NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1569 [NW1939E]
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1569. Dr M J Figg (DA) to ask the Minister of Finance:

With regard to the possibility that the credit rating of South African banks will be further downgraded and subsequently making it more difficult for South Africa to fund its increasing deficit, are there any contingency plans in place if this happens; if not, why not; if so, what are the plans?

NW1939E

REPLY:

Government is of the view that a further downgrade to the banking sector is highly unlikely. Despite Moody's downgrade of the major South African banks, the two other largest ratings agencies (Fitch and S&P) have emphatically stated their positive assessment of the financial sector in South Africa. In addition, a recent IMF evaluation of the financial sector found that, in aggregate, the banking sector is well capitalised and profitable.

The Moody's downgrade reflected government's decision to impose losses on creditors, rather than provide a full bailout for African Bank. As a result of this decision, Moody's argued that stressed banks are unlikely to receive government support in future. Government's decision to limit its exposure to the financial sector should strengthen our sovereign rating, thereby reducing the costs of funding the deficit.