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**'MOODY'S DECISION ON SA'S INVESTMENT RATING IS GOOD NEWS FOR THE ECONOMY - SOUTH AFRICA MUST USE THE BREATHING SPACE WISELY', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS**

'The widely-expected but critical decision by Moody's to retain South Africa's existing investment rating and also to raise the outlook to stable is good news for the economy. By enabling the South African economy to avoid universal junk status the Moody's outcome will now boost confidence at several levels. This decision has clearly been made possible by a combination of recent positive political and economic trends in SA which have led to an improved assessment of the economic outlook.

Factors such as the election of President Cyril Ramaphosa as President of South Africa, the attack on state capture and other forms of corruption in SA, the reappointment of Minister Nene to the finance portfolio, and difficult decisions in the recent Budget have all helped to create the scope needed for Moody's decision. Moody's have put particular emphasis on how a strengthening in South Africa's institutions, if sustained, will facilitate economic recovery.

Economic growth in 2018 could now be about 1.8%, compared to much lower forecasts only a few months ago and higher than the 1.3% experienced last year. Moody's decision might also encourage the SARB to make a modest cut in interest rates at its Monetary Policy Committee (MPC) meeting next week, apart from other considerations such as a lower rate of inflation and a stronger rand.

The challenge to South Africa now is to wisely use the time granted by Moody's to continue to work towards a more transparent and predictable policy framework. Although the recent positive developments have gained SA a well-deserved reprieve from Moody's, there are still tough decisions needed to implement the structural reforms required to ensure much higher and sustained economic growth over the longer term.

**ENDS**