

How SA's credit rating downgrade will affect SADC neighbours

According to Agri SA, the downgrading of South Africa's credit rating will also have a regional impact. Johannes Möller, president of Agri SA, says: "The full impact of the South African credit rating downgrade 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)."



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"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.

Reduced demand for imports

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, needed for proper interconnection in our region, is for the most part in a dilapidated state.

The full impact of the downgrades will also be felt outside our borders

"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 the 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 deserving 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.

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