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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

**THE NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY**

QUESTION NO. 1527

Mr M J Cuthbert (DA) to ask the Minister of Trade, Industry and Competition:

- (1) What are the details of the events that led to Moody's downgrading, from Ba1 to Ba 2, of the credit rating of the Industrial Development Corporation (IDC);
- (2) What are the details of the action steps that his department intends to implement to restore the IDC's credit rating by Moody's to Ba1;
- (3) What are the implications of the credit rating downgrade for COVID-19 relief funding which according to his department is to be disbursed by the IDC?
[NW1898E]

REPLY

The Moody's downgrade of the Industrial Development Corporation (IDC) to Ba2 from Ba1 appear to be based principally on concerns about the preparedness of Government to support public entities, and the timeliness of any decision to offer such support. This follows challenges with timely provision of funding for the Land and Agricultural Development Bank to make payments of maturing credit facilities and payments relating to SAA.

Moody's recognised that the IDC "is still one of the stronger credits in the country, primarily reflecting the company's high capital buffers." Moody's further highlighted that the "IDC has strong capitalisation, with an equity-to-total assets ratio of 66% as of March 2019, which provides significant buffers to absorb unexpected losses and grow the business further."

Moody's assessment of the assumption of government support has been reduced from high to strong, and as a result the rating for the IDC to be downgraded. A

similar rerating of the Development Bank of Southern Africa has been effected, for similar reasons.

As the principal factors relate to Moody's assumptions on the sovereign, the IDC Board and Management will reinforce the point about the IDC's capital buffers in engagement with Moody's.

The IDC's commitment to the COVID-19 relief funding remains i.e. the COVID-19 relief funding has not been affected by the credit downgrade because IDC is managing prudently within its Liquidity Framework. The IDC continues to receive funding applications in this regard and perform the necessary credit assessments.

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