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 and local currency debt ratings at 'BB-' and 'BB' respectively and maintain a stable outlook. The country's credit ratings by S&P remain non-investment grade.

According to S&P, South Africa's fiscal position remains weak, and a large coronavirus (COVID-19) related fiscal package has further exacerbated fiscal problems, which means the country will have to grapple with a large debt burden as a percentage of GDP, and substantial contingent liabilities. Furthermore, the economy faces a sharp COVID-19-related contraction. 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 has acted decisively to prioritise the health and lives of all South Africans. It has now adopted a risk-adjusted approach to reopening the economy, with the initial easing of lockdown measures on 1 May 2020, and further easing expected from 1 June 2020. Furthermore, government's R500-billion fiscal support package alongside the monetary policy response will provide substantial support to the economy. In June 2020, a special adjustments budget will set out a range of economic reform proposals and measures to stabilise public finances.

Today's rating affirmation follows the rating agency's out of schedule credit rating action on 29 April 2020. Under the EU CRA Regulation 1060/2009, the ratings on South Africa are subject to certain publication restrictions including publication in accordance with a pre-established calendar. According to that calendar (published by S&P on 20 December 2019), the first scheduled publication on South Africa's sovereign rating is 22 May 2020. As a result, S&P has published today's credit rating action, despite the recent out of schedule publication on 29 April 2020.

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