



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **MEDIA STATEMENT**

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### **Moody's affirms South Africa's ratings at Baa2, revises outlook to negative**

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Government has noted Investors Service (Moody's) decision to affirm South Africa's sovereign ratings whilst revising the outlook on the rating to negative.

Moody's affirmed South Africa's government bond ratings (foreign and local) at 'Baa2' respectively citing the country's track record of sound macroeconomic policies, including:

- the country's external position that is manageable, despite a steep depreciation of the exchange rate and heightened risk aversion to emerging market exposure in global capital markets;
- spending restraint and the buoyancy of fiscal revenues that have led to only marginal deviations for budget deficits and debt;
- moderate foreign currency debt exposure that has limited the impact of the depreciation of the rand; and
- capital inflows that have been sufficient to finance the shrinking current account deficit.

Moody's however indicated that the decision to change the outlook to negative from stable was based on the following two main drivers:

- increased probability that growth will remain low for a prolonged period of time due to the structural challenges facing the mining industry and other sectors of the economy; and
- rising risk of fiscal slippages in the face of both slower growth and increasing political pressures.

## **Government Response**

Government notes Moody's decision which must be seen in the context of weak global growth prospects, a challenging environment for emerging markets and heightened volatility in financial markets.

Moody's decision to affirm the rating attests to South Africa's solid history of sound macro-economic policy management, prudent fiscal policy and strong institutions. This approach to policy has enhanced South Africa's credibility and will therefore remain government's focus.

The reappointment of Minister Pravin Gordhan as the Minister of Finance will ensure policy continuity. The Minister has affirmed that Government will stay the course of sound fiscal management and focus on fiscal consolidation and debt stabilization in the medium term. He assured that any extra expenditure would only be accommodated if extra revenue is raised and any revenue raising opportunity would be carefully considered so as to ensure that it does not damage growth or affect the poor negatively. Moody's concerns about a rising risk of fiscal slippage are being addressed.

Government is aware that the country's economic growth performance needs to be improved and thus made the resolution of the energy challenge an immediate priority. Focus is on implementing the National Development Plan, in particular growth-inducing initiatives that include:

- investing in economic infrastructure through public private partnerships
- expanding the independent power producer programme
- encouraging affordable, reliable and accessible broadband access; and

Government is also fast-tracking economic reforms aimed at alleviating the most binding constraints to growth and to build a more competitive economy. The implementation of these reforms will ensure that challenges of poverty, inequality and unemployment are addressed effectively.

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