national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

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

S&P has announced a decision to affirm South Africa's long term foreign and local currency debt ratings at 'BB' and 'BB+' respectively, and maintain the stable outlook.

According to S&P, the rating affirmation is underpinned by the following drivers:

- *"Anemic economic growth in 2018 and high contingent liabilities continue to weigh on South Africa's fiscal prospects".*
- *"The new government is pursuing a series of economic reforms that should help boost the economy from 2019, despite structural impediments, chronic skills shortages, and high unemployment".*

The stable outlook reflects S&P's view that "*the South African government will pursue a range of economic, social, and fiscal reforms, albeit over an extended period of time*".

S&P now expects South Africa's Gross Domestic Product growth to average 0.8 per cent in 2018 and 1.8 per cent in 2019; these forecasts are slightly higher than the 2018 MTBPS assumptions.

GOVERNMENT'S RESPONSE

Government notes S&P's assessment of challenges and opportunities the country faces in the immediate to long-term and remains determined to achieve improved ratings in the period ahead.

The decision affords South Africa a chance to demonstrate further concrete implementation of measures that are aimed at turning around the growth trajectory. These measures include the reprioritisation of public spending, the creation of the infrastructure fund as well as partnerships for growth.

S&P has highlighted a couple of risks, including subdued economic growth, which could lead to the rating being lowered. Government is mindful of these and fully aware that the next several months are critical. Since the tabling of the 2018 Budget in Parliament, government has sought to reduce policy uncertainty and restore investor confidence by:

- Finalising the Mining Charter, and preparing to withdraw the Mineral and Petroleum Resources Development Act Amendment Bill.
- Ensuring that Eskom concluded 27 outstanding power-purchase agreements with independent power producers.
- Re-establishing a sustainable approach to energy planning by updating the Integrated Resource Plan for consideration by Parliament.
- Revising the Public Procurement Bill, currently awaiting Cabinet approval for public consultation, which will replace existing regulations. The bill allows small firms and those operating in rural and township economies to participate more effectively in public procurement.
- Appointing a panel to advise government on measures to effect fair and equitable land reform that will increase agricultural output and build self-sufficiency in food production.

Furthermore, to place public finances on a more sustainable path and contain the rising contingent liabilities, government has initiated measures to restore good governance and financial stability at State Owned Companies (SOCs) as follows:

- New boards and executives have been appointed at Denel, Transnet, South African Express Airways (SAX) and the Passenger Rail Agency of South Africa (PRASA).
- The boards of SOCs have initiated forensic investigations into allegations of corruption and are taking action where evidence shows employee involvement in maladministration.
- Several entities have recently updated their turnaround strategies, while the Eskom board is preparing its long-term turnaround strategy.

To position South Africa as an attractive investment destination, government will enhance its collaboration with business, labour and civil society. Another objective of collaboration with other stakeholders would be the creation of an enabling policy environment for inclusive economic growth.

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