

S&P sinks South Africa further into the junk

Standard & Poor's has lowered South Africa's further into junk status with a "BB-" credit rating because of the "significant adverse implications" of Covid-19 on the country's already-weakened economy



Early efforts to contain the spread of the virus have limited the health impact, but "the Covid-19 health crisis will create additional and even more substantial headwinds to GDP growth", the ratings agency said.

The statement from the agency continued: "South Africa's already contracting economy will face a further sharp Covid-19-related downturn in 2020."

This is on top of the second half contraction in 2019 resulting from the country's rolling blackouts. S&P projects the South African economy will shrink by 4.5% this year compared with the November 2019 estimate of growth of 1.6%.

President Cyril Ramaphosa outlined the R500bn Covid-19 economic-support package, which is about 10% of GDP. However, S&P said some of that can be financed by the IMF and other development lenders.