national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Fitch Ratings (Fitch) affirmed South Africa's long term foreign and local currency debt ratings, outlook remains stable

Fitch has affirmed South Africa's long term foreign and local currency debt ratings of 'BB+' with a stable outlook.

Fitch has cited that despite the country's credit strengths of deep local capital markets, favourable government debt structure and a track record of fairly prudent fiscal and monetary policy, South Africa's ratings continue to be weighed down by:

- *Low potential economic growth;*
- *Sizable contingent liabilities; and*
- *Deteriorating governance of state-owned companies (SOCs).*

According to the rating agency, "*the March 2017 Cabinet reshuffle that triggered the downgrade of South Africa's ratings is likely to undermine governance of SOCs, weaken fiscal consolidation and reduce private sector investment as a result of weaker business confidence".*

The rating agency is also of the view that *"while efforts to improve the SOC governance framework will continue, implementation decisions, for example on appointments of senior SOC management, will hamper these efforts and could lead to weaker financial positions of SOCs and higher contingent liabilities for the government".*

Government notes the decision of Fitch and expresses gratitude to all the stakeholders who participated in the meetings with the rating agency and ensured that the country is not downgraded further.

Nonetheless, government emphasises that fiscal consolidation remains firmly on track and government's efforts remain focused on improving the growth trajectory and policy perceptions. Minister Gigaba is currently re-engaging with the private sector to make sure that the joint work of government, business, labour and the civil society continues and that the pledges made thus far are fulfilled.

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The leadership in government and the ruling party are firmly committed in improving business and investor confidence in South Africa. As Fitch has rightly mentioned, rhetoric of "radical socioeconomic transformation" does not imply a fundamental policy shift. The main focus of government is to address the long-standing goal of inclusive growth. Fast-tracking the implementation of the structural reforms on growth and addressing the financial and governance issues of some of the SOCs are priorities in the short term.

This outcome demonstrates that South Africans must continue to act in unison especially during difficult times and work even harder to make sure that the country reclaims its investment grade status.

More work lies ahead and as such the National Development Plan, as the overarching policy of government, will continue to drive the decisions aimed at achieving inclusive growth and eradicating the rippling socio-economic challenges of unemployment, poverty and inequality.

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