

Wednesday 16<sup>th</sup> September 2015 – 10:30 am

International

Prepared by: Trevis Gangaya, Analyst I (Research and Analytics)

[Trevis.Gangaya@firstcitizenstt.com](mailto:Trevis.Gangaya@firstcitizenstt.com)

## Japan downgraded by S&P to A+

- On 16<sup>th</sup> September 2015, Standard & Poor's Ratings Services lowered Japan's foreign and local currency long term credit rating to **A+** from **AA-**. The rating agency maintained its credit outlook on the rating at *stable*
- According to the ratings agency, the downgrade was driven by:
  1. The diminished likelihood of an economic recovery in Japan that is strong enough to restore economic support for sovereign creditworthiness
  2. A sharp depreciation in the exchange rate between the yen and the U.S. dollar which also reflects weak average economic growth
  3. Ineffectiveness of the government's economic revival strategy that may be unable to reverse the deterioration over the next 2-3 years
- S&P's noted that despite the downgrade, Japan's external position remains strong, the economy continues to be diversified, the political environment is stable and the financial system is strong, against the backdrop of a weak fiscal position.
- Japan is rated **Aaa** with a *stable* rating outlook by Moody's while it has an **A** credit rating and a *stable* rating outlook from Fitch Ratings.

<b>Selected Indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015f</b>	<b>2016f</b>
Real GDP growth (%)	2.1	(0.9)	1.2	1.6
General government balance/GDP (%)	6.9	6.1	5.8	5.5
General government debt/GDP (%)	242.9	245.2	242.4	241.7
Net general government debt/GDP (%)	122.4	126.6	127.9	130.2
General government interest expenditure/revenues (%)	55.7	54.6	54.4	54.4
CPI growth (%)	0.3	2.8	0.8	0.5
Current account balance/CARs (%)	3.1	2.2	9.6	9.5

**Source: Standard and Poor's**

#### **Disclaimers**

*All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.*