NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 2636 [NW3087E]

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Mr. N J J van R Koornhof (Cope) to ask the Minister of Finance:

Whether the Government is keeping the national net loan debt from breaching the R1 trillion ceiling; if not, (a) why not, (b) what was this debt at 30 July 2011 and (c) what is the debt projected to be at 31 December 2011; if so, (i) how is this being achieved and (ii) what is the current status of this debt?

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REPLY:

Rather than a debt ceiling, we have proposed a sustainable debt trajectory. National government's net loan debt consists of total domestic and foreign debt, less the cash balances of the National Revenue Fund. In the 2011 Budget Review net loan debt is forecasted to surpass R1 trillion in 2012/13. This rand value is less important than the size of debt relative to GDP. Even with a worsening economic outlook, we project that debt will stabilise around 40 per cent of GDP in 2015/16. This is low by international standards, and well below levels that are thought to be harmful to growth. Our S&P international credit rating has remained unchanged since 2005, showing continued market confidence in our fiscal outlook.

Net loan debt amounts to R859 billion by end June 2011 and is estimated to reach R999 billion by the end of March 2012. Government's borrowing requirements are financed through issuing domestic short-term – and long-term loans, foreign loans and the use of cash balances. The primary source of funding remains domestic borrowing through a combination of Treasury bills, fixed-income – and inflation-linked bonds. As at end June 2011, national government's debt portfolio comprises of 91 per cent domestic and 9 per cent foreign debt.

National Treasury published a set of fiscal guidelines in the 2011 Budget Review, founded on the principles of counter cyclicality, debt sustainability and intergenerational equity. We are confident that our fiscal policy continues to achieve these objectives.