NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 400 [NW413E]
DATE OF PUBLICATION: 19 FEBRUARY 2016

400. Dr M J Figg (DA) to ask the Minister of Finance:

Whether any mechanisms have been put in place to deal with the effects of a looming credit rating downgrade for the country; if not, why not; if so, (a) what will the effect of the lower credit rating have on (i) Government's cost of borrowing, (ii) capital outflows and (iii) the Rand and (b) what are the relevant details in each case?

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REPLY:

(a) The effect of a rating downgrade will depend on:

- How many rating agencies put South Africa in a junk status;
- How the market have priced in the junk status rating; and
- How persistent is the shock, reflected in the continued fall in the yields.

(b) In general, the effect of a lower credit rating could result in the weakening of the exchange rate; capital outflows; and high borrowing costs. However, the focus of government is not to let South Africa go into junk status, by implementing:

- Structural reforms to boost growth;
- Faster fiscal consolidation; and
- Resolving the governance issues in the State Owned Companies.

(c) Further details are included in the 2016 Budget.

If we were to go into junk status and the impact last longer, it would mean that government has to look at its policies and demonstrates faster implementation of the National Development Plan.