national treasury
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National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

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

Government notes S&P's decision to lower South Africa's long term foreign and local currency debt ratings further into non-investment grade to 'BB-' and 'BB' respectively. The agency revised the outlook to stable from negative.

According to S&P, the downgrade is a result of coronavirus (Covid-19) related pressures that will have significant adverse implications for South Africa's already deficient growth and fiscal outcomes. The stable outlook reflects the balance between pressures related to very low GDP growth and high fiscal deficits against the country's deep financial markets and monetary flexibility.

Government is disappointed by S&P's decision to downgrade the sovereign rating at a time when South Africa is facing one of its most challenging times. Government welcomes, however, the revision of the outlook to stable from negative, and considers this an indication that the agency at least recognizes some of government's fiscal and monetary policy measures as strong points.

Government continues to prioritise measures announced by President Cyril Ramaphosa aimed at containing the spread of the virus and further acknowledges the negative impact Covid-19 has had on economic activity. In further responding to the Covid-19 pandemic, government has announced a fiscal package amounting to R500 billion. In addition, on 23 April 2020, the President announced a gradual reopening of the economy from 1 May 2020, under strict conditions. This means that some businesses will be allowed to resume operations subject to extreme precautions to limit community transmissions and outbreaks.

Now, more than ever, structural reforms need to be urgently implemented in order to get the economy moving in the right direction. Tough decisions have to be made and collaboration between government, business, labour and civil society remains vital in order to contain the spread of Covid-19 and ensure sustainable economic recovery.

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