Moody’s Investors Service downgrades South Africa’s credit ratings and revises the outlook to stable

Moody’s Investors Service (Moody’s) has downgraded South Africa’s investment grade credit ratings to “Baa2 / P-2” from “Baa1 / P-2”. The credit outlook has been revised to stable from negative.

Moody’s decision keeps South Africa’s rating in investment grade. The rating agency said the investment grade rating is a reflection of the following factors:

- its position as the most developed country in Africa, offering by far the deepest capital market and one of the most sophisticated financial systems among emerging markets;
- an economy that has a diversified productive base, with substantial value-added from domestic sources;
- highly advanced infrastructure compared with most other emerging markets;
- institutions, most notably its judiciary, that are stronger than many of its peers;
- important achievements in the past 20 years that include the early establishment of macroeconomic policy credibility, an expansion of services, housing and utilities and the emergence of a growing black middle class.

Moody’s said its decision to change the outlook to stable reflects South African policymakers’ commitment to reining in government debt growth over the medium term and the broad political support for a macroeconomic strategy, including the National Development Plan, tighter monetary policy and fiscal restraint, which should help stabilize the debt burden over the medium term.

Government notes Moody’s decision and recognises that economic growth has slowed down and there is a need to implement growth-inducing initiatives. The Medium Term Strategic Framework prioritises initiatives that will boost investment including major projects in rail, energy and ports. Furthermore, focus in the medium term will be on accelerating the structural changes that are already underway and whose impact will support economic growth.
The ratings agency’s decision to assign a stable outlook to the current ratings affirms government’s commitment to fiscal discipline, which was reinforced by the recently published Medium Term Budget Policy Statement. Government is committed to narrowing the budget deficit, stabilising debt and rebuilding the fiscal space that enabled South Africa to escape the worst effects of the global economic crisis.

Prudent macroeconomic policies have been the hallmark of South Africa since the dawn of democracy. Government will continue to make the tough decisions that are necessary to address our challenges so we can build on the gains we have made over the past 20 years to improve the lives of our people.

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