

MINISTRY OF FINANCE

MEDIA RELEASE

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MOODY'S UPGRADES SOUTH AFRICA'S LOCAL CURRENCY BOND RATING FROM BAA1 TO A2

Following a due diligence process in South Africa, Moody's, the international rating agency has today upgraded South Africa's long term foreign currency debt rating by **one notch** from **Baa3 to Baa2**. The country ceiling for foreign currency bank deposits was upgraded by **two notches** from **Ba1 to Baa2**. The sovereign's long-term local currency (Rand) debt rating has been upgraded by **two notches** from **Baa1 to A2**.

In addition, the sovereign's ability to repay foreign debt has been upgraded by **two notches** from **Not prime to Prime 2** (i.e., strong ability to repay debt). This represents confidence in the ability of the Republic of South Africa to repay its debt obligations in the face of rampant emerging market defaults and global volatility.

This is a sounding vote of confidence in our economy. This investment rating means that South Africa can attract more investors who are currently buying only investment grade rated debt. It would also contribute to the lowering of the borrowing costs for the government and other South African issuers.

The resilience of the South African economy in the face of global slowdown post 1998 provided support for this improved confidence. After following a prudent macroeconomic strategy for the last five years, the National Treasury is confident that the time has come for the fruits of our toil to be enjoyed. We are now, like never before, in a better position to seize the moment and provide a better life for all.

Amongst others, Moody's cited South Africa's strengths as being;

- ?? The consolidation of public sector finances and the debt dynamics.
- ?? Stronger foreign liquidity and exports.
- ?? South African Reserve Bank's willingness to allow the exchange rate to float; and
- ?? The ever liquid domestic capital market and a robust and well regulated banking sector.

Moody's is however, still concerned about the country's unemployment and socio-economic divides that have contributed to crime rate and the incidence of HIV infection.

The Government is aware of the challenges facing South Africa and is confident that the necessary structural reforms are in place to ensure an acceleration in social delivery.

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