national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Standard and Poor's affirms South Africa's long-term foreign currency credit rating, outlook remains negative

We note Standard and Poor's (S&P) decision to affirm South Africa's long term foreign currency credit rating at "BBB" and local currency credit rating at "A-2". S&P has maintained the negative credit outlook on the rating.

According to S&P, the ratings affirmation is based on the following factors:

- Government will ensure broad, largely pragmatic, policy continuity;
- Tensions in the mining sector have reduced;
- GDP growth remains lackluster;
- Current account deficits are relatively high;
- General government debt is sizable and
- Portfolio flows are relatively volatile.

S&P said the negative outlook reflected their view that South Africa's ratings are constrained by a sizable current account deficit, which is funded by potentially volatile portfolio flows. According to S&P, South Africa's recent lackluster economic performance, external imbalances, and labor tensions could affect its macroeconomic policy framework beyond the agency's expectations.

Government's view is that S&P's rating opinion did not take adequate account of progress made in addressing the issues that S&P had raised as potential drawbacks to their initial downgrades in 2012.

Government will continue to invest in infrastructure with the view of enhancing the productive capacity of our economy and the competitiveness of our industries. This will be done in a manner consistent with fiscal sustainability as tabled in the 2013 Medium Term Budget Statement.

The National Development Plan identifies key constraints to faster growth and presents a roadmap to a more inclusive economy that will address South Africa's socio-economic challenges, especially poverty and unemployment.

In the 2013 MTBPS, government remains committed to the reprioritization of its expenditure with aim of increasing efficient spending across all government departments.

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