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REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

GOVERNMENT'S RESPONSE TO THE RATING ACTION OF S&P GLOBAL RATINGS (S&P)

Government notes S&P's decision to revise South Africa's credit rating outlook to stable from positive, while affirming the long-term foreign and local currency debt ratings at 'BB-' and 'BB', respectively.

According to S&P, economic growth in South Africa is facing increasing pressure from infrastructure constraints, particularly severe electricity shortages. In addition, reforms to address infrastructure shortfalls and to improve governance and performance at state-owned enterprises (SOEs) are slow, weighing on growth, while contingent liabilities from SOEs pose continued downside risks to South Africa's fiscal and debt position.

However, the agency acknowledges that the fiscal position improved in fiscal year 2022 as revenue rose thanks to the growth recovery following the 2020 recession, relatively high metals and minerals prices, and rising profitability in the finance and manufacturing sectors.

In response to the challenges observed by S&P, Government acknowledges that higher economic growth and a durable recovery in economic activity require a stable macroeconomic framework, complemented by rapid implementation of economic reforms and improved state capability. Government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. Other reforms are under way to improve performance in the transport sector, in particular freight rail. In addition, fiscal consolidation measures have positioned the public finances to absorb a portion of Eskom debt, maintain support for the economy and the most vulnerable, and make budget additions to fight crime and corruption.

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