

# SA government 'notes' ratings downgrade by Japan

Government says it has taken note of the decision by Japanese based credit rating agency Ratings and Investment Information Inc (R&I) to downgrade South Africa's foreign and domestic currency ratings to "BBB+" and "A-" respectively.



Japan's ratings agency R&I has downgraded South Africa's foreign and domestic currency ratings to "BBB+" and "A-" respectively. Image: Ddpavumba [Fotolia](#)

The foreign currency short-term debt rating was also downgraded to "A-2" although the stable credit outlook has been maintained. Despite the downgrade, R&I's credit rating remains the highest investment grade rating for South Africa for international ratings agencies.

Slow economic growth since 2012 and the widening of the current account deficit, which has delayed a recovery in economic growth, were among the reasons given for the downgrade.

R&I said that government's fiscal metrics and debt burden remain sustainable but the rating could come under further pressure should the economic recovery continue to be slower than government's expectations or if the fiscal prospects deteriorate further.

The ratings agency said effective policy implementation is needed to lift growth and that the implementation of the National Development Plan (NDP) should assist in reducing inequality, poverty and unemployment, eventually leading to higher growth levels.

"Government is of the view that the recently tabled Medium Term Budget Policy Statement (MTBPS) comprehensively addresses the major concerns raised by investors in the current economic environment.

"The cost reduction and revenue supporting initiatives announced in the MTBPS are testament to government's commitment to make bold decisions to keep South Africa on a sustainable fiscal path," said a statement from the National Treasury.

It noted that R&I's announcement must be seen in the context of a challenging economic climate both domestically and internationally.

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