MEDIA STATEMENT

S&P Global Ratings (S&P) affirms South Africa's foreign currency debt rating, but lowers local currency debt rating

We welcome S&P's decision to affirm the long term foreign currency debt rating at 'BBB-' (negative outlook), an investment grade rating. This was as a result of working together as South Africans to ensure that the country remains an investment grade. Rising risks have, however, resulted in the agency's decision to lower the long term local currency debt rating from 'BBB+' to 'BBB', a rating that is still two notched above sub-investment grade.

The latest announcement by the S&P means that all three rating agencies (including Moody's and Fitch) have retained South Africa in an investment grade.

South Africa presents a lot of opportunities and strengths which have been highlighted by the agency:

- *The country has a large and active local currency fixed-income market;*
- *Government continues its track record of fiscal consolidation despite rising uncertainty;*
- *South Africa has a strong democracy with independent media and reporting;*
- *The country has high institutional strength particularly regarding the judiciary which provides checks and balances and accountability;*
- *The South Africa Reserve Bank has ensured independent monetary policy; and*
- *The country's banking sector's performance has remained reasonably strong.*

According to S&P, the ratings are supported by their assumption that South Africa will experience continued broad political and institutional stability as well as macroeconomic policy continuity. The agency also takes into account the view that the country will maintain fairly strong and transparent political institutions and deep financial markets.

While we have strengths as a country, we also have weaknesses that we are and will continue to address as government to achieve our common goal of reducing inequality, poverty and unemployment. Highlighted by S&P, some of these weaknesses are as follows:

- *South Africa largely depends on resident and nonresident purchases of rand-denominated currency debt to finance the fiscal and external deficit.*
- *Growth continues to be a weakness and the agency thinks that this has been exacerbated by rising political noise that has distracted from growth-enhancing reforms.*
- *According to S&P, the negative outlook reflects the potentially adverse consequences of persistently low GDP growth for the public sector balance sheet.*
- *South Africa continues to have a structurally high current account deficit that relies on volatile flows for financing.*
- *S&P stated that the country's longstanding skills shortage, adverse terms of trade, and the private sector's preference to delay investment are adding to poor growth.*

Jointly with business, labour and the civil society, government remains committed in improving investor and consumer confidence through fast-tracking the implementation of the structural reforms on growth. Government policy continues despite rising political noise.

Today's outcome demonstrates that South Africans working together can achieve remarkable outcomes. Government would like to thank all the stakeholders whose efforts ensured such a positive result. The work remains, but together, we will continue to work hard to build a foundation for faster growth.

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