

South Africa

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Table II.1. Debt stocks
 Amounts outstanding at end of period
 In millions of South Africa Rand

	2003	2004	2005	2006	2007	2008	2009	
1	Total central government debt	427 067.0	454 969.0	501 497.0	528 325.0	553 683.0	577 039.0	626 975.0
1.1	Marketable debt	402 458.0	440 162.0	481 763.0	507 698.0	526 605.0	543 352.0	594 442.0
1.1.1	Short-term securities	50 863.0	59 935.0	61 895.0	72 206.0	73 963.0	80 212.0	83 800.0
1.1.1.1	Local currency	48 655.0	55 145.0	60 721.0	66 587.0	70 275.0	76 008.0	77 992.0
1.1.1.2	Foreign currency	2 208.0	4 790.0	1 174.0	5 619.0	3 688.0	4 204.0	5 808.0
1.1.2	Medium-term securities	236 144.0	261 081.0	302 199.0	308 893.0	319 387.0	315 786.0	301 326.0
1.1.2.1	Local currency	194 745.0	220 875.0	256 821.0	270 861.0	269 745.0	267 890.0	255 724.0
1.1.2.2	Foreign currency	41 399.0	40 206.0	45 378.0	38 032.0	49 642.0	47 896.0	45 602.0
1.1.3	Long-term securities	115 451.0	119 146.0	117 669.0	126 599.0	133 255.0	147 354.0	209 316.0
1.1.3.1	Local currency	107 470.0	112 280.0	111 051.0	120 332.0	127 844.0	134 368.0	194 035.0
1.1.3.2	Foreign currency	7 981.0	6 866.0	6 618.0	6 267.0	5 411.0	12 986.0	15 281.0
1.2	Non-marketable debt	24 609.0	14 807.0	19 734.0	20 627.0	27 078.0	33 687.0	32 533.0
1.2.1	Loans from official creditors, multilateral							
1.2.1.1	Local currency							
1.2.1.2	Foreign currency							
1.2.2	Loans from official creditors, bilateral	228.0	203.0	247.0	263.0	286.0	330.0	343.0
1.2.2.1	Local currency							
1.2.2.2	Foreign currency	228.0	203.0	247.0	263.0	286.0	330.0	343.0
1.2.3	Loans from commercial creditors	23 204.0	13 282.0	17 858.0	18 969.0	25 462.0	32 405.0	32 163.0
1.2.3.1	Local currency	733.0	677.0	1 869.0	2 304.0	1 908.0	1 603.0	1 929.0
1.2.3.2	Foreign currency	22 471.0	12 605.0	15 989.0	16 665.0	23 554.0	30 802.0	30 234.0
1.2.4	Other	1 177.0	1 322.0	1 629.0	1 395.0	1 330.0	952.0	27.0
1.2.4.1	Local currency	1 177.0	1 322.0	1 629.0	1 395.0	1 330.0	952.0	27.0
1.2.4.2	Foreign currency							
Memorandum items								
1.M.1	Local-currency marketable debt	350 870.0	388 300.0	428 593.0	457 780.0	467 864.0	478 266.0	527 751.0
1.M.1.1	<i>Of which: central bank securities</i>							
1.M.2	Interest payments	46 808.0	46 313.0	48 851.0	50 912.0	52 192.0	52 877.0	54 394.0
1.M.2.1	Local-currency debt	41 800.0	42 206.0	44 576.0	46 533.0	47 672.0	48 248.0	48 692.0
1.M.2.2	Foreign-currency debt	5 008.0	4 107.0	4 275.0	4 379.0	4 520.0	4 629.0	5 702.0
1.M.3	Nominal GDP	1 203 145.0	1 303 907.0	1 449 020.0	1 613 812.0	1 832 761.0	2 078 822.0	2 312 964.0
1.M.4.1	Exchange rate (year-end), EURO/local currency	8.6	7.8	8.1	7.5	9.7	12.8	12.6
1.M.4.2	Exchange rate (year-end), USD/local currency	7.9	6.4	6.2	6.2	7.3	8.1	9.5
1.M.5.1	Marketable debt as % of total debt	94.2	96.7	96.1	96.1	95.1	94.2	94.8
1.M.5.2	Non-marketable debt as % of total debt	5.8	3.3	3.9	3.9	4.9	5.8	5.2
1.M.5.3	Local-currency marketable debt as % of total	82.2	85.3	85.5	86.6	84.5	82.9	84.2
1.M.5.4	Total debt as % of GDP	35.5	34.9	34.6	32.7	30.2	27.8	27.1

Table II.2. **Influences on debt stocks, 2003-04**

In millions of South Africa Rand

	2003						2004					
	Accumulations			Decumulations			Accumulations			Decumulations		
	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other
2	Total central government debt	39 854.0			24 614.0	21 491.0	79 730.0		1 666.0		43 438.0	10 056.0
2.1	Marketable debt	34 837.0			22 035.0	16 670.0	75 795.0				28 072.0	10 019.0
2.1.1	Short-, medium-, and long-term securities	34 837.0			22 035.0	16 670.0	75 795.0				28 072.0	10 019.0
2.1.1.1	Local currency	23 860.0			22 035.0	233.0	65 157.0				26 581.0	1 146.0
2.1.1.2	Foreign currency	10 977.0				16 437.0	10 638.0				1 491.0	8 873.0
2.2	Non-marketable debt	5 017.0			2 579.0	4 821.0	3 935.0		1 666.0		15 366.0	37.0
2.2.1	Loans from official creditors, multilateral											
2.2.1.1	Local currency											
2.2.1.2	Foreign currency											
2.2.2	Loans from official creditors, bilateral	62.0			2 356.0	4 821.0	19.0			7.0		37.0
2.2.2.1	Local currency											
2.2.2.2	Foreign currency	62.0			2 356.0	4 821.0	19.0			7.0		37.0
2.2.3	Loans from commercial creditors	4 881.0			29.0		3 771.0		1 666.0		15 359.0	
2.2.3.1	Local currency									56.0		
2.2.3.2	Foreign currency	4 881.0			29.0		3 771.0		1 666.0	15 303.0		
2.2.4	Other	74.0			194.0		145.0					
2.2.4.1	Local currency	74.0			194.0		145.0					
2.2.4.2	Foreign currency											
	Memorandum items											
2.M.1	Issuance of marketable debt	34 837.0					75 795.0					
2.M.1.1	Of which: short-term securities	4 140.0					6 550.0					
2.M.1.1.1	Local currency	4 140.0					6 550.0					
2.M.1.1.2	Foreign currency											
2.M.1.2	Of which: medium-term securities											
2.M.1.2.1	Local currency											
2.M.1.2.2	Foreign currency											
2.M.1.3	Of which: long-term securities	30 697.0					69 245.0					
2.M.1.3.1	Local currency	19 720.0					58 607.0					
2.M.1.3.2	Foreign currency	10 977.0					10 638.0					

Table II.2. **Influences on debt stocks, 2005-06** (cont.)

In millions of South Africa Rand

	2005						2006					
	Accumulations			Decumulations			Accumulations			Decumulations		
	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other
2	Total central government debt	78 225.0	29.0	445.0	30 394.0	1 777.0	58 971.0	66.0		28 510.0		3 699.0
2.1	Marketable debt	73 147.0			29 778.0	1 768.0	55 541.0			26 825.0		2 781.0
2.1.1	Short-, medium-, and long-term securities	73 147.0			29 778.0	1 768.0	55 541.0			26 825.0		2 781.0
2.1.1.1	Local currency	66 657.0			26 215.0	149.0	55 541.0			26 271.0		83.0
2.1.1.2	Foreign currency	6 490.0			3 563.0	1 619.0				554.0		2 698.0
2.2	Non-marketable debt	5 078.0	29.0	445.0	616.0	9.0	3 430.0	66.0		1 685.0		918.0
2.2.1	Loans from official creditors, multilateral											
2.2.1.1	Local currency											
2.2.1.2	Foreign currency											
2.2.2	Loans from official creditors, bilateral	62.0			9.0	9.0	43.0			17.0		10.0
2.2.2.1	Local currency											
2.2.2.2	Foreign currency	62.0			9.0	9.0	43.0			17.0		10.0
2.2.3	Loans from commercial creditors	4 709.0	29.0	445.0	607.0		3 387.0	66.0		1 434.0		908.0
2.2.3.1	Local currency	1 302.0	29.0		139.0		483.0	66.0		27.0		87.0
2.2.3.2	Foreign currency	3 407.0		445.0	468.0		2 904.0			1 407.0		821.0
2.2.4	Other	307.0								234.0		
2.2.4.1	Local currency	307.0								234.0		
2.2.4.2	Foreign currency											
	Memorandum items											
2.M.1	Issuance of marketable debt	73 147.0					55 541.0					
2.M.1.1	Of which: short-term securities	5 850.0					5 950.0					
2.M.1.1.1	Local currency	5 850.0					5 950.0					
2.M.1.1.2	Foreign currency											
2.M.1.2	Of which: medium-term securities											
2.M.1.2.1	Local currency											
2.M.1.2.2	Foreign currency											
2.M.1.3	Of which: long-term securities	67 297.0					49 591.0					
2.M.1.3.1	Local currency	60 807.0					49 591.0					
2.M.1.3.2	Foreign currency	6 490.0										

Table II.2. **Influences on debt stocks, 2007-08** (cont.)

In millions of South Africa Rand

	2007						2008					
	Accumulations			Decumulations			Accumulations			Decumulations		
	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other	Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other
2	Total central government debt	53 143.0	60.0	15 524.0	43 284.0	85.0	36 971.0	56.0	20 670.0	34 154.0	187.0	
2.1	Marketable debt	48 995.0		10 895.0	40 983.0		34 299.0		14 025.0	31 482.0	95.0	
2.1.1	Short-, medium-, and long-term securities	48 995.0		10 895.0	40 983.0		34 299.0		14 025.0	31 482.0	95.0	
2.1.1.1	Local currency	43 440.0		1 777.0	35 133.0		34 272.0		3 557.0	27 332.0	95.0	
2.1.1.2	Foreign currency	5 555.0		9 118.0	5 850.0		27.0		10 468.0	4 150.0		
2.2	Non-marketable debt	4 148.0	60.0	4 629.0	2 301.0	85.0	2 672.0	56.0	6 645.0	2 672.0	92.0	
2.2.1	Loans from official creditors, multilateral											
2.2.1.1	Local currency											
2.2.1.2	Foreign currency											
2.2.2	Loans from official creditors, bilateral			47.0	24.0		20.0		52.0	28.0		
2.2.2.1	Local currency											
2.2.2.2	Foreign currency			47.0	24.0		20.0		52.0	28.0		
2.2.3	Loans from commercial creditors	4 148.0	60.0	4 582.0	2 212.0	85.0	2 652.0	56.0	6 593.0	2 266.0	92.0	
2.2.3.1	Local currency	458.0	60.0		829.0	85.0	225.0	56.0		494.0	92.0	
2.2.3.2	Foreign currency	3 690.0		4 582.0	1 383.0		2 427.0		6 593.0	1 772.0		
2.2.4	Other				65.0					378.0		
2.2.4.1	Local currency				65.0					378.0		
2.2.4.2	Foreign currency											
	Memorandum items											
2.M.1	Issuance of marketable debt	48 995.0					34 299.0					
2.M.1.1	Of which: short-term securities	5 400.0					6 050.0					
2.M.1.1.1	Local currency	5 400.0					6 050.0					
2.M.1.1.2	Foreign currency											
2.M.1.2	Of which: medium-term securities											
2.M.1.2.1	Local currency											
2.M.1.2.2	Foreign currency											
2.M.1.3	Of which: long-term securities	43 595.0					28 249.0					
2.M.1.3.1	Local currency	38 040.0					28 222.0					
2.M.1.3.2	Foreign currency	5 555.0					27.0					

Table II.2. **Influences on debt stocks, 2009** (cont.)

In millions of South Africa Rand

		2009					
		Accumulations			Decumulations		
		Issuance/ contracting	Capitalisation	Other	Repayments	Write-offs	Other
2	Total central government debt	67 038.0	51.0	9 100.0	24 449.0		1 804.0
2.1	Marketable debt	63 174.0		9 053.0	21 137.0		
2.1.1	Short-, medium-, and long-term securities	63 174.0		9 053.0	21 137.0		
2.1.1.1	Local currency	63 174.0		5 073.0	18 762.0		
2.1.1.2	Foreign currency			3 980.0	2 375.0		
2.2	Non-marketable debt	3 864.0	51.0	47.0	3 312.0		1 804.0
2.2.1	Loans from official creditors, multilateral						
2.2.1.1	Local currency						
2.2.1.2	Foreign currency						
2.2.2	Loans from official creditors, bilateral	1.0		47.0	35.0		
2.2.2.1	Local currency						
2.2.2.2	Foreign currency	1.0		47.0	35.0		
2.2.3	Loans from commercial creditors	3 863.0	51.0		2 352.0		1 804.0
2.2.3.1	Local currency	806.0	51.0		443.0		88.0
2.2.3.2	Foreign currency	3 057.0			1 909.0		1 716.0
2.2.4	Other				925.0		
2.2.4.1	Local currency				925.0		
2.2.4.2	Foreign currency						
Memorandum items							
2.M.1	Issuance of marketable debt	63 174.0					
2.M.1.1	<i>Of which:</i> short-term securities	13 150.0					
2.M.1.1.1	Local currency	13 150.0					
2.M.1.1.2	Foreign currency						
2.M.1.2	<i>Of which:</i> medium-term securities						
2.M.1.2.1	Local currency						
2.M.1.2.2	Foreign currency						
2.M.1.3	<i>Of which:</i> long-term securities	50 024.0					
2.M.1.3.1	Local currency	50 024.0					
2.M.1.3.2	Foreign currency						

Note: Data for financial years (1 April to 31 March) "Other" includes the movement between financial years on the revaluation of foreign loans and inflation-linked bonds.

Table II.3. **Term to maturity and refixing**

In years (and or fractions there of)

		2003	2004	2005	2006	2007	2008	2009
3.1	Average term to maturity	7.8	7.8	7.9	7.7	7.8	7.9	7.7
3.1.1	Marketable debt	8.2	8.0	8.1	8.0	8.2	8.4	8.2
3.1.1.1	Local currency	8.4	8.2	8.3	8.2	8.5	8.6	8.4
3.1.1.2	Foreign currency	6.8	6.6	6.5	5.7	5.6	6.7	6.2
3.1.2	Non-marketable debt	0.9	1.5	1.8	1.6	1.1	0.4	0.3
3.1.2.1	Local currency	12.1	11.3	10.2	8.9	8.9	5.0	4.8
3.1.2.2	Foreign currency							
3.2	Average term to interest-rate refixing							
3.2.1	Marketable debt							
3.2.1.1	Local currency							
3.2.1.2	Foreign currency							
3.2.2	Non-marketable debt							
3.2.2.1	Local currency							
3.2.2.2	Foreign currency							

Note: The non-marketable Foreign currency debt comprise of loans structured in tranches with different redemption and interest dates South Africa does not use the interest-rate refixing approach

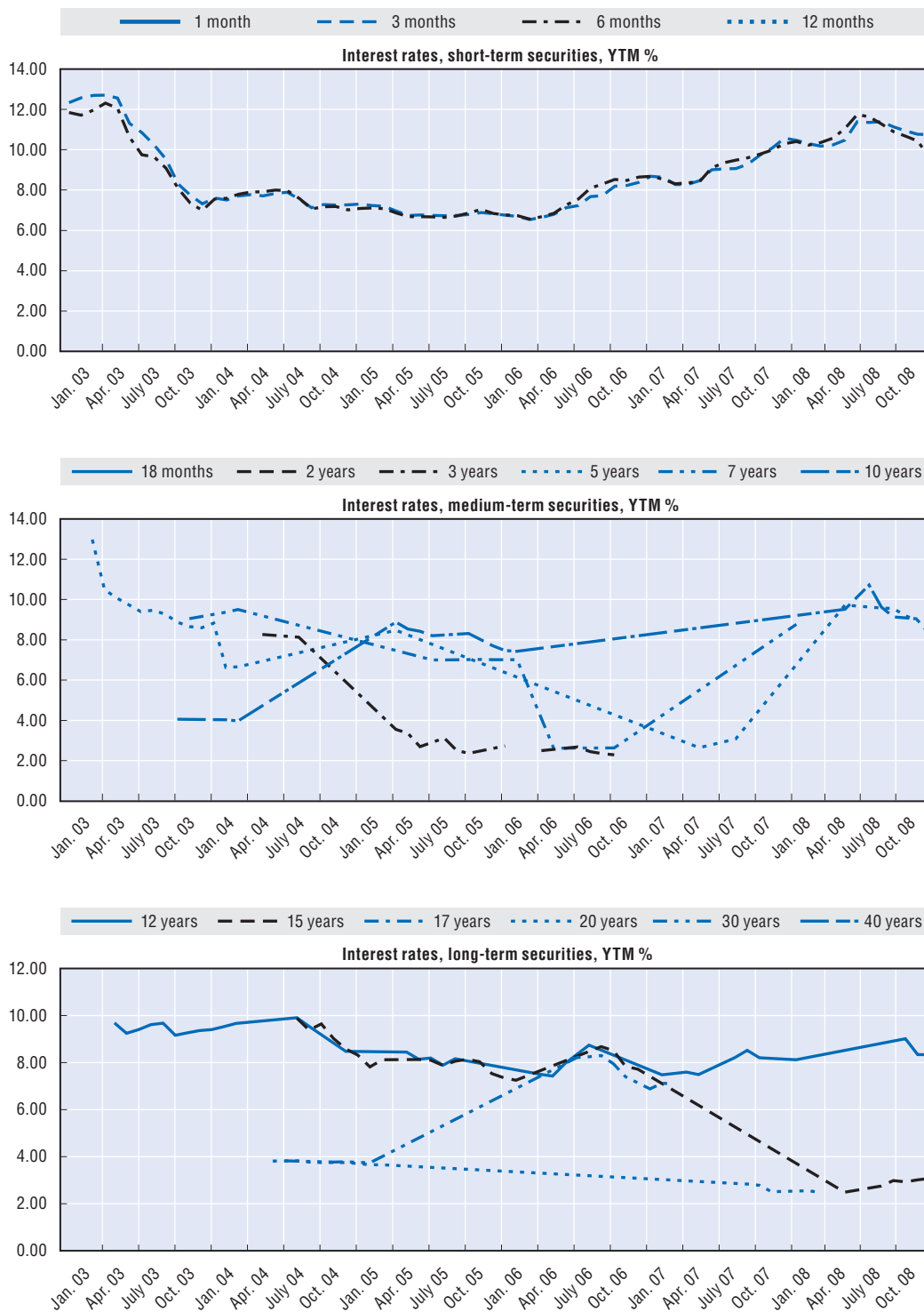
Table II.4. **Ownership of local-currency marketable debt**

In millions of South Africa Rand

		2003	2004	2005	2006	2007	2008	2009
4	Local-currency market debt	352 187.9	384 113.2	404 228.3	404 641.3	428 802.9	431 304.3	
4.1	Resident holders	333 948.6	363 050.9	376 944.5	372 728.8	385 977.7	377 329.2	
4.1.1	Central bank	5 034.6	4 462.9	6 503.1	5 001.3	6 560.8	2 919.8	
4.1.2	Commercial banks	424.6	511.9	243.9	439.9	804.5	1 375.1	
4.1.3	Institutional funds	322 021.0	347 864.6	362 956.9	360 872.4	368 885.5	365 033.8	
4.1.4	Retail	975.8	1 612.7	1 601.5	357.0	2 795.8	3 782.2	
4.1.5	Other	5 492.6	8 598.8	5 639.1	6 058.2	6 931.1	4 218.3	
4.2	Non-resident holders	18 239.3	21 062.3	27 283.8	31 912.5	42 825.2	53 975.1	

Figure II.1. **Interest rates, Yield-to-maturity (YTM)**

YTM from secondary market trades (end-of-month) where available, otherwise from primary market auctions. In percentages and fractions thereof



SOUTH AFRICA POLICY NOTES

I. Introduction

The Public Finance Management Act, Act 1 of 1999, sets out the conditions under which the Minister of Finance may borrow money and for which purposes. It also allows for the delegation of powers, interest payments and capital repayment, conversion of debt, consolidation of loans, and the issuing of guarantees and other commitments.

The asset and liability management division within the National Treasury is responsible for the management of government's financial assets and liabilities. The division aims to ensure prudent cash and financial management, oversight of state-owned entities and the optimal management of the state's debt portfolio.

The debt management policy developed from financing the government's gross borrowing requirement within acceptable levels of risk to also support the broader macroeconomic policies. The debt portfolio is actively managed by entering into buyback and exchange transactions. The borrowing programme is underpinned by market risk considerations that take into account interest rates, liquidity, refinancing, and inflation and exchange rate risks. The level and composition of debt is managed within guidelines that support an optimal mix of fixed and non-fixed rate debt as well as of domestic and foreign debt composition of the debt stock. The issuing of guarantees to state-owned entities is also managed. Debt issuance within the broader public sector is also coordinated to reduce the impact on interest rates.

II. Description of debt instruments

Marketable debt

Money market instruments

1. Treasury bills

Treasury bills are short-term instruments with a term of up to 1 year at issue and do not pay coupon interest. Treasury bills are issued at a discount and are redeemable at nominal on maturity. The maturities vary from 1-day, 91-day, 182-days, 279-days and 1-year bills. Treasury bills are both used as a financing and cash management tool.

2. Commercial papers.

None.

3. Other

None.

Bonds

Fixed income bonds

A fixed-income bond is a medium- to long-term instrument which carries a fixed interest rate over the life of the instrument payable on the nominal value of the security. Interest is payable every 6 months. The bonds are repayable on maturity at nominal value.

1. Short-term bonds

Debt instruments with a maturity of up to one year. At issue the bond's maturity will be longer than one year.

2. Medium-term bonds

Debt instruments with a maturity of one to five years.

3. Long-term bonds.

Debt instruments with a maturity of more than five years.

Index-linked bonds

An index-linked bond is a medium- to long-term instrument with the principle indexed to the consumer price inflation. The nominal value of the bond, on which a fixed rate of interest applies, varies over time according to movements in the consumer price index. At maturity, the adjusted capital value of the bonds is paid.

1. Variable-rate bonds

A variable rate bond is a short- to medium-term instrument of which the coupon rate is indexed to the 91-day treasury bill yield. Interest is payable quarterly on the nominal value. The bonds are payable at nominal value on maturity.

2. Zero coupon bonds

A zero coupon bond is a medium- to long-term instrument which is issued at a deep discount and does not pay any interest (coupon). Zero coupon bonds are repayable at nominal value on maturity. Issuance of zero coupon bonds was suspended in 2003.

3. Separately Traded Interest and Principal Bonds (STRIPS)

A stripped bond is a bond that has been broken up into a zero-coupon bond (principal) and a series of coupons. A strip-facility was created for certain fixed-income bonds in 2002 but is not used anymore because market participants created their own strip facilities.

Foreign currency loans

Debt instruments issued in a foreign currency with interest payable and capital repayable at maturity in that foreign currency.

Non-marketable debt

1. Treasury bills

The inter governmental cash co-ordination facility allows government to borrow money for bridging finance from surplus cash invested by provinces at the corporation for public deposits. The corporation for public deposits is a subsidiary of the central bank.

2. Retail savings bonds

South Africa currently issues two types of savings bonds, which are designed for retail clients.

Fixed-rate retail savings bonds are issued at nominal value with a term of 2-, 3- and 5-years. The coupon is derived from the yield-to-maturity of the fixed-income bonds. Interest can be paid monthly, every 6 months, or capitalised. Investors have the option to redeem their investment prior to maturity at a penalty.

Inflation-linked retail savings bonds are issued at face value with a term of 3- 5- and 10-years. The principal value fluctuates according to the consumer price index. Interest is calculated on the adjusted principal value. Coupons are determined by the yield-to-maturity of the relevant standard inflation-linked bonds.

2. Foreign loans

Mainly loans from commercial creditors to finance the arms procurement loan agreements. Also includes loans from multilateral institutions such as the World Bank for technical assistance to municipalities.

4. Other

Loans taken over after the democratic election of 1994 from former regional authorities.

III. Selling techniques

1. Treasury bills

Treasury bills are auctioned and settled through the central bank. Auctions are held every Friday with settlement every Wednesday.

2. Bonds

South Africa introduced a primary dealer system in 2000 through which government fixed-income bonds are sold to the market through weekly auctions. Currently the panel of primary dealers consist of 5 domestic and 4 foreign banks. Inflation-linked bonds are open to all market participants.

An annual auction calendar for the financial year ahead is published in March on the National Treasury website. Auctions for fixed-income bonds are on Tuesdays with inflation-linked bonds and variable rate bonds on Fridays. The bonds and amounts on auction are announced the week prior to the auction. Settlement takes place 3 working days (T+3) after the auction.

National Treasury will also occasionally announce buy-back and switch auctions.

3. Retail savings bonds

Retail savings bonds are available to the public from the National Treasury, any Post Office and any Pick n Pay retail store.

IV. Other information

1 Valuation of debt instruments

Amounts reported are in nominal values.

2 Fiscal year

A fiscal year runs from 1 April to 31 March.

3 Estimates

Information provided before the end of fiscal year will be based on budget estimates.

4 Maturity structure

Residual maturity calculated on a weighted average basis.

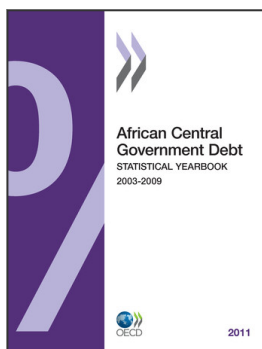
5 Duration

Duration calculations are based on all marketable debt instruments. For inflation-linked bonds real yields are used.

V. Sources

Data on the stock of debt is mainly from information published in the annual Budget Review compiled by the National Treasury. Influences on debt stock are from the monthly publications on the progress on the borrowing programme.

Data on the holdings of domestic marketable bonds is kept at Share Transactions Totally Electronic Ltd. (Strate). Strate is owned by the four largest commercial banks in South Africa and the Johannesburg Stock Exchange.



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Statistical Yearbook

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