

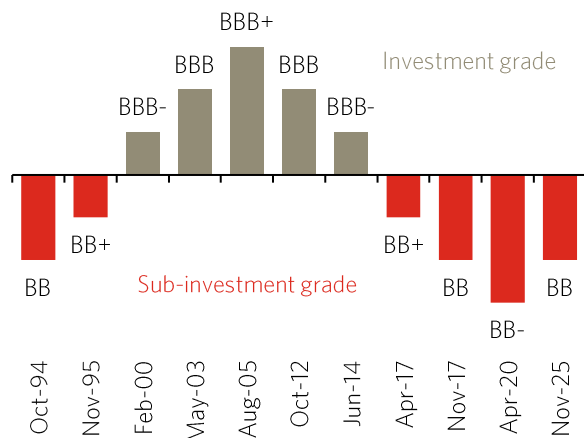


A vote of confidence: SA's credit story turns a corner

SA's sovereign credit rating upgraded for the first time in twenty years

Ratings agency S&P Global upgraded South Africa's (SA) foreign currency long-term sovereign credit rating from BB- to BB (see chart 1) and its local currency long-term sovereign credit rating from BB to BB+, importantly maintaining their positive outlook on the rating on 14 November 2025.

Chart 1: S&P's sovereign credit ratings for SA



Source: Bloomberg, Momentum Investments

This represents the first credit rating upgrade for SA in two decades, returning the country's rating to the level initially assigned by S&P in 1994.

At this level, SA's foreign-currency rating sits two notches below investment grade, placing it in the same ratings tier as Albania, Brazil, Colombia, Costa Rica, the Dominican Republic, Georgia, the Ivory Coast and Jamaica (see table 1).

Table 1: Other countries rated BB by S&P

Country	S&P action	Date
Albania	Upgraded	21 Mar 2025
Brazil	Upgraded	19 Dec 2023
Columbia	Downgraded	26 Jun 2025
Costa Rica	Upgraded	22 Oct 2025
Dominican Republic	Upgraded	19 Dec 2022
Georgia	Upgraded	11 Oct 2019
Ivory Coast	Upgraded	18 Oct 2024
Jamaica	Upgraded	25 Sept 2025

Source: Bloomberg, Momentum Investments

Improving fiscal and structural reform progress led to the upgrade

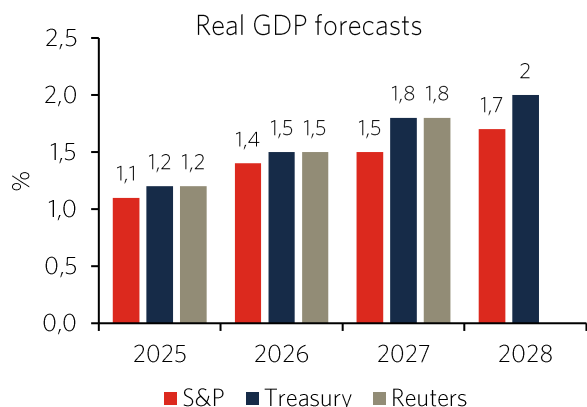
Key drivers for the upgrade included

- An improved fiscal path.
- Lower contingent liabilities, supported by performance improvements at Eskom, which posted its first profit in eight years.
- Structural reform progress supporting medium-term growth. SA has surpassed 180

consecutive days without experiencing loadshedding.

These are some of the factors that S&P flagged as considerations when it upgraded SA's outlook from stable to positive a year ago on 15 November 2024.

Chart 2: Modest economic growth set for a gradual recovery

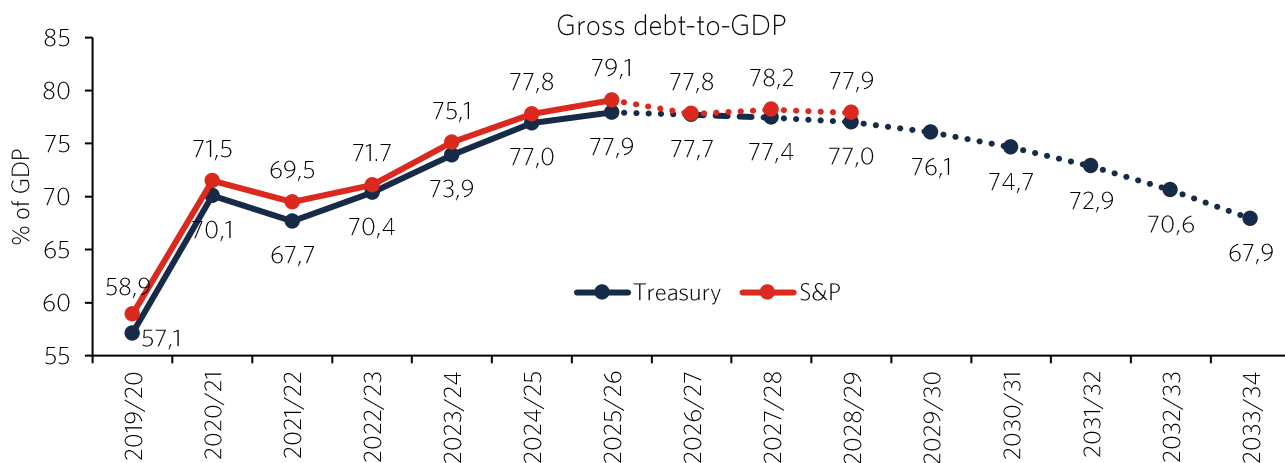


Source: S&P Global, Treasury (2025), Reuters (November 2025 poll – 2028 forecast not available), Momentum Investments

S&P projects that SA will grow by 1.1% in 2025 and by an average of 1.5% between 2026 and 2028. These forecasts are below the National Treasury's Medium-Term Budget Policy Statement (MTBPS) estimates of 1.2% in 2025 and 1.8% on average over the medium term (see chart 2).

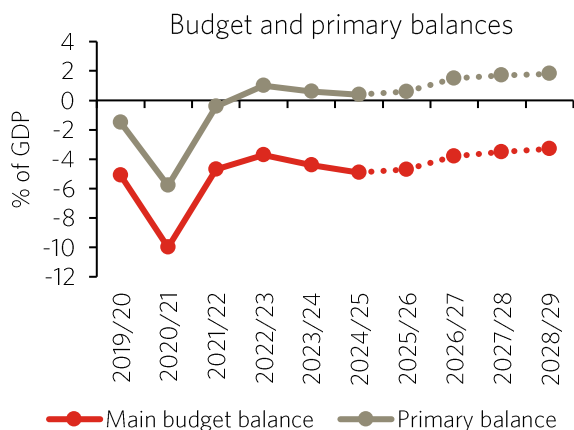
On the debt trajectory, S&P expects SA's gross debt-to-GDP ratio to peak at 79.1% in fiscal year 2025/26 before declining modestly to 77.9% by fiscal year 2028/29 as ongoing fiscal consolidation efforts persist. While the anticipated year of debt peaking is the same as Treasury's projections, S&P's peak is slightly more pessimistic than Treasury's estimate of 77.9% in fiscal year 2025/26 (see chart 3).

Chart 3: Debt ratio peaks in fiscal year 2025/26 and gradually falls thereafter



Source: Treasury (2025 MTBPS), S&P Global, Momentum Investments
Dotted lines illustrate forecasts. S&P's measure of debt differs slightly from Treasury's because it includes guarantees

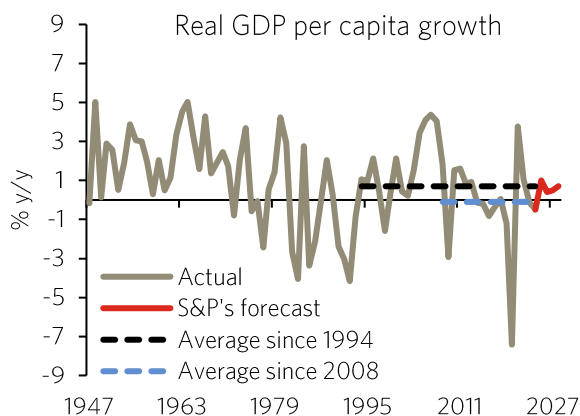
Chart 4: S&P's budget and primary balance forecasts are in line with the direction of Treasury's forecasts



Source: S&P Global, Momentum Investments

The government's projected primary surplus (where revenue exceeds non-interest expenditure) over the medium-term is key to improving the main budget fiscal deficit (see chart 4) and stabilising the government debt-to-GDP ratio.

Chart 5: Modest economic growth set for a gradual recovery



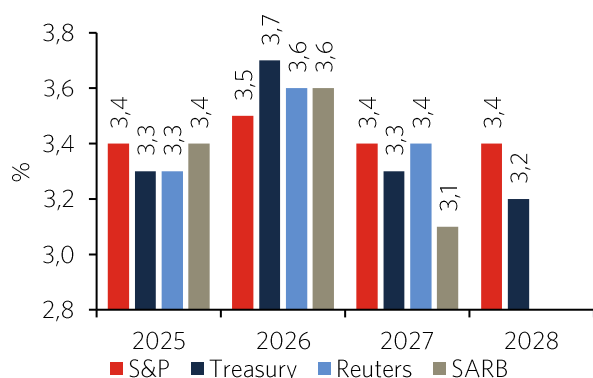
Source: SA Reserve Bank (SARB), S&P Global (forecast until 2028), Momentum Investments

S&P highlighted that SA's rating is constrained by low GDP per capita. The agency forecasts that SA's real GDP per capita will grow by 0.6% over the medium term. While this marks an improvement compared to the post-2008 average of negative 0.1%, it is below the longer-term average, from 1994, of 0.7% (see chart 5) and remains insufficient to meaningfully improve living standards or reduce unemployment, which remained high at 31.9% in the third quarter of 2025.

A step up for SA, with more steps still to climb to achieve investment grade

S&P's sovereign credit rating upgrade is a welcome development and adds to the list of positive developments in SA recently, including getting off the Financial Action Task Force's greylist in October and the Minister of Finance presenting a prudent medium-term budget projecting fiscal 2025/26 revenues to exceed the estimates outlined in the National Budget in May 2025. Furthermore, the finance minister formally adopted a lower inflation target in November 2025 and current inflation projections are aligning more closely with this revised objective (refer to chart 6).

Chart 6: Headline inflation forecasts below 4%



Source: S&P Global, Treasury, SARB, Reuters, Momentum Investments
SARB's and Reuters' estimates for 2028 are not available

The upgrade is not just a symbolic gesture. It offers several tangible benefits to SA, including:

- Reduced risk premium → lower government borrowing costs and lower bond yields over time.
- Improved confidence and capital inflows: Upgrades boost macro stability, attracting foreign investors.
- Better pricing for corporates: As the sovereign rating improves, well-rated companies can borrow at lower rates, supporting investment and job creation.
- Stronger currency and lower inflation: A higher rating helps stabilise the currency and moderate inflation, increasing real returns and household buying power.
- Improved market sentiment: Positive ratings shift perceptions, raising valuations and improving risk appetite.

Nevertheless, SA remains in 'junk status' and the other major rating agencies also rank SA as sub-investment grade. Moody's has assigned SA a Ba2 rating since 20 November 2020, which is equivalent to S&P's BB rating following the recent upgrade. Fitch has rated SA at BB- since 20 November 2020, positioning it one

notch below S&P's current BB rating. Both Moody's and Fitch have a stable outlook on SA.

Building on the current momentum could lay a solid foundation for future credit rating improvements, though a return to investment grade (last held in 2014) remains some way off given fiscal risks. Concerns over state-owned entities have eased somewhat with

Eskom's operational turnaround, but Transnet remains a concern. Risks linked to the public sector wage bill also persist, although the shift toward a lower inflation target should help anchor wage settlements over time. Overall, this underscores the need for continued fiscal discipline, sustained structural reform efforts, and effective policy implementation to secure higher, durable economic growth.

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