

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 227 [CO493E]
DATE OF PUBLICATION: 21 OCTOBER 2016

★227. Mr M Khawula (KwaZulu-Natal: IFP) to ask the Minister of Finance:

(a) What is South Africa's latest credit rating status with (i) Moody's, (ii) R&I, (iii) Fitch and (iv) Standard & Poor's rating agencies and (b) what is the reflection of this to the country's ability to (i) attract investors and (ii) grow the economy?

CO493E

REPLY:

- a) South Africa has investment grade ratings from the four solicited credit rating agencies, namely:
- Moody's Investors Service (Moody's);
 - Fitch Ratings (Fitch);
 - Standard & Poor Global Ratings (S&P); and the
 - Japanese rating agency - Ratings and Investment Information, Inc. (R&I).

These rating agencies assign ratings to South Africa's foreign currency debt and local (domestic) currency debt.

- (i) Moody's currently rates South Africa's long term foreign currency (LTFC) debt and long term local currency (LTLC) debt at Baa2, with a negative outlook. Both the ratings are two notches above sub-investment grade.
- (ii) Fitch rates South Africa's LTFC debt and LTLC debt rating at BBB- with a negative outlook. Both the ratings are one notch above sub-investment grade.
- (iii) S&P has South Africa's LTFC debt and LTLC debt rating at BBB- and BBB+, respectively. Both ratings carry a negative outlook. The LTFC debt rating is one notch above sub-investment grade while the LTLC debt rating is three notches above sub-investment.
- (iv) R&I assigned BBB+ and A- ratings for South Africa's LTFC debt and LTLC debt, respectively. A negative outlook has been assigned. The LTFC rating is three notches above sub-investment while the LTLC rating is four notches above sub-investment grade.

- The above ratings are investment grade, reflecting that South Africa continues to attract investments. The ratings imply that the country would be able (has the ability and willingness) to pay back its loans. However, these ratings are not without risks, as there is a likelihood that they could become sub-investment grade.

b)

- (i) South Africa's investment grade ratings help mitigate the possible negative perceptions about the country as an investment destination and its ability and willingness to make debt repayments, however, the fact that the ratings have, overtime, been on a downward trend implies that investors are becoming skeptical about putting their money in the country. As such, investments has been low, especially foreign direct investments which are long term in nature unlike portfolio flows which are volatile and could be easily pulled out should risks increase.
- (ii) While, investment grade ratings encourage (a) investor confidence about the country; (b) private sector investment; and (c) ultimately triggering higher GDP growth levels, the ratings of South Africa have been on a downward trend for some time, and the negative perceptions about the country's policies weighed down by political uncertainty have been the main drivers of this trend. As a result, investments that are aimed to grow the economy have been low.

The latest position is that the three major rating agencies have retained South Africa at investment grade level. Certain concerns have been raised in these reports which are / will be addressed both by government and other partners.

Our focus as a country must be on inclusive growth.