2013/14 | DEBT MANAGEMENT REPORT

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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OVERVIEW

In 2013, financial markets were characterised by episodes of volatility, with the United States of America (USA) at the centre of events. In May, the Chairman of the Federal Reserve Bank (Fed) surprised the market by indicating that it was ready for the tapering of its quantitative easing (QE) programme; this led to a global sell-off in risky assets, with risk-free rates across world capital markets rising and a flight of capital to developed markets. In December 2013, the Fed confirmed that it would reduce QE by US$10 billion, starting in January 2014; it has subsequently reduced QE at every sitting since the initial reduction. This confirmation led to the biggest sell off in emerging market (EM) currencies since 2009. As a result, the Rand fell 7.5 per cent to break ZAR11/US$ for the first time since 2008. To minimise the inflationary effects of the weak currency, in January 2014 the South African Reserve Bank (SARB) raised its benchmark rate, for the first time since June 2008, by 50 basis points.

Notwithstanding the pressures that global markets have placed on borrowers in capital markets, the Republic of South Africa (RSA) remains committed to financing its infrastructure programmes and other programmes outlined in the National Development Plan (NDP) in support of economic growth. This saw government being able to finance its gross borrowing requirement of R208 billion in 2013/14, a slight decrease from R209 billion in 2012/13. This was financed through issuing R23 billion in domestic short-term loans and R170.9 billion in domestic long-term loans. An amount equivalent to R19.6 billion was raised in the foreign capital markets. In addition, money was borrowed to increase cash balances by R5.6 billion. Redemptions during the year consisted of R19.2 billion in foreign loans and R21.6 billion in domestic loans. The 2013/14 fiscal year (April 2013-March 2014) saw weekly auction issuance of R3, 150 million of which R2, 350 million was in fixed-rate bonds and R800 million in inflation-linked bonds. The take-up of weekly auctions was favourable, with an average bid-to-cover ratio on fixed-rate bonds and inflation-linked bonds of 2.9 and 2.1 respectively.

Government's debt stock continues to rise in line with the increase in borrowing requirements. Total net debt had reached R1.4 trillion by 31 March 2014, with domestic net debt making up 95.6 per cent of total net government debt, and foreign net debt 4.4 per cent. A concerted effort to extend the maturity structure of existing debt saw an issuance at the long end of the curve. In an effort to actively manage the debt profile, government introduced three new bonds: the R2030, R2037 and I2046. In line with the increase in yields globally, there has been an increase in borrowing costs locally. Since May 2013, when the Fed stated that it would begin tapering monetary stimulus, government bond yields have increased. In spite of this increase in yields and the resultant discounts in funding instruments, the volumes of the nominal weekly auctions were unchanged. Non-competitive auctions were increased to address the potential cash shortfall.

An important part of the debt strategy is managing refinancing risk, which is the risk that government will not be able to raise the money to repay debt at any scheduled redemption point, or will have to do so at very high cost. With this in mind, amongst other considerations, it was announced in the 2012/13 Debt Management Report that current risk benchmarks would be reviewed. This process, initiated under the World Bank Government Debt and Risk Management Programme, started in 2012/13 and has been completed, with new benchmarks being identified and adopted.

Non-resident participation in the domestic market continues to be at historic high levels, making up 37.2 per cent of domestic government bond holdings in the first quarter of 2014. This is a significant increase from around 12.8 per cent in 2008 and is in part driven by global fund managers' search for higher yields in emerging markets. The risk of potential instability caused by such non-resident holdings is considered to be manageable. Recent events suggest that as non-residents sell off and bond yields rise, local buyers increase their holdings; this has a balancing effect.

2013 saw positive net purchases of bonds by non-residents in the domestic market, with the year ending on positive inflows of R26 billion. However, this was significantly down from the previous year's R92 billion in net inflows. In the first quarter of 2014, RSA saw net purchases of bonds of R13 billion. RSA bonds became the first African government bonds to be included in Citigroup's World Government Bond Index (WGBI). This development boosts investment inflows while reducing the cost of borrowing for the country. Over time, South Africa has established itself as a credible global borrower, securing financing at competitive rates and establishing benchmarks for local firms to borrow abroad.

The fiscal year saw all four rating agencies affirming South Africa's credit ratings. Rating and Investment Information Inc. (R&I) affirmed the country's rating at "A-", Moody's Investors Service (Moody's) at "Baa1" and Standard and Poor's (S&P) and Fitch Ratings (Fitch) at "BBB". Both Moody's and S&P maintained South Africa's credit outlook at negative while Fitch and R&I kept a stable credit outlook. Government is conscious of the funding risks associated with potential downgrades. This is demonstrated by continued commitment to fiscal discipline and structural economic reforms as outlined in the NDP.

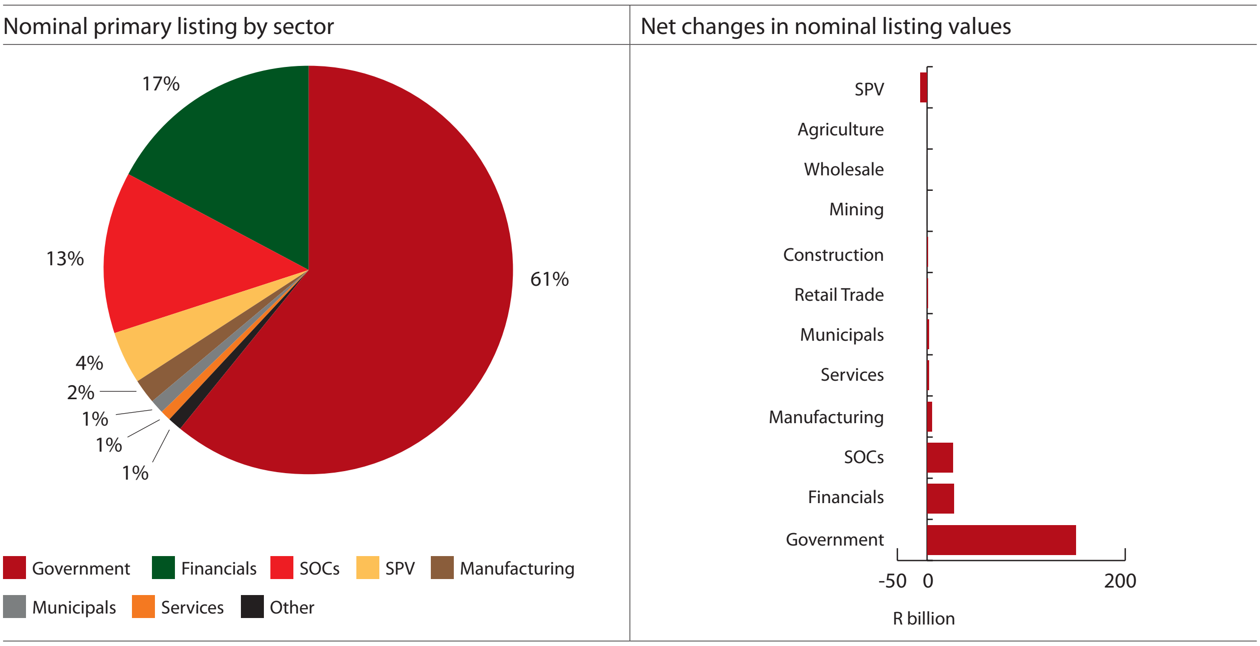
To enhance its creditworthiness, government has gradually increased oversight of borrowing by state-owned companies. Steps taken have included monitoring borrowing plans and debt-maturity profiles; compiling a Treasury best-practice manual; approving borrowing limits; managing contingent liability exposure; and meeting regularly with the Treasuries of these companies.

1. SOUTH AFRICAN DEBT CAPITAL MARKET

LISTING ACTIVITY IN THE PRIMARY DEBT CAPITAL MARKET

The South African debt capital market continues to be an important source of funding for national government, state-owned companies (SOCs) and corporates. Issuance was dominated by the government sector, which added an estimated R149.8 billion in net issuance during the year. At R1.1 trillion, government debt now accounts for 61 per cent of total debt listed on the Johannesburg Stock Exchange (JSE), up from 60 per cent the year before. In the previous fiscal year, the SOCs added another R26.0 billion in net issuance, amounting to a debt equal to 13 per cent of the outstanding total, whilst the financial sector added R27.2 billion, or 17 per cent of the total. Both the SOCs and the financial sector saw their debt as a proportion of total debt listed on the JSE remain constant from the year before.

Figure 1: Primary listing of debt securities on the JSE, 31 March 2014

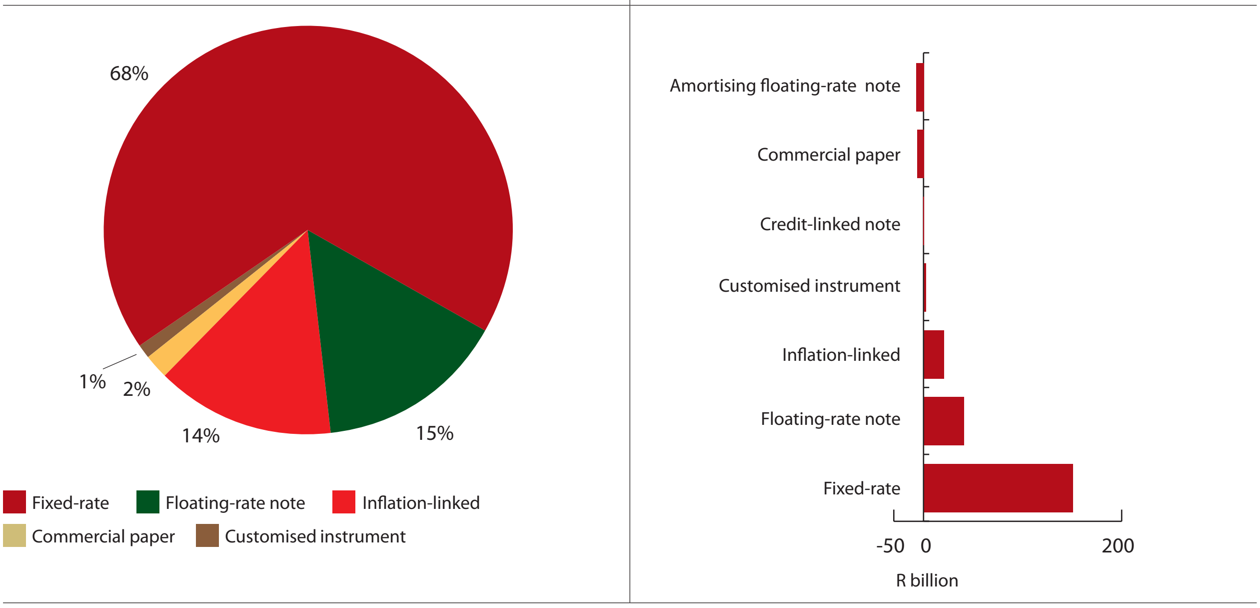


Source: Johannesburg Stock Exchange

Figure 1 shows the nominal primary listing by sector and the net changes in nominal listing values. Government recorded the greatest increase in outstanding debt. This has been the trend since the recession in 2009 as government has employed a counter-cyclical fiscal stance by increasing expenditure to boost a slowing economy. Special purpose vehicles (SPVs) and agriculture recorded a decrease in net issuance listings. SPVs are entities whose operations are limited to the acquisition and financing of specific assets. Debt raised through these structures is ring-fenced; the only form of recourse is on the assets owned by the SPV.

As illustrated in Figure 2 below, the composition of primary listing by instrument indicates that issuers prefer fixed-rate instruments. This is because they enable the issuer to lock-in the interest rate at the time of issue, thus providing certainty about the cost of funding for the instrument's duration. Fixed-rate instruments account for 68 per cent of total primary listings on the JSE, inflation-linked listings 14 per cent and floating-rate notes 15 per cent. The largest contributor to the net increase remains fixed-rate instruments, which increased by R149.8 billion; floating-rate notes increased by R40.1 billion and inflation-linked instruments by R19.8 billion. There was a net decrease in the listing value of the remaining instruments.

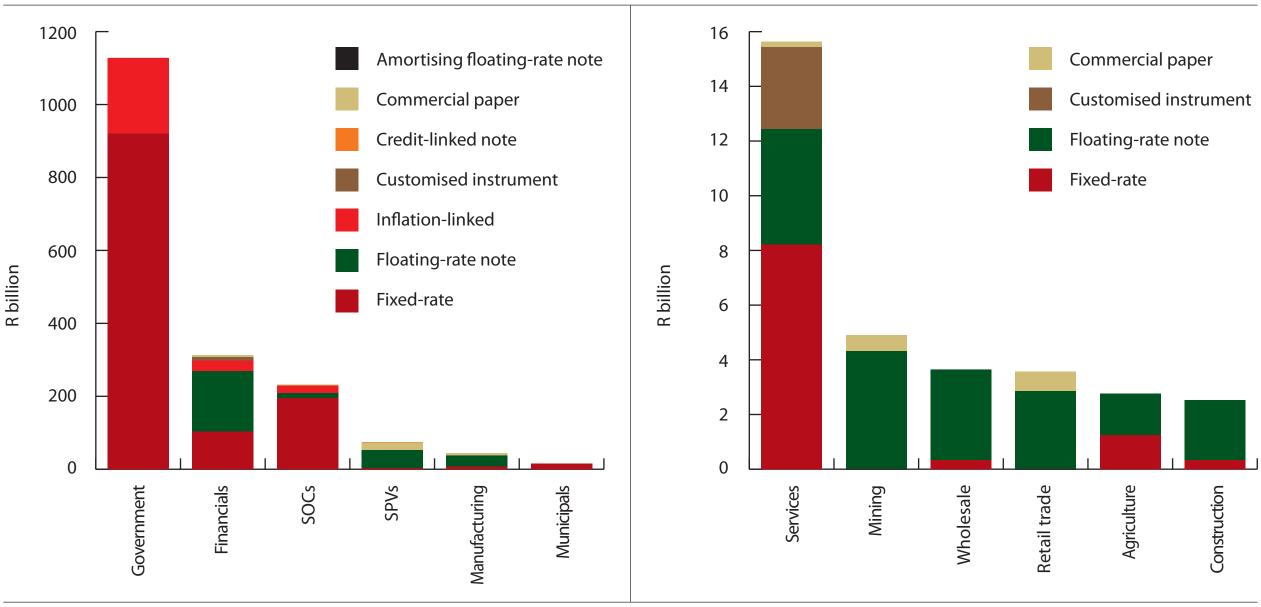
Figure 2: Composition of primary listings by instrument, 31 March 2014



Source: Johannesburg Stock Exchange

Figure 3 shows the composition of outstanding debt per instrument type. Government fixed-rate debt makes up 82 per cent of total government debt. The remaining 18 per cent consists of inflation-linked bonds. By instrument type, the financial sector is the most diverse in its debt stock, with the majority of instruments being inflation-linked bonds and credit-linked notes.

Figure 3: The sectorial composition of listings by instrument, 31 March 2014

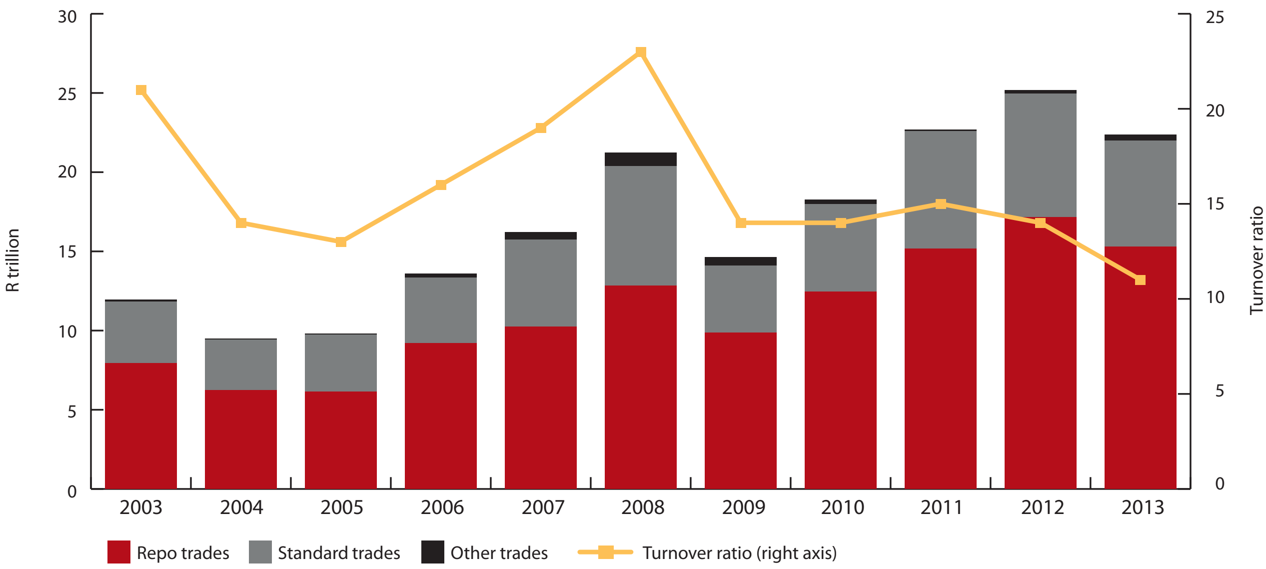


Source: Johannesburg Stock Exchange

SECONDARY MARKET ACTIVITY OF SOUTH AFRICAN BONDS

The South African bond market remained resilient in 2013. This was despite high levels of volatility and uncertainty stemming from anticipated changes in Fed policy which, in May 2013, gave its first indication that it intended to slow down its QE programme. Trading volumes on the JSE moderated to R22.4 trillion in 2013, from R25.1 trillion in 2012, with the lower volumes indicating lower trading activity and liquidity. The repurchase (repo) market contributed significantly to total trading volume, accounting for 68 per cent of trades in 2013. In 2012 and 2011, repo trades made up 68 per cent and 67 per cent of the total respectively. The turnover of the South African bond market is shown in Figure 4.

Figure 4: Turnover of the South African bond market, 2003 - 2013

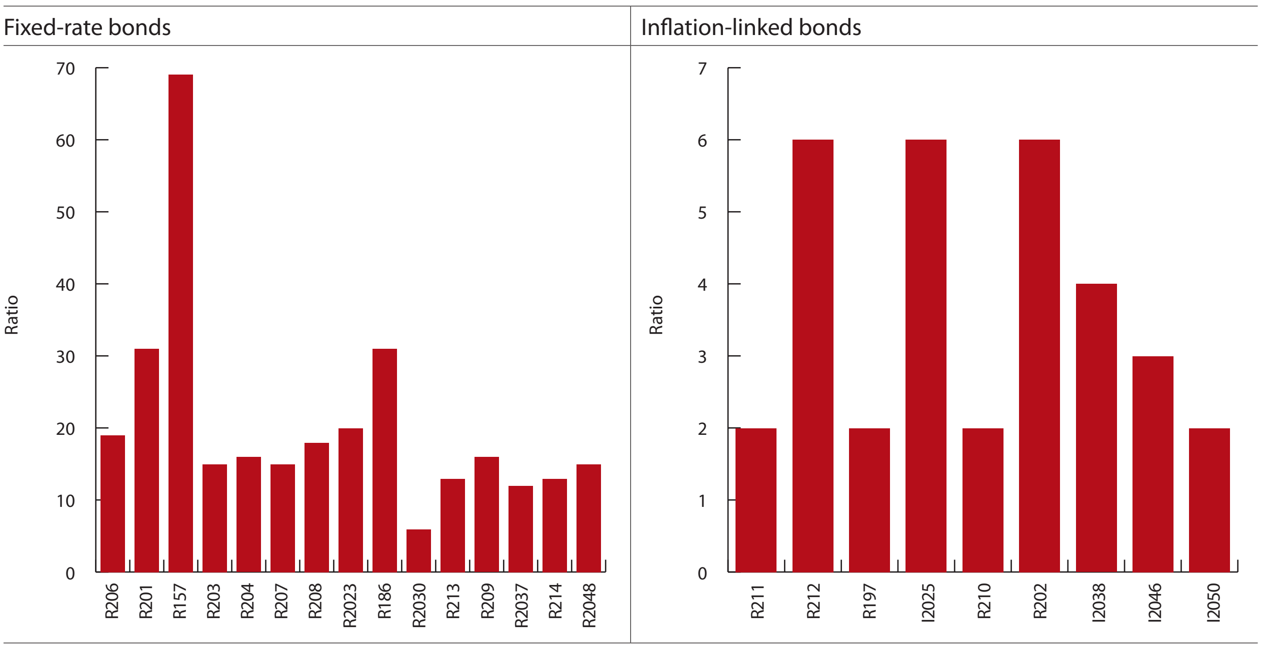


Source: Johannesburg Stock Exchange

The bond turnover ratio is a measure of bond market liquidity and is used to assess which bonds are the most liquid. The ratio shows the extent of trading in the secondary market relative to the amount of bonds outstanding. The higher the turnover ratio, the greater the activity in the secondary market.

Figure 5 shows that the R157 and R186 bonds were the most traded bonds in the government debt portfolio; this is shown by their respective turnover ratios of 69 times and 31 times. These bonds are highly liquid as they are used by the market as benchmark bonds. The total outstanding nominal amounts of these two bonds are R74.8 billion and R138.4 billion respectively.

Figure 5: Turnover ratios of government bonds, 2013/14



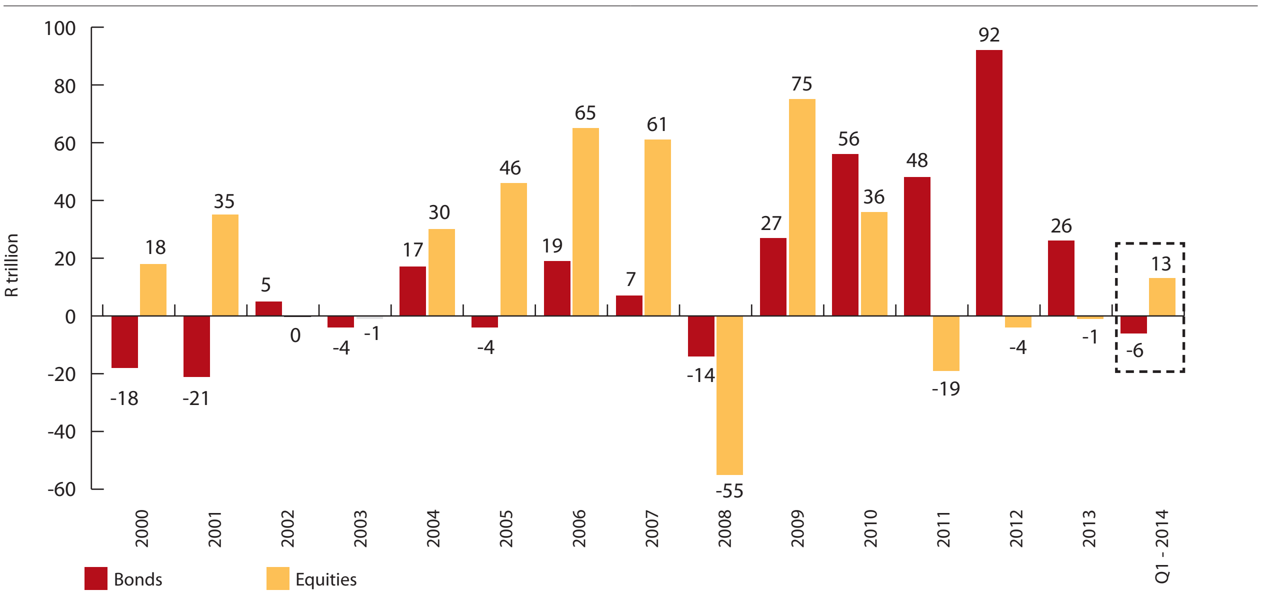
Source: Johannesburg Stock Exchange

NON-RESIDENTS' PARTICIPATION IN THE SOUTH AFRICAN BOND MARKET

Non-resident participation in the domestic market continues to be at historic high levels, making up 37.2 per cent of domestic government bond holdings in the first quarter of 2014. This is a significant increase from around 12.8 per cent in 2008 and is in part driven by global fund managers' search for higher yields in emerging markets.

This has been driven by the Fed's QE programme which resulted in global capital searching for higher yields in emerging markets. However, in 2013, market volatility saw foreign investors sell R1 billion worth of South African equities. Net inflows reduced from R88 billion to R25 billion. The key driver of bond purchases' decline was due to uncertainty about when the Fed would scale back QE. In the first quarter of 2014, RSA saw bond net inflows of R13 billion.

Figure 6: Net capital inflows into South African bonds and equities, 2000 - 31 March 2014



Source: Johannesburg Stock Exchange

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

BORROWING REQUIREMENT

The national government's net borrowing requirement is the main budget balance and includes the National Revenue Fund (NRF) receipts and payments. Table 1 shows the preliminary outcome of government's gross borrowing requirement for 2013/14.

Table 1: National government's gross borrowing requirement, 2013/14

R million	Budget	Revised budget	Preliminary outcome
Main budget balance	-178 047	-162 942	-167 167
Of which:			
National Revenue Fund receipts	4 992	11 790	12 091
Premiums on loan transactions	4 740	5 615	5 510
Revaluation profits on foreign currency transactions	252	5 665	5 671
Liquidation of SASRIA investment	–	75	75
Foreign exchange amnesty proceeds	–	–	399
Special proceeds from Telkom	–	382	382
Proceeds from EDIH	–	37	37
Special restructuring proceeds from ICASA	–	9	9
Other	–	7	8
National Revenue Fund payments	-930	-482	-516
Premiums on loan transactions	-930	-454	-457
Payment of Saambou Bank liability	–	–	-31
Defrayal of GFECRA* losses	–	-28	-28
Borrowing requirement (net)	-178 047	-162 942	-167 167
Loan redemptions	-37 453	-39 759	-40 803
Domestic long-term	-20 728	-20 520	-21 563
Foreign	-16 725	-19 239	-19 240
Borrowing requirement (gross)	-215 500	-202 701	-207 970

Source: National Treasury
**Gold and Foreign Exchange Contingency Reserve Account*

As presented in the 2013 Medium-Term Budget Policy Statement (MTBPS) and in line with global standards, items previously classified as extraordinary receipts and payments were brought into the budget framework as NRF receipts and payments.

Government's net borrowing requirement was R167.2 billion. NRF receipts totalled R12.1 billion and consisted mainly of R5.5 billion of premiums on loan transactions and revaluation profits of R5.7 billion on foreign currency transactions. There were NRF payments of R516 million in 2013/14; R457 million of this consisted of premiums on loan transactions due to debt portfolio restructuring.

Table 2 shows the preliminary outcome of the government's financing programme for 2013/14. The gross borrowing requirement in the year was financed through issuing domestic short-term loans of R23 billion and domestic long-term loans of R170.9 billion. In addition, a foreign loan of R19.6 billion (US$2 billion equivalent) was issued in the same period.

Table 2: Financing the gross borrowing requirement, 2013/14

R million	Budget	Revised budget	Preliminary outcome
Domestic short-term loans (net)	23 000	23 000	23 048
Treasury bills	24 103	23 159	20 221
Corporation for Public Deposits	-1 103	-159	2 827
Domestic long-term loans (gross)	164 338	169 513	170 872
Market loans	165 648	170 648	172 007
Loans issued for switches	-1 310	-1 135	-1 135
Foreign loans (gross)	12 390	19 619	19 619
Change in cash and other balances	15 772	-9 431	-5 569
Cash balances	11 272	-18 809	-16 292
Other balances	4 500	9 378	10 723
Financing	215 500	202 701	207 970

Source: National Treasury

SHORT-TERM BORROWING

Short-term borrowing consists of Treasury bill issuance and borrowing from the Corporation for Public Deposits (CPD). In 2013/14, a net amount of R23 billion was raised from short-term domestic loans, consisting of R20.2 billion of Treasury bill issuance and R2.8 billion through borrowing from the CPD.

Table 3: Domestic short-term borrowing, 2013/14

R million	Opening balance	Net change	Closing balance	Weekly auction
Corporation for Public Deposits	18 985	2 827	21 812	
Treasury Bills	171 985	20 221	192 206	7 770
91-day	45 349	-2 458	42 891	3 685
182-day	38 244	4 114	42 358	1 665
273-day	43 860	5 393	49 253	1 300
364-day	44 532	13 172	57 704	1 120
Total	190 970	23 048	214 018	

Source: National Treasury

Corporation for Public Deposits

The CPD is a wholly-owned subsidiary of the South African Reserve Bank. Its main function is to invest surplus cash received from government and SOCs. Provincial governments and selected SOCs are required to invest their surplus cash with the CPD. The government uses these funds to finance a portion of its borrowing requirement and for bridging finance.

In 2013/14, the surplus cash invested with the CPD accrued interest at the 91-day Treasury bill yield rate less 10 basis points; interest on borrowing from the CPD was based on the 91-day Treasury bill yield rate. The average balance in the provincial governments' and SOCs' CPD portfolios in the 2013/14 fiscal year was R42.2 billion. During the fiscal year, the National Treasury borrowed on average R23 billion from the CPD.

Treasury bill auction performance

Treasury bill auctions are conducted on a weekly basis. Demand for Treasury bills was weaker in 2013/14 compared to the previous fiscal year, and especially the 91-day Treasury bill auctions. Treasury bill auctions were under-allotted by R13.9 billion, or 3.4 per cent of the gross issuance. The under-allotments resulted in an increase in borrowing from the CPD.

Table 4: Treasury bill under-allotments, 2013/14

R million	Gross issuance	Under-allotment	Percentage of gross issuance
91-day	191 620	10 815	*5.6*
182-day	86 580	1 432	*1.7*
273-day	67 600	1 447	*2.1*
364-day	58 240	216	*0.4*
Total	404 040	13 910	3.4

Source: National Treasury

A summary of the auction bid-to-cover ratio and effective yields is shown in Table 5 below. Detailed information on Treasury bill auctions is given in Annexures C and D.

Table 5: Treasury bill auctions, 2013/14

	91-day	182-day	273-day	364-day
Bid-to-cover-ratios				
Highest	3.4	3.8	4.4	4.5
Lowest	0.8	0.6	0.4	0.9
Average	1.7	2.2	2.2	2.3
Effective yields (%)				
Highest	5.9	6.6	7.1	7.6
Lowest	5.0	5.1	5.1	5.1
Average	5.3	5.6	5.8	6.0

Source: National Treasury

LONG-TERM BORROWING

Long-term borrowing consists of the issuance of fixed-rate, inflation-linked and retail savings bonds. Fixed-rate and inflation-linked bond auctions are conducted on a weekly basis in line with pre-determined auction calendars. Retail savings bonds are made available to South African citizens through designated distribution outlets across the country.

Naming convention of bonds

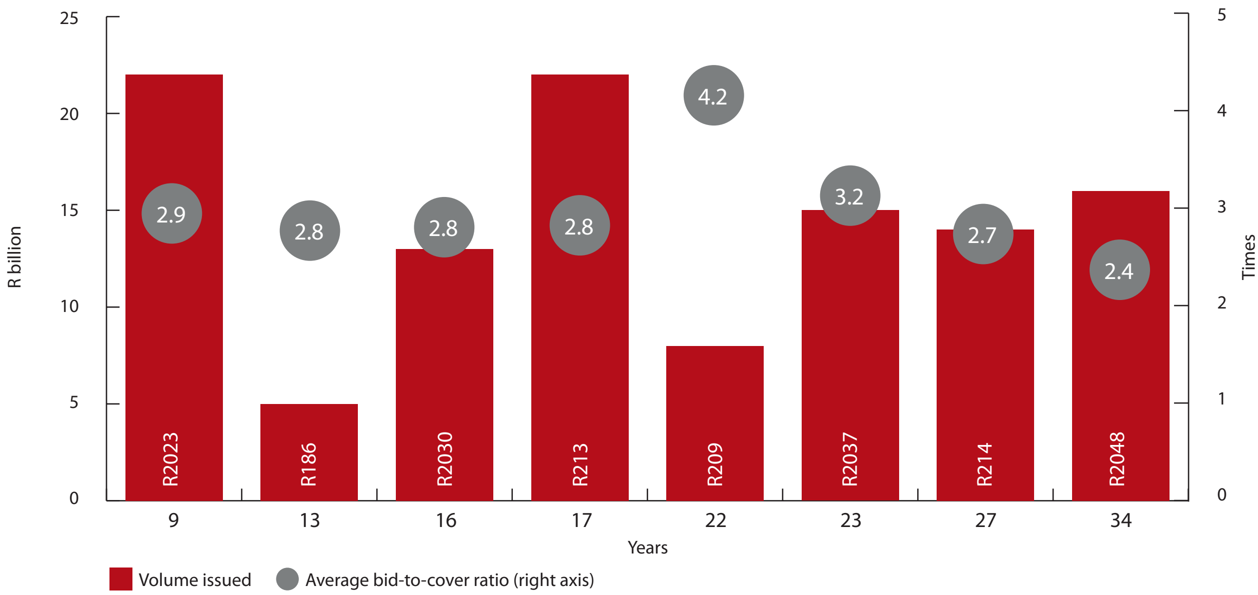
In terms of the naming convention of long-term funding instruments issued since 2011, the name of an instrument begins with a letter, followed by a numeric sequence. "I" denotes "inflation-linked bonds" whilst "R" denotes "fixed-rate bonds". The numeric sequence shows the year in which the bond matures. See Annexure E for the full list of bonds and their maturities.

Fixed-rate bonds

A nominal amount of R115.2 billion in fixed-rate bonds, excluding non-competitive auctions, was issued over 49 auctions in 2013/14. Fixed-rate bond auctions remained well-supported, with a weekly nominal issuance of R2.350 million. Support was also demonstrated by subscription rates of over two times for each bond issued.

Issuance was concentrated in the R213 and the R2023 bonds, with nominal amounts of R21.7 billion and R22 billion respectively. The total nominal issuances by maturity area and bid-to-cover ratio are shown in Figure 7 below. The summary of the weekly fixed-rate bond auctions is shown in Annexure E.

Figure 7: Issuance of fixed-rate bonds, 2013/14

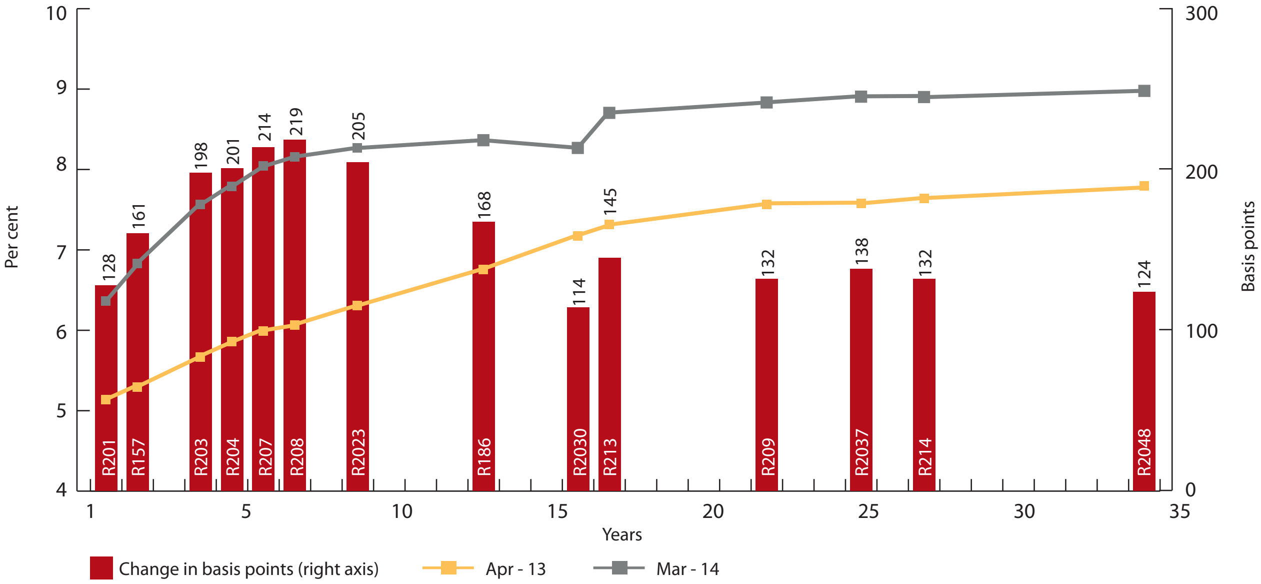


Source: National Treasury

In 2013/14, the National Treasury listed four fixed-rate bonds (R2030, R2032, R2037 and R2044) and one inflation-linked bond (I2046). Of the four fixed-rate bonds introduced in the year, the R2030 and the R2037 bonds have been utilised for funding purposes; the R2032 and R2044 bonds will be issued in 2014/15. Market volatility during 2013 saw investor interest focused mainly on more liquid bonds; it was therefore only prudent to delay the introduction of other bonds.

The R2030 bond recorded a nominal amount of R12.7 billion in 2013/14. The RSA bonds were included in the World Government Bond Index in October 2012. The inclusion stimulated demand from non-resident investors who track the index.

Figure 8: Yield curve movement of fixed-rate bonds, 2013/14



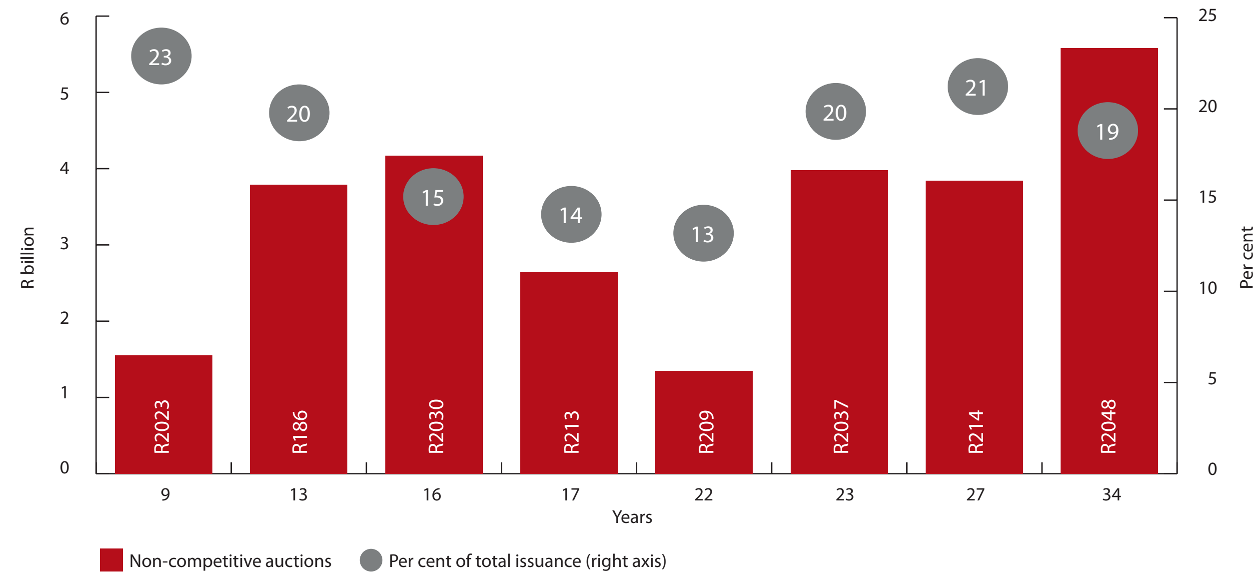
Source: National Treasury

Figure 8 shows that yields on fixed-rate bonds rose by an average of 163 basis points between April 2013 and March 2014. This was the result of confirmation by former Fed Chairman Ben Bernanke that the Fed intended to ease its QE programme. Whilst this rise in yields was considerable, it was consistent with what was observed throughout emerging markets, as global investors sold off these markets' assets in favour of US Treasuries.

Non-competitive auction performance

Domestic bonds are sold in weekly auctions. Both fixed-rate and inflation-linked bond auctions start with competitive bidding, where bidders propose a buying yield or rate. The highest priced bid tendered is accepted. In the case of fixed-rate bonds, competitive bidding is followed by a non-competitive bid auction which gives successful bidders a 48-hour window to take up an additional 50 per cent of their competitive bid auction allocations at the yield at which the auction settled.

Figure 9: Non-competitive auction performance per bond, 2013/14



Source: National Treasury

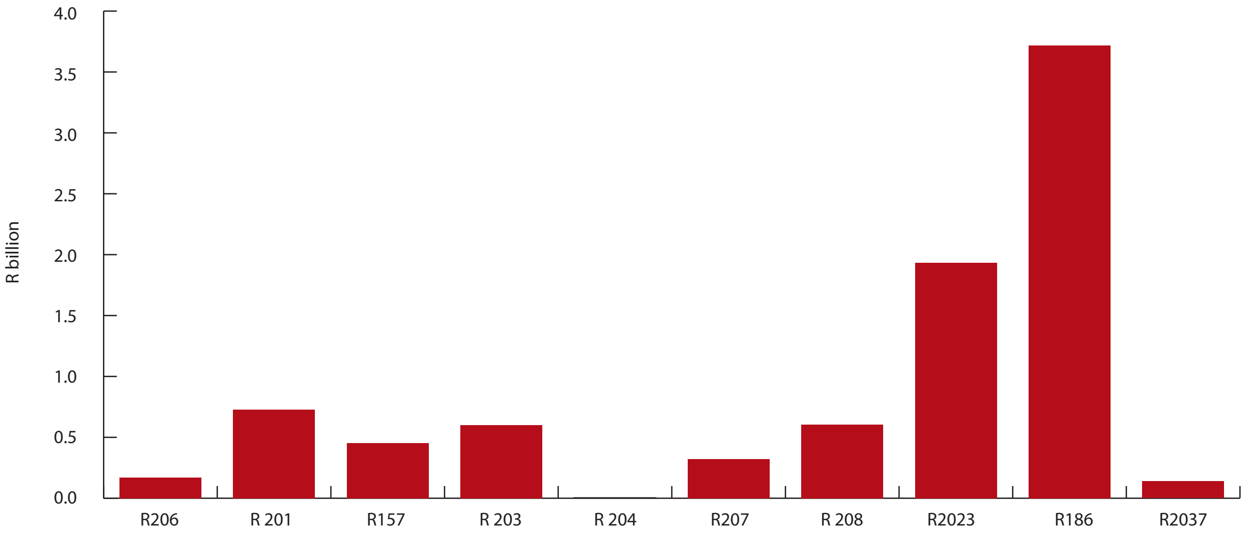
The increase in bond yields since May 2013 saw a significant number of bonds trading at a discount; as a result, cash amounts received from auctions were lower than originally anticipated. This necessitated an increase in the limit in non-competitive auctions from 30 to 50 per cent in July 2013. A nominal amount of R26.9 billion was issued through the non-competitive auction facility. Increasing non-competitive auction limits ensured that additional funds could be raised without increasing the weekly issuance, which would have resulted in further weakening of bond yields in already unstable market conditions. Government seeks to promote stability in financial markets by keeping its weekly borrowing stable and predictable.

Figure 9 shows that, in relation to the amount issued, the highest take-up in non-competitive auctions was in the R2023 bond, with a nominal issuance of R5.1 billion. Non-competitive auctions remain a key funding tool for responding to short-term changes in market dynamics and thus mitigating potential pressure on cash receipts.

Scrip lending facility

The National Treasury has an obligation to support the market for government bonds by acting as a lender of last resort to avoid settlement failures and subsequent systemic risk. The scrip lending facility is available strictly to primary dealers and is used only if other approaches to obtaining the scrip have been exhausted. A nominal amount of R8.7 billion was issued in 2013/14 through the scrip lending facility. Figure 10 shows the breakdown.

Figure 10: Fixed-rate bonds issued through the scrip lending facility, 2013/14



Source: National Treasury

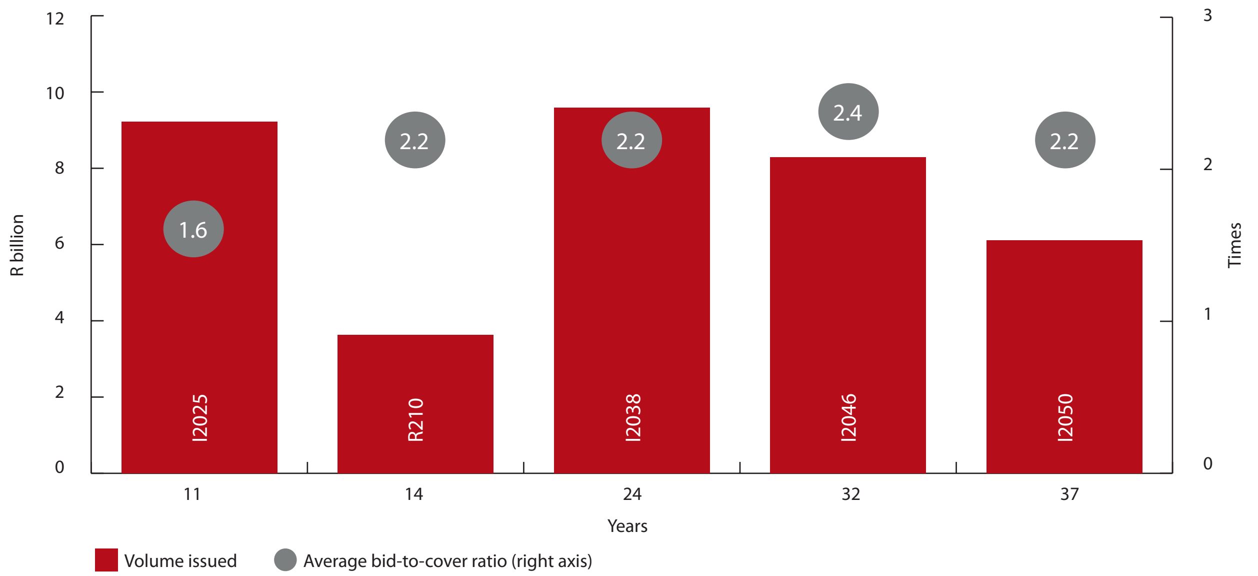
Inflation-linked bonds

Inflation-linked instruments provide investors with protection against inflation, with government bearing the inflation risk. Investors in inflation-linked instruments are primarily institutions such as long-term insurers and pension funds that have long-dated liabilities. Inflation-linked bonds allow them to protect against these future claims, as they are able to meet the nominal obligations. Likewise, pension funds have obligations to fund their members once retired; they use inflation-linked bonds to meet the real value of such obligations when they become due.

A nominal amount of R36.8 billion was issued in 48 inflation-linked bond auctions in 2013/14. This accounted for 24.2 per cent of domestic long-term bond issuance. Issuance was concentrated on the I2025 bond and I2038, with nominal amounts of R9.2 billion and R9.6 billion respectively.

The newly introduced I2046 bond recorded a nominal amount of R8.3 billion, with a subscription rate of 2.4 times; this indicated a strong demand for the bond. The total nominal issuance by maturity area and bid-to-cover ratio is shown in Figure 11. The summary of the 2013/14 inflation-linked bond auctions and detailed information about the maturities and coupon rates are shown in Annexure F.

Figure 11: Issuance of inflation-linked bonds, 2013/14

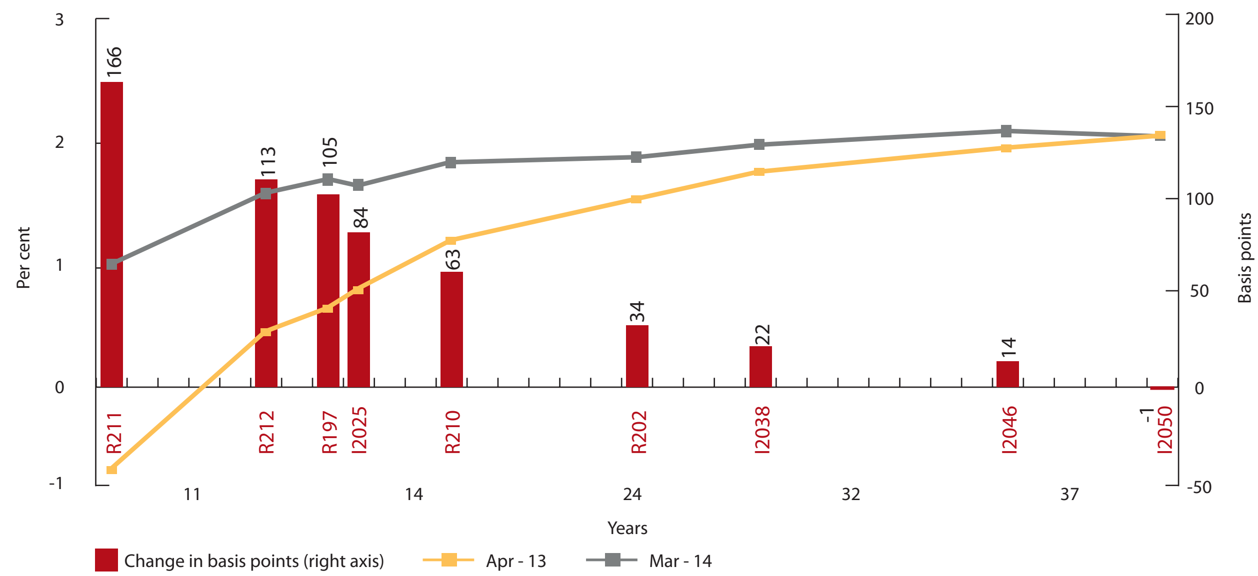


Source: National Treasury

National Treasury had four undersubscribed inflation-linked bond auctions in 2013/14. Despite this, as Figure 11 shows, there was a good overall appetite for these bonds, with subscription rates of 2.1 times on average.

Figure 12 shows that, on average, yields on inflation-linked bonds increased by 78 basis points after the SARB increased the repo rate on the back of local currency volatility and higher inflation expectations. There was a pronounced increment in the yield on the 3-year and 8-year inflation-linked bonds, which increased by 165.5 basis points and 122.5 basis points respectively.

Figure 12: Yield curve movement of inflation-linked bonds, 2013/14



Source: National Treasury

Reverse repurchase transactions for inflation-linked bonds

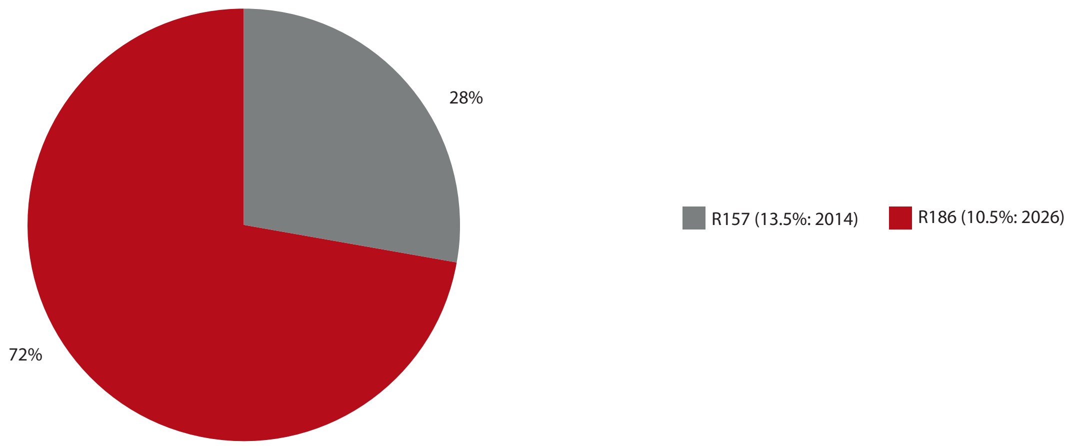
A reverse repurchase facility is in place to enhance tradability of inflation-linked bonds in the secondary market. The facility is open to market participants who have signed a master repurchase agreement with the SARB. Currently, FirstRand Bank, ABSA and Worldwide Capital are eligible to participate in the reverse repurchase facility.

Bond-switch programme

The bond-switch programme mitigates refinancing risk: that is, the risk that government might not be able to repay debt at any scheduled point or might have to do so at a high cost. The programme eases pressure on targeted areas of the redemption profile by exchanging short-term debt for long-term debt. To manage this refinancing risk, government will continue to exchange shorter-dated debt for longer-dated debt as market conditions permit. Future switch auctions will be scheduled on an *ad hock* basis rather than being set out in a formal calendar format and there will be no pre-set targets.

Of the intended R34 billion bond switch programme announced in the 2012 Budget, a total nominal amount of R32.6 billion has been switched out of the R201 bond. In 2013/14, the redemption amount of the R201 bond was reduced by R10.6 billion to R8.1 billion, with the R157 and R186 as the destination bonds. Figure 15 shows the destination bonds of the R201 bond for the 2013/14 fiscal year.

Figure 13: Destination bonds for the R201 switch auction programme, 2013/14

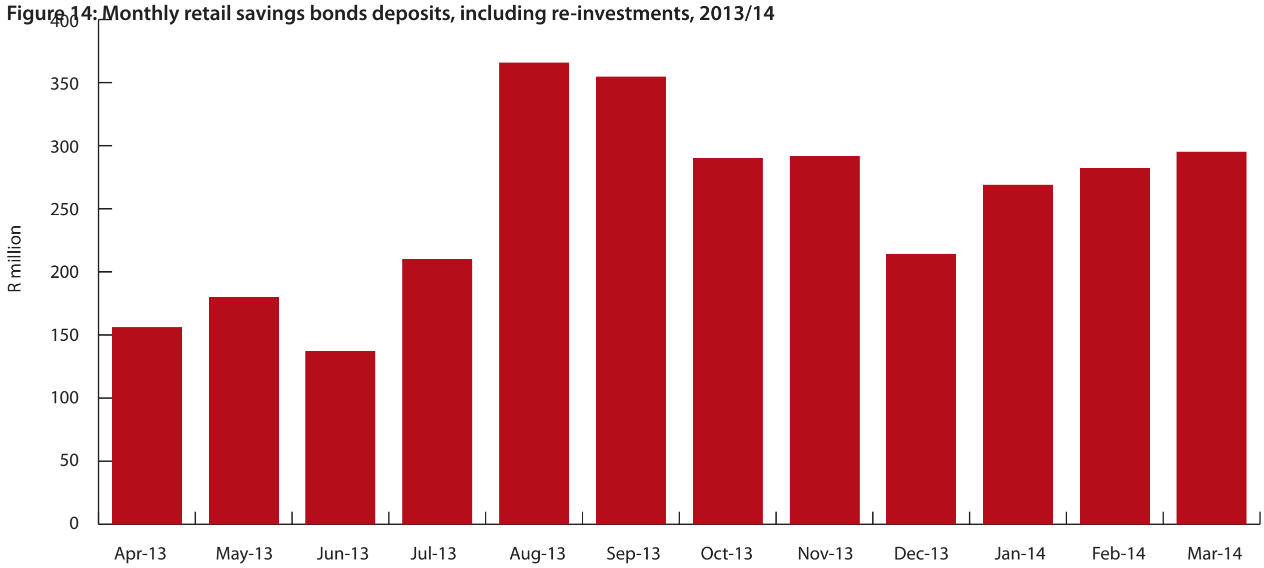


Source: National Treasury

Retail savings bonds

Since their introduction in 2004, the main objective of retail savings bonds has been to educate and to promote a savings culture in South Africa. During the 2013/14 fiscal year, an amount of R3 billion was raised through investments in retail bonds. As at 31 March 2014, the outstanding amount in retail bonds was R9 billion.

Figure 14: Monthly retail savings bonds deposits, including re-investments, 2013/14



Source: National Treasury

Efforts are underway to increase the range of products on offer. A new top-up retail bond product that allows regular deposits into existing investments will be introduced in 2014. This bond will also be accessible to community savings groups such as stokvels.

Interest rates are derived from government bond yield curves and are published on the retail bond website (www.rsaretailbonds.gov.za). The interest rates for fixed-rate retail savings bonds and co-operative retail savings bonds are reviewed monthly. The interest rates for inflation-linked retail savings bonds are reviewed bi-annually. The pricing model is currently being reviewed.

The interest rates on fixed-rate bonds are shown in Table 6. The interest rates on the 3-year and 5-year inflation-linked retail savings bonds were 1 per cent for 3 years, 1.3 per cent for 3 years and 2.3 per cent for 10 years.

Table 6: Interest rates on fixed-rate retail bonds, 2013/14

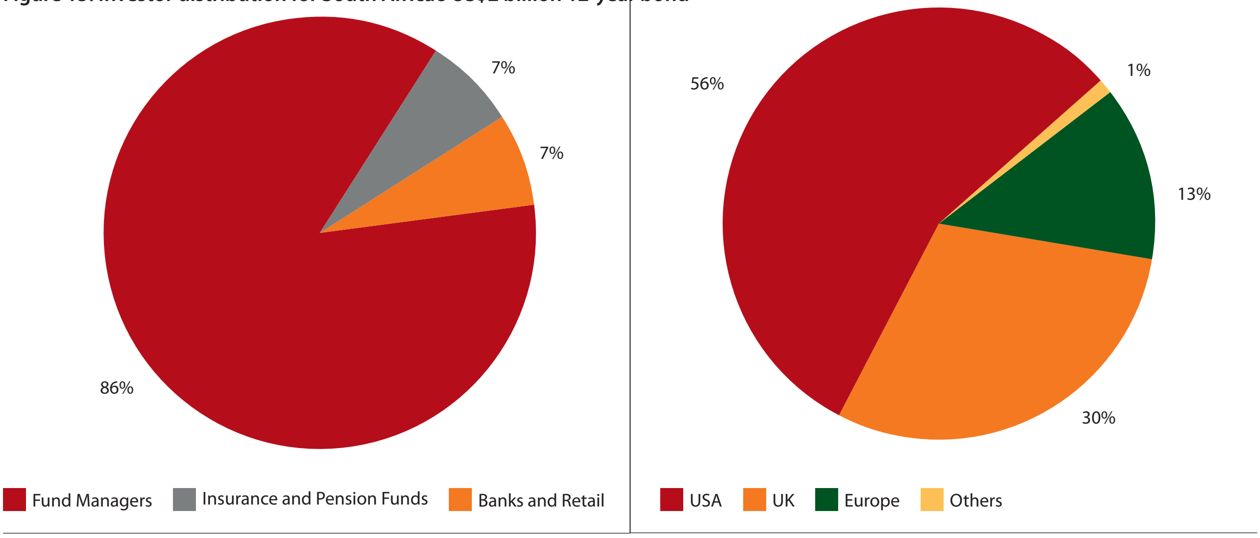
Per cent	2-year	3-year	5-year
2013/01/07	6.5	7.0	7.5
2014/01/02	7.0	7.5	8.0
2014/01/03	7.3	7.8	8.3

Source: National Treasury

FOREIGN FUNDING

Government borrows in the international capital market to meet part of its foreign currency commitments and to create benchmarks for other South African issuers. The planned issuance in the foreign capital market is US$1.5 billion per annum through to 2016/17. In September 2013, due to strong investor demand and pricing, government increased this amount to an issuance amount of US$2 billion with a maturity of 12 years. The deal was four times oversubscribed, reflecting international investors' confidence in RSA.

Figure 15: Investor distribution for South Africa's US$2 billion 12-year bond



Source: National Treasury

As Figure 15 above shows, 86 per cent of the bond take up was by fund managers, with other investors taking up 14 per cent. Geographically, more than half of the take-up was in the USA.

In order to diversify funding sources, the government intends to enter the Sukuk (Islamic) market, with issuance envisaged for 2014. The deal will be the country's first Islamic market transaction and will serve as a benchmark for other South African issuers. Borrowing from export credit agencies will be considered as a means of financing projects with large foreign exchange commitments linked to infrastructure.

GOVERNMENT CASH BALANCES

The primary objective of managing cash balances is to ensure that government has enough cash available to meet its commitments. Effective cash management also contributes to market stability by keeping government's weekly borrowing stable and predictable.

Cash management also plays a pivotal role in supporting collaboration between the National Treasury and the SARB to manage market liquidity. Government's total cash includes deposits held by the SARB and commercial banks. Cash deposits with the SARB include rand sterilisation and foreign exchange deposits.

Sterilisation deposits are excess cash deposits made with the SARB to counter the effects of increased money supply as a result of the accumulation of reserves. These deposits are only available as bridging finance. The SARB enters into foreign exchange swaps to neutralize sizable foreign direct investment flows. The National Treasury is committed to assisting to unwind these maturing swaps when capacity is available.

Foreign exchange deposits consist of money borrowed in global markets and/or foreign currencies purchased in the domestic market.

Foreign exchange deposits can be used to meet foreign exchange commitments. The government's cash balances are shown in Table 7.

Table 7: National government's cash balances, March 2013 and March 2014

R billion	Mar-13	Mar-14
Reserve bank	**131.0**	**130.2**
Sterilisation deposits	67.2	67.2
Foreign currency deposits	63.8	63.0
Commercial banks	**70.5**	**53.6**
Tax and loan accounts	70.4[1]	53.6[2]
Foreign currency deposits	0.1	-
Total	**201.5**	**183.8**
Of which:		
Rand	137.6	120.8
Foreign currency deposits	63.9	63.0

Source: National Treasury
1 .Includes R33.9 billion in respect of delayed interest and loan redemption payment scheduled for Sunday, 31 March 2013 but paid on 2 April 2013.
2. Includes R8.9 billion in respect of an advance social assistance payment for 1 April 2014.

The analysis of the flows in government's foreign exchange balances is shown in Table 8. Foreign exchange commitments of US$3.4 billion were financed through the purchase of foreign exchange in the domestic spot market, settlement of foreign exchange forward contracts, issuance of foreign currency denominated bonds and interest earned.

Table 8: US$ flows of foreign exchange deposits, 2013/14

US$ million	Budget	Revised budget	Preliminary outcome
Opening balance	**8 881**	**8 724**	**8 724**
Inflows	**1 535**	**2 651**	**2 671**
International bond issue	500	1 968	1 968
Maturing swaps	-	636	636
Spot purchases	911	-	-
Interest	124	47	67
Outflows	**-2 792**	**-3 362**	**-3 405**
Interest on debt portfolio	-840	-801	-795
Loan redemptions	-1 451	-2 060	-2 061
Payments by departments	-501	-501	-549
Closing balance	**7 624**	**8 013**	**7 990**

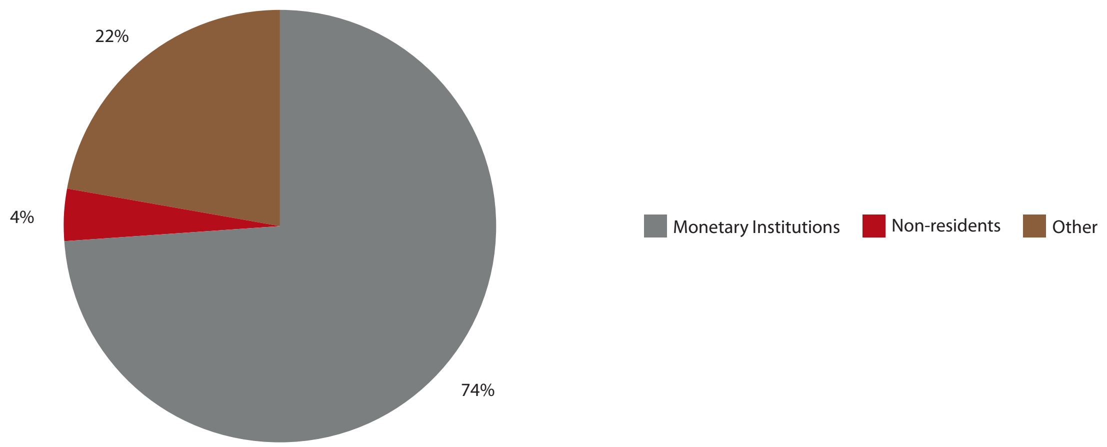
Source: National Treasury

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

HOLDINGS OF GOVERNMENT TREASURY BILLS

As at 31 March 2014, the outstanding amount on Treasury bills was R192 billion. Domestic commercial banks held 74 per cent of these bills, with 4 per cent held by non-residents. The remaining 22 per cent was held by various financial institutions, represented as "Other" in Figure 16. The 273-day and 364-day Treasury bills are held largely by banks as liquid assets.

Figure 16: Holdings of Treasury bills by institution, 31 March 2014

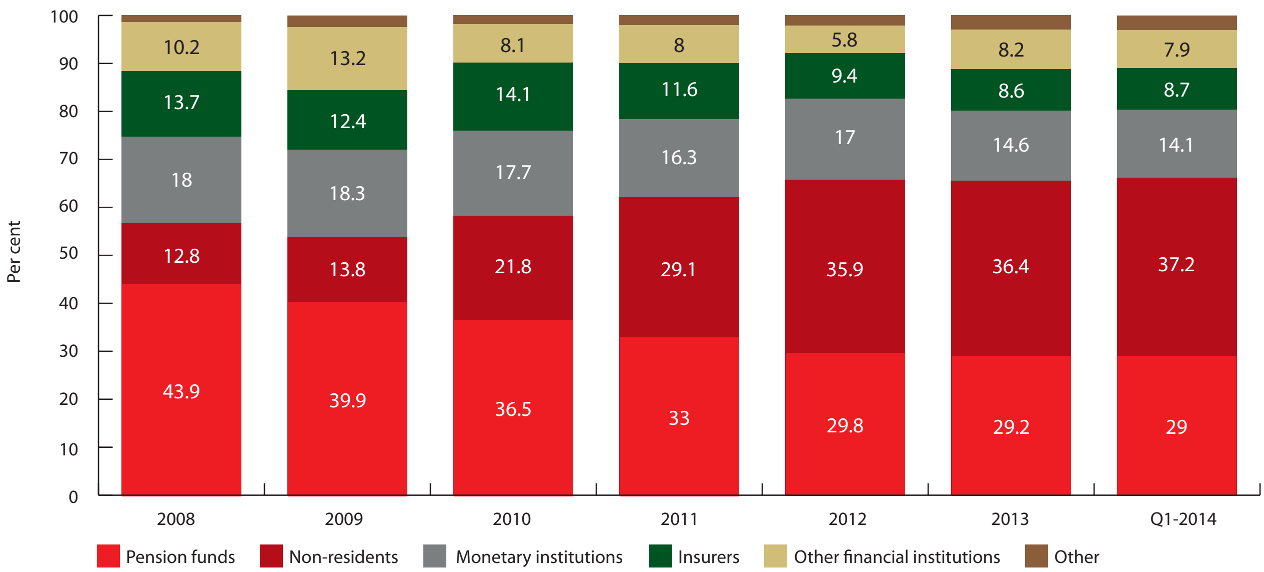


Source: National Treasury

HOLDINGS OF DOMESTIC MARKETABLE GOVERNMENT BONDS

As a result of excess capital in the global financial system seeking higher yields in emerging markets, since 2008 non-residents' holdings of South African domestic government bonds have increased substantially, from 12.8 per cent in March 2008 to 37.2 per cent in March 2014.

Figure 17: Holdings of domestic government bonds, 2008 - March 2014

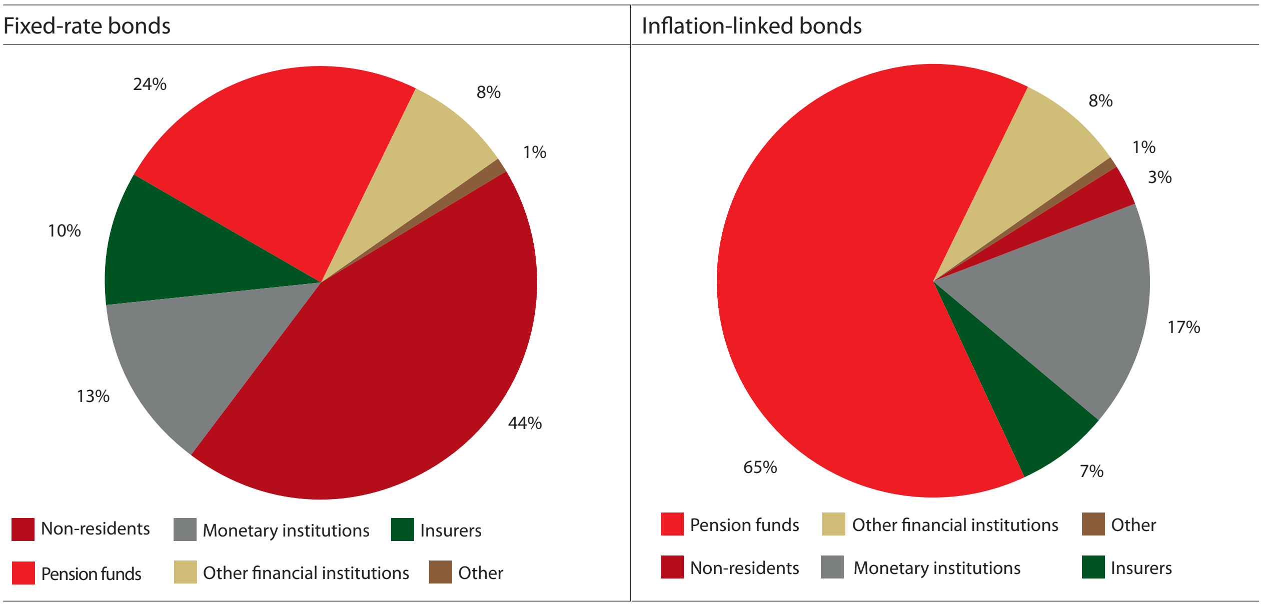


Source: STRATE

Local pension fund holdings increased from 29.8 per cent in 2012 to 29.2 per cent in 2013 and 31.7 per cent in March 2014. Holdings by monetary institutions and insurers declined over the past six years, with monetary institutions' holdings falling from 18 per cent in 2008 to 13.8 per cent in March 2014.

Figure 18 shows that local pension funds remain significant players in the inflation-linked bond space, holding 65 per cent compared with a 24 per cent share of fixed-rate bonds. Pension funds have long-dated liabilities which pose an inflation-risk for their members. Inflation-linked instruments hedge this liability by protecting the real value of the assets backing the pension liabilities.

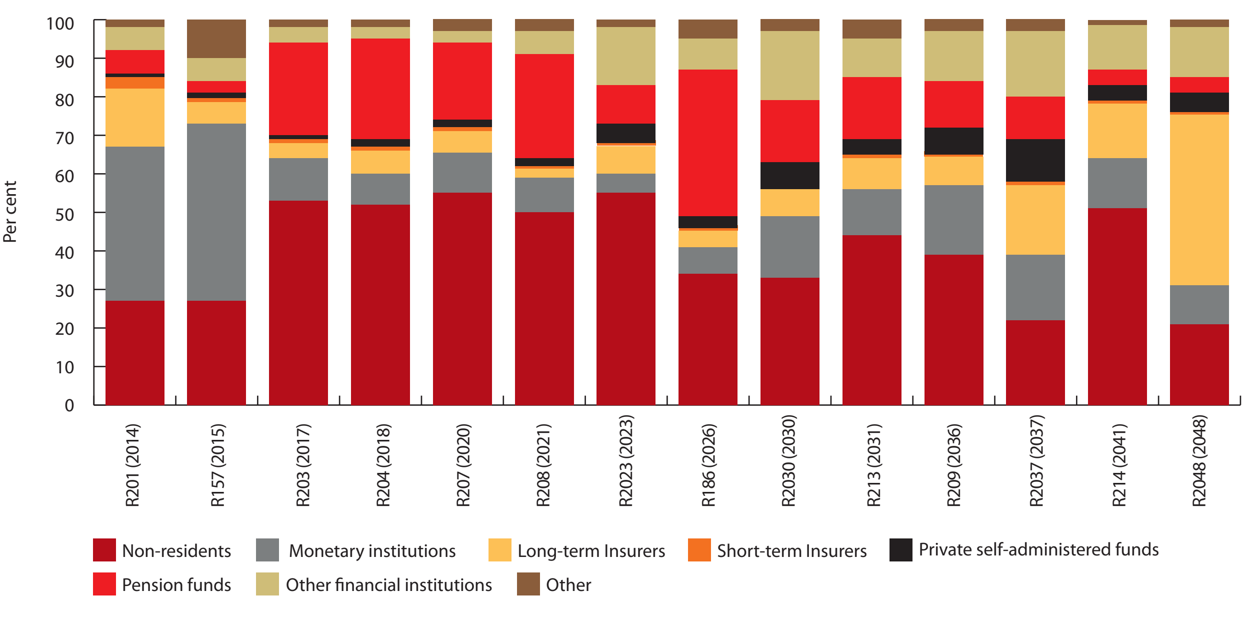
Figure 18: Holdings of fixed-rate and inflation-linked bonds, 31 March 2014



Source: STRATE

Monetary institutions' holdings, shown in Figure 18 above, remain fairly balanced between fixed-rate and inflation-linked bonds, with 13 per cent in fixed-rate bonds and 17 per cent in inflation-linked bonds. Insurers, other financial institutions and other sectors each account for 19 per cent of fixed-rate and 16 per cent of inflation-linked bonds.

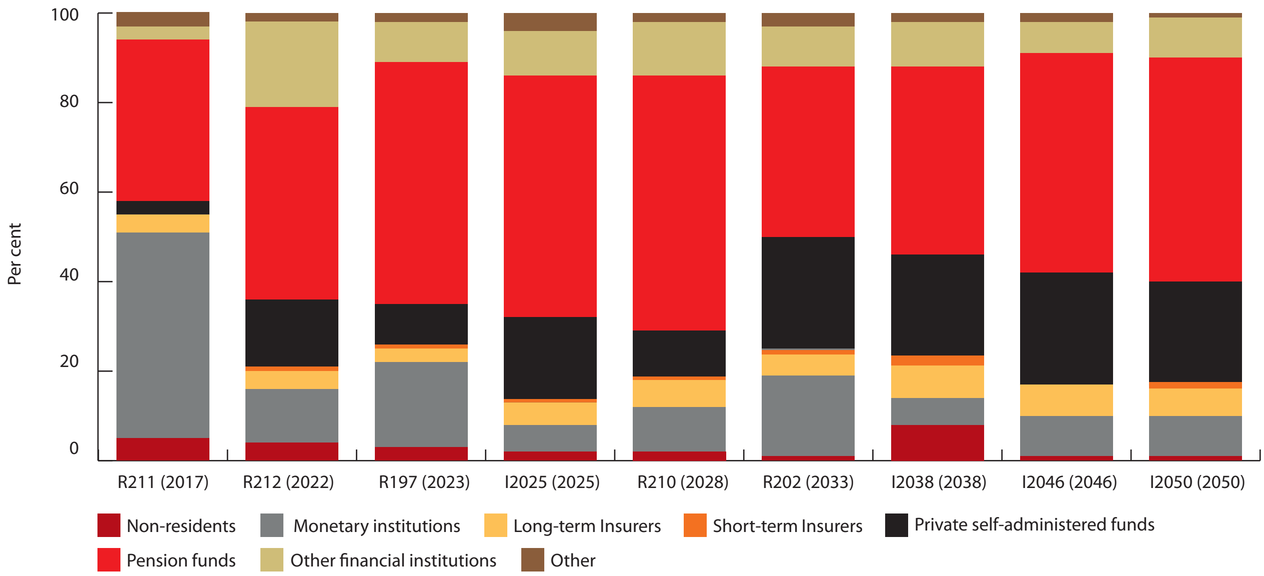
Figure 19: Holdings of fixed-rate bonds by instrument, 31 March 2014



Source: STRATE

Figure 19 indicates that monetary institutions focus mostly on the short end of the curve, with lower proportions at the longer end. Pension funds hold a significant share of the bonds in the short to medium end of the curve.

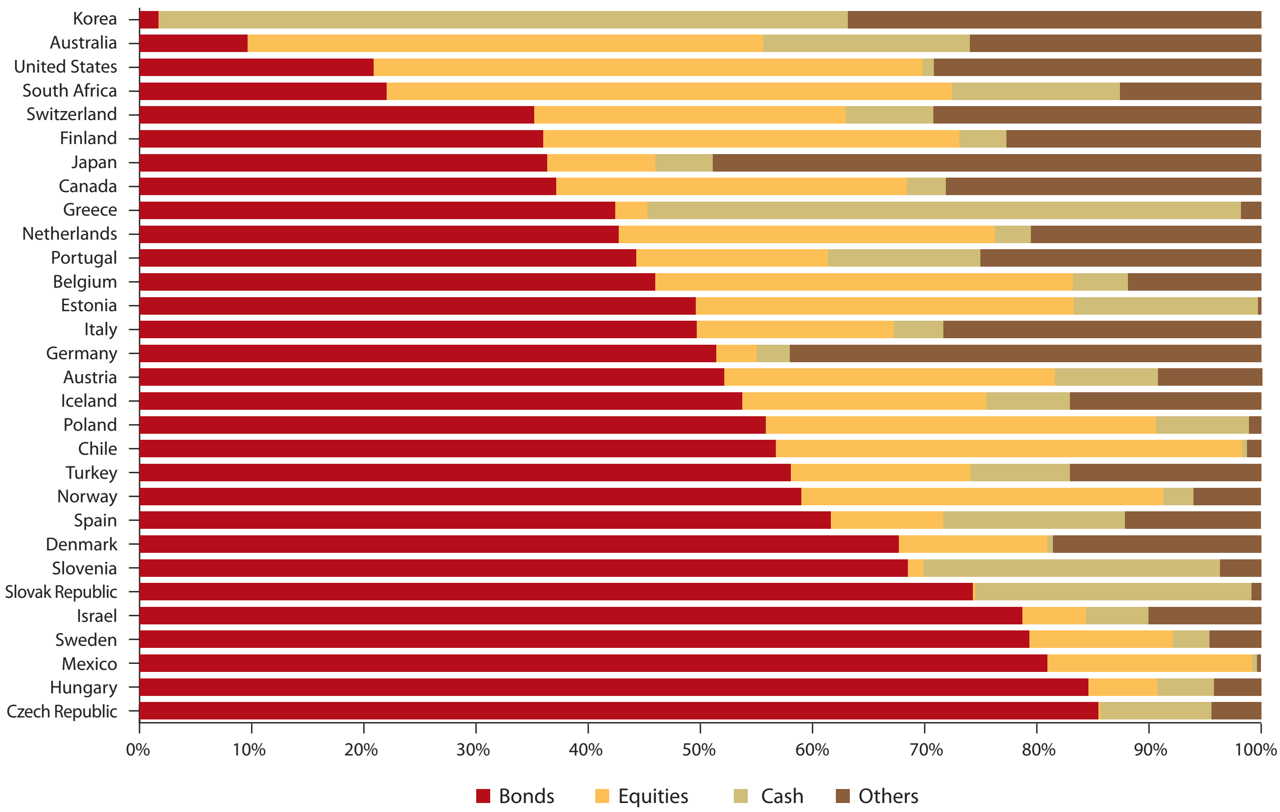
Figure 20: Holdings of inflation-linked bonds by instrument, 31 March 2014



Source: STRATE

Figure 20 shows that monetary institutions hold 46 per cent of the R211 inflation-linked bond. These institutions hold inflation-linked bonds to replicate their inflation-linked liabilities. Pension funds hold longer-dated inflation-linked bonds, with a 50 per cent share of the I2050 bond. Pension funds have long-dated liabilities and therefore invest in instruments which match as closely as possible the maturity of these liabilities. Private self-administered funds hold significant portions throughout the yield curve. At 37.2 per cent, non-residents currently hold the largest portion of domestic government bonds.

Figure 21: OECD global pension fund asset allocation, 30 September 2013



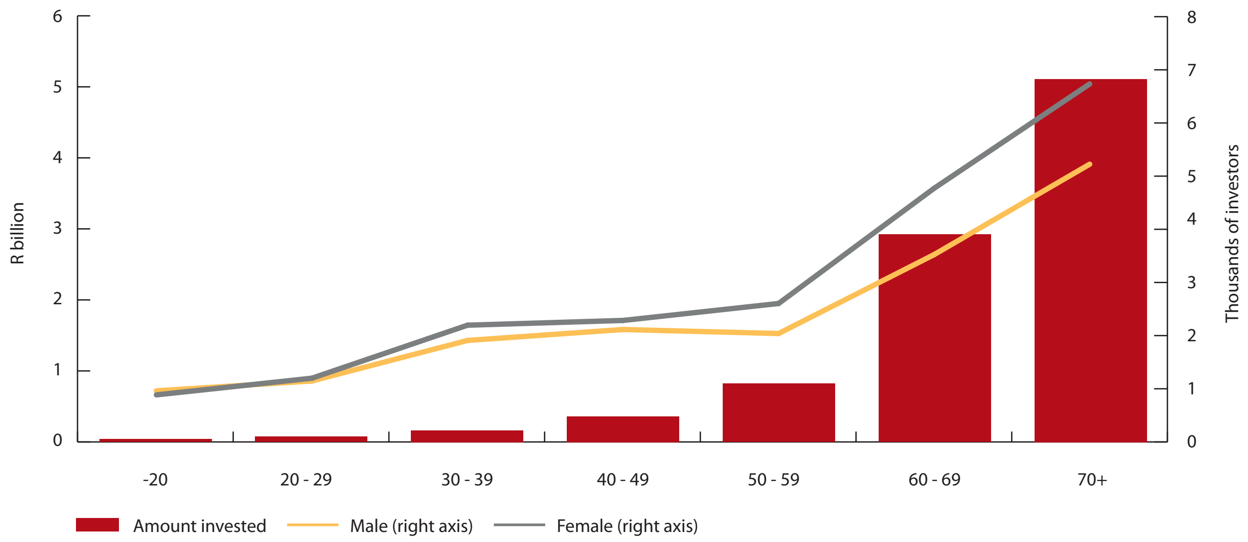
Source: Organization for Economic Co-operation and Development (OECD)

Global and domestic pension fund asset allocation confirms that bonds remain the asset class of choice globally. Korea, Australia, the USA and South Africa continue to have the lowest bond allocations but high equity allocations. On average, bonds in RSA make up 21 per cent of total assets under management. Asset allocations in equities remain the highest, at 51 per cent of total assets. The difference in allocation trends in RSA may be attributed to the size of bonds in issue versus equities issued. Investors still see equities as a better hedge against higher inflation expectations.

RETAIL INVESTOR DEMOGRAPHICS

Investor demographics show that retail bonds mainly attract investors aged 50 and over, with females aged 30 to 70+ the leading investors. Below the age of 20, males show a slightly higher tendency to invest, many of them being children of parents who have invested on their behalf.

Figure 22: Retail investor demographics, 31 March 2014



Source: National Treasury

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

GOVERNMENT DEBT PORTFOLIO

The stock of debt is influenced by government's net borrowing requirement and by market variables such as interest, exchange and inflation rates. Government debt is presented on a gross and net basis. By the end of 2013/14, net loan debt, which consists of total domestic and foreign debt less cash balances, stood at R1.4 trillion or 39.8 per cent of GDP. A large part of government's foreign debt is hedged by government's foreign currency deposits with the SARB. The ratio of net foreign debt to net total debt reached 4.3 per cent in 2013/14.

Table 9: Total government debt, 2013/14

R billion	Budget	Revised budget	Preliminary outcome
Domestic debt			
Gross loan debt	1 409.7	1 438.7	1 441.1
Cash balances	-102.7	-123.2	-120.8
Net loan debt	1 307.0	1 315.5	1 320.3
Foreign debt			
Gross loan debt	112.4	147.8	143.7
Cash balances	-62.1	-87.7	-84.5
Net loan debt	50.3	60.0	59.2
Total gross loan debt	1 522.1	1 586.4	1 584.8
Total net loan debt	1 357.3	1 375.5	1 379.5
As percentage of GDP:			
Total gross loan debt	43.7	45.8	45.7
Total net loan debt	39.0	39.7	39.8
Foreign debt as percentage of:			
Gross loan debt	7.4	9.3	9.1
Net loan debt	3.7	4.4	4.3

Source: National Treasury

Table 10 shows the composition of domestic government debt for the period 2012/13 to 2013/14. Short-term debt made up 14.9 per cent of total domestic debt, and indexed and discount debt (inflation-linked bonds and Treasury bills) 35.6 per cent.

Table 10: Composition of domestic debt by instrument, 2012/13 – 2013/14

R billion	2012/13 outcome	2013/14 preliminary outcome
Short-term loans	190.9	214.0
Shorter than 91 days	19.0	21.7
91-day	45.3	42.9
182-day	38.2	42.4
273-day	43.9	49.3
364-day	44.5	57.7
Long-term loans	1 050.3	1 227.1
Fixed-rate	793.4	917.9
Inflation-linked	244.5	298.6
Retail	11.3	9.5
Zero coupon	1.0	1.0
Other	0.1	0.1
Total	1 241.2	1 441.1
As a percentage of total:		
Short-term loans	*15.4*	*14.9*
Indexed and discount debt	*35.1*	*35.6*

Source: National Treasury

DEBT-SERVICE COSTS

The cost of servicing government debt is influenced by the volume of debt, new borrowing and market variables such as interest, inflation and exchange rates. In 2013/14, debt-service costs amounted to R101.1 billion or 2.9 per cent of GDP. Mainly due to a weaker currency and higher short-term rates, this was R1.4 billion more than budgeted.

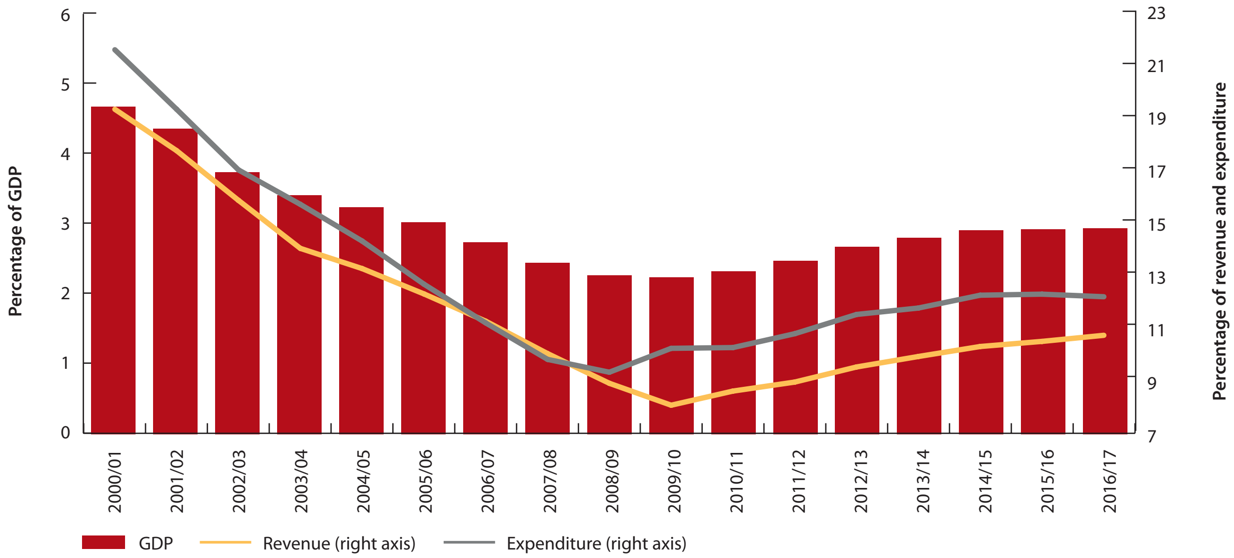
Table 11: Debt-service costs, 2013/14

R billion	Budget	Revised budget	Preliminary outcome
Domestic loans	92.6	93.2	93.2
Short-term	11.0	11.7	11.7
Long-term	81.6	81.5	81.5
Foreign loans	7.1	8.0	7.9
Total	99.7	101.3	101.1
As a percentage of:			
GDP	*2.8*	*2.9*	*2.9*
Expenditure	*9.4*	*9.7*	*9.6*
Revenue	*11.4*	*11.4*	*11.4*

Source: National Treasury

Figure 23 shows that debt-service costs as a percentage of revenue, expenditure and gross domestic product have increased since 2009/10. These ratios are projected to stabilise in the medium-term as government reduces deficits and debt accumulation.

Figure 23: Debt-service costs, 2000/01 - 2016/17



Source: National Treasury

GOVERNMENT DEBT PORTFOLIO RISK BENCHMARKS

As a percentage of the debt portfolio, fixed-rate debt increased from 63.91 per cent in March 2013 to 64.73 per cent in March 2014. This was the result of decreasing exposure to inflation-linked debt and the effect of non-competitive auctions.

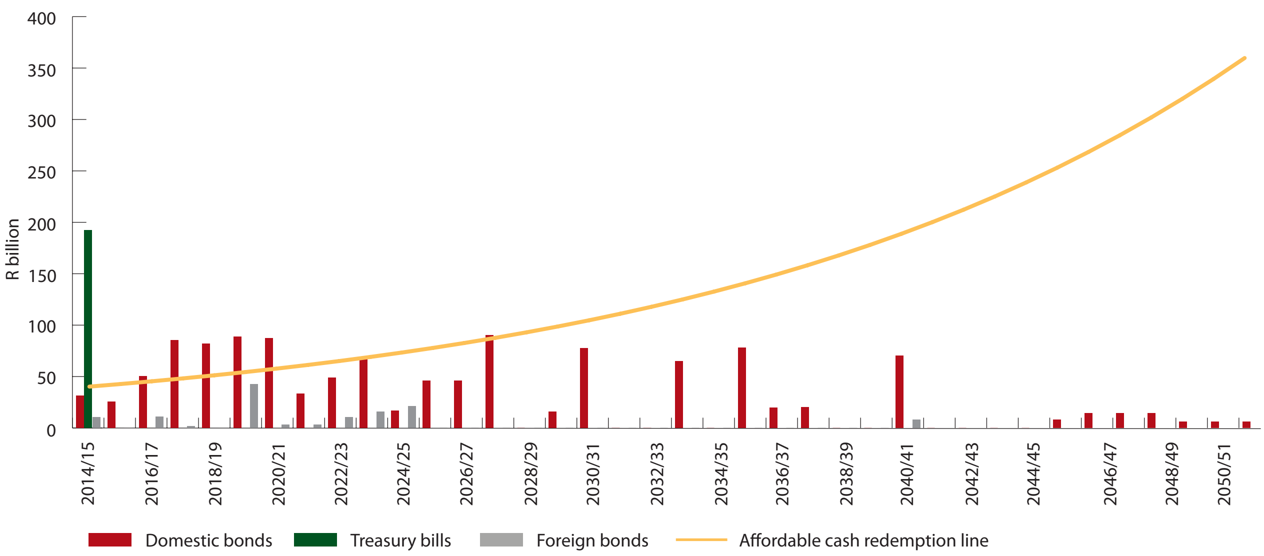
Table 12: Performance of the government debt portfolio against risk benchmarks

Per cent	Risk benchmarks	March-13	March-14
Domestic debt			
Fixed-rate debt	70	63.9	64.7
Indexed and discount debt	30	36.1	35.3
Foreign versus domestic debt			
Domestic debt	80	90.8	90.8
Foreign debt	20	9.2	9.2
Risk indicators			
Average coupon		7.3	7.1
Average yield		5.7	7.1
Modified duration (years) excl. Treasury bills		7.9	8.5

Source: National Treasury

The maturity profile shown in Figure 24 shows the redemption structure of government's total debt, and indicates where refinancing risk may be prevalent. Bars above the affordable cash redemption line indicate which bonds may pose a refinancing risk. The affordable cash redemption line shows the future value trajectory of the maximum amount government can afford to redeem in a given fiscal year. Government has initiated a switch auction programme to deal effectively with the refinancing risk.

Figure 24: Maturity profile of total domestic and foreign debt, 31 March 2014



Source: National Treasury

REVIEW OF GOVERNMENT DEBT PORTFOLIO RISK BENCHMARKS

The process of reviewing the current risk benchmarks, which started in 2012/13 under the World Bank Government Debt and Risk Management Programme, has been finalised.

Rationale for reviewing the old risk benchmarks

- Fiscal, macro and financial market conditions and assumptions informing the current risk benchmarks had changed.
- For efficient funding of government financing requirements, strategic risk benchmarks should support market development. More diversified debt instruments with unique pricing and risk features, such as inflation-linked bonds, have therefore been introduced.
- Government debt has tripled since the first risk benchmark; this has required mitigation strategies to address the nature of the risk factors driving the debt portfolio.
- Lessons learnt from the 2001 and 2008 global financial crises indicate that, informed by strategic risk benchmarks, a proper structure of government's debt portfolio can act as a crisis prevention tool.

Objectives of the new risk benchmarks

- Enhance internal risk management capacity in modelling the risk in sovereign debt portfolios.
- Devise medium-term debt management strategies that assist decision-making by senior management when quantifying the cost and risk trade-offs of government's annual borrowing plan.
- Over the medium to long term, achieve a debt portfolio structure that insulates government's annual budget and cash flows by quantifying the short-term impact of shocks arising from interest rate, exchange rate and inflation rate volatility.
- Assist in achieving government's fiscal policy objective of sustainable debt through assessing the impact of fiscal shocks on borrowing and therefore an increase in the long-term stock of debt.

New risk benchmarks

- The increasing short-term rollover risk, caused by an unavoidable increase in short-term debt arising from the Treasury bill portfolio, has been addressed by introducing a benchmark indicator for the share of debt maturing within a year as a percentage limit of domestic debt.
- The risks from exposure to the inflation risk factor and the interest rate risk factor, combined in the current 30 per cent non-fixed rate debt portion (inflation-linked and floating-rate debt), have been separated by introducing a separate inflation risk benchmark indicator for the share of inflation-linked debt as a percentage limit of domestic debt.
- The new risk benchmark will be used in conjunction with the current smooth maturity profile of an affordable cash redemption amount; and the limit of total domestic debt maturing within five years (excluding Treasury bills) is set at 25 per cent.
- It is proposed that the foreign debt ratio, currently between 20 and 25 per cent of the total debt portfolio, be set at 15 per cent.

Table 13: New risk benchmarks, 31 March 2014

Description	Risk benchmark	Debt portfolio
1. Share of debt maturing within a year (Treasury bills)	15% of total domestic debt	13.6%
2. Share of debt (fixed-rate bonds and inflation-linked bonds) maturing in 5 years (excluding Treasury bills/CPD, Zeros, Retail bonds and other loans)	25% of total domestic debt	22.7%
3. ATM* (fixed-rate bonds + Treasury bills)	10-14 years	10 years
4. ATM* inflation-linked bonds (ILBs)	14-17 years	14.9 years
5. Share of ILBs as a percentage of domestic debt	20-25%	21.2%
6. Share of foreign debt as a percentage of total government debt	15%	9.3%

Source: National Treasury
** Average term to maturity (weighted)*

The new risk benchmarks shown in Table 13 will be in place for five years and will be assessed and reported on annually. These benchmarks will be applicable in 2014/15.

SOVEREIGN RISK ASSESSMENT

Sovereign ratings play an important role in a country's ability to borrow in capital markets as they influence investors' decisions about investing in a particular country. Credit rating agencies visit RSA annually to assess the country's credit-worthiness. RSA has solicited ratings from four major credit rating agencies: Moody's, S&P, Fitch and R&I.

Table 14: RSA's sovereign ratings

Risk rating	Profile	Moody's	S&P	Fitch	R&I
Lower Risk	Investment Grade	AAA	AAA	AAA	AAA
		Aa1	AA+	AA+	AA+
		Aa2	AA	AA	AA
		Aa3	AA-	AA-	AA-
		A1	A+	A+	A+
		A2	A	A	A
		A3	A-	A-	A- (stable outloook)
		Baa1 (negative outloook)	BBB+	BBB+	BBB+
		Baa2	BBB (negative outloook)	BBB (stable outloook)	BBB
		Baa3	BBB-	BBB-	BBB-
High Risk	Speculative Grade / Non - Investment Grade	Ba1	BB+	BB+	BB+
		Ba2	BB	BB	BB
		Ba3	BB-	BB-	BB-
		B1	B+	B+	B+
		B2	B	B	B
		B3	B-	B-	B-
		Caa1	CCC+	CCC+	CCC+
		Caa2	CCC	CCC	CCC
		Caa3	CCC-	CCC-	CCC-
		Ca	CC	CC	CC
		C	C	C	C
		D	D	D	D

■ Current rating ■ Rating prior to the downgrade ■ 1st credit rating assigned to RSA

Source: National Treasury

South Africa's first credit rating was assigned in 1994 by S&P and Fitch, with both ratings agencies assigning a speculative rating of "BB". In 1995, Moody's assigned an investment grade rating of Baa3, above the ratings of S&P and Fitch. In 1998, the Japanese rating agency R&I, similarly to Moody's, assigned an investment grade rating of "BBB". In 1999 and 2000, both S&P and Fitch upgraded RSA's rating to the investment grade credit rating of "BBB-".

Following the 2008/09 global financial crisis, three of the ratings agencies assigned South Africa a negative outlook. Between 2010 and 2011, these negative outlook ratings were revised to stable. However, in 2011 Moody's revised RSA's outlook to negative, Fitch following suit in January 2012 and S&P in March 2012. R&I has maintained its stable credit outlook for the country. From the second half of 2012, Moody's downgraded RSA's rating from "A3" to "Baa1", whilst S&P and Fitch downgraded their ratings from "BBB+" to "BBB". Both Moody's and S&P maintained RSA's credit outlook at negative, while Fitch assigned RSA a stable credit outlook. R&I maintained its positive view of RSA, leaving the country's rating unchanged at "A-" with a stable outlook.

At present, all four credit rating agencies have affirmed RSA's credit ratings. Fitch and S&P published their credit opinion in December 2013, after their rating visits in November of the same year. R&I gave their credit opinion in July 2013, after their visit in June of that year. R&I affirmed the country's rating at "A-", Moody's affirmed its rating at "Baa1", whilst S&P and Fitch affirmed their ratings at "BBB". Both Moody's and S&P have maintained RSA's credit outlooks at negative while Fitch and R&I have kept a stable credit outlook.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

NATIONAL TREASURY'S ROLE IN RELATION TO STATE-OWNED COMPANIES

The National Treasury is mandated to perform financial oversight of SOCs. This ensures that they comply with the applicable provisions of the Public Finance Management Act (PFMA). The National Treasury is also tasked with monitoring and advising SOCs with regard to their strategic plans and financial performance. To enable the National Treasury to monitor their progress, all SOCs are required to submit annual borrowing plans and quarterly updates.

SOCs are classified into three categories: Schedule 2, 3A and 3B entities. Schedule 2 entities are major public entities that are allowed, in terms of Section 66(3)(a) of the PFMA, to borrow money with the approval of their Boards of Directors in conjunction with the National Treasury. These entities are Eskom, Transnet, the Airports Company of South Africa (ACSA) and the Trans-Caledon Tunnel Authority (TCTA).

Schedule 3A SOCs are national public entities which are fully or substantially funded from the National Revenue Fund or by way of a levy imposed in terms of national legislation. These entities may borrow money only in exceptional circumstances and if fully compliant with the provisions of Section 66(3)(c) of the PFMA. The South African National Roads Agency Limited (SANRAL) and the National Housing Finance Corporation are some examples.

Schedule 3B entities are national government business enterprises that have been assigned the financial and operational authority to carry out certain business activities financed fully or substantially from sources other than the National Revenue Fund. These entities are allowed to borrow money if fully compliant with the provisions of Section 66(3)(b) of the PFMA. Examples are Rand Water and Umgeni Water.

The issuance programmes of government and the SOCs are coordinated to avoid increased public sector borrowing costs. The National Treasury also publishes an annual bond issuance calendar which consolidates the bond issuance plans of government and the SOCs.

The National Treasury monitors the status of contingent liabilities, which include guarantees extended to SOCs. Once a guarantee has been issued, the National Treasury takes appropriate actions necessary to mitigate any risks that may emerge.

FUNDING OUTCOME OF STATE-OWNED COMPANIES

The medium-term capital expenditure framework of SOCs' project infrastructure investments total R381.9 billion over the coming three years. This will be driven predominantly by Eskom, Transnet and SANRAL, which are expected to account for around 90 per cent of this amount. Table 15 below shows that between 2012/13 and 2013/14 SOCs spent 98 per cent of their budgeted capital expenditure. Eskom spent 93 per cent of its budgeted capital expenditure, whilst Transnet spent 114 per cent.

Table 15: Capital expenditure by state-owned companies, 2012/13 - 2013/14

R million	2012/13 Outcome	2013/14 Budget	2013/14 Outcome
Capital expenditure	109 900	111 894	109 853
Of which:			
Eskom	60 400	61 930	57 778
Transnet	27 600	28 581	32 516
Central Energy Fund	10 200	4 889	6 573
SANRAL	8 100	8 290	8 641
Trans-Caledon Tunnel Authority	1 400	3 645	1 848

Source: National Treasury
Unaudited

Domestic funding made up R64.9 billion of the funding requirement, with the balance of R37.5 billion funded from foreign sources. To 31 March 2014, SOCs had secured R102 billion of their borrowing requirement which is 11 per cent higher than the budgeted borrowing plan of R92 billion. This is an improvement on previous outcomes of between 75 per cent and 85 per cent of their full year borrowing requirements. SOCs maximised the issuance of debt on their Domestic Medium-Term Note (DMTN) programmes and Global Medium-Term Note (GMTN) programmes to achieve this outcome.

Domestic funding sources consist of bonds, commercial paper (CP) and loans from domestic banks and development finance institutions (DFIs). Foreign sources include bonds, export credit agency backed financing and loans from multilateral institutions.

Table 16: Borrowing requirement of state-owned companies, 2012/13 - 2013/14

R million	2012/13 Outcome	2013/14 Budget	2013/14 Outcome
Domestic loans (gross)	40 500	51 200	64 900
Short-term	26 800	19 200	27 000
Long-term	13 700	32 000	37 900
Foreign loans (gross)	29 400	40 800	37 500
Of which:			
Multilateral institutions	16 800	13 900	10 300
Export credit agency financing	4 300	5 370	8 700
Total	69 900	92 000	102 400
As percentage of total:			
Domestic loans (gross)	*58*	*56*	*63*
Foreign loans (gross)	*42*	*44*	*37*

Source: National Treasury

SOCs have continued to access established funding programmes in the domestic capital and money markets. CP was issued by Transnet, the TCTA, Eskom, the Development Bank of Southern Africa (DBSA) and Rand Water for liquidity management purposes (to fund working capital requirements, and bridging finance).

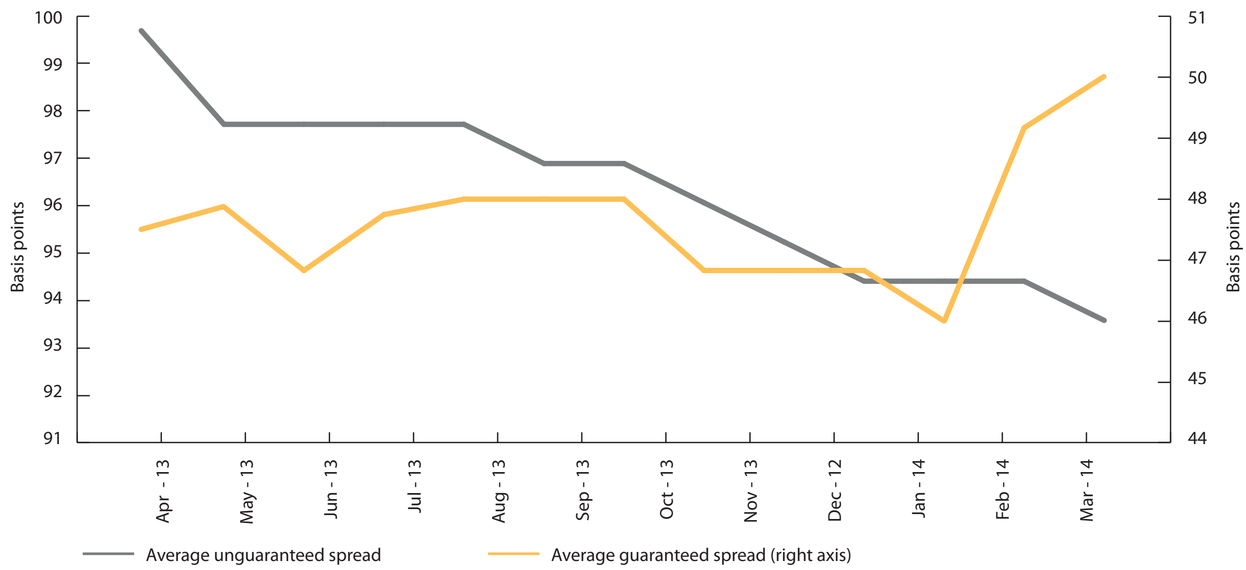
Bond issuances by Eskom, Transnet, DBSA, the Industrial Development Corporation (IDC) and Rand Water totalled R27.1 billion in 2013/14. Capital-raising by entities in foreign capital markets was driven by issuance of foreign currency denominated bonds. Eskom and Transnet were the major players. Eskom issued a 10-year foreign currency bond at a coupon of 6.75 per cent and a spread of 365 basis points above the corresponding 10-year US Treasury bond. Transnet issued a R5 billion 7-year offshore local currency denominated bond. This issue was at a coupon rate of 9.5 per cent and was the first African local currency issuance in global capital markets. Other foreign funding by SOCs was made up of draw-downs from committed facilities with multilateral institutions amounting to R16.6 billion.

FUNDING COSTS OF STATE-OWNED COMPANIES

The funding costs of SOCs in the domestic bond market has been mixed over the past year, as reflected in Figure 25. Between March 2013 and March 2014, the credit spreads on SOCs' guaranteed bonds widened by 2 basis points to 50 basis points.

The credit spreads on unguaranteed bonds tightened by 7 basis points over the same period. The downgrades of the sovereign credit rating by all three major credit ratings agencies, and the subsequent downgrades of SOCs, had a marginal impact on borrowing costs.

Figure 25: Credit spreads of state-owned companies, 2013/14



Source: Johannesburg Stock Exchange

GOVERNMENT'S EXPLICIT GUARANTEE PORTFOLIO

By 31 March 2014, Government's guarantee exposure to SOCs had increased to an estimated R209.2 billion, from R180.2 billion in the previous fiscal year. The largest exposure was to Eskom, which accounted for 58.5 per cent of total exposure. Net government debt plus provisions and contingent liabilities are expected to peak at 57.1 per cent of GDP in 2015/16 before falling to 56.7 per cent in 2016/17. Contingent liabilities and their potential impact on the fiscus are monitored continuously. The risk of such impact is fairly moderate to low.

Table 17: Guarantee exposure to major SOCs and DFIs, 2012/13 – 2013/14

R billion	2012/13		2013/14	
Institution	Guarantee	Exposure	Guarantee	Exposure
Total	467.5	180.2	466.2	209.2
Of which:				
Eskom	350.0	103.5	350.0	122.3
SANRAL	38.7	19.5	38.7	26.4
Development Bank of Southern Africa	29.6	25.6	29.6	25.6
Trans-Caledon Tunnel Authority	25.5	20.5	25.5	20.5
South African Airways	7.9	2.2	7.9	4.9
Transnet	3.5	3.8	3.5	3.8
Denel	1.9	1.9	1.9	1.9
Land Bank	1.9	0.9	1.6	1.1
SA Express	–	–	0.5	0.5

Source: National Treasury

Major SOCs holding guarantees are shown in Table 17. In 2013/14, no new guarantees were issued. During the current fiscal year, SAA raised R3.2 billion worth of funding against its guarantees. The South African Broadcasting Corporation (SABC) repaid the outstanding balance on the R1 billion guaranteed loan raised in 2009/10 ahead of schedule, after which the guarantee was cancelled.

After Denel's three separate guarantees were consolidated in 2012/13 into a R1.85 billion five-year guarantee, the company was able to raise debt through bonds and CP. As a result, Denel's long-term rating was upgraded to "AAA." Eskom has continued to raise debt against its R350 billion guarantee and by March 2013 the entity had utilised R153 billion of the guarantee and had R197 billion available for use in the future.

6. INVESTOR RELATIONS

INVESTOR ROADSHOWS

The National Treasury runs an active investor relations programme and conducts domestic and international roadshows. The purpose of these is to strengthen relationships with investors and to keep them informed about economic, fiscal, political and social developments in RSA.

After the release of the Budget in February and the MTBPS in October each year, the National Treasury visits domestic and international investors, explaining the rationale for any changes from the previous year and updating them about funding requirements and the state of the fiscus.

INVESTOR RELATIONS WEBSITE

The investor relations website (www.investor.treasury.gov.za) was introduced in June 2011 to provide institutional investors with relevant information. This includes the bond auction calendar, policy documents, economic indicators, details of pending events, investor presentations and links to other websites such as those of the SARB and Statistics South Africa (Stats SA).

MARKETING AND PROMOTION OF RETAIL SAVINGS BONDS

Retail savings bonds promotions took place in all nine provinces in 2013/14. Promotions were also organised at the main toll gates on national roads through Toll Reach Promotions (Pty) Ltd. These promotion campaigns were held during peak holiday seasons.

In addition to print and radio marketing campaigns, six taxi ranks, forty-two billboards and twenty metro buses in main city centres, two boarding gates at Cape Town International Airport and all nine arrival gates at the King Shaka International Airport have been branded. This formed part of the outdoor retail marketing campaign to maintain awareness of the savings message during the fiscal year.

Retail bonds promotions and training took place inside selected Pick 'n Pay stores and Post Offices countrywide. These stores and Post Office outlets reach a large proportion of the retail bond target market across all nine provinces, enabling the retail bond marketing team to increase its footprint across the country. The National Treasury also held promotions at various expos including the Retirement, Look and Feel Good, Kids & Baby and Baba Indaba expos, and at the Rand Show.

ANNEXURE A: REDEMPTION SCHEDULE OF TREASURY BILLS, 31 MARCH 2014

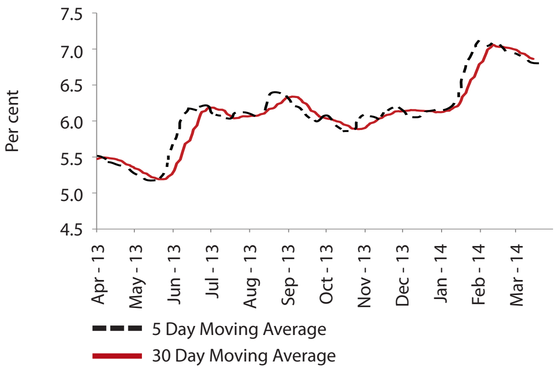
R million	91-day	182-day	273-day	365-day	Total
04/02/2013	3 360	1 665	1 300	800	7 125
04/09/2014	2 375	1 665	1 300	1 120	6 460
16/04/2014	3 685	1 665	1 300	1 120	7 770
23/04/2014	3 685	1 665	1 300	1 120	7 770
30/04/2014	3 224	1 665	1 300	1 120	7 309
05/07/2014	3 685	1 665	1 300	1 120	7 770
14/05/2014	3 685	1 665	1 300	1 120	7 770
21/05/2014	3 685	1 665	1 300	1 120	7 770
28/05/2014	1 918	1 665	1 300	1 120	6 003
06/04/2014	2 535	1 665	1 300	1 120	6 620
06/11/2014	3 685	1 665	1 300	1 120	7 770
18/06/2014	3 685	1 030	1 250	1 120	7 085
25/06/2014	3 685	1 368	1 300	1 120	7 473
07/02/2014	-	1 665	1 300	1 120	4 085
07/09/2014	-	1 665	1 300	1 120	4 085
16/07/2014	-	1 665	1 300	1 120	4 085
23/07/2014	-	1 665	1 300	1 120	4 085
30/07/2014	-	1 665	1 300	1 120	4 085
08/06/2014	-	1 665	1 300	1 120	4 085
13/08/2014	-	1 665	1 300	1 120	4 085
20/08/2014	-	1 665	1 300	1 120	4 085
27/08/2014	-	1 665	1 300	1 120	4 085
09/06/2014	-	1 665	1 300	1 120	4 085
09/10/2014	-	1 665	1 300	1 120	4 085
17/09/2014	-	1 665	710	1 120	3 495
25/09/2014	-	1 665	493	1 120	3 278
10/01/2014	-	-	1 300	1 120	2 420
10/08/2014	-	-	1 300	1 120	2 420
15/10/2014	-	-	1 300	1 120	2 420
22/10/2014	-	-	1 300	1 120	2 420
29/10/2014	-	-	1 300	1 120	2 420
11/05/2014	-	-	1 300	1 120	2 420
11/12/2014	-	-	1 300	1 120	2 420
19/11/2014	-	-	1 300	1 120	2 420
26/11/2014	-	-	1 300	1 120	2 420
12/03/2014	-	-	1 300	1 120	2 420

ANNEXURE A: REDEMPTION SCHEDULE OF TREASURY BILLS, 31 MARCH 2014

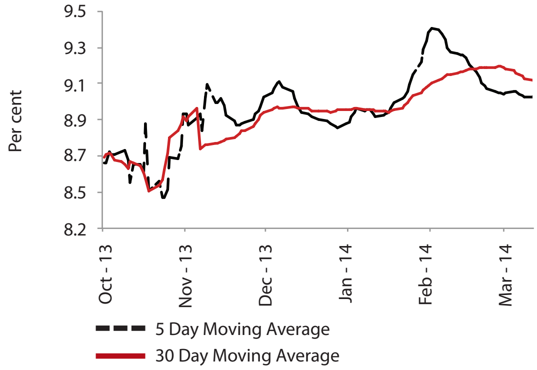
R million	91-day	182-day	273-day	365-day	Total
12/10/2014	-	-	1 300	1 120	2 420
17/12/2014	-	-	1 300	1 089	2 389
27/12/2014	-	-	1 300	955	2 255
31/12/2014	-	-	-	1 120	1 120
01/07/2014	-	-	-	1 120	1 120
14/01/2015	-	-	-	1 120	1 120
21/01/2015	-	-	-	1 120	1 120
28/01/2015	-	-	-	1 120	1 120
02/04/2015	-	-	-	1 120	1 120
02/11/2015	-	-	-	1 120	1 120
18/02/2015	-	-	-	1 120	1 120
25/02/2015	-	-	-	1 120	1 120
03/04/2015	-	-	-	1 120	1 120
03/11/2015	-	-	-	1 100	1 100
18/03/2015	-	-	-	1 120	1 120
25/03/2015	-	-	-	1 120	1 120
Total	42 891	42 358	49 253	57 704	192 206

ANNEXURE B: YIELD TRENDS OF GOVERNMENT FIXED-RATE BONDS

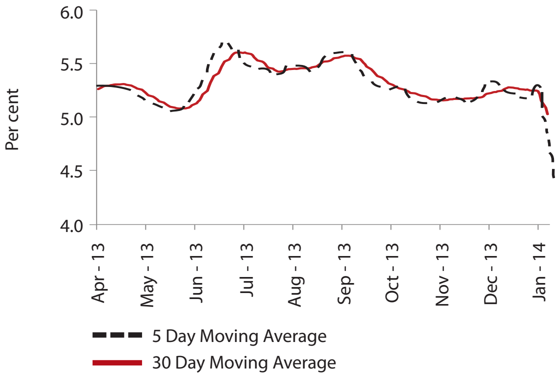
R157 bond - 13.5% 15 September 2014/15/16



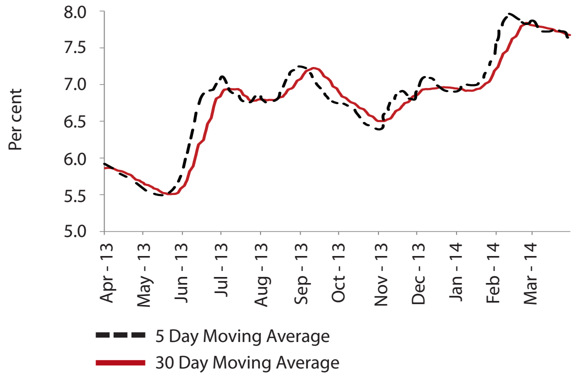
R2030 bond - 8% 31 January 2030



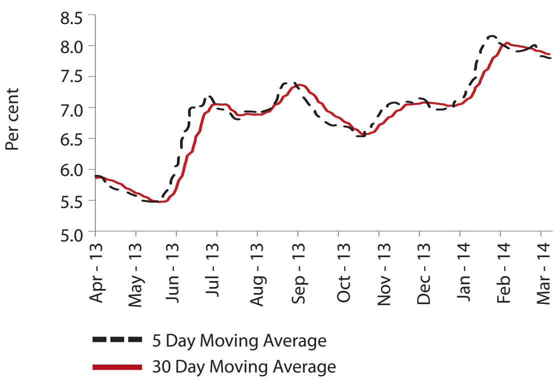
R206 bond - 7.5% 15 January 2014



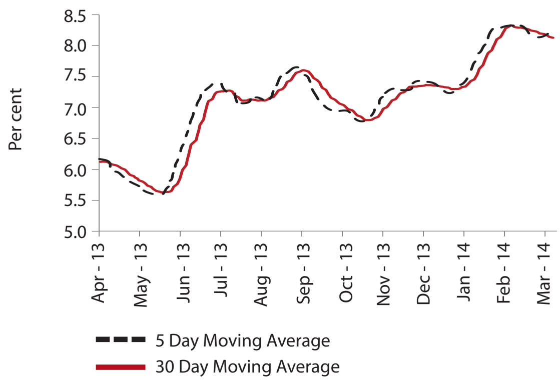
R201 bond - 8.75% 21 December 2014



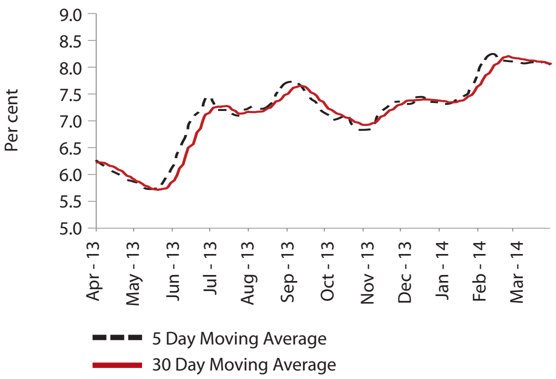
R203 bond - 8.25% 15 September 2017



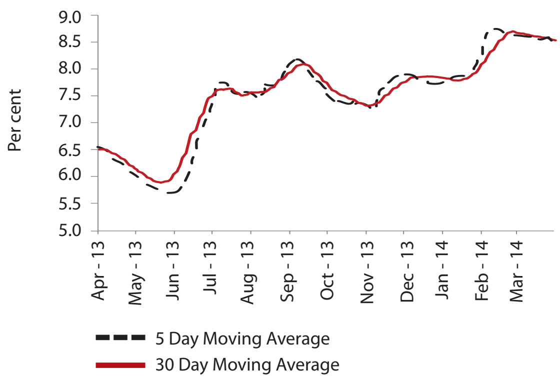
R204 bond - 8% 21 December 2018



R207 bond - 7.25% 15 January 2020

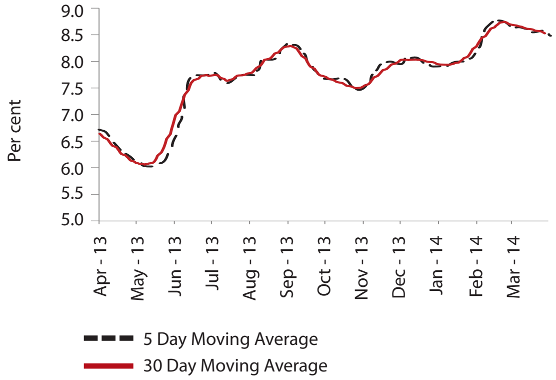


R208 bond - 6.75% 31 March 2021

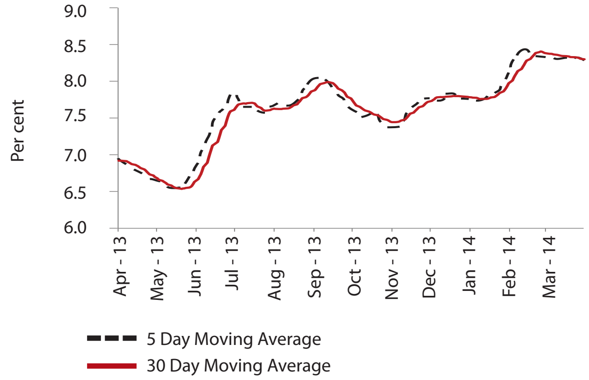


ANNEXURE B: YIELD TRENDS OF GOVERNMENT FIXED-RATE BONDS

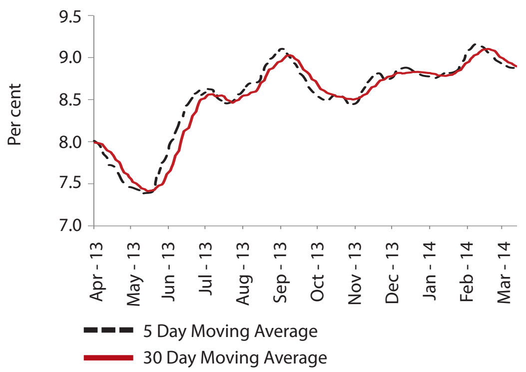
R2023 bond - 7.75% 28 February 2023



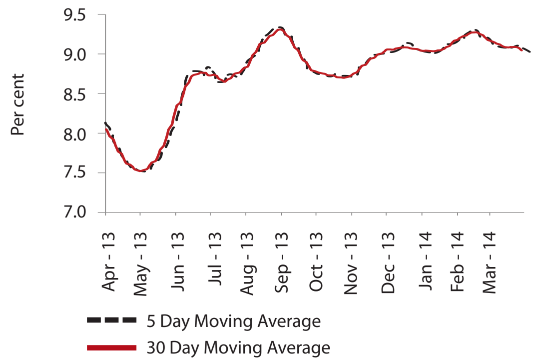
R186 bond - 10.50% 21 December 2025/26/27



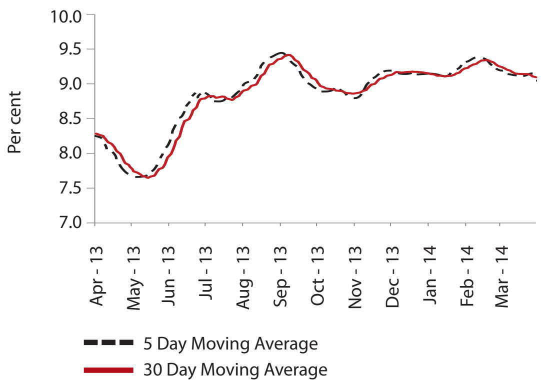
R213 bond - 7% 28 February 2031



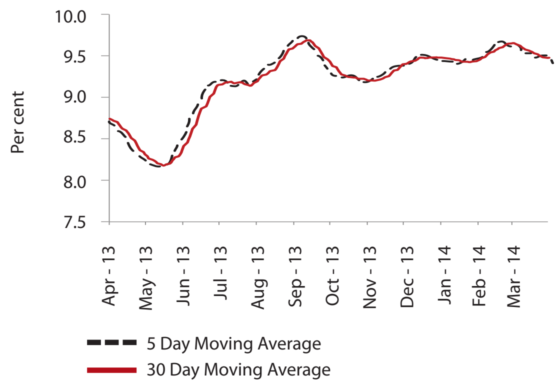
R209 bond - 6.25% 31 March 2036



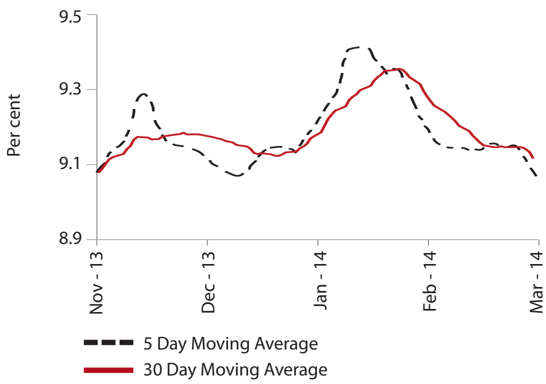
R214 bond - 6.5% 28 February 2041



R2048 bond - 8.75% 28 February 2048



R2037 bond - 8.5% 31 January 2037



ANNEXURE C: SUMMARY OF 91-DAY AND 182-DAY TREASURY BILL AUCTIONS, 2013/14

	91 - day				182 - day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)
05/04/2013	5 200	3 685	1,41	5,20	2 870	1 665	1,72	5,31
12/04/2013	8 405	3 685	2,28	5,20	3 000	1 665	1,80	5,31
19/04/2013	8 905	3 685	2,42	5,18	4 280	1 665	2,57	5,26
26/04/2013	7 559	3 685	2,05	5,17	4 832	1 665	2,90	5,24
03/05/2013	6 949	3 685	1,89	5,13	6 150	1 665	3,69	5,19
10/05/2013	7 231	3 685	1,96	5,08	5 165	1 665	3,10	5,14
17/05/2013	6 392	3 685	1,73	5,04	5 110	1 665	3,07	5,10
24/05/2013	4 754	3 685	1,29	5,11	4 773	1 665	2,87	5,15
31/05/2013	5 901	3 685	1,60	5,13	1 850	1 665	1,11	5,34
07/06/2013	3 623	3 623	1,00	5,17	4 590	1 665	2,76	5,33
14/06/2013	5 835	3 685	1,58	5,21	4 130	1 665	2,48	5,31
21/06/2013	6 277	3 685	1,70	5,23	1 245	1 165	1,07	5,39
28/06/2013	6 300	3 685	1,71	5,22	2 385	1 665	1,43	5,38
05/07/2013	7 851	3 685	2,13	5,21	2 870	1 665	1,72	5,40
12/07/2013	9 281	3 685	2,52	5,19	3 250	1 665	1,95	5,39
19/07/2013	8 764	3 685	2,38	5,17	3 780	1 665	2,27	5,39
26/07/2013	5 259	3 685	1,43	5,16	1 961	1 665	1,18	5,39
02/08/2013	6 629	3 685	1,80	5,16	1 940	1 665	1,17	5,40
08/08/2013	5 464	3 685	1,48	5,16	2 335	1 665	1,40	5,43
16/08/2013	7 103	3 685	1,93	5,17	3 165	1 665	1,90	5,46
23/08/2013	6 828	3 685	1,85	5,16	3 080	1 665	1,85	5,51
30/08/2013	9 129	3 685	2,48	5,15	4 710	1 665	2,83	5,52
06/09/2013	7 371	3 685	2,78	5,12	4 442	1 665	2,67	5,51
13/09/2013	10 258	3 685	2,78	5,12	4 170	1 665	2,50	5,48
20/09/2013	10 248	3 685	2,78	5,11	2 808	1 665	1,69	5,45
27/09/2013	9 381	3 685	2,55	5,10	3 550	1 665	2,13	5,44
04/10/2013	6 564	3 685	1,78	5,08	4 768	1 665	2,86	5,39
11/10/2013	4 022	3 685	1,09	5,09	4 470	1 665	2,68	5,39
18/10/2013	2 961	2 961	1,00	5,11	3 250	1 665	1,95	5,37
25/10/2013	5 504	3 354	1,64	5,11	3 465	1 665	2,08	5,38
01/11/2013	2 064	2 064	1,00	5,13	3 855	1 665	2,32	5,38
08/11/2013	7 795	3 685	2,12	5,09	6 285	1 665	3,77	5,36
15/11/2013	2 621	2 421	1,08	5,12	4 330	1 665	2,60	5,29
22/11/2013	2 605	2 605	1,00	5,19	1 741	1 665	1,05	5,38
29/11/2013	5 118	3 685	1,39	5,20	2 975	1 665	1,79	5,50

ANNEXURE C: SUMMARY OF 91-DAY AND 182-DAY TREASURY BILL AUCTIONS, 2013/14

	91 - day				182 - day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)
06/12/2013	6 431	3 685	1,75	5,15	3 265	1 665	1,96	5,58
13/12/2013	2 971	3 685	0,81	5,17	1 030	1 665	0,62	5,69
20/12/2013	3 618	3 685	0,98	5,17	1 368	1 665	0,82	5,78
27/12/2013	3 460	3 360	1,03	5,31	3 740	1 665	2,25	5,76
03/01/2014	2 375	2 375	1,00	5,32	5 707	1 665	3,43	5,73
10/01/2014	7 964	3 685	2,16	5,31	3 825	1 665	2,30	5,71
17/01/2014	12 627	3 685	3,43	5,23	5 612	1 665	3,37	5,70
24/01/2014	3 324	3 685	0,90	5,25	6 200	1 665	3,72	5,73
31/01/2014	6 672	3 685	1,81	5,67	4 163	1 665	2,50	6,32
07/02/2014	7 099	3 685	1,93	5,62	3 300	1 665	1,98	6,25
14/02/2014	4 481	3 685	1,22	5,58	2 406	1 665	1,45	6,26
21/02/2014	1 918	1 918	1,00	5,67	1 800	1 665	1,08	6,36
28/02/2014	2 535	2 535	1,00	5,93	3 090	1 665	1,86	6,62
07/03/2014	6 555	3 685	1,78	5,92	2 980	1 665	1,79	6,62
14/03/2014	8 448	3 685	2,29	5,87	4 113	1 665	2,47	6,46
20/03/2014	5 876	3 685	1,59	5,81	3 420	1 665	2,05	6,29
28/03/2014	7 460	3 685	2,02	5,74	5 154	1 665	3,10	6,08

ANNEXURE D: SUMMARY OF 273-DAY AND 364-DAY TREASURY BILL AUCTIONS, 2013/14

	273 - day				364 - day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)
05/04/2013	1 615	1 300	1,24	5,36	2 000	1 120	1,79	5,42
12/04/2013	3 530	1 300	2,72	5,35	3 400	1 120	3,04	5,42
19/04/2013	4 050	1 300	3,12	5,30	3 350	1 120	2,99	5,35
26/04/2013	4 655	1 300	3,58	5,27	3 450	1 120	3,08	5,31
03/05/2013	3 990	1 300	3,07	5,18	5 050	1 120	4,51	5,22
10/05/2013	5 650	1 300	4,35	5,08	4 570	1 120	4,08	5,09
17/05/2013	3 611	1 300	2,78	5,09	2 200	1 120	1,96	5,11
24/05/2013	3 000	1 300	2,31	5,17	2 700	1 120	2,41	5,20
31/05/2013	1 800	1 300	1,38	5,41	1 800	1 120	1,61	5,47
07/06/2013	1 600	1 300	1,23	5,55	1 410	1 120	1,26	5,63
14/06/2013	1 705	1 300	1,31	5,55	2 310	1 120	2,06	5,70
21/06/2013	1 465	1 300	1,13	5,65	1 605	1 120	1,43	5,76
28/06/2013	1 700	1 300	1,31	5,57	1 710	1 120	1,53	5,67
05/07/2013	2 280	1 300	1,75	5,59	1 720	1 120	1,54	5,70
12/07/2013	3 098	1 300	2,38	5,55	2 055	1 120	1,83	5,69
19/07/2013	1 945	1 300	1,50	5,55	2 050	1 120	1,83	5,71
26/07/2013	2 280	1 300	1,75	5,57	2 870	1 120	2,56	5,71
02/08/2013	2 750	1 300	2,12	5,53	1 480	1 120	1,32	5,76
08/08/2013	2 050	1 300	1,58	5,57	2 940	1 120	2,63	5,80
16/08/2013	3 442	1 300	2,65	5,58	2 650	1 120	2,37	5,80
23/08/2013	1 835	1 300	1,41	5,71	2 460	1 120	2,20	5,93
30/08/2013	2 250	1 300	1,73	5,78	2 400	1 120	2,14	5,99
06/09/2013	3 182	1 300	2,45	5,74	2 497	1 120	2,23	5,98
13/09/2013	1 450	1 300	1,12	5,64	2 725	1 120	2,43	5,81
20/09/2013	2 850	1 300	2,19	5,53	2 965	1 120	2,65	5,77
27/09/2013	2 250	1 300	1,73	5,58	3 320	1 120	2,96	5,81
04/10/2013	2 000	1 300	1,54	5,61	2 325	1 120	2,08	5,81
11/10/2013	3 380	1 300	2,60	5,54	2 660	1 120	2,38	5,72
18/10/2013	3 165	1 300	2,43	5,52	2 930	1 120	2,62	5,66
25/10/2013	3 050	1 300	2,35	5,52	2 010	1 120	1,79	5,70
01/11/2013	2 350	1 300	1,81	5,53	1 855	1 120	1,66	5,74
08/11/2013	3 395	1 300	2,61	5,55	3 812	1 120	3,40	5,77
15/11/2013	2 950	1 300	2,27	5,49	3 450	1 120	3,08	5,72
22/11/2013	1 425	1 300	1,10	5,57	2 025	1 120	1,81	5,80
29/11/2013	1 875	1 300	1,44	5,68	1 700	1 120	1,52	5,85

ANNEXURE D: SUMMARY OF 273-DAY AND 364-DAY TREASURY BILL AUCTIONS, 2013/14

	273 - day				364 - day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio (times)	Effective rate (%)
06/12/2013	1 435	1 300	1,10	5,78	1 934	1 120	1,73	5,92
13/12/2013	710	1 300	0,55	5,88	1 089	1 120	0,97	5,94
20/12/2013	493	1 300	0,38	6,00	955	1 120	0,85	6,12
24/01/2014	4 035	1 300	3,10	5,95	4 485	1 120	4,00	6,25
31/01/2014	1 600	1 300	1,23	7,02	2 520	1 120	2,25	7,28
07/02/2014	2 700	1 300	2,08	6,78	3 343	1 120	2,98	7,00
14/02/2014	5 328	1 300	4,10	6,78	2 644	1 120	2,36	7,04
21/02/2014	3 260	1 300	2,51	6,83	3 030	1 120	2,71	7,15
28/02/2014	4 520	1 300	3,48	7,12	3 610	1 120	3,22	7,64
07/03/2014	3 470	1 300	2,67	7,04	4 123	1 120	3,68	7,47
14/03/2014	5 250	1 300	4,04	6,84	3 337	1 120	2,98	7,25
20/03/2014	4 440	1 300	3,42	6,52	2 685	1 120	2,40	6,78
28/03/2014	3 358	1 300	2,58	6,36	3 362	1 120	3,00	6,55

ANNEXURE E: SUMMARY OF FIXED-RATE BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
02/04/2013	R2023	28/02/2023	7,75		350	1 110	6,67
02/04/2013	R214	28/02/2041	6,50	2 350	1 000	2 115	8,20
02/04/2013	R2048	28/02/2048	8,75		1 000	2 195	8,32
09/04/2013	R213	28/02/2031	7,00		1 000	3 895	7,51
09/04/2013	R209	31/03/2036	6,25	2 350	750	2 815	7,75
09/04/2013	R2048	28/02/2048	8,75		600	1 005	7,99
16/04/2013	R2023	28/02/2023	7,75		750	2 060	6,50
16/04/2013	R213	28/02/2031	7,00	2 350	800	1 420	7,69
16/04/2013	R209	31/03/2036	6,25		800	5 540	7,92
23/04/2013	R2023	28/02/2023	7,75		1 000	3 395	6,34
23/04/2013	R209	31/03/2036	6,25	2 350	800	6 870	7,60
23/04/2013	R214	28/02/2041	6,50		550	3 195	7,67
30/04/2013	R213	28/02/2031	7,00		800	2 320	7,26
30/04/2013	R209	31/03/2036	6,25	2 350	1 000	8 825	7,52
30/04/2013	R2048	28/02/2048	8,75		550	1 365	7,80
07/05/2013	R2023	28/02/2023	7,75		800	6 445	6,09
07/05/2013	R209	31/03/2036	6,25	2 350	800	5 385	7,53
07/05/2013	R214	28/02/2041	6,50		750	1 265	7,68
14/05/2013	R2023	28/02/2023	7,75		800	2 405	6,16
14/05/2013	R213	28/02/2031	7,00	2 350	1 000	5 685	7,42
14/05/2013	R2048	28/02/2048	8,75		550	1 605	7,96
21/05/2013	R2023	28/02/2023	7,75		900	1 155	6,44
21/05/2013	R213	28/02/2031	7,00	2 350	900	2 410	7,62
21/05/2013	R214	28/02/2041	6,50		550	695	8,18
28/05/2013	R2023	28/02/2023	7,75		550	1 205	6,69
28/05/2013	R186	21/12/2013	10,50	2 350	900	2 505	7,14
28/05/2013	R213	28/02/2031	7,00		900	2 905	7,80
04/06/2013	R213	28/02/2031	7,00		800	1 800	7,99
04/06/2013	R209	31/03/2036	6,25	2 350	800	1 265	8,35
04/06/2013	R2048	28/02/2048	8,75		750	1 665	8,49
11/06/2013	R213	28/02/2031	7,00		800	1 680	9,07
11/06/2013	R214	28/02/2041	6,50	2 350	750	1 640	9,27
11/06/2013	R2048	28/02/2048	8,75		800	1 315	9,52
18/06/2013	R186	21/12/2013	10,50		800	1 760	7,94
18/06/2013	R213	28/02/2031	7,00	2 350	800	1 770	8,60
18/06/2013	R209	31/03/2036	6,25		750	1 405	8,80
25/06/2013	R2023	28/02/2023	7,75		800	2 030	7,88
25/06/2013	R213	28/02/2031	7,00	2 350	800	3 545	8,67
25/06/2013	R2048	28/02/2048	8,75		750	1 755	8,99

ANNEXURE E: SUMMARY OF FIXED-RATE BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
02/07/2013	R213	28/02/2031	7,00		800	2 185	8,37
02/07/2013	R214	28/02/2041	6,50	2 350	800	1 235	8,72
02/07/2013	R2048	28/02/2048	8,75		750	1 950	8,77
09/07/2013	R2023	28/02/2023	7,75		800	1 635	7,65
09/07/2013	R213	28/02/2031	7,00	2 350	800	2 635	8,51
09/07/2013	R2048	28/02/2048	8,75		750	1 885	8,89
16/07/2013	R2023	28/02/2023	7,75		850	2 140	7,60
16/07/2013	R2037	31/01/2037	8,50	2 350	650	1 265	8,82
16/07/2013	R214	28/02/2041	6,50		850	1 380	8,85
23/07/2013	R2023	28/02/2023	7,75		850	1 820	7,72
23/07/2013	R213	28/02/2031	7,00	2 350	850	2 150	8,56
23/07/2013	R2037	31/01/2037	8,50		650	1 260	9,00
30/07/2013	R2023	28/02/2023	7,75		1 000	4 055	7,86
30/07/2013	R2037	31/01/2037	8,50	2 350	350	1 110	9,11
30/07/2013	R2048	28/02/2048	8,75		1 000	3 045	9,17
06/08/2013	R213	28/02/2031	7,00		1 000	2 045	8,70
06/08/2013	R2037	31/01/2037	8,50	2 350	350	920	9,11
06/08/2013	R2048	28/02/2048	8,75		1 000	1 705	9,20
13/08/2013	R2023	28/02/2023	7,75		1 000	2 470	7,88
13/08/2013	R2037	31/01/2037	8,50	2 350	350	1 110	9,28
13/08/2013	R214	28/02/2041	6,50		1 000	1 660	9,39
20/08/2013	R2023	28/02/2023	7,75		900	2 490	8,26
20/08/2013	R213	28/02/2031	7,00	2 350	900	3 470	9,19
20/08/2013	R2037	31/01/2037	8,50		550	3 180	9,50
27/08/2013	R213	28/02/2031	7,00		900	3 850	9,07
27/08/2013	R2037	31/01/2037	8,50	2 350	550	1 995	9,46
27/08/2013	R2048	28/02/2048	8,75		900	3 145	9,43
03/09/2013	R2037	31/01/2037	8,50		550	1 125	9,55
03/09/2013	R214	28/02/2041	6,50	2 350	900	1 610	9,50
03/09/2013	R2048	28/02/2048	8,75		900	1 705	9,50
10/09/2013	R2023	28/02/2023	7,75		900	2 305	7,96
10/09/2013	R213	28/02/2031	7,00	2 350	900	2 175	8,87
10/09/2013	R2037	31/01/2037	8,50		550	1 880	9,16
17/09/2013	R2023	28/02/2023	7,75		800	4 670	7,66
17/09/2013	R2037	31/01/2037	8,50	2 350	550	1 670	9,00
17/09/2013	R214	28/02/2041	6,50		1 000	3 205	8,97
25/09/2013	R2023	28/02/2023	7,75		900	2 385	7,47
25/09/2013	R213	28/02/2031	7,00	2 350	900	1 715	8,42
25/09/2013	R2037	31/01/2037	8,50		550	1 055	8,00

ANNEXURE E: SUMMARY OF FIXED-RATE BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
01/10/2013	R2023	28/02/2023	7,75	2 350	1 000	2 105	7,58
01/10/2013	R2030	31/01/2030	8,00		350	820	8,54
01/10/2013	R214	28/02/2041	6,50		1 000	1 860	8,92
08/10/2013	R2023	28/02/2023	7,75	2 350	900	2 350	7,71
08/10/2013	R213	28/02/2031	7,00		900	3 060	8,65
08/10/2013	R2037	31/01/2037	8,50		550	2 485	9,03
15/10/2013	R186	21/12/2013	10,50	2 350	900	2 710	7,89
15/10/2013	R213	28/02/2031	7,00		900	2 230	8,55
15/10/2013	R2037	31/01/2037	8,50		550	2 605	8,87
22/10/2013	R186	21/12/2013	10,50	2 350	1 200	4 375	7,77
22/10/2013	R2030	31/01/2030	8,00		350	1 575	8,54
22/10/2013	R2037	31/01/2037	8,50		800	2 995	8,77
29/10/2013	R2023	28/02/2023	7,75	2 350	900	3 560	7,47
29/10/2013	R213	28/02/2031	7,00		550	1 665	8,53
29/10/2013	R2037	31/01/2037	8,50		900	2 305	8,84
05/11/2013	R2030	31/01/2030	8,00	2 350	500	760	8,85
05/11/2013	R2037	31/01/2037	8,50		1 250	2 385	9,05
05/11/2013	R2048	28/02/2048	8,75		600	840	9,21
12/11/2013	R2023	28/02/2023	7,75	2 350	1 000	2 700	8,11
12/11/2013	R2030	31/01/2030	8,00		400	1 555	9,08
12/11/2013	R214	28/02/2041	6,50		950	3 040	9,36
19/11/2013	R2030	31/01/2030	8,00	2 350	450	1 355	8,80
19/11/2013	R214	28/02/2041	6,50		950	2 770	9,05
19/11/2013	R2048	28/02/2048	8,75		950	1 675	9,19
26/11/2013	R2023	28/02/2023	7,75	2 350	900	2 665	7,85
26/11/2013	R213	28/02/2031	7,00		900	1 790	8,80
26/11/2013	R2037	31/01/2037	8,50		550	1 945	9,08
03/12/2013	R2030	31/01/2030	8,00	2 350	550	1 235	9,12
03/12/2013	R214	28/02/2041	6,50		900	2 315	9,34
03/12/2013	R2048	28/02/2048	8,75		900	1 820	9,44
10/12/2013	R2023	28/02/2023	7,75	2 350	900	3 365	7,95
10/12/2013	R2030	31/01/2030	8,00		550	1 295	8,91
10/12/2013	R209	31/03/2036	6,25		900	1 735	9,05
17/12/2013	R2023	28/02/2023	7,75	2 350	550	1 585	7,79
17/12/2013	R186	21/12/2013	10,50		1 000	2 600	8,19
17/12/2013	R213	28/02/2031	7,00		800	1 955	8,80
14/01/2014	R186	21/12/2013	10,50	2 350	550	1 030	8,25
14/01/2014	R2030	31/01/2030	8,00		1 000	3 270	8,83
14/01/2014	R214	28/02/2041	6,50		800	2 200	9,10

ANNEXURE E: SUMMARY OF FIXED-RATE BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
21/01/2014	R2030	31/01/2030	8,00		550	1 500	8,94
21/01/2014	R2037	31/01/2037	8,50	2 350	1 000	3 295	9,14
21/01/2014	R2048	28/02/2048	8,75		800	1 855	9,25
28/01/2014	R2030	31/01/2030	8,00		1 000	3 245	9,21
28/01/2014	R2037	31/01/2037	8,50	2 350	1 000	4 250	9,42
28/01/2014	R214	28/02/2041	6,50		350	2 400	9,44
04/02/2014	R2030	31/01/2030	8,00		1 000	2 565	9,29
04/02/2014	R209	31/03/2036	6,25	2 350	800	3 735	9,26
04/02/2014	R214	28/02/2041	6,50		550	2 755	9,36
11/02/2014	R2030	31/01/2030	8,00		1 000	4 065	9,15
11/02/2014	R2037	31/01/2037	8,50	2 350	800	3 395	9,35
11/02/2014	R2048	28/02/2048	8,75		550	1 995	9,47
18/02/2014	R2030	31/01/2030	8,00		1 000	3 140	8,99
18/02/2014	R2023	28/02/2023	7,75	2 350	550	1 610	8,49
18/02/2014	R209	31/03/2036	6,25		800	2 360	9,09
25/02/2014	R2030	31/01/2030	8,00		1 000	2 445	8,87
25/02/2014	R2037	31/01/2037	8,50	2 350	800	1 850	9,08
25/02/2014	R2048	28/02/2048	8,75		550	1 085	9,22
04/03/2014	R213	28/02/2031	7,00		1 000	2 685	8,96
04/03/2014	R2037	31/01/2037	8,50	2 350	800	2 790	9,10
04/03/2014	R2048	28/02/2048	8,75		550	2 080	9,23
11/03/2014	R2030	31/01/2030	8,00		1 000	2 559	8,95
11/03/2014	R2037	31/01/2037	8,50	2 350	800	2 115	9,13
11/03/2014	R214	28/02/2041	6,50		550	1 875	9,15
18/03/2014	R2023	28/02/2023	7,75		800	1 825	8,46
18/03/2014	R2030	31/01/2030	8,00	2 350	1 000	2 310	9,04
18/03/2014	R2048	28/02/2048	8,75		550	1 920	9,25
25/03/2014	R2023	28/02/2023	7,75		550	1 200	8,39
25/03/2014	R2030	31/01/2030	8,00	2 350	1 000	2 300	8,92
25/03/2014	R214	28/02/2041	6,50		800	3 365	9,05

ANNEXURE F: SUMMARY OF INFLATION-LINKED BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
05/04/2013	I2025	31/01/2025	2,00		160	225	1,02
05/04/2013	I2038	31/01/2038	2,25	800	280	580	1,82
05/04/2013	I2050	31/12/2050	2,50		360	520	2,02
12/04/2013	I2025	31/01/2025	2,00		90	185	0,87
12/04/2013	I2038	31/01/2038	2,25	800	295	785	1,80
12/04/2013	I2050	31/12/2050	2,50		415	910	1,99
19/04/2013	I2025	31/01/2025	2,00		190	340	0,82
19/04/2013	I2038	31/01/2038	2,25	800	270	525	1,74
19/04/2013	I2050	31/12/2050	2,50		340	625	1,98
26/04/2013	I2025	31/01/2025	2,00		200	310	0,79
26/04/2013	I2038	31/01/2038	2,25	800	295	620	1,74
26/04/2013	I2050	31/12/2050	2,50		305	720	1,94
03/05/2013	I2025	31/01/2025	2,00		220	370	0,77
03/05/2013	I2038	31/01/2038	2,25	800	285	645	1,69
03/05/2013	I2050	31/12/2050	2,50		295	625	1,90
10/05/2013	I2025	31/01/2025	2,00		200	320	0,76
10/05/2013	I2038	31/01/2038	2,25	800	430	600	1,72
10/05/2013	I2050	31/12/2050	2,50		170	535	1,85
17/05/2013	I2025	31/01/2025	2,00		55	70	0,75
17/05/2013	I2038	31/01/2038	2,25	800	345	495	1,81
17/05/2013	I2050	31/12/2050	2,50		400	410	1,88
24/05/2013	I2025	31/01/2025	2,00		10	30	0,80
24/05/2013	I2038	31/01/2038	2,25	800	475	690	1,82
24/05/2013	I2050	31/12/2050	2,50		315	340	1,92
31/05/2013	I2025	31/01/2025	2,00		20	620	0,95
31/05/2013	I2038	31/01/2038	2,25	800	150	600	1,98
31/05/2013	I2050	31/12/2050	2,50			465	
07/06/2013	I2025	31/01/2025	2,00		100	330	1,10
07/06/2013	I2038	31/01/2038	2,25	800	210	585	2,05
07/06/2013	I2050	31/12/2050	2,50		490	745	2,14
14/06/2013	I2025	31/01/2025	2,00		255	885	1,45
14/06/2013	I2038	31/01/2038	2,25	800	305	760	2,20
14/06/2013	I2050	31/12/2050	2,50		240	605	2,33
21/06/2013	I2025	31/01/2025	2,00		180	210	1,80
21/06/2013	I2038	31/01/2038	2,25	800	160	500	2,45
21/06/2013	I2050	31/12/2050	2,50		460	985	2,63

ANNEXURE F: SUMMARY OF INFLATION-LINKED BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
28/06/2013	I2025	31/01/2025	2,00		295	630	1,74
28/06/2013	I2038	31/01/2038	2,25	800	315	830	2,40
28/06/2013	I2050	31/12/2050	2,50		190	735	2,52
05/07/2013	I2025	31/01/2025	2,00		350	485	1,69
05/07/2013	I2038	31/01/2038	2,25	800	190	695	2,35
05/07/2013	I2050	31/12/2050	2,50		260	630	2,50
12/07/2013	I2025	31/01/2025	2,00		360	610	1,78
12/07/2013	I2038	31/01/2038	2,25	800	220	600	2,33
12/07/2013	I2046	31/03/2046	2,50		220	760	2,48
19/07/2013	I2025	31/01/2025	2,00		330	490	1,68
19/07/2013	I2038	31/01/2038	2,25	800	170	170	2,15
19/07/2013	I2046	31/03/2046	2,50		300	1 040	2,39
26/07/2013	I2025	31/01/2025	2,00		190	190	1,70
26/07/2013	I2038	31/01/2038	2,25	800	20	95	2,12
26/07/2013	I2046	31/03/2046	2,50		195	225	2,40
02/08/2013	I2025	31/01/2025	2,00		10	80	1,70
02/08/2013	I2046	31/03/2046	2,50	800			
02/08/2013	I2050	31/12/2050	2,50		435	435	2,41
09/08/2013	R210	31/03.2028	2,60		685	1 325	2,20
09/08/2013	I2038	31/01/2038	2,50	800		400	
09/08/2013	I2050	31/12/2050	2,50		115	795	2,49
16/08/2013	I2025	31/01/2025	2,00		235	685	1,90
16/08/2013	R210	31/03/2028	2,60	800	300	1 350	2,19
16/08/2013	I2050	31/12/2050	2,50		265	565	2,53
23/08/2013	I2025	31/01/2025	2,00		125	280	2,02
23/08/2013	R210	31/01/2028	2,60	800	310	855	2,33
23/08/2013	I2050	31/12/2050	2,50		365	475	2,59
30/08/2013	I2025	31/01/2025	2,00		450	450	2,02
30/08/2013	R210	31/03/2028	2,60	800	340	1 115	2,33
30/08/2013	I2046	31/03/2046	2,50		10	20	2,38
06/09/2013	I2025	31/01/2025	2,00		70	275	2,01
06/09/2013	R 210	31/01/2028	2,60	800	580	1 470	2,29
06/09/2013	I2046	31/03/2046	2,50		150	705	2,51
13/09/2013	I2025	31/01/2025	2,00		145	625	1,91
13/09/2013	R210	31/03/2028	2,60	800	160	1 095	2,17
13/09/2013	I2046	31/03/2046	2,50		495	925	2,48

ANNEXURE F: SUMMARY OF INFLATION-LINKED BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
20/09/2013	I2025	31/01/2025	2,00		140	495	1,75
20/09/2013	R 210	31/01/2028	2,60	800	225	530	1,95
20/09/2013	I2046	31/03/2046	2,50		435	530	2,43
27/09/2013	I2025	31/01/2025	2,00		45	110	1,77
27/09/2013	R210	31/03/2028	2,60	800	350	610	2,01
27/09/2013	I2046	31/03/2046	2,50		405	455	2,44
04/10/2013	I2025	31/01/2025	2,00		70	280	1,80
04/10/2013	R210	31/01/2028	2,60	800	280	420	2,04
04/10/2013	I2046	31/03/2046	2,50		450	660	2,44
11/10/2013	I2025	31/01/2025	2,00		245	455	1,84
11/10/2013	R210	31/03/2028	2,60	800	160	730	2,05
11/10/2013	I2046	31/03/2046	2,25		395	595	2,45
18/10/2013	I2025	31/01/2025	2,00		290	855	1,82
18/10/2013	R210	31/01/2028	2,60	800	235	485	2,35
18/10/2013	I2046	31/03/2046	2,50		275	520	2,42
25/10/2013	I2025	31/01/2025	2,00		235	475	1,81
25/10/2013	I2038	31/01/2038	2,25	800	335	650	2,35
25/10/2013	I2046	31/03/2046	2,50		230	230	2,43
01/11/2013	I2025	31/01/2025	2,00		120	455	1,83
01/11/2013	I2038	31/01/2038	2,25	800	280	290	2,36
01/11/2013	I2046	31/03/2046	2,50		200	225	2,44
08/11/2013	I2025	31/01/2025	2,00		200	780	1,81
08/11/2013	I2038	31/01/2038	2,25	800	300	650	2,35
08/11/2013	I2046	31/03/2046	2,50		300	300	2,42
15/11/2013	I2025	31/01/2025	2,00		150	735	1,79
15/11/2013	I2038	31/01/2038	2,25	800	100	1 150	2,52
15/11/2013	I2046	31/03/2046	2,50		550	1 450	2,42
22/11/2013	I2025	31/01/2025	2,00		100	875	1,76
22/11/2013	I2038	31/01/2038	2,25	800	310	1 190	2,33
22/11/2013	I2046	31/03/2046	2,50		390	1 450	2,42
29/11/2013	I2025	31/01/2025	2,00		270	550	1,79
29/11/2013	I2038	31/01/2038	2,25	800	380	850	2,32
29/11/2013	I2046	31/03/2046	2,50		150	310	2,41
06/12/2013	I2025	31/01/2025	2,00		330	585	1,87
06/12/2013	I2038	31/01/2038	2,25	800	215	265	2,30
06/12/2013	I2046	31/03/2046	2,50		255	355	2,41

ANNEXURE F: SUMMARY OF INFLATION-LINKED BOND AUCTIONS, 2013/14

Issue date	Bond code	Maturity	Coupon	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
13/12/2013	I2025	31/01/2025	2,00		195	1 380	1,83
13/12/2013	I2038	31/01/2038	2,25	800	300	360	2,29
13/12/2013	I2046	31/03/2046	2,50		305	415	2,40
20/12/2013	I2025	31/01/2025	2,00		290	300	1,85
20/12/2013	I2038	31/01/2038	2,25	800	280	310	2,30
20/12/2013	I2046	31/03/2046	2,50		230	240	2,43
10/01/2014	I2025	31/01/2025	2,00		210	350	1,85
10/01/2014	I2038	31/01/2038	2,25	800	255	375	2,30
10/01/2014	I2046	31/03/2046	2,50		335	770	2,42
17/01/2014	I2025	31/01/2025	2,00		305	510	1,85
17/01/2014	I2038	31/01/2038	2,25	800	190	340	2,30
17/01/2014	I2046	31/03/2046	2,50		305	450	2,42
24/01/2014	I2025	31/01/2025	2,00		270	480	1,85
24/01/2014	I2038	31/01/2038	2,25	800	290	440	2,30
24/01/2014	I2046	31/03/2046	2,50		240	390	2,42
31/01/2014	I2025	31/01/2025	2,00		200	860	2,30
31/01/2014	I2038	31/01/2038	2,25	800	250	425	2,50
31/01/2014	I2046	31/03/2046	2,50		350	350	2,55
07/02/2014	I2025	31/01/2025	2,00		285	855	2,18
07/02/2014	I2038	31/01/2038	2,25	800	165	685	2,44
07/02/2014	I2046	31/03/2046	2,50		350	625	2,47
14/02/2014	I2025	31/01/2025	2,00		130	800	2,14
14/02/2014	I2038	31/01/2038	2,25	800	350	830	2,42
14/02/2014	I2046	31/03/2046	2,50		320	770	2,44
21/02/2014	I2025	31/01/2025	2,00		295	1 335	2,11
21/02/2014	I2038	31/01/2038	2,25	800	155	635	2,34
21/02/2014	I2050	31/12/2050	2,50		350	675	2,37
28/02/2014	I2025	31/01/2025	2,00		105	355	2,01
28/02/2014	I2038	31/01/2038	2,25	800	460	840	2,30
28/02/2014	I2046	31/03/2046	2,50		235	640	2,35
07/03/2014	I2025	31/01/2025	2,00		190	895	2,00
07/03/2014	I2038	31/01/2038	2,25	800	275	565	2,26
07/03/2014	I2050	31/12/2050	2,50		335	630	2,34
14/03/2014	R212	31/01/2012	2,75		305	305	1,92
14/03/2014	I2025	31/01/2025	2,00	800	285	485	2,20
14/03/2014	I2050	31/12/2050	2,50		210	435	2,30

ANNEXURE G: GLOSSARY

Auction	A process in which participants can submit a bid to purchase a given amount of a security at a specific price.
Bond	A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date.
Benchmark bond	A bond that provides a standard against which the performance of other bonds can be measured. Government bonds are almost always used as benchmark bonds.
Contingent liabilities	A government obligation that will only result in expenditure upon the occurrence of a specific event such as a government guarantee.
Coupon (bond)	The periodic interest payment made to bondholders during the life of the bond. The interest is usually paid twice a year.
Liquidity	Ease of converting an asset into cash.
Primary dealer	A firm that buys government securities directly from a government with the intention of reselling them to others, thus acting as a market maker for government securities.
Primary listing	The main exchange on which a given stock is listed.
Public debt	All money owed at any given time by any branch of government. Also referred to as government debt.
Refinancing risk	The possibility that a borrower cannot refinance by borrowing to repay existing debt.
Secondary market	A market in which an investor purchases a security from another investor rather than the issuer, subsequent to the original issuance in the primary market. It is also called the aftermarket.
STRATE	The authorised central securities depository for the electronic settlement of financial instruments in South Africa.
Sterilisation deposit	Operations by central banks to mitigate the potentially undesired effects of inbound capital: currency appreciation and inflation. The Reserve Bank "sterilises" excess cash created in the money market when purchasing foreign currency.
Yield	A financial return or interest paid to buyers of government bonds. The yield takes into account the total of annual interest payments, the purchase price, the redemption value and the amount of time remaining until maturity.
Yield curve	A graph showing the relationship between the yield on bonds of the same credit quality but different maturity at a given point in time.

ANNEXURE H: ACRONYMS

ATM	Average term to maturity
CEF	Central Energy Fund
CP	Commercial paper
CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
DFI	Development finance institution
EM	Emerging market
Fed	Federal Reserve Bank
Fitch	Fitch Ratings
GDP	Gross Domestic Product
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
IDC	Industrial Development Corporation
ILB	Inflation-linked bond
JSE	Johannesburg Stock Exchange
Moody's	Moody's Investors Service
MTBPS	Medium-Term Budget Policy Statement
NDP	National Development Plan
NRF	National Revenue Fund
OECD	Organization for Economic Co-operation and Development
PFMA	Public Finance Management Act
PRASA	Passenger Rail Agency of South Africa
QE	Quantitative easing
R&I	Rating and Investment Information, Inc.
Repo	Repurchase
RSA	Republic of South Africa
S&P	Standard and Poor's
SAA	South African Airways
SABC	South African Broadcasting Corporation
SANRAL	South African National Roads Agency Limited
SARB	South African Reserve Bank
SASRIA	South African Special Risks Insurance Association
SOC	State-owned company
SPV	Special purpose vehicle
Stats SA	Statistics South Africa
STRATE	Share Transactions Totally Electronic
TCTA	Trans-Caledon Tunnel Authority
WGBI	World Government Bond Index

NOTES

DEBT MANAGEMENT REPORT 2013/14

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