



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

PRESS RELEASE

STANDARD AND POOR'S UPGRADES SOUTH AFRICA TO 'BBB' OUTLOOK STABLE

EMBARGO - IMMEDIATELY (7MAY 2003)

In line with other Rating Agencies, today, 7 May 2003, Standard and Poor's has raised its long-term foreign currency ratings on the Republic of South Africa to 'BBB' from 'BBB-', and its local currency ratings to 'A/A-1' from 'A-/A-2'. At the same time, the 'A-3' short term foreign currency ratings of the Republic were affirmed. The outlook is stable.

The upgrade comes as no surprise and reflects the continued strength of South Africa's macroeconomic performance and improvements in the country's external position. Standard and Poor's cites South Africa's track record on fiscal management as the key factor underpinning improvements in South Africa's credit. Standard and Poor's states that '....the government's strategy of broadening tax base and improving tax administration continues to underpin a strong revenue performance providing government spending flexibility....'.

According to Standard and Poor's, this has enabled a cautious shift towards a growth orientated fiscal stance, with higher infrastructure and social expenditure, and tax cuts for lower and middle income households. Standard and Poor's also praised the South African Monetary Policy, highlighting that the country's external position and liquidity are improving. The phasing out of the Reserve Bank's net open forward position and the gradual relaxation of exchange controls were also highlighted as underpinning the improvements in the South African credit. The credibility of inflation targeting was seen as one of the contributory factors in ensuring prudent Monetary Policy.

The South African upgrade takes place in an environment where there has been a number of credit downgrades and defaults, signifying the sweet fruits of the South African government's labour. Further, the economic growth numbers continue to outperform those of other countries and South Africa continues to successfully weather the current economic global slowdown.

This upgrade, again, confirms the long held view that the macroeconomic path that the leaders of South Africa are following, is a good one. Indeed, South Africa is on the route to prosperity.

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