national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Government's response to the rating action by Fitch Ratings (Fitch)

Government notes Fitch's decision to lower South Africa's long term foreign and local currency debt ratings further into non-investment grade by one notch to 'BB' from 'BB+' and maintain the negative outlook.

According to Fitch, the downgrade is a result of the lack of a clear path towards government's debt stabilisation as well as the expected impact of the coronavirus (COVID-19) shock on public finances and economic growth. The negative outlook reflects the prospect of further significant upside pressure on government debt and additional downside risks associated with the global shock.

In the midst of the prevailing financial market stress emanating from COVID-19 and credit ratings downgrades by Moody's and Fitch, government reiterates its commitment to implement structural economic reforms to address the weak economic growth, constrained fiscus and ailing state-owned companies. Furthermore, government continues to prioritise and implement measures announced by the President aimed at containing the spread of COVID-19 as well as limiting its impact on the economy.

Despite the downgrade and severe disruption in global financial markets, Fitch acknowledges South Africa's resilience to external shocks. The agency says "we do not expect acute problems in fiscal financing, partly reflecting the unusually long-average maturity of government securities (15 years) and the low share of foreign-currency debt in total debt (10%)".

It is true that non-investment grade ratings have undesirable implications for the whole economy. "To assure all South Africans, government is seized with addressing and minimizing the impact of COVID-19, implementing measures to improve economic growth and setting government finances on a sustainable trajectory. This work requires close collaboration and coordination across various sectors of the economy," Minister of Finance, Tito Mboweni, said.

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