

South Africa

Rating report

Rating rationale

Large and well-diversified economy: South Africa has the largest economy (nominal GDP of around USD 403bn in 2024) of the African continent with furthermore comparatively elevated levels of GDP per capita (USD 6,377) as compared with the averages for sub-Saharan Africa.

A favourable public-debt structure: Public debt is mostly denominated in domestic currency, on fixed-rate bases and with long average maturities, mitigating interest-rate, forex and debt roll-over risk.

Highly credible monetary-policy framework: Strong independence and governance support the South African Reserve Bank’s efficacy in its management of inflation and the preservation of financial stability.

Strong financial industry: A large and well-regulated financial industry anchors economic development and the resilience against external-sector crises and mitigates government funding dependencies on volatile international credit markets. Nevertheless, the deep sovereign-banking nexus continues to represent a concern.

Rating challenges include: i) a rising government debt burden in view of still-meaningful headline budgetary deficits, a delayed 2025 budgeting process and elevated contingent liabilities; ii) moderate economic-growth potential, curbed by unsatisfactory energy infrastructure and elevated rates of unemployment; iii) governance challenges despite the market-friendly outcome from 2024 general elections; and iv) socio-economic risks hindering budgetary consolidation and structural reform.

Foreign currency

Long-term issuer rating/Outlook

BB/Stable

Senior unsecured debt

BB/Stable

Short-term issuer rating/Outlook

S-3/Stable

Local currency

Long-term issuer rating/Outlook

BB/Stable

Senior unsecured debt

BB/Stable

Short-term issuer rating/Outlook

S-3/Stable

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Figure 1: South Africa’s sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating	
	Weight	Indicative rating	Notches	Notches	Notches		
Domestic economic risk	35%	bb+	ZAR	South Africa	0	BB	
Public finance risk	20%	ccc			0		
External economic risk	10%	bbb			1/3		
Financial stability risk	10%	aaa			1/3		
ESG risk	Environmental factors	5%	[+0]	[-1]	0		
	Social factors	7.5%			a		- 1/3
	Governance factors	12.5%			bb-		- 1/3
Sovereign Quantitative Model	bb			0			
Additional considerations				0			

*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Credit strengths and challenges

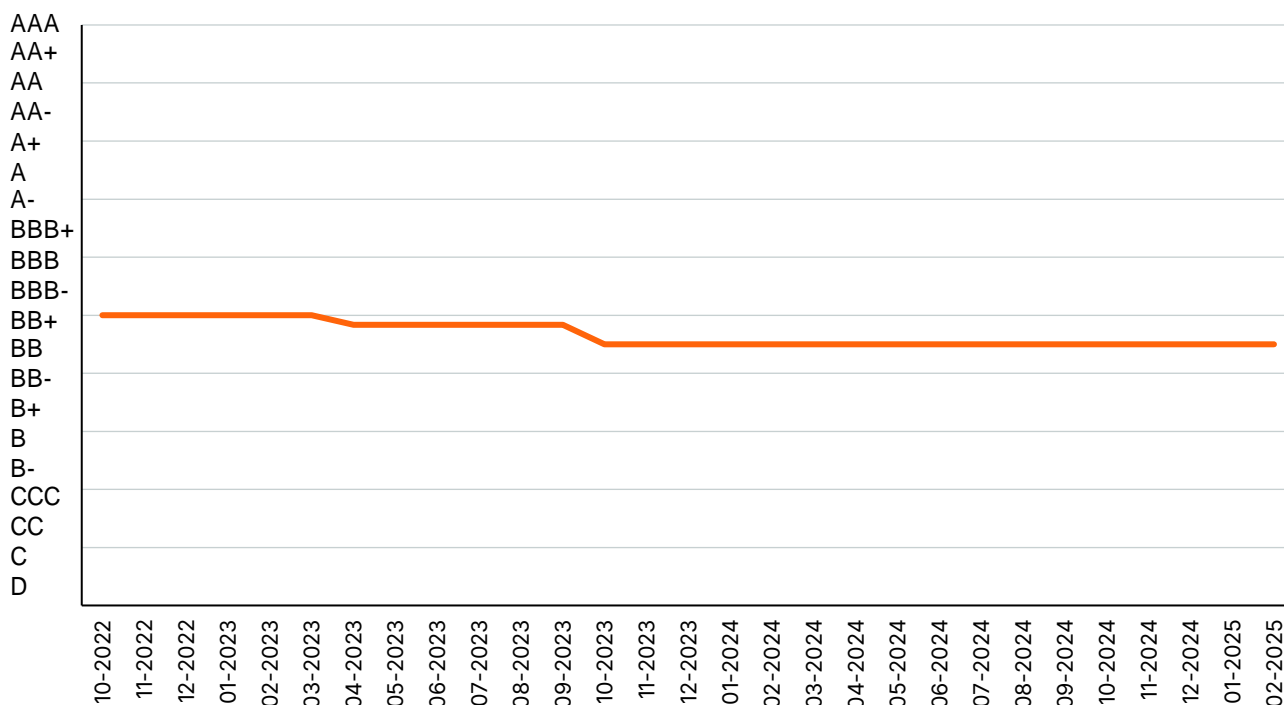
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • A large and well-diversified economy • The favourable structure of the public debt • A credible monetary-policy framework • A sophisticated and resilient financial system • Access to bilateral and multi-lateral creditors 	<ul style="list-style-type: none"> • Rising government debt and interest-payment burden • A moderate economic-growth potential • Governance challenges • Socio-economic vulnerabilities

Outlook and rating triggers

The Stable Outlook underscores the view that risks for the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> • A stabilisation of the public-debt trajectory • Reforms enhance economic-growth potential • The external-sector risk profile improves • Governance improves durably 	<ul style="list-style-type: none"> • The public-debt burden rises further • Growth outlook stays impaired • External-sector risks rise • Governance challenges escalate

Figure 2: Rating history



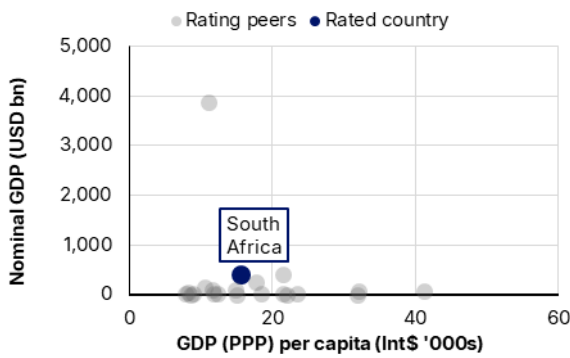
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of South Africa's Domestic Economic Risk

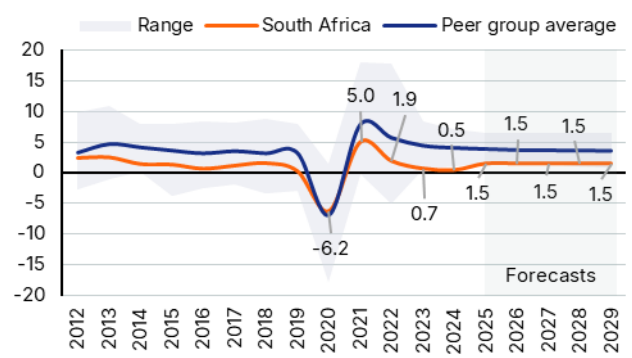
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Growth potential and outlook	Weak	-1/3	Long-standing energy and infrastructure bottlenecks and rigid labour markets dampen productivity, investments and long-run economic growth
	Monetary policy framework	Strong	+1/3	The effective management of inflation is supported by a strong and independent central bank, and a robust monetary framework
	Macroeconomic stability and sustainability	Neutral	0	A large and highly-diversified economy anchors the resilience to economic crises; an inflexible labour market; chronic electricity shortages although improvements since last year

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



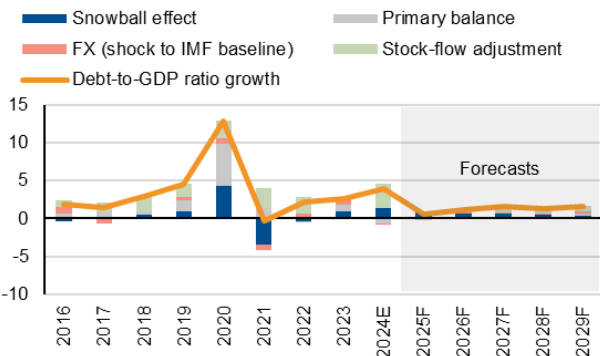
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of South Africa's Public Finance Risk

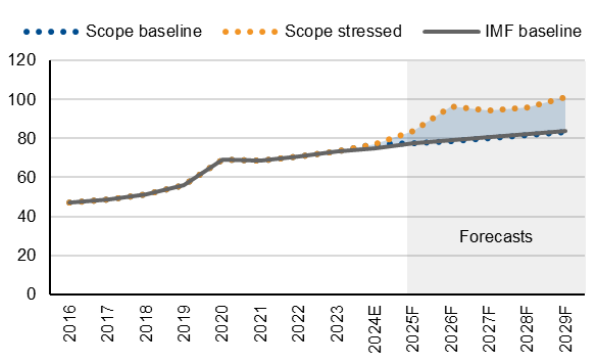
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
CCC	Fiscal policy framework	Weak	-1/3	The national fiscal framework has been undermined during the recent years due to over-spending and has failed to curtail rising debt
	Long-term debt trajectory	Neutral	0	Steady rise of the government-debt burden, which remains elevated by emerging-market standards
	Debt profile and market access	Strong	+1/3	Mostly local-currency denominated government debt with long average maturities but comparatively high borrowing rates; deep domestic capital markets; some foreign-currency risks; access to bilateral and multi-lateral creditors

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

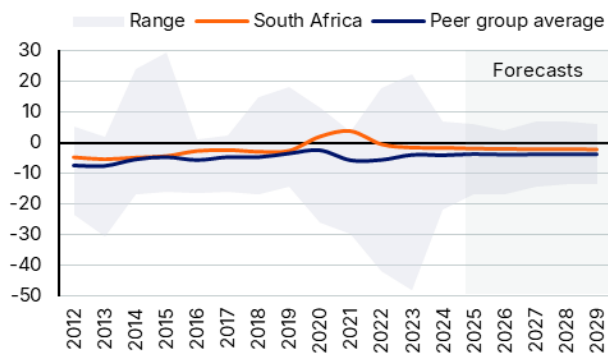
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of South Africa's External Economic Risk

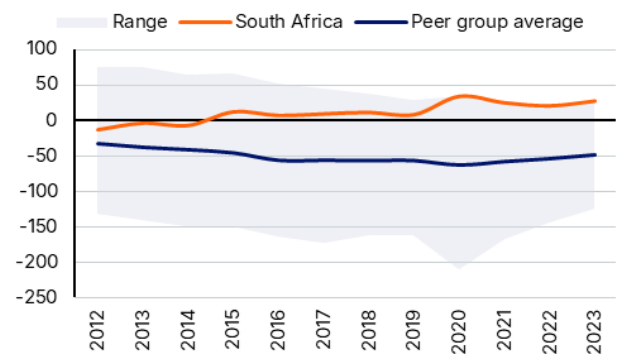
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Neutral	0	Current-account surpluses after the pandemic crisis have reverted to modest deficits. Vulnerability to global crises and to phases of capital outflows. Threats from tariffs and the halting in foreign aid from the United States.
	External debt structure	Strong	+1/3	Manageable levels of external debt alongside a strong external-debt structure
	Resilience to short-term external shocks	Neutral	0	Moderate levels of foreign-currency reserves. Vulnerabilities to large and sustained capital outflows, but floating exchange rate helps to absorb external shocks. Access to bilateral & multi-lateral channels of liquidity.

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



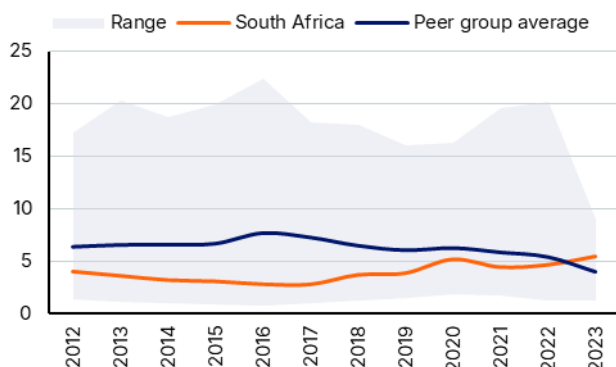
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of South Africa's Financial Stability Risk

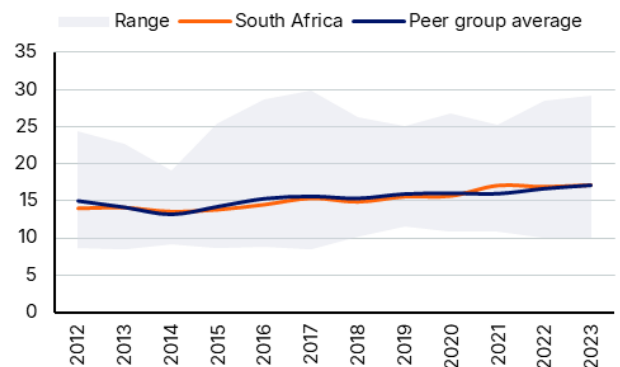
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	A robust funding structure with well-developed and deep domestic capital markets
	Financial sector oversight and governance	Neutral	0	Well-regulated banking system in line with Basel-III requirements; progress on addressing weaknesses in anti-money laundering
	Financial imbalances	Neutral	0	Moderately-indebted households, but corporate debt levels are low; deep sovereign-banking nexus; a curtailed dependency of the banks on being financed by international investors

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



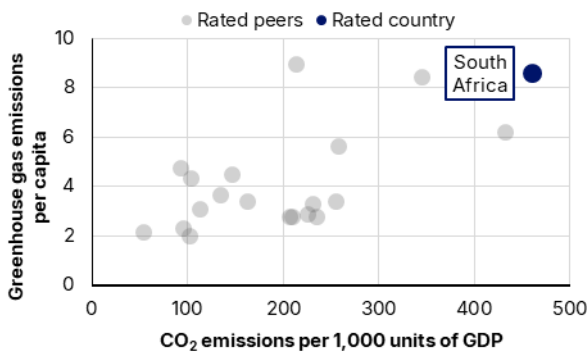
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of South Africa's ESG Risk

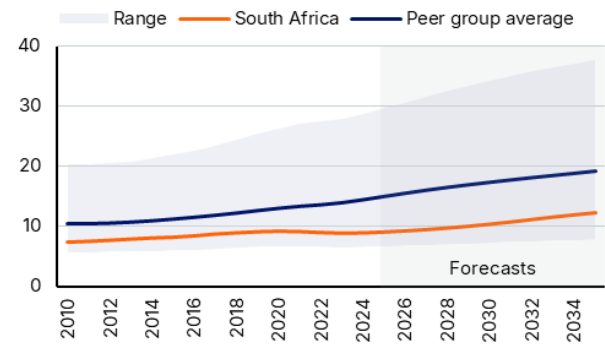
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Environmental factors	Neutral	0	Significant greenhouse gas emissions and transition costs as compared against the economies of sovereign rating peers
	Social factors	Weak	-1/3	Acute socio-economic risks amid elevated poverty and unemployment; below-average education and health outcomes
	Governance factors	Weak	-1/3	Improved governance outlook following the 2024 elections but challenges within the coalition. Financial Action Task Force's grey listing signalled persistent deficiencies in the addressal of money laundering & terrorism financing, as well as on corruption.

Figure 11: CO₂ emissions per GDP, mtCO₂e (2023)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

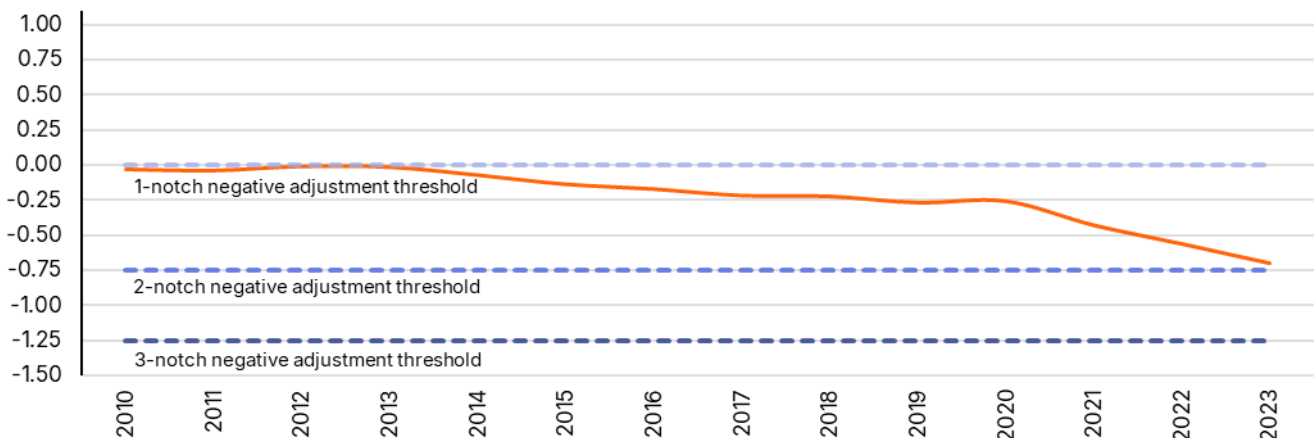
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, South Africa, three-year moving average



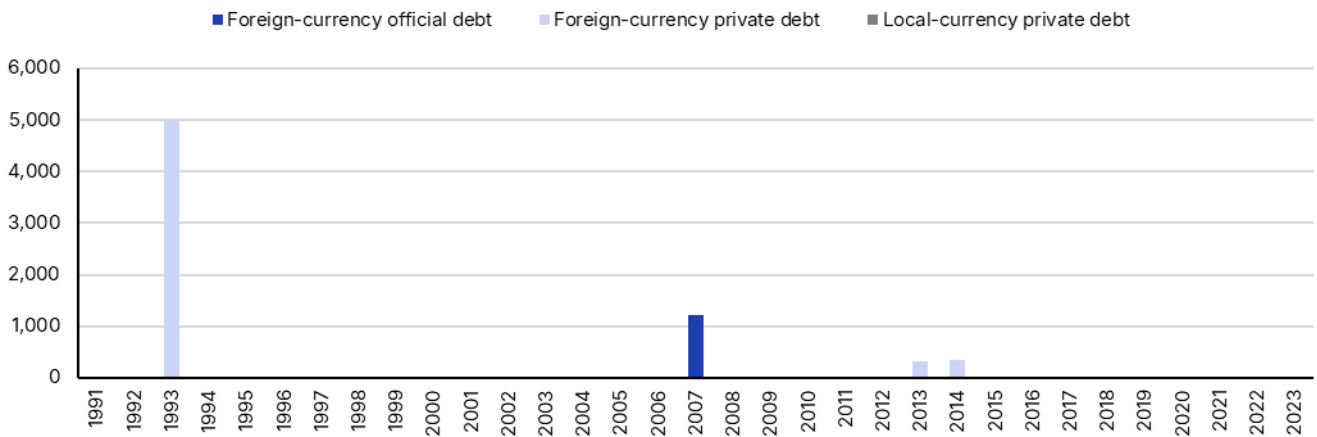
Source: WB, Scope Ratings

Additional considerations

No adjustment has been applied to the credit rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Morocco

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5-year USD CDS spread (bps) as of 26 February 2025	196.4

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope’s quantitative model, in line with Scope’s Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024E
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	13.5	12.8	13.9	15.0	15.4	15.7
	Nominal GDP, USD bn	IMF	389	338	421	407	381	403
	Real growth, %	IMF	0.3	-6.2	5.0	1.9	0.7	1.1
	CPI inflation, %	IMF	4.1	3.3	4.6	6.9	5.9	4.7
	Unemployment rate, %	WB	28.5	29.2	34.0	33.3	32.1	-
Public Finance	Public debt, % of GDP	IMF	56.1	68.9	68.7	70.8	73.4	75.0
	Net interest payment, % of government revenue	IMF	13.5	16.3	15.6	16.3	18.4	19.7
	Primary balance, % of GDP	IMF	-1.5	-5.5	-1.3	0.3	-0.9	-0.9
External Economic	Current-account balance, % of GDP	IMF	-2.6	2.0	3.7	-0.5	-1.6	-1.6
	Total reserves, months of imports	WB	5.4	7.1	5.6	4.9	5.3	-
	NIIP, % of GDP	IMF	8.0	33.2	24.3	20.3	26.7	-
Financial Stability	NPL ratio, % of total loans	IMF	3.9	5.2	4.5	-	-	-
	Tier 1 ratio, % of risk-weighted assets	IMF	15.2	15.0	15.9	16.8	-	-
	Credit to the private sector, % of GDP	WB	117.2	109.1	93.0	91.8	91.0	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	559.8	520.9	509.1	477.3	460.5	-
	Income share of bottom 50%, %	WID	5.9	5.8	5.8	5.8	5.8	-
	Labour-force participation rate, %	WB	62.4	58.3	59.6	61.0	62.7	-
	Old-age dependency ratio, %	UN	-	-	-	-	-	-
	Composite governance indicators*	WB	0.1	0.1	0.1	0.0	0.0	-
	Political stability, index	WB	-0.3	-0.3	-0.8	-0.7	-0.7	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodologies

[Sovereign Rating Methodology](#), January 2025

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