

Box 2 Recent credit ratings for long-term foreign currency-denominated debt in selected emerging-market economies

Fitch ratings agency downgraded South Africa's long-term foreign currency-denominated debt ratings in December 2015 from BBB to BBB- with a stable outlook, while Standard & Poor's (S&P) and Moody's lowered their ratings outlook to negative. The downgrade by Fitch could be attributed to, among other factors, South Africa's disappointing growth performance alongside a deterioration in the country's growth potential, further delays in new electricity generation capacity which could constrain growth for another two years, and the sustained deficit on the current account of the balance of payments notwithstanding weak domestic demand and the sharp depreciation in the exchange rate of the rand.

Sovereign credit ratings of South Africa's long-term foreign currency-denominated debt

		Moody's	Standard & Poor's	Fitch
Lower risk ↑	Investment grade	Aaa	AAA	AA
		Aa1	AA	AA+
		Aa2	AA	AA
		Aa3	AA-	AA-
		A1	A+	A
		A2	A	A
		A3	A-	A-
		Baa1	BBB+	BBB+
		Baa2	BBB	BBB
		Baa3	BBB-	BBB-
Higher risk ↓	Speculative grade	Ba1	BB+	BB+
		Ba2	BB	BB
		Ba3	BB-	BB-
		B1	B+	B+
		B2	B	B
		B3	B-	B-
		Caa1	CCC+	CCC+
		Caa2	CCC	CCC
		Caa3	CCC-	CCC-
		Ca	CC	CC
		C	C	C
			D	D

South Africa's current credit ratings are highlighted in blue

The downgrade by Fitch could affect the cost of foreign currency-denominated bonds issued by South Africa in the form of higher coupon rates demanded by foreign investors. The South African government's sovereign debt ratings are also used as benchmarks for other South African entities that need to venture into international financial market for funding.

Despite the recent downgrade by Fitch, all three major rating agencies still place South Africa's long-term debt securities in the investment grade category. Moody's rated South Africa two notches above speculative grade, while the other two agencies rated the country one notch above speculative grade. South Africa's government has consistently been rated as investment grade since the year 2000.

	S&P	Moody's	Fitch
Brazil	BB+	Ba2	BB+
Chile.....	AA-	Aa3	A+
China.....	AA-	Aa3	A+
India	BBB-	Baa3	BBB-
Indonesia.....	BB+	Baa3	BBB-
Mexico	BBB+	A3	BBB+
Poland.....	BBB+	A2	A-
Portugal.....	BB+	Ba1	BB+
Russia	BB+	Ba1	BBB-
South Africa.....	BBB-	Baa2	BBB-
South Korea	AA-	Aa2	AA-
Thailand.....	BBB+	Baa1	BBB+
Turkey	BB+	Baa3	BBB-
Uruguay.....	BBB	Baa2	BBB-

Source: countryeconomy.com

Following the downgrade by Fitch in December 2015, South Africa joined India, Russia, Turkey and Uruguay in the BBB- investment grade while it stood higher than Brazil and Portugal.