national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Standard and Poor's affirms South Africa's credit ratings, outlook remains negative

We note Standard and Poor's (S&P) decision to affirm South Africa's long term foreign currency credit rating at "BBB" and local currency credit rating at "A-2". S&P has maintained the negative credit outlook on the rating.

Although National Treasury notes S&P's rationale for affirming the current ratings and the negative outlook, government's view is that the rating opinion did not take adequate account of the positive developments over the past 6 months since the previous rating announcement by S&P in October 2012.

The adoption of the National Development Plan (NDP) by the African National Congress (ANC), the peaceful ANC election process in Mangaung, government's re-affirmation of its economic policies in the State of The Nation Address (SONA) by President Zuma and a lot more information particularly on the NDP, provided in the 2013 Budget presented by Minister Gordhan, were not sufficiently acknowledged in S&P's latest rating announcement.

Government has re-affirmed its commitment, in the 2013 Budget, to bring down the budget deficit and stabilise the net government debt as a percent of GDP to slightly above 40 percent.

While there are risks to growth, our fiscal framework remains realistic and achievable, and continues to be guided by the three principles of: (i) Counter cyclicality; (ii) Debt sustainability; and (iii) Intergenerational equity.

Government will continue to invest in infrastructure with the view of enhancing the productive capacity of our economy and the competitiveness of our industries. This will be done in a manner consistent with fiscal sustainability.

Government's programmes are geared towards addressing the challenges of poverty and unemployment the country is facing. The NDP, on which the 2013 Budget is premised, identifies the key constraints to faster growth and presents a roadmap to a more inclusive economy that will address South Africa's socio-economic imbalances.

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