



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Fitch Ratings affirms South Africa's rating, keeps outlook stable

Government notes and welcomes Fitch Ratings' decision to affirm South Africa's long-term foreign and local currency debt at 'BBB-' and 'BBB' respectively, following the downgrade announced in December 2015. The foreign currency bond rating remains one notch above sub-investment grade whereas the domestic currency bond rating remains two notches above sub-investment grade.

According to Fitch, affirming the 'BBB-' rating with a stable outlook reflects low GDP growth trends, significant fiscal and external deficits and debt levels balanced by strong policy institutions, deep local capital markets and a favourable government debt structure.

The decision affords South Africa a narrow window to demonstrate further concrete implementation of reforms that are already underway aimed at turning around the growth path and place public finances on a more sustainable path.

Once again, this rating outcome demonstrates that during difficult times, South Africa – government, labour, business and civil society – can work together to achieve a common goal. Government is grateful to all social partners for their efforts towards achieving this positive outcome and urges everyone to continue this close working relationship over the challenging period ahead.

Fitch has highlighted a couple of risks that could lead to the rating being lowered. Government is mindful of these and fully aware that the next several months are critical. We are stepping up the implementation of the 9-point plan and other measures to boost the economy. Efforts are redoubling our efforts aimed at:

- i) Restoring confidence and boosting investment amongst local and international investors;
- ii) Unblocking obstacles to faster employment growth in key sectors; and
- iii) Undertaking fiscal, State-Owned Company (SOC) and regulatory reforms.

President Jacob Zuma meeting with the Minister of Finance and senior government officials this week was an expression of the government's commitment to accelerate implementation of growth-inducing measures and strengthen cohesion in government.

Fitch's decision is testament to the fact that despite the structural constraints we face, South Africa remains an attractive investment destination relative to its peers. We are a country that has very liquid financial markets and a well-capitalised banking sector, complementary monetary, fiscal and exchange rate policies, massive natural resource base, as well as strong and transparent macro institutions. South Africa continues to play an important role in supporting development in the African continent. These are some of the factors that have enabled the South African economy to demonstrate much greater resilience in the face of exceptionally difficult global and domestic economic conditions.

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