



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **MEDIA STATEMENT**

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### **Fitch Downgrades South Africa's local and foreign currency debt to 'BB+'; Outlook Stable**

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Fitch Ratings (Fitch) has downgraded government's long-term foreign and local currency debt to 'BB+' from 'BBB-' with a stable outlook, a non-investment grade rating.

The announcement by Fitch is noted by government and while it is a setback, government remains committed to making sure that its work with business, labour and the civil society continues in order to improve the business confidence and implement structural reforms to accelerate inclusive economic growth.

This downgrade reflects Fitch's view that recent political events, including a major cabinet reshuffle, will weaken standards of governance and public finances. In the agency's view, the cabinet reshuffle is likely to result in a change in the direction of economic policy, to undermine progress in state-owned companies' governance, raising the risk that the contingent liabilities associated with these entities are realised and increase the prospect of a substantial increased issuance of guarantees in respect of a nuclear build programme.

The government would like to reaffirm its full commitment to the policy stance contained in the President State of the Nation Address and the Budget 2017. Government remains committed to:

- The fiscal policy trajectory outlined in Budget 2017.
- Implementing reforms to improve governance in state-owned companies.
- Maintaining the expenditure ceiling and ensuring the stabilization of government debt.
- Ensuring that Nuclear procurement will be transparent and implemented at a scale and pace that the country can afford.
- Fast-tracking the implementation of structural reforms aimed at boosting economic growth as contained in the 9-point plan.

To this end, and as acknowledged by Fitch economic growth is expected to be higher this year than in 2016 then rising further over the medium-term.

We urge all South Africans to remain positive and continue to work hard in turning this economy around. This country has tremendous potential, by working together we can make South Africa an increasingly attractive investment destination.

**Issued on behalf of National Treasury**

**Date: 7 April 2017**