national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

Standard and Poor's (S&P) today affirmed the long term foreign and local currency credit ratings of South Africa at 'BBB+' and 'A' respectively. The outlook has been revised from stable to negative.

National Treasury notes S&P's rationale for changing the outlook to negative. However, it must be re-emphasised that the 2012 Budget was tabled against the backdrop of an uncertain global economy. Notwithstanding this, South Africa has continued to demonstrate resilience.

The 2012 Budget balances the support to the economy with a gradual consolidation of South Africa's fiscal path to ensure sustainable public finances.

The budget deficit is projected to decline to 3 percent of GDP over the medium term and net government debt is expected to peak at 38.5 percent of GDP in 2014/15. This is consistent with government's commitment to fiscal consolidation over the medium term.

The 2012 Budget has identified a number of levers to activate both public and private sector capabilities. These include amongst others:

- The public sector infrastructure programme;
- Support for industrial development and special economic zones;
- Expansion of employment programmes; and
- Improvements in further education and skills development.

We disagree with the assessment of the political risk in South Africa. Political debate and a vigorous exchange of ideas on policy options are part and parcel of the fibre of a democratic dispensation. This cannot be construed as political instability. The South African government will continue to place higher economic growth and job creation at the core of its economic policy, within a transparent investment and sustainable fiscal framework.

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