

## ADDITIONAL INFORMATION ON THE MAIN BUDGET BORROWING REQUIREMENT, THE FINANCING THEREOF AND ON NATIONAL GOVERNMENT DEBT FOR THE 2013 MTBPS

Tables 3.5 and 3.6 in Chapter 3 of the 2013 Medium Term Budget Policy Statement provide a summary of the main budget borrowing requirement and financing thereof and of total national government debt. For clarity more detail is provided in the following tables.

### Main budget borrowing requirement and financing

Table 1 shows the main budget borrowing requirement for 2012/13, revised estimates for 2013/14 and projections over the medium term. Extraordinary receipts and payments are now brought into the budget balance in line with global standards.

Revised extraordinary receipts and payments in 2013/14 are R7.1 billion higher than the 2013 Budget. This is mainly due to higher revaluation profits on foreign exchange deposits when used to meet government's foreign currency commitments and higher premiums received on loan transactions.

**Table 1 Main budget borrowing requirement, 2012/13 – 2016/17**

R million	2012/13 Outcome	2013/14 Budget      Revised		2014/15	2015/16	2016/17
				Medium-term estimates		
Main budget balance <sup>1</sup>	-166,182	-178,047	-168,509	-183,949	-183,588	-164,908
<i>of which:</i>						
Extraordinary receipts	11,534	4,992	11,401	1,150	800	120
Premiums on loan transactions <sup>2</sup>	10,542	4,740	5,932	1,150	800	120
Revaluation profits on foreign currency transactions <sup>3</sup>	939	252	5,003	–	–	–
Liquidation of SASRIA investment <sup>4</sup>	50	–	75	–	–	–
Special proceeds from Telkom	–	–	382	–	–	–
Other <sup>6</sup>	3	–	9	–	–	–
Extraordinary payments	-2,587	-930	-200	–	–	–
Premiums on loan transactions <sup>2</sup>	-2,172	-930	-172	–	–	–
Revaluation losses on foreign currency transactions <sup>3</sup>	-263	–	–	–	–	–
Defrayal of GFECRA losses <sup>5</sup>	-152	–	-28	–	–	–
<b>Borrowing requirement</b>	<b>-166,182</b>	<b>-178,047</b>	<b>-168,509</b>	<b>-183,949</b>	<b>-183,588</b>	<b>-164,908</b>

1. A negative number reflects a deficit

2. Premiums received or incurred on new loan issues, bond switch and buy-back transactions

3. Revaluation profits or losses on government's foreign exchange deposits at the Reserve Bank when used to meet government's foreign currency commitments

4. Liquidation of government's investments in the South African Special Risk Insurance Association

5. Realised profits/losses on the Gold and Foreign Exchange Contingency Reserve Account

6. Mainly penalties on early withdrawal of retail bonds

As shown in Table 2, issuance in the domestic market will remain the main source of financing. Net issuance in domestic bonds will decrease from R149.5 billion in 2013/14 to R131.9 billion in 2016/17.

Over the medium term, government intends to borrow about US\$1.5 billion a year in the global markets. Entering the Sukuk (Islamic bond) market is still considered.

**Table 2 Financing of the main budget borrowing requirement, 2012/13 – 2016/17**

R million	2012/13	2013/14		2014/15	2015/16	2016/17
	Outcome	Budget	Revised	Medium-term estimates		
<b>Domestic short-term loans (net)</b>	<b>22,555</b>	<b>23,000</b>	<b>23,000</b>	<b>24,000</b>	<b>25,000</b>	<b>26,000</b>
Treasury bills	16,826	24,103	27,780	24,000	25,000	26,000
Corporation for Public Deposits	5,729	-1,103	-4,780	–	–	–
<b>Domestic long-term loans (net)</b>	<b>125,771</b>	<b>143,610</b>	<b>149,516</b>	<b>138,262</b>	<b>148,095</b>	<b>131,851</b>
Market loans (gross)	161,557	165,648	170,709	171,028	176,440	189,740
Loans issued for switches <sup>1</sup>	-3,848	-1,310	-650	–	–	–
Redemptions <sup>2</sup>	-31,938	-20,728	-20,543	-32,766	-28,345	-57,889
<b>Foreign loans (net)</b>	<b>-11,622</b>	<b>-4,335</b>	<b>531</b>	<b>1,187</b>	<b>10,993</b>	<b>2,557</b>
Market loans (gross)	–	12,390	19,619	14,595	14,235	13,875
Arms procurement loan agreements (gross)	61	–	–	–	–	–
Redemptions (including revaluation of loans)	-11,683	-16,725	-19,088	-13,408	-3,242	-11,318
<b>Change in cash and other balances<sup>3</sup></b>	<b>29,478</b>	<b>15,772</b>	<b>-4,538</b>	<b>20,500</b>	<b>-500</b>	<b>4,500</b>
Cash balances	-6,632	11,272	24,817	16,000	-5,000	–
Other balances <sup>4</sup>	36,110	4,500	-29,355	4,500	4,500	4,500
<b>Financing</b>	<b>166,182</b>	<b>178,047</b>	<b>168,509</b>	<b>183,949</b>	<b>183,588</b>	<b>164,908</b>

1. Net of loans issued and redeemed in switch transactions

2. Domestic loan redemption figures in 2014/15 are net of anticipated switches of R11.9 billion

3. A negative change indicates an increase in cash balances

4. Net movement in national departments' bank balances due to differences between funds requested and actual cash flows.

In 2012/13 R33.9 billion in respect of delayed interest and loan redemption payments scheduled for Sunday, 31 March 2013 but paid on 2 April 2013

Cash will be accumulated to finance part of the borrowing requirement in 2014/15 and to mitigate refinancing risk beyond the medium term.

**Table 3 Change in main budget cash balances, 2012/13 – 2016/17**

	2012/13	2013/14		2014/15	2015/16	2016/17
R million	Outcome	Budget	Revised	Medium-term estimates		
Rand currency						
Opening balance	130,450	100,041	137,630	118,157	102,157	107,157
Used for domestic funding	26,910	2,616	-19,473	-6,211	5,000	8,595
Foreign exchange purchases <sup>1</sup>	-19,730	—	—	-9,789	—	-8,595
Closing balance	137,630	102,657	118,157	102,157	107,157	107,157
of which:						
Tax and loan accounts	70,473	35,500	51,000	35,000	40,000	40,000
Sterilisation deposits <sup>2</sup>	67,157	67,157	67,157	67,157	67,157	67,157
Change in rand cash balance <sup>3</sup>	-7,180	-2,616	19,473	16,000	-5,000	—
(opening less closing balance)						
Foreign currency <sup>4</sup>						
Opening balance	64,376	68,057	63,828	58,484	58,484	58,484
Foreign exchange purchases <sup>1</sup>	19,730	—	—	9,789	—	8,595
Interest on foreign exchange balances	856	1,000	1,034	1,035	1,094	1,000
International borrowing	—	12,390	19,619	14,595	14,235	13,875
Used for foreign funding	-21,134	-27,278	-25,997	-25,419	-15,329	-23,470
Closing balance	63,828	54,169	58,484	58,484	58,484	58,484
US\$ equivalent	8,724	7,524	7,500	7,500	7,500	7,500
Change in foreign currency cash balance <sup>3</sup>	548	13,888	5,344	—	—	—
(opening less closing balance)						
Total change in cash balances <sup>3</sup>	-6,632	11,272	24,817	16,000	-5,000	—
Total closing cash balance	201,458	156,826	176,641	160,641	165,641	165,641

1. Foreign currency purchased in the spot market and obtained from the settlement of forward exchange contracts entered into by the Reserve Bank to sterilise sizable foreign direct investment flows

2. Deposits made with the Reserve Bank to increase the level of official foreign exchange reserves

3. A negative value indicates an increase in cash balances and a positive value indicates that cash is used to finance part of the borrowing requirement

4. Rand values at which foreign currency was purchased or borrowed

## National government's debt portfolio

Domestic and foreign loan debt is shown in Table 4.

**Table 4 Total national government debt, 2010/11 – 2016/17**

As at 31 March R billion	2010/11	2011/12 Outcome	2012/13	2013/14 Estimate	2014/15	2015/16	2016/17
					Medium-term estimates		
<b>Domestic debt</b>							
Gross loan debt <sup>1</sup>	892.7	1,070.9	1,241.1	1,429.6	1,617.2	1,826.7	2,031.5
Cash balances <sup>2</sup>	-111.4	-130.5	-103.8	-118.2	-102.2	-107.2	-107.2
Net loan debt <sup>3</sup>	781.3	940.5	1,137.3	1,311.5	1,515.0	1,719.5	1,924.3
<b>Foreign debt</b>							
Gross loan debt <sup>1</sup>	97.9	116.9	124.5	132.7	131.6	139.8	139.1
Cash balances <sup>4</sup>	-58.8	-67.6	-80.3	-73.7	-73.0	-71.2	-69.4
Net loan debt <sup>3</sup>	39.1	49.3	44.2	59.0	58.6	68.7	69.7
<b>Total gross loan debt</b>	<b>990.6</b>	<b>1,187.8</b>	<b>1,365.6</b>	<b>1,562.3</b>	<b>1,748.8</b>	<b>1,966.5</b>	<b>2,170.5</b>
<b>Total net loan debt</b>	<b>820.4</b>	<b>989.7</b>	<b>1,181.5</b>	<b>1,370.4</b>	<b>1,573.7</b>	<b>1,788.2</b>	<b>1,994.0</b>
<i>As percentage of GDP:</i>							
Total gross loan debt	36.2%	39.9%	42.5%	44.8%	46.0%	47.3%	47.7%
Total net loan debt	30.0%	33.3%	36.8%	39.3%	41.4%	43.1%	43.9%
<i>Foreign debt as percentage of:</i>							
Gross loan debt	9.9%	9.8%	9.1%	8.5%	7.5%	7.1%	6.4%
Net loan debt	4.8%	5.0%	3.7%	4.3%	3.7%	3.8%	3.5%

1. Forward estimates are based on projections of exchange and inflation rates

2. The cash balance in 2012/13 is net of R33.9 billion in respect of delayed interest and loan redemption payments scheduled for Sunday, 31 March 2013 but paid on 2 April 2013

3. Net loan debt is calculated with due account of the cash balances of the National Revenue Fund (bank balances of government's accounts with the Reserve Bank and commercial banks)

4. Foreign currency deposits revaluated at forward estimates of exchange rates

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