

MEDIA STATEMENT

March 28, 2020

BUSA STATEMENT ON MOODY'S DOWNGRADING SA TO 'Ba 1' (Junk Status)

Business Unity SA (BUSA) notes with dismay the decision by Moody's Investors Service to downgrade SA to "junk status".

It is an indictment on our country that BUSA needs to say this is not unexpected! Moody's was the last of the major rating agencies to rate SA above junk status and had been indicating for some time their concerns about our lack of economic growth, bloated public expenditure, state of our SOE's, our inability to make necessary structural changes in the economy and our labour market structure.

This rating downgrade comes at a time that the country is in the midst of pulling all its resources and capacity together to mitigate the impact of Covid-19 across economic, social and health sectors. The country's resources and capacity are being stretched in addressing this extraordinary situation and the downgrade opens another major challenge for SA.

This is not the time for pointing fingers or starting blame games. We need to concentrate all the resources and capacity of our country towards the compact that is coming together to beat this virus. We recognise the urgency with which SA must respond to the Moody's downgrade, but we do, as a country, need to mitigate the immediate economic impact of Covid-19. If we fail in our endeavours to mitigate the negative impact of Covid-19 on our economy, we will be in a far worse position to resuscitate our economy post the Covid-19 crisis, thus making it virtually impossible to rebuild our economy to be rated again as investment grade.

So, we must commit to working together to deal with Covid-19, but also commit to work together to rebuild our economy post Covid-19. In making such commitment, the following remains pertinent and critical:

- Necessary structural changes in the economy
- The bloated public sector expenditure
- The wastage of scarce resources into SOE's and other state structures that have no potential to deliver either social or economic returns
- Accelerating the processes at ESKOM to restructure the organisation so that it is fit for purpose and plays a critical role in a diversified energy generation and distribution environment. This includes urgently addressing the energy mix, accelerating the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) and implementing the Integrated Resource Plan (IRP)
- Ensuring legislation that erodes investor confidence is not considered or implemented
- Ensuring a single cohesive message from government, which must be that the most critical issue for SA is to do everything necessary to be rated again as an investment grade country, with this being the only focus

We have come together as a country in the last few weeks to fight the Covid-19 outbreak. This "compact" must form the platform from which we now address the crisis of the downgrade. We have now got to channel all our resources and capacity to addressing these two crises. The critical component for this is decisive and urgent leadership from the President, his Cabinet and government. BUSA stands ready to work with stakeholders under such leadership!

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