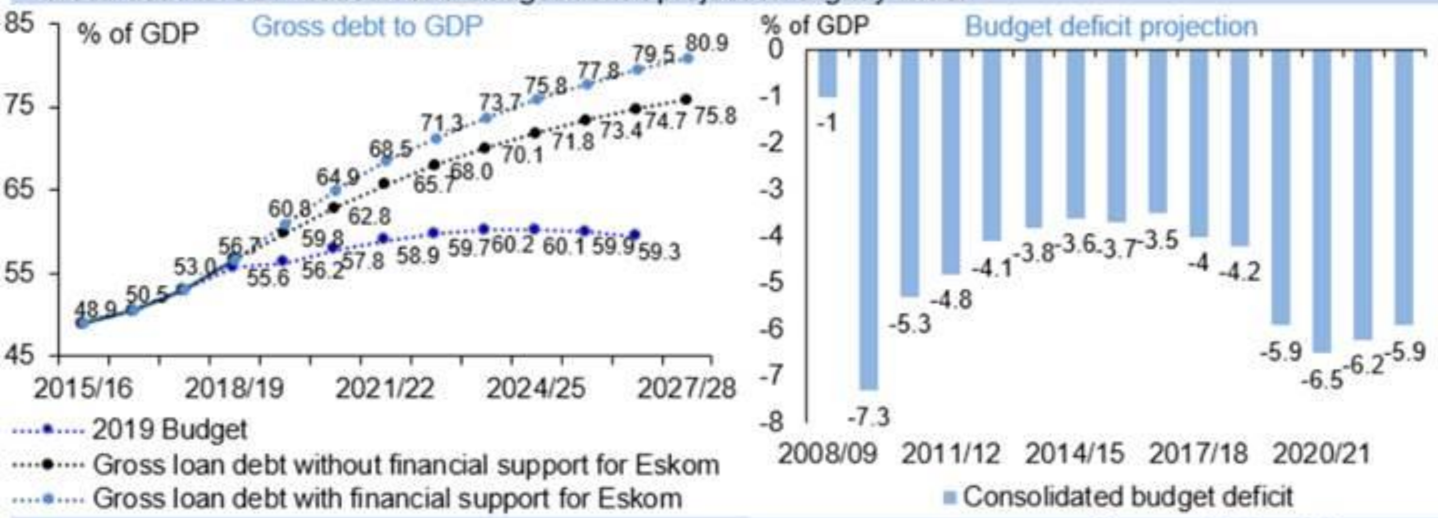
SA Economics

MTBPS Snapshot

Wednesday 30 October 2018

An extreme ramp up in debt to GDP projections makes a Moody's credit rating downgrade substantially more likely, and a revision to a negative outlook a certainty (unless the outlook downgrade is bypassed)

Gross debt-to GDP outlook and Budget deficit projection slightly wider



Source: National Treasury

- 2019's Medium–Term Budget Policy Statement (MTBPS) projected a massive deterioration in government's debt to GDP projections and fiscal deficits. Over the medium-term gross debt is not projected to stabilise, rising instead from 61% of GDP this fiscal year to 71% of GDP by 2022/23, and to 81% by 2027/28 on the current trajectory.

- There is a very material deterioration in gross debt projections from the Budget presented in February this year, where gross debt of 55.6% of GDP was estimated for 2019/20 but 60.8% (of GDP) is now projected, the 2020/21 debt projection is now 64.9% (previously 56.2%) and 2021/22 at 68.5% from the previous estimate of 57.8%.

- As the purpose of credit rating agencies in assessing the rating on a sovereign's debt is to assess the likelihood of the sovereign's ability to repay that debt, the massive upwards revision of SA's projected debt trajectory, and lack of total expenditure cuts, make further downgrades from all the credit rating agencies much more likely. Expenditure continues rising each year.

- The rand reacted negatively, weakening to R15.07/USD, R16.76/EUR and R19.41/GBP, from R14.64/USD, R16.24/EUR and R18.86/GBP before the budget, as the markets build in the certainty of a Moody's credit rating downgrade. The yield on the R186 government bond rose to 8.38% from 8.20% before the release of the MTPBS.

- The 2019 MTBPS is undoubtedly credit negative for the rating agencies on the back of the dramatic deterioration in the fiscal metrics, with the fiscal deficit as a % of GDP now projected at -5.9% of GDP for 2019/20 (previously expected at -4.5%), -6.5% of GDP for 2020/21 (previously -4.3%), -6.2% in 2021/22 (previously -4.0%) and -6.2% in 2022/23.

- While GDP growth continues to remain insufficient to halt the upwards trajectory of gross debt (a growth rate in excess of 2.5% y/y every year is needed to assist in reversing the trajectory), and ongoing financial support to ailing SOEs, particularly Eskom, has added to the burden.

- Eskom's debt at R440bn, or 15% of GDP, remains a heavy burden on government, around R300bn of which is guaranteed by government, which has taken on the coupon payments of these contingent liabilities, leading Moody's to assume the Eskom debt as part of that of South Africa, lifting the sovereign debt profile.

- The MTBPS also focusses on the macroeconomic reforms to restore economic growth, in an environment of a synchronised global economic slowdown which is negative for economic growth in SA. National treasury revised down its growth forecast to 0.5% y/y for this year (previously 0.7% y/y), and 1.2% y/y next year from 1.5%.

- The overriding concern is the ongoing fiscal slippage as public finance figures deteriorate each year, and fiscal consolidation remains elusive as South Africa moves ever closer to an unsustainable debt trap. Today's budget may hope for faster economic growth to turn the deterioration around, but does not realistically expect it.

Consolidated government fiscal framework, 2018/19 – 2022/23					
	2018/19	2019/20	2020/21	2021/22	2022/23
R bn/% of GDP	Outcome	Revised	Medium-term estimates		
Revenue	**1 445.4**	**1 537.8**	**1618.5**	**1729.6**	**1 841.2**
	29.4%	*29.5%*	*29.3%*	*29.4%*	*29.3%*
Expenditure	**1 652.8**	**1 844.1**	**1 978.7**	**2 097.5**	**2 214.9**
	33.6%	*35.4%*	*35.8%*	*35.6%*	*35.3%*
Budget balance	**-207.5**	**-306.2**	**-360.2**	**-367.9**	**-373.7**
	-4.2%	*-5.9%*	*-6.5%*	*-6.2%*	*-5.9%*

Source: National Treasury

Gross tax revenue						
		2018/19			**2019/20**	
R billion	**Budget[1]**	**Outcome**	**Deviations**	**Budget[1]**	**Revised**	**Deviations**
Persons and individuals	497.5	492.1	-5.4	552.9	527.6	-25.3
Companies	218.4	212.0	-6.4	229.6	219.0	-10.6
Value-added tax	325.9	324.8	-1.2	360.5	348.4	-12.1
Dividend withholding tax[2]	30.3	29.9	-0.4	31.9	32.0	0.1
Specific excise duties	40.3	40.8	0.6	42.4	46.5	4.2
Fuel levy	75.4	75.4	-0.0	83.0	78.4	-4.6
Customs duties	55.6	55.0	-0.7	60.0	58.4	-1.7
Ad-valorem excise duties	4.2	4.2	0.0	4.5	4.3	-0.1
Other	54.6	53.5	-1.1	57.6	55.1	-2.4
Gross tax revenue	**1,302.2**	**1,287.7**	**-14.5**	**1,422.2**	**1,369.7**	**-52.5**

Source: National Treasury

1. 2019 Budget figures
2. Includes secondary tax on companies

- The MTBPS highlights the negative public finance picture by saying "South Africa's public finances deteriorated over the past decade, a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, we have run large budget deficits."

- It furthermore warns that this continuous expansion of debt and fiscal deficits have now "put us deeply in debt, to the point where interest payments have begun crowding out social and economic spending programmes. This cannot be sustained."

- While "Government proposes a path to restore the public finances to a sustainable position. This will mainly involve a range of expenditure reductions, some of which are likely to be painful. We owe it to future generations to ensure that we are good stewards of our country's resources and that they do not have to pay for our decisions."

- "The 2019 MTBPS proposes measures to narrow the fiscal deficit, boost the economy and improve the quality of spending, particularly on large infrastructure projects", but already markets are seeing this as too little too late, with a Moody's downgrade increasingly being factored in today.

- Fiscal options are limited on the expenditure side, while higher revenues have failed to materialise as previously projected. “Government proposes a fiscal target of achieving a main budget primary balance – in other words, revenue equal to non-interest expenditure – by 2022/23” but markets gained no cheer from this.

- Government adds that it plans to claw “back some of the revenue shortfall through reductions to departmental baselines and slower spending growth in the outer year of the medium-term expenditure framework (MTEF).” But it also recognises that “(a)lone, these reductions are insufficient.”

- “Additional measures, particularly on the wage bill, will be required to narrow the deficit and improve the composition of spending.” Achieving the fiscal target requires large additional adjustments exceeding R150 billion in total over the medium term. The following elements will be critical:

- “Growth in the public-service wage bill needs to decline to reduce the pressure on goods and services and infrastructure. The wage bill accounts for 46 per cent of tax revenue in 2019/20, primarily because of above-inflation increases in average remuneration over the past decade.”

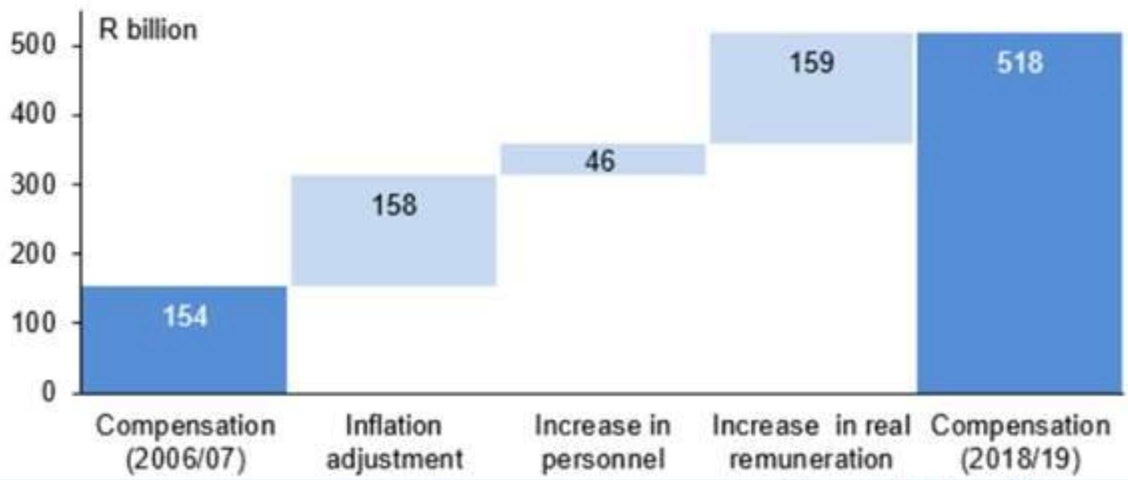
- “Significant tax increases over the past several years leave only moderate scope to boost tax revenue at this time. Given the size of the required adjustment, however, additional tax measures are under consideration. To reduce future transfers, a sustainable plan for state-owned companies is required. It should include the disposal of non-core assets and options for private-sector participation.”

- “The final adjustments will be announced in the 2020 Budget. These measures require difficult decisions that will affect the economy and the distribution of public resources. The short-term costs, however, are outweighed by the need to ensure sustainable public finances for decades to come, ensuring intergenerational fairness.”

National government gross borrowing requirement and financing	2018.19	2019/20	2020/21	2021/22	2022/23
	Outcome	Revised	Medium-term estimates		
Gross borrowing					
Main budget balance	**-232.0**	**-324.3**	**-375.3**	**-383.9**	**-389.8**
Redemptions	-15.5	-69.9	-65.2	-64.1	-128.2
Domestic long-term loans	-13.5	-19.5	-52.5	-59.7	-112.7
Foreign loans	-2.0	-50.4	-12.7	-4.4	-15.5
Total	**-247.5**	**-394.2**	**-440.5**	**-448.0**	**-518.0**
Financing					
Domestic short-term loans (net)	**14.1**	**46.0**	**37.0**	**50.0**	**58.0**
Domestic long-term loans	**183.0**	**284.1**	**343.0**	**353.9**	**407.4**
Foreign loans	**25.3**	**76.1**	**45.5**	**46.4**	**54.2**
Change in cash and other balances	**25.1**	**-12.0**	**15.0**	**-2.3**	**-1.6**
Total	**247.5**	**394.2**	**440.5**	**448.0**	**518.0**

Source: National Treasury

Drivers of higher compensation spending



Source: National Treasury

- This year's MTBPS gives particular focus on economic growth, business confidence and infrastructure investment, and in particular the reforms needed to achieve a stronger growth trajectory, with these outlined in National Treasury's "Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa".

- The MTBPS highlights that "government's economic policy priority is to enact reforms that will enable South Africa to break from the spiral of anaemic growth, promoting investment and job creation. Policy certainty and a conducive business environment are critical to support the confidence of businesses and households."

- "A robust monetary policy framework has provided certainty but needs to be complemented with a range of reforms that are within government's control and do not require significant funding. These would help to raise long-term growth."

- In summary "(t)he interventions consider strengthening network industries, such as road and rail; enhancing South Africa's export competitiveness to boost exports, employment and innovation; and promoting greater competition within the economy, enabling small firms to grow and compete with dominant players."

- Key however, is the need to stabilise SOEs and indeed, “(i)n addition to low growth, South Africa’s biggest economic risk is Eskom. Ongoing problems with the utility’s operations continue to disrupt the supply of electricity to households and businesses.”

- “Government has set aside significant resources for Eskom. With the immediate financial restraints lifted, the focus must be on operational problems and restructuring Eskom into three separate entities. Doing so will mark the beginning of a transition to a competitive, transparent and financially viable electricity sector.”

- “Several large state-owned companies are in crisis as a result of governance failures, poor operational performance and resultant unsustainable debt burdens. … these debts have grown alongside government debt. Government has increased spending to meet its obligations for guaranteed debt, but decisions are required to manage the ongoing impact of these entities on the fiscus.”

- “A programme of reforms is being enacted to strengthen governance and operations at these entities, and to stabilise those in financial distress.” However, financial markets do not see any speedy resolution, the measures proposed lack the crisis response needed, with measures that should have been implemented five years ago proposed.

- The detail remains “to separate Eskom into three distinct entities (generation, transmission, distribution) and conduct wide-ranging reforms to achieve operational efficiency.” Adiationally, “(t)he Ministers of Finance and Public Enterprises have appointed independent experts to conduct rigorous assessments at Eskom.”

- “These include analysing the utility’s daily cash-flow management and assessing the implementation of operational efficiencies, which include considering whether capital expenditure can be stopped or deferred. The short-term priority is to stabilise Eskom’s cash-flow management, while undertaking the separation.”

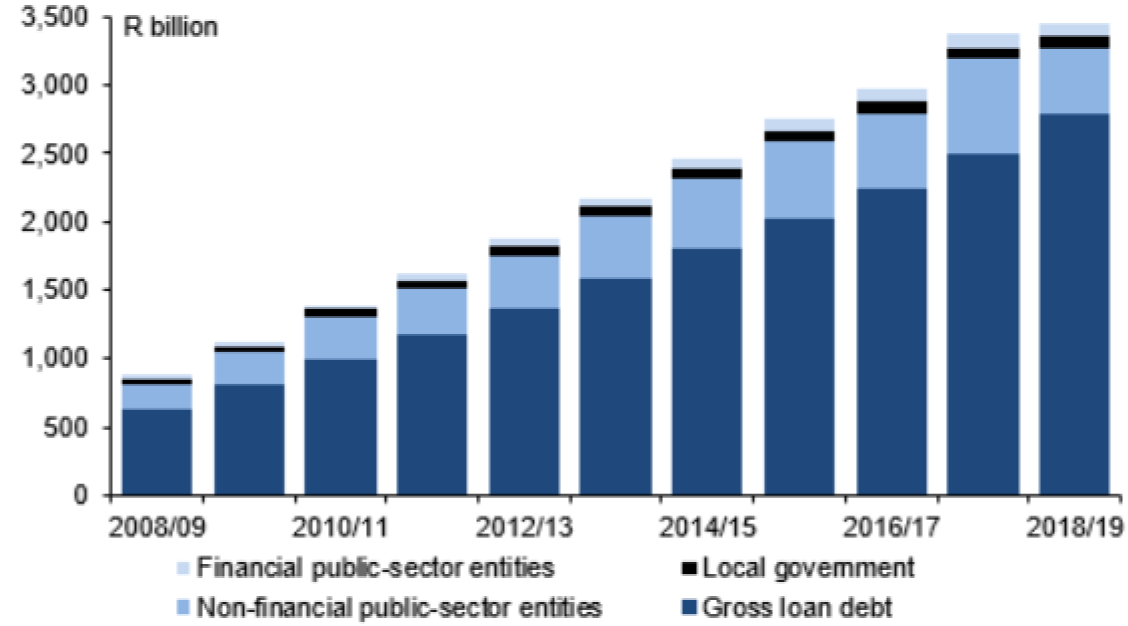
- “Government has made provisional support of R49 billion available in 2019/20, R56 billion in 2020/21 and R33 billion in 2021/22. Should Eskom be unable to issue debt, government may be called upon to provide further support to enable the company to meet its obligations.”

- “Additional reforms to reduce Eskom’s debt burden will only be considered once the utility reduces costs and makes progress in the unbundling process. In addition, “addressing the utility’s operational viability, which has a significant impact on its debt profile.” A move away from the monopoly in electricity production is also envisaged.

- “Other state-owned companies are also adding to spending pressures on government. Funding for South African Airways (SAA), the South African Broadcasting Corporation, Denel and South African Express amounts to R10.8 billion in the current year, almost the entire contingency reserve for 2019/20.”

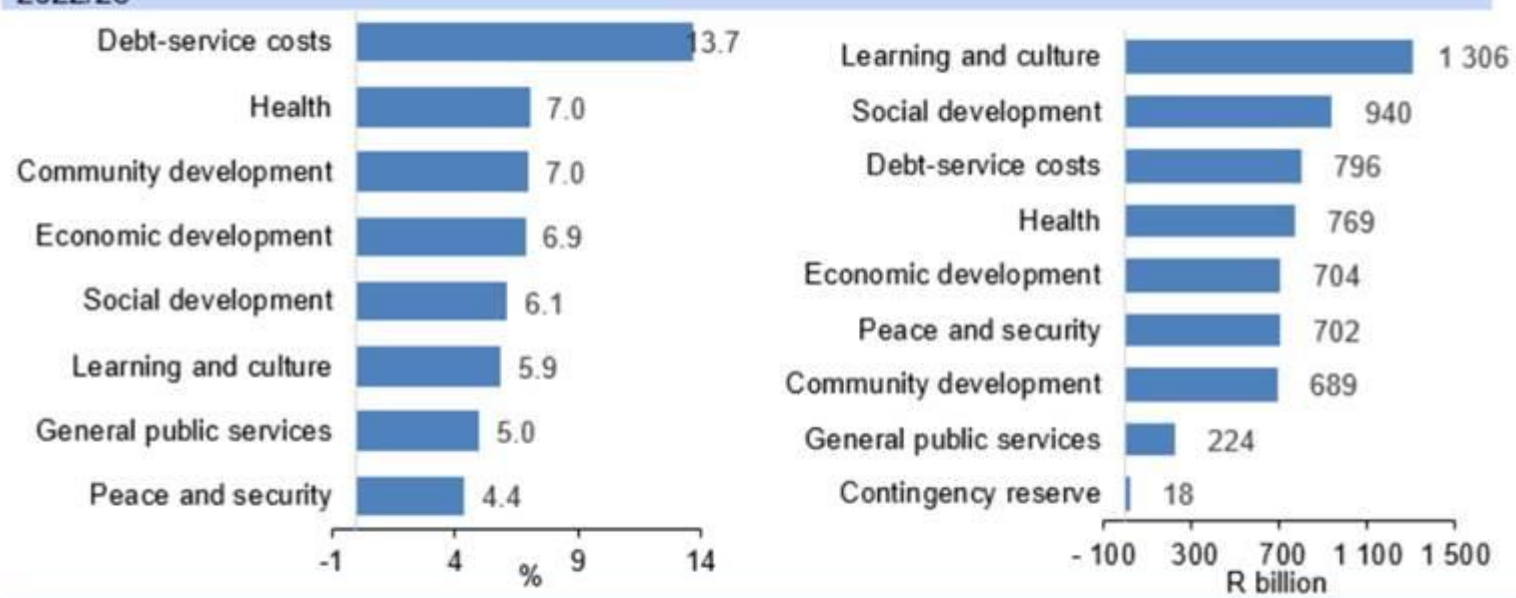
- “In its current configuration, SAA is unlikely to generate sufficient cash flow to sustain operations. It is unable to repay outstanding government guaranteed debt of R9.2 billion. Government will repay this debt over the next three years to honour its contractual obligation. Operational changes at SAA are required urgently.”

Public-sector debt



Source: National Treasury

Average nominal growth in spending and Consolidated government expenditure by function, 2020/21-2022/23



Source: National Treasury

- Notable progress is envisaged on curbing wasteful expenditure and achieving efficiencies in government expenditure. “The expenditure ceiling – which excludes support to Eskom – is revised down for this year and the next two years, relative to the 2019 Budget.”

- “The consolidated deficit, which includes national and provincial government, public entities and social security funds, is projected to narrow from 6.5 per cent of GDP in 2020/21 to 5.9 per cent of GDP in 2022/23.” Consolidated government spending is expected to total R6.3 trillion over the medium term expenditure framework (MTEF) period”.

- It is seen as “growing from R1.8 trillion in 2019/20 to R2.2 trillion in 2022/23 at an average annual growth rate of 6.3 per cent. Since the 2019 Budget, upward revisions to main budget non-interest spending amount to R45 billion in 2020/21and R22 billion in 2021/22, mainly reflecting additional support for Eskom.”

- “Downward revisions amount to R21 billion in 2020/21 and R28.5 billion in 2021/22. In 2022/23, baselines are constrained to grow marginally below consumer price index (CPI) inflation. Learning and culture, social development and health receive the largest allocations, amounting to R3 trillion over the next three years.”

- “Without further fiscal measures, spending on debt-service costs is expected to outpace spending in areas such as health and community development by 2022/23.” No new information was given on the NHI, other than “(o)ver the medium term, this office will receive increasing allocations for …(the NHI’s) operational costs.”

- “Unsustainable fiscal finances harm South Africans by raising real spending on interest costs. Inefficient and ineffective spending harms South Africans by wasting limited public resources. Given South Africa’s progressive budgetary spending, the poor are most severely affected by these challenges.”

- “Where possible given budgetary constraints, government is shifting resources to areas that urgently need to strengthen capacity. Through reprioritisation, the National Prosecuting Authority receives an additional R1.3 billion, and the South African Revenue Service receives an additional R1 billion for the period 2019/20 to 2022/23.”

- “These funding shifts will bolster efforts to combat corruption and improve revenue collection. Over the coming year, as part of its effort to improve efficiency and reduce wasteful expenditure, government will: • Merge and consolidate entities and regulatory agencies, as well as consider salary controls at a wider range of public entities.”

- “• Dispose of unused land and other assets. • Initiate work to limit claims against the state, including through a review of medico-legal claims and accelerated implementation of the Road Accident Benefit Scheme. • Implement recommendations from expenditure reviews to identify cost savings and improve efficiency.”

- “• Manage the benefits received by political office bearers, through reforms to the Ministerial Handbook. • Review the existing procurement regulatory framework, through the Public Procurement Bill, to simplify procurement processes and governance. The bill will be gazetted for public comment once Cabinet grants approval to do so”.

Total national government debt, 2018/19 -2022/23					
End of period	2018/19	2019/20	2020/21	2021/22	2022/23
R billion	Outcome	Revised	Medium-term Estimates		
Domestic loans[1]	**2 497.1**	**2 849.2**	**3 229.0**	**3 624.1**	**4 026.3**
Short-term	324.6	370.6	407.6	457.6	515.6
Long-term	2 172.5	2 478.6	2 821.4	3 166.5	3 510.7
Fixed-rate	1 604.8	1 833.1	2 076.3	2 370.9	2 596.0
Inflation-linked	567.7	645.5	745.1	795.6	914.7
Foreign loans[1]	**291.3**	**318.4**	**361.8**	**411.6**	**451.4**
Gross loan debt	**2 788.4**	**3 167.6**	**3 590.8**	**4 035.7**	**4 477.7**
Less: National Revenue Fund bank balances	-243.1	-243.6	-232.7	-235.4	-234.7
Net loan debt[2]	**2 545.3**	**2 924.0**	**3 358.1**	**3 800.3**	**4 243.0**
As percentage of GDP:					
Gross loan debt	56.7%	60.8%	64.9%	68.5%	71.3%
Net loan debt	51.7%	56.1%	60.7%	64.5%	67.5%
					Source: National Treasury

1. Estimates include revaluations based on National Treasury's projections of inflation and exchange rates
2. Net loan debt is gross loan debt minus the bank balances of the National Revenue Fund

Expenditure ceiling[1]							
R bn/% ch	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21
2016 MTBPS	1 074 992	1 144 353	1 229 742	1 323 465	1 435 314		
2017 Budget Review	1 074 970	1 144 225	1 229 823	1 323 553	1 435 408		
2017 MTBPS		1 141 978	1 233 722	1 316 553	1 420 408	1 524 222	
2018 Budget Review			1 232 678	1 315 002	1 416 597	1 523 762	
2018 MTBPS			**1 225 455**	**1 314 865**	**1 416 597**	**1 523 762**	**1 630 026**
							Source: National Treasury

1) Non-interest spending financed from the National Revenue Fund excluding skills development levy, special appropriations in 2015/16 for Eskom and the New Development Bank, debt management and Gold and Foreign Exchange Contingency Reserve Account transactions and the International Oil Pollution Compensation Fund

- "Spending reductions amounting to R49.5 billion over the next two years have been identified, and noninterest expenditure growth is limited to CPI inflation in the outer year. Nevertheless, total spending increases in the current year and in 2020/21, mainly due to financial support for Eskom. The consolidated budget deficit averages 6.2 per cent of GDP over the next three years, while the debt-to- GDP ratio continues to rise."

- "The public finances have deteriorated since the 2019 Budget mainly due to lower growth and tax revenue, as well as increased support to state-owned companies. The consolidated deficit averages 6.2 per cent over the next three years, with debt projected to reach 71.3 per cent of GDP by 2022/23."

- "(F)ollowing several years of tax increases, revenue options are constrained. The tax-to-GDP ratio is close to its 2007/08 peak of 26.4 per cent. The 2019 Budget included R10 billion in tax increases for 2020/21. The tax policy measures to raise this amount will be announced in the 2020 Budget."

- "• Relative to the 2019 Budget, the MTBPS shows an increase in main budget non-interest spending of R23 billion in 2020/21 and a reduction of R8.2 billion in 2021/22. These net changes incorporate increased financial support to

Eskom, the reversal of anticipated savings on compensation and reductions in other spending.”

- “• To stabilise the debt-to-GDP ratio over the coming decade, large additional measures are needed. Government is proposing a fiscal target: a main budget primary balance, excluding financial support for Eskom, by 2022/23. This will require reductions to wage bill growth. Tax measures are also being considered.”

- “• Eskom remains the major risk to the economy and public finances. To ensure its continued operation, Eskom receives R49 billion in the current year, and an expected R112 billion over the medium-term expenditure framework (MTEF) period. Additional support may be required, depending on progress in cost savings and institutional reform.”

- “Relative to the 2019 Budget, main budget non-interest spending increases by R23 billion in 2020/21 and decreases by R8.2 billion in 2021/22. Spending additions include financial support for Eskom and the reversal of estimated savings from compensation measures and the reorganisation of government, which were announced in the 2019 Budget.”

- “In addition to the amounts allocated through the Special Appropriation Bill, R10 billion is provisionally allocated to Eskom in 2021/22. The main reductions made have been to goods and services and transfers, while wage growth is revised down marginally due to lower projected CPI inflation.”

- “Narrowing the deficit and improving the composition of spending requires reductions in the growth of the wage bill, which accounts for 35 per cent of the consolidated budget. Salaries for civil servants have grown by about 40 per cent in real terms over the past decade.”

- “Options to be considered include pegging cost-of-living adjustments at or below CPI inflation, halting automatic pay progression and reviewing occupation-specific dispensations for wages. Government has to discuss these matters with labour, and progress will be announced in the 2020 Budget.”

- “In 2018/19, government collected R57.3 billion less than projected in the 2018 Budget, and R14.5 billion less than set out in the 2019 Budget. This was the largest undercollection since 2009/10, following the global financial crisis. It was partly driven by large and unexpected once-off payments of VAT refunds in line with commitments in the 2018 MTBPS. The bulk of the 2018/19 shortfall resulted from weaker-than-expected economic growth in 2019.”

Consolidated government expenditure by functions[1], 2019/20 -2022/23						
	2018/19	2019/20	2020/21	2021/22	2022/23	Average annual growth
R billion	Outcome	Revised	Medium-term estimates			2019/20 – 2022/23
Learning and culture	**348.7**	**386.0**	**411.0**	**437.6**	**457.8**	**5.9%**
Basic education	246.1	262.8	279.5	300.1	315.7	6.3%
Post-school education and training	92.4	111.9	120.0	125.5	129.5	5.0%
Arts, culture, sport and recreation	10.2	11.4	11.5	12.0	12.7	3.8%
Health	**209.7**	**222.7**	**238.5**	**257.2**	**272.9**	**7.0%**
Peace and security	**198.2**	**214.3**	**224.9**	**233.5**	**243.8**	**4.4%**
Defence and state security	47.8	50.9	52.2	50.5	52.7	1.2%
Police services	97.0	104.8	111.3	117.9	123.6	5.7%
Law courts and prisons	44.9	48.7	52.1	55.2	57.7	5.8%
Home affairs	8.5	10.0	9.4	9.9	9.9	-0.3%
Community development	**187.7**	**200.2**	**213.3**	**230.2**	**245.1**	**7.0%**
Economic development	**192.3**	**205.8**	**217.5**	**235.5**	**251.1**	**6.9%**
Industrialisation and exports	32.5	36.8	39.1	44.0	46.2	7.9%
Agriculture and rural development	29.6	30.3	30.9	32.4	34.4	4.3%
Job creation and labour affairs	20.4	22.7	24.8	26.9	28.4	7.7%
Economic regulation and infrastructure	95.0	99.0	105.0	113.9	123.1	7.5%
Innovation, science and technology	14.9	17.0	17.7	18.3	19.0	3.9%
General public services	**64.4**	**67.0**	**71.3**	**75.5**	**77.5**	**5.0%**
Executive and legislative organs	13.9	16.0	16.5	17.2	18.1	4.2%
Public administration and fiscal affairs	42.6	43.4	46.8	50.1	50.8	5.4%
External affairs	7.9	7.6	8.0	8.2	8.6	4.2%
Social development	**254.1**	**277.1**	**295.6**	**312.9**	**331.3**	**6.1%**
Social protection	189.8	206.8	219.9	235.3	252.1	6.8%
Social security funds	64.3	70.3	75.6	77.5	79.3	4.1%
Payments for financial assets	**15.9**	**67.1**	**67.9**	**44.6**	**30.0**	–
Allocated by function	**1 471.0**	**1 640.3**	**1 740.0**	**1 827.0**	**1 909.8**	**5.2%**
Debt-service costs	181.8	203.7	232.8	264.6	299.1	13.7%
Contingency reserve	–	–	6.0	6.0	6.0	–
Consolidated expenditure	**1 652.8**	**1 844.1**	**1 978.7**	**2 097.5**	**2 214.9**	**6.3%**

Source: National Treasury

1) Consisting of national and provincial departments, social security funds and public entities

- The marked deterioration in the fiscal projections is a reflection of reality, but it is also a reflection of South Africa as a sub-investment grade country. While some rating drivers have improved such as a lower and less volatile inflation environment, and higher foreign exchange reserves, projected debt at 71% of GDP is not investment grade material.

- The unemployment rate has reached 29% this year, from 27% in 2018, 25% in 2014 and 23% at the end of 2008. The expanded unemployment rate (which includes both discouraged job seekers and those who are actively seeking a job) has risen to 41%, from 40% in 2018, 37% in 2014 and 29% at the end of 2008.

- This means SA’s current formal unemployment rate is now equal to that of the expanded definition of unemployment at the end of 2008, a material deterioration over the space of around ten years, as economic growth declined from an average of 5.5% during 2004 to 2007 (in 2008 and 2009 the global financial crisis and global recession struck).

- South Africa’s unemployment rate is rising in the weak economic environment, as sub 1% y/y GDP growth does not absorb all incoming labour market entrants. A persistent economic growth rate of 5.5% y/y reduces unemployment meaningfully in SA.

- 2009 to end 2017 instead saw a trend of slowing growth and higher government debt, as SA failed to recover from the global crises as other economies did, due largely to poor government policy decisions, poor performance out of key government institutions and SOEs, materially rising tax and regulatory burdens, and state capture and corruption.

- The legacy of the poor governance during the 2009 to 2017 period weakened economic growth in the remainder of this decade (2018 and 2019) due to the overhang of high government (and many SOE) debt levels that have been run up, as well as the high regulatory and tax burdens, quelling business and consumer confidence.

- We had expected a drop in SA’s outlook to negative from Moody’s, meaning SA has up to two years to repair its government finances to avoid a downgrade into the sub-investment grade category of Ba1 and below. However, the agency could downgrade SA outright on the basis of today’s extreme deterioration in projected fiscal metrics.

- Moody’s has warned that a downgrade can materialise if “policy ineffectiveness continues to undermine confidence, growth and social cohesion, with inevitable consequences for the government's balance sheet”, but that “(t)he recent change in political leadership appears to have halted the gradual erosion of the strength of South Africa's institutions.

- Moody’s also warned that if “the government's commitment to, or capacity to engineer, revived growth and debt stabilization … falter ”and if “SOE sector risks crystalli(se) … in a manner which raised the government debt burden and put it on a higher trajectory” that would be credit negative.

- It will be a close call whether the outlook drops from stable to negative on SA’s dual currency long-term sovereign debt Moody’s rating, or if an actual rating downgrade occurs. Moody’s has a scheduled country review of South Africa on 1st November.

Local Currency – Long term			
	S&P	Moody's	Fitch
Czech Republic	AA	Aa3	AA-
Chile	AA-	A1	A+
China	A+	A1	A+
Poland	A	A2	A-
Mexico	A-	A3	BBB
Peru	A-	A3	A-
Thailand	A-	Baa1	BBB+
Botswana	A-	A2	NR
Russia	BBB	Baa3	BBB
Colombia	BBB	Baa2	BBB
Hungary	BBB	Baa3	BBB
India	BBB-	Baa2	BBB-
Philippines	BBB+	Baa2	BBB
Croatia	BBB-	Ba2	BBB-
Bulgaria	BBB-	Baa2	BBB
Indonesia	BBB	Baa2	BBB
Romania	BBB-	Baa3	BBB-
South Africa	**BB+**	**Baa3**	**BB+**
Brazil	BB-	Ba2	BB-
Turkey	BB-	B1	BB+
Kenya	B+	B2	B+
Nigeria	B	B2	B+
Ghana	B	B3	B
Ethiopia	B	B1	B
Rwanda	B+	B2	B+
Uganda	B	B2	B+
Mozambique	B-	Caa2	CC
Zambia	CCC+	Caa2	CCC
Angola	B-	B3	B
Dem. Rep of Congo	CCC+	Caa1	NR
Namibia	NR	Ba1	BB

Source: Rating Agencies

Macro-economic forecasts, National Treasury vs. Investec	2019	2020	2021	2022
Final household consumption	1.3	1.3	1.5	1.7
Investec	1.4	2.3	2.3	2.8
Gross fixed capital formation	-0.8	0.8	1.3	1.8
Investec	0.1	3.8	3.2	4.0
Exports	-1.7	2.5	2.8	3.1
Investec	-0.8	4.5	4.9	5.1
Imports	1.1	1.9	2.6	3.0
Investec	2.0	5.2	5.6	5.1
Real GDP	**0.5**	**1.2**	**1.6**	**1.7**
Investec	**0.7**	**1.5**	**1.9**	**2.4**
CPI Inflation	4.3	4.9	4.8	4.8
Investec	4.2	4.9	5.2	5.2
Current account deficit (% GDF	-3.4	-3.5	-3.5	-3.5
Investec	-3.7	-3.7	-3.5	-3.3

Source: National Treasury, Investec