



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

PRESS RELEASE

RATING AND INFORMATION (R&I) RATING AGENCY UPGRADES SOUTH AFRICA TO BBB+: OUT LOOK STABLE

EMBARGO - IMMEDIATELY (29 AUGUST 2003)

Today 29 August 2003, Rating and Investment Information (R&I) Rating Agency from Japan, upgraded the rating of Republic of South Africa's foreign currency long-term rating to BBB+ (triple B plus) from BBB. The Rating outlook after the upgrade is Stable. The foreign currency short-term rating has been maintained at a-2.

According to R&I, South Africa maintains a flexible market-based economic structure that has enabled the country to withstand the dramatic currency depreciation in 2001. The Rand recovered its value through measures such as raising interest rates and a reduction of the Reserve Bank's net open forward position. The balance of current account is roughly even, and the total external debt of the county is low at approximately 30% of GDP. R&I consider the country's capability to absorb external shocks as high.

The efforts on fiscal consolidation since 1996 have been successful and the level of public debt is decreasing. Although poverty reduction initiatives and other factors are likely to increase the budget expenditure, the deficit should remain at the manageable level of roughly 2.4% of GDP.

South Africa has a diversified economy that is strong in resources and industrial concentration, the fact that its market mechanisms function at the same level as those of developed nations as well as extensive and sound capital markets and financial institutions contributed to this upgrade.

Concerns raised include income and social inequality, unemployment and HIV/AIDS infection are said to be concentrated in lower income levels.

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