

MINISTRY OF FINANCE

MEDIA RELEASE

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FITCH UPGRADES SOUTH AFRICA'S RATING TO INVESTMENT GRADE (BBB-)

The Finance Department welcomes the announcement today by Fitch, the international rating agency, that it has upgraded South Africa to investment grade rating.

Fitch said today that after a due diligence process in South Africa, it was upgrading the country's long-term foreign currency debt rating from BB+ to BBB-, and the short-term foreign currency rating from B to F3. South Africa's long-term local currency (Rand) rating was affirmed at (BBB+).

The rating assigned by Fitch means that South Africa is now rated investment grade by all the key international rating agencies. The last upgrading to investment grade of South Africa was by the Standard and Poor's agency in February.

The most recent announcement comes after the merger of Duff & Phelps Credit Rating and Fitch IBCA.

Fitch said that South Africa's rating reflects "an improvement in South Africa's macroeconomic conditions, as tighter fiscal and monetary policies underpinned a recovery of investor confidence in 1999, which has reduced liquidity concerns highlighted in the 1998 emerging markets crisis."

Fitch also confirmed what the Government has maintained, that the Zimbabwean situation has had only a limited impact on the South African economy. However, we take serious note of Fitch's comments that the rating is constrained by high crime rates, the limited pool of skills in South Africa's labour market, and the unsatisfactory level of long-term foreign direct investment.

Government recognises these constraints and is committed to removing them as soon as possible. It will continue its focus on combating crime, and to stepping up reforms in the areas of privatisation, labour market and education provision.

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