

South Africa

Rating report

Rating rationale

Large and well-diversified economy: South Africa has one of the largest economies (nominal GDP of around USD 395bn in 2024) of the African continent with furthermore comparatively elevated GDP per capita (USD 6,427) as compared with averages of sub-Saharan African economies.

Favourable public debt profile: 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 risks.

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

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

Ratings challenges include: i) a rising debt burden in view of elevated headline fiscal deficits and high contingent liabilities; ii) modest economic-growth potential, enervated by unsatisfactory energy infrastructure and elevated unemployment; iii) governance challenges; and iv) socio-economic risks hindering fiscal consolidation and structural-reform momentum.

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%	b-			- 1/3	
External economic risk		10%	bbb-			1/3	
Financial stability risk		10%	aaa			2/3	
ESG risk	Environmental factors	5%	cc	[+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.

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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Credit strengths and challenges

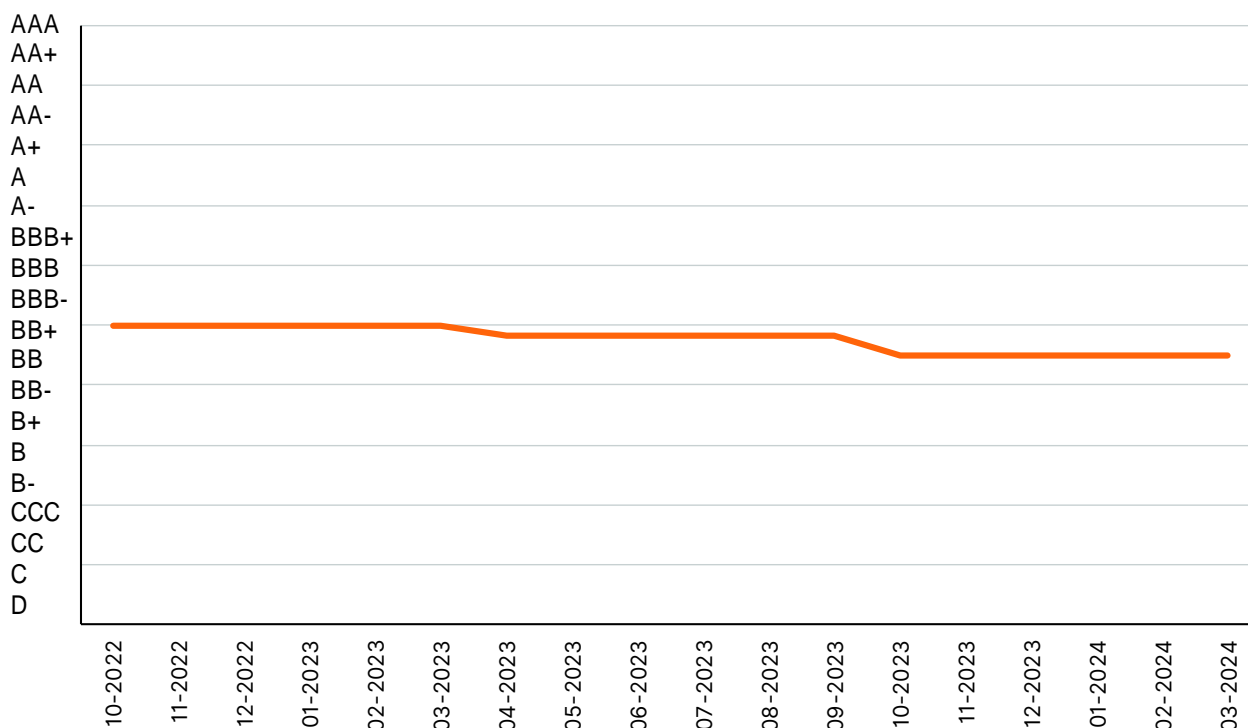
Credit strengths	Credit challenges
<ul style="list-style-type: none"> • A large and well-diversified economy • Favourable structure of the public debt • Credible monetary-policy framework • Sophisticated and resilient financial system • Access to bilateral and multilateral creditors 	<ul style="list-style-type: none"> • Rising government-debt ratio and rising interest-payment burden • Moderate economic-growth potential • Governance challenges • Socio-economic vulnerabilities

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

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

Figure 2: Rating history¹



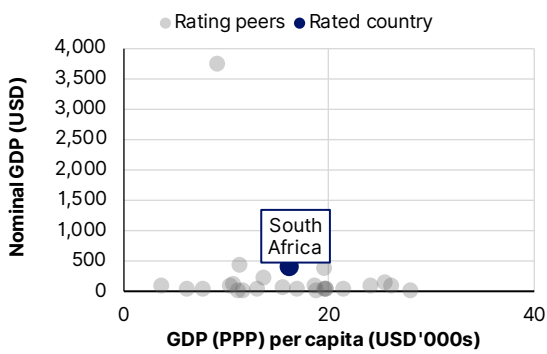
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

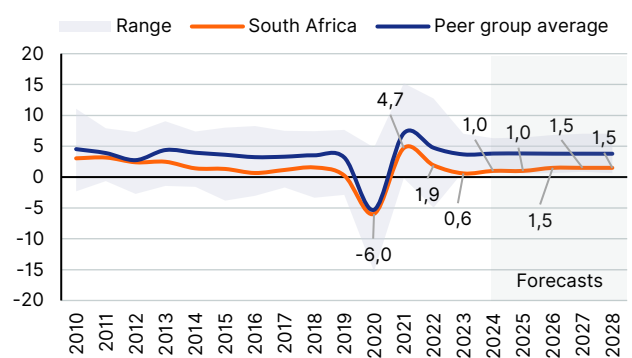
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Growth potential and outlook	Weak	-1/3	Energy and infrastructure bottlenecks and rigid labour markets dampen productivity, investment and long-run economic growth
	Monetary policy framework	Strong	+1/3	Effective management of inflation supported by strong, independent central bank and robust monetary-policy framework
	Macroeconomic stability and sustainability	Neutral	0	A large and highly-diversified economy anchors resilience to economic crises, but inflexible labour market and chronic electricity shortages

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



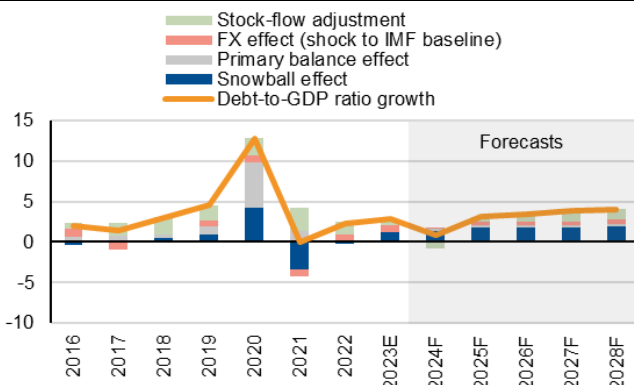
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

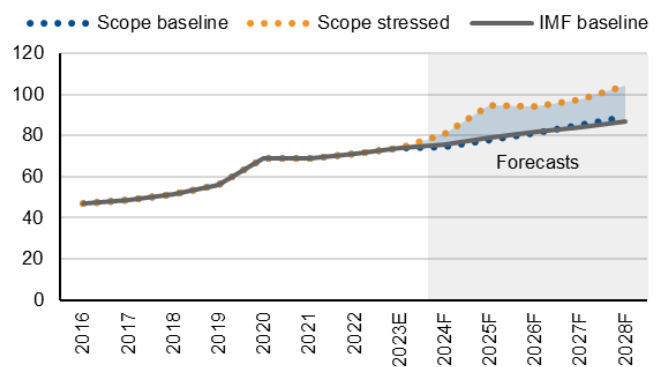
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b-	Fiscal policy framework	Weak	-1/3	The national fiscal framework has been undermined during recent years due to overspending and has failed to curtail rising debt
	Long-term debt trajectory	Weak	-1/3	Steady rise of the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

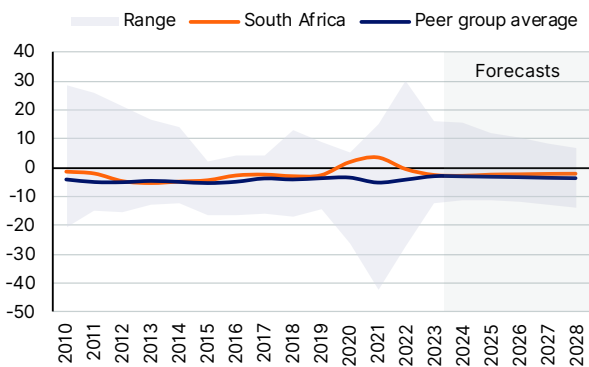
*Sovereign Quantitative Model.

External economic risk

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

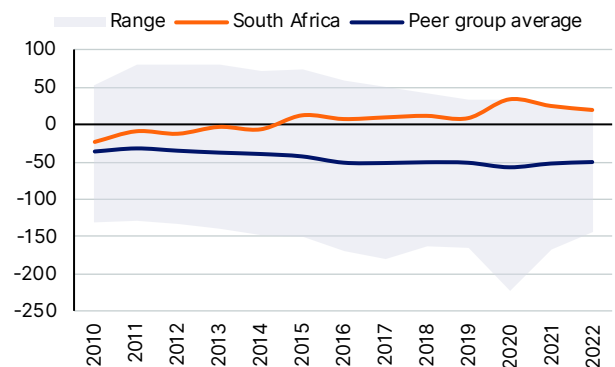
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Current account resilience	Neutral	0	Current-account surpluses after the Covid-19 crisis have re-reverted to deficits. Vulnerability to global crises and to capital outflows.
	External debt structure	Strong	+1/3	Manageable levels of external debt with 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 regime helps absorbing shocks. Access to bilateral & multilateral channels of liquidity.

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



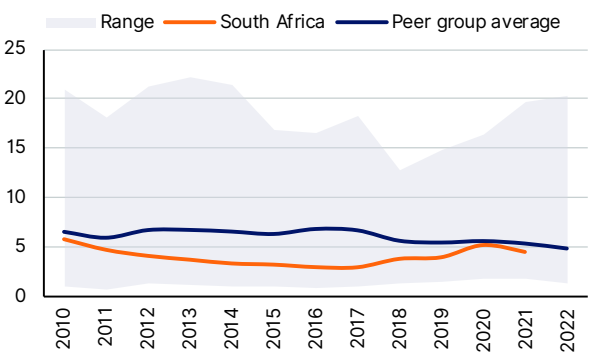
Source: IMF, Scope Ratings

Financial stability risk

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

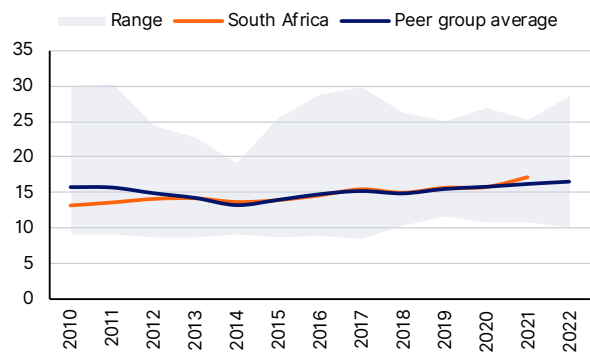
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Strong	+1/3	Robust funding structure with well-developed and deep domestic capital markets
	Financial sector oversight and governance	Neutral	0	Well-regulated banking sector in line with Basel-III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

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

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



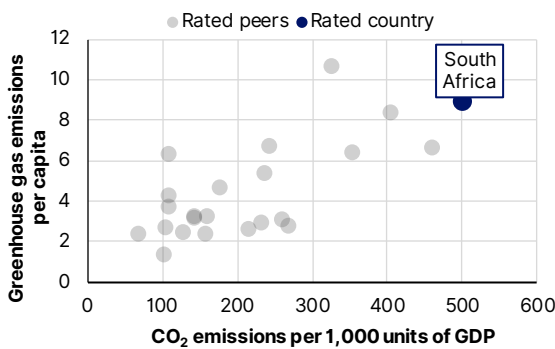
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

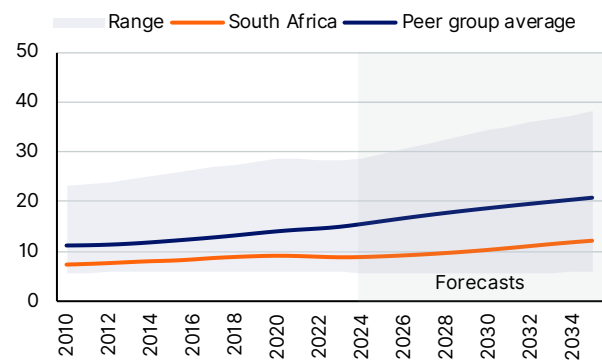
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Environmental factors	Neutral	0	Significant greenhouse gas emissions and transition costs as compared with economies of sovereign rating peers
	Social factors	Weak	-1/3	Acute socio-economic risks amid elevated poverty and elevated unemployment; below-average education and health outcomes
	Governance factors	Weak	-1/3	Heightened political uncertainties after forthcoming 2024 elections. FATF's grey listing signals persistent deficiencies in the combatting of money laundering & terrorism financing, and addressing of problems of corruption.

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

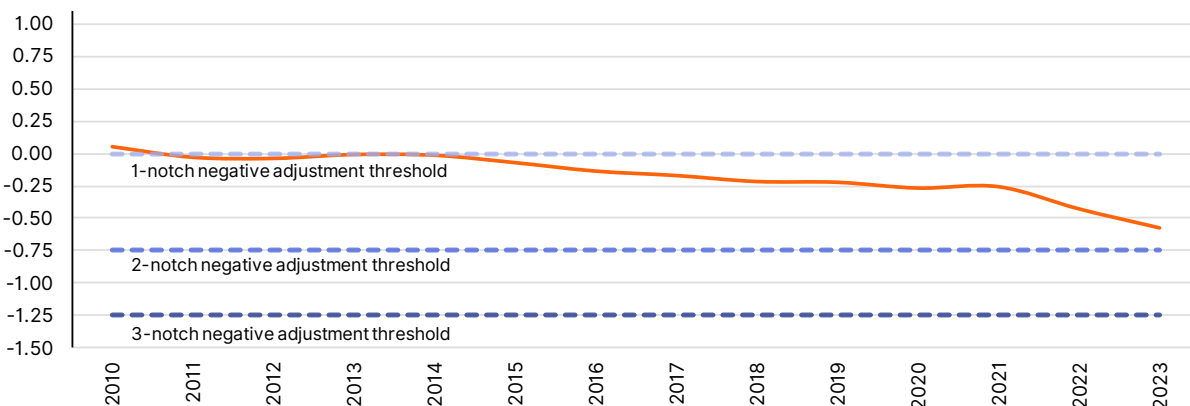
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: WB Political Stability & Absence of Violence/Terrorism index, South Africa, 3-year moving average



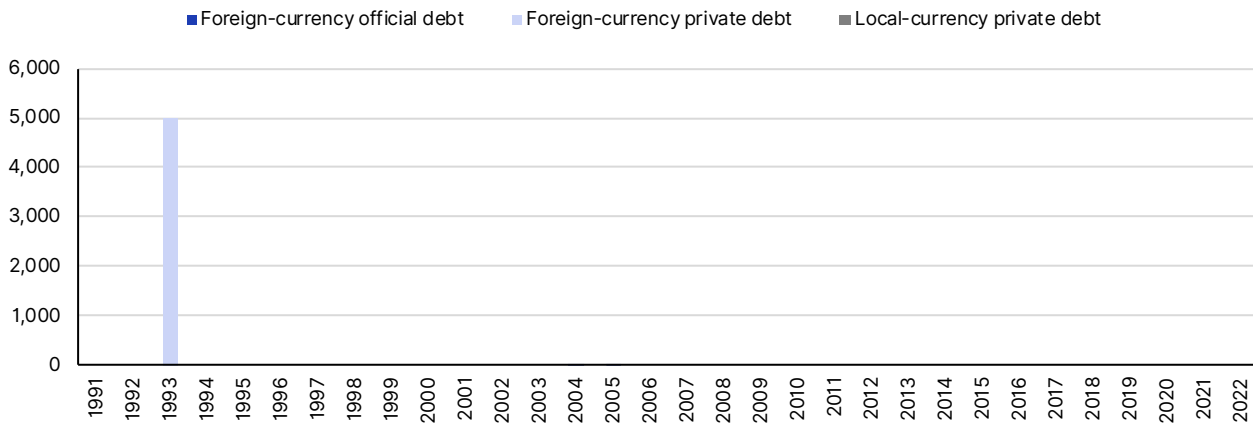
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



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 II. 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*
Serbia

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

Appendix III. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bp) as of 27 March 2024	253.3

Appendix IV. 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	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	14.2	14.3	13.4	14.5	15.7	16.2
	Nominal GDP, USD bn	IMF	405	389	338	420	405	381
	Real growth, %	IMF	1.6	0.3	-6.0	4.7	1.9	0.9
	CPI inflation, %	IMF	4.6	4.1	3.3	4.6	6.9	5.8
	Unemployment rate, %	WB	24.2	25.5	24.3	28.8	29.8	-
Public Finance	Public debt, % of GDP	IMF	51.5	56.1	68.9	68.8	71.1	73.7
	Net interest payment, % of government revenue	IMF	12.8	13.4	16.3	15.6	16.4	19.3
	Primary balance, % of GDP	IMF	-0.4	-1.1	-5.5	-1.3	-0.2	-1.2
External Economic	Current-account balance, % of GDP	IMF	-2.9	-2.6	1.9	3.7	-0.5	-2.5
	Total reserves, months of imports	WB	4.8	5.4	7.1	5.6	4.9	-
	NIIP, % of GDP	IMF	11.1	8.0	33.2	24.4	18.9	-
Financial Stability	NPL ratio, % of total loans	IMF	3.7	3.9	5.2	4.5	-	-
	Tier 1 ratio, % of risk-weighted assets	IMF	14.9	15.2	15.0	15.9	16.8	-
	Credit to the private sector, % of GDP	WB	118.4	117.2	109.0	93.2	92.2	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	589.9	594.5	557.1	529.9	502.0	-
	Income share of bottom 50%, %	WID	5.6	5.6	5.6	5.6	5.6	-
	Labour-force participation rate, %	WB	62.2	62.5	58.3	59.5	-	-
	Old-age dependency ratio, %	UN	8.9	9.1	9.2	9.1	9.0	8.9
	Composite governance indicators*	WB	0.1	0.1	0.1	0.1	0.0	-
	Political stability, index	WB	-0.2	-0.3	-0.3	-0.8	-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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