

Box 1 Macroeconomic indicators when second investment-grade credit rating was awarded to South Africa

Many institutional investors require at least two rating agencies' allocation of an investment-grade credit rating to a country's sovereign debt before considering that country's debt instruments for inclusion in the investor's asset portfolio.

South Africa received its second investment-grade rating in February 2000. At that time, Standard and Poor's raised the credit rating on foreign currency-denominated debt of the South African government to investment grade; prior to that, Moody's had already awarded an investment-grade rating to such debt instruments. The accompanying table briefly contrasts macroeconomic conditions during that period with current conditions.

As can be seen from the table, outcomes are mixed. Real economic growth in 1999 was weak in the wake of the Southeast Asian crisis; in 2015 it was even slower, exacerbated by drought and low international commodity prices. Inflation was higher in February 2000 than at present, and the policy interest rate setting of the Bank was notably tighter. The fiscal parameters 16 years ago were healthier than at present, although capital formation by the public sector was much lower. While the shortfall on the current account of the balance of payments was much smaller 16 years ago than at present, strong advances have been made in the area of international liquidity, with a more than six-fold increase in South Africa's gross reserves and a turnaround from a negative international liquidity position to a strong positive one.

Key macroeconomic indicators, February 2000 and June 2016

| | Feb 2000 | Jun 2016 |
|---|-------------|-------------|
| Real economic growth rate (per cent)..... | 2,4 (1999) | 1,3 (2015) |
| Targeted inflation rate (per cent) | 7,2 (Feb) | 6,2 (Apr) |
| Central bank repurchase rate (per cent)..... | 11,75 (Feb) | 7,0 (Jun) |
| National government fiscal balance (percentage of GDP) | -2,7 (1999) | -4,5 (2015) |
| National government gross debt (percentage of GDP)..... | 46,8 (1999) | 46,6 (2015) |
| Public-sector gross fixed capital formation (percentage of GDP) | 4,8 (1999) | 7,6 (2015) |
| Overall gross fixed capital formation (percentage of GDP) | 16,1 (1999) | 20,6 (2015) |
| External current-account balance (percentage of GDP) | -0,5 (1999) | -4,3 (2015) |
| Gross gold and foreign-exchange reserves (US\$ billions)..... | 7,4 (Feb) | 47,0 (Apr) |
| International liquidity position of SARB* (US\$ billions) | -11,1 (Feb) | 41,2 (Apr) |

* South African Reserve Bank