national treasury

Department:
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 affirm South Africa's long term foreign currency debt rating at 'BB' and local currency debt rating at 'BB+' while maintaining the stable outlook. South Africa's foreign and local currency credit ratings by S&P remain below investment grade.

According to S&P, the ratings affirmation reflects the following drivers:

- *South Africa's economic growth continues to remain well below its emerging market peers on a per capita basis.*
- *With the elections over, the government is likely to focus more on new policy initiatives that will aim to support firmer economic growth and reform state-owned companies.*
- *South Africa's fiscal position remains weak, with sizable fiscal deficits, a large debt burden, and sizable contingent liabilities, largely tied to the energy utility Eskom.*
- *South Africa's financial sector is profitable and well capitalised, although partially reliant on short-term funding.*

The rating agency anticipates that the implementation of reforms in 2019 should boost investor confidence, investment, and growth slightly. Furthermore, the agency acknowledges the President's economic and recovery plan announced in September 2018 – *plan to boost growth without diverging from the fiscal stance by, among other measures, re-prioritising expenditures, pursuing a potential multilateral investment program, gazetting a new mining charter, and reforming the visa regime to boost tourism.*

The government fully recognises S&P's assessment of challenges and opportunities the country faces in the immediate to long term. The main focus for Government remains to regain South Africa's investment-grade status to make the country an

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attractive investment destination. This will be achieved by enhancing policy certainty and credibility, implementing growth-enhancing economic reforms, lowering the debt burden as well as restoring good governance and financial stability at public institutions and State Owned Companies (SOCs), specifically Eskom.

Also, government notes the decision by the Japanese-based credit rating agency Ratings and Investment Information, Inc. (R&I) to affirm South Africa's credit ratings earlier today. R&I affirmed South Africa's long-term foreign and local currency debt ratings at 'BBB' and 'BBB+' respectively, and maintained the stable outlook. Both ratings from R&I remain investment grade.

Government will continue to collaborate with all stakeholders in order to fast track the implementation of growth-enhancing economic reforms. Government would also like to thank all stakeholders whose efforts ensured the affirmation of the sovereign ratings and the stable outlooks.

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