CHAMBER OF MINES
of South Africa

CREDIT RATINGS DOWNGRADE

DEVASTATING FOR OUR FUTURE

WHAT DO RATINGS AGENCIES DO?

A ratings agency advises banks on whether or not it is safe to lend money.

When a ratings agency believes that a country cannot repay its current loans, it advises the banks that it is too risky to lend money.

Standard & Poor's has advised banks that South Africa is no longer safe to lend money to.

WHAT DOES IT MEAN WHEN A RATINGS AGENCY DOWNGRADES A COUNTRY'S CREDIT RATING?

It means that it will cost more for government to pay back the money it has already borrowed and it will cost even more to borrow more money.

There will be less money for government to spend on water, schools, clinics, roads, social grants, wages – everything that government needs to provide to the people.

WHAT THIS MEANS FOR THE ECONOMY?

The economy will slow down and may go into a recession

People from overseas will not want to invest in our country – so there will be less money available for companies to maintain and grow their businesses. This means companies may have to close or downsize - and many tens of thousands of jobs may be lost.

Very few, if any, new jobs will be created.

The price of anything coming from outside the country will increase.

HOW MUCH DEBT DOES SOUTH AFRICA HAVE?

Right now South Africa has **R2.2 trillion** in debt

This year we need to **borrow around R149 billion.**

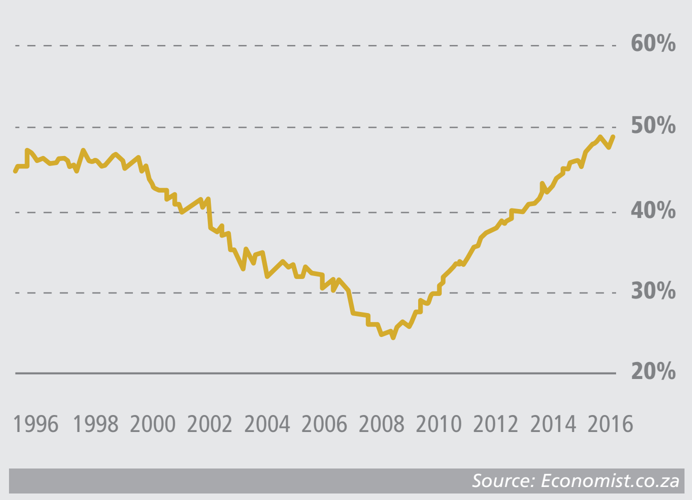
Before South Africa was downgraded, we had to pay **R147.7 billion** to the lenders for this year alone.

Now, we have to pay back **R156.8 billion** – an increase of more than **R10 billion.**

We are now **borrowing more money** than we are **paying back.**

The graph on the right shows us how much debt the country had over the past 20 years. Since 2009, South Africa has incurred more and more debt. At the moment, the country owes more money than in 1996.

Public debt as % of GDP



WHO WILL BE IMPACTED THE MOST?

Unfortunately, the poorest people will be impacted the most. This is because:

- Everything – food, clothes, electricity, data, transport – will cost more.
- There will be limited growth in jobs. In fact, some companies will have to close and people will lose their jobs.
- People who have jobs, will not earn higher salaries.
- There will be less money to pay social grants.

IN THE END, MORE PEOPLE **WILL LIVE IN POVERTY.**

HOW CAN WE FIX IT?

It is more important than ever before for our government to show that it can be trusted to grow the economy, provide jobs, pay back its debt and provide us as citizens with the services we need and pay for in taxes.

WHAT DOES IT MEAN FOR YOU?

Interest rates will increase. This means you will pay more to borrow money. If you have any kind of loan, the interest repayments will increase – whether it is a home or car loan, or money you borrowed from a loan shark.

If you have savings or investments, they will be worth less. So will your pension.

Your salary will buy you less than it did before. Food, electricity and petrol prices will increase, and so will things like cellphone calls, clothes, furniture and toys.

You may need more government support (grants, low fee schools, public hospitals), but there will be less money available for government to spend on these things.