MOODY'S
RATINGS

Rating Action: Moody's Ratings changes South Africa's outlook to positive from stable, affirms Ba2 ratings

22 May 2026

London, May 22, 2026 -- Moody's Ratings (Moody's) has today changed the outlook on the Government of South Africa to positive from stable and has affirmed the Government of South Africa's domestic and foreign-currency long-term issuer and senior unsecured ratings at Ba2.

The positive outlook reflects South Africa's gradually strengthening fiscal performance and sustained commitment to structural reforms, with prospects of increasingly tangible results. We expect a rising primary surplus and gradually improving debt-service costs to stabilise the general government debt burden in the near term. The better fiscal outlook for South Africa is still at an early stage but continued improvements could support a shift to a clear downward trajectory in debt and debt-service costs. We expect stronger investment, supported by ongoing reforms, to gradually raise real GDP growth to around 2% by 2028 and underpin fiscal improvements. While the Middle East conflict poses a risk to near-term growth, we expect the policy response to remain measured and macroeconomic stability to be preserved. Moreover, the risk of a reversal in policy from the forthcoming electoral cycle appears limited, although the cycle could test reform momentum.

The affirmation of the Ba2 ratings reflects South Africa's relatively weak fiscal and economic fundamentals, with fiscal and economic reform-related improvements still at an early stage. The affirmation also reflects South Africa's low growth potential, constrained by a weak labour market and fragile, albeit improving, state of network infrastructure, balanced by a flexible exchange rate, low foreign-currency external debt, and robust core institutions.

South Africa's local- and foreign-currency country ceilings remain unchanged at Baa1 and Baa2, respectively. The Baa1 local-currency country ceiling is positioned four notches above the sovereign rating, reflecting predictable institutions and government actions as well as limited external imbalances, but also takes into account the government's strong footprint in the economy and financial market. The one-notch gap between the foreign-currency and local-currency country ceiling reflects moderate policy effectiveness and a track record of maintaining an open capital account, indicating that the risk of restrictions on transfer and convertibility in times of stress remains contained.

RATINGS RATIONALE

RATIONALE FOR THE CHANGE IN OUTLOOK TO POSITIVE

STRENGTHENING FISCAL PERFORMANCE HELPS STABILISE DEBT AND SUPPORTS POTENTIAL SHIFT TO A CLEAR DOWNWARD TRAJECTORY

South Africa's primary budget surplus was larger than we expected in the 2025 fiscal year (ending March 2026), which we estimate at around 1% of GDP, benefitting from strong, broad-based revenue growth alongside continued credible spending restraint. This follows a track record of primary surpluses since 2022.

Going forward, we expect government primary expenditure will grow modestly and broadly in line with budget targets, despite significant social spending pressures. Large spending items remain well anchored. The Social Relief of Distress grant is fully provisioned in the government's medium-term fiscal plan and public sector wages are capped for the next two years by the 2025 agreement. Even if growth temporarily

weakens as a result of the Middle East conflict, we expect replenished cash buffers alongside a measured and targeted policy response will not alter this trend.

At the same time, government interest expenditure is set to improve as stronger fiscal credibility and a lower inflation target reduce the risk premium demanded by investors. These structural improvements can help sustain the positive trend, even as higher inflation in 2026 may slow a near-term reduction in interest expenditure. Strong investor demand is evident in the sharp decline in 10-year government bond yields through most of 2025, and the resilience of these yields during the current higher oil price period. A shift in issuance away from the long-end of the curve should also help structurally reduce funding costs, without materially increasing refinancing risks given South Africa's very long average maturity of debt.

We expect the primary surplus to rise gradually to around 2% in 2028 which, alongside gradually lower debt-service costs, will help stabilise the general government debt burden in the near-term and support a gradual decline to around 85% of GDP in 2028, from an estimated 87% in 2025.

There is the potential that stronger tax revenue performance than we currently forecast, including from elevated commodity prices, will accelerate the decline in the government debt burden. Recent financial improvements at state-owned enterprises also reduce the likelihood of new material government guarantees which we have included in the debt burden since 2019.

REFORM PROGRESS SUPPORTS ONGOING ECONOMIC RECOVERY AMID GLOBAL SLOWDOWN RISKS

We expect stronger investment and resilient consumption to raise real GDP growth to around 2% by 2028, up from an average 0.8% between 2023 and 2025, which will help underpin fiscal improvements. Ongoing reform progress and reduced funding costs are supporting investor confidence, which was further boosted by the recent removal of South Africa from the Financial Action Task Force's grey list. The gradual economic recovery will halt the decline in per capita income and keep macro-fiscal pressures contained.

As a result of the Middle East conflict and its impact on South Africa's inflation and real incomes, we have revised down our 2026 and 2027 real GDP growth forecasts by around 20–50 basis points. More persistent inflation and/or a more pronounced slowdown in global growth could, in our view, disrupt South Africa's near-term recovery and weaken the sovereign's fiscal balance beyond our current expectations. However, we expect macroeconomic stability to be preserved and the commitment to fiscal consolidation to remain steadfast, limiting the credit impact even under more adverse scenarios.

Over the longer term, sustained progress in implementing energy, logistics and water reforms can crowd in substantial new private investment to help address infrastructure gaps and boost export capacity, which could sustain South Africa's economic growth at more robust levels, alleviating a key rating constraint.

Greater private participation in logistics could improve the reliability of rail and port operations, supporting mining and manufacturing output, while expanded grid capacity would help unlock South Africa's large renewable energy pipeline and further improve power supply. Surveys point to a strengthening capital projects pipeline, suggesting infrastructure investment may start to gain pace, supported by the recent IBRD (World Bank, Aaa stable) Credit Guarantee Vehicle to mobilise private sector financing. That said, while the strategy has already resulted in some important structural improvements, such as a stabilization in the power supply, we expect the translation of legislative and regulatory reforms into operational gains to remain a complex and multiyear process.

Our baseline assumes the Government of National Unity will endure through its term, supported by strong incentives among the main parties to maintain stability and advance reforms ahead of the 2029 general election. That said, reform momentum still largely depends on presidential backing and could weaken over the forthcoming electoral cycle. However, the risk of abrupt policy reversal appears limited given the transition to coalition governments and ongoing efforts to entrench reforms through legislation, regulation, and institutional strengthening.

RATIONALE FOR THE AFFIRMATION OF THE Ba2 RATINGS

The affirmation of the Ba2 ratings reflects South Africa's relatively weak fiscal and economic fundamentals, with fiscal and economic reform-related improvements still at an early stage.

As mentioned, we expect South Africa's general government debt burden to moderate to 85% of GDP by 2028, which will continue to limit the sovereign's ability to withstand shocks. Furthermore, the affordability of government debt remains weak. Headline interest expenditure at around 19% of government revenue in 2025 (somewhat higher under a broader measure including capitalized interest) is weaker than many similarly rated peers.

The affirmation also reflects the sovereign's low growth potential due to a weak labour market and fragile, albeit improving, state of network infrastructure, while high inequality complicates policy efforts and can fuel social tensions. At the same time, a flexible exchange rate, low foreign-currency external debt and relatively large external assets help facilitate adjustment to external shocks.

Finally, the affirmation reflects the sovereign's robust core institutions, including the central bank and the judicial system, and evidence of the institutional framework's capacity to preserve macroeconomic stability. A deep and diversified domestic financial sector also helps to mitigate risks to government liquidity. This is balanced with the legacy of high-level corruption which severely damaged the state-owned enterprise sector with long-lasting negative implications for economic and fiscal strength.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) CONSIDERATIONS

South Africa's CIS-4 ESG Credit Impact Score indicates that ESG considerations have a discernible impact on the current rating, which is lower than it would have been if ESG risks were not present. It takes into account the country's high exposure to social risks, which reflects very high levels of income inequality and youth unemployment, and its moderate exposure to environmental risks. These are combined with relatively low resilience as the weak public finances and relatively low income levels constrain its capacity to respond to environmental and social shocks.

GDP per capita (PPP basis, US$): 15,895 (2024) (also known as Per Capita Income)

Real GDP growth (% change): 0.5% (2024) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 3.1% (2024)

Gen. Gov. Financial Balance/GDP: -4.8% (2024) (also known as Fiscal Balance)

Current Account Balance/GDP: -0.7% (2024) (also known as External Balance)

External debt/GDP: 43.9% (2024)

Economic resiliency: baa2

Default history: At least one default event (on bonds and/or loans) has been recorded since 1983.

On 19 May 2026, a rating committee was called to discuss the rating of the South Africa, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has decreased. The issuer's susceptibility to event risks has not materially changed.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade the ratings if fiscal performance continues to improve, through sustained primary surpluses and declining debt-servicing costs, supporting a credible and material decline in the government debt burden from its expected peak in the 2025 fiscal year, and an improvement in debt affordability. Such an outcome would signal stronger policy effectiveness than we currently assess and a broader reduction in fiscal risks. These improvements would also likely be underpinned by the continued implementation of structural reforms, supporting a gradual economic recovery beyond the current oil price shock. That said,

South Africa's fiscal strength is likely to remain weak for the foreseeable future.

The positive outlook signals that a downgrade is unlikely in the near term. The outlook could be returned to stable if we expect fiscal improvements to slow, limiting the prospects for a material reversal in South Africa's government debt burden. This could arise from evidence that the government's commitment to restraining expenditure growth is weaker than we expect, or from indications that financial support to state-owned enterprises will exceed our assumptions. A material slowdown in reform implementation—particularly if it durably weighs on investor confidence and medium term growth prospects—could also support a stabilization in the outlook. Similarly, indications that reform momentum would likely be weaker under a new administration would also be negative for the credit profile.

The principal methodology used in these ratings was Sovereigns published in November 2022 and available at https://ratings.moodys.com/rmc-documents/395819. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and is(are) endorsed for use in the EU in accordance with the EU CRA Regulation.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Evan Wohlmann
VP - Senior Credit Officer

Lucie Villa
Senior Vice President

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London, E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE

FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS,

MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.ir.moodys.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Calificadora de Riesgo S.A., Moody's Local CR Calificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Calificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of

Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.