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Research Update:

South Africa Ratings Lowered On Weakening Economic And Fiscal Trajectory; Outlook Stable

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Ratings:

Foreign Currency: BB/Stable/B

Local Currency: BB+/Stable/B

For further details see ratings list.

Overview

- Weak GDP growth has led to further deterioration of South Africa's public finances beyond our previous expectations.
- We think the government will attempt to introduce offsetting measures in an effort to improve budgetary outcomes, but these may not be strong enough to stabilize public finances, and may weaken economic growth further in the near term.
- We are therefore lowering our long-term foreign currency rating to 'BB' and our long-term local currency rating to 'BB+'.
- The outlook on both the foreign currency and local currency ratings is stable.

Rating Action

On Nov. 24, 2017, S&P Global Ratings lowered its long-term foreign currency sovereign credit rating on the Republic of South Africa to 'BB' from 'BB+' and affirmed the 'B' short-term foreign currency sovereign credit rating. The outlook is stable.

At the same time, the long-term local currency sovereign credit rating was lowered to 'BB+' from 'BBB-' and the short-term local currency sovereign credit rating was lowered to 'B' from 'A-3'. The outlook is stable.

We also lowered the long-term South Africa national scale rating to 'zaAA+' from 'zaAAA' and affirmed the short-term national scale rating at 'zaA-1+'.

The downgrade reflects our opinion of further deterioration of South Africa's economic outlook and its public finances. In our view, economic decisions in recent years have largely focused on the distribution--rather than the growth of--national income. As a consequence, South Africa's economy has stagnated and external competitiveness has eroded. We expect that offsetting fiscal measures will be proposed in the forthcoming 2018 budget in February next year, but these may be insufficient to stabilize public finances in the near term, contrary to our previous expectations.

Outlook

The stable outlook reflects our view that South Africa's credit metrics will remain broadly unchanged next year. It also speaks to our view that political instability could abate following the party congress of the governing African National Congress

(ANC) in December 2017, helping the government to focus on designing and implementing measures to improve economic growth and stabilize public finances.

Downside pressure on the ratings could develop if economic performance and fiscal outcomes deteriorate further from our forecasts. Further pressure on South Africa's standards of public governance, for example in our perception of a threat to the independence of the central bank, could also cause renewed downward pressure.

We could raise the ratings if economic growth or fiscal outcomes strengthen in a significant and sustained manner compared with our base case. Upside ratings pressure could also rise if risks of a marked deterioration in external funding sources were to subside, in our view, and external imbalances decline. Upward pressure on the ratings could also develop were policy makers to introduce economic reforms to benefit job creation, competitiveness, and economic growth.

Rationale

Our ratings on South Africa are constrained by the weak pace of economic growth--particularly on a per capita basis--alongside increasingly limited fiscal flexibility, with a high and rising stock of government debt. The ratings are supported by the country's monetary flexibility, which we view as a key credit strength, alongside an improving external position. The improvement in South Africa's external position largely reflects a depreciated rand, however, and import compression caused by soft economic growth; rather than enhanced competitiveness or a rising savings rate.

Institutional and Economic Profile: Political risks and continued economic underperformance constrain the ratings.

- A momentous political agenda has overshadowed policy making, despite the deteriorating economy and weakening public finances.
- South Africa's economic growth performance is among the weakest of emerging markets sovereigns, with less than zero per capita growth.
- Income inequality is among the highest in the world and has worsened since the turn of the century.

Excluding agriculture and mining, South Africa's services-dominated economy is barely growing. The private sector is investing less than the depreciation of the capital stock. On a per capita basis, consumption is declining. Despite close to 40% depreciation in the nominal effective exchange rate since September 2007, exports of manufacturing and other noncommodity sectors have been sluggish. This is the case even though the global economy is improving.

Compared with our last publication in June 2017, we now project lower real GDP growth of 0.7% in 2017 and 1.0% in 2018. Discouragingly, since 2015, South Africa's economy has not been creating jobs on a net basis. With the population increasing at an annual pace of around 1.6% per year, South Africa's rate of unemployment has increased to an estimated 28% as of the second quarter of 2017 from 25% three years ago. South Africa's real per capita GDP growth rate has continued to decline, averaging -0.7% over 2015-2018. We estimate that, this year, among the 20 major

emerging markets, only Qatar and Venezuela will show slower per capita growth (see: Sovereign Risk Indicators, published Oct. 13, 2017. A free interactive tool, updated quarterly, is available at spratings.com/sri). We estimate GDP per capita at US\$6,000 in 2017.

Other than an absence of investment, South Africa's high level of unemployment is a function of an inflexible labor market with rigid wage-setting mechanisms and high barriers to entry and exit. This mix, alongside an inadequate educational system, has contributed to the economy's stark inequalities and has dragged further on South Africa's external competitiveness and average incomes. In this sense, South Africa's growth and competitiveness problem has fiscal roots. For example, political considerations, through influence of labor unions, make it extremely difficult to reverse recurrent annual increases in spending on the public sector wage bill, crowding out other areas of spending, such as infrastructure.

According to the UN University's World Income Inequality Database, income inequality (measured by the Gini coefficient) in South Africa is the highest of all economies for which data is available. Indeed, we believe inequality is elevated enough to pose an impediment to fiscal consolidation. World Bank data suggests that inequality has risen further in South Africa since the turn of the century. This contrasts with traditionally unequal societies in Latin America (e.g. Brazil, Colombia, and Panama), where income distribution has improved during the same period. This is the case despite the progress made by South African authorities in eradicating extreme hunger and poverty over the last two decades. Shortfalls in basic services and infrastructure remain in some parts of the country.

With this in mind, the government's stated focus on income distribution is understandable. Even so, there is little evidence that the stated commitment to raising equality is supported by ambitious reforms to education and the labor market, or a recomposition of public spending away from public sector wage increases and toward social and educational programs.

South Africa's many economic and political challenges are being widely and freely discussed in the run-up to the ANC's December 2017 elective conference to choose a new party leader, who will then become the ANC's presidential candidate for the 2019 election. While a broad macroeconomic framework has been agreed at the party and government level, the new leadership could bring confidence and faster implementation of key reforms. Who that leader is and the pace of policy implementation he or she pursues could determine South Africa's future economic performance. In light of the structural and institutional challenges, any new leader will require time to revive South Africa's economic prospects, as well as strong backing from all of the electorate.

Flexibility and Performance Profile: Monetary flexibility remains a strength but the fiscal position is weakening

- South Africa's fiscal position has become unstable owing to weak economic growth. Offsetting measures may not be strong enough to stabilize public finances.
- We consider South Africa's monetary flexibility and the freely floating exchange rate to be credit strengths.

- South Africa's deep capital markets naturally limit foreign currency borrowing in the economy, and the financial sector is profitable and well capitalized, although reliant on concentrated short-term funding.

Weak economic growth and a concomitant decline in tax-rich imports have dragged on receipts of value-added tax (VAT) and customs duties, causing an unprecedented shortfall in South Africa's tax receipts in the 2017-2018 budget of an estimated South African rand (ZAR) 51 billion (US\$3.6 billion) or 1.1% of GDP.

Reflecting the shortfall, we have revised up our general government deficit projection to 4.4% of GDP for the fiscal year ending March 2018, while forecasting average general government deficits of close to 3.6% up until 2021. Our fiscal data revisions are based on our expectation that the government will introduce some offsetting measures into the upcoming 2018-2019 budget. Even so, alongside our lower GDP projections, we continue to think that the various consolidation measures that the Treasury could undertake next year, which will be a pre-election year, may not be able to fully restore public finances to a path that would stabilize debt to GDP next year. We estimate that the annual change in general government debt, which is a more reflective measure of the government's underlying fiscal stance, will average just below 5% of GDP per year over 2017-2020. As a consequence, we project that net general government debt to GDP will increase to around 53% net of liquid assets during the fiscal year ending March 2021. These forecasts remain highly uncertain for three main reasons:

- It is difficult ex ante to project the likelihood that the government will once again have to provide financial support to the state-owned enterprises sector, and in particular the public power company (Eskom), as moderate contingent liabilities from government-related entities materialize.
- Our estimates of additional measures to be introduced in next year's budget may prove too conservative. The effect those measures have on growth will also influence debt to GDP. If the measures are regressive and focused on indirect taxation, they could lower disposable income. The resulting demand effect could dampen any consolidation impact.
- The outlook for GDP growth remains even more challenging to project than before. Without a recovery in both real and nominal GDP growth, as well as imports, the buoyancy of VAT and other tax receipts may weaken further.

On the positive side, South Africa's central government debt is overwhelmingly denominated in rand, with only 10% in foreign currency (see: table 3 in "Sovereign Debt 2017: Global Borrowing To Drop By 4% To US\$6.8 Trillion," published Feb. 23, 2017). This shields public finances from exchange rate shocks. Nevertheless, over half of South Africa's central government debt is external, given that nonresidents hold close to 42% of the government's rand-denominated debt (as of Oct. 27, 2017), up from 37% a year ago. The high presence of international investors in South Africa's debt markets helps improve liquidity and all things being equal lowers the government's cost of funding. However, it also means that the central government's financing costs are vulnerable to foreign investor sentiment, exchange rate fluctuations, and rises in developed market interest rates.

We estimate overall public sector debt at 71% of GDP in 2017 (including central and local government, and debt of public sector companies). We think there are increased risks to central government finances from nonfinancial public enterprises with weak

balance sheets that require further extraordinary government support. The Treasury already needs to transfer additional appropriations of ZAR13.7 billion (0.2% of GDP) this year to enable South African Airways and the South African Post Office to meet debt redemptions. Over the next six months, we anticipate that appropriations may be required to shore up Eskom's very weak financial position. Eskom already benefits from government guarantees of nearly 8% of GDP. Failing that, we would expect the government to find other options to deleverage Eskom. Our understanding is that the government also intends to sell part of its 39% stake in Telkom to ensure that it does not breach this year's expenditure ceiling, due to the need to recapitalize South African Airways and South African Post Office.

We consider that South Africa's external position has improved this year. We still estimate current account deficits will average close to 3% of GDP over 2017-2020. The trade balance has been improving in 2017, following a small surplus in 2016, though this largely reflects weak economic growth and hence weak imports, alongside lower oil prices. Oil constitutes about 20% of South Africa's imports, and as oil prices gradually recover we could see the trade balance gradually weakening again. During the first quarter of 2017 (for which balance of payments data is available) the financing of South Africa's current account deficit came largely from the government's issuance of local and foreign currency debt to nonresidents. This inflow could reverse, in the event of a reversal of global sentiment, leaving South Africa vulnerable to higher financing costs. We believe that the risk of marked deterioration in external financing conditions persists.

South Africa's external debt net of liquid assets is low, below 50% of current account receipts while gross external financing needs are large, above 100% of current account receipts plus useable reserves. While South Africa's net external debt is low, the level of external debt is volatile and depends on nonresidents' preferences in the extent of buying local currency government debt, which we record as part of external debt. The large external financing needs also reflect the short-term external debt of the financial sector--predominantly trade finance facilities and deposits from multinational companies--at an estimated 7% of GDP. A weaker rand actually reduces the size of that liability as a percentage of GDP, and has improved South Africa's overall net international investment position (IIP) position, which moved from a net liability to a net external asset position in 2015. Operating a net asset position on a sovereign's IIP, however, does not guard against large-scale capital outflows--particularly from South Africa's deep equity and government bond markets. Nevertheless, we consider the depth of local capital markets and the flexible exchange rate regime to be key rating strengths for the republic.

The South African Reserve Bank (SARB; the central bank) targets inflation between 3% and 6%. It does not have exchange-rate targets and does not defend any particular exchange-rate level. The SARB is operationally independent, in our opinion, with transparent and credible policies. The repurchase rate is the bank's most important monetary policy instrument.

During the second half of 2017, the rand depreciated against most major currencies, unwinding the appreciation that took place in the first half of the year and pushing headline inflation back above 5% as of September. We expect that low demand

pressures, still high policy rates, and disinflationary base effects on the food sector will enable inflation to remain below 6% this year and hover within the target range over our three-year forecast horizon. We think the financial sector is profitable and well capitalized. However, banks continue to rely on concentrated short- to medium-term wholesale funding from nonbank financial institutions since retail savings are low and contractual savings tend to be dominated by professional money managers (see: "Banking Industry Country Risk Assessment: South Africa," July 19, 2017).

Key Statistics

Table 1

Republic of South Africa Selected Indicators										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ECONOMIC INDICATORS (%)										
Nominal GDP (bil. ZAR)	3,024	3,254	3,540	3,808	4,050	4,346	4,596	4,897	5,289	5,725
Nominal GDP (bil. \$)	416	396	367	351	317	295	340	333	353	372
GDP per capita (\$000s)	8.1	7.6	6.9	6.5	5.8	5.3	6.0	5.8	6.0	6.3
Real GDP growth	3.3	2.2	2.5	1.7	1.3	0.3	0.7	1.0	1.7	1.9
Real GDP per capita growth	1.8	0.7	1.0	0.2	(0.3)	(1.3)	(0.9)	(0.6)	0.1	0.3
Real investment growth	5.5	2.6	7.2	1.7	2.3	(3.9)	(0.7)	0.6	2.8	3.0
Investment/GDP	19.8	20.2	21.2	21.1	21.1	19.9	18.9	19.0	19.0	18.8
Savings/GDP	17.5	15.1	15.4	15.8	16.7	16.7	16.6	15.9	15.9	15.6
Exports/GDP	30.5	29.7	30.9	31.2	30.4	30.3	30.0	30.6	30.8	31.3
Real exports growth	3.5	0.8	3.6	3.2	3.9	(0.1)	2.0	3.0	3.3	3.7
Unemployment rate	24.7	24.9	24.7	25.1	25.4	26.7	27.8	27.9	27.8	27.5
EXTERNAL INDICATORS (%)										
Current account balance/GDP	(2.2)	(5.1)	(5.9)	(5.3)	(4.4)	(3.3)	(2.3)	(3.1)	(3.1)	(3.2)
Current account balance/CARs	(7.0)	(16.4)	(18.0)	(15.9)	(13.4)	(10.1)	(7.4)	(9.5)	(9.5)	(9.7)
CARs/GDP	31.7	31.2	32.7	33.4	32.8	32.3	31.7	32.5	32.6	33.0
Trade balance/GDP	1.6	(1.1)	(2.1)	(1.7)	(0.9)	0.3	1.1	0.4	0.5	0.3
Net FDI/GDP	1.1	0.4	0.5	(0.5)	(1.3)	(0.4)	(1.2)	(0.4)	(0.4)	(0.4)
Net portfolio equity inflow/GDP	(1.3)	0.1	1.3	2.9	3.1	3.1	(0.6)	1.0	1.0	1.0
Gross external financing needs/CARs plus usable reserves	100.7	104.5	109.6	107.5	110.4	106.2	103.7	106.1	106.1	106.1
Narrow net external debt/CARs	3.7	21.5	19.0	26.6	21.9	44.7	41.7	43.6	40.4	39.5
Net external liabilities/CARs	31.2	42.7	11.1	20.3	(40.4)	(19.2)	(19.5)	(15.6)	(13.3)	(8.3)
Short-term external debt by remaining maturity/CARs	27.1	29.4	37.9	37.2	49.1	47.2	41.8	42.7	40.0	37.3
Usable reserves/CAPs (months)	3.7	4.1	4.3	4.4	5.0	5.2	4.9	4.8	4.5	4.2
Usable reserves (mil. \$)	48,923	50,688	49,696	49,094	45,891	47,187	46,888	47,055	47,231	47,417
FISCAL INDICATORS (% , General government)										
Balance/GDP	(3.7)	(4.2)	(3.8)	(3.5)	(3.5)	(3.4)	(4.4)	(3.6)	(3.6)	(3.5)

Table 1

Republic of South Africa Selected Indicators (cont.)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Change in debt/GDP	6.5	5.5	6.2	5.6	5.4	4.9	6.0	4.7	4.6	4.5
Primary balance/GDP	(1.1)	(1.5)	(1.0)	(0.5)	(0.3)	0	(0.8)	0.1	0.2	0.4
Revenues/GDP	27.9	27.9	28.5	28.9	30.2	29.9	29.7	30.3	30.4	30.1
Expenditures/GDP	31.5	32.1	32.3	32.4	33.7	33.3	34.0	33.9	33.9	33.6
Interest/revenues	9.1	9.7	10.0	10.4	10.5	11.3	12.0	12.4	12.7	13.0
Debt/GDP	39.3	42.0	44.8	47.2	49.9	51.4	54.6	56.0	56.4	56.6
Debt/revenues	141.0	150.5	157.2	163.7	165.2	172.0	183.9	185.0	185.9	188.1
Net debt/GDP	32.7	36.3	39.6	42.3	45.5	46.6	49.7	51.3	52.1	52.6
Liquid assets/GDP	6.6	5.7	5.2	5.0	4.4	4.8	4.8	4.7	4.3	4.0
MONETARY INDICATORS (%)										
CPI growth	5.0	5.7	5.7	6.2	4.5	6.3	5.3	5.2	5.4	5.4
GDP deflator growth	6.5	5.3	6.1	5.8	5.0	7.0	5.0	5.5	6.2	6.2
Exchange rate, year-end (ZAR/\$)	8.14	8.50	10.49	11.58	15.55	13.68	14.60	14.80	15.20	15.60
Banks' claims on resident non-gov't sector growth	5.6	10.6	6.0	9.0	11.0	4.5	5.6	6.0	7.0	7.0
Banks' claims on resident non-gov't sector/GDP	75.6	77.7	75.7	76.7	80.0	77.9	77.8	77.4	76.7	75.8
Foreign currency share of claims by banks on residents	N/A									
Foreign currency share of residents' bank deposits	2.8	3.5	3.9	4.6	5.9	5.1	4.9	4.6	4.3	4.4
Real effective exchange rate growth	(2.1)	(5.4)	(10.5)	(6.3)	(0.6)	(7.3)	N/A	N/A	N/A	N/A

Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid assets held by nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. ZAR--South African rand. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. N/A--Not applicable. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Republic of South Africa Ratings Score Snapshot

Key rating factors

Institutional assessment	Neutral
Economic assessment	Weakness
External assessment	Neutral
Fiscal assessment: flexibility and performance	Weakness
Fiscal assessment: debt burden	Weakness
Monetary assessment	Strength

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). Section V.B of S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 23, 2014, summarizes how the various factors are combined to derive the sovereign foreign currency rating, while section V.C details how the scores are derived. The ratings score snapshot summarizes whether we consider that the individual rating factors listed in our methodology constitute a strength or a weakness to the sovereign credit profile, or whether we consider them to be neutral. The concepts of "strength", "neutral", or "weakness" are absolute, rather than in relation to sovereigns in a given rating category. Therefore, highly rated sovereigns will typically display more strengths, and lower rated sovereigns more weaknesses. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in assessment of the aforementioned factors does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the assessments.

Related Criteria And Research

Related Criteria

- Criteria - Governments - Sovereigns: Sovereign Rating Methodology - December 23, 2014
- General Criteria: National And Regional Scale Credit Ratings - September 22, 2014
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments - May 18, 2009
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables - August 14, 2017
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017

Related Research

- Sovereign Ratings History - November 06, 2017
- Sovereign Risk Indicators - October 13, 2017. A free interactive tool, updated quarterly, is available at spratings.com/sri
- South Africa Ratings Affirmed; Outlook Remains Negative - June 02, 2017
- Credit Trends: 2016 Sovereign Ratings Update: Outlook And CreditWatch Resolutions - April 18, 2017
- Global Sovereign Rating Trends Third-Quarter 2017 - October 06, 2017
- 2016 Annual Sovereign Default Study And Rating Transitions - April 03, 2017
- Sovereign Debt 2017: Global Borrowing To Drop By 4% To US\$6.8 Trillion - February 23, 2017
- S&P Global Ratings Raises Its Oil And Natural Gas Prices Assumptions For 2017 - December 14, 2016

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee agreed that all key rating factors were unchanged.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

	Rating	
	To	From
South Africa (Republic of)		
Sovereign Credit Rating		
Foreign Currency	BB/Stable/B	BB+/Negative/B
Local Currency	BB+/Stable/B	BBB-/Negative/A-3
South Africa National Scale	zaAA+/-/-/zaA-1+	zaAAA/-/-/zaA-1+
Transfer & Convertibility Assessment	BBB-	BBB
Senior Unsecured		
Foreign Currency	BB	BB+
Local Currency [#1]	BB+	BBB-
Local Currency	BB+	BBB-
Local Currency	BB+	BBB-
South Africa National Scale	zaAA+	zaAAA
Short-Term Debt		

Ratings List Continued...

Foreign Currency B B

Republic of South Africa Sukuk No. 1 Trust

Senior Unsecured

Foreign Currency BB BB+

[#1] Issuer: Development Bank of Southern Africa Ltd., Guarantor: South Africa (Republic of)

Regulatory Disclosures

- Primary Credit Analyst: Gardner Rusike, Associate Director
- Rating Committee Chairperson: Moritz Kraemer
- Date initial rating assigned: Oct. 3, 1994
- Date of previous review: June 2, 2017

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Glossary

- Consumer price index (CPI): Index of prices of a representative set of consumer goods regularly bought by a typical household.
- Current account balance: Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
- Current account receipts (CAR): Proceeds from exports of goods and services plus factor income earned by residents from nonresidents plus official and private transfers to residents from nonresidents.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Debt burden assessment: Reflects a sovereign's prospective debt level, as indicated by the general government debt relative to GDP (including assessment of

contingent liabilities), the interest cost of the debt relative to general government revenue, and debt structure and funding access.

- Depository corporation claims: Claims from resident depository corporations (excluding those of the central bank) on the resident nongovernment sector.
- Economic assessment: Based on the analysis of economic structure and growth prospects. Reflects income levels (GDP per capita), economic growth prospects, and economic diversity and volatility.
- External assessment: Based on the analysis of external liquidity and international investment position as well as the status of a sovereign's currency in international transactions. Reflects a country's ability to obtain funds from abroad necessary to meet its public- and private-sector obligations to nonresidents.
- Fiscal performance and flexibility assessment: Reflects the sustainability of sovereign's fiscal deficits. Based on the prospective change in general government debt, calculated as a percentage of GDP, taking into account long-term trends and a government's fiscal flexibility and vulnerabilities.
- Foreign direct investment (FDI): Direct investment by nonresidents.
- GDP per capita: GDP divided by population.
- General government: Aggregate of the national, regional, and local government sectors, including social security and other defined benefit public-sector pension systems, and excluding intergovernmental transactions.
- General government debt: Debt incurred by national, regional, and local governments and central bank debt.
- General government interest: Interest payments on general government debt.
- General government liquid financial assets: General government deposits in financial institutions (unless the deposits are a source of support to the recipient institution), widely traded securities, plus minority arms-length holdings of incorporated enterprises that are widely traded plus balances of defined-benefit government-run pension plans or social security funds (or stabilization or other freely available funds) that are held in bank deposits, widely traded securities, or other liquid forms.
- Gross domestic product (GDP): Total market value of goods and services produced by resident factors of production.
- Gross external financing needs: Current account payments plus short-term external debt at the end of the prior year, including nonresident deposits at the end of the prior year plus long-term external debt maturing within the year.
- Institutional assessment: An analysis of how a government's institutions and policymaking affect a sovereign's credit fundamentals by delivering sustainable public finances, promoting balanced economic growth, and responding to economic or political shocks. Reflects the effectiveness, stability, and predictability of the sovereign's policymaking and political institutions; transparency and accountability of institutions, data, and processes; the sovereign's debt payment culture; and security risks.
- Monetary base: Local currency in circulation plus the monetary authority's local currency liabilities to other depository corporations.
- Monetary assessment: The extent to which a sovereign's monetary authority can fulfil its mandate while supporting sustainable economic growth and attenuating major economic or financial shocks. Based on the analysis of the sovereign's ability to coordinate monetary policy with fiscal and other economic policies to support sustainable economic growth; the credibility of monetary policy, and the effectiveness of market-oriented monetary mechanisms.
- Narrow net external debt: Stock of foreign and local currency public- and private-

sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial sector loans to, deposits with, or investments in nonresident entities.

- Net general government debt: General government debt minus general government liquid financial assets.
- Net external liabilities: Total public- and private-sector liabilities to nonresidents minus total external assets.
- Official reserves: Monetary authority liquid claims in foreign currency (including gold) on nonresidents.
- Real GDP per capita: Constant-price per capita GDP.
- Terms of trade: Price of goods exports relative to price of goods imports.
- Usable reserves: Official reserves minus items not readily available for foreign exchange operations and repayment of external debt.

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