NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 1868 [NW2256E]

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Mr M G P Lekota (Cope) to ask the Minister of Finance:

Whether the National Treasury performed any debt sustainability analysis in 2012; if not, why not; if so, what are the (i) results and (ii) recommendations of the analysis?

NW2256E

REPLY:

The National Treasury regularly performs debt sustainability analyses. These analyses consider both the level and composition of debt.

The most recent analysis suggests that national net loan debt is expected to stabilise at around 40 per cent of GDP in 2015/16, and will begin to decline thereafter. This is in line with the forecasts undertaken since the Budget Review 2010.

In terms of its composition, South Africa’s debt is mostly issued in rands and therefore not susceptible to fluctuations in the exchange rate.

The debt management is informed by the strategic benchmarks that limit the domestic debt to 80 per cent of the total debt and foreign currency debt to 20 per cent. Domestic debt is made up of 70 per cent of fixed-rate debt (fixed-rate bonds) and 30 per cent indexed and discount debt (Treasury bills, inflation-linked bonds, floating rate notes and zero-coupon bonds).

As at 31 March 2012, foreign currency debt made up of 9.88 per cent of total debt. The average term-to-maturity and modified duration (risk indicators) of the domestic debt portfolio were 10.62 years and 6.83 per cent respectively, indicating that the refinancing risk is manageable.