

Agri SA

Media Release

Private Bag X180 Centurion 0046, Tel +27 (0)12 643 3400, Fax +27 (0)12 663 3178

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Downgrading will also have regional impact

Downgrading will also have regional impact, says Agri SA. "The full impact of the South African credit ratings downgrades is still uncertain but it will be short-sighted not to expect that it will have an impact on our region and that it will most certainly also be felt by our neighbours especially in the Southern African Development Community (SADC)", says Johannes Möller, president of Agri SA. He said that South Africa was in the past often viewed as the gateway to Africa in terms of investment and logistics, whilst also being a major trading partner for many of these countries.

"On the investment front, the country's downgrading and also those of major local banks will most certainly not be conducive towards obtaining international funds for on lending into Africa nor can expansion of the banks into Africa be expected", says Möller. "Local interest rates also seem likely to increase which will aggravate this situation", he added.

He said that if the economy is to move into a recession, which seems likely, it will lead to a reduced demand for imports in general and equally so for our neighbours. "Livestock imports is a case in point as it is general knowledge that meat consumption is directly correlated to economic performance in South Africa; if we were to move into a recession the impact on our neighbours, some of them being heavily reliant on South Africa for these kinds of exports, is obvious. In the customs union (SACU) reduced imports will also impact negatively on the customs pool - a major source of income for the BLNS countries. A depreciated Rand is also, despite its normal quality of supporting exports, not going to save the day for the region".

Möller says that infrastructure in our country is for the most part of it in a dilapidated state likewise that needed for proper interconnection in our region. Our fiscal space to deal with these matters will, as a result of the downgrades, become further cramped not only because of the general impact on the economy but also as a result of higher interest rates crowding out funds availability for capital expenditure by government."

"It is clear that the full impact of the downgrades will also be felt outside of our own borders. Not only is the current situation deserved of focused attention by the social partners inside South Africa but members of especially SADC should also, in their own interest, contemplate joint solutions to deal with this situation", Möller said. "We trust that the government and specifically also president Zuma will take the lead in devising plans to restore the dignity of our country also in the interest of the region."

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Enquiries

Mr Johannes Möller, President Agri SA, 082 647 8481