



BUSA Communication 12/2018

MOODY'S ANNOUNCEMENT SIGNALS POSITIVE SENTIMENT, SAYS BUSA

The decision by Moody's to retain South Africa's international and domestic credit rating at investment grade and the change in outlook to stable is a mark of greater confidence in the country, stated Business Unity South Africa (BUSA).

"The decision by Moody's to maintain South Africa's investment grade rating is an indication that recent developments have paid off" stated BUSA CEO, Tanya Cohen.

Moody's decision reflected the positive sentiment that had prevailed as a result of the election of Cyril Ramaphosa as President; along with cabinet reshuffle that brought credible, tried and tested Ministers such as Nhlanhla Nene and Pravin Gordhan back to senior positions in Cabinet; the overhaul of boards of SAA and Eskom bringing in experienced individuals with credible track records; and the steps being taken to root out corruption and deal with state capture, said BUSA. These changes have found resonance with the Moody's but will need to be followed by concrete actions to ensure accelerated and inclusive economic growth, stated BUSA.

BUSA commended the Moody's decision and the reasons provided therefore, with particular reference to the three strategic drivers that were identified by Moody's as required for inclusive growth and employment, namely:

- Halting deterioration in the institutional framework, with reference to changes in political leadership, steps to restore SOEs and bring confidence to SARS
- Improved performance and growth prospects evident through exceeding growth projections and greater confidence
- Fiscal adjustment plans to stabilize and reduce debt through material cuts in expenditure

BUSA fully concurred with Moody's identification of the importance of sustained implementation of structural reforms. Sustained implementation, together with the need to address remaining uncertainties and make hard political choices in relation to policy areas such as land expropriation without compensation, the mining charter, public sector wages and the state of State Owned Enterprises, particularly Eskom were key, stated BUSA.

BUSA on behalf of business was working alongside government and together with other social partners on a number of the concerns identified by Moody's. BUSA emphasised the importance of certainty and

the involvement of business in informing policies that were fit for purpose and would enable businesses of all sizes and sectors, but particularly start-ups and smaller businesses, to expand, employ more people and contribute to inclusive growth. Energy policy, to be articulated in the updated Integrated Resource Plan and Integrated Energy Plan, as well as policy pertaining to higher education and training and comprehensive social security needed to be urgently and comprehensively finalised, stated BUSA.

BUSA stated that the positive sentiment about South Africa's economy was apparent in meetings with S&P's and Fitch, as well as with international investors, when BUSA accompanied the Finance Minister and the team from Treasury on the post-budget International Investor Roadshow earlier this month.

"This decision bodes well for the country and will surely have a bearing on how other ratings agencies view South Africa as an investment destination – thereby reigniting of the virtuous circle of economic recovery, fiscal consolidation and rising social cohesion identified by Moody's. The hard work to consolidate the fiscus, bring policy certainty, restore confidence in our institutions and restore confidence in the economy now lies ahead," said Cohen.

ENDS