SOVEREIGN
AFRICA RATINGS

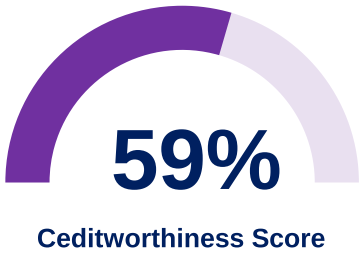
REPUBLIC OF SOUTH AFRICA

SOVEREIGN CREDIT RATING

28 January 2025

RATING ACTION

SAR Sovereign Rating Model Creditworthiness Score 590/1000.



On 28 January 2025, Sovereign Africa Ratings (SAR) upgraded South Africa’s long-term and short-term issuer credit ratings from 'BBB' and 'B' to BBB+ and B+, respectively, on both foreign and local currency. The outlook on the long-term ratings is stable.

Date	Rating Category	Rating	Outlook
	Foreign Currency Ratings:		
28 January 2025	**Long-term**	**BBB+**	**Stable**
28 January 2025	**Short-term**	**B+**	**Stable**
	Local Currency Ratings:		
28 January 2025	**Long-term**	**BBB+**	**Stable**
28 January 2025	**Short-term**	**B+**	**Stable**

RATING RATIONALE

The ratings and outlooks are indicative of SAR's evaluation of the Republic of South Africa's (South Africa) creditworthiness over the long and short term. We expect the National Treasury to commence the stabilisation of the public purse, pursuing a fiscal policy that is supportive of stabilising debt and fast-rising debt-service costs in the medium term.

The growth of the debt-to-GDP ratio in the previous period slowed down, growing by 1.27 percentage points from 73.4% in 2023 to 74.6% in 2024 as compared to an increase of 2.6 percentage points in the 2022 to 2023 period. The National Treasury has committed to stabilising debt as part of a medium-term fiscal strategy that aims to narrow the budget deficit and improve the country's fiscal position.

For the five years prior to 2024, South Africa's general government revenue (as a percentage of GDP) averaged 26.33%; the 2024 figure was 26.74%, suggesting stability in its fluctuation. According to SAR, South Africa's general government revenue (as a proportion of GDP) will rise by 0.4 percentage points in 2025 and remain steady throughout the medium term.

The smaller portion of South Africa's debt is in foreign currencies. This reduces exposure to foreign exchange risk in conjunction with the South African Rand's floating exchange mechanism and exchange rate stability. However, it has been observed that foreign currency-denominated debt is gradually increasing. The nation's risk of external exposure progressively rises as a result.

Infrastructure investment was significantly impacted by the COVID-19 epidemic, with overall investment falling by 1.9 percentage points to 13.7% in 2020. A significant economic contraction in 2021 led to a further drop of 0.6 percentage points in investment from the public and private sectors as government funds were diverted to social assistance and emergency medical responses. Infrastructure investment has been gradually increasing since 2022 and is approaching 2019 levels.

RATIONALE FOR THE STABLE OUTLOOK

In the medium term, SAR views that the economic growth prospects of 1.8% from 2025 to 2027 are within reach due to the moderation of inflation coupled with the lower repo rate.

The Constitution guarantees the South African Reserve Bank (SARB) a significant degree of independence. The SARB has a soundtrack record of meeting its inflation targets and is tasked with preserving price stability for sustained and balanced economic growth.

In contrast to nations like Botswana, where more than 50% of diamonds are beneficiated domestically, only about 11% of South Africa's mined minerals are now processed locally. The mining industry's contribution to GDP growth is still modest, and this lack of beneficiation results in an estimated R50 billion in potential revenue annually. In 2023, South Africa's GDP increased by a modest 0.9%, highlighting the necessity of beneficiation to fully realise the economic potential of its enormous mineral resources.

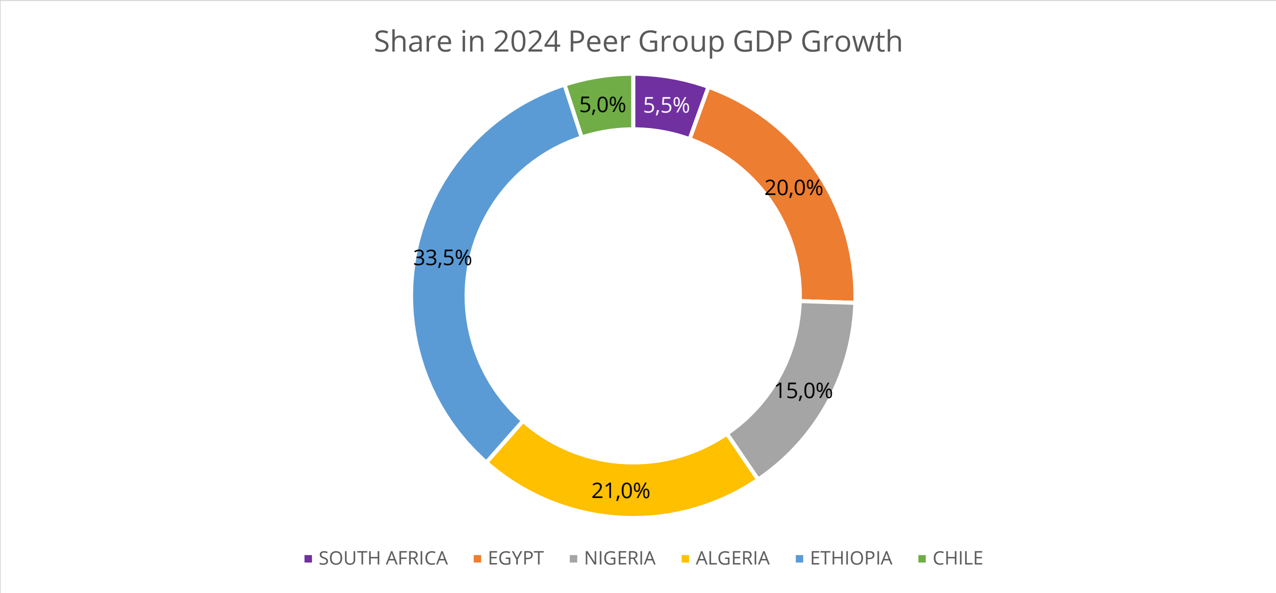
RATING DISCUSSION

Economic Strength Pillar

GDP Growth

The National Treasury of South Africa projects that the country's GDP growth will average 1.8% from 2025 to 2027. This is an improvement from the previous three-year average of 1.2%. With the stabilisation of the inflation rate and lower interest rates during 2024, improved growth is expected over the medium term. In comparison to similar-sized economies including Egypt, Nigeria, Algeria, Ethiopia, and Chile, South Africa’s 2024 growth rate of 1.1% made up 5.5% of the peer group’s growth.

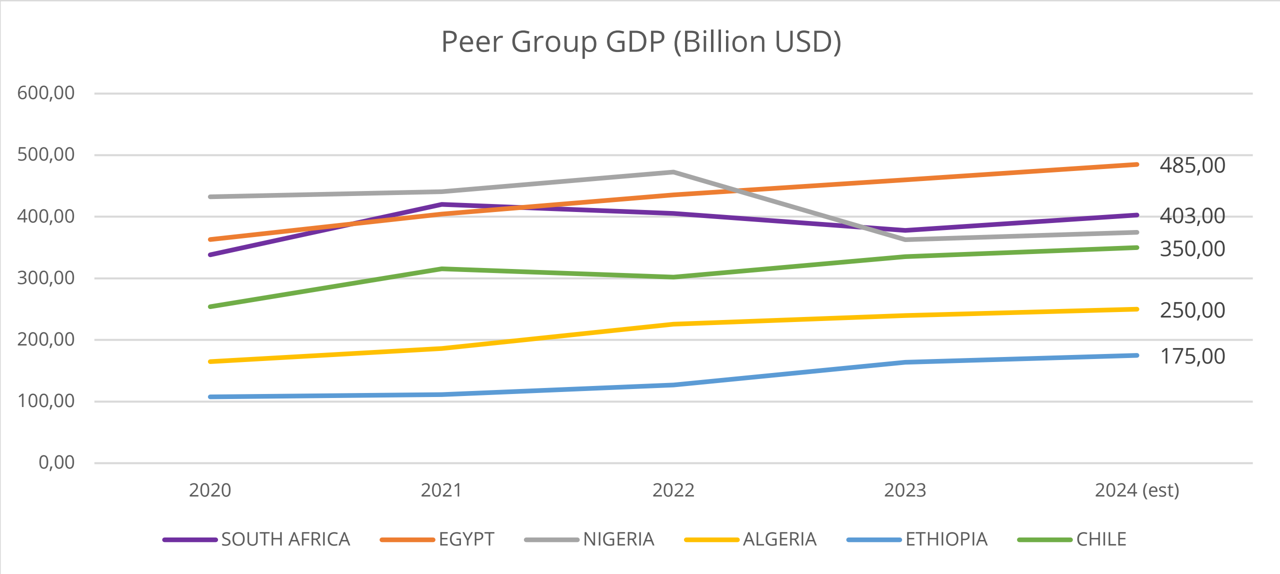
Figure 1: Share in 2024 Peer Group GDP Growth



South Africa however ranks second in terms of GDP size, comprising 19.77% of the peer group’s total GDP, with Egypt having the largest share. South Africa's economy exhibits a positive growth path which was last seen post the 2020 period into 2021. Coming into 2023, the economy continued to face headwinds, with GDP further decreasing to $377.78 billion. Persistent issues such as energy shortages, structural inefficiencies, and socio-political challenges hindered growth. Looking ahead, the economy is expected to recover modestly, with GDP projected to reach $403.00 billion. This anticipated growth is based on efforts to address structural issues, improve energy supply, and foster an environment that is more conducive to investment and business growth.

Overall, South Africa's economic growth path has been characterised by resilience in the face of significant challenges. The country's ability to navigate these obstacles and implement necessary reforms will be crucial for sustained economic growth in the future.

Figure 2: Peer Group GDP



Export Diversification Index

South Africa has a moderately diversified export base, which includes:

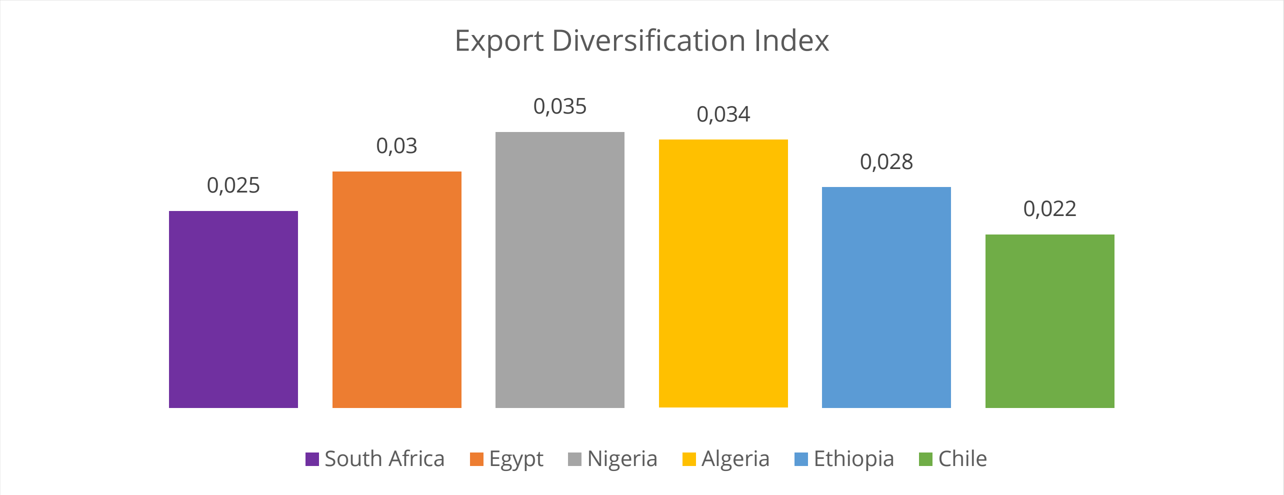
- **Minerals**: Gold, platinum, diamonds, and coal are significant exports.
- **Machinery and Equipment**: Including vehicles and industrial machinery.
- **Agricultural Products**: Such as citrus fruits, wine, and maize.
- **Manufactured Goods**: Including chemicals and textiles.

The country can however benefit from identifying and developing new sectors with high growth potential to diversify the export base, especially through manufacturing and increasing natural resource beneficiation. Its current export base, which includes a variety of products, helps buffer the economy against global commodity price fluctuations. However, there is still room for improvement compared to more diversified economies like Chile which has successfully diversified its exports beyond copper to include fruits, wine, and fish. For example, Chile is one of the world's largest exporters of grapes and wine, which helps mitigate the risks associated with copper price volatility.

Nigeria and Algeria: Both countries have low diversification and are heavily reliant on oil and gas. For instance, over 90% of Nigeria's export earnings come from oil, making the economy highly vulnerable to oil price shocks.

Egypt and Ethiopia: Egypt's exports are concentrated in petroleum products, textiles, and agricultural goods, while Ethiopia focuses on coffee, flowers, textiles, and leather goods. Both countries are working on improving their diversification but still have a relatively high concentration in a few sectors.

Figure 3: Export Diversification Index



The Export Diversification Index values are indicative of the extent to which each country's exports are diversified, with higher values indicating lower diversification.

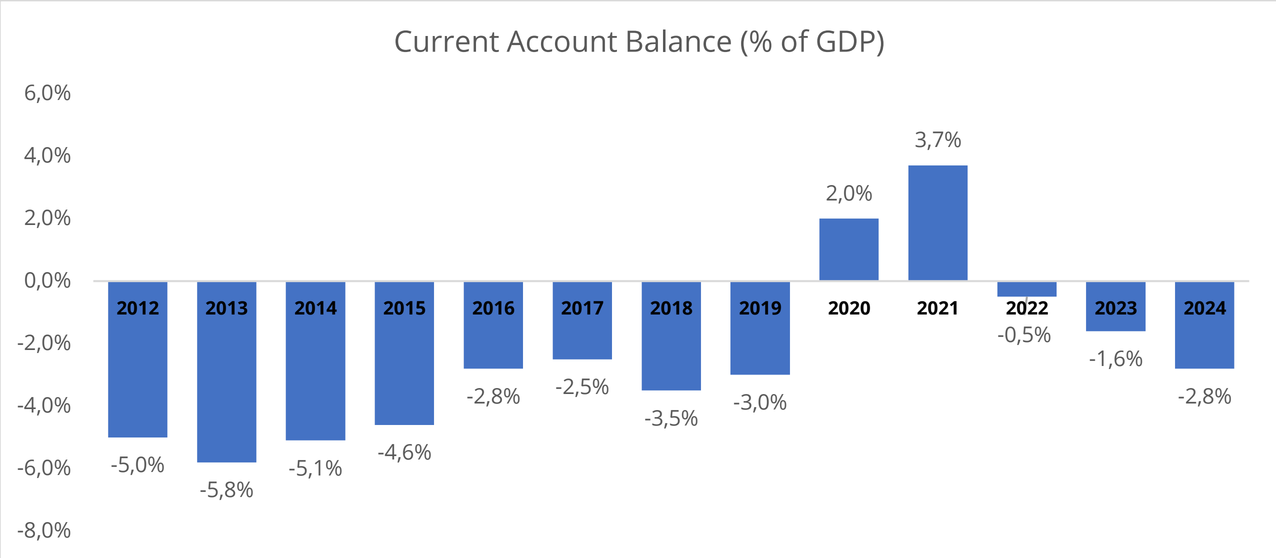
Current Account Balance

South Africa's current account balance has experienced significant fluctuations over the past five years, reflecting both global economic conditions and domestic factors. In 2019, South Africa recorded a current account deficit of approximately 3.0% of GDP. This was primarily due to a trade deficit driven by higher imports of goods and services compared to exports. The sluggish global economy and domestic challenges, such as power supply issues, also contributed to the deficit.

In 2020, the current account balance improved significantly, recording a surplus of around 2.0% of GDP. This improvement was largely due to a sharp decline in imports as economic activity slowed, coupled with a recovery in commodity prices, which boosted export revenues. In 2021, South Africa's current account surplus reached a record high of approximately 3.7% of GDP. The strong performance was driven by robust export growth, particularly in the mining sector, as global demand for commodities surged. Additionally, the recovery in global economic activity post-pandemic supported higher export volumes. The further decline into 2023 was primarily caused by factors such as increased imports driven by higher domestic consumption and investment, as well as a moderation in export growth due to global economic uncertainties. Additionally, the income account deficit, which was driven by profit repatriation by foreign investors, contributed to the overall deficit.

Looking ahead, the current account deficit is projected to widen further by an additional percentage point. This is expected to be driven by continued growth in imports, particularly capital goods and intermediate inputs, as the economy continues to recover and expand. Export growth is anticipated to remain steady, but not sufficient to offset the rise in imports and income account deficits. Addressing structural issues, improving export competitiveness, and managing import growth will be crucial for maintaining a sustainable current account balance in the medium-to-long term.

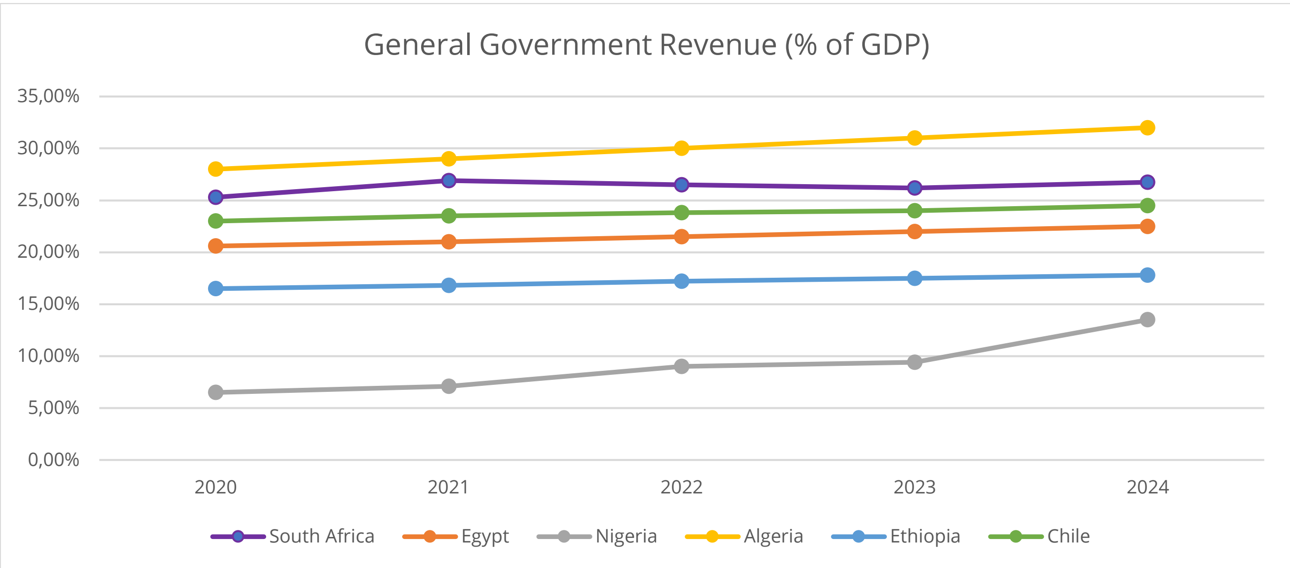
Figure 4: Current Account Balance



General Government Revenue

South Africa's general government revenue (% of GDP) has averaged 26.33% for the five years preceding 2024, with the 2024 figure being 26.74%, indicating stability in its variation. South Africa's general government revenue (% of GDP) is 2.38 percentage points higher than the peer group's median of 23.50%. SAR projects that South Africa's general government revenue (% of GDP) will remain stable for the medium term, increasing by 0.4 percentage points in 2025.

Figure 5: General Government Revenue



Financial Strength Pillar

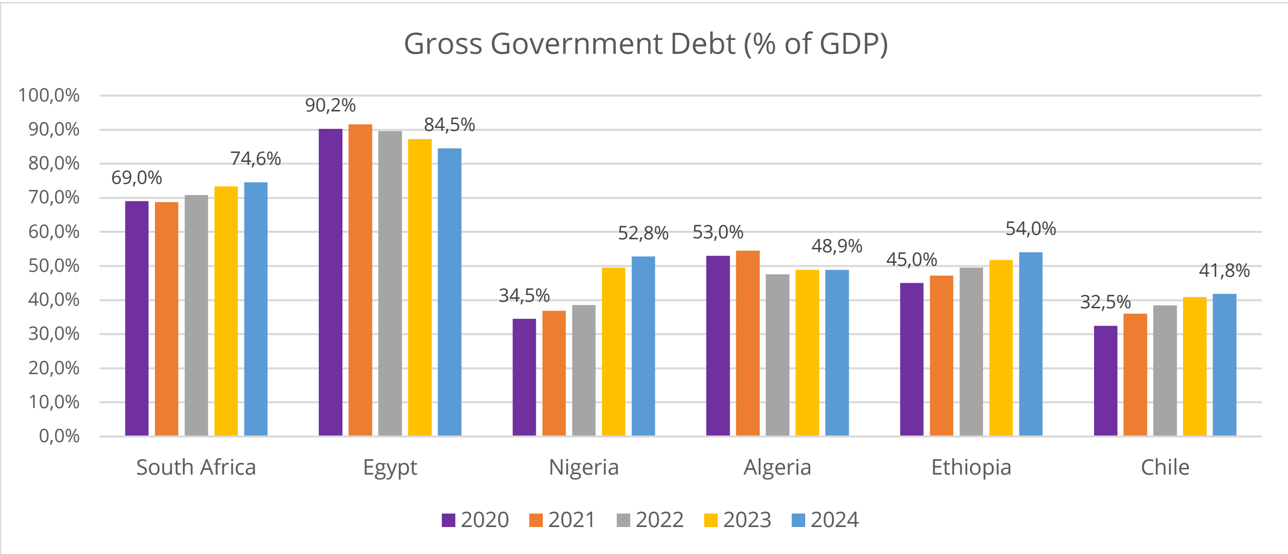
The Fiscal Flexibility score is encapsulated in the Financial Strength Pillar. It provides an overall assessment of the debt sustainability and affordability.

The Financial Strength Pillar considers both short- and long-term dynamics concerning debt stocks and flows related to public finances, the sustainability of the current situation, and the projected path. The ability of a government to service its debt depends on various factors beyond the budget deficit and debt level.

Gross Government Debt

South Africa's gross government debt has increased by an estimated 1.27 percentage points from 73.4% in 2023 to 74.6% in 2024. The country exhibits continual growth in the debt stock which is cause for concern considering that it may surpass the recommended maximum of 70 - 75% for a country of this size. Gross loan debt is expected to stabilise at 75.3% of GDP in 2025/26, slightly lower than the previous projection of 77.7%. South Africa's gross government debt ranks 5th compared to the six peers, with Egypt ranking 6th.

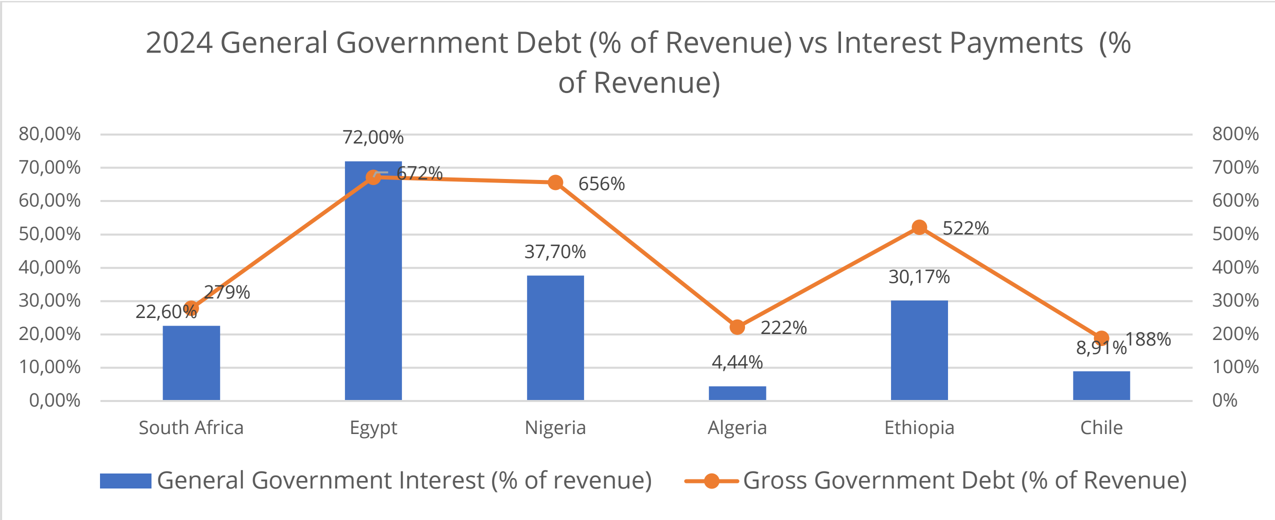
Figure 6: Gross Government Debt



Debt to Revenue

South Africa's general government debt to revenue has increased by 5 percentage points from the 2023 figure of 274% to 279%. This was coupled with a 1.3 percentage point increase in interest payments to revenue for the same period. Relative to the peer group, South Africa is under less pressure than Egypt, Nigeria, and Ethiopia. However, the growth trend in South Africa's gross debt figures requires intervention to stabilise the debt metrics and commence debt reduction operations. SAR views interest payments (% of revenue) of 15% and above as a cause for concern. South Africa breached this range during the 2018 – 2019 financial period where this figure increased from 14.2% to 15.2% and has been on the rise since.

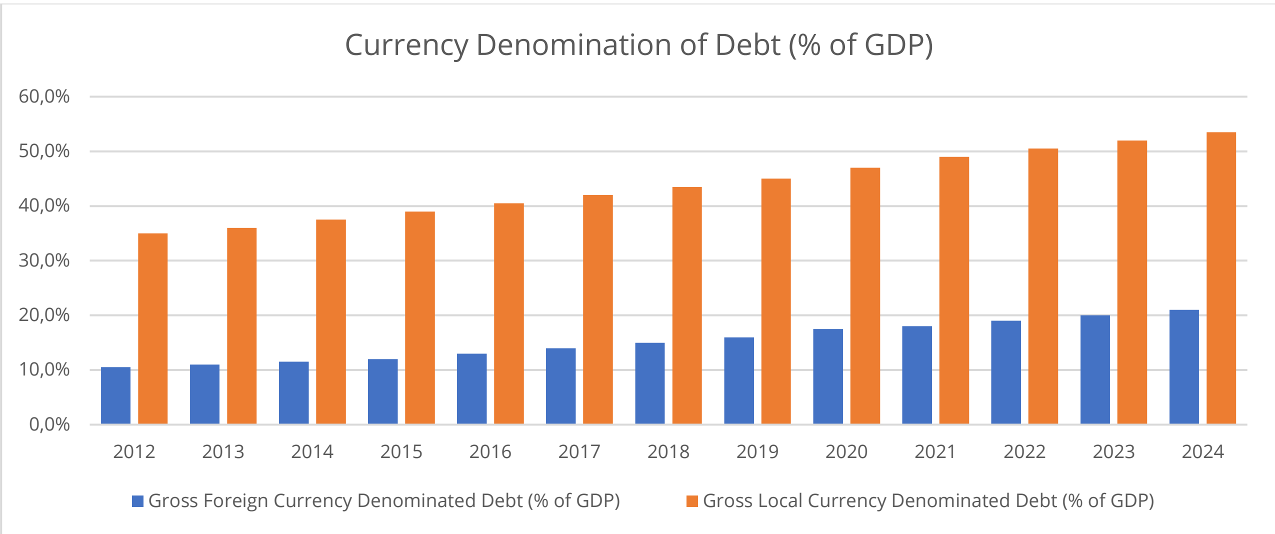
Figure 7: Government Debt to Revenue vs Interest Payments to Revenue



Currency Denomination of Debt

A smaller portion of South Africa's debt is denominated in foreign currency. When coupled with the South African Rand's floating exchange regime and exchange rate stability, this limits exposure to foreign exchange risk. However, a growth trend in foreign currency-denominated debt has been noted. This gradually increases the country's external exposure risk. In relative terms, South Africa compares well against other developing countries with regard to external exposure risk where foreign currency-denominated debt is concerned.

Figure 8: Currency Denomination of Debt



Contingent Liabilities

Contingent liabilities are state obligations that will result in expenditure if a specific event occurs. The government closely monitors the status of these liabilities, which include guarantees to state-owned companies, independent power producers, and public-private partnerships, along with provisions for multilateral institutions and other fiscal obligations.

In 2024, South African National Roads Agency Limited exposure amounts declined by R8.7 billion to R29.5 billion due to redemptions. The total approved guarantees for Eskom increased to R350 billion. This includes both direct fiscal transfers and government guarantees. Transnet was granted a new guarantee of R47 billion, with R22.8 billion available for immediate use to address liquidity and supply chain challenges. Historical Denel guarantees totalling R5.9 billion were withdrawn following the expiration and non-use of portions of these guarantees.

Additionally, the government made significant changes to the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), reducing it by **R250 billion**. This reduction was allocated as follows:

- **R150 billion** for debt reduction
- **R100 billion** for the Reserve Bank's contingency reserve

These changes have helped to stabilise South Africa's gross loan debt at 75.3% of GDP by 2025/26, slightly lower than the previous projection of 77.7%, and debt-service costs are expected to stabilise at 21.3% of revenue in 2025/26 and decline thereafter. South Africa also highlighted efforts to manage and reduce the country's debt burden through structural changes and fiscal strategies.

The government's gross borrowing requirement is projected to decrease from R553.1 billion in 2023/24 to R428.5 billion in 2026/27.

Debt Repayment Record

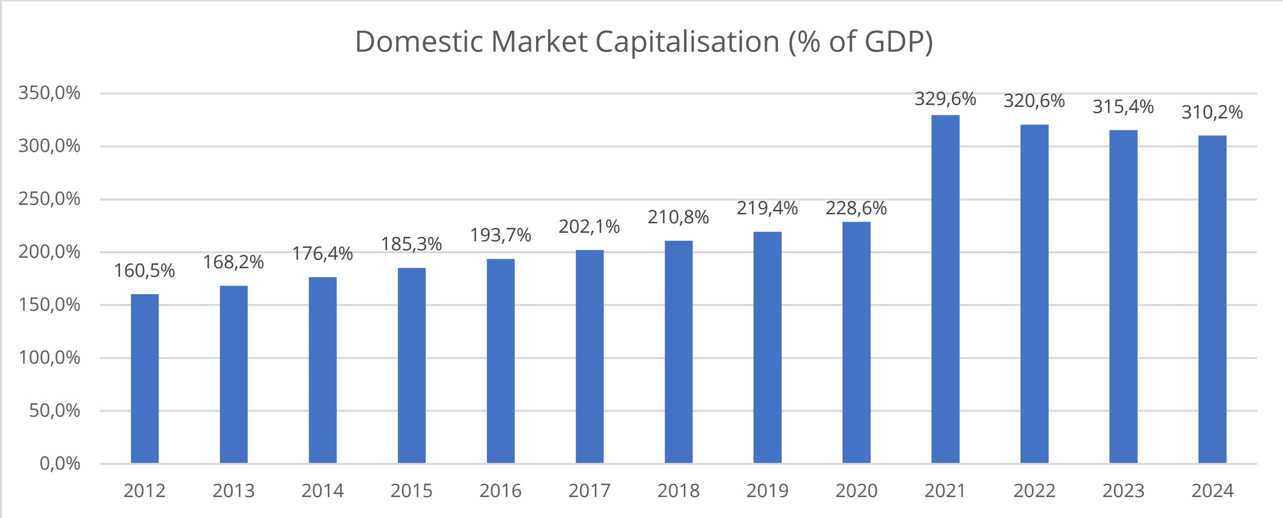
South Africa's debt repayment record measured in years since default or restructuring event was at 40 years as of 2025. This metric is indicative of the country's commitment to prudent debt management operations.

Domestic Market Capitalisation

South Africa's domestic market capitalisation is estimated at USD 1.5 trillion (approx. ZAR 22.5 trillion) in 2024. The domestic market capitalisation has significant depth relative to the peer group with Chile placing second at USD 165.8 billion and Egypt at USD 42.7 billion. In 2022, South Africa's market capitalisation slightly decreased to 320.6% of GDP. This decline can be attributed to global economic uncertainties, including inflationary pressures and geopolitical tensions, which affected investor sentiment. A further decline in 2023 to 315.4% of GDP was influenced by ongoing economic challenges, including slow economic growth and high unemployment rates.

SAR forecasts the 2024 market capitalisation to be 310.2% of GDP. This projection suggests a stabilisation in the market, with potential for modest growth as economic conditions improve and investor confidence returns. Overall, while there has been a slight decline in market capitalisation over the past three years, the market remains relatively strong. The projected stabilisation in 2024 indicates a cautious optimism for the future, contingent on improvements in the broader economic environment. Deep capital markets also assist South Africa in accessing the local market for financing activities.

Figure 9: Domestic Market Capitalisation

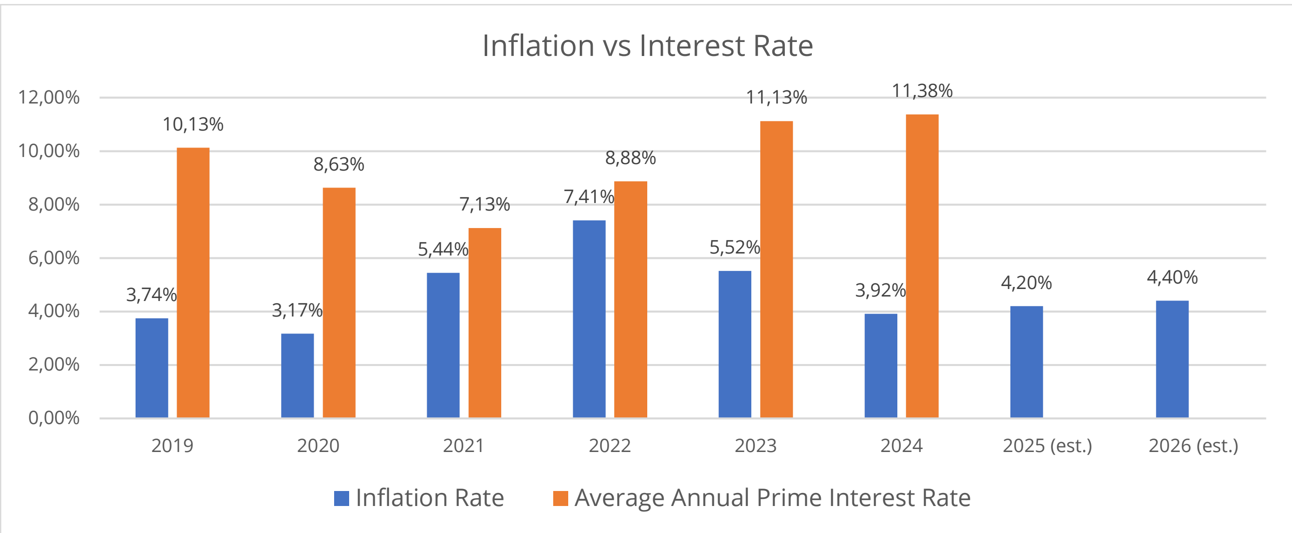


Inflation and Interest Rates

The relationship between South Africa's inflation rate and interest rate changes from 2019 to 2024 highlights the South African Reserve Bank's (SARB) efforts to balance economic growth and inflation control. During periods of low inflation, the SARB reduced interest rates to stimulate the economy. Conversely, during periods of rising inflation, the SARB increased interest rates to manage inflationary pressures and stabilise the economy.

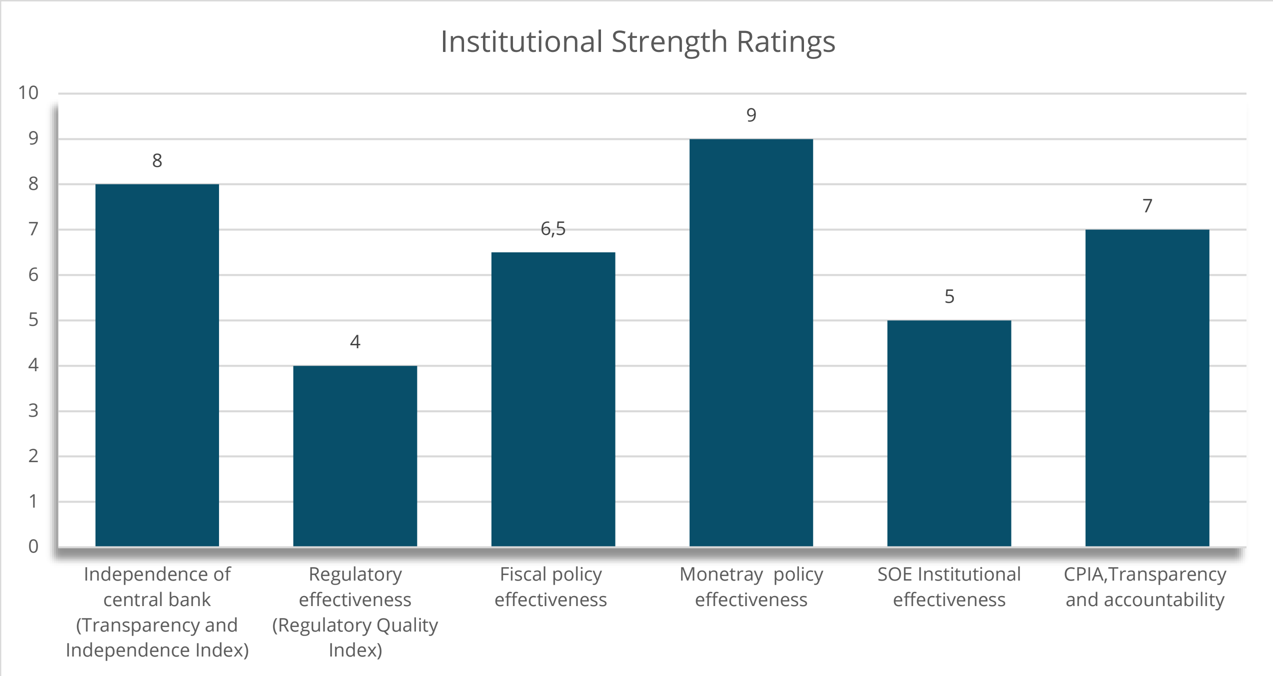
During the 2020/21 period, the SARB significantly reduced the interest rate to 8.625% to stimulate economic activity. In 2021, inflation increased to 5.93% as the economy began to recover from the pandemic. Despite this, the interest rate remained low, averaging 7.125% to support economic growth. In 2022, inflation surged to 7.50%, driven by global supply chain disruptions and rising commodity prices. The SARB responded by increasing the repo rate gradually to curb inflationary pressures. Inflation moderated in 2023 through 2024, prompting the SARB to commence repo rate reductions by 50 basis points during the last half of 2024. The SARB intends to lower the repo rate by another 25 basis points at its next monetary committee meeting if inflation remains low.

Figure 10: Inflation and Interest Rate



Institutional Strength Pillar

Figure 11: Institutional Strength Ratings



Source: SAR's calculations

The South African Reserve Bank (SARB) enjoys a high degree of independence, which is enshrined in the Constitution. The South African Reserve Bank (SARB) is mandated to maintain price stability in the interest of balanced and sustainable economic growth and has demonstrated a strong track record in achieving its inflation targets. This is reflected in the high score of 8 out of 10 for central bank independence according to SAR model calculations. The SARB's monetary policy is also considered effective, with a score of 9, due to its appropriate monetary policy tools and transmission mechanisms.

While the SARB's independence and monetary policy effectiveness are strong, the regulatory environment shows some weaknesses. The score of 4 for regulatory effectiveness suggests that there are challenges in the quality and enforcement of regulations across various sectors. This could impact financial stability and market efficiency. On the other hand, fiscal policy effectiveness scores relatively high at 6.5, indicating a good track record of managing public finances and a commitment to fiscal sustainability.

State-owned enterprises (SOEs) in South Africa face significant challenges, reflected in their low institutional effectiveness score of 5 out of 10. This score highlights persistent issues with governance, financial performance, and transparency. Notable examples include Eskom's financial mismanagement and operational inefficiencies, leading to energy shortages and impacting economic growth. Similarly, South African Airways' (SAA) repeated bailouts due to poor governance and Transnet's mismanagement involving corruption and inefficiencies in port and rail operations have hindered trade and economic development. While progress has been made in transparency and accountability, with a score of 7 out of 10, significant improvements are still needed in government information accessibility and public participation in decision-making.

Environmental, Social, and Governance Pillar (ESG)

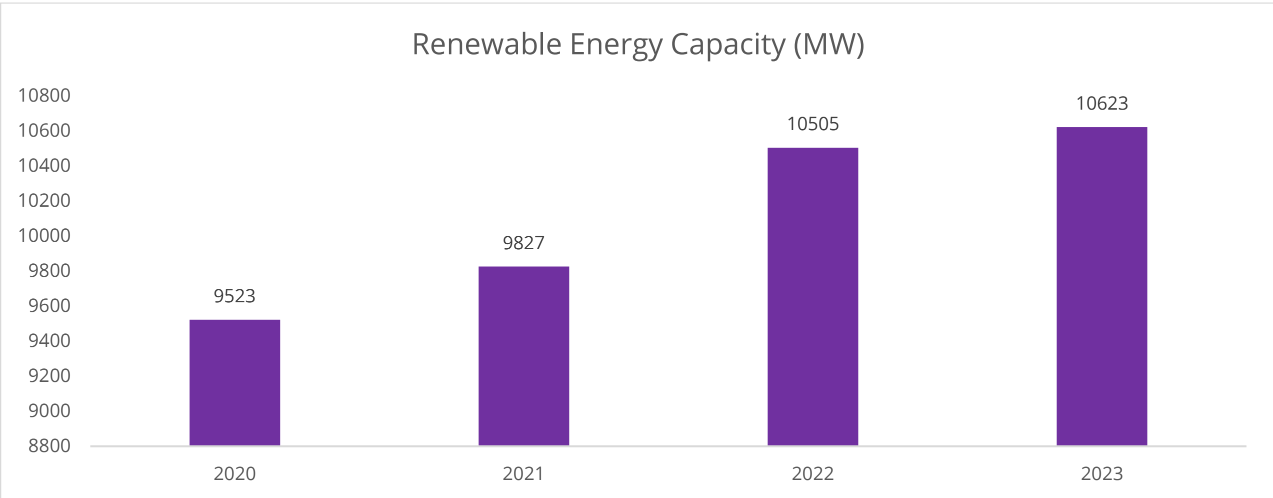
Environmental

South Africa's commitment to climate action, while necessary, presents significant challenges that impact its sovereign credit score. The transition to a low-carbon economy will require substantial investments in renewable energy, energy efficiency, and infrastructure upgrades. This transition carries significant costs, estimated at R535 billion per year for the next seven years, to meet its nationally determined contributions. These costs could strain public finances, potentially limiting fiscal space and increasing the risk of higher debt levels.

Recent events, such as the devastating KwaZulu-Natal floods in 2022, resulted in widespread infrastructure damage, displacing over 40,000 people and costing an estimated R17 billion in damages. Similarly, prolonged drought conditions in regions like the Eastern Cape have severely impacted agriculture, reducing crop yields and exacerbating water scarcity, which has, in turn, affected food security and rural livelihoods. These climate-related disruptions not only strain public finances due to the need for disaster relief and reconstruction but also exacerbate poverty, inequality, and social unrest, creating additional pressures on the country's economic and social stability.

The uncertainty surrounding the nature and magnitude of climate change impacts adds to the challenge for South Africa. For instance, the country's reliance on coal has drawn international scrutiny, as seen during the 2021 COP26 climate summit, where South Africa secured a $8.5 billion Just Energy Transition Partnership (JETP) to reduce its coal dependence. However, delays and challenges in implementing this transition, such as resistance from coal-reliant industries and communities, underscore the uncertainties in achieving emission reduction targets. Additionally, the 2023 announcement of Eskom's struggles to scale renewable energy projects due to governance and financial constraints has heightened investor concerns. While international agreements like those emerging from COP28 provide a framework for global action, the pace and effectiveness of implementation in South Africa remain uncertain. This ambiguity creates risks for investors and can increase the cost of borrowing for the South African government, especially if climate commitments are perceived as unattainable or poorly managed.

Figure 12: Renewable Energy Capacity



Source: SAR's calculations based on Statica data

The graph above showcases the growth of South Africa's renewable energy capacity over a four-year period. The consistent increase in megawatt (MW) production signifies a positive trend in the country's transition towards cleaner energy sources. This growth demonstrates a commitment to mitigating climate change risks and reducing reliance on carbon-intensive industries. Furthermore, this shift towards renewable energy can enhance energy security, attract investments in green technologies, and contribute to sustainable economic development.

There has been a concerning trend of increasing water stress in South Africa over the past years. The rising levels indicate a growing scarcity of freshwater resources relative to demand. This has significant credit implications for the country, as water stress can negatively impact economic activity, agricultural production, and public health. It also increases the risk of social unrest and conflict, further undermining stability and creditworthiness. Addressing water stress through effective management strategies, infrastructure investments, and sustainable consumption practices will be crucial for mitigating these risks and ensuring long-term economic resilience.

While South Africa's commitment to climate action is commendable, it also presents significant challenges that could impact its sovereign credit score. The government's ability to manage these challenges effectively, while ensuring a just and equitable transition, will be crucial for maintaining fiscal sustainability and supporting economic growth.

Social

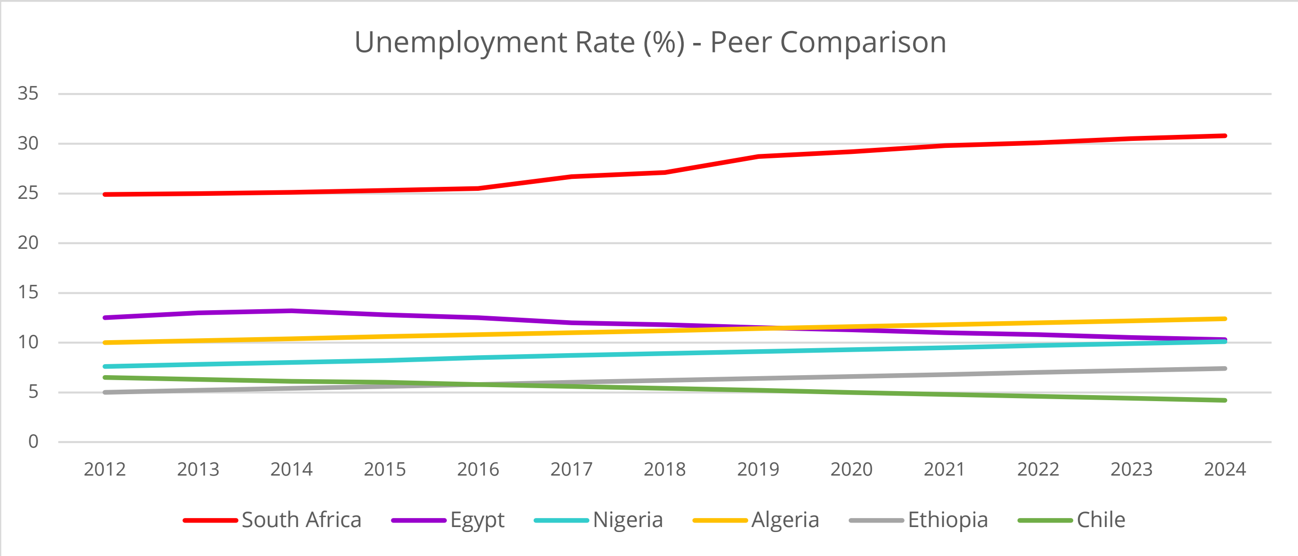
South Africa’s social grant system remains pivotal in addressing poverty and inequality. As of 2024, approximately 18.3 million people receive social grants, accounting for about 30% of the population. These grants provide essential support to vulnerable groups, including:

- **Child Support Grant:** Approximately 11.2 million children benefit from this grant, with a total annual cost of R87 billion.
- **Old-Age Pension:** About 3.8 million older persons receive the old-age pension, with the monthly amount at R2,080 (for those aged 60–74) and R2,100 (for those aged 75+). The total annual cost is R97 billion.

The cumulative expenditure on social grants amounts to approximately R250 billion, representing around 3.8% of South Africa's GDP. This investment continues to provide a critical safety net, ensuring social stability and alleviating poverty despite fiscal pressures.

- **Social stability:** By providing a safety net for vulnerable populations, social grants help to reduce poverty and inequality, which are key contributors to social unrest and instability. This stability is crucial for attracting investment and promoting economic growth, ultimately supporting South Africa's creditworthiness.
- **Human capital development:** Some grants, such as the child support grant, contribute to human capital development by improving health and education outcomes for children. This investment in human capital can lead to a more productive workforce and stronger long-term economic growth prospects, further enhancing creditworthiness.
- **Fiscal sustainability:** While social grants represent a significant expenditure, the government has demonstrated a commitment to managing these costs within a sustainable fiscal framework.

Figure 13: Unemployment Rate



The graph highlights a concerning trend of rising unemployment in South Africa compared to its peers, with rates hovering above 30% for the past five years. This persistent high unemployment presents a significant social and economic challenge with potential credit implications.

These are:

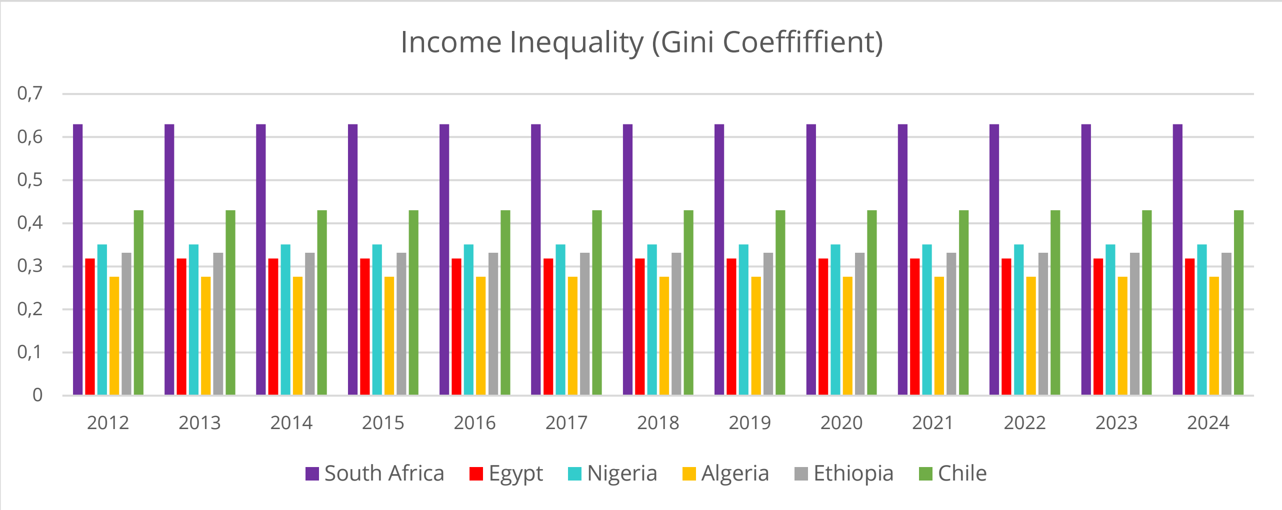
- **Reduced economic output:** High unemployment means a large portion of the workforce is not contributing to economic production, leading to lower GDP growth and potentially hindering fiscal revenue generation.
- **Increased social instability:** Unemployment can fuel social unrest, poverty, and inequality, potentially leading to instability and erosion of social cohesion. This can negatively impact investor confidence and increase the risk premium for South African debt.
- **Pressure on public finances:** High unemployment can lead to increased demand for social welfare programmes, putting further strain on public finances and potentially limiting fiscal flexibility.
- **Skill erosion and reduced productivity:** Prolonged unemployment can lead to skill erosion and reduced labour productivity, hindering potential economic growth and competitiveness.

Addressing this challenge will require a multi-faceted approach, including:

- **Structural reforms:** Implementing reforms to improve labour market flexibility, reduce barriers to entry for businesses, and promote investment in key sectors can help create new job opportunities.
- **Education and skills development:** Investing in education and skills development programmes can help equip the workforce with the skills needed for the modern economy.
- **Support for entrepreneurship:** Encouraging entrepreneurship and small business development can stimulate job creation and economic growth.

Effectively addressing South Africa's unemployment challenge is crucial not only for improving social well-being but also for strengthening the country's credit profile and ensuring long-term economic sustainability.

Figure 14: Income Inequality (Gini Coefficient)



South Africa's persistently high Gini Coefficient, hovering around 0.63, starkly contrasts with the considerably lower levels in many of its African and global peers, such as Egypt (0.32), Nigeria (0.35), Algeria (0.28), Ethiopia (0.33), and Chile (0.43). This statistic underscores the country's entrenched income inequality, driven by historical socio-economic disparities, structural unemployment, and unequal access to quality education and healthcare. Despite being one of the continent's most industrialised economies, South Africa struggles with the legacy of apartheid, which continues to manifest in spatial inequality and economic exclusion for large segments of the population. In comparison, countries like Algeria and Ethiopia, though less industrialised, exhibit lower income inequality, partly due to more egalitarian social policies and less pronounced historical divides. Addressing South Africa's inequality requires transformative policies focused on equitable economic growth, land reform, and enhanced social mobility to bridge the gap between its affluent minority and the economically marginalised majority.

Governance

The government of National Unity (GNU) in South Africa has brought several improvements, particularly in economic outlook and social cohesion.

Improvements in Economic Outlook

1. **Policy Stability**:

- The GNU has fostered a more stable political environment, reducing uncertainty for investors.
- Joint commitments to fiscal discipline and structural reforms have improved investor confidence.

2. **Attracting Investment:**

- The inclusion of diverse political players has reassured both local and international investors of balanced and transparent governance.
- Public-private partnerships have increased, focusing on infrastructure, energy, and technology sectors.

3. **Economic Growth and Job Creation:**

- Programmes targeting youth unemployment and small-business growth have gained traction with multi-party support.
- Renewed focus on addressing power shortages has improved manufacturing and export capacities.

4. **Improved Credit Ratings:**

- Stabilisation efforts have led to favourable reviews by credit rating agencies, reducing borrowing costs.

Improvements in Social Cohesion

1. **Unity in Diversity:**

- Representation from across political and ethnic lines has eased tensions among different communities.
- Collaborative governance has reduced divisive rhetoric and built trust in democratic institutions.

2. **Conflict Resolution:**

- The GNU has promoted dialogue to resolve labour disputes, land redistribution issues, and other socio-economic challenges.

3. **Enhanced Public Participation:**

- Broader political inclusion has amplified marginalised voices, improving public perception of governance.

Existing Challenges

1. **Economic Inequality:**

- Income disparity remains high, with slow progress in bridging the gap.

2. **Corruption:**

- Despite efforts, corruption within government structures persists, hindering progress.

3. **Service Delivery:**

- Rural areas still face inadequate access to healthcare, education, and infrastructure.

4. **Land Redistribution:**

- Policies on equitable land reform face resistance, risking further socio-political tensions.

Natural Resource Pillar

South Africa's Natural Resources and the EV Industry Potential

South Africa is richly endowed with natural resources, particularly those critical to the electric vehicle (EV) industry, such as platinum, manganese, and lithium. These minerals position the country to play a significant role in the global energy transition. The EV sector, projected to grow into a $1 trillion market by 2030, offers immense opportunities for economic development. However, South Africa’s contribution to this market remains limited due to inefficiencies in extracting and utilising its resources.

Failure to Beneficiate Minerals

Despite its wealth in minerals, South Africa struggles to beneficiate these resources effectively. Beneficiation, which involves processing raw materials domestically into higher-value products, could significantly boost the country’s economic growth and create jobs. Currently, only about 11% of South Africa's mined minerals undergo local processing, far below countries like Botswana, where over 50% of diamonds are beneficiated domestically. For instance, South Africa exported 85% of its manganese and 75% of its platinum as raw ore in 2023, foregoing opportunities to develop value-added industries such as battery manufacturing. This lack of beneficiation contributes to an annual loss of potential revenue estimated at R50 billion, while the mining sector's contribution to GDP growth remains limited. South Africa's GDP grew by a modest 0.9% in 2023, underscoring the urgent need for beneficiation to unlock the full economic potential of its vast mineral wealth.

Low Extractive Industry Resource Rents

South Africa also lags in capturing the full value of its resource wealth. Extractive industry resource rents, which measure the revenue generated from resource extraction as a percentage of GDP, are lower than in many African peers. In 2023, South Africa’s resource rents were about 3.5% of GDP, compared to 10.7% in Angola and 7.3% in Zambia. This disparity reflects inefficiencies in taxation, royalty collection, and value chain development, resulting in lost economic potential.

The Challenge of Zama Zamas

Illegal mining, carried out by unlicensed operations popularly known as "zama zamas," is a growing challenge for South Africa’s mining sector. Operating in abandoned or poorly regulated mines, these illegal miners not only disrupt legitimate operations but also create significant safety and environmental risks. In 2023, an explosion in an illegal mine in Gauteng resulted in over 30 deaths, highlighting the dangers posed by this activity. Additionally, illegal mining costs the formal sector an estimated R14 billion annually in lost revenue and further deters new investments. The proliferation of zama zamas is often attributed to inadequate mine rehabilitation and weak regulatory oversight, leaving closed mines vulnerable to exploitation.

Delays in Issuing Mining Rights

Another major bottleneck for South Africa’s mining sector is the slow approval process for mining rights. The Ministry of Minerals and Energy has been criticised for delays, with some applications taking over five years to process. These delays discourage new prospecting companies and stifle growth in the sector. In 2022 alone, South Africa lost potential investments worth approximately R20 billion due to permitting backlogs. Streamlining this process is crucial to attracting both domestic and foreign investment, ensuring that the mining sector contributes meaningfully to economic recovery.

By addressing these challenges, South Africa can unlock the full potential of its natural resources, particularly considering the growing global demand for EV-related minerals. This requires a coordinated approach, including policy reforms, investment in local beneficiation, improved regulation, and efficient management of mining rights.

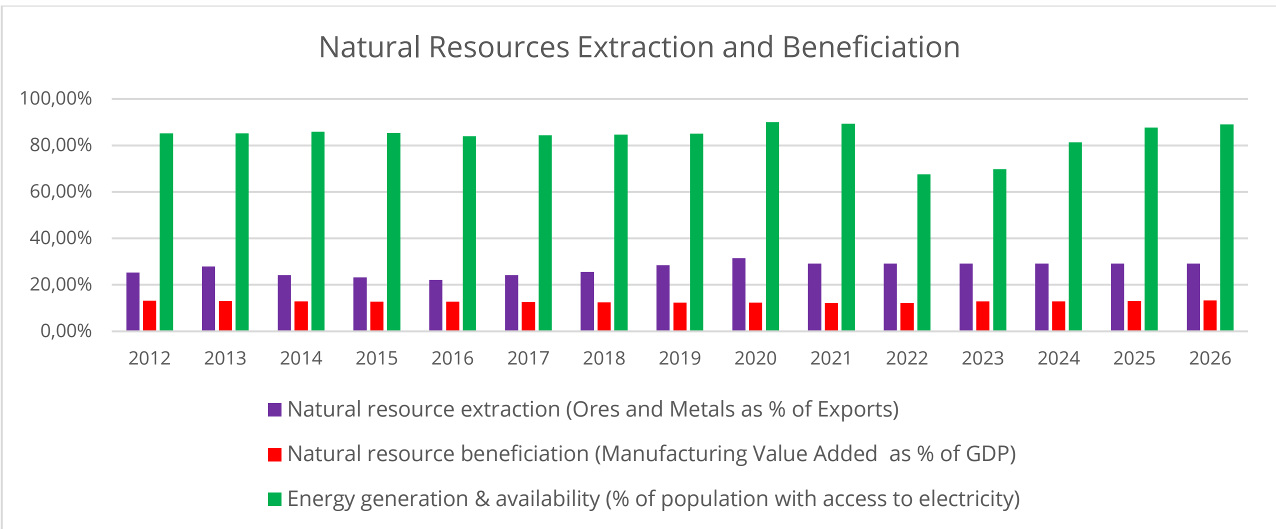
Beneficiation

An area where South Africa can increase its potential for economic growth, development, and job creation is the beneficiation of its extracted minerals. South Africa has the wealthiest mining jurisdiction in the world, with mineral resources valued at $2.5 trillion. Despite these assets, the level of value-added mineral beneficiation undertaken in South Africa is low, which denotes the low levels of manufacturing value added per GDP, with activities in the mining industry dominated by primary production and exports of raw or partially processed minerals. The contribution of mining to GDP is insignificant. However, mining beneficiation will enhance economic growth and employment creation as it will lead to more diversification, industrialisation, and increased tax revenue. This will be viewed as a credit positive.

The level of mineral beneficiation was found to be low considering the country's mineral endowment, and this resulted in the country foregoing the opportunity to earn more from exports of finished products, create employment (especially in the low-to-semi-skilled sector, which makes up the bulk of unemployed individuals), and address the problems of inequality and poverty. Amongst the factors found to constrain beneficiation were the country's labour laws, lack of adequate skills, corruption, unstable labour force, research and development, the lack of entrepreneurship activity, inadequate infrastructure, and energy problems. The African Continental Free Trade Area's (AfCFTA) strategic intervention is also key to unlocking Africa's agriculture and mining intra-trade challenges for enhanced intra-regional industrialisation and beneficiation. Should key constraints be dealt with, beneficiation will present a significant credit positive for the South African economy.

Another consideration in assessing the country's external vulnerability is the diversification of its export base. Countries with a concentrated export base, such as commodity exporters, are also vulnerable to terms-of-trade shocks from sudden declines in the global prices of key export commodities. Additionally, a significant deterioration or improvement in external competitiveness would also affect local companies' ability to compete with foreign firms and impact the current account balance.

Figure 15: Extraction and Beneficiation



South Africa's energy availability levels have shown significant improvement over the years, reflecting a concerted effort to stabilise the country's electricity supply. While the availability dipped to concerning lows of 67.6% and 69.8% in certain periods, recent figures above 87%, including peaks of 90%, highlight a positive trajectory. These gains are attributed to enhanced maintenance protocols, increased investment in infrastructure, and a gradual diversification of the energy mix, including renewable energy integration. Improved operational efficiency at key power plants and government initiatives aimed at reducing load-shedding have also played a critical role. Despite these advancements, sustained energy reliability remains a priority to support economic growth, attract investment, and address the lingering challenges of energy demand in South Africa's evolving economy.

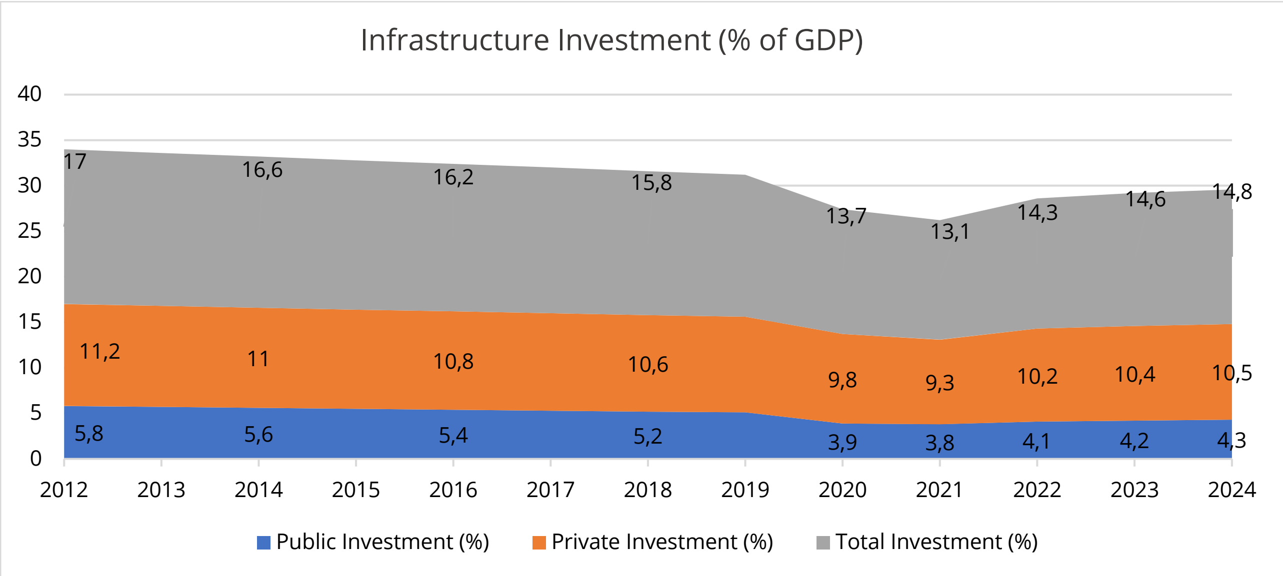
Infrastructure Development Pillar

Investment Commitment

During the early 2010s, the economy was relatively stable, allowing for consistent investment in infrastructure projects. Programmes like the National Development Plan (NDP) aimed to boost infrastructure development to support economic growth and job creation. From 2016 onwards, there was a noticeable decline in infrastructure investment rates. South Africa faced economic challenges, including slow GDP growth, which impacted public finances and investment capacity. Rising public debt and budget deficits also led to reduced government spending on infrastructure. Political instability and corruption scandals affected investor confidence and slowed down project implementation.

The COVID-19 pandemic had a significant impact on infrastructure investment, with total investment declining by 1.9 percentage points to 13.7% in 2020. A further decline of 0.6 percentage points was recorded in 2021, caused by a sharp economic contraction, reducing both public and private sector investment as government resources were redirected towards emergency health responses and social relief measures. From 2022 onwards, there has been a gradual recovery in infrastructure investment.

Figure 16: Infrastructure Investment



Challenges

- Fiscal Constraints: Continued budget limitations and rising public debt pose challenges to increasing public sector investment.
- Project Implementation: Delays and inefficiencies in project implementation can hinder the impact of infrastructure investments.
- Maintenance Backlog: A significant backlog in infrastructure maintenance needs to be addressed to ensure the sustainability of investments.

Opportunities

- Public-Private Partnerships: Leveraging PPPs can help mobilise private sector resources and expertise for infrastructure development.

- Innovative Financing: Exploring innovative financing mechanisms, such as infrastructure bonds, can provide additional funding sources.
- Focus on Sustainability: Integrating sustainability into infrastructure projects can enhance their long-term benefits and attract green financing.

In summary, South Africa's infrastructure investment rates have been influenced by various economic, political, and social factors over the past decade. While there have been challenges, recent trends indicate a potential recovery, supported by government initiatives and increased private sector participation. Addressing fiscal constraints, improving project implementation, and focusing on sustainable development will be crucial for achieving long-term infrastructure goals.

Project Implementation Rates

2012-2015: The implementation rate was relatively high, averaging around 85%. Several large-scale infrastructure projects were initiated under the National Development Plan (NDP) 2030.

2016-2019: The rate slowed down to an average of 70% due to economic challenges and political instability, affecting the timely completion of projects.

2020-2021: The COVID-19 pandemic significantly impacted project implementation, causing delays and budget reallocations, with the rate dropping to around 60%.

2022-2024: There has been a recovery in the implementation rate, with renewed focus on infrastructure development as part of economic recovery efforts, reaching approximately 75%.

Renewable Energy Independent Power Producer Procurement Programme (REIPPPP):

Implementation Rate: Approximately 90%.

This public-private partnership has been successful in attracting private investment in renewable energy projects, positively contributing to the energy sector.

Gautrain Rapid Rail Link:

Implementation Rate: 100%.

This transportation project aimed to improve connectivity between Johannesburg, Pretoria, and OR Tambo International Airport.

Medupi and Kusile Power Stations:

Implementation Rate: Approximately 65%.

These coal-fired power stations have faced numerous delays and cost overruns but remain critical for energy security.

Digital Infrastructure Projects:

Implementation Rate: Approximately 85%.

Investments in broadband expansion and digital connectivity have been prioritised to support economic growth and digital inclusion.

Water and Sanitation Projects:

Implementation Rate: Approximately 70%.

Details: Projects like the Lesotho Highlands Water Project aim to secure water supply for Gauteng province.

Innovative Financing Models

In November 2023, South Africa issued a ZAR20.4 billion (US$1.085 billion) Sukuk Ijarah. This was the country's second sovereign sukuk issuance, following its debut in 2014. The issuance was divided into four tranches with varying tenors and profit rates:

- First tranche: ZAR7.49 billion with a 5.3-year tenor at a 9.87% profit rate.
- Second tranche: ZAR8.87 billion with a 7.3-year tenor at a 10.64% profit rate.
- Third tranche: ZAR2.48 billion with a 10.3-year tenor at an 11.58% profit rate.
- Fourth tranche: ZAR1.55 billion with a 12.3-year tenor at an 11.90% profit rate.

The demand for this sukuk was robust, with bids totalling ZAR36.12 billion, resulting in an oversubscription rate of 1.77 times.

South Africa employs a variety of innovative financing models for infrastructure development, which include:

1. Municipal Bonds: These are debt securities issued by local governments to finance public projects. They provide a way for municipalities to raise funds without relying solely on national government allocations.
2. Public-Private Partnerships (PPPs): These involve a collaboration between the government and private sector to fund, build, and operate infrastructure projects. This model helps leverage private sector efficiency and investment.
3. Impact Investing: This involves investments made to generate positive, measurable social and environmental impact alongside a financial return. It includes variations on debt and equity financing.
4. Development Finance Institutions (DFIs): DFIs provide long-term financing for projects that contribute to economic development. They often support projects that are too risky for commercial banks.
5. Municipal Pooled Financing: This model allows multiple municipalities to pool their resources and access capital markets collectively, leading to better credit ratings and lower borrowing costs.
6. Tax Increment Financing (TIF): This method uses future gains in taxes to finance current improvements, which are expected to create the conditions for those future gains.

The range of these models is quite broad, allowing for flexibility and innovation in funding infrastructure projects. The impact of using such diverse financing methods includes:

Sustainability and Environmental Consideration

South Africa has a comprehensive framework of environmental policies and regulations in place. Some key policies and regulations include:

1. National Environmental Management Act (NEMA), 1998:

This is the cornerstone of environmental legislation in South Africa. It provides the framework for environmental management and sets out principles for decision-making on environmental matters. It also mandates environmental impact assessments (EIAs) for activities that may significantly affect the environment.

2. National Environmental Management: Air Quality Act, 2004:

This act aims to improve air quality in South Africa by providing measures for the prevention of air pollution and ecological degradation. It establishes national norms and standards for regulating air quality.

3. National Environmental Management: Biodiversity Act, 2004:

This act provides for the management and conservation of South Africa's biodiversity within the framework of NEMA. It includes provisions for the protection of species and ecosystems that are threatened or in need of protection.

4. National Environmental Management: Waste Act, 2008:

This act regulates waste management to protect health and the environment by providing reasonable measures for the prevention of pollution and ecological degradation.

5. National Water Act, 1998:

This act ensures that the nation's water resources are protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner.

South Africa conducts comprehensive environmental impact assessments (EIAs) for all major projects to ensure that potential environmental impacts are considered and mitigated. Examples of current large projects where EIAs and strict adherence to environmental regulations are being enforced include:

1. Medupi Power Station:

The Medupi Power Station, one of the largest dry-cooled coal-fired power stations globally, underwent a rigorous EIA process. The project included measures to mitigate environmental impacts, such as the installation of flue gas desulfurisation technology to reduce sulfur dioxide emissions.

2. Gautrain Rapid Rail Link:

The Gautrain project, Africa's first rapid rail link, involved an extensive EIA process that took nine years to complete. The EIA addressed various environmental concerns, including noise pollution, air quality, and the impact on local ecosystems.

3. Kusile Power Station:

Similar to Medupi, the Kusile Power Station also underwent a comprehensive EIA. The project includes advanced emission control technologies to minimise environmental impacts, such as the use of wet flue gas desulfurisation to reduce sulfur dioxide emissions.

These examples demonstrate South Africa's commitment to conducting thorough EIAs, enforcing environmental regulations, and investing in measures to protect the environment.

Economic Impact Analysis

South Africa conducts comprehensive economic impact assessments for infrastructure projects to evaluate their potential benefits and costs. These assessments typically include analyses of GDP growth, gross value added (GVA), job creation, and tax revenue generation. Below are some key aspects and examples of the economic impact of the seven biggest infrastructure projects:

Table 1: Infrastructure Investment

Project	Nominal Gross Value Added (GVA)	GVA (% of GDP)*
Medupi Power Station	ZAR 30 billion annually	Approximately 0.6%
Kusile Power Station	ZAR 29 billion annually	Approximately 0.58%
Gautrain Rapid Rail Link	ZAR 6 billion annually	Approximately 0.12%
Ingula Pumped Storage Scheme	ZAR 4 billion annually	Approximately 0.08%
Lesotho Highlands Water Project (Phase II)	ZAR 2.5 billion annually	Approximately 0.05%
Redstone Solar Thermal Power Project	ZAR 1.5 billion annually	Approximately 0.03%
Mzimvubu Water Project	ZAR 3 billion annually	Approximately 0.06%

(based on a GDP of around ZAR 5 trillion)

Maintenance and Upkeep Plans

South Africa's National Infrastructure Maintenance Strategy (NIMS) is a cornerstone of its maintenance efforts. This strategy emphasises the importance of maintaining old and new infrastructure to ensure sustainable service delivery and economic growth. The strategy includes:

- **Strengthening the regulatory framework**: Ensuring that planning and budgeting for infrastructure maintenance are robust and effective.
- **Assisting institutions with non-financial resources**: Providing technical support and capacity building.
- **Developing the maintenance industry**: Promoting the growth of a dedicated maintenance sector.
- **Monitoring, evaluation, and reporting**: Continuously improving maintenance practices through feedback and data analysis.

Despite these efforts, the condition of South Africa's public sector infrastructure has been a concern. Research indicates that much of the infrastructure is not maintained to industry standards. The South African Institution of Civil Engineering (SAICE) has been issuing "report cards" on the state of infrastructure, highlighting areas that need improvement. For example, the 2022 report card noted that while some national assets like airports and harbours are well maintained, many municipal infrastructures, such as water and sanitation systems, lag.

Over the past five years, there has been a noticeable decline in infrastructure investment and maintenance, leading to increased deterioration. Key examples include:

- Road Infrastructure: Provinces like KwaZulu-Natal have seen significant underspending on road maintenance, leading to deteriorating road conditions.
- Educational Facilities: The North West Department of Education recorded substantial cuts in spending on school infrastructure, resulting in delays and deterioration.
- Municipal Infrastructure: Many municipalities have struggled with project delays and procurement issues, exacerbating the decline in infrastructure quality.

Ports and Rail Infrastructure

Ports: South Africa's ports are critical to its economy, facilitating international trade. The National Infrastructure Plan 2050 (NIP 2050) outlines significant investments in port infrastructure to improve efficiency and capacity. However, challenges such as ageing equipment and underinvestment have led to operational inefficiencies. Transnet, the state-owned logistics company, has launched a recovery plan to address these issues, focusing on improving the availability and reliability of port infrastructure.

Rail: South Africa has the most extensive rail network in Africa, but it faces significant challenges, including theft, vandalism, and underinvestment. The government plans to spend R900 billion on rail infrastructure by 2027, focusing on upgrading the network, improving maintenance, and introducing third-party operators to enhance efficiency. Despite these plans, progress has been slow due to regulatory and organisational challenges.

Examples of Deterioration

- Roads: The decline in road maintenance has led to potholes and unsafe driving conditions in several provinces.
- Schools: Delays in constructing and maintaining school buildings have affected the learning environment for students.
- Water Systems: Ageing water infrastructure has resulted in frequent breakdowns and water shortages in some municipalities.
- Ports: Operational inefficiencies due to ageing equipment and underinvestment have impacted trade.
- Rail: Theft, vandalism, and underinvestment have led to a decline in rail service quality.

The deterioration of infrastructure has significant economic implications. Poor infrastructure affects productivity, increases the cost of doing business, and hampers economic growth. Investments in infrastructure maintenance are crucial for improving service delivery, supporting economic activities, and enhancing the overall quality of life for citizens.

In summary, while South Africa has a comprehensive strategy for infrastructure maintenance, challenges in implementation and funding have led to varying levels of success. Continuous monitoring and increased investment are crucial to improving the condition of infrastructure assets across the country.

Community Engagement and Impact

South Africa has made notable efforts to improve community engagement and address the social impact of its major infrastructure projects. The Integrated Development Plan (IDP) process has been a key tool for municipalities to engage with communities in planning and decision-making. For example, the Eastern Cape Infrastructure Engagement Report highlights the involvement of local communities in projects like the East London Industrial Development Zone and the Port of East London.

Major infrastructure projects have involved extensive consultation processes. For instance, the Hammanskraal Pedestrian Bridge project included local community participation to address stakeholder concerns and ensure project ownership. Public meetings, workshops, and stakeholder forums have been used to gather input from community members. These platforms have allowed for the exchange of information, addressing concerns, and incorporating community feedback into project planning.

Social Impact

Infrastructure projects have created job opportunities for local communities. For example, the Gautrain Rapid Rail Link project created approximately 121,800 jobs during construction and operation, contributing to local economic growth. This project improved public transportation in Gauteng, reducing travel time and congestion.

Improved infrastructure has enhanced access to essential services such as healthcare, education, and transportation. For instance, the development of new healthcare facilities and schools has significantly improved the quality of life for residents.

Infrastructure projects have led to better living conditions by providing reliable water supply, sanitation, and electricity. These improvements are often reflected in social indicators such as health outcomes, educational attainment, and overall well-being.

Medupi Power Station: While providing much-needed electricity, the project faced challenges such as community protests over employment and environmental concerns.

Transnet's Port Expansion: The expansion of ports like Durban and Ngqura has enhanced trade capacity, creating economic opportunities but also raising concerns about environmental impact and displacement of local communities.

Challenges and Areas for Improvement

Despite these efforts, there have been challenges in fully realising the benefits of community engagement and social impact:

- Fiscal Constraints: Budget limitations have hindered the timely delivery of some infrastructure projects, affecting their social impact.
- Project Delays: Delays in project implementation have sometimes led to community dissatisfaction and reduced the anticipated benefits.
- Environmental Concerns: Some projects have faced opposition due to their environmental impact, highlighting the need for better environmental management and mitigation measures.

In summary, South Africa has made significant strides in community engagement and addressing the social impact of infrastructure projects over the past five years. However, challenges remain, and continuous efforts are needed to ensure that these projects deliver sustainable and inclusive benefits to all communities.

RATING SENSITIVITIES

Debt metrics: We may consider downgrading South Africa's credit ratings should debt management prove ineffective, resulting in fiscal health deteriorating further by a significant margin. It has been observed that foreign currency-denominated debt is gradually increasing. The nation's risk of external exposure progressively rises as a result.

GDP Growth: We would consider lowering South Africa's credit ratings if the nation's prospects for economic growth deteriorate further from their current suppressed levels.

Energy: We would downgrade South Africa's credit ratings through an event-driven rating update if energy generation is affected to the point of resuming load-shedding. This would signal significantly lower economic growth prospects in the medium term.

Infrastructure Restrictions: We may consider downgrading South Africa's credit ratings if the deterioration of critical infrastructure continues.

SOE needs: We would consider downgrading South Africa's credit ratings where the state-owned enterprise sector's needs for financial support are significantly more than budgeted as this would impede the government's efforts to achieve budgetary consolidation.

KEY RATING INDICATORS

Table 2: Key Risk Indicators

Variable	2022	2023	2024	2025 (est.)	2026 (est.)
GDP growth rate (%)	1,90%	0,60%	1,10%	1,50%	1,40%
GDP per capita (US$)	6766,0	6253,0	6376	6366	6377
Share in peer-group GDP	20,59%	19,48%	19,77%	-	-
Share in world GDP	0,420%	0,390%	0,400%	0,410%	0,420%
Export diversification index	0.25	0.24	0,24	0,25	0,26
Current account balance (% of GDP)	-0,5%	-1,6%	-2,8%	-3,6%	-4,0%
General government revenue (% of GDP)	26,50%	26,20%	25,87%	25,91%	25,98%
Gross government debt (% of GDP)	70,80%	73,40%	74,60%	77,40%	79,12%
Gross government debt (% of revenue)	256,0%	274,0%	279,0%	284,0%	289,0%
General government interest (% of revenue)	20,0%	21,3%	22,6%	23,9%	25,2%
General government fiscal balance (% of GDP)	-4,6%	-4,9%	-5,2%	-5,5%	-5,8%
Gross Foreign Currency Denominated Debt (% of GDP)	19,0%	20,0%	21,0%	22,0%	23,0%
Gross Local Currency Denominated Debt (% of GDP)	50,5%	52,0%	53,5%	55,0%	56,5%
Contingent liabilities (% of GDP)	15,0%	15,5%	15,5%	15,5%	15,5%

Debt repayment record (Years since default or restructuring event)	37,00	38,00	39,00	40,00	41,00
Inflation Rate	7,41%	5,52%	3,92%	4,20%	4,40%
Exchange rate stability (GDP based on Purchasing Power Parity)	7,23	7,31	7,47	7,67	7,86
Domestic Market Capitalisation (% of GDP)	320,6%	315,4%	310,2%	310%	312%
Broad money supply (Local Currency, Millions - M3)	4 500 000	5 368 531	5 383 693	5 400 000	5 300 000
Broad money supply growth rate (%)	4,65%	19,30%	0,28%	0,30%	-1,85%
Foreign currency reserves (% of total external debt)	92%	102%	103%	109%	114%
Independence of central bank (Transparency and Independence Index)	8,00	8,00	8,00	8,00	8,00
Regulatory effectiveness	4,00	4,00	4,00	4,00	4,00
Fiscal policy effectiveness	6,50	6,50	6,50	6,50	6,50
Monetary policy effectiveness	7,00	7,00	7,00	7,00	7,00
SOE Institutional Effectiveness	4,00	4,00	4,00	4,00	4,00
Transparency and accountability	6,00	6,00	6,00	6,00	6,00
Environmental regulations and enforcement (Environmental Protection Index)	9	9	9	9	9
Climate and natural disaster risk exposure (Climate Change Policy Index)	9	9	9	9	9
Unemployment rate (%)	30,10%	30,50%	30,80%	30,01%	30,09%
Income inequality (Gini Coefficient)	63%	63%	63%	63%	63%
Social and environmental impact of natural resource extraction (Ecosystem Vitality Index)	8,00	8,00	8,00	8,00	8,00
Labour rights and standards	6,50	6,50	6,50	6,50	6,50
Human Development Index (HDI, 0 to 1)	0,713	0,717	0,7227	0,7272	0,7317
Political effectiveness (Political Stability Index)	6,00	6,00	6,00	6,00	6,00
Governance practices (Government Effectiveness Index)	7,0	7,0	7,0	7,0	7,0
Natural resource extraction (Ores and Metals as % of Exports)	29,12%	29,12%	29,12%	29,12%	29,12%
Natural resource beneficiation (Manufacturing Value Added as % of GDP)	12,27%	12,92%	12,91%	13,10%	13,29%
Energy generation and availability	67,60%	69,80%	81,31%	87,65%	89,01%
Investment Commitment	6,00	6,00	7,00	7,00	7,00

Project Implementation Rate	6,00	7,00	8,00	9,00	9,00
Diversity and Scope of Projects	7,00	7,00	7,00	7,00	7,00
Innovative Financing Models	8,00	8,00	8,00	8,00	8,00
Sustainability and Environmental Consideration	7,00	7,00	7,00	7,00	7,00
Economic Impact Analysis	6,00	7,00	8,00	8,00	8,00
Maintenance and Upkeep Plans	6,00	5,50	5,00	5,00	5,00
Community Engagement and Impact	5,00	5,50	6,00	6,00	6,00

Rating Methodology

The principal methodology used in this rating methodology was published and is available at:

Sovereign Rating Methodology

Credit Rating Update

The rated entity did not participate in the rating process.

SAR had access to publicly available and internal data and information during the rating process.

SAR confirms that the credit rating has been disclosed to the rated entity.

The rated entity did not request SAR to conduct this credit rating assessment.

Rating Definitions

SAR Rating Definitions

Rating History

Initial Rating Date	**22 September 2022**	**Current Rating Date**	**28 January 2025**

Information and Data

SAR confirms that data and information adequacy were sufficient to conduct this credit rating. Data and information from reputable sources were used during the credit rating process. The quality of the data and information has been validated via cross-referencing against various data sources for consistency.

Glossary of Terms

Term	Definition
The African Continental Free Trade Area (AfCFTA)	The African Continental Free Trade Area (AfCFTA) is a landmark trade agreement among African countries aimed at promoting intra-Africa trade and economic integration. It was established to create a single market for goods and services on the continent, removing trade barriers and fostering economic cooperation among African nations.
Credit Rating Action	Any of the following is a credit rating action: 1. The process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating. 3. A change to a credit rating (i.e., upgrade or downgrade). 4. Placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., credit rating confirmation). The assignment of, or modification of, an outlook linked to a rated entity or several credit ratings. 5. A credit rating affirmation. 6. A credit rating withdrawal.
Current account balance	Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
Employee(s)	An employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
Foreign Direct Investment (FDI)	Direct investment is conducted by non-residents.
Gross domestic product (GDP)	The total market value of goods and services produced by resident factors of production.
GDP per capita	GDP is divided by population.
Issuer	An issuer is any entity that issues debt, a credit commitment, debt-like obligations, or securities. Examples of such entities include special-purpose vehicles, companies, governments, and local governments.
Lead Rating Analyst (Lead Analyst)	Lead Rating Analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer, as well as, when appropriate, for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)	Managers (s) are employees who oversee managing personnel.
Net general government debt	General government debt minus general government liquid financial assets.
Net external liabilities	Total public and private sector liabilities to non-residents minus total external assets.
Outlook	An outlook is an opinion regarding the likely path an issuer's rating could take over the medium term.
Prohibited Recommendation	Any proposals or recommendations made either formally or informally regarding the design of financial instruments on which a CRA is envisioned to issue a credit rating may be made by an employee to a rated entity or its agent to improve the rated entity's rating. This includes suggestions about the rated entity's corporate or legal structure, assets, liabilities, or activities.
Rated Entity(ies)	A rated entity is any entity rated by a credit rating agency (CRA).

Review	A review is an indication that a rating may be changing in the not-too-distant future.
SAR	Sovereign Africa Ratings (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Ratings Services Act of 2012 of the Republic of South Africa.
Special Drawing Rights (SDR)	The SDR is an international reserve asset that was created by the International Monetary Fund in 1969 to supplement its member countries' official reserves.
Security	Security refers to any type of financial instrument, including stocks, bonds, debentures, notes, options, equity securities, convertible securities, warrants, derivative securities (derivative), and warrants.
Total Debt Service (TDS)	Total Debt Service (TDS, current US$) refers to the total amount of money paid by a country to cover the principal and interest payments on its external debt. External debt includes loans and financial obligations owed to foreign creditors, such as other governments, international organisations, or private entities, by the country in question.

Chairperson: **Lomanja Malaba | Rating Analyst**
Lead Analyst: **Bekithemba Ndimande | Rating Analyst**
Contact: **info@saratings.com**
+27 10 203 9921
Thornhill Office Park, Block 13, Ground Floor, 94 Bekker Road,
Midrand, Johannesburg, South Africa
www.saratings.com

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