ECONOMIC COMMENTARY
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Ratings actions November 2017

Key points

- S&P Global has downgraded the South African long-term local currency sovereign credit rating to subinvestment grade BB+ (stable outlook) from BBB- and the long-term foreign currency sovereign credit rating to BB (stable outlook) from BB-. This followed the earlier foreign currency debt downgrade to junk status in April.
- Moody's has left its equivalent ratings at Baa3, but placed the ratings on review for downgrade, implying that if no immediate radical remedial action is taken a downgrade will become inevitable.
- The reasons for the ratings deterioration are by now depressingly familiar, with this administration having received consistent warnings since 2012 and failing to act appropriately. The deterioration in the country's fiscal position has been due to the lack of economic growth impacting on revenues combined with a cabinet that seemingly thinks there are few limits on spending ambitions. With Treasury unable to secure approval for plans to reduce the deficit over the medium term and the continuous promotion of policies that threaten rather help economic growth, the only chance of ratings reprieves this time was that the agencies would weigh the possibility of a radical shift in policy following the ANC elective's elective conference in December. S&P Global decided that it could not wait given the further deterioration, while Moody's held off.
- The reprieve by Moody's gives the South African government one last chance to change its policy direction and address key issues before universal junk status leads to even more expensive capital, a weaker rand and a further worsening in the growth and fiscal environment.
- Markets had factored in at least one local currency downgrade to subinvestment grade, so reaction is likely to be relatively muted in the very short term. However, markets will watch developments over the next few weeks very closely. For now the hope must be that no further damage is done before the elective conference and that corrective action occurs immediately thereafter. If no convincing plan is set out and implemented in the February budget then Moody's will follow, leading to South Africa falling out of Citigroup's WGBI index. The current actions already imply that the country will soon exit the Barclays Global Aggregate index.

Comment

Following S&P Global's decision to downgrade South Africa in April there has unfortunately been little to convince agencies that this administration is trying to take corrective action to get back onto the right path. Instead of boosting business and consumer confidence, there have been further political manoeuvrings designed to weaken institutions and force through decisions that have little to do with the country's interests. Treasury has been severely weakened following Pravin Gordhan's enforced departure, with key personnel such as previous Director General Lungisa Fuzile and Budget Director Michael Sachs leaving.

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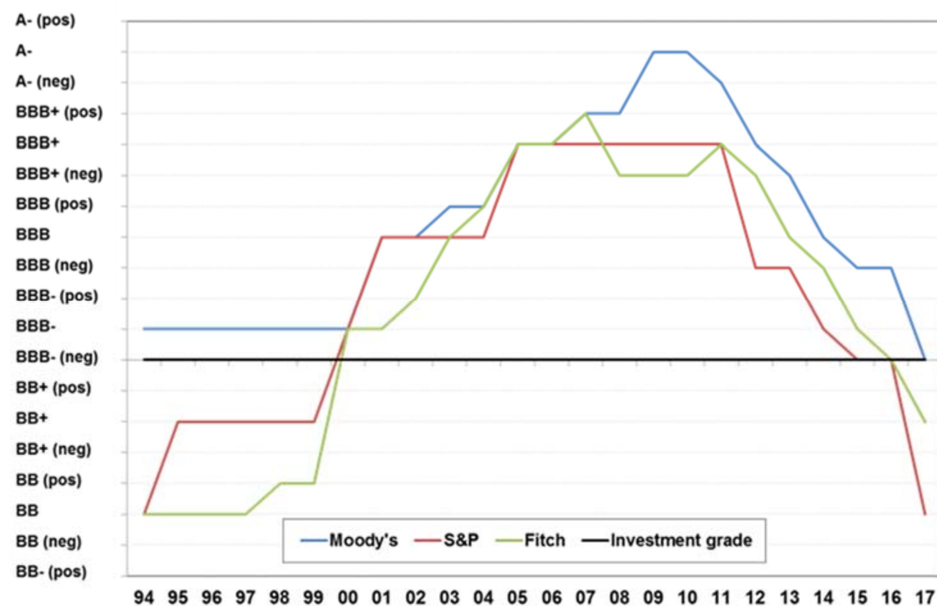
A Presidential Fiscal Committee (PFC) has been set up, supposedly to address economic growth and fiscal consolidation, but this task has always been adequately performed by Treasury itself and makes little sense given the limited capacities in government outside Treasury itself. Bizarrely, in government's response to the downgrade they state that '*over the next two weeks, the PFC and cabinet will consider a package of measures [of spending cuts and tax increases]…*'. This raises the question why this could not have been decided on well before the Medium Term Budget Statement (MTBPS) so that a downgrade could have – more appropriately – been averted rather than trying to now undo what has been done. Rather than helping confidence the MTBPS instead had to set out the stark realities facing the country without offering any solutions.

Added to this, further spending pressures are building in the form of government's wage bill, the free fees for tertiary education debacle and of course a further drive on the nuclear programme. The president has now fired three energy ministers and two finance ministers to facilitate his drive to get the uneconomic, unaffordable, unnecessary and untimely programme under way. With his latest choice, Minister David Mahlobo, now in place, the final push to get the nuclear deal ratified has accelerated.

Chart 1 : South Africa's long-term foreign currency ratings history



Source: Agencies, Nedbank

Assessment

South Africa is on a knife edge with just one rating agency maintaining it at investment grade (albeit on review for downgrade). As chart 1 shows, the downgrades have taken place over five years, with Treasury valiantly trying to take corrective action in a cabinet that has generally ignored the growing clouds. The only solution is political otherwise it is difficult to see how the will to turn things around will resurface when it has been so lacking over an extended period.

South Africa is dependent on foreign capital to fund its twin fiscal and current account deficits and these ratings actions will now make this funding more expensive. Earlier moves and the latest action by S&P Global already means that South Africa has slipped out of the JP Morgan bond index and will now exit the Barclays Global Aggregate, with potential outflows of R50 billion from the domestic bond market taking place over the next few months. If Moody's follows in February South Africa would be removed from the Citi World Government Bond Index (WGBI), with further potential outflows of over R100 billion as a consequence. If this should happen borrowing costs for government, SOEs, banks, companies and individuals will be higher than would otherwise have been the case, the rand weaker and inflation more elevated.

We think that the Reserve Bank will wait to see how political events unfold over the next few weeks before making any decision on interest rates. If developments over the elective conference and in the February budget are very favourable there is still an outside chance of the rand pulling back and opening up the possibility of a cut in 2018. However we think that enough damage has now been done that rates will notch up 50 basis points in total later in 2018 and in 2019. The bond market had largely anticipated the ratings actions so yields are unlikely to rise too much from these elevated levels in the very short term. Our forecast for economic growth in 2018 has been revised down to just 1,1% from 1,3%.

S&P Global's statement:

On November 24, 2017, S&P Global Ratings lowered its long-term foreign currency sovereign credit rating on the Republic of South Africa to 'BB' from 'BB+' and affirmed the 'B' short-term foreign currency sovereign credit rating. The outlook is stable.

At the same time, the long-term local currency sovereign credit rating was lowered to 'BB+' from 'BBB-' and the short-term local currency sovereign credit rating was lowered to 'B' from 'A-3'. The outlook is stable.

We also lowered the long-term South Africa national scale rating to 'zaAA+' from 'zaAAA' and affirmed the short-term national scale rating at 'zaA-1+'.

The downgrade reflects our opinion of further deterioration of South Africa's economic outlook and its public finances. In our view, economic decisions in recent years have largely focused on the distribution - rather than the growth of - national income. As a consequence, South Africa's economy has stagnated and external competitiveness has eroded. We expect that offsetting fiscal measures will be proposed in the forthcoming 2018 budget in February next year, but these may be insufficient to stabilize public finances in the near term, contrary to our previous expectations.

Outlook

The stable outlook reflects our view that South Africa's credit metrics will remain broadly unchanged next year. It also speaks to our view that political instability could abate following the party congress of the governing African National Congress (ANC) in December 2017, helping the government to focus on designing and implementing measures to improve economic growth and stabilize public finances.

Downside pressure on the ratings could develop if economic performance and fiscal outcomes deteriorate further from our forecasts. Further pressure on South Africa's standards of public governance, for example in our perception of a threat to the independence of the central bank, could also cause renewed downward pressure.

We could raise the ratings if economic growth or fiscal outcomes strengthen in a significant and sustained manner compared with our base case. Upside ratings pressure could also rise if risks of a marked deterioration in external funding sources were to subside, in our view, and external imbalances decline. Upward pressure on the ratings could also develop were policy makers to introduce economic reforms to benefit job creation, competitiveness, and economic growth.

Rationale

Our ratings on South Africa are constrained by the weak pace of economic growth-- particularly on a per capita basis--alongside increasingly limited fiscal flexibility, with a high and rising stock of government debt. The ratings are supported by the country's monetary flexibility, which we view as a key credit strength, alongside an improving external position. The improvement in South Africa's external position largely reflects a depreciated rand, however, and import compression caused by soft economic growth; rather than enhanced competitiveness or a rising savings rate.

Institutional and Economic Profile: Political risks and continued economic underperformance constrain the ratings.

- *A momentous political agenda has overshadowed policy making, despite the deteriorating economy and weakening public finances.*
- *South Africa's economic growth performance is among the weakest of emerging markets sovereigns, with less than zero per capita growth.*
- *Income inequality is among the highest in the world and has worsened since the turn of the century.*

Excluding agriculture and mining, South Africa's services-dominated economy is barely growing. The private sector is investing less than the depreciation of the capital stock. On a per capita basis, consumption is declining. Despite close to 40% depreciation in the nominal effective exchange rate since September 2007, exports of manufacturing and other noncommodity sectors have been sluggish. This is the case even though the global economy is improving.

Compared with our last publication in June 2017, we now project lower real GDP growth of 0.7% in 2017 and 1.0% in 2018. Discouragingly, since 2015, South Africa's economy has not been creating jobs on a net basis. With the population increasing at an annual pace of around 1.6% per year, South Africa's rate of unemployment has increased to an estimated 28% as of the second quarter of 2017 from 25% three years ago.

South Africa's real per capita GDP growth rate has continued to decline, averaging -0.7% over 2015-2018. We estimate that, this year, among the 20 major emerging markets, only Qatar and Venezuela will show slower per capita growth (see: Sovereign Risk Indicators, published Oct. 13, 2017. A free interactive tool, updated quarterly, is available at spratings.com/sri). We estimate GDP per capita at US$6,000 in 2017.

Other than an absence of investment, South Africa's high level of unemployment is a function of an inflexible labor market with rigid wage-setting mechanisms and high barriers to entry and exit. This mix, alongside an inadequate educational system, has contributed to the economy's stark inequalities and has dragged further on South Africa's external competitiveness and average incomes. In this sense, South Africa's growth and competitiveness problem has fiscal roots. For example, political considerations, through influence of labor unions, make it extremely difficult to reverse recurrent annual increases in spending on the public sector wage bill, crowding out other areas of spending, such as infrastructure.

According to the UN University's World Income Inequality Database, income inequality (measured by the Gini coefficient) in South Africa is the highest of all economies for which data is available. Indeed, we believe inequality is elevated enough to pose an impediment to fiscal consolidation. World Bank data suggests that inequality has risen further in South Africa since the turn of the century

This contrasts with traditionally unequal societies in Latin America (e.g. Brazil, Colombia, and Panama), where income distribution has improved during the same period. This is the case despite the progress made by South African authorities in eradicating extreme hunger and poverty over the last two decades. Shortfalls in basic services and infrastructure remain in some parts of the country.

With this in mind, the government's stated focus on income distribution is understandable. Even so, there is little evidence that the stated commitment to raising equality is supported by ambitious reforms to education and the labor market, or a recomposition of public spending away from public sector wage increases and toward social and educational programs.

South Africa's many economic and political challenges are being widely and freely discussed in the run-up to the ANC's December 2017 elective conference to choose a new party leader, who will then become the ANC's presidential candidate for the 2019 election. While a broad macroeconomic framework has been agreed at the party and government level, the new leadership could bring confidence and faster implementation of key reforms. Who that leader is and the pace of policy implementation he or she pursues could determine South Africa's future economic performance. In light of the structural and institutional challenges, any new leader will require time to revive South Africa's economic prospects, as well as strong backing from all of the electorate.

Flexibility and Performance Profile: Monetary flexibility remains a strength but the fiscal position is weakening

- *South Africa's fiscal position has become unstable owing to weak economic growth. Offsetting measures may not be strong enough to stabilize public finances.*
- *We consider South Africa's monetary flexibility and the freely floating exchange rate to be credit strengths.*
- *South Africa's deep capital markets naturally limit foreign currency borrowing in the economy, and the financial sector is profitable and well capitalized, although reliant on concentrated short-term funding.*

Weak economic growth and a concomitant decline in tax-rich imports have dragged on receipts of value-added tax (VAT) and customs duties, causing an unprecedented shortfall in South Africa's tax receipts in the 2017-2018 budget of an estimated South African rand (ZAR) 51 billion (US$3.6 billion) or 1.1% of GDP.

Reflecting the shortfall, we have revised up our general government deficit projection to 4.4% of GDP for the fiscal year ending March 2018, while forecasting average general government deficits of close to 3.6% up until 2021. Our fiscal data revisions are based on our expectation that the government will introduce some offsetting measures into the upcoming 2018-2019 budget. Even so, alongside our lower GDP projections, we continue to think that the various consolidation measures that the Treasury could undertake next year, which will be a pre-election year, may not be able to fully restore public finances to a path that would stabilize debt to GDP next year.

We estimate that the annual change in general government debt, which is a more reflective measure of the government's underlying fiscal stance, will average just below 5% of GDP per year over 2017-2020. As a consequence, we project that net general government debt to GDP will increase to around 53% net of liquid assets during the fiscal year ending March 2021. These forecasts remain highly uncertain for three main reasons:

- *It is difficult ex ante to project the likelihood that the government will once again have to provide financial support to the state-owned enterprises sector, and in particular the public power company (Eskom), as moderate contingent liabilities from government-related entities materialize.*
- *Our estimates of additional measures to be introduced in next year's budget may prove too conservative. The effect those measures have on growth will also influence debt to GDP. If the*

measures are regressive and focused on indirect taxation, they could lower disposable income. The resulting demand effect could dampen any consolidation impact.

- *The outlook for GDP growth remains even more challenging to project than before. Without a recovery in both real and nominal GDP growth, as well as imports, the buoyancy of VAT and other tax receipts may weaken further.*

On the positive side, South Africa's central government debt is overwhelmingly denominated in rand, with only 10% in foreign currency (see: table 3 in "Sovereign Debt 2017: Global Borrowing To Drop By 4% To US$6.8 Trillion," published Feb. 23, 2017). This shields public finances from exchange rate shocks. Nevertheless, over half of South Africa's central government debt is external, given that nonresidents hold close to 42% of the government's rand-denominated debt (as of Oct. 27, 2017), up from 37% a year ago. The high presence of international investors in South Africa's debt markets helps improve liquidity and all things being equal lowers the government's cost of funding. However, it also means that the central government's financing costs are vulnerable to foreign investor sentiment, exchange rate fluctuations, and rises in developed market interest rates.

We estimate overall public sector debt at 71% of GDP in 2017 (including central and local government, and debt of public sector companies). We think there are increased risks to central government finances from nonfinancial public enterprises with weak balance sheets that require further extraordinary government support. The Treasury already needs to transfer additional appropriations of ZAR13.7 billion (0.2% of GDP) this year to enable South African Airways and the South African Post Office to meet debt redemptions. Over the next six months, we anticipate that appropriations may be required to shore up Eskom's very weak financial position.

Eskom already benefits from government guarantees of nearly 8% of GDP. Failing that, we would expect the government to find other options to deleverage Eskom. Our understanding is that the government also intends to sell part of its 39% stake in Telkom to ensure that it does not breach this year's expenditure ceiling, due to the need to recapitalize South African Airways and South African Post Office.

We consider that South Africa's external position has improved this year. We still estimate current account deficits will average close to 3% of GDP over 2017-2020. The trade balance has been improving in 2017, following a small surplus in 2016, though this largely reflects weak economic growth and hence weak imports, alongside lower oil prices. Oil constitutes about 20% of South Africa's imports, and as oil prices gradually recover we could see the trade balance gradually weakening again.

During the first quarter of 2017 (for which balance of payments data is available) the financing of South Africa's current account deficit came largely from the government's issuance of local and foreign currency debt to nonresidents. This inflow could reverse, in the event of a reversal of global sentiment, leaving South Africa vulnerable to higher financing costs. We believe that the risk of marked deterioration in external financing conditions persists.

South Africa's external debt net of liquid assets is low, below 50% of current account receipts while gross external financing needs are large, above 100% of current account receipts plus useable reserves. While South Africa's net external debt is low, the level of external debt is volatile and depends on nonresidents' preferences in the extent of buying local currency government debt, which we record as part of external debt.

The large external financing needs also reflect the short- term external debt of the financial sector--predominantly trade finance facilities and deposits from multinational companies--at an estimated 7% of GDP. A weaker rand actually reduces the size of that liability as a percentage of GDP, and has improved South Africa's overall net international investment position (IIP) position, which moved from a net liability to a net external asset position in 2015. Operating a net asset position on a sovereign's IIP, however, does not guard against large-scale capital outflows--particularly from

South Africa's deep equity and government bond markets. Nevertheless, we consider the depth of local capital markets and the flexible exchange rate regime to be key rating strengths for the republic.

The South African Reserve Bank (SARB; the central bank) targets inflation between 3% and 6%. It does not have exchange-rate targets and does not defend any particular exchange-rate level. The SARB is operationally independent, in our opinion, with transparent and credible policies. The repurchase rate is the bank's most important monetary policy instrument.

During the second half of 2017, the rand depreciated against most major currencies, unwinding the appreciation that took place in the first half of the year and pushing headline inflation back above 5% as of September. We expect that low demand pressures, still high policy rates, and disinflationary base effects on the food sector will enable inflation to remain below 6% this year and hover within the target range over our three-year forecast horizon. We think the financial sector is profitable and well capitalized. However, banks continue to rely on concentrated short- to medium-term wholesale funding from nonbank financial institutions since retail savings are low and contractual savings tend to be dominated by professional money managers (see: "Banking Industry Country Risk Assessment: South Africa," July 19, 2017).

Moody’s statement

Moody's Investors Service has today placed the Baa3 long-term issuer and senior unsecured bond ratings of the government of South Africa on review for downgrade.

The decision to place the rating on review for downgrade was prompted by a series of recent developments which suggest that South Africa's economic and fiscal challenges are more pronounced than Moody's had previously assumed. Growth prospects are weaker and material budgetary revenue shortfalls have emerged alongside increased spending pressures. Altogether, these promise a faster and larger rise in government debt-to-GDP than previously expected.

The review will allow the rating agency to assess the South African authorities' willingness and ability to respond to these rising pressures through growth-supportive fiscal adjustments that raise revenues and contain expenditures; structural economic reforms that ease domestic bottlenecks to growth; and improvements to SOE governance that contain contingent liabilities. The review period may not conclude until the size and the composition of the 2018 budget is known next February. This will also allow Moody's to assess the policy implications of political developments during the review period and the likelihood of pressures on South Africa's key policymaking institutions persisting.

In the meantime, South Africa maintains credit strengths that still support its Baa3 rating. These include deep domestic financial markets and a well-capitalized banking sector; a well-developed macroeconomic framework; and low foreign currency debt. Adherence to the Constitution and the rule of law continue to be the key pillars of strength of South Africa's institutions.

South Africa's (P)Baa3 Senior Unsecured Shelf and MTN program ratings were also placed under review for downgrade, as was the (P)P-3 Short-Term rating. In a related rating action, Moody's has also placed on review for downgrade the Baa3 backed senior unsecured rating of the ZAR Sovereign Capital Fund Propriety Limited.

South Africa's long-term local-currency bond and bank deposit country ceilings remain unchanged at A2. The long-term and short-term foreign currency bond ceilings remain unchanged at A3/P-2, respectively. The long- term foreign-currency bank deposits ceiling stays at Baa3, while the short-term foreign-currency bank deposits ceiling remains unchanged at P-3.

RATINGS RATIONALE

RATIONALE AND FOCUS OF THE REVIEW FOR DOWNGRADE

SLOWING GROWTH, REVENUE SHORTFALLS, RIGID WAGE BILL AND RISING BORROWING COSTS POSE CHALLENGES TO FISCAL CONSOLIDATION

The recently published Medium Term Budget Policy Statement (MTBPS) set out how the challenges facing the South African government in its efforts to contain the rise in public debt while enhancing medium term growth have risen since the rating action in June. Growth this year and next is forecast to be lower than was expected in June. While revenue growth outperformed nominal GDP growth between 2011 - 2015, revenues have materially undershot forecasts this year and are expected to continue to do so. At the same time, lower growth and rising poverty will magnify upward pressure on expenditures.

As a consequence, the country's government debt burden has increased by about one third since 2011, and will continue to rise due to relatively high deficits driven by revenue shortfalls, the government's rigid wage bill and rising borrowing costs. Unless a timely and effective policy response is implemented, debt-to-GDP will reach 60% by 2020/21 and continue to rise afterwards. That contrasts with Moody's earlier projections, from June 2017, that debt would reach about 55% of GDP in 2018/19 fiscal year and continue to rise but very gradually. Moody's has also lowered its growth forecast to 1.2% for 2018 and 1.7% for 2019 (from June projections of 1.5% in 2018 and 2.2% in 2019).

Several risks, if materialized, would lead to even faster debt accumulation than envisaged in the MTBPS. Those include risks stemming from the existence of high and concentrated contingent liabilities to creditors of state owned enterprises (SOEs), some of which are becoming increasingly reliant on public funding for sustaining their operations.

The MTBPS did not set out what measures would be taken to address the additional fiscal pressures. While we understand that the National Treasury has identified a set of revenue- and expenditure-based measures which would meet the funding gap in 2018/19 and 2019/20 fiscal years and limit the rise in debt somewhat, those measures have not been approved by the cabinet and will only be announced when the 2018 budget is published in February. So it remains unclear what assurance should be taken from the government's stated commitment to reduce the funding gap. Moody's also recognizes that fiscal consolidation will be increasingly challenging without revived growth.

The review will allow Moody's to assess the effectiveness of the government's policy response to these rising fiscal challenges, while mitigating the negative impact of fiscal consolidation on growth. It will also allow Moody's to assess further steps taken to improve the governance and stabilize the financial position of SOEs. The 2018 budget next February will be an important policy document, setting out the government's plan to respond to the country's economic and fiscal challenges. Unless other events bring greater clarity in advance of that date, the rating agency will likely conclude its review for downgrade in the month following the tabling of the 2018 budget.

GROWTH PROSPECTS REMAIN DIM IN AN UNCERTAIN POLITICAL ENVIRONMENT

Low growth lies at the heart of South Africa's fiscal problems. Growth has consistently underperformed expectations over recent years, undermining the government's efforts to meet its deficit targets. More recently, revenue shortfall in combination with rising poverty and unemployment, low growth has increased pressures on expenditures. In the current political

environment, that pattern shows little sign of ending, and has been amplified by questions about the capacity of the South Africa's Revenue Service (SARS) to collect revenues effectively.

Near-term growth prospects remain constrained by low investor confidence. Rising uncertainty over near- and medium-term policy priorities has brought investor confidence to the lowest level since 2009. Investment fell by 3.9% in 2016 and continued to decline through 2017. Investment levels are likely to remain low until a more stable and investment friendly policy environment emerges.

Low investment will limit South Africa's growth over the medium-term. Potential growth also continues to be constrained by halting progress on structural reforms, including on the structure and regulation of the mining sector, on the governance of SOEs, and on plans to reform the educational system to close the persistent skill gap.

Both low investor confidence and limited progress on structural reforms are rooted in the uncertainty created by the fluid and unpredictable political environment. That environment is reflected in the current lack of clarity over the government's fiscal plans. Unclear and shifting policy objectives, political maneuvering and frequent changes of leadership in key ministries, and concerns over the pressures on the key policymaking institutions such as the Reserve Bank and the National Treasury, have weakened South Africa's economy, finances and institutions.

Events during the review period may offer some clarity regarding the future path of South Africa's political economy, and therefore regarding the prospects for investment and for the structural reform effort and ultimately for growth. Political developments may provide insights into the direction, content and credibility of the future policy framework. The review period will therefore also allow Moody's to take stock of the implications of political developments for key structural reforms that could boost investor confidence in the near term and support higher growth trends over the medium- and longer-term.

RATIONALE FOR THE Baa3 RATING

South Africa's credit profile retains a number of features that support a Baa3 rating. Its economy is large and well-diversified, though characterized by low growth and high unemployment. Its domestic financial markets are deep and its banking sector is well-capitalized. It possesses a well-developed macroeconomic framework. While debt levels have risen, at current levels they remain consistent with Baa3 peers. And though reliance on external capital creates exposure to shocks, the flexible exchange rate and low foreign currency debt serve as buffers. Despite recent encroachments, its core institutions remain independent and strong, with a well- functioning civil society. Adherence to the constitution and the rule of law continue to be the key pillars of South Africa's institutional strength.

WHAT COULD CHANGE THE RATING - DOWN

Moody's would downgrade the rating if the review were to conclude that South Africa's economic, institutional and fiscal strength will continue to weaken. A downgrade would likely result were the rating agency to conclude that measures to address funding gaps over the next two years lacked credibility or that the lack of progress with structural reforms effort would result in an environment not conducive to investment and growth. Lack of structural reforms would also send a negative signal regarding the strength of South Africa's institutions, in particular about government effectiveness in enacting sound policies. Relatedly, any developments which cast further doubt over the independence and credibility of core institutions including the National Treasury and the Reserve Bank would be strongly credit negative.

WHAT COULD LEAD TO CONFIRMATION OF THE RATING AT THE CURRENT LEVEL

Moody's would confirm the rating at Baa3 if the review were to conclude that the policy response is likely to bring the economic, institutional and fiscal trends on a path so that these factors remain consistent with Baa3 peers; and that developments in the political economy offer the prospect of a more stable, growth-friendly institutional backdrop.

•GDP per capita (PPP basis, US$): 13,291 (2016 Actual) (also known as Per Capita Income) Real GDP growth (% change): 0.3% (2016 Actual) (also known as GDP Growth)

•Inflation Rate (CPI, % change Dec/Dec): 7.1% (2016 Actual)

•Gen. Gov. Financial Balance/GDP: -3.3% (2016 Actual) (also known as Fiscal Balance) Current Account Balance/GDP: -3.3% (2016 Actual) (also known as External Balance) External debt/GDP: 48.4% (2016 Actual)

•Level of economic development: Moderate level of economic resilience

•Default history: At least one default event (on bonds and/or loans) has been recorded since 1983.

On 21 November 2017, a rating committee was called to discuss the rating of Government of South Africa. The main points raised during the discussion were: The issuer's institutional strength/framework, has decreased.

The issuer's fiscal or financial strength, including its debt profile, has decreased.

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