APRM
African Peer Review Mechanism

ECA

AFRICA SOVEREIGN CREDIT RATING REVIEW

2025 END-YEAR OUTLOOK

12th EDITION

An Institution of the African Union

This report was made possible with funding from the Open Society Foundation (OSF)

African Peer Review Mechanism Continental Secretariat
Directorate of Governance & Specialized Reporting in Collaboration with the
United Nations Economic Commission for Africa (UNECA)

Report No. G&SR-CRR011/2025

ABOUT THIS REPORT

This report analyses the long-term foreign currency sovereign credit rating actions in Africa with a predominant focus on the three dominant international credit rating agencies (ICRAs) – Moody's Investors Service, Fitch Ratings and S&P Global Ratings (S&P) in the second half of 2025 (2025H2). It presents a comparative analysis of the consistency in the application of methodologies and rating services between Africa and other regions and makes recommendations to ICRAs and African governments on how credit ratings can be improved.

Authors:

Dr McBride Nkhalamba: Ag. Director of Governance and Specialised Reporting, African Union (AU) – APRM

Dr Misheck Mutize: Lead Expert in Credit Rating Agencies, AU/APRM
Email: misheck.mutize@aprm-au.org

Ms Ejigayhu Tefera: Economic Researcher, AU – APRM
Email: ejigayhu.tefera@aprm-au.org

Ms. Sonia Essomadje, Chief of Finance and Domestic Resource Mobilisation (FDRMS), Macroeconomic, Finance and Governance Division (MFGD), ECA
Email: sonia.essobmadje@un.org

Dr. Jean-Marc M. Kilolo: Economist, FDRMS, MFGD, ECA
Email: jean-marc.kilolo@un.org

Ms. Advent Emmanuella Matare: Economist, FDRMS, MFGD, ECA
Email: advent.matare1@un.org

Disclaimer

1 INTRODUCTION

During the second half of 2025 (2025H2), several factors including macroeconomic prospects, recovery efforts, structural reforms, and emerging risks shaped sovereign credit ratings in Africa. In fact, average real GDP was projected to grow beyond mid-year expectations at 4.2 percent[1], supported by robust private consumption, accommodative monetary policy, higher-than-expected commodity prices, moderating inflation and improved growth in major trading partners. Inflation eased in most countries, supported by currency appreciation, favourable weather conditions, and lower food and fuel prices. Despite these gains, debt sustainability remained a critical challenge across the continent. It is worth noting that Zambia has become the first African country to introduce a tax payment option that allows mining taxes to be settled in yuan, given the importance of China as a trade partner.[2] This pragmatic approach is expected to reduce pressure on dollar liquidity and strengthen liability management that may translate into improved sovereign credit ratings.

South Africa's G20 presidency in 202 that placed Africa at the centre of global governance discussions for the first time. Several proposals emerged to advance Africa's development priorities, reduce structural disadvantages, and strengthen Africa's influence in global decision-making.

Reforming the global financial system is perceived as essential to address Africa's long-standing disadvantages, notably by lowering Africa's cost of borrowing and reform of sovereign credit ratings, to ensure fairer financing for African economies.

On the margins of the 2025 G20 Summit, African leaders presented a unified position emphasising the urgent need for comprehensive debt sustainability measures to safeguard economic stability and development across the continent. They called for enhanced global cooperation to restructure unsustainable debt, expand access to concessional financing, and establish fairer mechanisms for debt resolution aligned with Africa's growth priorities. The leaders endorsed the G20 Ministerial Declaration on Debt Sustainability and the Lomé Declaration on Debt, while advocating for the creation of a global Borrowers Platform to enhance representation and ensure that debt treatments promote long-term resilience rather than short-term relief. This stance reaffirmed Africa's

1 https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-november-2025-update
2 https://znbc.co.zm/?p=10382

commitment to fiscal responsibility and highlighted the necessity of systemic reforms to prevent debt crises from undermining progress toward Agenda 2063 and the Sustainable Development Goals.

As 2025 draws to a close, the Africa Credit Rating Agency (AfCRA) has made significant progress toward operationalization. The African Union finalized its governance structure and confirmed Mauritius as the agency's headquarters, emphasising independence and private-sector participation to ensure credibility. Technical preparations are underway for AfCRA to issue its first sovereign ratings in 2026.

2 GENERAL RATING OUTLOOK

African countries have been issued with credit actions (upgrades, downgrades, and outlook revisions) by the big three credit rating agencies that highlight increasingly divergent credit paths across the continent. As in the first half of 2025, upgrades outnumbered downgrades, supported by reform progress, improving fiscal positions, and stronger external environments in several economies.

Nine sovereigns recorded credit rating upgrades in the second half of 2025 namely, Côte d'Ivoire, Egypt, Ghana, Kenya, Morocco, Seychelles, South Africa, Tunisia, and Zambia. Ghana's and Zambia's upgrades by both Moody's and S&P signaled significant progress on debt restructuring efforts and the consolidation of macroeconomic stability. Morocco achieved one of the most notable upgrades as S&P restored its investment grade status, citing resilient macroeconomic institutions, strong external buffers and credible policy frameworks. South Africa's upgrade, its first by a major rating agency in nearly two decades, reflected a stabilizing fiscal position, narrowing deficits and reduced contingent liabilities from state-owned enterprises. Meanwhile, Tunisia and Seychelles benefited from strengthened fiscal consolidation and improved external outlooks, whereas Côte d'Ivoire, Egypt, and Kenya saw improved ratings on the back of recovering growth and firmer fiscal performance. While these trends reflect progress, Moody's maintained caution. Ghana's outlook shifted to stable despite fiscal consolidation and debt restructuring due to lingering external financing pressures and vulnerability to shocks.

Downgrades were fewer but significant. Botswana's downgrade reflected weakened fiscal buffers amid softer commodity revenues, underscoring the country's increasing exposure to external shocks. Fitch downgraded Gabon because of widening fiscal deficits, severe liquidity strains, and weakened investor demand for its debt. Madagascar's downgrade by S&P highlighted rising political and economic uncertainty with vulnerabilities becoming more pronounced. Senegal experienced rating cuts from both Moody's and S&P due to previously undisclosed debt significantly increasing its debt burden, intensifying fiscal pressures and tightening liquidity.

On outlook revisions, Cape Verde, Rwanda, Nigeria and Uganda registered improvements signaling the possibility of future upgrades if current trends in growth and fiscal performance continue. In contrast, Ghana moved from positive to stable, while Madagascar, and Senegal saw their outlooks worsen according to S&P, with Madagascar placed on negative watch, indicating a heightened risk of further deterioration. These outlook changes underscore that recent upgrades do not eliminate underlying risks, as fiscal and structural challenges persist for Ghana.

Table 1: Summary of sovereign credit rating actions (July – December 2025)

Sovereign		Moody's			S&P		Fitch		
	Previous	Current	Direction	Previous	Current	Direction	Previous	Current	Direction
UPGRADES									
Côte d'Ivoire							BB-	BB	↑
Egypt				B-	B	↑			
Ghana	Caa2	Caa1	↑	CCC+/C	B-/B	↑			
Kenya				B-	B	↑			
Morocco				BB+/B	BBB-/A-3	↑			
Seychelles							BB-	BB	↑
South Africa				BB	BB+	↑			
Tunisia							CCC+	B-	↑
Zambia				SD	CCC+/C	↑	RD	B-	↑
Total		1			6			4	
DOWNGRADES									
Botswana	A3	Baa1	↓	BBB+	BBB	↓			
Gabon							CCC	CCC-	↓
Madagascar				B	B-	↓			
Senegal	B3	Caa1	↓	B	B-	↓			
Total		2			3			1	
POSITIVE CHANGES IN CREDIT RATING OUTLOOKS									
Cape Verde				Stable	Positive	↑			
Uganda				Stable	Positive	↑			
Rwanda	Negative	Stable	↑						
Nigeria				Stable	Positive	↑			
Total		1			3				
NEGATIVE CHANGES IN CREDIT RATING OUTLOOKS									
Ghana	Positive	Stable	↓						
Madagascar				Stable	Negative	↓			
Senegal				Positive	Negative	↓			
Total		1			2				

Source: Authors' compilation using data from primary sources, 2025

Taken together, the rating actions of the second half of 2025 reflect a region making uneven yet tangible progress. While reform-oriented and fiscally disciplined economies achieved improvements, others faced renewed pressure from political uncertainty, commodity-driven volatility, and tightening financial conditions. The overall pattern indicates a landscape where resilience and vulnerability coexist, and where the durability of recent gains will depend heavily on sustained reforms, fiscal consolidation, and improved macroeconomic governance across the continent.

3 CONTINENTAL KEY RATING DRIVERS

Credit rating upgrades across Africa in the second half of 2025 were largely driven by fiscal consolidation, improved external positions, structural reforms, and progress in debt restructuring, signaling stronger macroeconomic fundamentals and enhanced policy credibility.

Fitch's upgrade of Côte d'Ivoire's credit rating was due to sustained political stability following peaceful elections, strong economic growth projected at over 6 percent through 2027 driven by hydrocarbons, mining, agriculture, and manufacturing, and continued fiscal consolidation with the deficit narrowing to around 3 percent of GDP[3]. The agency noted improving debt dynamics, proactive debt management strategies including Eurobond buybacks and diversification into new instruments such as ESG-labeled Samurai Bonds and a strengthening external position with reserves rising to six months of import cover under the West African Economic Monetary Union framework.

Egypt's credit rating by S&P was upgraded following accelerated economic reforms, including a shift to a flexible exchange rate, subsidy restructuring, and measures to boost private sector participation. Supported by an $8 billion IMF program and additional external financing, these steps strengthened fiscal metrics and improved foreign reserves, while robust tourism, remittances, and a rebound in GDP growth enhanced macroeconomic stability and investor confidence.

Ghana's upgrade by both Moody's and Fitch was supported by sustained progress on external commercial debt restructuring and clearer signs of macroeconomic stabilization under IMF-backed reforms, with improved fiscal discipline, narrowing primary deficits, and strengthened external balances boosting confidence.

Kenya's upgrade by S&P reflected a sharp improvement in external liquidity, with foreign reserves rising to $11.2 billion[4], supported by strong exports, remittances, and a narrower current account deficit. The successful Eurobond issuance and buyback reduced near-term debt service risks, while lower domestic borrowing costs, credit recovery, and stable inflation reinforced macroeconomic stability.

Morocco has regained investment-grade status after S&P upgraded its sovereign rating from BB+/B to BBB-/A-3 with a stable outlook. The upgrade reflects sustained fiscal consolidation with deficits narrowing to 3 percent[5] of GDP by 2026, a gradual decline in public debt, and robust economic diversification across tourism, manufacturing, and renewable energy. Structural reforms, including tax and social security measures, alongside infrastructure investments and climate adaptation strategies have reinforced stability and investor confidence.

Seychelles recorded an upgrade by Fitch due to stronger macroeconomic resilience and fiscal discipline. Key drivers included a floating exchange rate, rising reserves, robust tourism and fisheries performance, and low fiscal deficits that put debt on a downward path, projected to fall from 60.1 percent to 57.5 percent of GDP in 2025[6]. The government's ability to mobilise external support and maintain a primary surplus further reinforces debt sustainability and investor confidence, supporting a stable outlook.

South Africa recorded its first sovereign upgrade in nearly two decades as S&P restored confidence in its fiscal trajectory. The upgrade was driven by narrowing fiscal deficits, a projected third consecutive primary surplus, and stabilizing public finances supported by stronger-than-expected revenue performance. Reforms reducing contingent liabilities at state-owned enterprises, particularly in the energy sector, alongside credible policy frameworks and commitment to debt stabilisation, reinforced expectations of a more sustainable debt path.

Fitch upgraded Tunisia's rating based on significant improvements in its external position, marked by lower current account deficits, resilient Foreign Direct Investment, and sustained engagement with international partners, which bolster reserves and external liquidity. However, ratings remain constrained by limited market access and high vulnerability to commodity price shocks without subsidy reform.

3 https://www.fitchratings.com/research/sovereigns/fitch-upgrades-cote-d-ivoire-to-bb-outlook-stable-12-12-2025
4 https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101641844
5 https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101648244
6 https://www.fitchratings.com/research/sovereigns/fitch-upgrades-seychelles-to-bb-outlook-stable-05-09-2025

Zambia's upgrade by both Moody's and S&P reflects significant progress in restoring macroeconomic stability following its 2020 default, with debt restructuring reducing external debt service pressures and improving fiscal sustainability. Zambia has also introduced a pilot programme allowing mining companies to make payments in yuan, with a view to reducing currency conversion costs when paying back its debt to China, one of the country's major creditors. The government implemented strong fiscal consolidation measures supported by an IMF program, leading to lower deficits and a gradual decline in debt ratios, while external liquidity strengthened through rising foreign reserves, robust copper exports, and sustained donor and multilateral support. Structural reforms aimed at improving public financial management and transparency further reinforced investor confidence.

Positive outlook changes for Cape Verde, Rwanda, Nigeria and Uganda were driven by stronger growth prospects and reduced macroeconomic risks. Cape Verde is expected to maintain an annual GDP growth of about 5 percent , supported by tourism, remittances, and fiscal consolidation under IMF-backed programs, alongside highly concessional debt that enhances sustainability. Rwanda's outlook shifted to stable as the risk of foreign exchange disruptions and loss of official financing eased following a peace agreement with the Democratic Republic of Congo and a regional economic integration framework, facilitated by strong international support and continued concessional funding. Nigeria's positive outlook reflects improvements in economic management and external balances following fiscal, monetary, and exchange rate reforms, which are expected to support stronger medium-term growth despite ongoing challenges. Uganda's positive outlook is underpinned by robust growth above 6 percent , driven by major oil projects, record-high foreign exchange reserves from favorable trade terms, and the resumption of concessional financing that should lower borrowing costs.

Conversely, downgrades were concentrated in countries facing acute fiscal and governance challenges. Botswana experienced a downgrade following a sharp collapse in diamond revenues that weakened foreign exchange reserves and fiscal balances, exposing the country's heavy dependence on diamonds and slow economic diversification. Gabon was downgraded by Fitch due to severe liquidity strains, widening fiscal deficits, weakened investor demand for government debt, and constrained access to financing, significantly heightening default risks. Madagascar faced heightened risks after a military takeover triggered political instability, undermining governance, debt management, and external financing prospects, placing the country on negative watch. Senegal's downgrade followed audits that resulted in a sharp upward revision of public debt, creating large financing needs and rising debt-servicing costs, which eroded fiscal transparency and investor confidence.

Madagascar and Senegal were assigned negative outlooks by S&P, while Moody's revised Ghana's outlook from positive to stable. Senegal's negative outlook reflects heightened debt sustainability risks, a significantly increased debt burden and refinancing needs. Madagascar's negative outlook was driven by rising political uncertainty, which is expected to weaken institutional effectiveness, delay fiscal consolidation, and increase external financing risks despite ongoing donor support. Meanwhile, Moody's shifted Ghana's outlook to stable due to lingering vulnerabilities including high debt levels, reliance on external financing, and exposure to commodity price shocks, limiting prospects for further near-term upgrades.

Credit rating upgrades across Africa in the second half of 2025 were largely driven by fiscal consolidation, improved external positions, structural reforms, and progress in debt restructuring, signaling stronger macroeconomic fundamentals and enhanced policy credibility.

Fitch's upgrade of Côte d'Ivoire's credit rating was due to sustained political stability following peaceful elections, strong economic growth projected at over 6 percent through 2027 driven by hydrocarbons, mining, agriculture, and manufacturing, and continued fiscal consolidation with the deficit narrowing to around 3 percent of GDP . The agency noted improving debt dynamics, proactive debt management strategies including Eurobond buybacks and diversification into new instruments such as ESG-labeled Samurai Bonds and a strengthening external position with reserves rising to six months of import cover under the West African Economic Monetary Union framework.

Egypt's credit rating by S&P was upgraded following accelerated economic reforms, including a shift to a flexible exchange rate, subsidy restructuring, and measures to boost private sector participation. Supported by an $8 billion IMF program and additional external financing, these steps strengthened fiscal metrics and improved foreign reserves, while robust tourism, remittances, and a rebound in GDP growth enhanced macroeconomic stability and investor confidence.

Ghana's upgrade by both Moody's and Fitch was supported by sustained progress on external commercial debt restructuring and clearer signs of macroeconomic stabilization under IMF-backed reforms, with improved fiscal discipline, narrowing primary deficits, and strengthened external balances boosting confidence.

Kenya's upgrade by S&P reflected a sharp improvement in external liquidity, with foreign reserves rising to $11.2 billion , supported by strong exports, remittances, and a narrower current account deficit. The successful Eurobond issuance and buyback reduced near-term debt service risks, while lower domestic borrowing costs, credit recovery, and stable inflation reinforced macroeconomic stability.

Morocco has regained investment-grade status after S&P upgraded its sovereign rating from BB+/B to BBB-/A-3 with a stable outlook. The upgrade reflects sustained fiscal consolidation with deficits narrowing to 3 percent of GDP by 2026, a gradual decline in public debt, and robust economic diversification across tourism, manufacturing, and renewable energy. Structural reforms, including tax and social security measures, alongside infrastructure investments and climate adaptation strategies have reinforced stability and investor confidence.

Seychelles recorded an upgrade by Fitch due to stronger macroeconomic resilience and fiscal discipline. Key drivers included a floating exchange rate, rising reserves, robust tourism and fisheries performance, and low fiscal deficits that put debt on a downward path, projected to fall from 60.1 percent to 57.5 percent of GDP in 2025 . The government's ability to mobilise external support and maintain a primary surplus further reinforces debt sustainability and investor confidence, supporting a stable outlook.

South Africa recorded its first sovereign upgrade in nearly two decades as S&P restored confidence in its fiscal trajectory. The upgrade was driven by narrowing fiscal deficits, a projected third consecutive primary surplus, and stabilizing public finances supported by stronger-than-expected revenue performance. Reforms reducing contingent liabilities at state-owned enterprises, particularly in the energy sector, alongside credible policy frameworks and commitment to debt stabilisation, reinforced expectations of a more sustainable debt path.

Fitch upgraded Tunisia's rating based on significant improvements in its external position, marked by lower current account deficits, resilient Foreign Direct Investment, and sustained engagement with international partners, which bolster reserves and external liquidity. However, ratings remain constrained by limited market access and high vulnerability to commodity price shocks without subsidy reform.

Zambia's upgrade by both Moody's and S&P reflects significant progress in restoring macroeconomic stability following its 2020 default, with debt restructuring reducing external debt service pressures and improving fiscal sustainability. Zambia has also introduced a pilot programme allowing mining companies to make payments in yuan, with a view to reducing currency conversion costs when paying back its debt to China, one of the country's major creditors. The government implemented strong fiscal consolidation measures supported by an IMF program, leading to lower deficits and a gradual decline in debt ratios, while external liquidity strengthened through rising foreign reserves, robust copper exports, and sustained donor and multilateral support. Structural reforms aimed at improving public financial management and transparency further reinforced investor confidence.

Positive outlook changes for Cape Verde, Rwanda, Nigeria and Uganda were driven by stronger growth prospects and reduced macroeconomic risks. Cape Verde is expected to maintain an annual

GDP growth of about 5 percent[7], supported by tourism, remittances, and fiscal consolidation under IMF-backed programs, alongside highly concessional debt that enhances sustainability. Rwanda's outlook shifted to stable as the risk of foreign exchange disruptions and loss of official financing eased following a peace agreement with the Democratic Republic of Congo and a regional economic integration framework, facilitated by strong international support and continued concessional funding. Nigeria's positive outlook reflects improvements in economic management and external balances following fiscal, monetary, and exchange rate reforms, which are expected to support stronger medium-term growth despite ongoing challenges. Uganda's positive outlook is underpinned by robust growth above 6 percent[8], driven by major oil projects, record-high foreign exchange reserves from favorable trade terms, and the resumption of concessional financing that should lower borrowing costs.

Conversely, downgrades were concentrated in countries facing acute fiscal and governance challenges. Botswana experienced a downgrade following a sharp collapse in diamond revenues that weakened foreign exchange reserves and fiscal balances, exposing the country's heavy dependence on diamonds and slow economic diversification. Gabon was downgraded by Fitch due to severe liquidity strains, widening fiscal deficits, weakened investor demand for government debt, and constrained access to financing, significantly heightening default risks. Madagascar faced heightened risks after a military takeover triggered political instability, undermining governance, debt management, and external financing prospects, placing the country on negative watch. Senegal's downgrade followed audits that resulted in a sharp upward revision of public debt, creating large financing needs and rising debt-servicing costs, which eroded fiscal transparency and investor confidence.

Madagascar and Senegal were assigned negative outlooks by S&P, while Moody's revised Ghana's outlook from positive to stable. Senegal's negative outlook reflects heightened debt sustainability risks, a significantly increased debt burden and refinancing needs. Madagascar's negative outlook was driven by rising political uncertainty, which is expected to weaken institutional effectiveness, delay fiscal consolidation, and increase external financing risks despite ongoing donor support. Meanwhile, Moody's shifted Ghana's outlook to stable due to lingering vulnerabilities including high debt levels, reliance on external financing, and exposure to commodity price shocks, limiting prospects for further near-term upgrades.

7 https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3422119
8 https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3475287

4 AFRICA SOVEREIGN DEBT MARKET AND OUTLOOK

In the second half of 2025, Angola returned to the international markets, the first time since 2022, with a Eurobond issuance totaling $1.75 billion, split into two tranches: a 5-year bond at a 9.25 percent coupon and a 10-year bond at 9.78 percent. The issuance attracted strong investor interest with an order book of approximately $6 billion, representing a more than three-time oversubscription. Proceeds were aimed at diversifying funding sources, optimising public debt management, and supporting budgetary balance, as outlined by the Angolan Ministry of Finance.

Kenya resorted to international markets for the second time in 2025 with a dual-tranche Eurobond issuance to facilitate debt restructuring and reduce refinancing risk. The country priced the Eurobond at $1.5 billion, split into a 7-year bond at a 7.875 percent coupon and a 12-year bond at an 8.8 percent coupon: both carrying yields close to their respective coupons. The issuance was well received, attracting strong investor demand and four-time oversubscription, signalling confidence in Kenya's fiscal strategy. Proceeds were primarily directed toward buying back portions of its 2028 Eurobond and smoothing its debt maturity profile, a critical step in stabilising external obligations.

Nigeria followed in November 2025 with a $2.35 billion Eurobond issuance across two tranches: a 10-year bond at an 8.63 percent coupon and a 20-year bond at 9.13 percent. The transaction was heavily oversubscribed, with an order book of about $13 billion (over 5 times). Proceeds were designed to finance the 2025 fiscal deficit and meet other government financing needs, according to the Nigerian Debt Management Office.

South Africa executed a significant Eurobond transaction in December 2025 to support government budget financing and strengthen foreign currency reserves. The country issued $3.5 billion across two tranches: a 12-year bond with a 6.25 percent coupon and a 30-year bond at 7.375 percent coupon each at more favourable rates than in the previous issuance, reflecting strong investor confidence. Demand was exceptionally high with an order book of approximately $13.1 billion, representing a nearly 3.7-time oversubscription. The National Treasury cited improved macroeconomic conditions and prudent fiscal policy as key drivers for the success of the issuance.

Beyond these major deals, Ghana maintained its post-restructuring credibility by meeting all scheduled Eurobond debt service obligations for 2025, reinforcing investor confidence. The West African Development Bank (BOAD) issued a €1 billion, 15-year Eurobond at a 6.25 percent coupon. Proceeds are earmarked for priority infrastructure and high-impact projects across the West African Economic and Monetary Union (WAEMU) region, in line with BOAD's mandate and strategic plan. Meanwhile, the Democratic Republic of Congo (DRC) advanced plans for its maiden Eurobond issuance, targeting $1.5 billion by mid-2026, a strategic move to diversify funding sources and attract global investors to its resource-rich economy.

Table 2: Eurobond issuance July – Dec 2025

Country	Issue date	Amount (US$B)	Purpose	Tenor	Coupon	Subscription
Angola	7-Oct-25	1	Diversify funding, optimize debt management	5-year	9.25%	3.4x
		0.75		10-year	9.78%	
Kenya	9-Oct-25	0.75	Debt restructuring	7-year	7.88%	4x
		0.75		12-year	8.80%	
Nigeria	5-Nov-25	1.25	Fiscal deficit financing and supporting government's budget	10-year	8.63%	5.5x
		1.1		20-year	9.13%	
South Africa	5-Dec-25	1.75	Support the government's budget	12-year	6.25%	3.75x
		1.75		30-year	7.38%	

Source: Authors compilation using data from respective governments official statements (2025).

Table 2 summarises Eurobond issuances between July and December 2025, highlighting the interplay between market access and borrowing costs. Bond issuances reinforced Africa's growing resilience and ability to attract global investors, even amid challenging market conditions. Angola's successful return to markets, Kenya's second Eurobond of the year, Nigeria's substantial issuance and South Africa's landmark transaction demonstrated strong investor appetite, with all issuances oversubscribed by more than three times, signaling confidence in select African credits. While oversubscription reflects strong investor demand, the high coupon rates reveal the persistently high financing costs faced by African sovereigns. In addition, the fact that Kenya's issuance was primarily for debt restructuring, South Africa's for budget support, Angola's for debt management and fiscal balance, and Nigeria's for financing its fiscal deficit underscores that new borrowing remains driven by liquidity pressures rather than growth-oriented investment. Positive developments, such as BOAD's successful €1 billion infrastructure focused Eurobond and Ghana's consistent debt service performance, point to resilience, while DRC's planned maiden issuance suggests continued diversification of funding sources. Overall, while market access improved in 2025H2, the cost of borrowing and the refinancing-driven nature of these deals remain key concerns for debt sustainability.

5 CHALLENGES WITH RATING AGENCIES

Significant gaps remain in the approach of global rating agencies. For the second half of 2025, the following key challenges deserve attention:

i. Lagging Ratings Despite Reform Momentum

Global rating agencies remain overly cautious in their assessments of African sovereigns, often producing ratings that fail to reflect real time economic progress. For example, S&P recently upgraded South Africa, citing strong evidence of reform momentum, while Moody's maintained its Ba2 (stable) rating. This divergence highlights a broader concern of rating narratives and actions failing to keep pace with meaningful shifts in economic trajectory. The debate that persists is whether agencies fully capture the structural changes underway across the region or are reinforcing outdated perceptions that hinder fair evaluation.

ii. Sovereign Ceiling Framework Challenge

Under the sovereign ceiling framework, domestic institutions face a significant constraint. It is difficult to be rated higher than their sovereign. As a result, the perception of even well-managed and well-capitalized banks and corporates remain tied to the sovereign's risk profile. Many high performing African banks and corporates are trapped under this ceiling, not because of weak fundamentals, but because they operate in a region perceived as high risk. A recent example illustrates these dynamics. In the second half of 2025, S&P upgraded eight South African banks only after raising South Africa's sovereign rating. If Africa's banks and corporates wish to be judged on their actual credit strength rather than sovereign limitations, domestic rating systems must be strengthened and elevated. This underscores the importance of the African Credit Rating Agency. By providing a clearer picture of institutional quality, governance, and financial performance within the African context, AfCRA can help build a more balanced financial architecture unlocking the continent's economic potential and enabling fairer access to capital markets.

iii. Domestic Financing as a Sovereign Strategy

Rating agencies should expand their assessment of fiscal support to include development-oriented and strategic dimensions. A well-managed shift toward domestic borrowing should not be viewed as credit negative. Analysts often view increased local debt issuance as a fallback from lost external access, rather than a proactive policy choice. Borrowing from domestic markets offers clear benefits including reduced foreign exchange exposure, debt held by local investors, stronger domestic financial systems, retention of interest payments within the economy, and greater policy sovereignty. Senegal successfully raised US$5.3 billion through the WAEMU regional capital market, with all issuances oversubscribed, demonstrating strong investor confidence. Domestic borrowing strategies, when supported by longer maturities, a diversified investor base, and transparent fiscal and debt management frameworks reflect a deliberate and strategic policy choice rather than a sign of financial distress.

Despite this notable achievement, ICRAs did not incorporate this positive market signal into their sovereign credit assessments. Instead, Senegal faced rating downgrades and negative outlook revisions during the same period, largely justified by concerns surrounding debt sustainability. This exposes a persistent structural contradiction within Africa's sovereign credit ecosystem: demonstrated market access, robust investor demand, and the growing depth of African financial systems are frequently discounted, or entirely overlooked, within prevailing global credit rating methodologies.

iv. Divergence in the Credit Ratings of African Multilateral Financial Institutions

Fitch Ratings downgraded African Export-Import Bank (Afreximbank), lowering its long-term foreign currency issuer default rating from 'BBB' to 'BBB-' with a negative outlook. Fitch justified its decision by citing a perceived increase in credit risk and weak risk management policies, based on its estimate that the bank's non-performing loans (NPLs) stood at 7.1%. This estimate stems from Fitch's classification of exposures to the sovereign Governments of Ghana (2.4%), South Sudan (2.1%) and Zambia (0.2%) as NPLs. Notably, this 7.1% figure is significantly higher than the 2.44% ratio reported by Afreximbank in its own disclosures.

Following Fitch Ratings' downgrade of Afreximbank in June 2025, a marked divergence has emerged in the assessment of African Multilateral Financial Institutions (AMFIs) by global and regional credit rating agencies. While Fitch and Moody's implemented downgrades, citing balance-sheet stress indicators such as rising NPLs, perceived weaknesses in risk management frameworks, and heightened sovereign risk concentration, regional agencies adopted a notably different view.

Institutions including Japan Credit Rating (JCR), Global Credit Ratings (GCR), and China Chengxin Credit Rating (CCXI) reaffirmed A-category ratings for Afreximbank. These agencies place greater emphasis on the bank's strategic importance to Africa's development architecture, its strong institutional backing from the African Union and Member States, and its solid capital and liquidity buffers. Critically, their assessments also recognise Afreximbank's countercyclical development mandate and its preferred creditor treatment (PCT), features that materially shape the bank's risk profile.

This divergence extends beyond technical differences in credit metrics. It highlights structural limitations within traditional rating methodologies, particularly their inadequate treatment of development finance institutions and limited appreciation of policy-driven mandates.

6 RECOMMENDATIONS

To address the persistent challenges in Africa's engagement with global credit rating agencies, several actions are necessary.

i. Strengthening capacity and engagement for accurate and timely ratings

Rating agencies must strengthen their capacity to reflect real-time economic progress and structural reforms in their assessments. This requires institutionalised dialogue platforms between African governments and rating agencies. Such platforms would ensure that reform momentum and macroeconomic improvements are accurately captured in rating decisions. Greater transparency in rating methodologies and clearer disclosure of rating drivers is essential to reduce subjectivity and build trust. Revisiting the sovereign ceiling framework is also critical to allow well-managed and well-capitalised banks and corporates to be assessed on their own merits rather than being constrained by sovereign risk.

ii. Broadening Credit Assessments to Support Domestic Market Development

Rating agencies should broaden their assessment of fiscal strategies to include development-oriented dimensions. Domestic borrowing, when managed strategically, should not be viewed as credit negative. Instead, it should be recognised as a deliberate policy choice that strengthens financial sovereignty, reduces foreign exchange exposure, and deepens local capital markets. Transparent debt management frameworks and diversified investor bases will further reinforce the credibility of these strategies.

iii. Adapting Global Rating Frameworks to Local Realities

Global rating methodologies must evolve to incorporate local realities. The introduction of tailored methodologies by Moody's in December 2025 for Chinese Residential Mortgage-Backed Securities (RMBS) and Mexico's national scale ratings demonstrates that customisation is both feasible and beneficial. Likewise, S&P launched a market-specific national-scale methodology for Mexico, designed to reflect local regulations and economic dynamics. These developments underscore the point Africa has been making for years that rating agencies must adopt methodologies that reflect local realities. Africa requires similar context-sensitive approaches that account for informal economies, structural reforms, and development priorities. Consistent application of such methodologies will improve rating accuracy, unlock market participation, and enhance competitiveness for African sovereigns and corporates. Accelerating the operationalisation of AfCRA is critical. It will complement methodology reform by institutionalising rating approaches that reflect Africa's unique economic and structural realities. AfCRA is designed to address gaps in global methodologies by integrating factors such as informal economies, development priorities, and structural reforms into its frameworks.

African Peer Review Mechanism (APRM)
Email | info@aprm-au.org
Phone Number | +27 (0) 11 256 3401
Physical Address | Building F, Eco Origin Office Park, 349 Witch-Hazel Ave, Eco-Park Estate, Highveld, Centurion, 0144, South Africa

aprm.au.int