DEBT MANAGEMENT REPORT
2018/19

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

DEBT MANAGEMENT REPORT
2018/19

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I have the honour of submitting the Debt Management Report of the National Treasury for the period 1 April 2018 to 31 March 2019.

Dondo Mogajane, Director-General

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DEBT MANAGEMENT REPORT 2018/19

FOREWORD

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FOREWORD

The South African economy started 2018 on a high note following the African National Congress elective conference held in December 2017. Business sentiment improved markedly and government bonds yields strengthened by an average 114 basis points between December 2017 and February 2018. The South African Reserve Bank cut interest rates by 25 basis points to 6.5 per cent in March 2018 with a GDP growth forecast of 1.7 per cent for 2018. However, the improved confidence was short-lived as the economy entered into recession in the second quarter of 2018, following negative growth of 2.2 per cent and 0.7 per cent in the first and second quarters, respectively.

The year was characterised by financial market volatility mainly due to the United States' contractionary monetary policy; the ongoing trade war between the United States and China; and emerging market turmoil driven by negative political and economic developments in Turkey, Argentina and Brazil. The volatility was exacerbated by the US Federal Reserve Bank's decision to hike rates by 100 basis points in 2018, compared to the market expectation of 50 basis points. The uncertainty in global financial markets led to outflows and currency depreciation in most emerging markets and a number of emerging market central banks responded by raising interest rates to curb the outflows.

South Africa saw large outflows from the domestic bond market with foreign bond holdings decreasing from a high of 42.7 per cent in March 2018 to 37.7 per cent in December 2018, with outflows of R40.1 billion and yields weakening by an average 79 basis points over this period. The global environment improved at the beginning of 2019 and foreign investor bond holdings closed 2018/19 at 38.9 per cent holdings, increasing by R40.0 billion from January to March 2019. Despite the challenging funding environment, the government funded a gross amount of R259.1 billion. Moreover, South Africa maintained its investment grade sovereign credit rating from Moody's, while S&P and Fitch changed their sub-investment grade outlook from negative to stable as at 31 March 2019.

The electronic trading platform (ETP) for government bonds was launched in July 2018. The platform provides the benefits of transparency, price discovery and settlement assurance to allow issuers to transact anonymously both pre-trade and post-trade, the end result of which will be lower transaction costs and more price discovery, allowing traders to see live pricing. The ETP will undoubtedly position South Africa's capital market infrastructure among the most sophisticated in global capital markets, which will benefit issuers, investors and further position South Africa as an attractive investment destination.

In addressing its borrowing requirement, the government commits to continued prudent debt management. The strategy remains to prioritise funding liquidity, while minimising refinancing and currency risk, without compromising the efficient functioning of the domestic bond markets.

Dondo Mogajane
Director-General

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THE SOUTH AFRICAN DEBT CAPITAL MARKET

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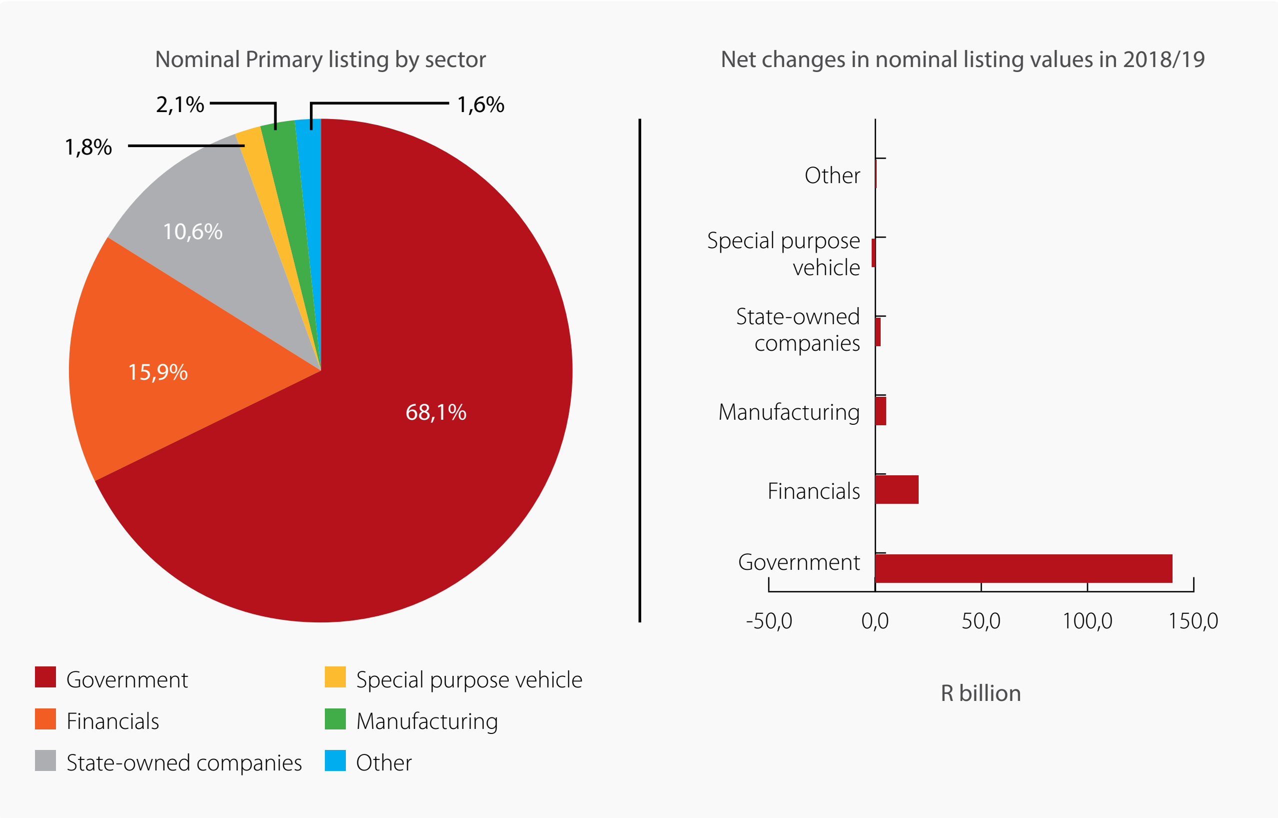
1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

Listing activity in the primary debt capital market

The total nominal amount outstanding for debt instruments listed on the Johannesburg Stock Exchange (JSE) stood at R2.8 trillion as at 31 March 2019, R200 billion higher than the 31 March 2018 figure of R2.6 trillion. The domestic debt capital market remains an important source of financing especially for the national government, which is the highest contributor to the total outstanding debt listed on the JSE. Government debt contributed about 68.1 per cent of listed debt, compared to 66.8 per cent recorded on 31 March 2018. Financials and state-owned company (SOC) listings accounted for 15.9 per cent and 10.6 per cent respectively. During the year under review, the number of listed instruments increased from 1 699 to 1 734.

Figure 1: Primary listing of debt securities on the JSE, 31 March 2019

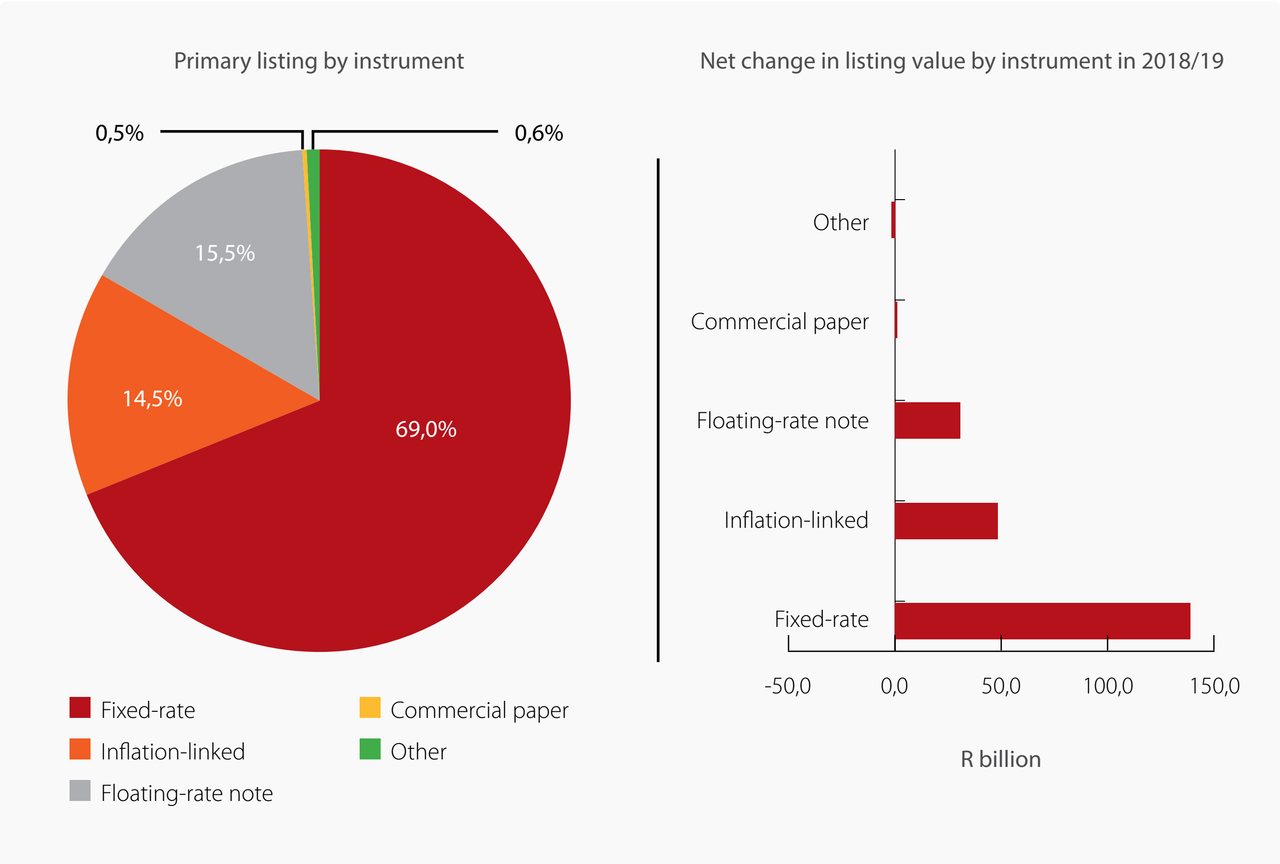


Source: Johannesburg Stock Exchange and National Treasury

Government recorded an increase of R174 billion in outstanding debt in 2018/19, R18 billion lower than the R192 billion increase recorded in 2017/18. SOCs added R3 billion to their listed debt, which is significantly lower than the R12 billion added in 2017/18. Driven by the banking sector, financials added R25 billion to their listed debt, compared to R28 billion added in 2017/18.

1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

Figure 2: Composition of primary listings of debt securities on the JSE, 31 March 2019

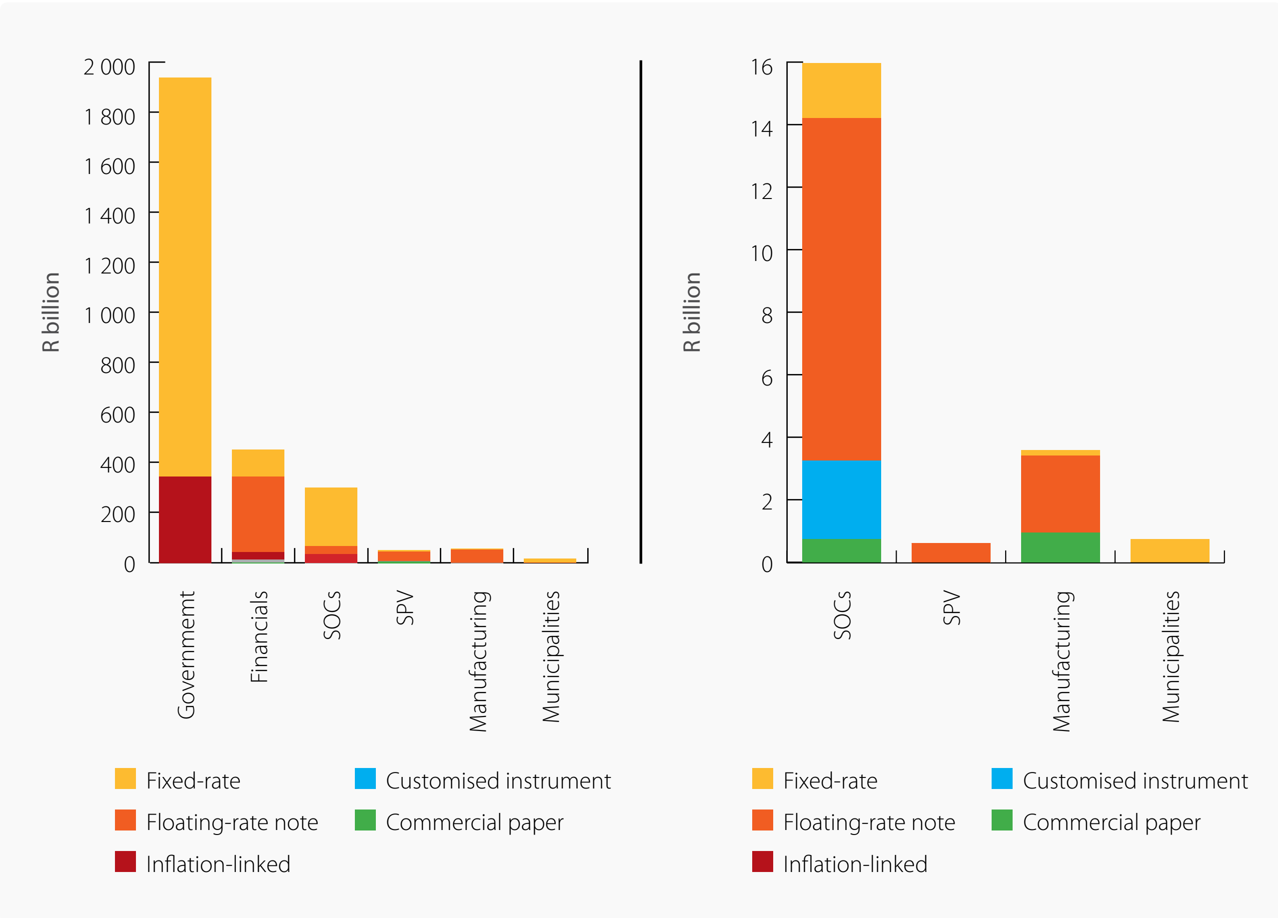


Source: Johannesburg Stock Exchange and National Treasury

At 69 per cent, fixed-rate instruments remain the highest contributor to total primary listings by a wide margin, mainly due to the fact that government – the largest issuer of listed debt – issues mostly fixed-rate debt. As at 31 March 2019, fixed-rate instruments accounted for 69 per cent of total listed debt, marginally lower than the 69.4 per cent recorded on 31 March 2018. As shown in Figure 2, floating-rate notes (FRNs) were the second highest contributor to listed debt at 15.5 per cent, increasing from 14.9 per cent on 31 March 2018. Inflation-linked bonds and commercial paper accounted for 14.5 per cent and 0.5 per cent respectively of the total primary listing on the JSE.

1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

Figure 3: Sectorial composition of primary listings of debt securities on the JSE, 31 March 2019



Source: Johannesburg Stock Exchange and National Treasury

The financial sector has traditionally preferred issuing FRNs and this remained the case as at 31 March 2019. FRNs provide a good source of funding for banks, while investors are attracted by the credit spreads that contribute to higher portfolio returns.

1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

Secondary market activity in South African bonds

Trading volumes in the secondary market[1] increased by 11 per cent from R27.1 trillion on 31 December 2017, to R30 trillion as at 31 December 2018, a R2.9 billion increase as shown in Figure 4. The year was characterised by relatively high volatility in global financial markets, which saw increased trading activity in the secondary market.

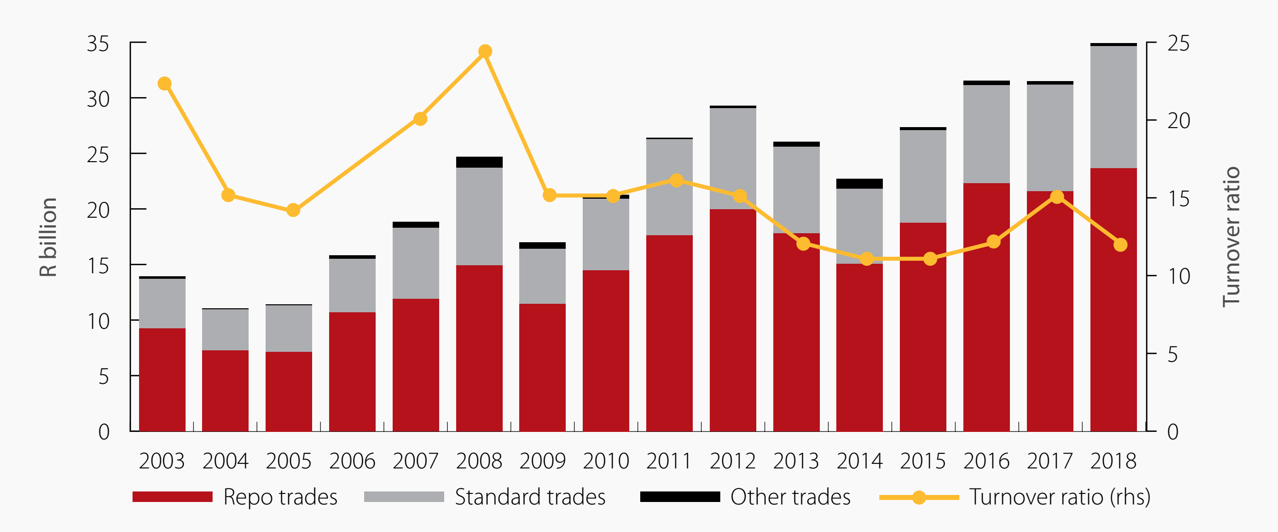
Repurchase (repo) transactions are an efficient source of money market funding, providing investors with various avenues for investing surplus cash and helping to avoid settlement failures. As at 31 December 2018, the repo market constituted 67.8 per cent of the total trading volumes in the interest rate market, a one percentage point decline from the 68.7 per cent on 31 December 2017. However, repo trades rose by R1.8 trillion, while other trades declined by R96 billion. Standard trades increased by R1.3 trillion to R9.5 trillion, an increase of 15.3 per cent from 31 December 2017.

Repurchase (repo) market

Repos are classified as money market instruments, normally used to raise short-term capital. For the party selling the asset (usually fixed-income securities), and agreeing to repurchase it in the future, it is a repo; for the party that is buying the security and agreeing to sell in the future, it is a reverse repurchase agreement. If the seller defaults during the life of the repo, the buyer (as the new owner) can sell the asset to a third party to offset the loss. The asset therefore acts as collateral and mitigates the credit risk that the buyer has on the seller.

Source: International Capital Market Association

Figure 4: South African bond market turnover, 2003–2018



Source: Johannesburg Stock Exchange and National Treasury

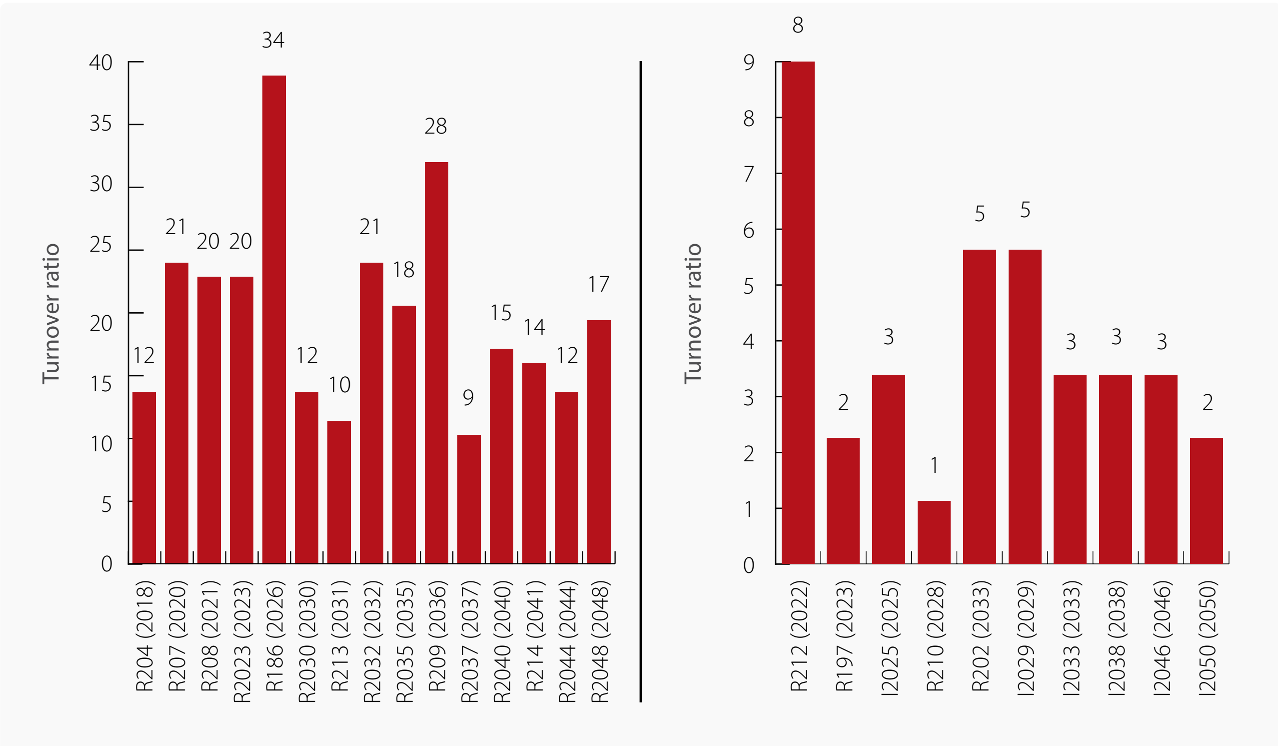
[1] The secondary market activity is reported by calendar year.

1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

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

Government bonds constituted 97 per cent of trading volumes in 2018, with a total of R29 trillion traded in the secondary market during the year. The R186 (10.50%; 2025/26/27) bond had the highest turnover ratio of 34 times, as shown in Figure 5. The R186 bond with an outstanding amount of R230 billion as at 31 December 2018 is the most liquid bond in the government bond portfolio. Consequently, the R186 bond is regarded by the market as the benchmark bond.

Figure 5: Government bond turnover ratios, 31 December 2018



Source: Johannesburg Stock Exchange and National Treasury

At 28 times, the R209 (6.25%; 2036) bond had the second highest turnover ratio. The shorter maturity bonds, the R207 (7.25 %; 2020) and R208 (6.75%; 2021) bonds, have relatively high turnover ratios due to these bonds having lower amounts outstanding relative to other fixed rate bonds. Moreover, the bonds have high secondary market activity relative to other bonds as they are source bonds in government's bond switch programme. Among the inflation-linked bonds, the R212 (2.75%; 2022) bond had the highest turnover ratio of eight times. Overall, inflation-linked bonds have a low turnover relative to fixed-rate bonds because investors, particularly pension funds, tend to buy and hold these instruments to hedge against inflation.

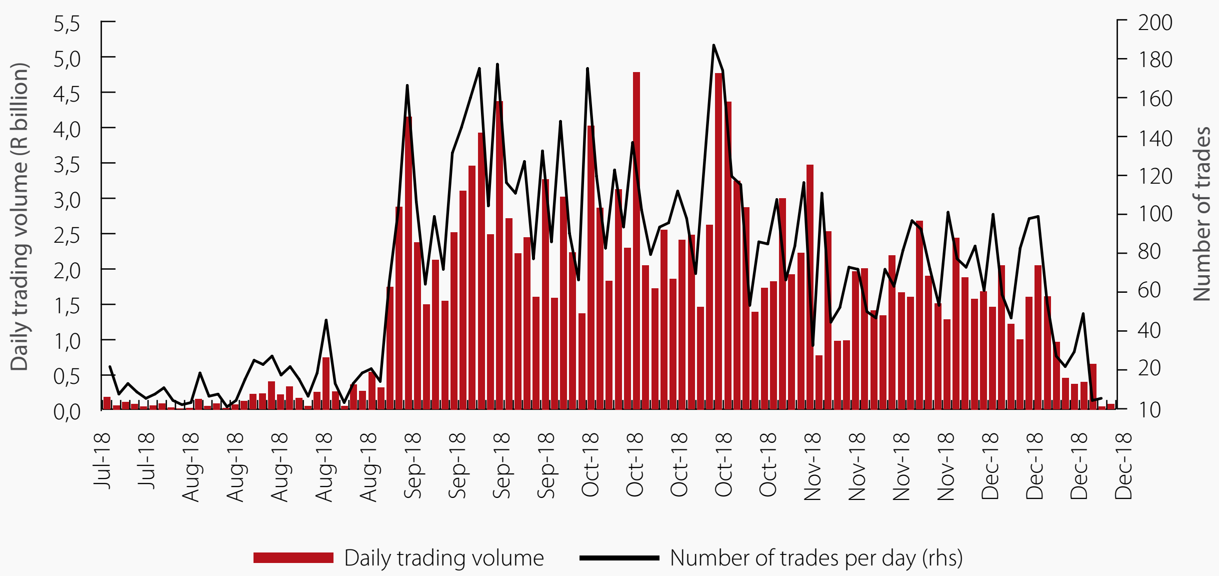
1. THE SOUTH AFRICAN DEBT CAPITAL MARKET

Electronic trading platform

The National Treasury, together with a multi-stakeholder group consisting of the JSE, STRATE, primary dealers, the South African Reserve Bank (Reserve Bank) and the Financial Sector Conduct Authority with technical assistance from the World Bank, launched the electronic trading platform (ETP) for government bonds in July 2018. The aim of the ETP is to improve liquidity, price discovery and transparency in the domestic government bond market.

The ETP went live on 18 July 2018 with all nine primary dealers obliged to quote prices on the following obligatory bonds: the R2023 (7.75%; 2023), R186 (10.25%; 2025/26/27), R2032 (8.25%; 2032), R209 (6.25%; 2036) and R2048 (8.75%; 2048) bonds. On the ETP, primary dealers are obliged to quote firm and executable current bid and ask prices/yields on the ETP in specified amounts per maturity and specified spreads. The National Treasury incentivises primary dealer participation in the ETP by allocating a portion of the non-competitive bids based on the volumes traded by each primary dealer on the platform.

Figure 6: Electronic trading platform daily volumes and trades, July to December 2018



Source: MTS

The ETP volumes have grown considerably since the launch of the platform, growing from around R100 million per day to an average daily volume of R1.6 billion by the end of December 2018. Similarly, the number of trades grew from an average of 9 trades per day, to an average of 60 trades per day as at 31 December 2018. The decline experienced during December 2018 was due to general market activity slowdown during the year-end holiday season.

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NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

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2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Borrowing requirement

The budget deficit – revenue less expenditure – represents national government's net borrowing requirement. This includes National Revenue Fund (NRF) receipts and payments. Government's gross borrowing requirement consists of the net borrowing requirement and maturing loans. Table 1 shows the preliminary outcome of government's gross borrowing requirement for 2018/19.

Table 1: National government's gross borrowing requirement, 2018/19

R million	Budget	Revised budget	Preliminary outcome
Main budget balance	-191 054	-224 472	-243 573
of which:			
National Revenue Fund receipts	*6 185*	*11 686*	*12 000*
Premiums on loan transactions	*-*	*1 445*	*1 606*
Revaluation profits on foreign currency transactions	*6 185*	*10 238*	*10 391*
Other	*-*	*3*	*3*
National Revenue Fund payments	*-135*	*-162*	*-162*
Defrayal of GFECRA losses*	*-135*	*-142*	*-142*
Premiums on loan transactions	*-*	*-19*	*-19*
Other	*-*	*-1*	*-1*
Borrowing requirement (net)	-191 054	-224 472	-243 573
Loan redemptions	-33 192	-15 060	-15 570
Domestic long-term	-31 084	-13 019	-13 529
Foreign	-2 108	-2 041	-2 041
Borrowing requirement (gross)	-224 246	-239 532	-259 143

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

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

During 2018/19, government's net borrowing requirement was R243.6 billion. NRF receipts were R12.0 billion and consisted mainly of R1.6 billion in premiums on loan transactions and revaluation profits of R10.4 billion on foreign currency transactions. In 2018/19, NRF payments of R162 million were incurred, these were related to premiums on debt portfolio restructuring and payments to defray realised losses on the Gold and Foreign Exchange Reserve Account. Inclusive of loan redemptions of R15.6 billion, the gross borrowing requirement amounted to R259.1 billion.

Table 2: Financing of national government's gross borrowing requirement, 2018/19

R million	**Budget**	**Revised budget**	**Preliminary outcome**
Domestic short-term loans (net)	14 200	14 000	14 061
Treasury bills	4 200	14 000	14 039
Corporation for Public Deposits	10 000	-	22
Domestic long-term loans (gross)	191 000	180 500	183 003
Market loans	191 000	181 000	183 503
Loans issued for switches	-	-500	-500
Foreign loans (gross)	38 040	54 198	25 258
Market loans	38 040	54 198	25 258
Change in cash and other balances	-18 994	-9 166	36 821
Financing	224 246	239 532	259 143

Source: National Treasury

Table 2 shows the preliminary outcome of the government's financing programme for 2018/19. The gross borrowing requirement of R259.1 billion was financed through the net issuance of domestic short-term loans of R14.1 billion, domestic long-term loans of R183.0 billion, and foreign loans of R25.3 billion. In addition, cash balances of R36.8 billion were used to finance part of the gross borrowing requirement.

Domestic short-term borrowing

During 2018/19, government issued an additional R9.8 billion in Treasury bills relative to the 2018 Budget projection of R4.2 billion, in order to finance the higher borrowing requirement and compensate for lower issuance in domestic bonds. Government also reduced borrowing from the Corporation for Public Deposits (CPD) by R9.9 billion to R17.3 billion as shown in Table 3.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Government conducts Treasury bill auctions on a weekly basis. The net change in different maturities of Treasury bills shows that issuance was concentrated in the longer-maturity Treasury bills. This assisted in managing refinancing risk as it extended the days to maturity for the Treasury bill portfolio. The details for Treasury bill weekly auctions including the allocated amount for each maturity are shown in Annexure D and E.

Table 3: Domestic short-term borrowing, 2018/19

R million	Opening balance	Net change	Closing balance
Corporation for Public Deposits	17 256	22	17 278
Treasury bills	293 321	14 039	307 360
91-day	27 430	-10 430	17 000
182-day	56 833	2 985	59 818
273-day	88 947	9 557	98 504
364-day	120 111	11 927	132 038
Total	**310 577**	**14 061**	**324 638**

Source: National Treasury

Performance of Treasury bill auctions

Gross issuance in Treasury bills amounted to R476.8 billion in 2018/19. Of the R476.8 billion offered in the weekly auctions, R5.6 billion or 1.2 per cent of the total gross issuance was not allotted due to market volatility, this is shown in Table 4.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Table 4: Treasury bill auctions under allotments, 2018/19

R million	Gross issuance	Under-allotment	Percentage of gross issuance under-alloted
91-day	100 714	-1 486	-1.5
182-day	117 084	-3 216	-2.7
273-day	126 991	1 451	1.1
364-day	132 038	-2 382	-1.8
Total	**476 827**	**-5 633**	**-1.2**

Source: National Treasury

A summary of the auction bid-to-cover ratios and effective yields is shown in Table 5. Government can increase or reduce the amount on offer in line with the funding requirements and market conditions. On average, Treasury bill auctions were 2.3 times oversubscribed with market appetite more pronounced on the 3-month Treasury bill. Annexures D and E give detailed information on the 2018/19 Treasury bill auctions.

Table 5: Treasury bill auction analysis, 2018/19

	91-day	182-day	273-day	364-day
Bid-to-cover-ratios (times)				
Highest	7.3	5.3	4.9	3.6
Lowest	1.1	1.0	1.0	1.0
Average	2.4	2.3	2.3	2.1
Effective yields (%)				
Highest	7.8	8.1	8.3	8.4
Lowest	7.1	7.2	7.3	7.3
Average	7.2	7.6	7.8	7.9

Source: National Treasury

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Corporation for Public Deposits

The CPD is a wholly-owned subsidiary of the Reserve Bank. Its main function is to invest surplus cash received from provincial governments and SOCs. Provincial governments and selected SOCs are required to invest their surplus cash with the CPD. Government uses these funds to finance a portion of its borrowing requirement and for bridging finance. Provincial governments may also borrow from the CPD up to predetermined limit to finance short-term cash shortfalls.

In 2018/19, the average daily balance invested in the CPD was R55.5 billion. The government borrowed a daily average of R40.5 billion. This is R1.6 billion less than the daily average of R42.1 billion that was borrowed in 2017/18.

Domestic long-term borrowing

Long-term borrowing consists of fixed-rate, inflation-linked and retail savings bonds. Fixed-rate and inflation-linked bond auctions are conducted weekly in line with a pre-determined auction calendar. The fixed-rate bond auctions are conducted through a panel of primary dealers, while inflation-linked bond auctions are open to all members of the JSE. Retail savings bonds are made available to South African citizens through the South African Post Office and online applications. A total nominal amount of R183.5 billion was issued in domestic long-term bonds.

PRIMARY DEALERS

The primary dealer panel is a panel of banks that buys government bonds at weekly fixed-rate bond auctions. Investors buy government bonds by submitting their bids at the auction through primary dealers. These dealers are obliged to adhere to certain terms and conditions that can be found on National Treasury's investor relations website www.investor.treasury.gov.za. There are currently nine banks on the National Treasury's primary dealer panel, namely:

- Absa Group Limited
- Citibank
- Deutsche Bank
- FirstRand Bank Limited
- HSBC Bank
- Investec Bank Limited
- JPMorgan Chase Bank
- Nedbank Limited
- Standard Bank.

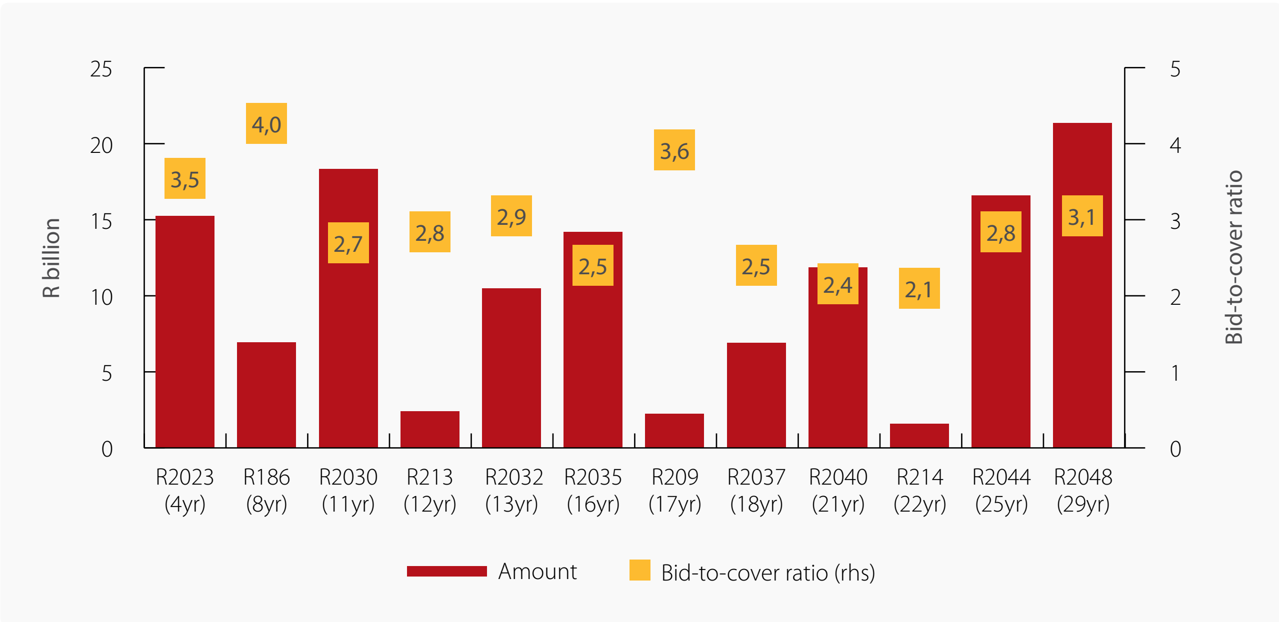
Fixed-rate bonds

A nominal amount of R157.6 billion was issued in fixed-rate bonds including non-competitive bids through 49 auctions. The fixed-rate bond auctions' bid-to-cover ratio per bond is shown in Figure 7. The bonds were on average 2.9 times oversubscribed. In November 2018, the weekly fixed-rate bond auctions were increased by R450 million, from R2.4 billion to R2.85 billion to cover for the revenue shortfalls as announced in the 2018 Medium Term Budget Policy Statement (MTBPS).

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Following a successful bond switch programme wherein government's refinancing risk was significantly reduced, the National Treasury has reduced issuance in ultra-long dated bonds. In 2018/19, 42 per cent of the total issuance was in bonds with maturities of 4 to 13 years in an effort to reduce auction duration and the debt portfolio's average term to maturity. Ultra-long dated bond issuance (bonds with 15- to 30-year maturities) accounted for 58 per cent of total issuance compared to 80 per cent in previous years. Issuance in highly discounted bonds – the R213 (7.00%; 2031), R209 (6.25%; 2036) and R214 (6.50%; 2041) bonds were kept at a minimum due to cash pressures.

Figure 7: Issuance of fixed-rate bonds (excluding non-competitive bid auctions), 2018/19



Source: National Treasury

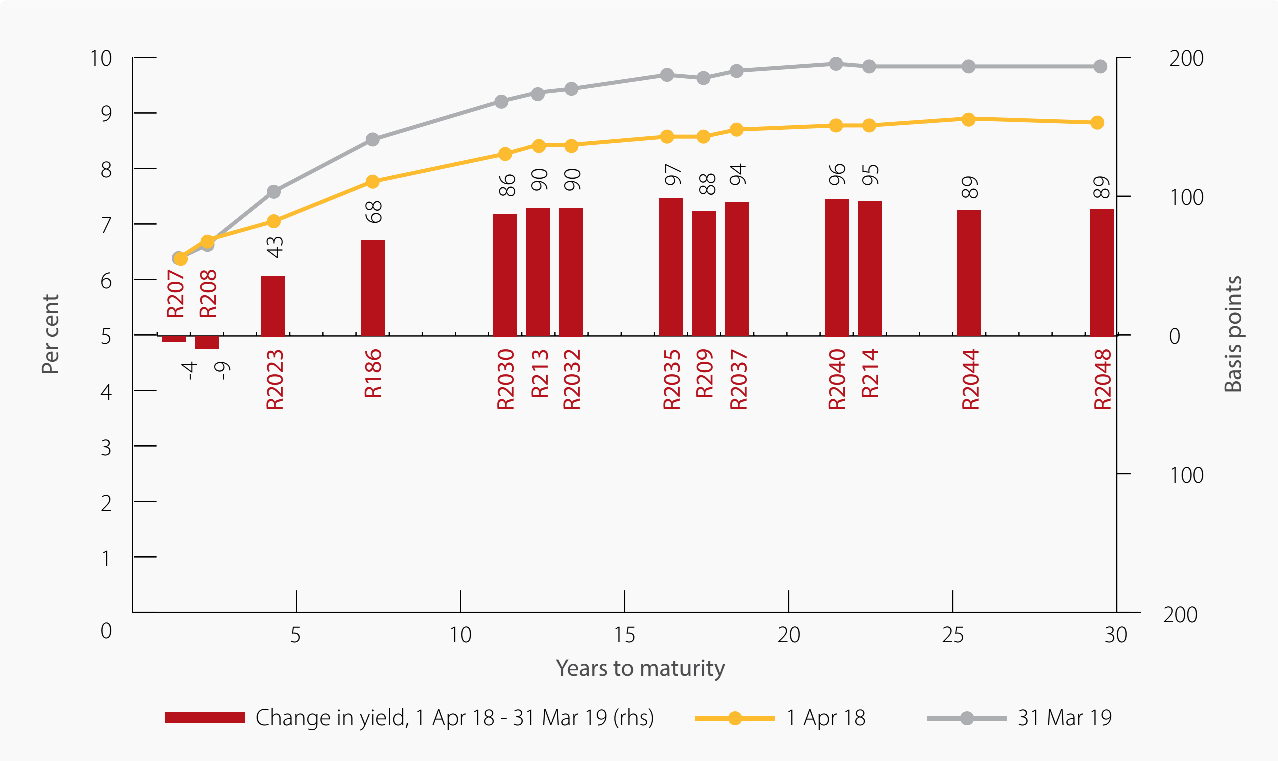
The R186 (10.25%; 2025/26/27) bond had the highest demand with a bid-to-cover ratio of 4.0 times. This may be attributed to the R186 bond being the benchmark bond and thus having a higher demand in the auction. The R209 (6.25%; 2036) and R2023 (7.75%; 2023) bonds, had the second and third highest bid-to-cover ratio of 3.6 and 3.5 times respectively.

Yield curve movement

Global financial markets were driven mainly by developments such as the US Federal Reserve Bank monetary policy tightening; negative emerging market sentiment resulting from political and economic instability in Turkey, Argentina and Brazil; lower commodity prices; the US/China trade war; and uncertainty regarding the withdrawal of the United Kingdom from the Eurozone (Brexit). These events contributed to volatile capital markets and outflows across emerging markets. Domestic factors such as weak economic outlook and the current account deficit also contributed to negative sentiment. Consequently, fixed-rate bond yields increased by an average of 72 basis points during the year under review as shown in Figure 8.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 8: Yield curve movement of fixed-rate bonds, 2018/19



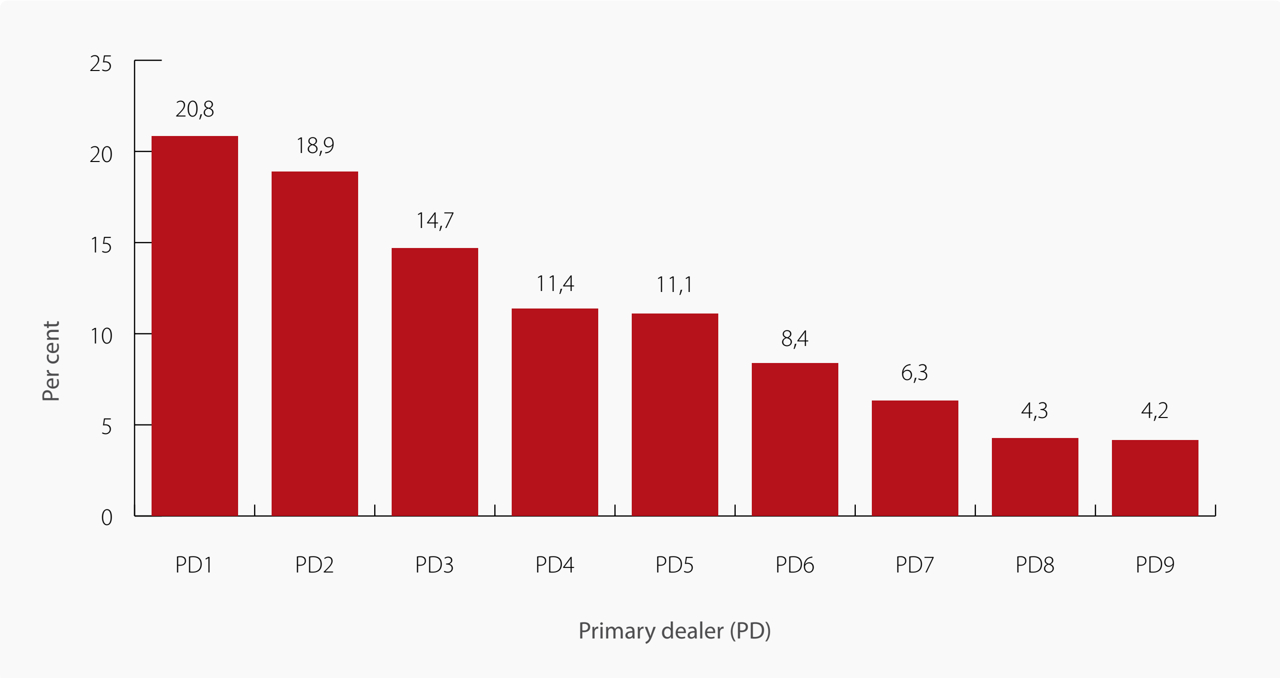
Source: Johannesburg Stock Exchange and National Treasury

Performance of primary dealers

The National Treasury primary dealer panel consists of international and domestic banks. These primary dealers are required to distribute government bonds and provide liquidity in the secondary market. In 2018/19, the primary dealers met the primary auction bidding obligation of 13.1 per cent (1/number of primary dealers plus 0.02) for each bond on offer. The performance of the nine primary dealers is shown in Figure 9. The top two primary dealers took up 39.7 per cent of the total auctions conducted during the year.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 9: Primary dealer participation in fixed-rate bond auctions, 2018/19



Source: National Treasury

Non-competitive bid auctions performance[2]

A nominal amount of R29.4 billion was raised through non-competitive bid auctions. Figure 10 shows that the R2048 (8.75%; 2047/48/49) bond had the highest non-competitive take-up amounting to R4.7 billion followed by the R2030 (8.00%; 2030) bond with a take-up of R4.2 billion. These bonds accounted for 16.0 per cent and 14.2 per cent of the non-competitive total, respectively.

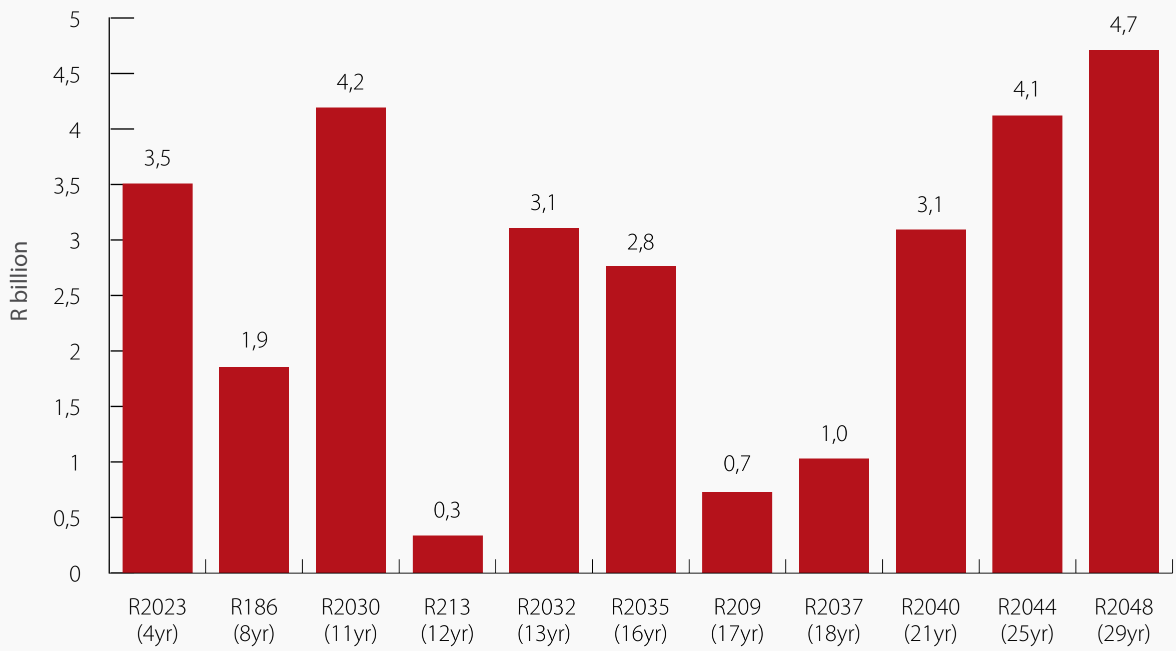
Non-competitive bids

Primary dealers are entitled to take up an additional 50 per cent of the successful allocation amount at the same bond yield and price at which the fixed-rate competitive auction settled. The non-competitive bid window is open for 48 hours immediately after the auction.

[2] From September 2018, the 50 per cent non-comps was divided between the primary market and secondary electronic trading platform performance. Consequently, 30 percentage points were allocated to primary dealers on the electronic trading platform while 20 percentage points were allocated to the primary market.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 10: Non-competitive bid auction performance per bond, 2018/19



Source: National Treasury

Inflation-linked bonds

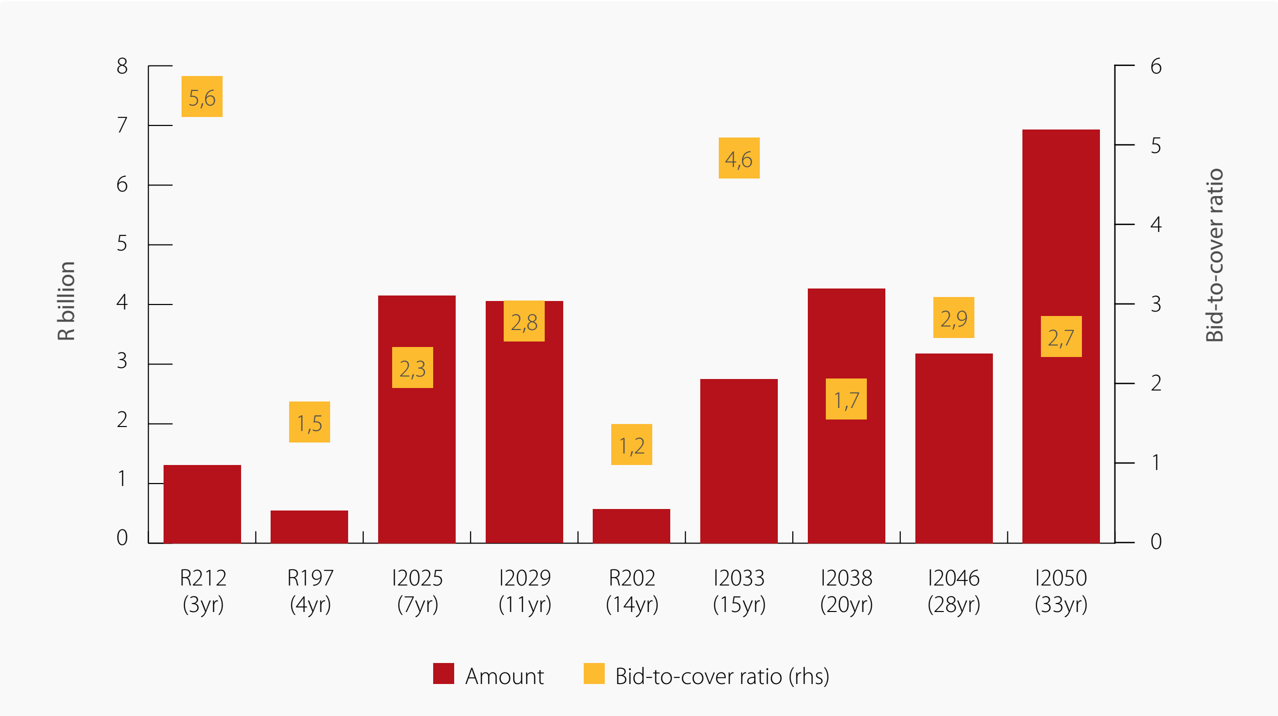
Inflation-linked bond issuance accounted for 17.8 per cent of the total issuance of domestic long-term debt with 48 auctions conducted during the year. A nominal amount of R27.8 billion was issued in inflation-linked bonds. Issuance was concentrated in the I2025 (2.00%; 2025), I2029 (1.875%; 2029), I2038 (2.25%; 2038) and I2050 (2.50%; 2049/50/51) bonds with a combined issuance of R19.4 billion. The R212 (2.75%; 2022) and I2033 (1.875%; 2033) bonds had the highest subscription with bid-to-cover ratios of 5.6 and 4.6, respectively.

Auctions conducted on 13 April and 18 May were under-subscribed[3], while auctions conducted on 20 April, 8 June, 10 August and 26 October were under-allotted[4]. The under-allotted auctions were due to unfavourable bids received, while the under-subscribed auctions were due to lack of demand. In order to compensate for the cash shortfall that resulted from the under-subscribed and

[3] An under/over-subscribed auction is an auction where the total amount received in an auction is less/more than the amount on offer.
[4] An under-allotted auction is an auction where the total amount allocated in a particular auction is less than the amount on offer due to price considerations or less than the total amount received in an auction.

under-allotted auctions, the off-the-run R212 (2.75%; 2022), R197 (5.50%; 2023) and R202 (3.45%; 2033) bonds were re-introduced to the market for a limited period in May, September, October and November 2018 as these bonds have a high cash price. For the rest of the year these bonds remained off-the-run because of their high revaluation value that poses refinancing risk to the government debt portfolio. In November 2018, the weekly auction levels were increased by R50 million to R650 million following the 2018 MTBPS.

Figure 11: Issuance of inflation-linked bonds, 2018/19



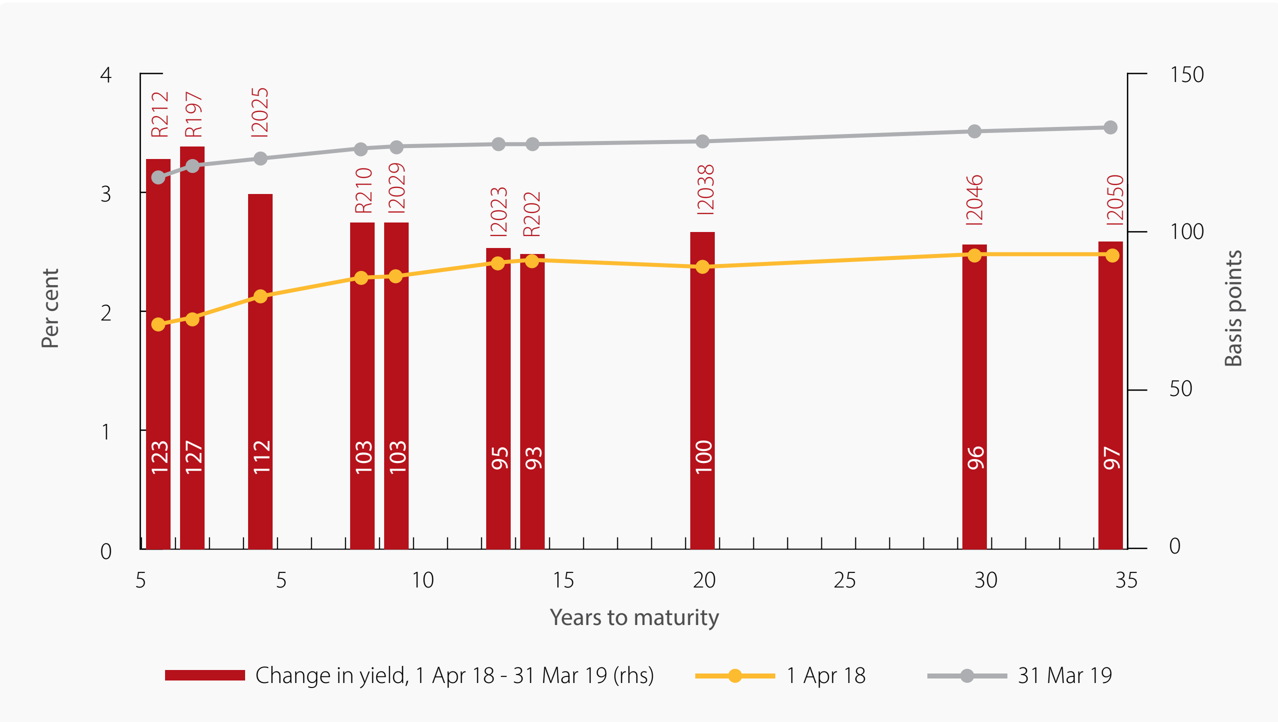
Source: National Treasury

Real yield movement

Figure 12 shows yield movements of inflation-linked bonds in 2018/19. The yields on inflation-linked bonds weakened by an average of 106 basis points. The real yields weakening was attributed to lower inflation expectations and spill-over from weaker demand on fixed-rate bonds.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 12: Yield curve movement of inflation-linked bonds, 2018/19



Source: Johannesburg Stock Exchange and National Treasury

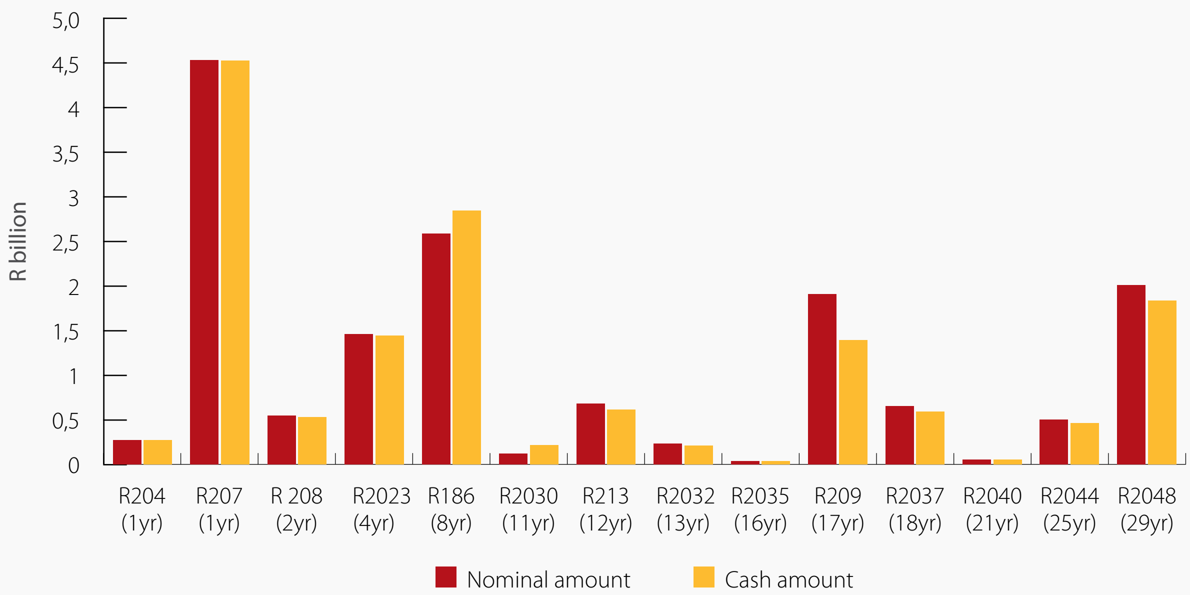
Scrip lending facility

The National Treasury is obliged to support the market for government bonds by acting as a lender of last resort to avoid settlement failures and subsequent systemic risk. The facility is available to the ETP, over-the-counter, and interest rate and currency derivative market transactions. The scrip lending facility is available strictly to primary dealers. Other market participants can only access this facility through the JSE, and it is used only if other avenues of obtaining the scrip have been exhausted.

A nominal amount of R14.5 billion was provided through this facility during the year. Figure 13 shows the breakdown in the utilisation of the scrip lending facility per bond. About 29 per cent of the demand was on the R207 (7.25%; 2020) bond maturing 15 January 2020, followed by the R186 (10.50%; 2025/26/27) bond with 17 per cent of the take-up.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 13: Fixed-rate scrip lending facility utilisation, 2018/19



Source: National Treasury

Bond switch auction programme

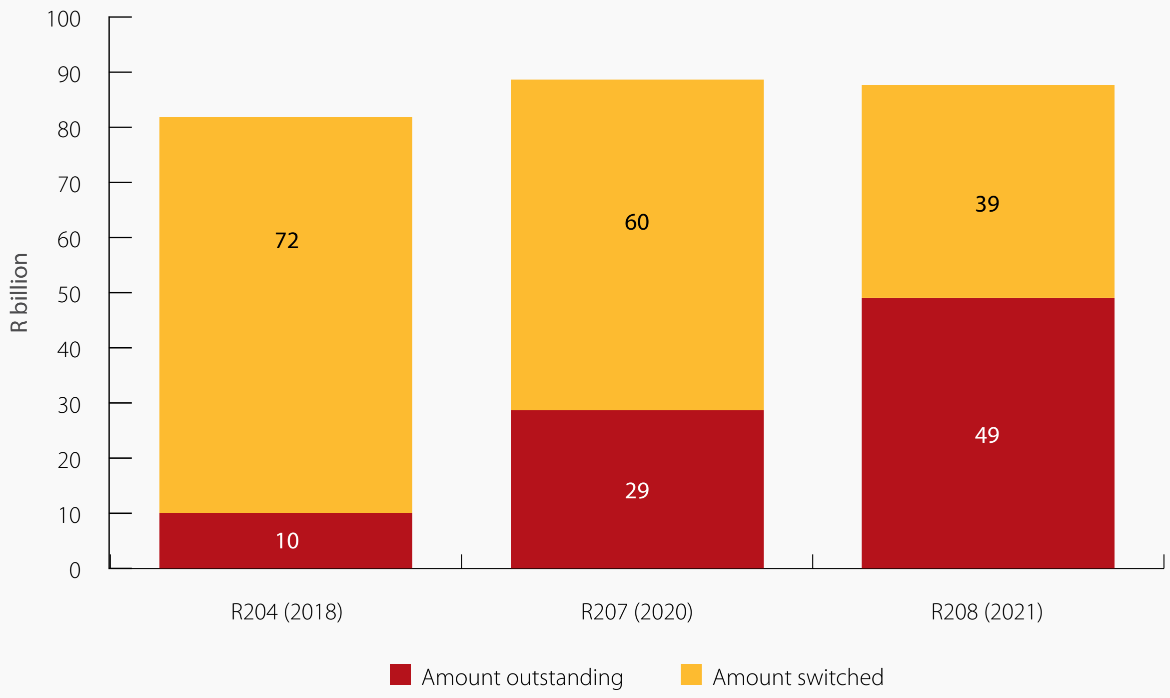
The 2018/19 funding strategy envisaged a continuation of the bond switch auction programme (switch programme) to reduce the R131.9 billion total outstanding in the R204 (8.00%; 2018), R207 (7.25%; 2020) and R208 (6.75%; 2021) bonds over the medium term. The switch programme was successful despite the relatively volatile market conditions in 2018/19.

During 2018/19, R21.4 billion was switched. Amounts totalling R5.9 billion, R11.1 billion and R4.4 billion were switched out of the R204 (8%; 2018), R207 (7.25%; 2020) and R208 (6.75%; 2021) bonds, respectively. The switches were conducted in September and October 2018.

Since 2015/16, a total of R71.8 billion, R59.9 billion and R38.5 billion was switched out of the R204 (8%; 2018), R207 (7.25%; 2020) and R208 (6.75%; 2021) bonds, respectively, as shown in Figure 14. The R204 bond was redeemed in December 2018 with a redemption amount of R10.0 billion.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 14: Amount switched in respective bonds as at 31 March 2019



Source: National Treasury

Retail savings bonds

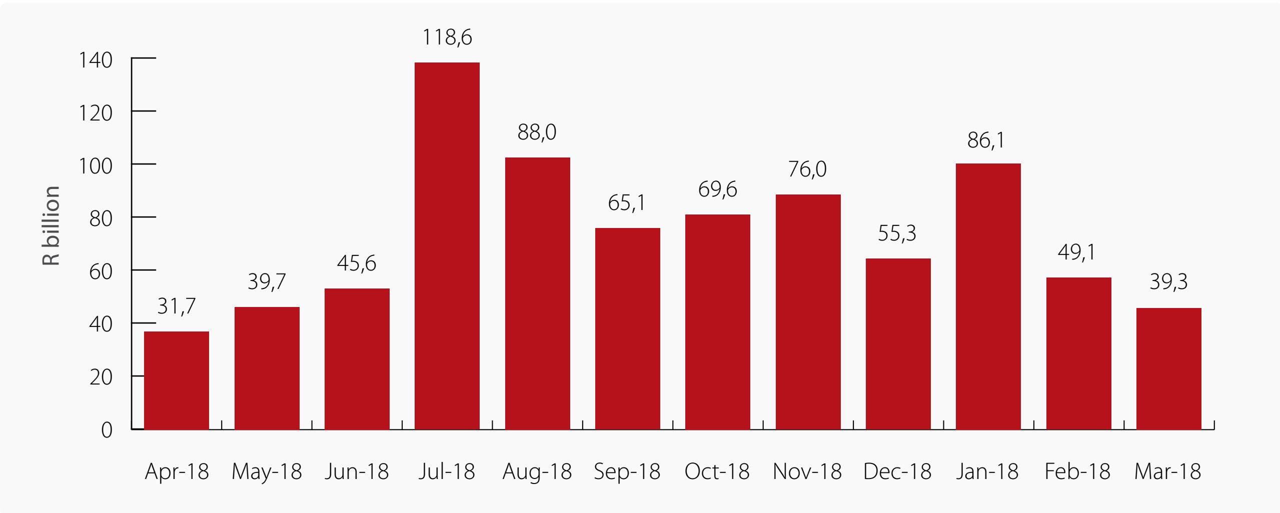
The objective of retail savings bonds is to diversify government's long-term funding sources and promote a household savings culture in South Africa. In 2018/19, the retail savings bonds portfolio increased by R1.60 billion, with new investments and roll-overs[5] accounting for R764 million and R835 million, respectively. The total outstanding amount as at 31 March 2019 was R5.9 billion.

In addition to the conventional retail savings bonds, R2.2 billion was received in the Government Employees Housing Scheme' s Internal Linked Savings Facility (GEHS: ILSF) which is housed under the retail savings bonds. A gross total of R7.4 billion has been raised in the GEHS: ILSF as at 31 March 2019.

[5] Investments that are rolled-over or re-invested are those investments that investors have opted to reinvest at redemption date.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 15: Monthly retail savings bond deposits, including roll-overs, 2018/19



Source: National Treasury

Table 6 shows the retail bond interest rates for April 2018 and March 2019. The rates are published on the retail savings bonds website (www.rsaretailbonds.gov.za). Interest rates on fixed-rate, inflation-linked and financial co-operatives retail savings bonds are derived from the respective government bond and Treasury bill yields. The interest rates for the fixed-rate and financial co-operatives retail savings bonds are reviewed monthly and those for the inflation-linked retail savings bonds are reviewed bi-annually.

Table 6: Retail bond interest rates, 2018/19

Date	1-year	2-year	3-year	5-year	10-year
Fixed-rate (%)					
30-Apr-18		6.75	7.00	7.75	
31-Mar-19		7.75	8.00	8.50	
Inflation-linked (%)					
30-Apr-18			3.00	3.25	3.50
31-Mar-19			3.50	3.75	4.00
Financial Cooperatives (%)					
30-Apr-18	7.25	6.75	7.00		
31-Mar-19	7.80	7.75	8.00		

Source: National Treasury

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Between April 2018 and March 2019, the two- and three-year retail savings fixed-rate bond rates increased by 100 basis points each, while the five-year rate increased by 75 basis points. The inflation-linked retail savings bonds' three-, five- and ten-year rates increased by 50 basis points each.

Financial co-operative retail savings bonds

The National Treasury launched the financial co-operative retail savings bonds in October 2011 to provide a secure savings instrument that co-operative financial institutions (CFIs) and co-operative banks can invest in. The bonds offer competitive interest rates, calculated bi-annually. Additional features take into account the uniqueness of the CFI model. Through top-ups, it allows for early withdrawals and preservation of capital with no fees and charges levied. The CFIs that continue to save in retail savings bonds have accumulated notable interest on their capital amounts. The Co-operatives Bank Development Agency encourages more CFIs to invest in this investment vehicle as it is risk-free and provides guaranteed financial growth.

As at 31 March 2019, R5.3 million was invested in the financial co-operative retail savings bonds with a total of 30 investments made as shown in Table 7.

Table 7: Financial co-operative retail savings bonds, 2018/19

Bond	Average interest rate (%)	Current capital (R million)	Number of investments
FC01 – 1 Year	7.35	0.20	5
FC02 – 2 Year	7.58	1.08	9
FC03 – 3 Year	7.78	3.98	16
Total		5.26	30

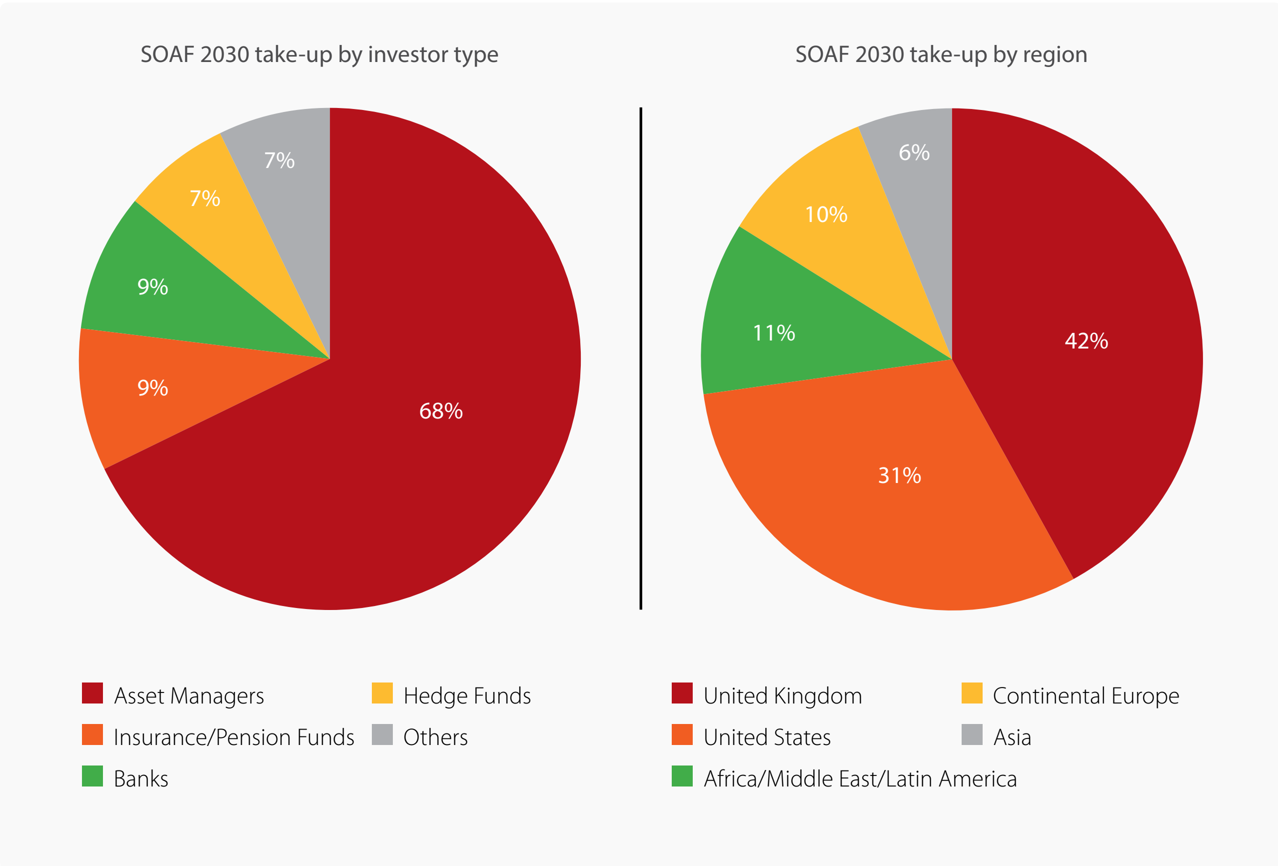
Source: National Treasury

Foreign long-term borrowing

In May 2018, a total amount of US$2.0 billion was successfully placed in new bonds maturing in 2030 (12-year, SOAF 2030) and 2048 (30-year, SOAF 2048) in the international capital markets amounting to US$1.4 billion and US$0.6 billion, respectively. The transactions were more than two times oversubscribed in aggregate with the investor base primarily located in Asia, Europe and the United States. The 2018 Budget had made plans for US$3 billion to be issued in the international capital market in 2018/19; however, due to unfavourable market conditions at the time of issuance, government only managed to raise US$2 billion. The remaining US$1 billion was deferred to 2019/20.

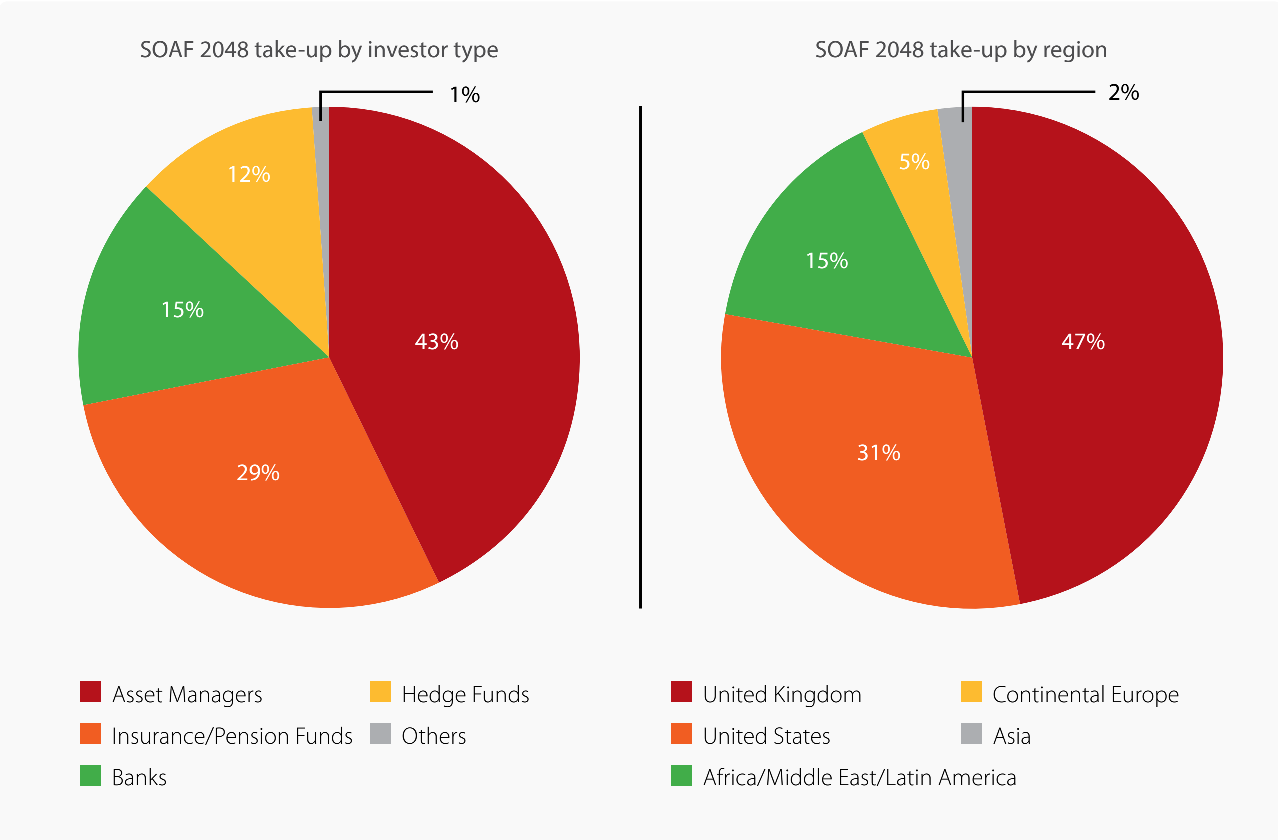
2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 16: International bond investor take-up by region and type, 2018/19



2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 16: ***continued***



Source: National Treasury

Asset managers took up 69 per cent and 48 per cent of the SOAF 2030 and SOAF 2048 respectively. Majority of the investors were based in the United States and United Kingdom.

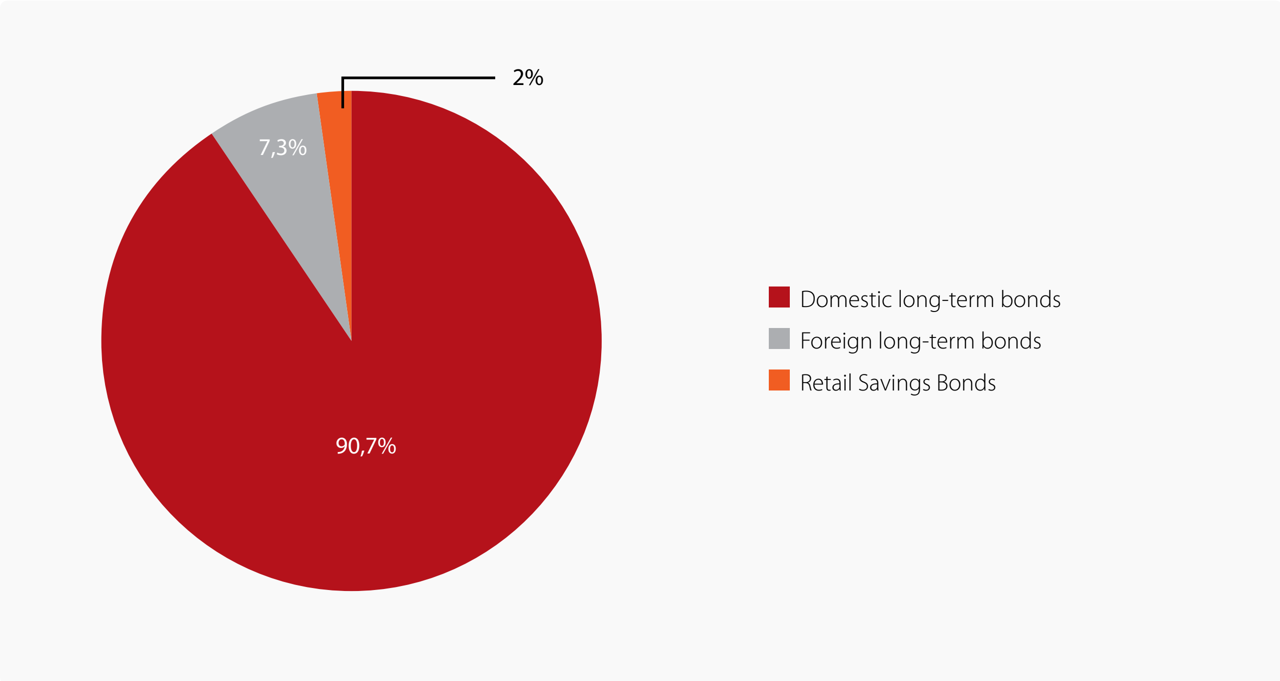
Interest and redemption payments on long-term loans

Figure 17 shows the composition of government's interest and redemption payments for 2018/19. The payments are split between long-term domestic, foreign and retail savings bonds. Interest payments and redemptions for domestic and foreign debt amounted to R197 billion with interest payments and redemptions amounting to R182 billion and R15 billion, respectively.

In the domestic debt portfolio, the R204 (8.00%; 2018) bond matured during December 2018, with a redemption amount of R10.0 billion. At the time of redemption, most of the R204 bond was held by monetary institutions and foreign investors with holdings of 35 per cent and 33 per cent, respectively.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 17: Composition of interest and redemption payments on government bonds, 2018/19

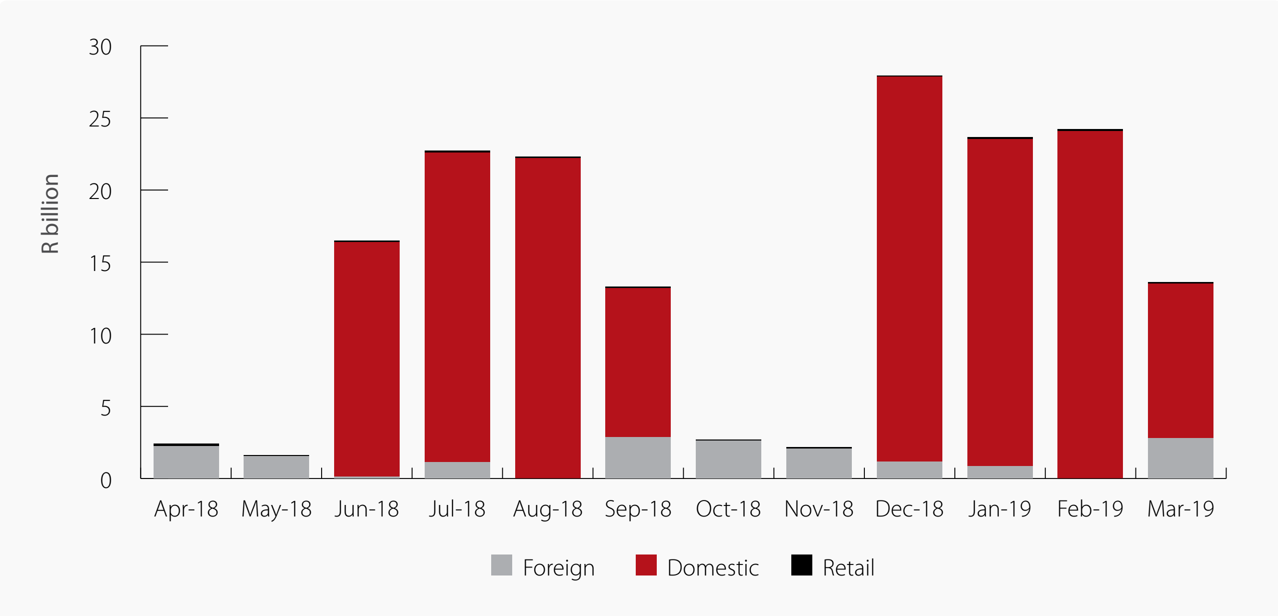


Source: National Treasury

As shown in Figure 18, the months of June, July, August, December, January and February have the highest interest and redemption payments, in line with large tax revenue inflows during those months.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Figure 18: Monthly schedule of interest and redemption payments, 2018/19



Source: National Treasury

Government cash balances

The primary objective of managing cash is to ensure that government has enough cash available to meet its financial commitments. As part of effective cash management, government does not only ensure that its financial obligations are met, but it also ensures that its weekly borrowings are predictable and stable.

Cash management also plays an important role in supporting collaboration between the National Treasury and the Reserve Bank in managing market liquidity. Government's total cash balances include deposits held by commercial banks and the Reserve Bank. Cash deposits with the Reserve Bank include rand sterilisation and foreign currency deposits.

Sterilisation deposits are excess cash deposits made with the Reserve Bank to counter the effects of increased money supply as a result of the accumulation of foreign currency reserves. These deposits are only available as bridging finance. To neutralise the effects of sizeable foreign direct investment flows, the Reserve Bank also engages in foreign currency swaps.

Foreign currency deposits consist of funds borrowed in the international capital markets and/or foreign currencies purchased in the domestic market. Foreign currency deposits are used to meet government's foreign currency commitments.

The government's cash balances on 31 March 2018 to 31 March 2019 are shown in Table 8. In 2018/19, cash balances increased by R2.3 billion to R238.1 billion. Government continues to accrue cash for a large redemption of US$3.5 billion due in 2019/20.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Table 8: National government's cash balances, 2018/19

R billion	Mar-18	Mar-19
Reserve Bank	**179.7**	**174.7**
Sterilisation deposits	67.2	57.2
Foreign currency deposits	112.5	117.5
Commercial banks	**56.1**	**63.4**
Tax and loan accounts	56.1	63.4
Total	235.8	238.1

Source: National Treasury

Table 9 shows that total foreign currency commitments in 2018/19 amounted to US$2.5 billion. This consisted of redemptions of foreign loans amounting to US$154 million and interest on loans and departmental payments amounting to US$2.3 billion. Part of these commitments were financed by borrowing in the international capital market.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

Table 9: US$ flows on foreign exchange deposits, 2018/19

US$ million	Budget	Revised budget	Preliminary outcome
Opening balance	9 104	8 942	8 942
Inflows	3 098	4 086	2 259
Foreign loan	3 000	4 000	2 000
Purchases	-	-	-
Interest	98	86	259
Outflows	-2 195	-2 411	-2 480
Interest on debt portfolio	-1 129	-1 022	-1 026
Loan redemptions	-166	-154	-154
Payments by departments	-900	-1 235	-1 300
Closing balance	10 007	10 617	8 721

Source: National Treasury

DEBT MANAGEMENT REPORT
2018/19

HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

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National Treasury
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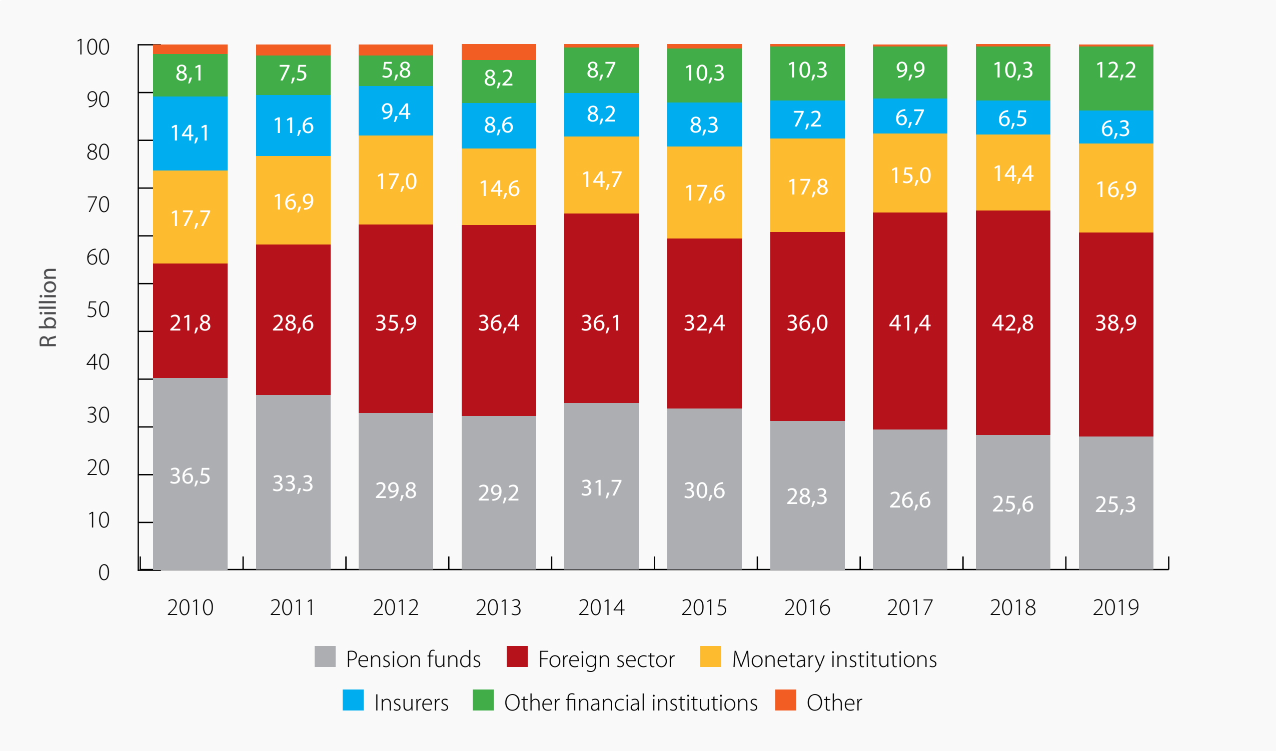
3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Holders of domestic marketable government bonds

South African government bonds are mainly supported by foreign investors, pension funds and monetary institutions, with a combined aggregate holding of more than 80 per cent of the outstanding government bonds. Foreign investors remain the largest holders of government bonds at 38.9 per cent as at 31 March 2019, while pension funds and monetary institutions hold 25.3 per cent and 16.9 per cent, respectively.

Figure 19: Historical government bonds holdings, 2010–March 2019

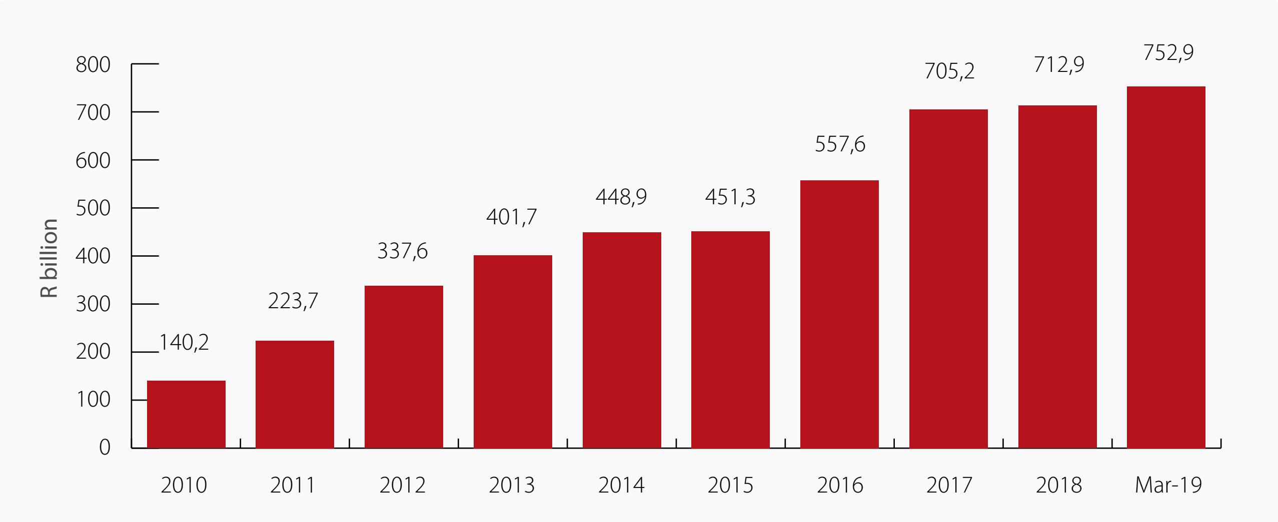


Source: STRATE and National Treasury

Due to volatile capital markets caused by global developments and outflows across emerging markets in 2018, foreign investor holdings of domestic government bonds declined from a high of 42.8 per cent in March 2018 to 38.9 per cent in March 2019 as shown in Figure 19. However, in nominal terms, foreign investor holdings increased from R712.9 billion in December 2018 to R752.9 billion in March 2019 as shown in Figure 20. This is a total inflow of R40 billion during this period. Monetary institutions, however, increased their holdings from 14 .4 per cent in March 2018 to 16.9 per cent in March 2019, an increase of approximately R75 billion in nominal holdings.

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Figure 20: Foreign investor holding of government bonds, 2010–March 2019

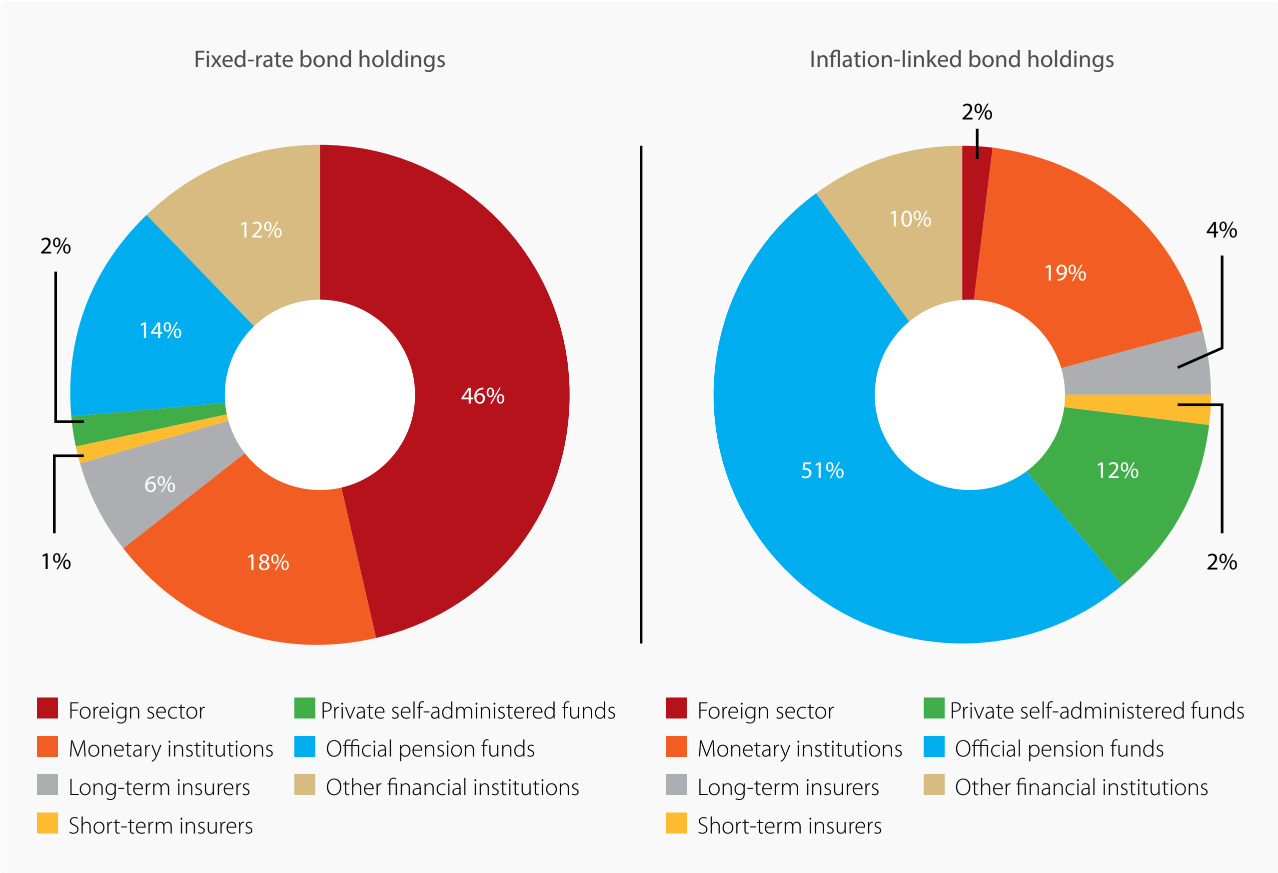


Source: STRATE and National Treasury

Figure 21 shows the holdings of fixed-rate and inflation-linked bonds by investor type. Foreign investors hold about 46 per cent of fixed-rate bonds, a decline from 51 per cent in March 2018. Monetary institutions hold 18 per cent, while official pension funds hold about 14 per cent of fixed-rate bonds. Official pension funds hold a total of 51 per cent of inflation-linked bonds, an increase from the 49 per cent in March 2018. Pension funds use inflation-linked bonds to hedge against inflation and match their long-term liabilities. Monetary institutions hold 19 per cent, while foreign investors hold only 2 per cent of the inflation-linked bonds. Foreign investors tend to hold very few inflation-linked bonds as they do not need to hedge against South African inflation.

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Figure 21: Holdings of domestic fixed-rate and inflation-linked bonds, 31 March 2019

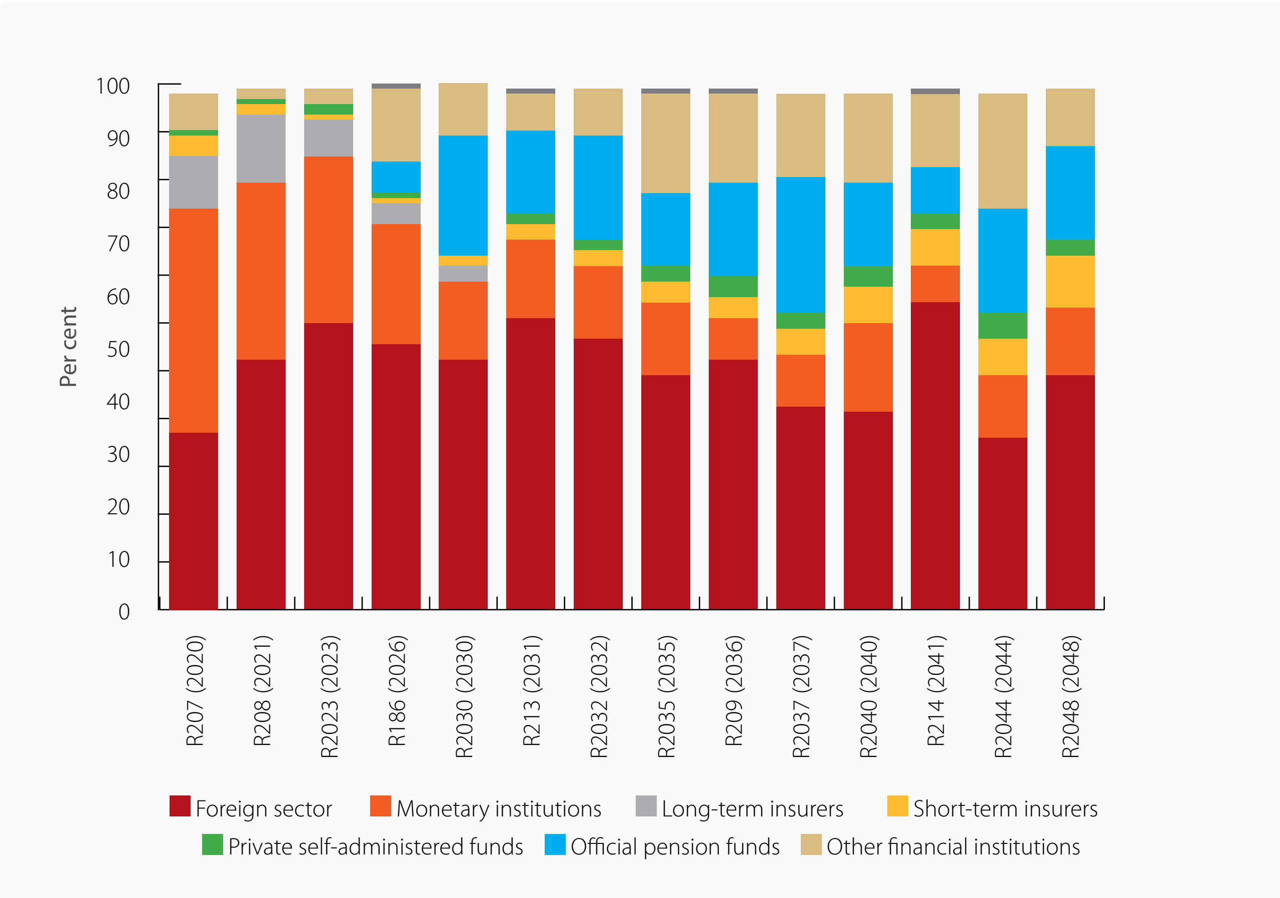


Source: STRATE and National Treasury

Figure 22 shows holdings of domestic fixed-rate bonds by instrument. The foreign sector holds the highest percentages across all maturities. Monetary institutions hold high percentages in the shorter dated maturities, such as the R207 (7.25%; 2020), R208 (6.75%; 2021) and R2023 (7.75%; 2023) bonds, due to their short maturities as they form part of the statutory liquid asset requirement.

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Figure 22: Holdings of domestic fixed-rate bonds by instruments, 31 March 2019

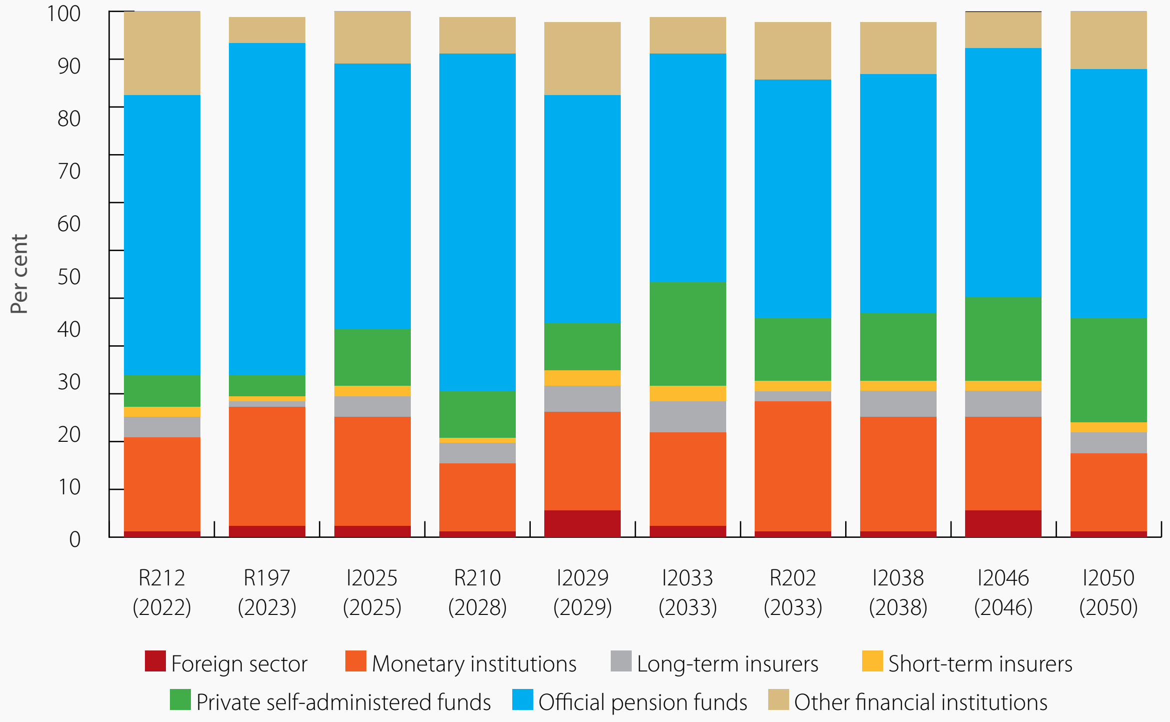


Source: STRATE and National Treasury

As shown in Figure 23, official pension funds hold the highest percentage of instruments across all maturities of inflation-linked bonds, with a holding of 65 per cent on the R210 (2.6%; 2028) bond and 64 per cent on the R197 (5.5%; 2023) bond.

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Figure 23: Holdings of domestic inflation-linked bonds by instruments, 31 March 2019



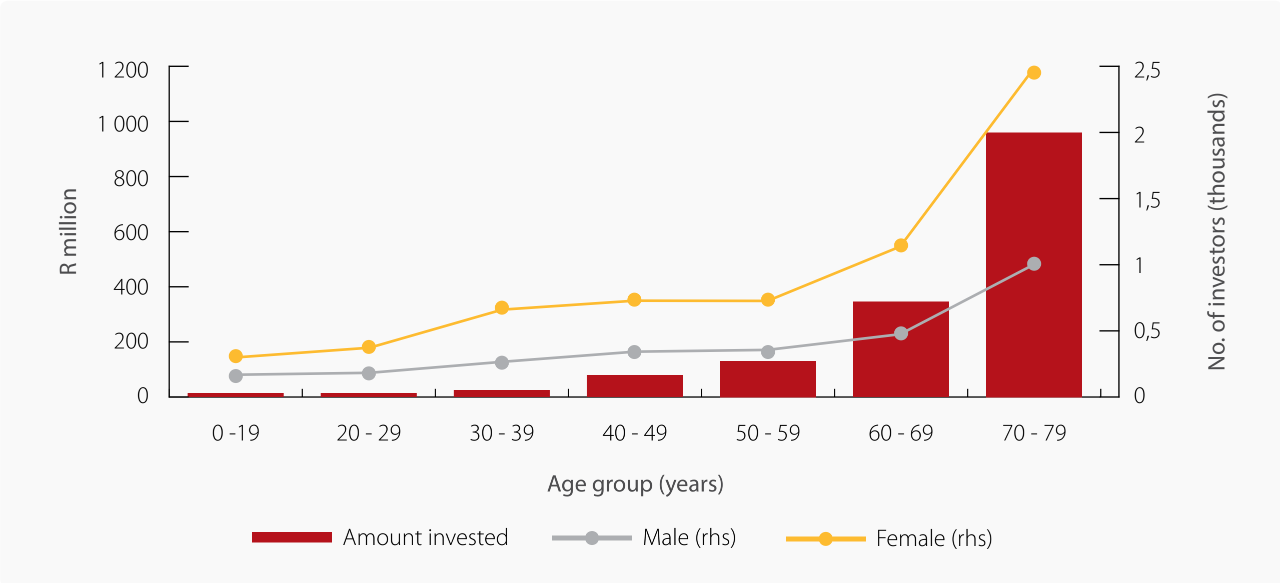
Source: STRATE and National Treasury

3. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Holdings of retail savings bonds

As shown in Figure 24, more than 50 per cent of investors in retail savings bonds are above the age of 60 years. This may be attributed to these investors saving their retirement funds as they benefit from the monthly payments[6]. The gender composition is 55 per cent female investors versus 45 per cent male investors. Investors reside predominantly in Gauteng, KwaZulu-Natal and Western Cape.

Figure 24: Retail savings bonds investor demographics, 31 March 2019



Source: National Treasury

[6] Monthly interest payments are made only for investors aged 60 and above. All other investors receive bi-annual interest payments.

DEBT MANAGEMENT REPORT
2018/19

GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Government debt portfolio

Government's debt is influenced by the budget balance and by market variables such as prevailing interest rates, the exchange rate and inflation rates. Government debt is presented on a gross and net basis. Table 10 shows that at the end of 2018/19, net loan debt (debt less cash balances) amounted to R2.6 trillion or 51.7 per cent of Gross Domestic Product (GDP). The ratio of net foreign debt to total net loan debt reached 6.6 per cent in 2018/19.

Table 10: Total national government debt, 2018/19

R billion	Budget	Revised budget	Preliminary outcome
Domestic debt			
Gross loan debt	2 502.1	2 494.1	2 497.0
Cash balances	-117.2	-138.6	-120.6
Net loan debt	2 384.9	2 355.5	2 376.4
Foreign debt			
Gross loan debt	268.5	320.2	291.3
Cash balances	-126.9	-153.6	-122.5
Net loan debt	141.6	166.6	168.8
Total gross loan debt	**2 770.6**	**2 814.3**	**2 788.3**
Total net loan debt	**2 526.5**	**2 522.1**	**2 545.2**
As percentage of GDP:			
Total gross loan debt	*55.1*	*55.6*	*56.6*
Total net loan debt	*50.3*	*49.9*	*51.7*
Foreign debt as percentage of:			
Gross loan debt	9.7	11.4	10.4
Net loan debt	5.6	6.6	6.6

Source: National Treasury

Table 11 shows the composition of domestic debt for the period 2017/18 to 2018/19. Of the total domestic debt portfolio in 2018/19, 13.0 per cent consisted of short-term loans.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Table 11: Composition of domestic debt by instrument, 2017/18–2018/19

	2017/18	2018/19
R billion	**Outcome**	**Preliminary outcome**
Short-term loans	**310.5**	**324.6**
Shorter than 91-days	17.3	17.3
91-day	27.4	17.0
182-day	56.8	59.8
273-day	88.9	98.5
364-day	120.1	132.0
Long-term loans	**1 961.3**	**2 172.4**
Fixed-rate	1 443.3	1 592.7
Inflation-linked	506.2	567.5
Retail	11.7	11.9
Zero coupon	0.1	0.2
Total	2 271.8	2 497.0

Source: National Treasury

Debt service costs

The cost of servicing government debt is influenced by the volume of debt, new borrowing and various market variables. Table 12 shows that debt service costs in 2018/19 amounted to R181.8 billion or 3.7 per cent of GDP. This was R1.7 billion higher than initially budgeted, mainly because of the net between higher interest on short-term borrowing and lower interest on domestic long-term bonds.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Table 12: Debt service costs, 2018/19

R billion	Budget	Budget revised	Preliminary outcome
Domestic loans	165.7	167.8	167.4
Short-term	22.8	25.9	25.7
Long-term	142.9	141.9	141.7
Foreign loans	14.4	14.4	14.4
Total	180.1	182.2	181.8
As a percentage of:			
GDP	*3.6*	*3.6*	*3.7*
Expenditure	*11.9*	*12.1*	*12.0*
Revenue	*13.6*	*14.2*	*14.3*

Source: National Treasury

Portfolio risk benchmarks

The South African sovereign debt management framework disaggregates inflation, refinancing (rollover) and exchange rate risks of the total government debt portfolio. Over the period under review, all risk benchmark indicators remained below or within their respective limits and ranges.

The share of short-term debt maturing in 12 months as a percentage of total domestic debt, declined by 0.5 percentage points from 31 March 2018 to 31 March 2019. The share of long-term debt maturing in five years as a percentage of long-term debt, increased by 0.8 percentage points as a result of the inclusion of the R197 (5.50%; 2023) bond, which has an outstanding amount of R89.7 billion in this maturity bracket.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Table 13: Performance of the government debt portfolio against risk benchmarks, 31 March 2018 and 31 March 2019

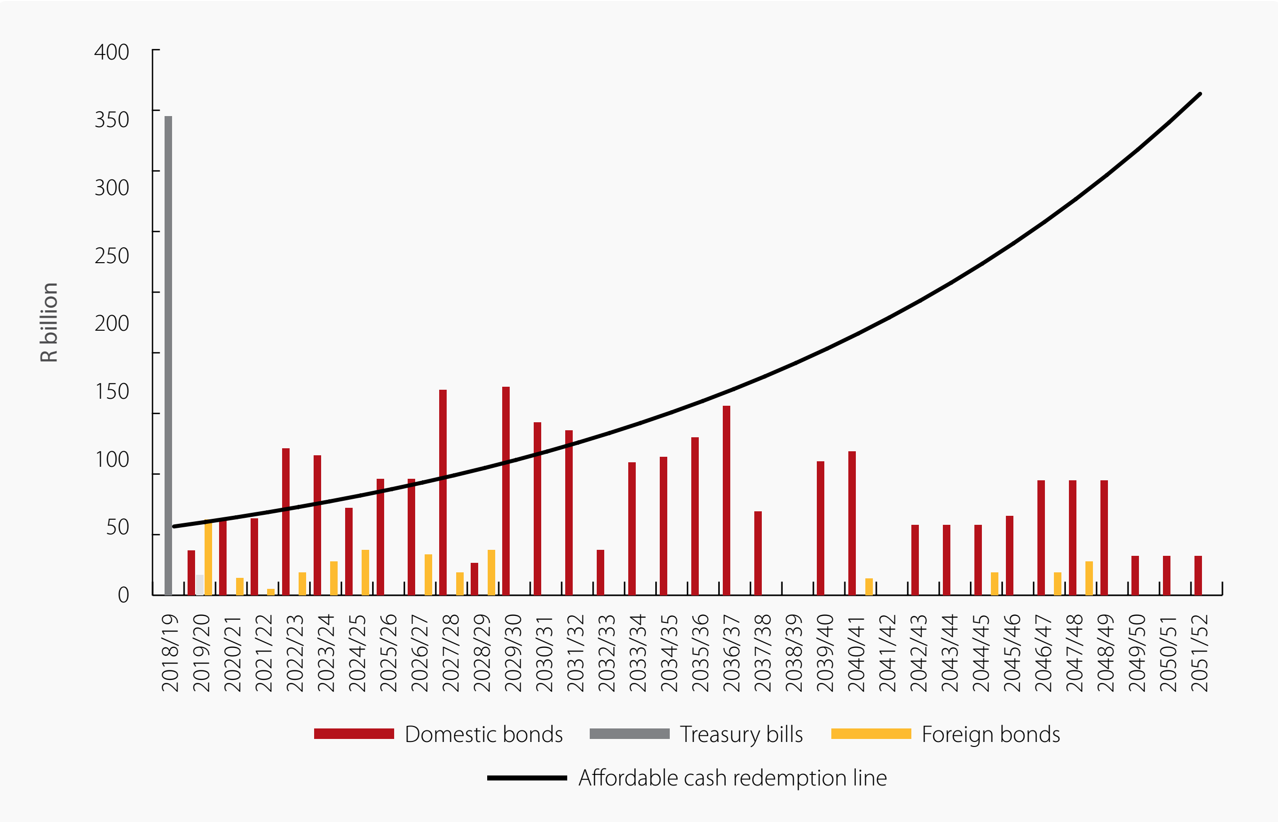
Benchmark Indicators	Range or limit		
	Benchmark	31 Mar 2018	31 Mar 2019
Share of short-term debt maturing in 12 months (Treasury bills) as a percentage of total domestic debt	15%	13,1%	12,5%
Share of long-term debt maturing in 5 years as a percentage of fixed-rate bonds and inflation-linked bonds	25%	11,8%	14,4%
Share of inflation-linked bonds as a percentage of total domestic debt	20-25%	22,6%	23,0%
Share of foreign debt as a percentage of total government debt	15%	8,9%	10,6%
Weighted term-to-maturity (fixed-rate bonds and Treasury bills in years)	10 - 14	13,5	13,3
Weighted term-to-maturity (inflation-linked bonds in years)	14 - 17	14,9	14,2
Average term-to-maturity (total government debt in years)		*15,2*	*13,2*
Average term-to-maturity (foreign debt in years)		9,2	9,9

Source: National Treasury

Lower inflation outcomes during most of 2018 reduced government's exposure to month-on-month consumer price index revaluations. Therefore, the share of inflation-linked debt as a percentage of total domestic debt increased by only 0.4 percentage points. Global financial market volatility in 2018 resulted in bouts of exchange rate volatility across the emerging markets. The consequent depreciation of the rand resulted in the share of foreign debt as percentage of total government debt increasing by 1.0 percentage points from 8.9 per cent to 9.9 per cent. Despite this, the share of foreign debt as a percentage of total government debt remains well below the upper limit of 15 per cent.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Figure 25: Maturity profile of government debt, 31 March 2019[7]



Source: National Treasury

The affordable cash redemption line indicates government's ideal affordability level for the repayment of debt as shown in Figure 25. Any amount above this line poses refinancing risk (albeit not immediate) and will therefore have to be switched. The success of the switch programme targeted at local fixed-rate bonds maturing between 2019/20 and 2021/22 has been demonstrated by the transfer of government's short-term refinancing risk to the longer end of government's debt maturity profile. The bond switch auction section (page 21) provides a more detailed breakdown of switches conducted in 2018/19.

Sovereign risk assessment

South Africa's sovereign credit rating is an assessment of government's ability and willingness to meet its debt obligations. South Africa solicits credit ratings from four credit rating agencies: Moody's Investors Service (Moody's); S&P Global Ratings (S&P); Fitch Ratings (Fitch); and Rating and Investment Information, Inc. (R&I).

[7] Excludes CPD and retail savings bonds

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

In 2018/19, pressures on South Africa's credit ratings lessened following a year of negative rating outcomes from all solicited rating agencies in 2017. This was mainly attributed to the smooth political transition (appointment of Cyril Ramaphosa as President of the Republic of South Africa), which led to improved business and consumer confidence. Moreover, the 2018 Budget, which outlined fiscal measures aimed at stimulating economic growth and stabilising high government debt, was well received with all four solicited credit rating agencies affirming the country's credit ratings.

On 23 March 2018, Moody's affirmed South Africa's long-term foreign and local currency debt rating at 'Baa3' and revised the outlook from negative to stable. On 13 April 2018, R&I affirmed the country's long-term foreign currency debt rating at 'BBB' and the local currency debt rating at 'BBB+' and also revised the outlook from negative to stable. S&P on 25 May 2018 affirmed South Africa's long-term foreign currency debt rating at 'BB' and the local currency debt rating at 'BB+' and maintained a stable outlook. Fitch on 15 June 2018 also affirmed the country's long-term foreign and local currency debt rating at 'BB+' and maintained the stable outlook.

Later in the year, following the tabling of the 2018 MTBPS, S&P and Fitch conducted their second sovereign credit rating review missions. Subsequently, on 23 November 2018, S&P affirmed the country's long-term foreign currency debt rating at 'BB' and the local currency debt rating at 'BB+' and maintained a stable outlook. Similar to S&P, Fitch affirmed both long-term foreign and local currency debt ratings at 'BB+' with a stable outlook on 6 December 2018. Nonetheless, rating agencies raised concerns on higher debt projections resulting from financial support extended to Eskom, as announced in the 2019 Budget. The agencies contend that the additional financial support to Eskom coupled with lower revenue collections will further weaken the country's fiscal strength. Moreover, persistently low economic growth and contingent liability risk posed by financially weak SOCs remain downside risks to the sovereign credit rating.

Moody's conducted its annual credit rating review mission from 6 to 8 March 2019 and was expected to announce a new rating action for South Africa on 29 March 2019. However, similarly to 12 October 2018, the agency did not make an announcement. The agency might be waiting for the outcome of the national elections to be held on 08 May 2019 as well as Eskom's turn-around plan.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Table 14: South Africa's current sovereign credit ratings

Rating Agency	**Fitch**		**S&P**		**R&I**		**Moody's**	
Date of Review	**06-Dec-18**		**23-Nov-18**		**13-Apr-18**		**23-Mar-18**	
	Current rating	Previous rating	Current rating	Previous rating	Current rating	Previous rating	Current rating	Previous rating
Foreign currency credit rating	BB+	BB+	BB	BB+	BBB	BBB	Baa3	Baa3
Domestic currency credit rating	BB+	BB+	BB+	BBB-	BBB+	BBB+	Baa3	Baa3
Outlook	Stable	Stable	Stable	Stable	Stable	Negative	Stable	Negative
	Both foreign and domestic credit ratings are one notch below non-investment grade		Foreign debt credit rating is two notches below non-investment grade while the domestic debt credit rating is one notch below non-investment grade		Foreign debt credit rating is two notches above non-investment grade while the domestic debt credit rating is three notches above non-investment grade		Both foreign and domestic credit ratings are one notch above non-investment grade	

Source: Fitch, S&P, R&I, & Moody's

The following are cited by rating agencies as the key factors that may lead to a positive rating action:

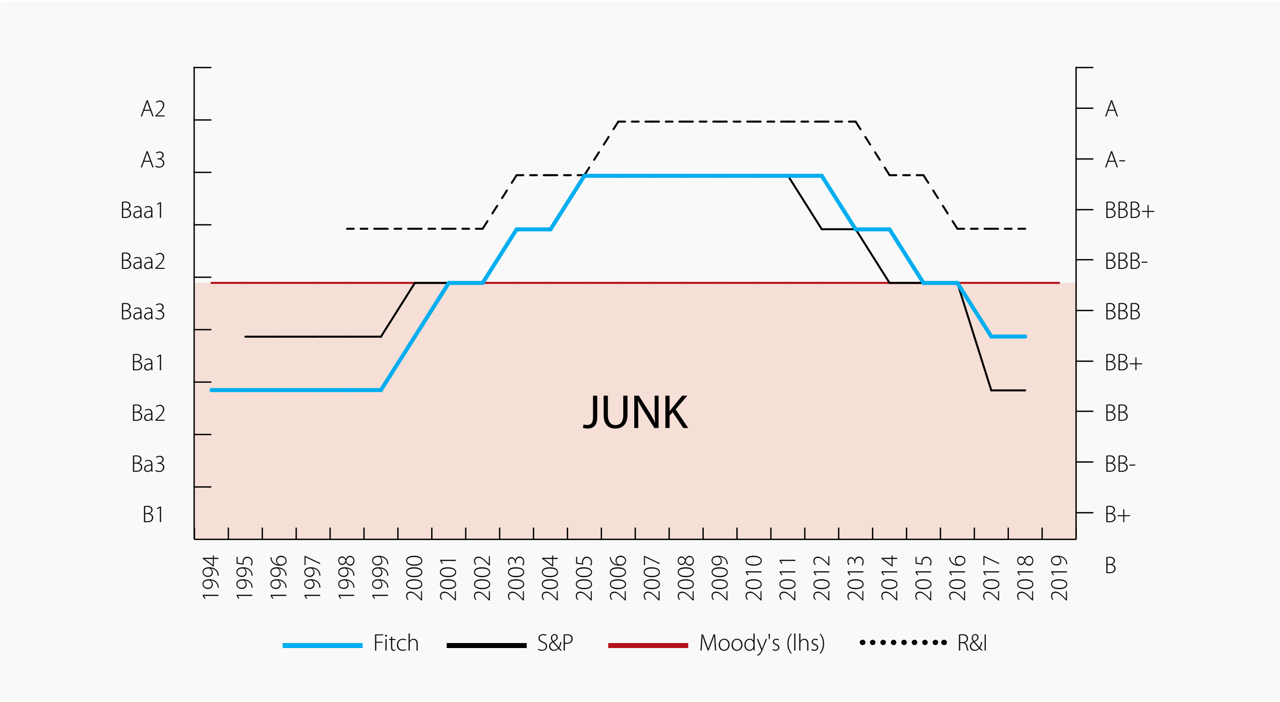
- Successful implementation of structural reforms to raise potential growth as well as stabilise and eventually reduce the government debt burden.
- An improvement in governance standards and financial viability of SOCs.
- Diminishing the risks of deterioration in external funding sources.

Conversely, the following key factors cited by rating agencies may lead to a negative rating action:

- If government fails to revive economic growth and fiscal strength.
- Failure to stabilise debt and contingent liabilities risks to SOCs.
- Weakened rule of law, property rights or enforcement of contracts, undermining investment and economic outlook.

4. GOVERNMENT DEBT PORTFOLIO AND RISK METRICS

Figure 26: South Africa's credit rating history 1994–2018 (foreign currency debt ratings)



Source: National Treasury

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FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

national treasury
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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 over SOCs to ensure that they comply with the applicable provisions of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The National Treasury is also responsible for monitoring and advising SOCs on their strategic plans and financial performance. To enable the National Treasury to carry out these responsibilities, SOCs are required to submit annual borrowing plans and quarterly updates of their funding progress.

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 with the approval of their boards of directors. Examples are Eskom, Transnet Limited (Transnet), the Airports Company of South Africa (ACSA) and the Trans-Caledon Tunnel Authority (TCTA).

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

Schedule 3B entities are national government business enterprises that have been assigned financial and operational authority to carry out certain business activities financed fully or substantially from sources other than the NRF. These entities are allowed to borrow money only 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 by the National Treasury through a published annual bond issuance calendar that 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 action to minimise any risks that may emerge.

Spending outcome of state-owned companies

As at 31 March 2019, 70 per cent of the budgeted R98.4 billion of SOCs' capital projects budget was spent. Table 15 highlights the capital expenditure (capex) of selected SOCs. Eskom and Transnet spent 77 per cent and 74 per cent of their planned capex, respectively.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Table 15: State-owned companies' infrastructure spending, 2018/19

R million	Budget	Actual	Expenditure of Budget (%)
Eskom	43 865	33 772	77
Transnet	25 646	18 859	74
CEF	2 200	990	45
SANRAL (non-toll)	9 382	5 387	57
SANRAL (toll)	1 515	1 283	85
ACSA	1 026	1 107	108
Total of Top 5	**83 633**	**61 397**	**73**
Other SOCs	14 822	7 211	49
Total	**98 455**	**68 609**	**70**

Source: National Treasury

Eskom

Eskom reported actual capex expenditure of R33.7 billion, 23 per cent below the budgeted R43.8 billion. Under-expenditure occurred mainly in the first half of the year and is mostly attributable to the Group Capital division, particularly at Medupi and other miscellaneous power delivery projects. At Medupi, the under-expenditure is mainly due to the pre-commissioning income being higher than budgeted due to earlier than planned commercial operation of the units; the income will be capitalised. Unit 3 was previously projected to go into commercial operation in December 2018; this has been pushed forward to 2019/20. Issues related to contractor financial instability, project site instability, contractor non-performance and delayed contract awards are currently being monitored.

Due to the high load-loss factors of new units synchronised and/or in commercial operation at Ingula, Medupi and Kusile, as well as the urgent need to improve grid capacity to avoid or limit grid constraints and load shedding, a decision was taken to reduce the generation requirements for generation outages. This led to under-expenditure in miscellaneous projects. Underspending was further exacerbated by construction delays in a number of projects as well as budget adjustments due to phasing changes.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Transnet

In 2012/13, Transnet launched its Market Demand Strategy (MDS), which aimed to expand South Africa's rail, port and pipeline infrastructure to achieve a significant increase in freight volumes. Through the MDS, Transnet implements a counter-cyclical investment strategy to create capacity ahead of demand and thereby stimulate growth in the economy. Since inception, the MDS committed to spending 60 per cent of the capex budget on expansion through acquisition of new infrastructure and 40 per cent on maintenance of existing infrastructure. However, from 2018/19 it is forecast to shift to 34 per cent expansion and 66 per cent maintenance. The 2018/19 corporate plan forecast infrastructure investment amounting to R163 billion over the next five years.

Transnet spent R18.8 billion of planned capex against the budgeted R25.6 billion, which is 73.5 per cent expenditure. New acquisitions accounted for 21 per cent, while maintenance accounted for 79 per cent of actual expenditure. Although a significant portion in the new acquisitions budget was allocated towards the General Freight Business, project delays on the acquisition of locomotives led to under-expenditure in these projects.

The current economic conditions and pressured credit metrics are impacting negatively on the implementation of the programme. Transnet has indicated that the current sub-investment grade credit rating may pose some challenges in securing the required funding for the capex programme.

Central Energy Fund

Central Energy Fund (CEF) spent R990 million against planned capex of R2.2 billion, which amounts to 45 per cent expenditure. The SOC has high cash reserves in surplus cash, including a R3.4 billion ring-fenced fund from the sale of strategic fuel stock, which is due to the Strategic Fuel Fund (SFF). CEF is still in the process of developing a turnaround plan that will inform future investment decisions.

CEF's under-expenditure is mainly due to PetroSA's planned statutory plant shutdown that only commenced in September 2018 and was suspended after 33 days. PetroSA is the group's largest subsidiary and thus will have a major impact on capex delivery. Work is on-going at some of the group's subsidiaries, including African Exploration Mining & Finance Corporation as well as the SFF. These make up a small contribution to the CEF capex programme.

Borrowings overview

In 2018/19, total planned borrowings for the ten largest SOCs (Eskom, Development Bank of South Africa (DBSA), SANRAL, TCTA, Land Bank, Transnet, Industrial Development Corporation (IDC), South African Airways (SAA), ACSA and Denel) amounted to R159 billion. As at the end of 31 March 2019, the SOCs had raised a nominal amount of R142 billion or 89 per cent of the planned borrowings. Table 17 shows the 2018/19 total planned borrowings and actual borrowings of these SOCs.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Table 16: State-owned companies' consolidated borrowing progress, 2017/18–2018/19

	2017/18		2018/19	
R million	**Budget**	**Actual**	**Budget**	**Actual**
Domestic loans (gross)	121 242	108 423	97 873	96 764
Short-term	54 115	68 407	46 969	37 061
Long-term	67 127	40 015	50 904	59 703
Foreign loans (gross)	**74 310**	**54 436**	**61 200**	**45 410**
Long-term	74 310	54 436	61 200	45 410
TOTAL	195 552	162 858	159 073	142 174
Total borrowings as % of planned borrowings		83		89
As percentage of total:				
Domestic Loans	62	67	62	68
Foreign Loans	38	33	38	32

Source: SOC Treasuries (Eskom, Transnet, DBSA, SANRAL, TCTA, IDC, SAA, Land Bank, ACSA and Denel)

In 2018/19, total redemptions were estimated to amount to R89.6 billion. Actual redemptions amounted to R125.8 billion, resulting in net borrowings of R16.4 billion. During this period, domestic and foreign borrowings accounted for 68 per cent and 32 per cent of total borrowing, respectively.

SOCs had planned to source the majority of their funding from foreign development finance institutions, amounting to R29.8 billion in 2018/19. The second largest planned source of funding was domestic bank loans amounting to R26 billion. However, domestic bank loans proved to be the largest funding source for SOCs, with R27.6 billion raised in 2018/19.

Eskom

Eskom planned to borrow R72.2 billion in 2018/19. However, the entity had only managed to raise funding amounting to R63.1 billion or 88 per cent of the planned borrowings. Eskom's debt redemptions were estimated at R38 billion for 2018/19. Actual redemptions amounted to R38.2 billion, resulting in net borrowings of R25 billion by the end of the 2018/19 financial year.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Land Bank

The Land Bank's planned borrowings in 2018/19 amounted to R17.7 billion. As at 31 March 2019, the entity had borrowed R33.3 billion. Land Bank had planned to source the majority of its debt funding through the issuance of money market paper. However, the majority of Land Bank's debt funding was sourced from domestic bank loans. As at 31 March 2019, Land Bank's net borrowings amounted to R8.8 billion.

Transnet

In 2018/19, Transnet planned to borrow R14.8 billion. As at 31 March 2019, the entity had managed to raise debt amounting to R7.5 billion, which is 51 per cent of the planned borrowings. Transnet had planned to source the majority of its debt funding through domestic markets (R11.1 billion). However, a significant portion of Transnet's funding, amounting to R 7.3 billion, was sourced from foreign market sources. As at 31 March 2019, net borrowings amounted to R3.9 billion.

Development Bank of Southern Africa

In 2018/19, the DBSA's planned borrowings amounted to R15.2 billion. As at 31 March 2019, the entity had managed to raise debt amounting to R13.1 billion, 86 per cent of the planned borrowings. The DBSA had planned to obtain the majority of its debt funding through the issuance of commercial paper amounting to R6.8 billion in 2018/19. However, the DBSA obtained only R246 million from the issuance of commercial paper. As at 31 March 2019, redemptions amounted to R18.6 billion, resulting in net redemption of R5.5 billion.

TCTA

The TCTA's planned borrowings for 2018/19 amounted to R10 billion. As at 31 March 2019, the entity had managed to obtain debt funding of R6.9 billion. The TCTA sourced the majority of its debt funding through domestic bank loans and issuance of commercial paper. The TCTA's debt redemptions were estimated at R10.5 billion for 2018/19. As at 31 March 2019, the TCTA's redemptions amounted to R19.2 billion, resulting in net redemptions of R12.4 billion.

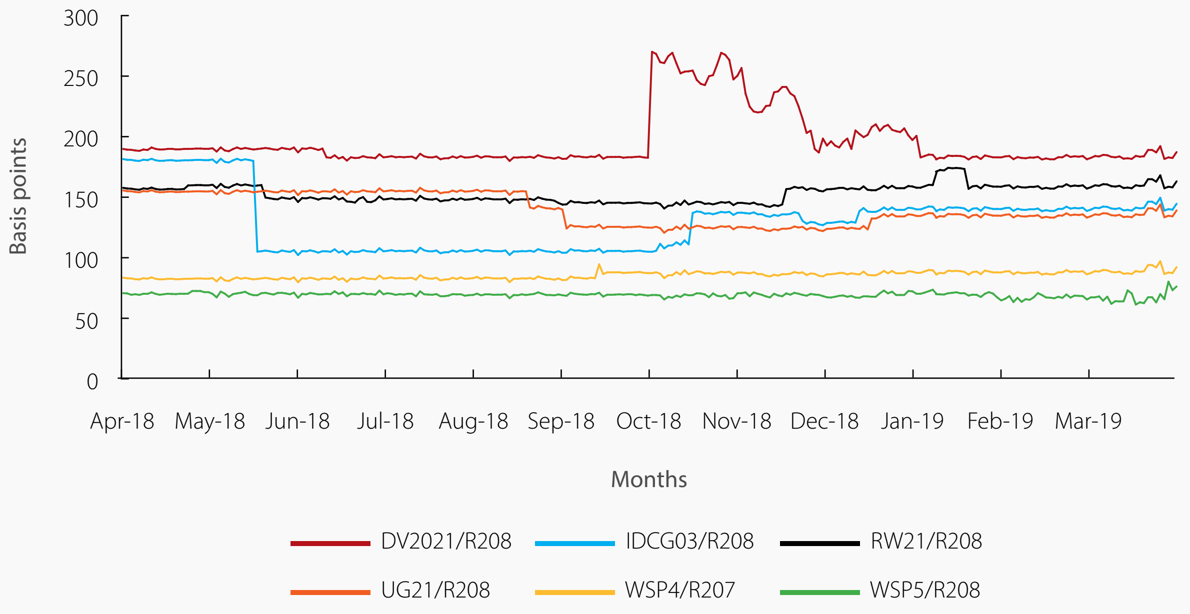
Funding costs of state-owned companies

In 2018/19, some SOCs returned to the bond market following an extended absence in 2017/18, although issuances remained low. During 2018/19, Land Bank and the IDC were the major SOC issuers in the domestic capital market. Issuances by the largest SOC borrower, Eskom, were mainly in the foreign market with the entity issuing approximately R21.7 billion through an international bond issuance. The 2018/19 domestic bond spreads of selected SOCs relative to the relevant government benchmark bonds are shown in the figures that follow .

[8] Umgeni Water and Rand Water have a different financial year-end to other SOCs. The water boards' financial year-end is 30 June, while that of other SOCs is 31 March. The following analysis and figures focus on the period between 1 April 2018 and 31 March 2019.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Figure 27: SOC bond spreads for bonds maturing between 1 and 3 years, 2018/19



1. Guaranteed bonds: TCTA's WSP4 and WSP5

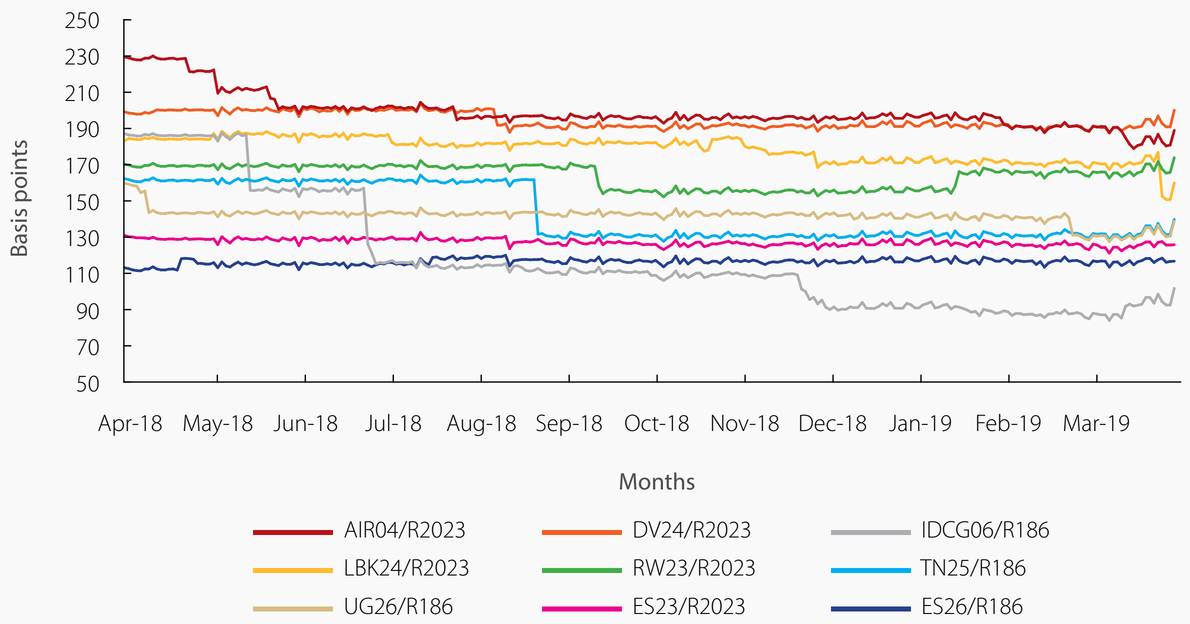
2. Unguaranteed bonds: DBSA's DV202, IDC's IDCG03, Rand Water's RW21 and Umgeni Water's UG21

Source: Bloomberg and National Treasury

During 2018/19, short-dated (one- to three-year tenure) guaranteed bonds traded at lower spreads on average, compared to short-dated unguaranteed bonds. The selected short-dated guaranteed bonds are TCTA's WSP4 and WSP5. The spread on the guaranteed WSP5 bond to its benchmark bond, the R208, traded at an average spread of 80.4 basis points during the year under review. Umgeni Water's unguaranteed UG21 bond spread to the R208 bond recorded the highest average spreads of 190.6 basis points and peaked at a high of 265.7 basis points in October 2018. The IDC's unguaranteed IDCG03 bond yield spread to its benchmark traded at an average spread of 125.3 basis points during the year and reached a high of 177.2 basis points and a low of 97 basis points overnight in May 2018. The significant tightening of the bond yield spread is mainly attributable to the strengthening of the IDCG03 bond in mid-May 2018.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Figure 28: SOC bond spreads for bonds maturing between 3 and 7 years, 2018/19



3. Guaranteed bonds: Eskom's ES23

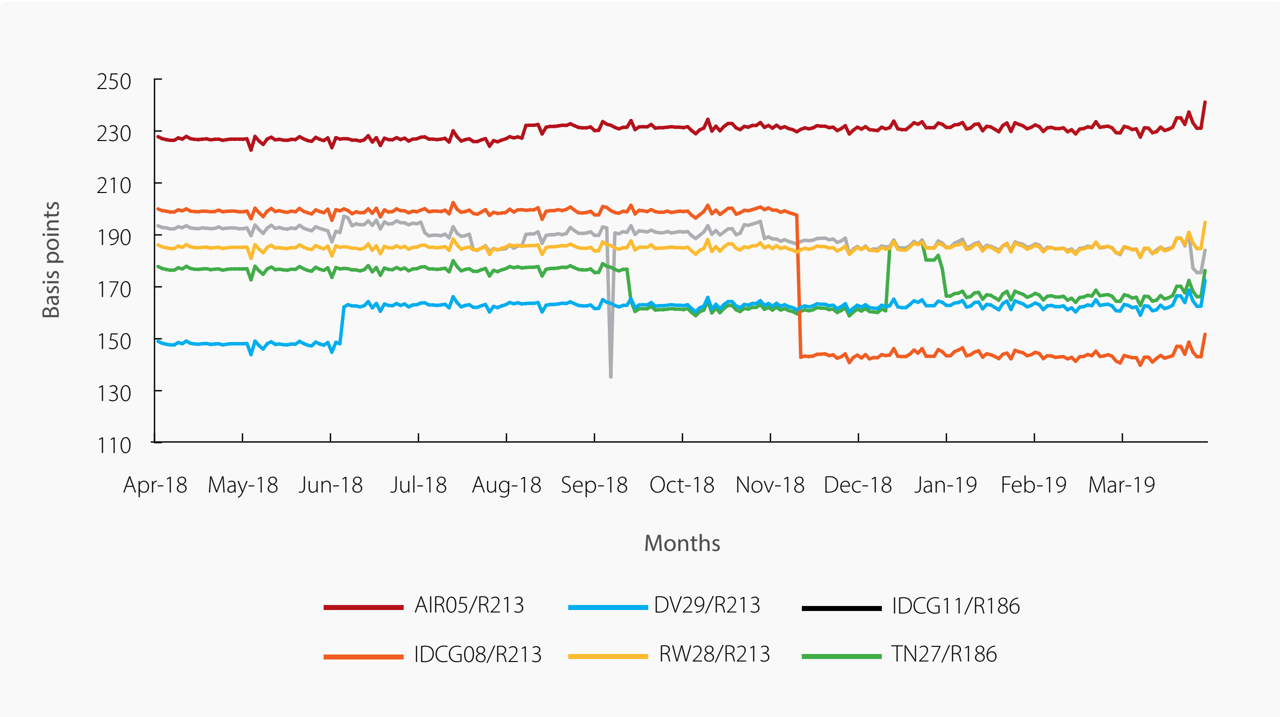
4. Unguaranteed bonds: DBSA's DV24, IDC's IDCG06, Land Bank's LBK24, Rand Water's RW23 and Transnet's TN25

Source: Bloomberg and National Treasury

The bond yield spread on the guaranteed Eskom ES23 bond to the R2023 government bond traded at an average of 115.5 basis points during 2018/19. The spread was relatively stable throughout the year, having the lowest average spread for the majority of 2018/19, regardless of the sentiments around Eskom. The IDC's IDCG06 bond yield spread traded at an average of 117.2 basis points, with a high of 186.4 basis points and a low of 83.3 basis points against the R186 government bond. During May 2018, June 2018 and November 2018 intervals, the IDCG06 bond yield spread to the R186 bond reflected some tightening and would establish and maintain new averages.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Figure 29: SOC bond spreads for bonds maturing between 7 and 12 years, 2018/19



1. Guaranteed bonds: none

2. Unguaranteed bonds: ACSA's AIR05, DBSA's DV29, IDC's IDCG11 and IDCG08, Rand Water's RW28 and Transnet's TN27

Source: Bloomberg and National Treasury

The bond yield spread for the IDC's IDCG11 bond to the R186 bond traded at an average of 171.9 basis points during the year. The tightening of the bond yield spread in November 2018 on the IDCG11/R186 bond pair was mainly attributable to the strengthening in the IDCG11 bond. Transnet's bond yield spread to the R186 bond had the third highest average spread in the 7 to 12-year maturity bracket and was the most volatile bond with an average of 184 basis points during 2018/19. The bond spread reached a low of 126.4 basis points in September 2018. This was mainly attributable to a strengthening in the TN27 bond on 5 September 2018.

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Government's contingent liabilities

Table 17: Government guarantee exposure, 2016/17–2018/19

	2016/17		2017/18		2018/19	
R billion	**Guarantee**	**Exposure1**	**Guarantee**	**Exposure1**	**Guarantee**	**Exposure1**
Public institutions	475,7	290,4	469,8	321,3	483,1	372,4
of which:						
Eskom	*350,0*	*202,8*	*350,0*	*244,7*	*350,0*	*294,7*
SANRAL	*38,9*	*29,4*	*38,9*	*30,4*	*38,9*	*30,3*
Trans-Caledon Tunnel Authority	*25,6*	*20,9*	*25,7*	*18,9*	*43,0*	*14,9*
South African Airways	*19,1*	*17,8*	*19,1*	*11,1*	*19,1*	*17,3*
Land and Agricultural Bank of South Africa	*11,1*	*3,8*	*9,6*	*3,8*	*9,6*	*2,5*
Development Bank of Southern Africa	*12,5*	*4,1*	*12,2*	*4,1*	*11,4*	*4,4*
South African Post Office	*4,4*	*4,0*	*4,2*	*0,4*	–	–
Transnet	*3,5*	*3,8*	*3,5*	*3,8*	*3,5*	*3,8*
Denel	*1,9*	*1,9*	*2,4*	*2,4*	*3,4*	*3,4*
South African Express	*1,1*	*0,8*	*1,1*	*0,9*	*1,2*	*0,2*
Industrial Development Corporation	*0,4*	*0,2*	*0,4*	*0,1*	*0,5*	*0,2*
South African Reserve Bank	*3,0*	–	–	–	*0,3*	–
Independent power producers	200,2	125,8	200,2	122,2	200,2	146,9
Public-private partnerships2	10,0	10,0	10,0	9,6	10,1	10,1

Source: National Treasury

5. FUNDING PROGRAMMES OF STATE-OWNED COMPANIES

Guarantees to state-owned companies

Government guarantees increased by R13.3 billion, from R469.8 billion to R483.1 billion, while the exposure amount increased by R51.1 billion from R321.3 billion to R372.4 billion from 2017/18 to 2018/19. The main reasons for these changes follow:

Guarantee amount:

- Denel was granted a further R1 billion guarantee to alleviate cash flow pressure as well as to secure funding for working capital requirements.
- The guarantee issued to the TCTA increased by R17.3 billion from R25.7 billion in 2017/18 to R43 billion in 2018/19. This was due to the conclusion of the guarantee framework agreement for the Vaal River System, which incorporates the Lesotho Highlands Water Project and Acid Mine Drainage project.
- The R300 million guarantee issued to the Reserve Bank in 2018/19 is part of the curatorship of VBS mutual bank. This guarantee is yet to be used.

Exposure amount:

- Eskom drew down an additional R50 billion of its R350 billion guarantee during 2018/19.
- Denel fully utilised the R1 billion that was issued to it in 2018/19.
- SAA utilised an additional R6.2 billion of its guarantee during 2018/19.

Guarantees to renewable energy independent power producers

Power-purchase agreements between Eskom and independent power producers are classified as contingent liabilities in line with global standards. These liabilities can materialise in two ways. If Eskom could not afford to buy power as set out in the power-purchase agreements, government would have to provide the utility with money to honour the agreements. Government would also be liable if it terminated such agreements owing to a change in legislation or policy. Both outcomes are unlikely, and the risk of materialisation is low.

Government has committed to procure up to R200 billion in renewable energy independent power producers. The value of signed projects that represents government's exposure was R146.9 billion in March 2019. Exposure is expected to decrease to R139.2 billion in 2021/22.

Guarantees to public-private partnerships

Contingent liability exposure from public-private partnerships arises mainly from contract cancellation or if a project does not generate minimum revenue levels. During 2018/19, contingent liabilities from these partnerships increased by about R510 million to R10.1 billion. Total exposure is expected to decline to R8.1 billion in 2021/22.

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INVESTOR RELATIONS

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6. INVESTOR RELATIONS

Investor roadshows

The National Treasury runs an active investor relations programme and conducts domestic and international roadshows with the Reserve Bank following the release of the Budget Review in February and the MTBPS in October each year. The roadshows aim to strengthen relationships with investors and keep them informed about economic, fiscal, political and social developments in South Africa.

The following cities were visited in 2018/19: New York, Boston, Los Angeles, Pasadena, Amsterdam, The Hague, Rotterdam and London.

Investor relations website

The investor relations website (http://investor.treasury.gov.za) was introduced in June 2011 to provide institutional investors with relevant information. This includes the bond auction calendars, auctions' historical results, sovereign credit ratings and reports, holdings of domestic government bonds, policy documents, economic indicators, details of pending events, investor presentations and links to other websites, such as those of the Reserve Bank and Statistics South Africa.

Marketing and promotion of retail savings bonds

National Treasury conducts retail savings bond promotions throughout the country. During 2018/19, promotions took place in cities and towns across all nine provinces at various exhibitions, including the Decorex Expo, Mama Magic, House & Garden Expo, Stokvel Expo, various Marathon expos and the 2019 Rand Show.

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ANNEXURES

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National Treasury
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7. ANNEXURES

Annexure A: Redemption schedule of Treasury bills, 31 March 2019

Issue date	91-day (R'm)	182-day (R'm)	273-day (R'm)	365-day (R'm)	Total (R'm)
2019/04/03	1 800	2 525	2 270	2 410	9 005
2019/04/10	1 800	3 040	2 270	2 410	9 520
2019/04/17	1 800	2 260	2 270	2 310	8 640
2019/04/24	1 800	2 525	2 270	2 410	9 005
2019/05/02	1 800	1 918	2 270	1 440	7 428
2019/05/08	1 000	2 525	2 270	2 410	8 205
2019/05/15	1 000	2 525	2 270	2 410	8 205
2019/05/22	1 000	2 525	2 270	2 410	8 205
2019/05/29	1 000	2 525	2 270	2 410	8 205
2019/06/05	1 000	2 525	2 270	2 410	8 205
2019/06/12	1 000	1 702	2 270	1 780	6 752
2019/06/19	1 000	1 836	2 595	2 410	7 841
2019/06/26	1 000	1 763	2 595	2 410	7 768
2019/07/03	-	2 525	2 595	2 410	7 530
2019/07/10	-	2 525	3 828	2 410	8 763
2019/07/17	-	2 525	2 946	2 410	7 881
2019/07/24	-	2 525	2 595	2 410	7 530
2019/07/31	-	2 525	3 476	2 410	8 411
2019/08/08	-	2 125	2 595	2 410	7 130
2019/08/15	-	2 125	2 595	2 410	7 130
2019/08/22	-	2 125	2 595	2 410	7 130

7. ANNEXURES

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Issue date	91-day (R'm)	182-day (R'm)	273-day (R'm)	365-day (R'm)	Total (R'm)
2019/08/29	-	2 125	2 595	2 410	7 130
2019/09/05	-	2 125	2 595	2 410	7 130
2019/09/12	-	2 125	3 273	2 410	7 808
2019/09/19	-	2 125	1 970	2 735	6 830
2019/09/26	-	2 125	2 553	2 735	7 413
2019/10/03	-	-	2 595	2 735	5 330
2019/10/10	-	-	2 595	2 650	5 245
2019/10/17	-	-	2 595	3 000	5 595
2019/10/24	-	-	2 595	2 735	5 330
2019/10/31	-	-	2 595	2 735	5 330
2019/11/07	-	-	2 395	2 735	5 130
2019/11/14	-	-	2 395	2 735	5 130
2019/11/21	-	-	2 395	2 735	5 130
2019/11/28	-	-	2 395	2 735	5 130
2019/12/04	-	-	2 395	2 475	4 870
2019/12/11	-	-	2 395	2 881	5 276
2019/12/18	-	-	2 395	2 262	4 657
2019/12/27	-	-	2 395	2 460	4 855
2020/01/02	-	-		2 735	2 735
2020/01/08	-	-	-	2 735	2 735
2020/01/15	-	-	-	2 735	2 735
2020/01/22	-	-	-	2 735	2 735

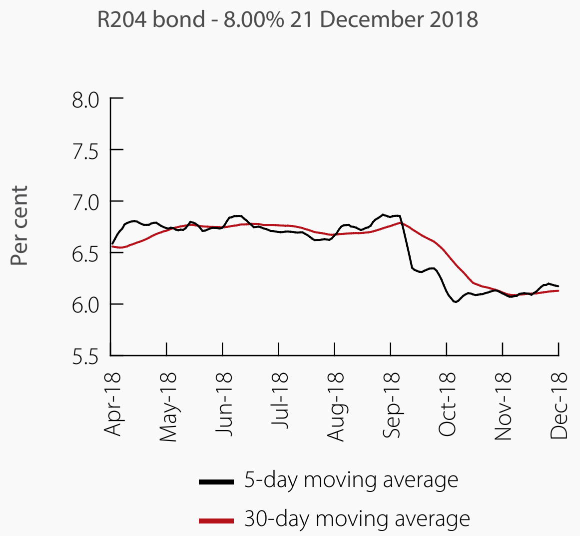
7. ANNEXURES

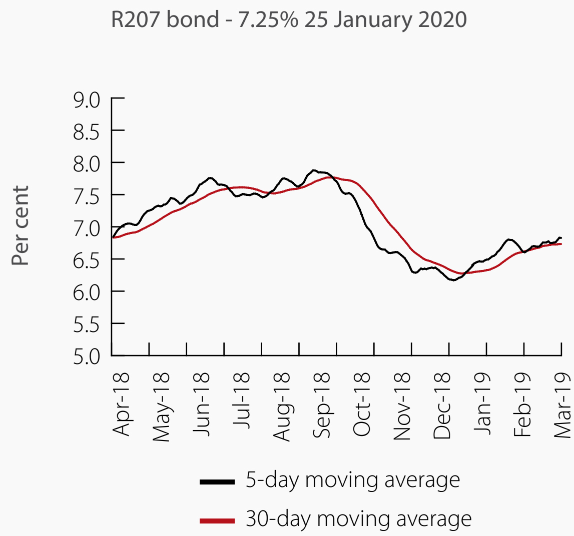
Annexure A: Redemption schedule of Treasury bills, 31 March 2019

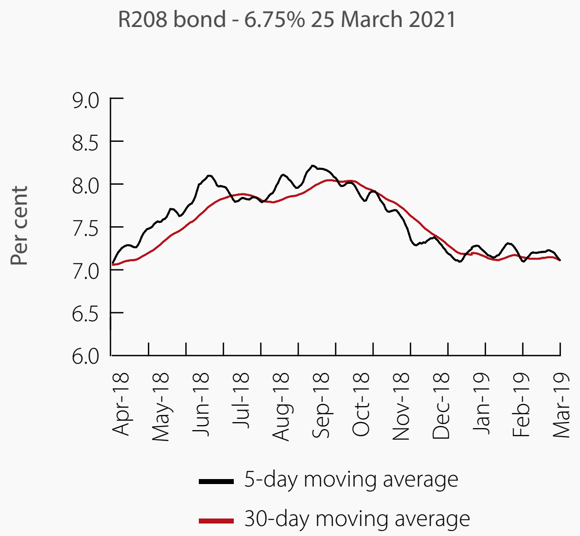
Issue date	91-day (R'm)	182-day (R'm)	273-day (R'm)	365-day (R'm)	Total (R'm)
2020/01/29	-	-	-	2 735	2 735
2020/02/05	-	-	-	2 735	2 735
2020/02/12	-	-	-	2 735	2 735
2020/02/19	-	-	-	2 735	2 735
2020/02/26	-	-	-	2 735	2 735
2020/03/04	-	-	-	2 735	2 735
2020/03/11	-	-	-	2 735	2 735
2020/03/18	-	-	-	2 735	2 735
2020/03/25	-	-	-	2 735	2 735
Total	17 000	59 818	98 504	132 038	307 360

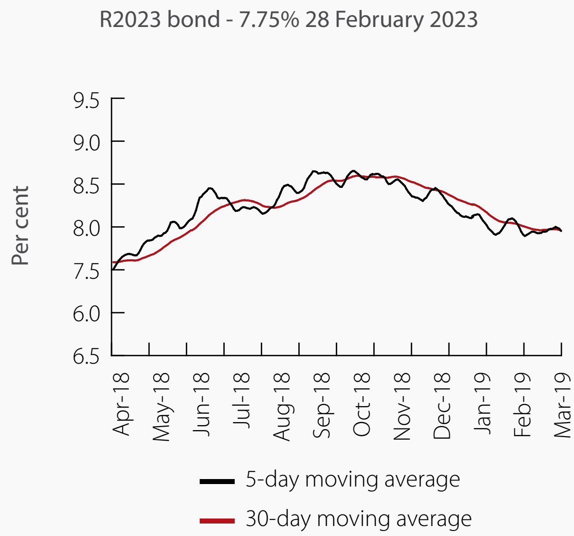
7. ANNEXURES

Annexure B: Yield trends of government fixed-rate bonds, 2018/19



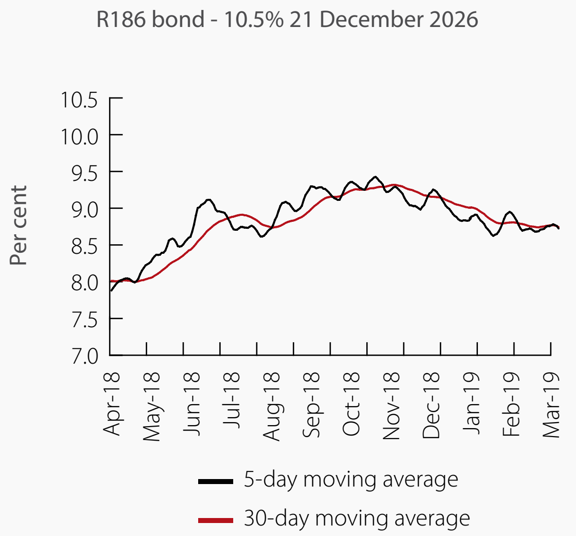


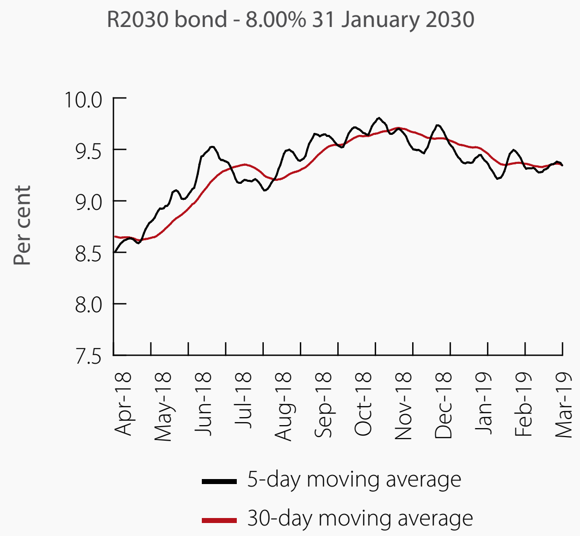


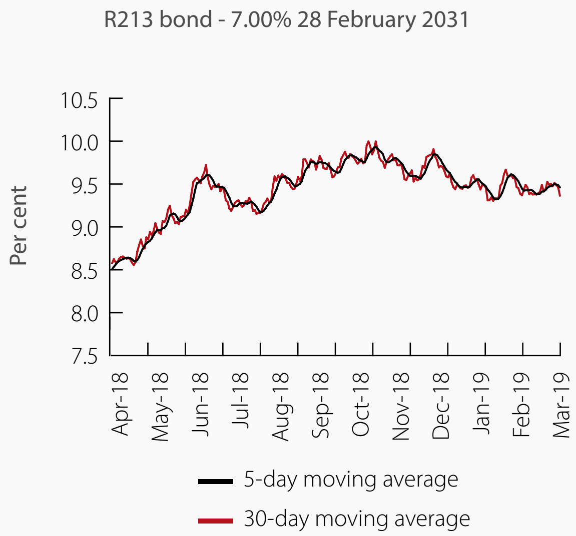


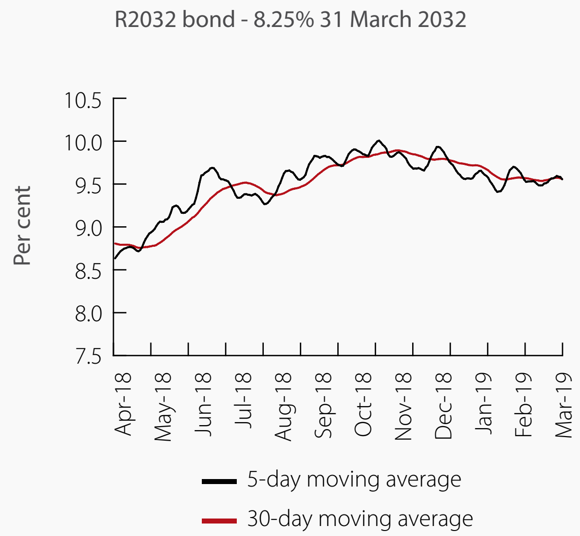
7. ANNEXURES

Annexure B: Yield trends of government fixed-rate bonds, 2018/19



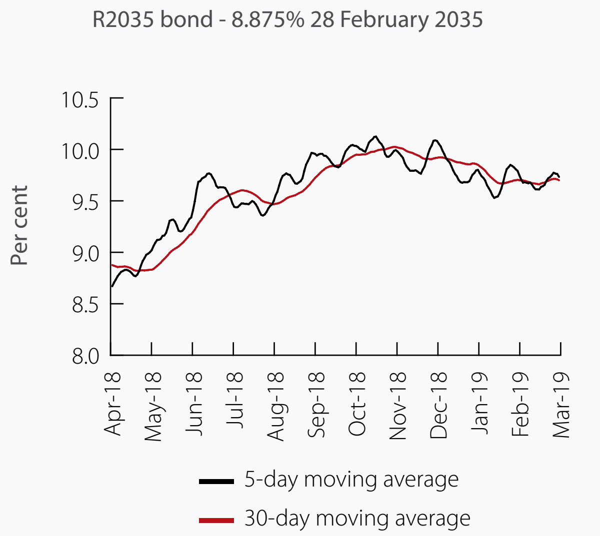


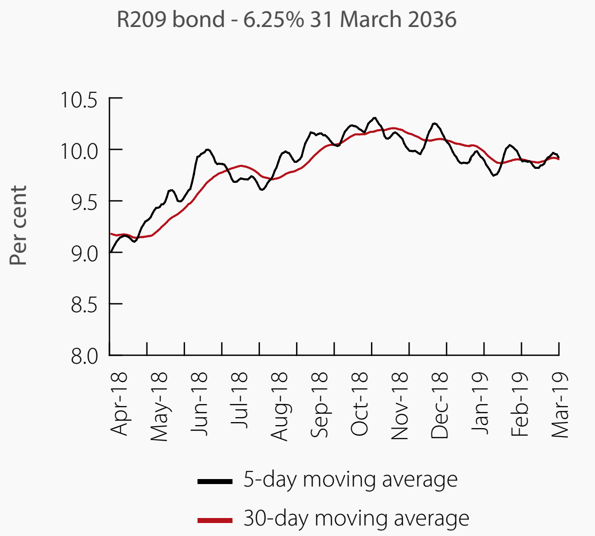


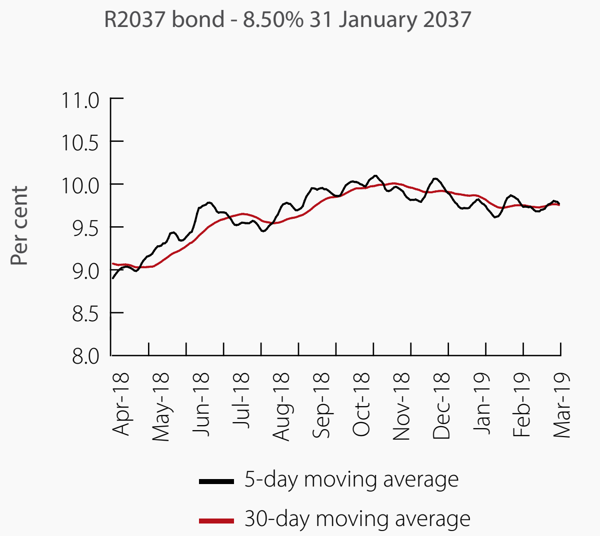


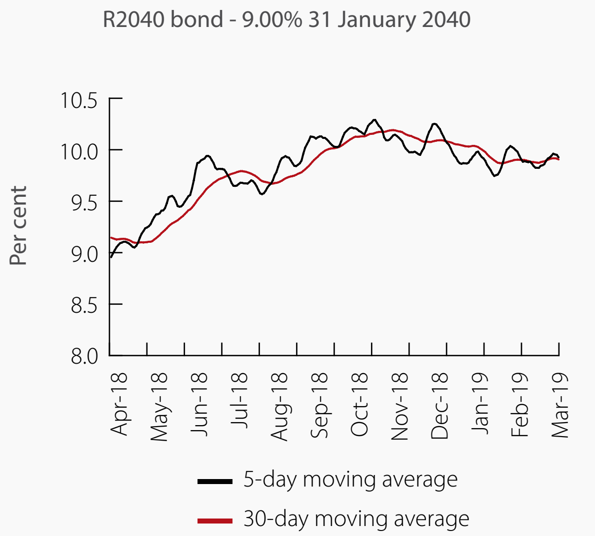
7. ANNEXURES

Annexure B: Yield trends of government fixed-rate bonds, 2018/19





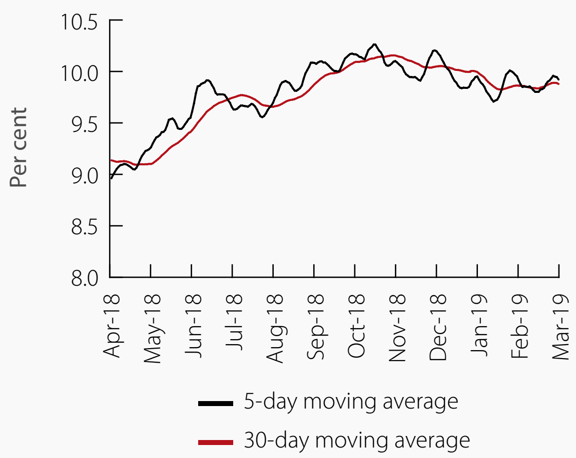




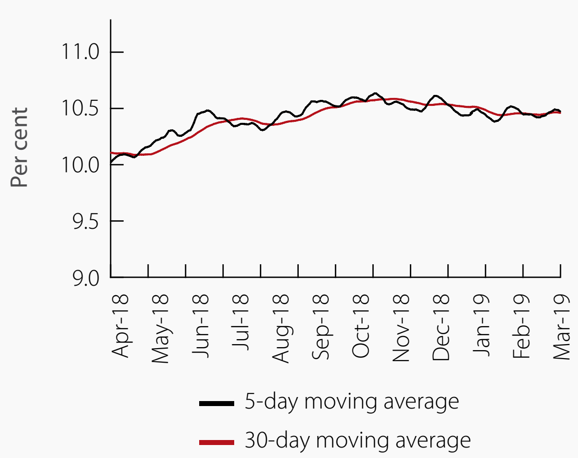
7. ANNEXURES

Annexure B: Yield trends of government fixed-rate bonds, 2018/19

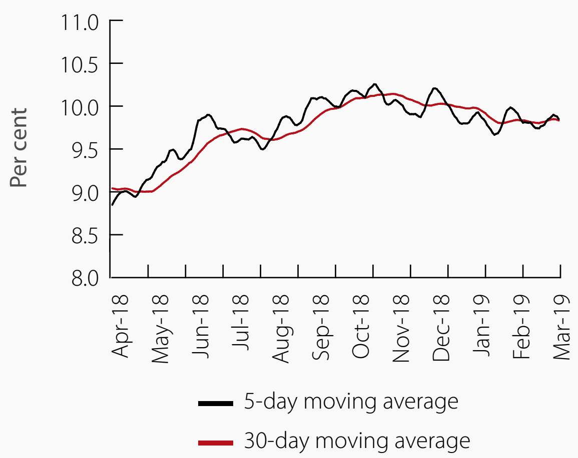
R214 bond - 6.50% 28 February 2041



R2044 bond - 8.75% 31 January 2044



R2048 bond - 8.75% 28 February 2048



Annexure C: Fixed-rate bonds yield spreads, 2018/19

Fixed-rate bond yield spreads, 01 April 2017

	R208 (2021)	R2023 (2023)	R186 (2026)	R2030 (2030)	R213 (2031)	R2032 (2032)	R2035 (2035)	R209 (2036)	R2037 (2037)	R2040 (2040)	R214 (2041)	R2044 (2044)	R2048 (2048)
R207 (2020)	23	58,5	120,5	159,5	167,5	178	192,5	195,5	202,5	209,5	208	215	211
R208 (2021)		35,5	97,5	136,5	144,5	155	169,5	172,5	179,5	186,5	185	192	188
R2023 (2023)			62	101	109	119,5	134	137	144	151	149,5	156,5	152,5
R186 (2026)				39	47	57,5	72	75	82	89	87,5	94,5	90,5
R2030 (2030)					8	18,5	33	36	43	50	48,5	55,5	51,5
R213 (2031)						10,5	25	28	35	42	40,5	47,5	43,5
R2032 (2032)							14,5	17,5	24,5	31,5	30	37	33
R2035 (2035)								3	10	17	15,5	22,5	18,5
R209 (2036)									7	14	12,5	19,5	15,5
R2037 (2037)										7	5,5	12,5	8,5
R2040 (2040)											-1,5	5,5	1,5
R214 (2041)												7	3
R2044 (2044)													-4

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Annexure C: Fixed-rate bonds yield spreads, 2018/19

Fixed-rate bond yield spreads, 31 March 2018

	R208 (2021)	R2023 (2023)	R186 (2026)	R2030 (2030)	R213 (2031)	R2032 (2032)	R2035 (2035)	R209 (2036)	R2037 (2037)	R2040 (2040)	R214 (2041)	R2044 (2044)	R2048 (2048)
R207 (2020)	20,5	101	187	242,5	254,5	265,5	286	280	294	304,5	301	301,5	298
R208 (2021)		80,5	166,5	222	234	245	265,5	259,5	273,5	284	280,5	281	277,5
R2023 (2023)			86	141,5	153,5	164,5	185	179	193	203,5	200	200,5	197
R186 (2026)				55,5	67,5	78,5	99	93	107	117,5	114	114,5	111
R2030 (2030)					12	23	43,5	37,5	51,5	62	58,5	59	55,5
R213 (2031)						11	31,5	25,5	39,5	50	46,5	47	43,5
R2032 (2032)							20,5	14,5	28,5	39	35,5	36	32,5
R2035 (2035)								-6	8	18,5	15	15,5	12
R209 (2036)									14	24,5	21	21,5	18
R2037 (2037)										10,5	7	7,5	4
R2040 (2040)											-3,5	-3	-6,5
R214 (2041)												0,5	-3
R2044 (2044)													-3,5

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Annexure C: Fixed-rate bonds yield spreads, 2018/19

Changes in basis points, 2017/18

	R208 (2021)	R2023 (2023)	R186 (2026)	R2030 (2030)	R213 (2031)	R2032 (2032)	R2035 (2035)	R209 (2036)	R2037 (2037)	R2040 (2040)	R214 (2041)	R2044 (2044)	R2048 (2048)
R207 (2020)	-2,5	42,5	66,5	83	87	87,5	93,5	84,5	91,5	95	93	86,5	87
R208 (2021)		45	69	85,5	89,5	90	96	87	94	97,5	95,5	89	89,5
R2023 (2023)			24	40,5	44,5	45	51	42	49	52,5	50,5	44	44,5
R186 (2026)				16,5	20,5	21	27	18	25	28,5	26,5	20	20,5
R2030 (2030)					4	4,5	10,5	1,5	8,5	12	10	3,5	4
R213 (2031)						0,5	6,5	-2,5	4,5	8	6	-0,5	0
R2032 (2032)							6	-3	4	7,5	5,5	-1	-0,5
R2035 (2035)								-9	-2	1,5	-0,5	-7	-6,5
R209 (2036)									7	10,5	8,5	2	2,5
R2037 (2037)										3,5	1,5	-5	-4,5
R2040 (2040)											-2	-8,5	-8
R214 (2041)												2	-8,5
R2044 (2044)													0,5

7. ANNEXURES

Annexure D: Summary of 91-day and 182-day Treasury bill auctions, 2018/19

	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 (%)
2018/04/06	2 951	1 800	1,64	7,08	4 635	2 200	2,11	7,26
2018/04/13	2 176	1 726	1,26	7,16	4 243	2 800	1,52	7,31
2018/04/20	6 366	1 800	3,54	7,13	7 061	2 200	3,21	7,26
2018/04/26	8 563	3 195	2,68	7,12	4 519	2 200	2,05	7,23
2018/05/04	5 818	3 225	1,80	7,11	2 295	775	2,96	7,33
2018/05/11	2 613	1 513	1,73	7,12	4 080	2 200	1,85	7,33
2018/05/18	4 590	1 800	2,55	7,15	4 760	2 200	2,16	7,36
2018/05/25	4 987	1 800	2,77	7,15	4 070	2 200	1,85	7,37
2018/06/01	5 000	1 800	2,78	7,15	5 475	2 200	2,49	7,36
2018/06/08	3 880	1 800	2,16	7,15	5 075	2 200	2,31	7,40
2018/06/15	4 351	1 800	2,42	7,16	5 045	2 200	2,29	7,38
2018/06/22	4 413	1 800	2,45	7,17	4 946	2 200	2,25	7,40
2018/06/29	5 225	2 105	2,48	7,20	2 960	1 895	1,56	7,45
2018/07/06	3 822	1 800	2,12	7,19	3 875	2 200	7,56	7,48
2018/07/13	4 317	1 800	2,40	7,19	3 310	2 200	1,50	7,50
2018/07/20	3 947	1 800	2,19	7,18	3 666	2 200	1,67	7,55
2018/07/27	1 891	1 800	1,05	7,12	4 495	2 200	2,04	7,54
2018/08/03	3 721	1 800	2,07	7,20	4 181	2 200	1,90	7,55
2018/08/10	3 262	1 800	1,81	7,23	5 469	2 200	2,49	7,57

7. ANNEXURES

Annexure D: Summary of 91-day and 182-day Treasury bill auctions, 2018/19

	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 (%)
2018/08/17	1 754	1 254	7,31	7,30	4 136	2 746	1,51	7,66
2018/08/24	4 394	1 800	2,44	7,28	4 329	2 200	1,97	7,67
2018/08/31	2 303	1 800	1,28	7,29	3 925	2 200	1,78	7,70
2018/09/07	7 556	1 800	4,20	7,29	4 131	2 200	1,88	7,70
2018/09/14	7 924	2 800	2,83	7,27	4 826	2 525	1,91	7,71
2018/09/21	4 856	2 800	1,73	7,24	6 281	2 525	2,49	7,64
2018/09/28	4 112	2 800	1,47	7,25	4 955	2 525	1,96	7,62
2018/10/05	1 385	1 135	1,22	7,28	3 985	3 040	1,31	7,68
2018/10/12	3 180	2 450	1,30	7,33	3 825	2 260	1,69	7,70
2018/10/19	2 938	2 800	1,05	7,36	2 525	2 611	0,97	7,77
2018/10/26	3 277	2 527	1,30	7,40	2 668	1 918	1,39	7,82
2018/11/02	3 518	2 800	1,26	7,41	3 535	2 525	1,40	7,84
2018/11/09	3 541	2 800	1,26	7,41	3 319	2 525	1,31	7,81
2018/11/16	4 502	2 800	1,61	7,42	3 445	2 525	1,36	7,82
2018/11/23	3 410	2 800	1,22	7,59	3 800	2 525	1,50	7,93
2018/11/30	6 163	3 060	2,01	7,57	4 878	2 525	1,93	7,90
2018/12/07	4 162	2 800	1,49	7,58	4 552	1 702	2,67	7,93
2018/12/14	3 048	2 800	1,09	7,62	2 086	1 836	1,14	7,99

7. ANNEXURES

Annexure D: Summary of 91-day and 182-day Treasury bill auctions, 2018/19

	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 (%)
2018/12/21	1 287	1 126	1,14	7,75	2 938	1 763	1,67	8,05
2018/12/28	3 137	1 800	1,74	7,76	4 395	2 525	1,74	8,07
2019/01/04	3 703	1 800	2,06	7,75	4 993	2 525	1,98	7,98
2019/01/11	7 093	1 800	3,94	7,68	6 228	2 525	2,47	7,94
2019/01/18	5 652	1 800	3,14	7,61	6 566	2 525	2,60	7,88
2019/01/25	3 610	1 800	2,01	7,53	4 036	2 525	1,60	7,85
2019/02/01	4 154	1 000	4,15	7,48	5 754	2 125	2,71	7,80
2019/02/08	2 992	1 000	2,99	7,45	6 541	2 125	3,08	7,77
2019/02/15	6 011	1 000	6,01	7,34	8 914	2 125	4,19	7,76
2019/02/22	5 666	1 000	5,67	7,26	9 059	2 125	4,26	7,70
2019/03/01	3 136	1 000	3,14	7,23	11 288	2 125	5,31	7,65
2019/03/08	7 311	1 000	7,31	7,18	10 708	2 125	5,04	7,60
2019/03/15	5 093	1 000	5,09	7,14	10 923	2 125	5,14	7,55
2019/03/22	3 445	1 000	3,45	7,12	8 917	2 125	4,20	7,51
2019/03/29	2 905	1 000	2,90	7,10	8 735	2 125	4,11	7,48

7. ANNEXURES

Annexure E: Summary of 273-day and 364-day Treasury bill auctions, 2018/19

	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 (%)
2018/04/06	3 938	2 270	1,73	7,29	4 735	2 410	1,96	7,28
2018/04/13	2 543	1 844	1,38	7,39	3 160	2 310	1,37	7,38
2018/04/20	8 312	2 270	3,66	7,31	4 780	2 410	1,98	7,32
2018/04/26	2 845	1 845	1,54	7,41	2 940	1 440	2,04	7,42
2018/05/04	7 163	2 270	3,16	7,41	4 150	2 410	1,72	7,46
2018/05/11	4 143	2 270	1,82	7,43	4 863	2 410	2,02	7,42
2018/05/18	5 475	2 270	2,41	7,47	4 352	2 410	1,81	7,47
2018/05/25	4 293	2 270	1,89	7,47	3 314	2 410	1,37	7,48
2018/06/01	4 030	2 270	1,78	7,53	3 630	2 410	1,51	7,54
2018/06/08	2 998	2 098	1,43	7,59	2 580	1 780	1,45	7,72
2018/06/15	4 440	2 270	1,96	7,67	4 327	2 410	1,80	7,75
2018/06/22	4 099	2 270	1,81	7,71	4 755	2 410	1,97	7,78
2018/06/29	4 088	2 270	1,80	7,73	3 771	2 410	1,56	7,82
2018/07/06	3 843	2 270	1,69	7,72	3 602	2 410	1,49	7,83
2018/07/13	5 780	2 270	2,55	7,72	4 229	2 410	1,75	7,88
2018/07/20	3 571	2 270	1,57	7,76	7 389	2 410	3,07	7,86
2018/07/27	5 993	2 270	2,64	7,74	5 710	2 410	2,37	7,85
2018/08/03	6 199	2 270	7,37	7,75	5 079	2 410	2,11	7,86
2018/08/10	5 908	2 270	2,60	7,79	5 462	2 410	2,27	7,92

7. ANNEXURES

Annexure E: Summary of 273-day and 364-day Treasury bill auctions, 2018/19

	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 (%)
2018/08/17	5 276	2 270	2,32	7,93	7 257	2 410	3,01	7,93
2018/08/24	7 193	2 270	3,17	7,89	5 898	2 410	2,45	7,95
2018/08/31	5 845	2 270	2,57	7,92	4 604	2 410	1,91	8,02
2018/09/07	4 040	2 270	1,78	7,95	5 944	2 410	2,47	8,04
2018/09/14	4 573	2 595	1,76	7,95	5 854	2 735	2,14	8,02
2018/09/21	4 153	2 595	1,60	7,88	3 965	2 735	1,45	8,01
2018/09/28	3 804	2 595	1,47	7,92	4 400	2 735	1,61	8,04
2018/10/05	4 128	3 828	1,08	8,00	3 900	2 650	1,47	8,15
2018/10/12	4 988	2 946	1,69	8,00	8 425	3 000	2,81	8,05
2018/10/19	4 785	2 595	1,84	8,01	4 985	2 735	1,82	8,07
2018/10/26	8 233	3 476	2,37	8,02	7 170	2 735	2,62	8,10
2018/11/02	8 083	2 595	3,11	7,99	6 515	2 735	2,38	8,09
2018/11/09	6 413	2 595	2,47	7,99	4 709	2 735	1,72	8,13
2018/11/16	3 453	2 595	1,33	8,00	4 710	2 735	1,72	8,14
2018/11/23	4 744	2 595	1,83	8,07	6 523	2 735	2,39	8,17
2018/11/30	4 018	2 595	1,55	8,09	3 576	2 475	1,44	8,21
2018/12/07	5 683	3 273	1,74	8,12	5 256	2 881	1,82	8,24
2018/12/14	1 970	1 970	1,00	8,21	2 312	2 262	1,02	8,34
2018/12/21	2 793	2 553	1,09	8,28	2 485	2 460	1,01	8,44

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Annexure E: Summary of 273-day and 364-day Treasury bill auctions, 2018/19

	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 (%)
2018/12/28	6 158	2 595	2,37	8,30	9 931	2 735	3,63	8,37
2019/01/04	9 777	2 595	3,77	8,15	9 027	2 735	3,30	8,26
2019/01/11	5 386	2 595	2,08	8,07	6 167	2 735	2,25	8,16
2019/01/18	5 938	2 595	2,29	7,99	7 915	2 735	2,89	8,06
2019/01/25	4 802	2 595	1,85	7,93	8 450	2 735	3,09	8,00
2019/02/01	7 881	2 395	3,29	7,85	9 740	2 735	3,56	7,91
2019/02/08	5 341	2 395	2,23	7,82	9 000	2 735	3,29	7,85
2019/02/15	6 985	2 395	2,92	7,85	7 225	2 735	2,64	7,88
2019/02/22	8 468	2 395	3,54	7,81	9 922	2 735	3,63	7,80
2019/03/01	11 623	2 395	4,85	7,72	8 840	2 735	3,23	7,73
2019/03/08	10 510	2 395	4,39	7,68	6 640	2 735	2,43	7,72
2019/03/15	9 518	2 395	3,97	7,65	4 981	2 735	1,82	7,72
2019/03/22	7 274	2 395	3,04	7,61	3 300	2 735	1,21	7,75
2019/03/29	7 742	2 395	3,23	7,61	3 079	2 735	1,13	7,77

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Annexure F: Summary of fixed-rate bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/11/13	R2023	2023/02/28	7,750	950	950	3 860	8,505
2018/11/13	R2032	2032/03/31	8,250	950	950	1 865	9,855
2018/11/13	R2040	2040/01/31	9,000	950	950	1 590	10,100
2018/11/20	R2023	2023/02/28	7,750	950	950	3 495	8,415
2018/11/20	R2030	2030/01/31	8,000	950	950	3 050	9,560
2018/11/20	R2044	2044/01/31	8,750	950	950	2 590	10,000
2018/11/27	R2023	2023/02/28	7,750	950	950	2 365	8,260
2018/11/27	R2032	2032/03/31	8,250	950	950	2 365	9,640
2018/11/27	R2048	2048/02/28	8,750	950	950	1 745	9,920
2018/12/04	R186	2026/12/21	10,500	950	950	3 530	8,845
2018/12/04	R2037	2037/01/31	8,500	950	950	1 755	9,750
2018/12/04	R2048	2048/02/28	8,750	950	950	2 100	9,805
2018/12/11	R186	2026/12/21	10,500	950	950	1 815	9,190
2018/12/11	R2030	2030/01/31	8,000	950	950	1 655	9,690
2018/12/11	R2048	2048/02/28	8,750	950	950	2 350	10,190
2019/01/08	R2023	2023/02/28	7,750	950	950	2 695	8,020
2019/01/08	R2030	2030/01/31	8,000	950	950	2 045	9,290
2019/01/08	R2048	2048/02/28	8,750	950	950	2 580	9,780
2019/01/15	R2030	2030/01/31	8,000	950	950	2 505	9,285
2019/01/15	R2037	2037/01/31	8,500	950	950	1 685	9,720

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Annexure F: Summary of fixed-rate bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2019/01/15	R2044	2044/01/31	8,750	950	950	2 340	9,800
2019/01/22	R2023	2023/02/28	7,750	950	950	6 520	8,030
2019/01/22	R2035	2035/02/28	8,875	950	950	2 730	9,770
2019/01/22	R2040	2040/01/31	9,000	950	950	2 365	9,930
2019/01/29	R2023	2023/02/28	7,750	950	950	4 930	7,900
2019/01/29	R2032	2032/03/31	8,250	950	950	2 725	9,530
2019/01/29	R2044	2044/01/31	8,750	950	950	2 730	9,850
2019/02/05	R2023	2023/02/28	7,750	950	950	5 000	7,765
2019/02/05	R2030	2030/01/31	8,000	950	950	3 730	9,105
2019/02/05	R2048	2048/02/28	8,750	950	950	3 265	9,640
2019/02/12	R2030	2030/01/31	8,000	950	950	1 750	9,310
2019/02/12	R2035	2035/02/28	8,875	950	950	2 035	9,700
2019/02/12	R2044	2044/01/31	8,750	950	950	2 950	9,890
2019/02/19	R186	2026/12/21	10,500	950	950	4 320	8,865
2019/02/19	R2032	2032/03/31	8,250	950	950	3 030	9,640
2019/02/19	R2048	2048/02/28	8,750	950	950	2 980	9,935
2019/02/26	R2023	2023/02/28	7,750	950	950	2 265	7,760
2019/02/26	R2030	2030/01/31	8,000	950	950	2 850	9,210
2019/02/26	R2048	2048/02/28	8,750	950	950	2 300	9,810

7. ANNEXURES

Annexure F: Summary of fixed-rate bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2019/03/05	R186	2026/12/21	10,500	950	950	3 060	8,690
2019/03/05	R2032	2032/03/31	8,250	950	950	3 650	9,450
2019/03/05	R2037	2037/01/31	8,500	950	950	2 065	9,720
2019/03/12	R2030	2030/01/31	8,000	950	950	2 030	9,140
2019/03/12	R2035	2035/02/28	8,875	950	950	1 695	9,540
2019/03/12	R2048	2048/02/28	8,750	950	950	2 235	9,680
2019/03/19	R2023	2023/02/28	7,750	950	950	2 150	7,795
2019/03/19	R2032	2032/03/31	8,250	950	950	2 405	9,430
2019/03/19	R2048	2048/02/28	8,750	950	950	2 910	9,755
2019/03/26	R186	2026/12/21	10,500	950	950	2 340	8,740
2019/03/26	R2030	2030/01/31	8,000	950	950	1 880	9,300
2019/03/26	R2040	2040/01/31	9,000	950	950	1 720	9,920

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/04/06	I2029	2029/03/31	1,875	600	200	220	2,300
2018/04/06	I2038	2038/01/31	2,250		140	160	2,360
2018/04/06	I2050	2050/12/31	2,500		155	165	2,520
2018/04/13	I2025	2025/01/31	2,000	600	175	185	2,120
2018/04/13	I2029	2029/03/31	1,875		50	100	2,420
2018/04/13	I2038	2038/01/31	2,250		55	75	2,400
2018/04/20	I2029	2029/03/31	1,875	600	150	350	1,685
2018/04/20	I2033	2033/03/28	1,875		170	350	1,800
2018/04/20	I2050	2050/12/31	2,500		215	410	1,820
2018/05/04	I2029	2029/03/31	1,875	600	180	685	2,620
2018/05/04	I2038	2038/01/31	2,250		175	335	2,650
2018/05/04	I2050	2050/12/31	2,500		245	715	2,790
2018/05/11	I2029	2029/03/31	1,875	600	200	290	2,590
2018/05/11	I2038	2038/01/31	2,250		245	420	2,650
2018/05/11	I2050	2050/12/31	2,500		155	580	2,800
2018/05/18	I2025	2025/01/31	2,000	600	170	320	2,400
2018/05/18	I2033	2033/03/28	1,875		20	20	2,690
2018/05/18	I2046	2046/03/31	2,500		200	200	2,860
2018/05/25	R212	2022/01/31	2,750	600	255	965	2,290
2018/05/25	I2029	2029/03/31	1,875		200	830	2,730
2018/05/25	I2050	2050/12/31	2,500		145	520	2,910

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/06/01	R212	2022/01/31	2,750	600	295	690	2,250
2018/06/01	I2033	2033/03/28	1,875		100	100	2,680
2018/06/01	I2050	2050/12/31	2,500		205	295	2,880
2018/06/08	R212	2022/01/31	2,750	600	210	420	2,420
2018/06/08	I2033	2033/03/28	1,875		150	250	2,800
2018/06/08	I2046	2046/03/31	2,500		50	510	3,000
2018/06/15	R212	2022/01/31	2,750	600	75	1 255	2,450
2018/06/15	I2029	2029/03/31	1,875		295	570	2,840
2018/06/15	I2050	2050/12/31	2,500		230	500	3,040
2018/06/22	I2025	2025/01/31	2,000	600	230	580	2,720
2018/06/22	I2033	2033/03/28	1,875		125	550	2,930
2018/06/22	I2050	2050/12/31	2,500		245	955	3,060
2018/06/29	I2029	2029/03/31	1,875	600	130	560	2,920
2018/06/29	I2033	2033/03/28	1,875		115	310	2,970
2018/06/29	I2050	2050/12/31	2,500		355	680	3,090
2018/07/06	I2029	2029/03/31	1,875	600	35	110	2,920
2018/07/06	I2033	2033/03/28	1,875		145	325	3,020
2018/07/06	I2046	2046/03/31	2,500		420	740	3,110
2018/07/13	I2025	2025/01/31	2,000	600	220	460	2,950
2018/07/13	I2033	2033/03/28	1,875		150	200	3,030
2018/07/13	I2046	2046/03/31	2,500		230	505	3,140

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/07/20	I2029	2029/03/31	1,875	600	130	190	3,020
2018/07/20	I2033	2033/03/28	1,875		250	400	3,040
2018/07/20	I2050	2050/12/31	2,500		220	545	3,150
2018/07/27	R212	2022/01/31	2,750	600	110	785	2,720
2018/07/27	I2033	2033/03/28	1,875		310	915	3,050
2018/07/27	I2050	2050/12/31	2,500		180	680	3,140
2018/08/03	I2029	2029/03/31	1,875	600	395	905	3,000
2018/08/03	I2033	2033/03/28	1,875		50	335	2,990
2018/08/03	I2050	2050/12/31	2,500		155	305	3,040
2018/08/10	I2029	2029/03/31	1,875	600	120	785	3,060
2018/08/10	I2033	2033/03/28	1,875		20	30	3,050
2018/08/10	I2029	2029/03/31	1,875		130	220	3,100
2018/08/17	R212	2022/01/31	2,750	600	200	450	2,740
2018/08/17	I2029	2029/03/31	1,875		200	1 295	3,110
2018/08/17	I2029	2029/03/31	1,875		200	470	3,140
2018/08/24	I2029	2029/03/31	1,875	600	135	530	3,110
2018/08/24	I2038	2038/01/31	2,250		225	540	3,100
2018/08/24	I2046	2046/03/31	2,500		240	700	3,160
2018/08/31	I2025	2025/01/31	2,000	600	80	445	2,940
2018/08/31	I2029	2029/03/31	1,875		180	560	3,045
2018/08/31	I2033	2033/03/28	1,875		340	720	3,115

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/09/07	I2025	2025/01/31	2,000	600	255	640	2,980
2018/09/07	I2033	2033/03/28	1,875		175	1 070	3,130
2018/09/07	I2050	2050/12/31	2,500		170	410	3,190
2018/09/14	I2029	2029/03/31	1,875	600	130	440	3,000
2018/09/14	I2033	2033/03/28	1,875		15	365	3,060
2018/09/14	I2038	2038/01/31	2,250		455	740	3,130
2018/09/21	R197	2023/12/07	5,500	600	200	400	2,860
2018/09/21	I2025	2025/01/31	2,000		150	150	2,930
2018/09/21	I2038	2038/01/31	2,250		250	585	3,100
2018/09/28	R197	2023/12/07	5,500	600	200	300	2,910
2018/09/28	I2038	2038/01/31	2,250		220	390	3,130
2018/09/28	I2050	2050/12/31	2,500		180	410	3,160
2018/10/05	R197	2023/12/07	5,500	600	150	150	2,950
2018/10/05	I2038	2038/01/31	2,250		240	805	3,120
2018/10/05	I2050	2050/12/31	2,500		210	825	3,130
2018/10/12	I2025	2025/01/31	2,000	600	135	495	2,960
2018/10/12	I2038	2038/01/31	2,250		285	460	3,130
2018/10/12	I2050	2050/12/31	2,500		180	420	3,140
2018/10/19	I2025	2025/01/31	2,000	600	170	530	2,970
2018/10/19	R202	2033/12/07	3,450		330	440	3,100
2018/10/19	I2050	2050/12/31	2,500		100	395	3,140

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/10/26	I2025	2025/01/31	2,000	600	150	250	3,070
2018/10/26	R202	2033/12/07	3,450		245	245	3,130
2018/10/26	I2050	2050/12/31	2,500		150	150	3,200
2018/11/02	I2029	2029/03/31	1,875	600	280	305	3,090
2018/11/02	I2038	2038/01/31	2,250		100	200	3,160
2018/11/02	I2046	2046/03/31	2,500		220	270	3,180
2018/11/09	I2029	2029/03/31	1,875	650	50	50	3,090
2018/11/09	I2038	2038/01/31	2,250		295	320	3,200
2018/11/09	I2050	2050/12/31	2,500		305	335	3,220
2018/11/16	I2025	2025/01/31	2,000	650	235	345	3,170
2018/11/16	I2038	2038/01/31	2,250		260	395	3,280
2018/11/16	I2046	2046/03/31	2,500		155	605	3,310
2018/11/23	I2025	2025/01/31	2,000	650	350	840	3,170
2018/11/23	I2038	2038/01/31	2,250		200	395	3,330
2018/11/23	I2050	2050/12/31	2,500		100	460	3,380
2018/11/30	I2025	2025/01/31	2,000	650	60	70	3,130
2018/11/30	I2038	2038/01/31	2,250		315	315	3,330
2018/11/30	I2050	2050/12/31	2,500		275	340	3,380
2018/12/07	I2025	2025/01/31	2,000	650	370	420	3,170
2018/12/07	I2038	2038/01/31	2,250		40	380	3,295
2018/12/07	I2050	2050/12/31	2,500		240	500	3,380

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2018/12/14	R212	2022/01/31	2,750	650	165	460	2,900
2018/12/14	I2025	2025/01/31	2,000		260	260	3,170
2018/12/14	I2046	2046/03/31	2,500		225	620	3,340
2019/01/11	I2029	2029/03/31	1,875	650	315	1 075	3,170
2019/01/11	I2033	2033/03/28	1,875		160	635	3,220
2019/01/11	I2046	2046/03/31	2,500		175	910	3,300
2019/01/18	I2029	2029/03/31	1,875	650	150	595	3,100
2019/01/18	I2046	2046/03/31	2,500		250	845	3,250
2019/01/18	I2050	2050/12/31	2,500		250	870	3,250
2019/01/25	I2025	2025/01/31	2,000	650	325	840	3,000
2019/01/25	I2033	2033/03/28	1,875		75	260	3,130
2019/01/25	I2046	2046/03/31	2,500		250	700	3,250
2019/02/01	I2029	2029/03/31	1,875	650	340	540	3,130
2019/02/01	I2033	2033/03/28	1,875		100	450	3,150
2019/02/01	I2050	2050/12/31	2,500		210	635	3,250
2019/02/08	I2025	2025/01/31	2,000	650	245	650	2,990
2019/02/08	I2033	2033/03/28	1,875		130	555	3,140
2019/02/08	I2046	2046/03/31	2,500		275	775	3,250
2019/02/15	I2029	2029/03/31	1,875	650	-	40	-
2019/02/15	I2038	2038/01/31	2,250		255	275	3,260
2019/02/15	I2050	2050/12/31	2,500		395	735	3,300

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Annexure G: Summary of inflation-linked bond auctions, 2018/19

Issue date	Bond code	Maturity	Coupon (%)	Offer amount (R'm)	Allocated amount (R'm)	Bids received (R'm)	Clearing yield (%)
2019/02/22	I2025	2025/01/31	2,000	650	25	75	3,110
2019/02/22	I2033	2033/03/28	1,875		50	75	3,230
2019/02/22	I2050	2050/12/31	2,500		575	710	3,340
2019/03/01	I2029	2029/03/31	1,875	650	170	295	3,250
2019/03/01	I2038	2038/01/31	2,250		250	540	3,280
2019/03/01	I2050	2050/12/31	2,500		230	455	3,310
2019/03/08	I2025	2025/01/31	2,000	650	350	750	3,165
2019/03/08	I2038	2038/01/31	2,250		120	340	3,280
2019/03/08	I2046	2046/03/31	2,500		180	495	3,290
2019/03/15	I2025	2025/01/31	2,000	650	195	765	3,165
2019/03/15	I2038	2038/01/31	2,250		145	545	3,270
2019/03/15	I2046	2046/03/31	2,500		310	965	3,320
2019/03/22	I2029	2029/03/31	1,875	650	20	175	3,260
2019/03/22	I2033	2033/03/28	1,875		100	430	3,260
2019/03/22	I2050	2050/12/31	2,500		530	695	3,340
2019/03/29	I2025	2025/01/31	2,000	650	265	480	3,210
2019/03/29	I2038	2038/01/31	2,250		235	235	3,330
2019/03/29	I2050	2050/12/31	2,500		150	195	3,420

7. ANNEXURES

Annexure H: Glossary

Auction	A process in which participants can submit bids to purchase a given amount of a good or service at a specific price.
Bid-to-cover ratio	Bid-to-cover is a ratio used to express the demand for a particular security during auctions. It is computed by the total amount of bids received divided by the total amount of bids accepted.
Bond	A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest on 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.
Bridging finance	Money used for short-term cash management
Contingent liabilities	A government obligation that will only result in expenditure on the occurrence of a specific event such as a default by a state-owned company which results in government being called on to meet the obligation.
Coupon (bond)	The periodic interest payment made to bondholders during the life of a bond. Interest is usually paid twice a year.
DMTN	A Domestic Medium-Term Note (DMTN) programme is a debt issuance note programme, registered with a securities exchange, and continuously offered to investors through a dealer. Notes and bonds can range between 1 and 30 years in maturity. The DMTN programme allows an issuer to tailor its debt issuance to meet its financing needs over time.
GMTN	A Global Medium-Term Note (GMTN) programme is a debt issuance note programme, registered with international securities exchanges, and continuously offered to investors through a trust. Notes and bonds can range between 1 and 30 years in maturity. A GMTN programme allows a company to tailor its debt issuance to meet its financing needs over time.
Liquidity	Ease of converting an asset into cash.
Perpetual bond	A bond with no maturity date.

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Annexure H: Glossary

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 the securities.
Primary listing	The main exchange on which a stock is listed.
Provisions	Liabilities for which the payment date or amount is uncertain. The provisions for multilateral institutions are the unpaid portion of government's subscription to these institutions, payable on request.
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 will not be able to refinance by borrowing to repay existing debt.
Secondary market	A market in which an investor purchases a security from another investor rather than from the issuer, subsequent to the original issuance in the primary market. It is also called the aftermarket.
STRATE	Share Transactions Totally Electronic (STRATE) is the authorised central securities depository for electronic settlement of financial instruments in South Africa.
Sterilisation deposit	Operations by central banks to mitigate potentially undesired effects (currency appreciation or inflation) of inbound capital. The Reserve Bank 'sterilises' excess cash created in the money market when purchasing foreign currency.
Switch programme	A liability management exercise where short-term debt is exchanged for long-term debt. The purpose is to reduce near-term exposure to refinancing risk.
Tenor	Tenor refers to the amount of time left for the redemption of a bond.
Three-legged bond	A three-legged bond is a bond with three maturities and priced on the middle maturity (second leg). All maturities have the same price. Investors are given the option to split the bond into three maturities two years before the maturity of the first leg.
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.

7. ANNEXURES

Annexure I: Acronyms

ACSA	Airports Company of South Africa
Capex	Capital expenditure
CEF	Central Energy Fund
CFI	Cooperative financial institution
CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
DMTN	Domestic Medium-Term Note
ETP	Electronic trading platform
Fitch	Fitch Ratings Inc.
FRN	Floating-rate note
GDP	Gross Domestic Product
GMTN	Global Medium-Term Note
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
ICASA	Independent Communications Authority of South Africa
IDC	Industrial Development Corporation
JSE	Johannesburg Stock Exchange
MDS	Market Demand Strategy
Moody's	Moody's Investors Service
MTBPS	Medium-Term Budget Policy Statement
NRF	National Revenue Fund
PFMA	Public Finance Management Act
R&I	Rating and Investment Information Inc.
Repo	Repurchase
S&P	Standard and Poor's
SAA	South African Airways
SANRAL	South African National Roads Agency Limited
SFF	Strategic Fuel Fund Association
SOC	State-owned company
STRATE	Share Transactions Totally Electronic
TCTA	Trans-Caledon Tunnel Authority
US	United States

NOTES

DEBT MANAGEMENT REPORT
2018/19

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