



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA RELEASE:

RATING AND INFORMATION (R&I) RATING AGENCY UPGRADES SOUTH AFRICA TO A-: OUTLOOK STABLE

The Rating and Investment Information (R&I) Rating Agency from Japan has upgraded the Republic of South Africa's foreign currency long-term rating to A- (A minus) with a stable outlook (upgraded from stable BBB+). The foreign currency short-term rating has also been upgraded from a-2 to a-1.

The upgrade is supported by the following factors: Economic growth of about 4 to 5 percent is expected to continue over the MTEF. Tax revenue is increasing given a well established tax collection system and the fiscal deficit as a percentage of gross domestic product (GDP) has declined to less than 1 percent. Public debt is on a declining trend and is expected to fall to 34 percent of GDP in 2007. The import of capital goods accompanying domestic investment in infrastructure development is increasing and capital inflow is sound and no immediate concerns exist regarding foreign currency financing. The R&I Rating Agency has also newly assigned the Domestic Currency Issuer Rating at A.

The upgrade given by R&I rating agency is a reflection of government's programme to continually prioritise the needs of the poor made possible by the improved economic growth on the strength of sound macroeconomic, fiscal and monetary policies, sound debt management and the continued expansion in public expenditure. South Africa is now reaping the benefits of economic restructuring and policy reforms over the past decade and is now one of a few emerging economies to have reached an "A" international credit rating. This improved rating will further reduce South Africa's external vulnerability as well as its sovereign risk premium and thereby reduce the cost of doing business.

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