national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Government's response to the rating action of S&P Global Ratings (S&P)

Government notes S&P's decision to affirm South Africa's long term foreign currency debt rating at 'BB' and local currency debt rating at 'BB+' as well as revise the outlook to negative from stable. South Africa's foreign and local credit ratings by S&P remain below investment grade.

According to S&P, the outlook revision indicates that *South Africa's debt metrics are rapidly worsening as a result of the country's very low GDP growth and high fiscal deficits.*

The agency states that unless government takes measures to control the fiscal deficit and fast track the implementation of reforms, debt is unlikely to stabilise within S&P's three-year forecast period.

Government fully recognises S&P's assessment of the challenges and opportunities which the country faces in the immediate to long-term and remains committed to placing public finances on a sustainable path while aiming for inclusive economic growth.

The agency acknowledges the work the government has started doing to restore the credibility of the country's weakened institutions (e.g. the reinvigoration of the National Prosecuting Authority and South African Revenue Service). Furthermore, the agency acknowledges the credibility of the South African Reserve Bank and the flexible exchange rate regime to be key strengths supporting the country's ratings.

Meaningful progress has been achieved on the measures announced by President Cyril Ramaphosa in September 2018. Government remains committed to implementing much needed economic reforms in order to revive the country's economic growth. Furthermore, government reiterates that the growth in the public-sector wage bill needs to be addressed in order to reduce the debt burden.

Government, labour, business and civil society need to work hand-in-hand as difficult decisions that imply short-term costs for the economy and fiscus need to be made in order to turn the tide around.

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