



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **MEDIA STATEMENT**

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### **National Treasury statement on Moody's Investor Services (Moody's) revision of South Africa's government bond rating**

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Moody's has today downgraded the rating of the South Africa (RSA) government bonds to 'Baa1' from 'A3' with a negative outlook.

Moody's gave the following reasons for the downgrade:

- diminishing government's institutional strength;
- reduced fiscal space;
- negative investment climate in light of infrastructure shortfalls;
- relatively high labour costs despite high unemployment;
- socio-economic stresses;
- diminished capacity to manage the growth and competitive risks;
- increased concerns about future political stability; and
- reduced room for manoeuvre for the counter-cyclical macroeconomic policy.

We note the decision which takes the South African rating by Moody's to the same level as Fitch and Standard and Poor's. All of the reasons given by Moody's for the downgrade are currently being addressed through various government programmes. Some of the drivers of the downgrade have their roots in the protracted crisis in the Eurozone, South Africa's significant trading partner.

Government remains committed to taking the necessary measures to lift the growth potential and competitiveness of the South African economy. Accordingly, government remains committed to the objectives stated in the 2012 Budget, including:

- investment in infrastructure to increase the capacity of our networks;
- strengthening our fiscal buffers by reducing the deficit and stabilizing our debt within the next 2-3 years;
- instituting a range of measures to improve the competitiveness of the manufacturing sector, including regulatory reforms and a competitiveness support package for manufacturing;
- redirecting our exports to countries that show more resilience, such as our continent, China and the rest of East Asia; and
- continuing to invest in education and skills development.

The core of South Africa's policies remains stable and predictable.

**Issued by National Treasury**  
**27 September 2012**