



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA RELEASE

R&I downgrades South Africa's credit ratings, outlook stable

Government notes the decision by Japanese-based credit rating agency Ratings and Investment Information, Inc. (R&I), to downgrade South Africa's foreign and domestic currency ratings to "BBB+" and "A-" respectively. The foreign currency short-term debt rating was also downgraded to "a-2" and the stable credit outlook has been maintained.

Despite the downgrade, R&I's credit rating remains the highest investment grade rating for South Africa.

R&I cited the following reasons for the downgrade of the sovereign credit ratings with a stable credit outlook:

- Slowing economic growth since 2012 as the country is affected by weak global and domestic demand;
- A widening current account deficit; and
- Delayed recovery in economic growth as a result of anticipated strikes and supply side shortages in the economy.

R&I said that government's fiscal metrics and debt burden remain sustainable but the rating could come under further pressure should the economic recovery continue to be slower than government's expectations and fiscal prospects deteriorate further.

The rating agency said effective policy implementation is crucial to lift growth and that the implementation of the National Development Plan (NDP) should assist in reducing inequality, poverty and unemployment, ultimately leading to higher growth levels.

Government is of the view that the recently tabled Medium Term Budget Policy Statement (MTBPS) by the Minister of Finance comprehensively addresses the major concerns raised by investors in the current economic environment. The cost reduction and revenue supporting initiatives announced in the MTBPS are testament to Government's commitment to making the bold decisions that are needed to keep South Africa on a sustainable fiscal path.

R&I's announcement must be seen in the context of a challenging economic climate both domestically and internationally. The rating agency's decision to maintain a stable outlook on the sovereign rating is a sign of confidence in our macroeconomic policy stance. In this regard, continuity of our fiscal and monetary policies over the years has created a climate of predictability and transparency.

Government recognizes that South Africa's longer-term economic prospects are tied to the successful implementation of the NDP and the reforms described in the recently published Medium Term Strategic Framework (MTSF). All government departments and public entities are therefore working on crucial projects and plans to ensure that South Africa achieves the objectives of the NDP.

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