

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 318 [NO4301E]

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Mr S N Swart (ACDP) to ask the Minister of Finance:

- (1) Whether he has found that the rating by a certain agency (name furnished) that local and foreign currency debt has been downgraded from stable to negative will have any impact on (a) investor confidence, (b) the cost of borrowing and (c) economic growth; if not, what is the position in this regard; if so, what are the relevant details;
- (2) whether, given his commitment to fiscal discipline in his recent medium-term budget policy statement, he intends taking any action to deal with the concerns expressed by the ratings agency to prevent an actual rating downgrade; if not, why not; if so, what action;
- (3) whether he will make a statement on the matter?

NO4301E

REPLY:

- (1) No,
 - a) I do not believe that the recent outlook change to negative from stable by Moodys' rating Agency will have an impact on investor confidence. The revised outlook must be seen in view of the adverse global rating environment where ratings are dominated by downgrades on the back of fiscal difficulties prevailing in Europe and elsewhere.
 - b) South African bonds continue to offer attractive yields to investors, particularly non-resident investors. Sustained demand for government bonds over the last few years are expected to continue keeping the cost of borrowing within the levels announced in the 2011 MTBPS.

- c) The real GDP growth rates of 3.1% (2011), 3.4% (2012), 4.1% (2013) and 4.3% (2014), as announced in the 2011 MTBPS, are not expected to be affected negatively by the Moodys' announcement. Instead, slower economic growth in South Africa is more likely to be the consequence of slowing world economic growth, the unresolved financial crisis in the Euro area and the sluggish recovery in the United States.

- (2) Government has taken the necessary action addressing the concerns raised by the rating agency through its announcements in the MTBPS and is committed to its implementation. The fiscal framework is supportive of the economy over the medium term and interventions aimed at boosting sustainable long-term growth are being strengthened. The fiscal framework is informed by three principles namely i) a counter-cyclical fiscal stance; ii) long-term debt sustainability and iii) inter-generational equity. All South Africans have a responsibility to do everything in their ability to inspire confidence in our economy and country.

- (3) The National Treasury released a press statement in this regard on 9 November 2011.