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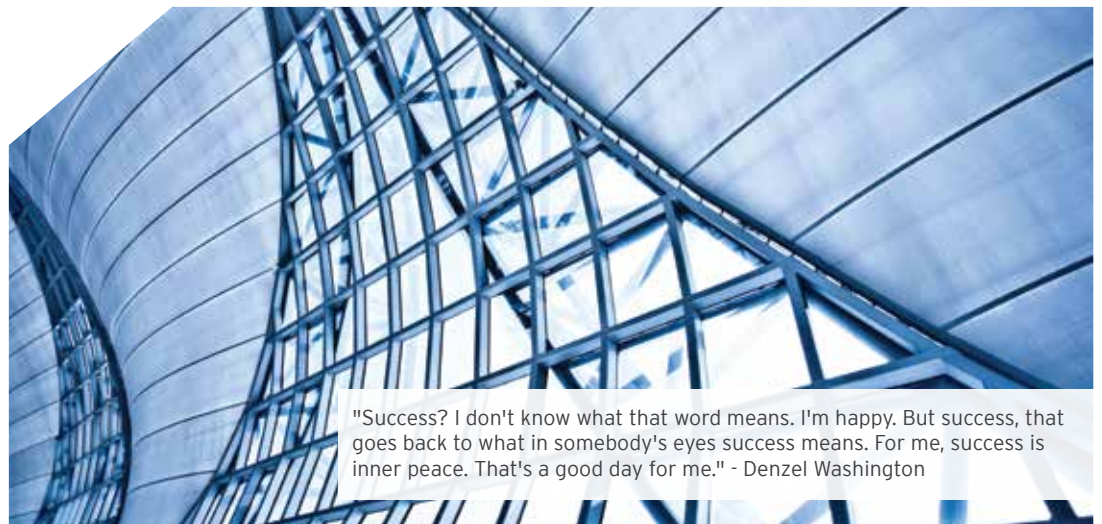
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## ECONOMIC COMMENTARY - By Francois Stofberg

Have we done enough, is still the question being asked concerning South Africa's sovereign credit rating? On Friday 25 November Moody's will decide on South Africa's credit rating. S&P will decide on our rating on the 2 December. I have in the past explained that S&P's decision is the more important one. Currently S&P have SA's foreign currency rating one notch above investment grade. Moody's has us at two notches above investment grade.

Consensus seems to be growing that we will avoid a downgrade in 2016, but that we will "definitely" see one in 2017. This is because of SA's persistently weak economic performance and lack of prudent fiscal management. A lack of prudent fiscal management means that our government continues to spend money they don't have on things they shouldn't. The result being a large budget deficit and record high debt levels. Unfortunately, because we've continued down this ineffective rabbit hole the interest we pay on our record high debt is now the fastest growing expenditure item in the finance minister's budget. This implies that we are increasingly spending more on servicing our high debt levels, and have less money to spend on policies that can actually turn the economy around.

Instead of spending money and time on economic upliftment, our government continues to spend more time on inefficient social upliftment (grants that alleviate abject poverty are good, using government and SOE's as job-creating entities, not so good). Economic upliftment includes: labour reforms, substantial spending on infrastructure, and effective spending on a world class education system (educational reforms). The result is that SA's economy will likely continue to grow sideways at these low levels of economic growth, unemployment will remain high, social tension will continue to boil over, and the Rand will remain fundamentally weak.