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MINERALS COUNCIL WELCOMES MOODY'S STATEMENT, AND NOTES SUPPORT FOR TREASURY'S ECONOMIC 'BLUEPRINT'

Calls for concerted and urgent structural reforms to get the economy back on track

Johannesburg, 12 September 2019: The Minerals Council South Africa welcomes the announcement by ratings agency Moody's that it is unlikely to downgrade South Africa's sovereign risk rating, and its recognition of the many unique circumstances that set South Africa apart from its peer group.

We note, however, their close scrutiny of the way in which the South African government will actively deal with its growing debt burden, as well as how and when the promised institutional changes at state-owned enterprises will be effected and start to deliver results. The Medium-term Budget Policy Statement will be the next critical review point.

Minerals Council CEO Roger Baxter notes that a key focus now should be on government implementing a number of serious structural reforms to get the economy back on track.

Mr Baxter also noted the Minerals Council's broad support for *National Treasury's 'Economic Transformation, inclusive Growth and Competitiveness: Towards an Economic Strategy for South Africa'* document, published on 27 August for comment.

"This document reflects a serious effort to construct a practical long-term economic strategy based on the National Development Plan. It is a holistic strategy, with sequencing of interventions, timelines, sectoral implications, and underpinned by economic modelling.

"Importantly, this strategy reflects a coherent exposition of the far-reaching policy trade-offs which need to be made to get the South African economy back on a growth trajectory. It recognises that growth and competitiveness are interdependent, and will require substantial modernisation of network industries - electricity, telecommunications, transport and water - and preferably private sector competition."

The need for integrated growth and development strategies for various sectors and line departments' support is an integral feature of the report, as well as the role attributed to sound institutions in the six "building blocks" for long-term sustainable growth.

The strategy provides a sound view on the linkages of mining into the economy, by recognising the importance of backward linkages into mining in addition to forward linkages, also known as beneficiation. It also emphasises the importance of improved productivity through investment in innovation. It is alive to the fact that exporting sectors often rely heavily on imported intermediary inputs, and policy should therefore promote competitively priced intermediate inputs. The need for competitively priced inputs for mining underpins all work regarding localisation.

Mr Baxter concludes: "The Minerals Council cannot overemphasise the criticality of policy certainty, and in particular security of tenure, for long-term investment in the mining sector to be re-ignited. A stable, predictable policy, regulatory and operating environment is needed for investment to thrive. Further, there is a need to streamline regulation and procedures and to move to "smart tape" away from the current "red tape", and to lower corporate tax rates over an extended period (to incentivise long-term investment and to lower the cost of capital).

He adds: "While Treasury might have authored the document, it will need broad-based support within government and the private sector. And, there needs to be an urgency in implementation and delivery."

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