



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA RELEASE

Fitch Ratings affirms South Africa's long-term foreign credit rating at 'BBB+' and local currency credit rating at 'A': Outlook Revised to Negative from Stable

Today Fitch Ratings announced that it had affirmed the long term foreign and local currency credit rating of the Republic of South Africa at 'BBB+' and 'A' respectively. The outlook has been revised from stable to negative.

The rationale for Fitch Rating's action is based on some strengths and weaknesses within the RSA economy. Of concern to us is that this revision comes barely a year after Fitch Ratings revised South Africa's outlook from negative to stable.

The Fitch statement, however, confirms that South Africa's key rating drivers remain strong while the rating remains underpinned by the strength of our institutions relative to our peers.

Indeed, South Africa's gross debt to GDP ratio of 40 percent reflects a sustainable debt burden. The macroeconomic and fiscal frameworks are set to remain robust over the medium term. The medium term budget policy statement (MTBPS) tabled in October 2011 sets out interventions that are aimed at boosting sustainable long-term growth. Expenditure grows moderately over the next 3 years and South Africa remains committed to:

- Change the composition of expenditure from consumption to investment;
- Moderate the rising wage bill;
- Implement the competitive enhancement package

South Africa views this action in the context of the challenges that the global economy is going through and the persistent uncertainty in the global economic environment. Europe, a major trading partner, accounts for more than 30 percent of our manufacturing exports is currently experiencing major economic challenges. This therefore impacts negatively on South Africa.

Mindful of these developments, the MTBPS responds to these challenges by maintaining a delicate balance between supporting the economy whilst starting the process of fiscal consolidation.

As part of adapting to the changes in the global economic environment, South Africa is taking deliberate steps to look for new markets for its exports. Asia now accounts for 35.9 percent of South Africa's exports. China has become an important trading partner and accounts for 12.4 percent of our exports. Simultaneously, our exports to other countries on the continent (of which 7 of the 10 fastest growing economies are domiciled) have increased.

The Republic of South Africa as with many of her peers, remains exposed to the contagion effects emanating from the state of the global economy and in particular its main trading partners. A countercyclical fiscal stance remains a strategic intervention tool for the republic to counter the adverse effects of structurally integrated global economy.

Within the context of maintaining a good track record despite the underlying uncertain macroeconomic environment, the Republic of South Africa remains committed to the prudent execution of growth and employment supportive economic policies.

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