

Three months in, the challenges are increasing but indications suggest that larger corporates may weather the storm.

Summary

20 July 2020 - GCR Ratings ('GCR') has released its outlook for the South African Corporate sector for the remainder of 2020. Key findings include:

GCR expects weak performance across almost all corporate sectors to remain weak for the remainder of 2020 due to a collapse of consumer confidence. Expectations for a recovery are tempered by the rising number of business closures, removing critical productive capacity from the economy.

Although earnings will be severely impacted, many large South African corporates have been proactive in strengthening their balance sheets, which should provide the financial strength to survive the current headwinds.

Credit ratings for many large corporates remain stable, with the steps taken to strengthen the liquidity position, having offset the downside pressure from the broader operating environment. That said, if the uncertainty persists into 2021 then credit pressure will increase.

GCR will periodically provide insights on key sectors/industries across different territories in which various rated entities are domiciled, encompassing changes in the operating environment, performance trends and its view of the impact of an evolution in market dynamics on the credit risk profiles of rated entities in selected industries.

The research is available for download at <http://gcrresearch.com/reports/>.

Analytical Contacts

Eyal Shevel	Sector Head: Corporates
Shevel@GCRratings.com	+27 11 784 1771
Patricia Zvarayi	Deputy Sector head: Corporates
Patricia@GCRratings.com	+27 11 784 1771

Related criteria and research

Criteria for the GCR Ratings Framework, May 2019

Criteria for Rating Corporate Entities, May 2019

GCR's Country Risk Score Report, May 2020

GCR's South Africa Corporate Sector Risk Score Report, July 2020

GCR Ratings Scales, Symbols & Definitions, May 2019