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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Enquiries: Communications Unit • **Email:** media@treasury.gov.za • **Tel:** (012) 315 5046 • 40 Church Square, PRETORIA, 0002 • **www.treasury.gov.za**

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 debt ratings at 'BB-' and maintain the stable outlook. According to Fitch, South Africa's credit rating is constrained by several factors, including low real GDP growth, high poverty and inequality levels, a high government debt-to-GDP ratio, and a rigid fiscal structure that hampers deficit reduction. However, the ratings are supported by a favourable debt structure with long maturities and mostly local-currency-denominated, strong institutions and a credible monetary policy framework.

Fitch notes advancements in the implementation of the 35 priority reforms under Operation Vulindlela, initiated in 2020, aimed at modernising network industries such as electricity, water, and transport.

The agency views the government of national unity (GNU), where the ANC remains the largest party, as a factor that reduces short-term policy uncertainty and facilitates the continuation of the implementation of the reform programme, which will contribute to a modest increase in real GDP growth. Fitch also acknowledges significant improvements in the electricity generation, with no supply interruptions since March 2024 and the potential for further increase in the short term.

Government's strategy for fiscal consolidation over the medium term involves exercising expenditure restraint and implementing moderate revenue increases, while continuing to support the social wage and ensuring additional funding for critical services. Furthermore, government has decided to further mitigate fiscal risks by reducing borrowing over the medium term through leveraging a portion of valuation gains in the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Extensive reforms in energy, freight, water, and telecommunications are also in progress.

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