to curb fragmentation. These measures address the instability seen after the 2021 LGEs and align with the GNU focus on negotiated, rules-based coalition governance.

8.1.14. Resolving challenges that remain being a top priority

While we acknowledge the significant progress made, work remains to secure sustainable economic growth and fiscal stability in South Africa. It is critical to sustain momentum in real GDP growth and strengthen the country's fiscal position. Central to this effort is an unwavering commitment to implementing key policies and reforms that drive real GDP growth to 3%+ and continued fiscal consolidation to reduce the overall debt and interest burden, targeting a decline in government debt-to-GDP from about 80% to 60–65% and in the debt-service costs-to-expenditure ratio from roughly 18% to 11–12% over the medium to long term.

Examples of key policies and reforms to be driven include:

- Continued improvement of our SOEs must be maintained with Transnet getting back to 200+ million tonnes of operational capacity and Eskom consistently maintaining an EAF of +70%
- Addressing challenges within water systems – develop the National Water Action Plan and introduce private sector participation
- Implementing visa policy changes to facilitate economic activity – establish a points-based system for skilled worker visas and expand remote worker visas
- Increasing crime conviction rates to improve security and investor confidence – develop the crime data research initiative further, progress on the Zondo Commission reforms and removal from the FATF grey list
- Improving spatial policy – review development regulations for the release of public land for development and restore and revitalise passenger rail services (PRASA)

Metro and municipal governance and service delivery remain a serious obstacle to confidence and growth, however, new legislation and updated Operation Vulindlela Phase 2 aim to remove obstacles:

- Operation Vulindlela Phase 2, launched in Q2 2025, has local government as a priority focused on institutional, governance and financial reforms to address the root causes of deteriorating performance

Alongside these efforts, it is also crucial to enhance transparency and proactively communicate progress on reforms through tools such as a reform tracker. Such openness will help shape positive perceptions among stakeholders and credit agencies, while fostering broad-based support for growth-enhancing reforms across the economy.



9. Conclusion and recommended way forward

The CRAs have clearly outlined the two key focus areas for the country to drive an upgrade in the sovereign rating: ensuring stronger medium-term growth and a durably stabilised debt ratio. South Africa has to date made decisive, measurable progress on both, underpinned by a reform agenda around which policymakers, institutions, and business leaders have coalesced. Whilst qualitative adjustments have been made by the rating agencies on South Africa's indicative rating previously, those identified weaknesses are replaced by demonstrable gains in fiscal credibility, growth, and governance.

Moving forward a multifaceted approach is essential, focusing on key reforms, improved governance, and proactive engagement with stakeholders, particularly CRAs. The historical context of South Africa's credit downgrades underscores the necessity for continued structural reforms aimed at revitalising the economy.

Moreover, South Africa must demonstrate a strong commitment to economic growth by fostering conditions conducive to private sector investment. Key reforms in critical sectors - such as the unbundling of Eskom to enhance energy reliability, the establishment of a National Water Resource Infrastructure Agency, and the review of housing regulations - play a crucial role in unlocking growth potential. As noted in Fitch's *Global Sovereigns: Fallen Angels and Rising Stars* report, the historical record indicates that sovereigns downgraded to sub-investment grade experience a median recovery time of five years, with only about 35% successfully regaining investment grade status. This insight accentuates the urgency of South Africa's reforms to expedite a return to investment-grade status. These initiatives are not only vital for immediate economic gains but also serve to build long-term resilience against external shocks and enhance fiscal sustainability.

Next steps in this journey are equally critical. Acknowledging that the South African Reserve Bank and National Treasury are the custodians of the rating process, all stakeholders engaging actively with CRAs to articulate the progress of ongoing reforms will help reshape perceptions and foster a more reflective assessment of South Africa's creditworthiness. Establishing a formalised advocacy program that focuses on transparency and accountability in implementing these reforms can raise public awareness and build confidence, both domestically and internationally.

Additionally, South Africa should work towards gathering and presenting comprehensive data that aligns with the benchmarks used by CRAs. Despite National Treasury and the SARB providing highly transparent data on fiscal and macroeconomic data, there is still a need for improved data consolidation on information related to structural reform plans and progress. Furthermore, strengthening public-private partnerships has proven effective in infrastructure development and should be expanded to stimulate growth and innovation.

Finally, it is crucial for South Africa to maintain foresight regarding potential future challenges, allowing the government and stakeholders to proactively address issues before they escalate. This forward-looking approach will not only safeguard against adverse events but also bolster investor confidence, ultimately paving the way for upgrades in sovereign ratings.

In summary, while the path to improving South Africa's sovereign credit ratings is not without challenges, a steadfast commitment to reform, proactive engagement, and strategic partnerships can foster a favourable environment for economic recovery and sustainability. By addressing these areas, South Africa can work towards regaining its investment-grade status, unlocking the economic potential necessary for its future.



Appendix 1: Credit rating agency methodology overview

| | | Fitch Ratings | Moody's Ratings | S&P Ratings |
|-----------------------------|--|----------------------------|--------------------|--------------------|
| Assessment overview | Model Type | Econometrics | Scorecard | Scorecard |
| | Indicator Type | Quantitative | Quali-quantitative | Quali-quantitative |
| | Indicator Grouping | 4 Pillars | 4 Factors | 6 Assessments |
| | Model Approach | Multiple linear regression | Modular (matrix) | Modular (matrix) |
| Categories | Indicators | | | |
| Economic strength | GDP per capita | ✓ | ✓ | ✓ |
| | Real GDP growth | ✓ | ✓ | ✓ |
| | GDP growth volatility | ✓ | ✓ | ✓ |
| | GDP nominal amount | | ✓ | |
| | Share in world GDP | ✓ | | |
| Fiscal strength | Govt debt / GDP | ✓ | ✓ | ✓ |
| | Govt debt / GDP trend | ✓ | ✓ | ✓ |
| | Interest payments / GDP | | ✓ | |
| | Interest payments / Revenues | ✓ | ✓ | ✓ |
| | Govt debt / Revenues | | ✓ | |
| Fiscal strength (continued) | Fiscal balance / GDP | ✓ | | |
| | Govt foreign currency debt / Gross govt debt | ✓ | | ✓ |
| | Govt foreign currency debt / GDP | | ✓ | |
| | Other non-financial public sector debt / GDP | | ✓ | |
| | Govt financial assets | | ✓ | |



| | | Fitch Ratings | Moody's Ratings | S&P Ratings |
|--|---|---------------------------------|---|--|
| | including sovereign wealth funds / GDP | | | |
| Institutional and governance strength | World Bank: World Governance Indicators | ✓ | ✓ | |
| | Years since default or restructuring | ✓ | ✓ | |
| | Policy effectiveness | ✓ | ✓ | |
| | Transparency and accountability of institutions, data and processes | | | ✓ |
| External assessment / susceptibility to event risk | CAB / GDP | ✓ (CAB + net FDI (as % of GDP)) | | |
| | Unique indicators by agency | Reserve-currency flexibility | Domestic political and geopolitical risk | Currency status (reserve, actively traded, etc.) |
| | | Net foreign assets / GDP | Ease of access to funding | Narrow net external. debt / CARs |
| | | External vulnerability risk | External vulnerability risk | (Net int. investment position - narrow net ext. debt) / CARs |
| | | External financing flexibility | | Commodity dependence |
| | | External debt sustainability | | |
| | | Commodity independence | | |
| | External interest service (% current account receipts) | | | |
| | Foreign exchange reserves (months of current account payments) | | | |
| Monetary assessment | Unique indicators by agency | Consumer price inflation | Monetary and macroeconomic policy effectiveness (inclusive of consumer price inflation) | Consumer price inflation |



| | | Fitch Ratings | Moody's Ratings | S&P Ratings |
|--|--|----------------------|--|---|
| | | | Total domestic bank assets / GDP | Exchange rate regime (reserve, actively traded, etc.) |
| | | | Risk of Banking Sector Credit Event (BSCE) | Banks' exposure to Govt |
| | | | | Monetary union membership |
| | | | | Central bank independence / credibility |



Appendix 2: Credit Rating Agency perspectives – key concerns and strengths

Fitch Ratings (Affirmed BB-, stable outlook, September 2025)

Key concerns / areas where progress is still required

- Persistently low trend in real GDP growth, well below the 'BB' median, reflecting entrenched structural constraints (labour market, inequality, weak investment)
- High and rising government debt burden, projected to approach ~80% of GDP and remain materially above peers
- Rigid fiscal structure, with a large share of expenditure locked into wages and interest payments, limiting fiscal flexibility
- High contingent liabilities, particularly related to SOEs (notably Transnet), with ongoing reliance on government guarantees
- Structural weaknesses in logistics and network infrastructure, with reforms improving performance but not yet delivering a step-change in growth
- Deeply entrenched socio-economic challenges (inequality, poverty, unemployment) that weigh on growth and fiscal sustainability

Key strengths / positives recognised

- Credible and independent monetary policy framework, with strong inflation control and anchoring of expectations
- Favourable government debt structure, characterised by long maturities and a very high share of rand-denominated debt
- Financing resilience, supported by a flexible exchange rate, deep domestic capital markets, and a strong local investor base
- Ongoing fiscal consolidation, with improving primary balances and moderation in expenditure growth
- Continued reform momentum under Operation Vulindlela, particularly in electricity and logistics, with early evidence of stabilisation
- Institutional strength, including rule of law, political rights, and macro-policy credibility broadly in line with peers

Moody's Ratings (Affirmed Ba2, stable outlook, December 2025)

Key concerns / areas where progress is still required

- Low growth potential, constrained by weak infrastructure, a rigid labour market, and high inequality
- High government debt and weak debt affordability, with interest costs consuming a large share of revenue
- Ongoing exposure to SOE-related fiscal risks, particularly where guarantees are included in government debt metrics
- Modest pace of fiscal consolidation, insufficient on its own to materially reduce debt without stronger growth



- Governance and corruption challenges, which continue to weigh on institutional strength despite recent improvements
- Vulnerability to political and social tensions, which could affect policy effectiveness and investor sentiment

Key strengths / positives recognised

- Strong macroeconomic framework, including a freely floating exchange rate and credible monetary policy
- Demonstrated commitment to fiscal discipline, with primary surpluses and adherence to consolidation plans
- Improving operational performance in energy and logistics, supporting a gradual recovery in growth
- Large private-sector external asset buffer, enhancing resilience to external shocks
- Robust core institutions, particularly the central bank and judicial system
- Expectations of gradually improving growth, reaching ~1.8% by 2027 as reforms mature

S&P Global Ratings (Upgraded to BB, positive outlook, November 2025)

Key concerns / areas where progress is still required

- Need for sustained acceleration in economic growth beyond the current modest recovery to materially strengthen public finances
- Elevated government debt levels, requiring continued fiscal discipline and stronger nominal growth to place debt firmly on a downward path
- Ongoing risks from SOEs and network industries, where operational improvements must be durable and self-sustaining
- Implementation risk, particularly around the depth and pace of reforms translating into measurable growth outcomes
- Persistent social and labour market pressures, which could constrain reform momentum if not addressed through inclusive growth

Key strengths / positives recognised

- Clear evidence of reform traction, particularly in energy and logistics, underpinning the recent upgrade
- Improved policy coordination and political stability, with the Government of National Unity supporting reform continuity
- Demonstrated commitment to fiscal consolidation, including improving primary balances and expenditure control
- Strong institutional framework, notably an independent central bank and credible fiscal institutions
- Resilient external position, supported by a flexible exchange rate and limited foreign-currency exposure
- Positive market response and improving investor confidence, reinforcing the credibility of the reform trajectory



Appendix 3: Benchmark rating comparisons with other emerging markets

Serbia

South Africa appears structurally stronger on at least two important Fitch-salient pillars, yet it carries a lower credit rating than Serbia.

Firstly, Serbia holds a higher credit rating at 'BB+' with a positive outlook from Fitch. Despite Serbia's central government debt being overwhelmingly denominated in foreign currency - about 77% compared to South Africa's 10%.

Additionally, South Africa performs better on governance indicators. Specifically, South Africa scores significantly higher on the World Governance Indicators (WGI) metric for "Voice & Accountability".

Turkey

When examining South Africa and Turkey, both countries share a similar Fitch rating of 'BB-' (Stable). However, Turkey exhibits markedly higher foreign exchange risk and macroeconomic volatility. Turkey's treasury data reveals that approximately 54% of its central government debt is denominated in foreign currency.

Furthermore, Turkey faces substantial inflationary pressures and policy transition risks as highlighted in its latest IMF Article IV report, whereas South Africa benefits from deep local financial markets and a flexible exchange rate regime⁵⁸.

These differences underscore elevated FX mismatch and macroeconomic instability in Turkey, yet South Africa's rating does not reflect a relative advantage.

Morocco

In a comparison between South Africa and Morocco, Morocco enjoys a superior credit rating at 'BB+' (Stable), two notches above South Africa. This is despite Morocco's governance scores being substantially weaker, with South Africa near the 70th percentile and Morocco in the low 20s on WGI's "Voice & Accountability" measure—a key institutional-capacity indicator⁵⁹.

Additionally, Morocco has a higher foreign currency debt share (~25%) compared to South Africa's ~10%⁶⁰. Even with stronger civic freedoms and a lower FX debt share, South Africa's credit rating remains two notches below Morocco's.

This highlights an inconsistency where South Africa's better governance and lower currency risk are not translating into a higher sovereign rating.

⁵⁸ IMF: Turkey 2024 Article IV Mission [\[Link\]](#)

⁵⁹ Trading Economics: Voice and Accountability Percentile Rank by Country [\[Link\]](#)

⁶⁰ Scope Ratings: Kingdom of Morocco [\[Link\]](#)



Appendix 4: Comparison between South Africa and other Fitch BB-/BB/BB+ rated countries in 2024

| Country | Fitch Rating | Real GDP growth (%) | GDP / Capita (USD) | Debt/GDP (%) | Foreign currency denominated debt (%) | 5-year CDS spread (bps) ⁶¹ |
|------------------------|----------------|---------------------|--------------------|--------------|---------------------------------------|---------------------------------------|
| BB- rated peers | | | | | | |
| South Africa | BB- (stable) | 1.0% | 6 253 | 76.9% | 10% | 190 |
| Côte d'Ivoire | BB- (stable) | 6.0% | 2 710 | 59.0% | 63.2% | - |
| Namibia | BB- (stable) | 3.5% | 4 413 | 65.3% | 25% | - |
| Seychelles | BB- (positive) | 2.4% | 1 7859 | 61.0% | 48.3% | - |
| Jordan | BB- (stable) | 2.5% | 4 618 | 91.7% | 59.7% | - |
| Kosovo | BB- (stable) | 4.4% | 7 299 | 16.9% | 100% | - |
| Turkey | BB- (stable) | 3.2% | 15 473 | 24.7% | 56% | 257 |
| Armenia | BB- (stable) | 5.9% | 8 501 | 50.3% | 46% | - |
| Jamaica | BB- (positive) | 2.1% | 7 020 | 68.0% | 59.1% | 150 |
| Dominican Republic | BB- (positive) | 5.0% | 10 876 | 57.6% | 69% | 206 |
| The Bahamas | BB- (stable) | 1.8% | 39 455 | 78.8% | 47.2% | - |
| BB rated peers | | | | | | |
| Georgia | BB (negative) | 9.4% | 9 194 | 36% | 73% | - |
| Guatemala | BB (positive) | 3.7% | 6 150 | 27% | 45.1% | 203 |
| Brazil | BB (stable) | 3.4% | 10 280 | 76.5% | 4.8% | 246 |
| Costa Rica | BB (stable) | 4.3% | 18 587 | 59.7% | 36.3% | 198 |
| BB+ rated peers | | | | | | |
| Vietnam | BB+ (stable) | 7.09% | 4 717 | 36% | 46% | - |
| Colombia | BB+ (negative) | 1.7% | 7 914 | 61.3% | - | 330 |
| Morocco | BB+ (stable) | 3.8% | 3 993 | 68.7% | 25.4% | - |
| Paraguay | BB+ (stable) | 4.2% | 6 416 | 44.8% | 83.5% | 161 |
| Oman | BB+ (stable) | 1.7% | 20 248 | 35% | - | - |
| Serbia | BB+ (positive) | 3.9% | 13 523 | 47.5% | 78% | 147 |
| Panama | BB+ (stable) | 2.9% | 19 103 | 63.5% | - | 303 |
| San Marino | BB+ (positive) | 5% | - | 68% | 0% | - |

⁶¹ As of August 2025



Figure 6A: Comparison between BB-/BB/BB+ rated country's real GDP growth (2025)

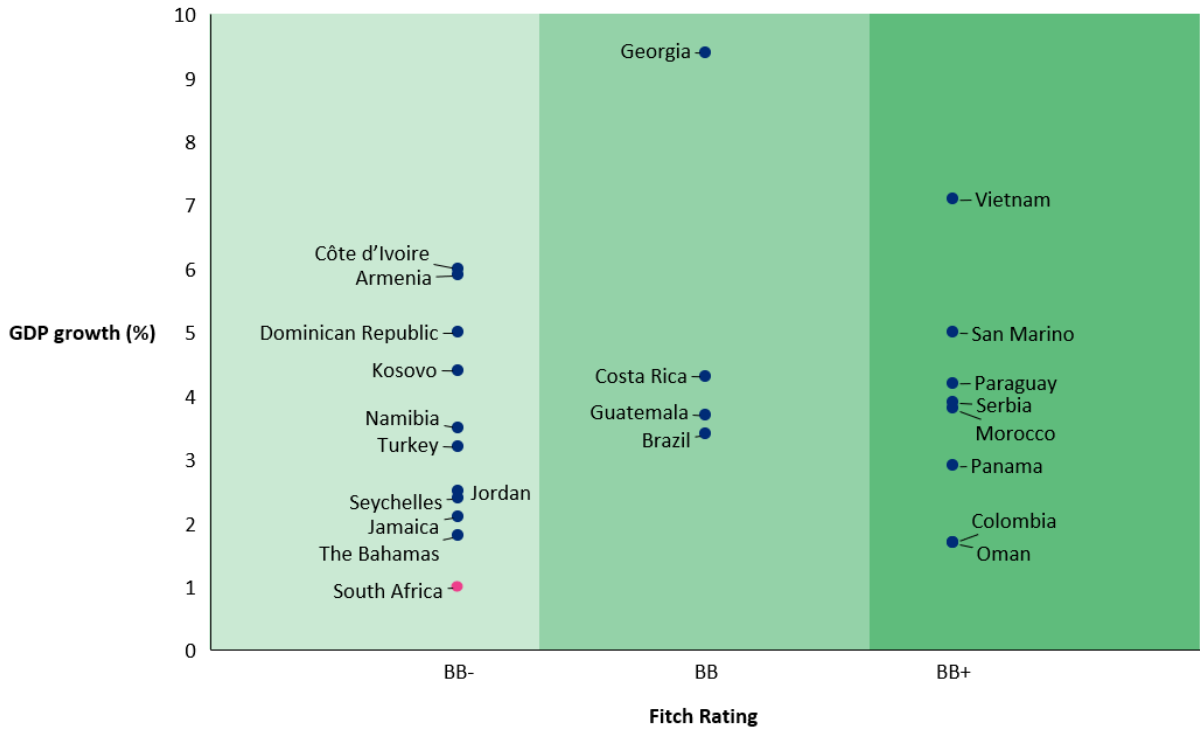


Figure 6B: Comparison between BB-/BB/BB+ rated country's Debt to GDP ratio (2025)

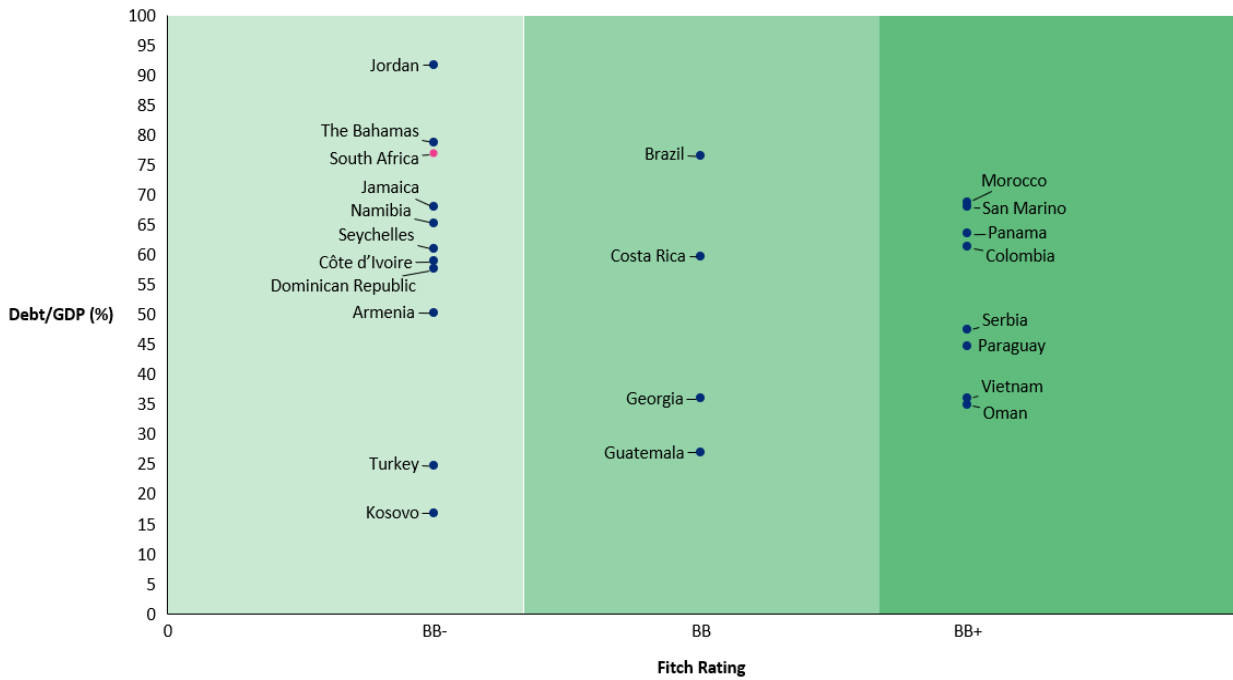




Figure 6C: Comparison between BB-/BB/BB+ rated country's foreign currency denominated debt

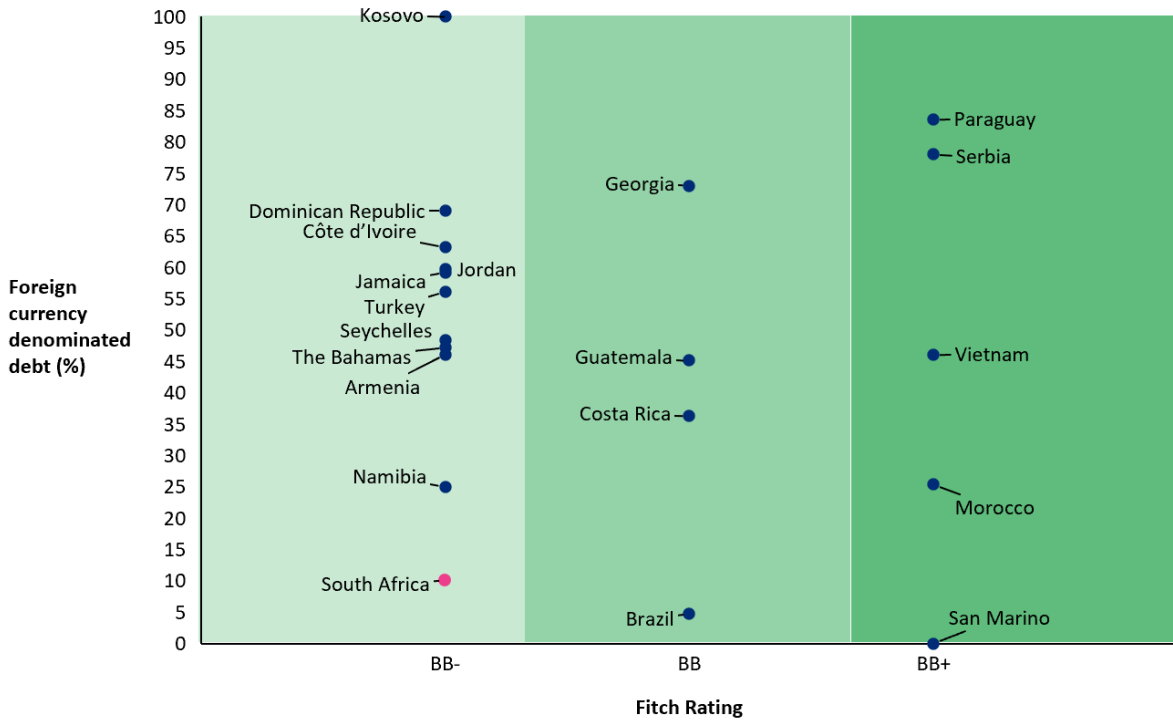
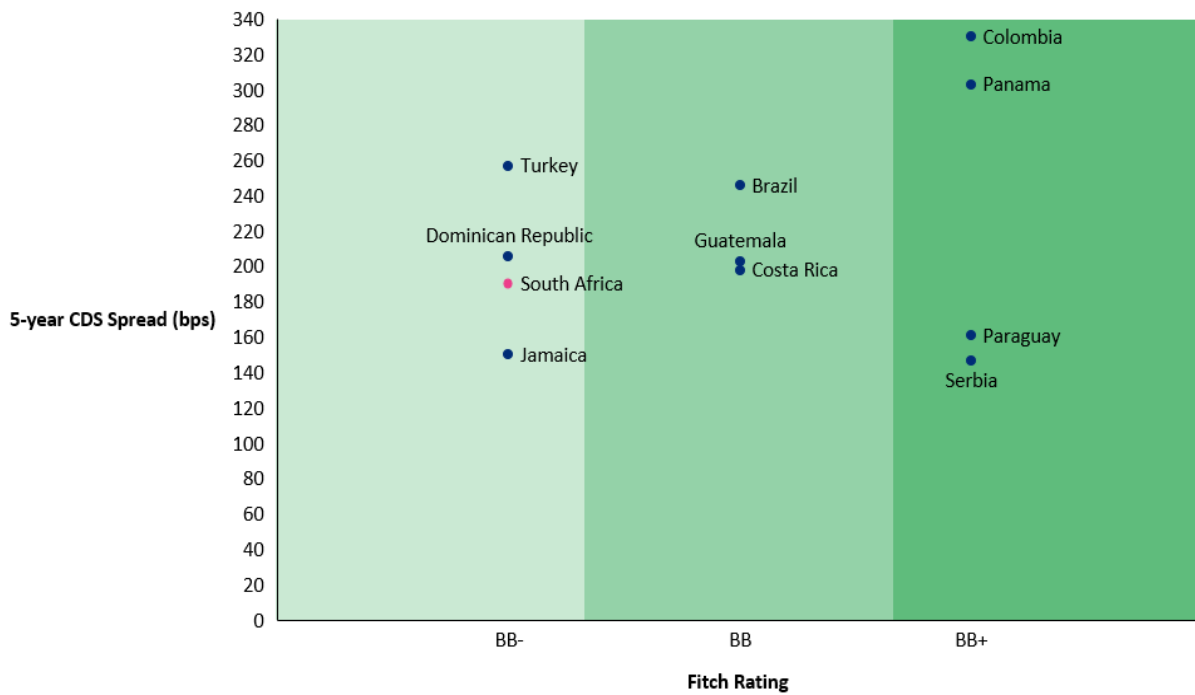


Figure 6D: Comparison between BB-/BB/BB+ rated country's 5-year CDS Spreads (2025)





Appendix 5: Snapshot of emerging market country's key indicators at time of investment grade upgrade

| Metric | Indonesia (BBB) | Azerbaijan (BBB-) |
|-----------------------------------|-----------------|-------------------|
| Upgrade | BB+ to BBB- | BB+ to BBB- |
| Year of upgrade | 2011 | 2024 |
| Real GDP growth | 6.2% | 4.1% |
| Debt to GDP | 23.1% | 20.9% |
| Foreign currency denominated debt | >50% | ~32% |

Looking at the table above, it is evident that these two emerging market countries had strong real GDP growth, low debt/GDP ratios and mid-range foreign currency denominated debt. Therefore, despite the countries being emerging market economies, there is still a high expectation for strong growth and healthy fiscal balances to be upgraded.

Additionally, even if countries that Fitch has upgraded showed similarly sized growth prospects, debt burdens etc., Fitch has made it clear (from their [Global Sovereigns: Fallen Angels and Rising Stars](#) paper) that “there are no standard profiles of a rising star. Sovereigns gained IG status with widely varying income and governance, and with very different government debt ratios”.

However, the data shows strong momentum in credit profiles ahead of rising star events. For example, improvements in public finances were a common theme, being the first driver mentioned in rating action commentaries that moved a sovereign to IG in over half cases and cited as a factor in a large majority. Public debt/GDP fell by a median of 5.5pp in the five years before sovereigns became rising stars, and the decline tended to continue for several years after a sovereign reached IG. However, the trend was less dramatic than the shift in the opposite direction for fallen angels.



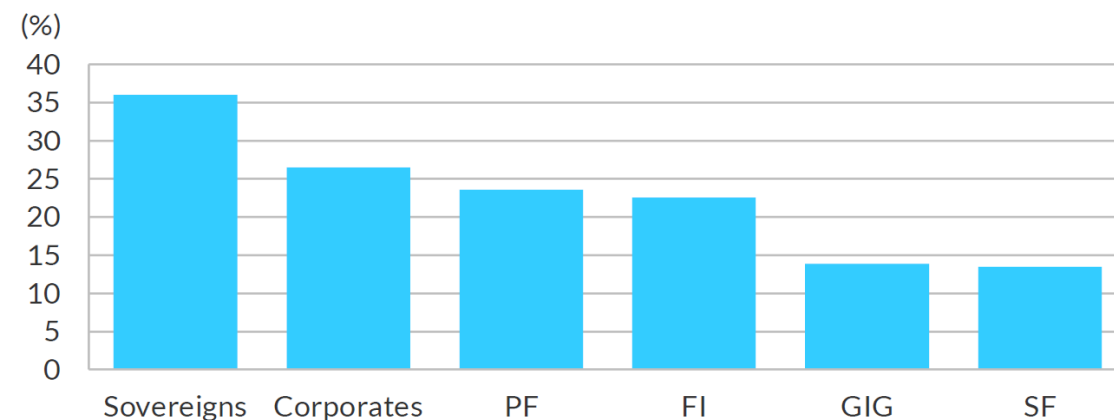
Appendix 6: Commentary on previous sovereign upgrades from sub-investment grade to investment grade

As relayed by Fitch in their [Global Sovereigns: Fallen Angels and Rising Stars](#) report, “the median and average time between losing and regaining IG status was five years. The quickest turnaround, at less than two years, was Latvia, reflecting a robust recovery from a banking crisis at the time of the GFC. The longest was Azerbaijan, which took over eight years to get back to IG. Greece had a longer path back to IG, taking almost 13 years, but it first defaulted.”

The figure below shows that just over 35% of sovereigns that have been downgraded to sub-investment grade have returned to investment grade.

Fallen Angels that Return to IG

2004-2025, excluding entities that defaulted before returning to IG



Source: Fitch Ratings



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