national treasury
Department:
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REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Fitch Ratings affirms South Africa's ratings, maintains negative outlook

Government notes Fitch Ratings (Fitch) decision to affirm South Africa's long-term foreign and local currency Issuer Default Ratings at 'BBB' and 'BBB+' respectively. The rating agency also affirmed the negative outlook.

Fitch said key drivers for the ratings decision included weak economic growth potential on the back of electricity supply constraints and external financing vulnerabilities. The country's deep local markets enhance fiscal financing flexibility, the ratings agency said. It added that the structure of government debt, 91 percent of which is denominated in local currency, limited exchange rate and refinancing risks.

The ratings agency said an improvement in the growth outlook and reduction in the current account and budget deficits would assist in stabilising the rating.

The issues raised by Fitch are getting government's attention at the highest level. Government recognises that the country's economic growth performance needs to be higher in order to address the country's challenges. Resolving the energy challenge is a priority. The implementation of Government's package to support Eskom is progressing and plans to allocate R23 billion into the company and convert a R60 billion loan into equity are firmly on track, as announced earlier this week.

The implementation of priority reforms of the National Development Plan remains a key objective of government. Growth enhancing initiatives and programmes, targeting key sectors of the economy such as the energy sector are being implemented to support the country's economic competitiveness.

With regards to the fiscal position, government will broadly stick to its expenditure ceiling budget deficit plans set out in the February 2015 budget.

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