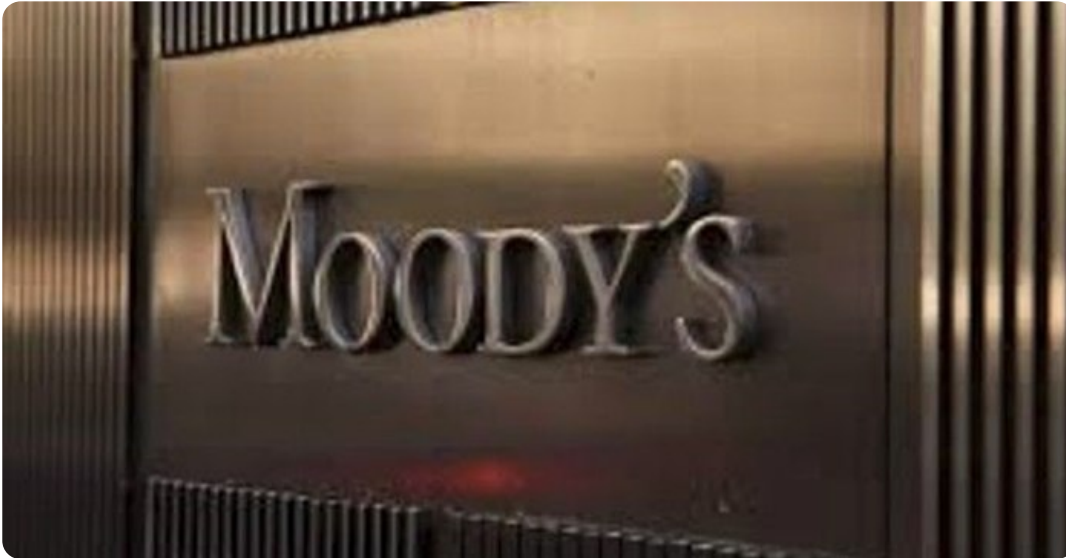


Moody's upgrade boosts Cape Town's credit rating close to South Africa's sovereign level

Moody's Investors Service has upgraded the City of Cape Town's credit rating from Ba3 to Ba2 reflecting the city's strong financial governance and improving economic outlook.



Source: Coface.

This upgrade positions Cape Town's credit rating just one notch below South Africa's sovereign rating of Ba1, highlighting its fiscal resilience and effective management.

One of the big reasons driving the upgrade is that Cape Town has really stepped up its revenue-collection game. The City has rolled out prepaid electricity meters, which means fewer people are falling behind on payments—and that's improved the city's cash flow quite a bit.

It's also been managing its finances wisely. Even while planning major upgrades, the City has kept debt levels low. Moody's expects Cape Town's financial performance to keep improving over the next year or so even more than they initially thought.

Infrastructure powers growth

Then there's the city's massive investment in infrastructure—about R39.5 bn over the next three years. A lot of that funding will go into critical services like water, sanitation, and electricity. On top of that, the projects are expected to generate around 130,000 jobs in the construction sector.

The implications of the upgrade include:

Enhanced borrowing capacity: The improved credit rating is anticipated to lower borrowing costs, facilitating more affordable financing for infrastructure projects.

Increased investor confidence: The upgrade signals to investors that Cape Town is a financially stable and well-managed municipality, potentially attracting more investment.

Economic growth and job creation: The infrastructure investments are expected to stimulate economic

growth and reduce unemployment, particularly in lower-income communities.

This credit-rating upgrade underscores Cape Town's commitment to sound financial practices and its proactive approach to addressing infrastructure challenges, positioning the city for sustained economic development.

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