

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER: 144 [CO759E]

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★144. Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:

- (1) Whether the recent downgrades by international rating agencies Moody's and Standard & Poor's will impact South Africa's position with the Brazil, Russia, India, China and South Africa (BRICS) countries; if not, what is the position in this regard; if so, what are the relevant details;
- (2) what is the key factor that will keep South Africa's domestic confidence while there are lower ratings;
- (3) whether he will make a statement on the matter?

CO759E

REPLY:

(1) The Credit Downgrades' Impact on South Africa's Position in the BRICS

The credit downgrade will have no impact on South Africa's relations with BRICS countries. A credit downgrade affects the cost of borrowing for a country in both the domestic and international capital markets. This impacts on government's future borrowing costs and does not have an impact on its bilateral or multilateral relations with other countries. A table is provided below of the current sovereign credit ratings of BRICS members, illustrating the variance of how ratings agencies view these sovereigns.

	Brazil	Russia	India	China	South Africa
Moody's Investor	Baa2	Baa1	Baa3	Aa3	Baa1
Services					
Standard and	BBB	BBB	BBB-	AA-	BBB
Poor's					
Fitch Ratings	BBB	BBB	BBB-	A+	BBB+

(2) Key factors that will keep South Africa's domestic confidence while there are lower ratings

South African economy has demonstrated resilience in the current global environment. While global developments, in particular the Eurozone debt crisis, are likely to hold back higher growth over the short term, the domestic outlook remains positive. The Medium Term Budget Policy Statement highlights factors key to boosting domestic confidence; stronger growth as well as the levers to achieve higher levels of growth. These details are captured in the recently released Medium Term Budget Policy Statement and Speech.

(3) Will Minister make a statement on the above matter?

Yes. The speech delivered on the occasion of the recently released Medium Term Budget Policy Statement highlights talks to these matters.