



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

Government's response to the rating action of Moody's Investors Service (Moody's)

Government notes and welcomes Moody's decision to affirm South Africa's long term foreign and local currency debt ratings at 'Baa3' and to also revise the outlook to stable from negative. The action follows Moody's decision to place the sovereign's credit rating under a 90-day review for possible downgrade commencing on 24 November 2017.

The action notably confirms the sovereign as an investment grade credit.

According to Moody's, the ratings affirmation reflects the following drivers:

- *The previous deterioration of South Africa's institutions will gradually reverse under a more transparent, predictable policy framework;*
- *The improved growth performance and prospects; and*
- *The announced fiscal adjustment plans in the 2018 Budget that would stabilise and eventually reduce the debt burden.*

According to Moody's, the new administration faces equally significant opportunities and challenges. Moody's indicate that steady progress in meeting the objectives set out in the President's State of the Nation Address (SONA) is essential for the country's economic and fiscal prospects to be sustained. They further note that political, policy and practical challenges of meeting diverse economic, social and fiscal objectives cannot be underestimated.

GOVERNMENT RESPONSE

As part of the government's regular stakeholder interactions, various engagements were held with the rating agency, both prior and following the 2018 Budget publication and as part of the investor roadshow.

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The government fully recognizes Moody's assessment of challenges and opportunities the country faces in the immediate to long-term.

To improve South Africa's investment and economic prospects, the government continues to work diligently on practical steps to provide the necessary policy certainty such as the finalization of mining legislation.

Through the SONA the President expressed strong commitment and will to fast-track the implementation and finalization of key sectoral structural reforms as well as reforms to State-Owned Companies.

Collaboration between government, business, labour and civil society is also yielding necessary interventions to positioning South Africa as an attractive investment destination while also creating an enabling policy environment for inclusive economic growth. The rating action by Moody's demonstrates that South Africans working together can achieve remarkable outcomes.

Government would like to thank all stakeholders whose efforts ensured such a positive rating outcome.

Issued by National Treasury

Date: 23 March 2018

