



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

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

Government notes Fitch's decision to affirm South Africa's long term foreign and local currency credit ratings at 'BB+', and maintain the stable outlook.

According to Fitch, *"the affirmation and stable outlook takes into consideration signs of recovering governance standards and the prospect of a mild cyclical recovery but also indications that financial challenges at key state-owned enterprises (SOEs) remain substantial and the fact that government debt has yet to stabilise"*.

The agency believes that changes in the political leadership following the African National Congress electoral conference in December 2017 have led to a significant improvement in economic confidence. Despite a sharp contraction in the first quarter, Fitch expects Gross Domestic Product growth to recover to 1.7 per cent in 2018 and 2.4 per cent in 2019; these forecasts are higher than the 2018 Budget assumptions.

According to Fitch, the ratings are supported by a favourable government debt structure, deep local capital markets, a healthy banking sector and strong institutions. Furthermore, South Africa's institutions, including the judiciary, South African Reserve Bank and the National Treasury, have shown significant resilience over the last years despite serious challenges they encountered.

GOVERNMENT RESPONSE

Government fully recognizes Fitch's assessment of challenges and opportunities the country faces in the immediate to long term.

Concluding critical policies, such as the Mining Charter, remains important for providing policy certainty in the country. Tangible progress has been achieved on

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most of the 14 Confidence Boosting Measures and this is expected to translate into improved investor confidence. Furthermore, the recent changes in governance in critical SOEs and the 2018 Budget which outlined decisive and specific policy measures to strengthen the fiscal framework are expected to improve the investment climate of South Africa.

Government is also prioritizing its plans for inclusive growth. The agenda for structural reforms that are much needed to raise South Africa's long-term economic growth is underpinned by the following National Development Plan priorities:

- Raising employment through faster economic growth.
- Improving the quality of education, skills development and innovation.
- Building the capacity of the state.

Collaboration with government, business, labour and civil society continues to yield necessary interventions to positioning South Africa as an attractive investment destination while also creating an enabling policy environment for inclusive economic growth.

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