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MEDIA STATEMENT

GOVERNMENT'S RESPONSE TO THE RATING ACTION OF S&P GLOBAL RATINGS

Government welcomes the decision by S&P Global Ratings to upgrade South Africa's long-term foreign-currency sovereign credit rating to 'BB+' from 'BB', long-term local currency rating to 'BBB-' from 'BB+', and short-term local currency rating to 'A-3' from 'B'. The outlook was revised from positive to stable.

The upgrade restores South Africa's local-currency rating to investment grade and lifts its foreign-currency rating to its highest level since 2017, just one notch below investment grade.

South Africa now holds the second-highest S&P foreign-currency rating among Sub-Saharan African sovereigns and joins just three other sovereigns globally at BB+. Its progression from BB to BB+ in just over a year took roughly half the historical median time for comparable S&P upgrades.

The outcome reflects continued improvements in South Africa's fiscal metrics as well as its progress on structural reforms to boost economic growth.

S&P said fiscal performance continued to outperform budgeted targets, with the government on track to post its fourth annual primary fiscal surplus (revenue minus expenditure, excluding interest payments on debt) in 2026/27. The rating agency expects fiscal consolidation to continue over the medium term, reducing government debt as a percentage of GDP from 76.2% of GDP in 2025/26 to 72.3% by 2029/30, alongside a narrowing of the fiscal deficit from 4.1% to 2.7% of GDP over the same period.

S&P expects third quarter economic growth to rebound following the second quarter contraction. It forecasts real GDP growth of 1.3 per cent in 2026, despite the impact of the Middle East conflict on

energy prices. It sees this rising to 1.4 per cent in 2027 and an average 1.9 per cent over 2028-2029, supported by reforms to electricity and other sectors.

The upgrade by S&P comes after Fitch upgraded its rating in June this year, its first upgrade in almost 21 years. Its rating is still two notches below investment grade, as is that of Moody's. However, Moody's put the rating on positive outlook in May, indicating it could consider an upgrade within 12 to 18 months. It published a periodic ratings review on Friday 27 November.

"We still have work to do, but South Africa is now firmly on the path back to an investment grade rating, for the first time in more than a decade," said the Director-General of the National Treasury, Dr Duncan Pieterse.

"The two upgrades from S&P in just over a year testify to the progress government has made in restoring South Africa's public finances to health and rebuilding the fiscal credibility lost in years of missed targets and rising debt levels," he said.

"Improving credit ratings have real world benefits, helping to lower borrowing costs for government, businesses and households and supports the government's significant infrastructure investment ambitions through a lower cost of capital. And with fiscal targets on track, we were able in the 2026 Medium Term Budget Policy Statement (MTBPS) to set aside part of the revenue overrun to invest in growth-boosting infrastructure," Dr Pieterse said.

The MTBPS showed government continued to deliver on its fiscal targets despite a series of global and domestic shocks. In 2023/24, South Africa achieved its first primary surplus in 15 years, and the 2025/26 financial year marked government's third consecutive year of rising primary surpluses. The rising primary surpluses have helped to slow growth in debt and contain debt-service costs and government now projects debt will fall below 70 per cent of GDP within five years. Stabilising debt has helped contain borrowing costs for government despite higher global inflation and interest rates.

Government continues to implement its four-pillar growth strategy: maintaining macroeconomic stability, implementing structural reforms, strengthening state capability and supporting growth-enhancing public infrastructure investment. Operation Vulindlela continues to make headway in energy,

transport, water and tourism sectors. The electricity sector has already seen significant reforms and there has been a sharp improvement in levels of electricity supply. Competitive electricity and transport markets are being designed for implementation, supporting investment and reducing the cost of doing business.

For media queries, please contact Media@treasury.gov.za

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