DEBT MANAGEMENT REPORT 2012/13

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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OVERVIEW

The government's gross borrowing requirement has increased significantly since the financial crisis of 2008. The increase was countercyclical response to support economic growth through infrastructure investment. To finance the borrowing requirement, government borrows in the domestic and international debt markets.

The domestic bond market is one of the most liquid in the world and remains government's main source of financing. In 2012/13, borrowing in the domestic bond market accounted for more than 70 per cent of government's gross borrowing requirement. The bond market is also an important source of financing for state-owned companies, corporates and banks.

In 2012/13, government's net borrowing requirement of R175.3 billion was financed through issuing domestic short-term loans of R22.5 billion, domestic long-term loans of R125.7 billon and draw-down on cash balances of R38.6 billion. The foreign loans redemption of R11.6 billion was financed from the proceeds of the 12-year US$1.5 billion bond which was issued as prefunding in January 2012.

The stock of government debt has increased in line with the borrowing requirement and this requires government to continue managing debt in a prudent manner. The introduction of five new bonds and implementation of the switch or exchange programme in 2012/13 are part of the active debt management strategy.

The costs of financing have fallen since the financial crisis of 2008, despite the high borrowing requirement. The decline is due to the low monetary policy rate and robust demand from non-residents. Non-residents' participation in the domestic bond market has increased notably in recent years as global investors search for high yields.

In 2012, capital inflows to the domestic bond market reached a record high, boosted to a degree by South Africa's inclusion in the World Government Bond Index (WGBI). This is a milestone, making South Africa the fifth emerging country and the first African country to be included in the index.

Government recognises that for the country to reach its full growth potential, it needs to invest in infrastructure. A large part of public infrastructure investment is driven by state-owned companies.

In 2012/13, capital expenditure by major state-owned companies amounted to R108.2 billion. The National Treasury maintains financial oversight over these companies to ensure that they continue to deliver on their infrastructure investment programme. In 2012/13, borrowings by major state-owned companies totalled R70 billion, consisting of domestic and foreign loans.

South Africa's credit rating was downgraded by three rating agencies in 2012/13. The reasons cited for the downgrades were a weaker business and investment climate, high labour costs and labour unrest. The government has adopted the National Development Plan (NDP) which is aimed at improving socio-economic conditions in the country.

The National Treasury continues to engage with credit rating agencies and investors to ensure that effective information sharing takes place.

1. DEVELOPMENTS IN THE DEBT MARKET

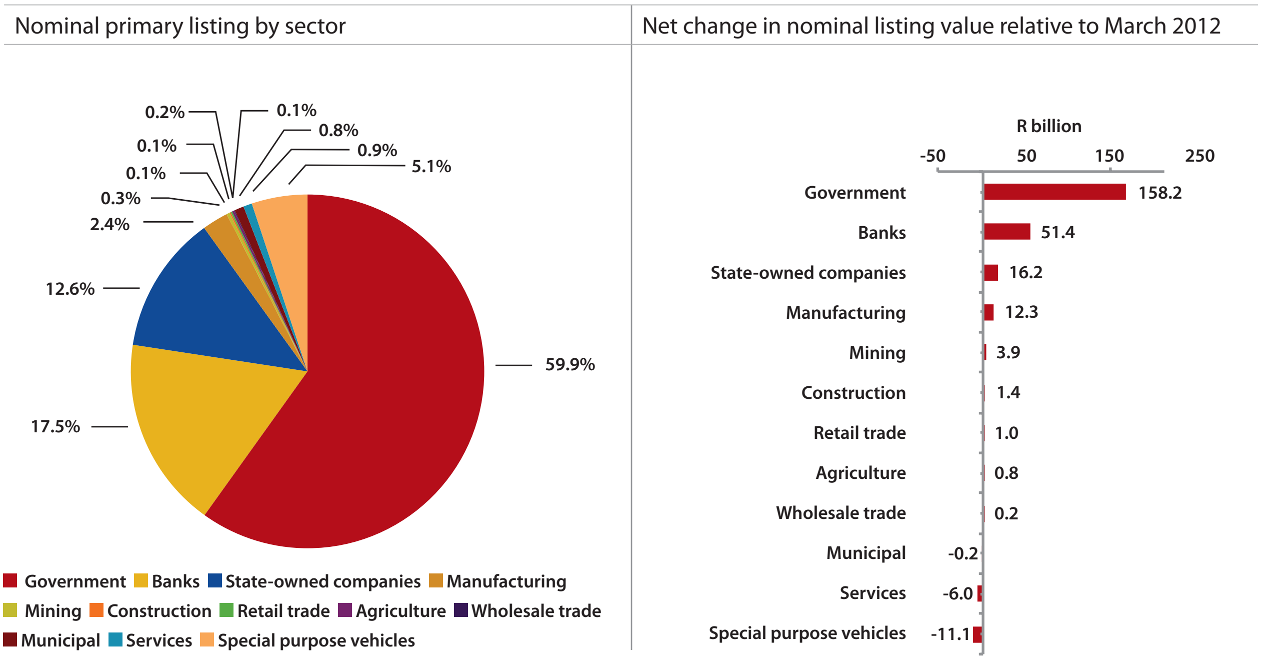
Listing activity in the primary debt capital market

The South African debt market is an important source of financing for the government, banks, state-owned companies and the corporate sector. As a demonstration of its size and depth, the nominal listing value on the debt market of the Johannesburg Stock Exchange (JSE) increased significantly from R1.4 trillion in March 2012 to R1.6 trillion in March 2013.

This increase was largely underpinned by issuance activity from the government, state-owned companies and banks. The government alone accounted for 59.9 per cent of the listed securities while banks and state-owned companies accounted for 17.5 and 12.6 per cent respectively, as shown in Figure 1.

Figure 1 also highlights the net change in nominal listing value, with the biggest increase in the period under review posted by government. In absolute terms, the government recorded a net increase of R158.2 billion, while the primary listing of banks increased by R51.4 billion with state-owned companies adding R16.2 billion.

Figure 1: Primary listing of debt securities, 31 March 2013

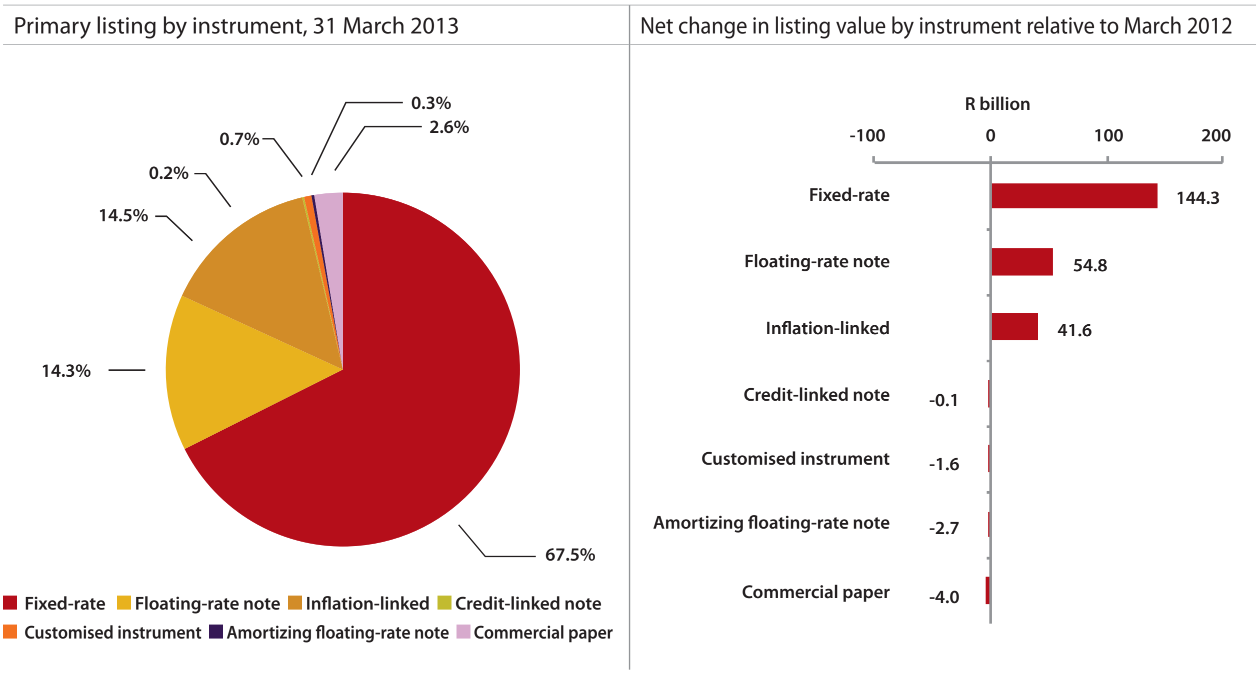


Source: Johannesburg Stock Exchange

With the exception of the manufacturing and mining sectors, which grew by R12.3 billion and R3.9 billion respectively, the corporate sector, overall, experienced slow growth in nominal listing value.

Figure 2 illustrates the composition of the primary listing by instrument type. Fixed-rate instruments accounted for 67.5 per cent of the total nominal listing value of R1.6 trillion. Since 2000, the listing of inflation-linked instruments has increased to account for 14.5 per cent. Floating-rate notes accounted for 14.3 per cent and remain popular among banks and corporates.

Figure 2: Composition of primary listing by instrument, 31 March 2013

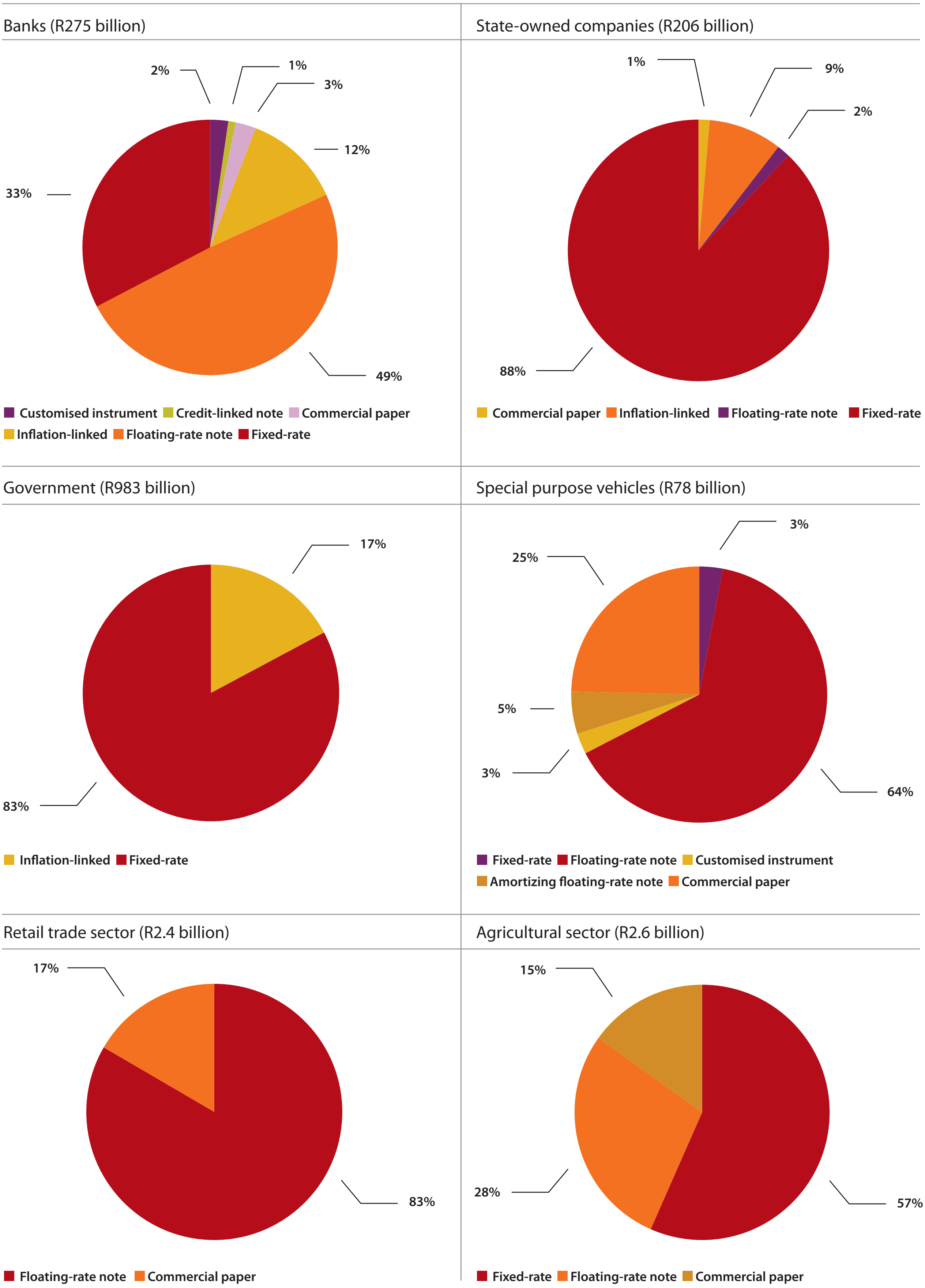


Source: Johannesburg Stock Exchange

The largest contributor to the net increase in listing value came from fixed-rate instruments with a total of R144.3 billion, followed by floating-rate notes at R54.8 billion.

At R41.6 billion, the contribution of inflation-linked instruments trailed behind floating-rate notes. Commercial paper recorded a decline of R4 billion. The listing composition of instruments by sector is shown in Figure 3 below. The primary listing of the wholesale trade sector is entirely floating-rate notes.

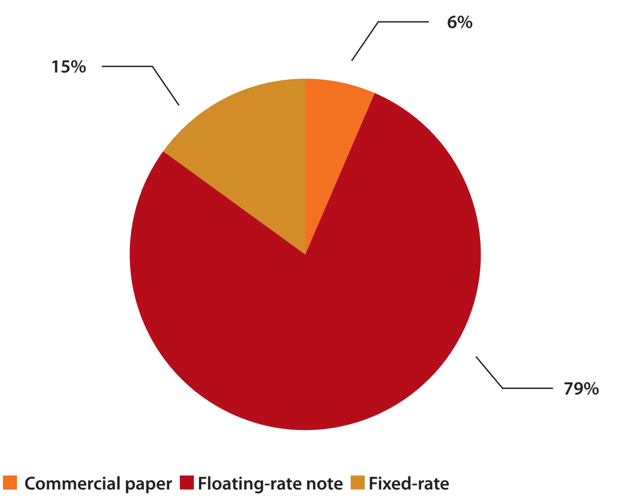
Figure 3: Sectoral composition of primary listing by instrument, 31 March 2013



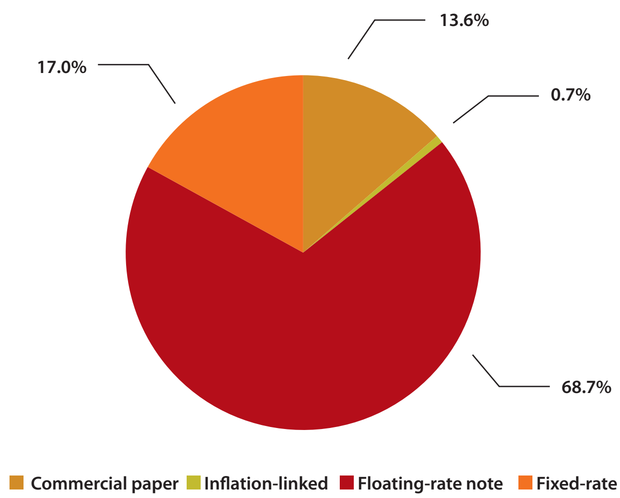
Source: Johannesburg Stock Exchange

Figure 3: Sectoral composition of primary listing by instrument, 31 March 2013 - *continued*

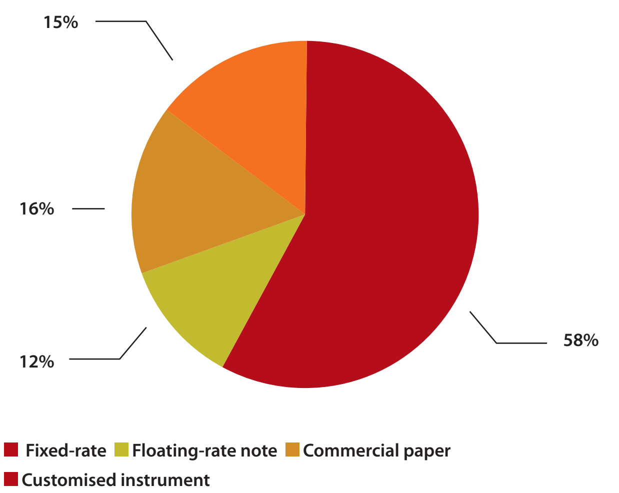
Mining sector (R4.6 billion)



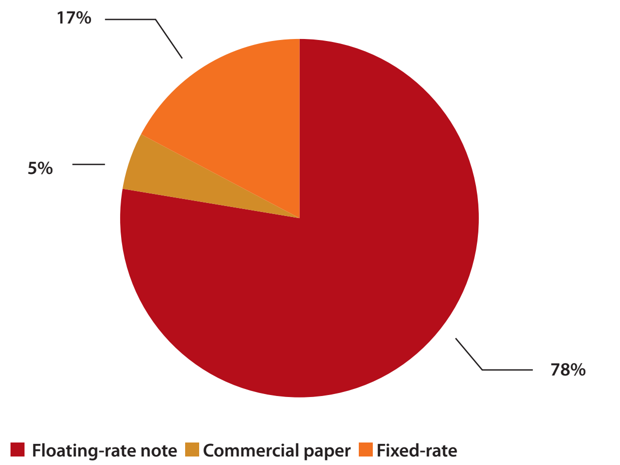
Manufacturing sector (R37.7 billion)



Services sector (R16.8 billion)



Construction sector (R1.9 billion)

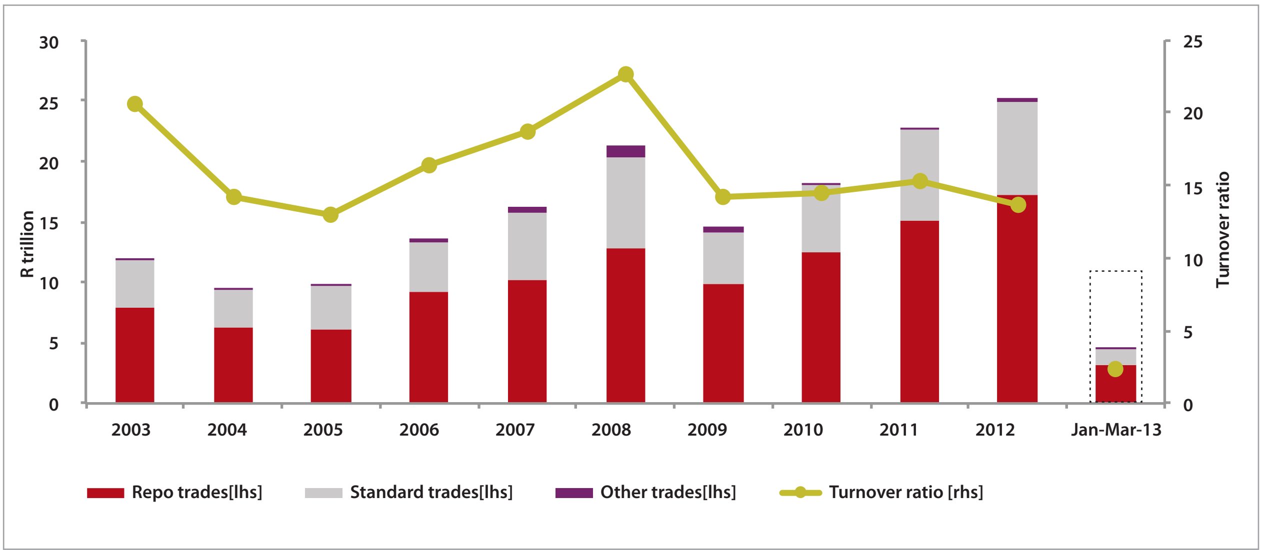


Source: Johannesburg Stock Exchange

Secondary market activity of South African bonds

The South African bond market remains one of the most liquid in the world. The trading volume on the JSE increased to a record high of R25.1 trillion in 2012, up from R22.6 trillion in the preceding year.

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

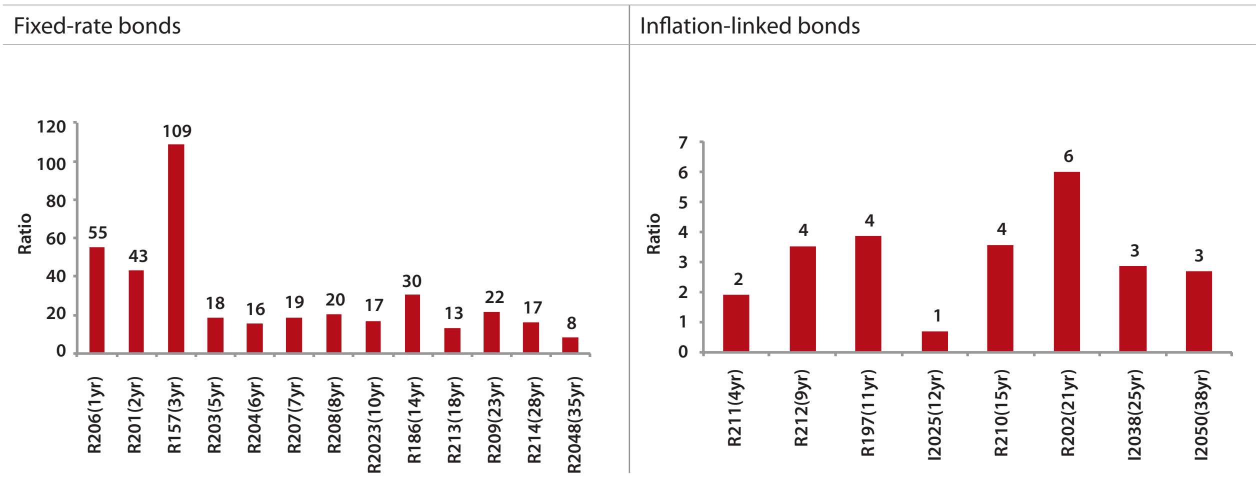


Source: Johannesburg Stock Exchange

The high trading volume, as depicted in Figure 4 above, can be attributed largely to the efficiency of the repurchase (repo) market which accounted for R17.1 trillion of the volume traded in 2012. Repo transactions use bonds as security; while the asset ownership is transferred from the seller to the buyer, the seller retains the financial benefit.

To assess which of the bonds are most liquid, the turnover ratio is used to eliminate distortions arising from the size of the outstanding volumes in the instruments. The turnover ratio is the ratio of trading volume in particular instruments to the outstanding amount.

Figure 5: Turnover ratios of government bonds, 2012/13



Source: Johannesburg Stock Exchange

The R206 (7.50 per cent, 2014) and the R157 (13.50 per cent, 2014/15/16) bonds are the most actively traded bonds in the government's portfolio. The rest of the bonds also show healthy turnover ratios, an indication of the depth and liquidity of the market.

With regard to inflation-linked bonds, although the turnover has increased significantly since their inception in 2000, tradability remains a challenge. To improve tradability, in August 2006 the National Treasury initiated a reverse repurchase facility to enable investors to borrow a bond for a period of up to 28 days.

Non-residents' participation in the South African bond market

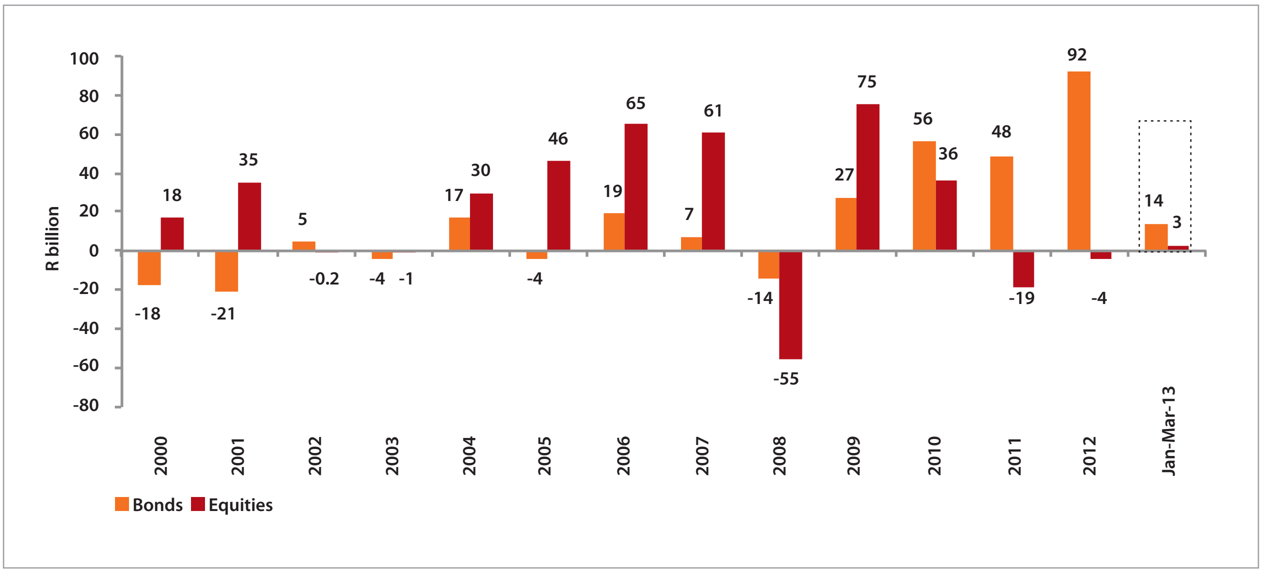
Emerging markets' local currency bond markets have attracted unprecedented capital inflows since the 2008 financial crisis as global investors searched for high yields. South Africa has not been an exception to this phenomenon, and recorded a cumulative net purchase of bonds worth R223 billion between 2008 and March 2013.

WGBI inclusion boosted demand for South African bonds in 2012

In 2012, net purchases of bonds by non-residents reached a record annual high of R92.4 billion supported, to a degree, by the inclusion of South Africa in the WGBI. In October 2012, South Africa became the 23rd country to be included in the WGBI.

The inclusion was dependent on South Africa meeting the following entry criteria: a minimum market capitalisation of US$50 billion, a domestic long-term credit rating of A-/A3 by either Moody's or Standard and Poor's rating agencies, and a lack of barriers to entry. According to the WGBI Guide, lack of barriers to entry means that the country should actively encourage foreign participation and show commitment to its policies.

Figure 6: Net capital inflows into South African bonds and equities, 2000 - March 2013



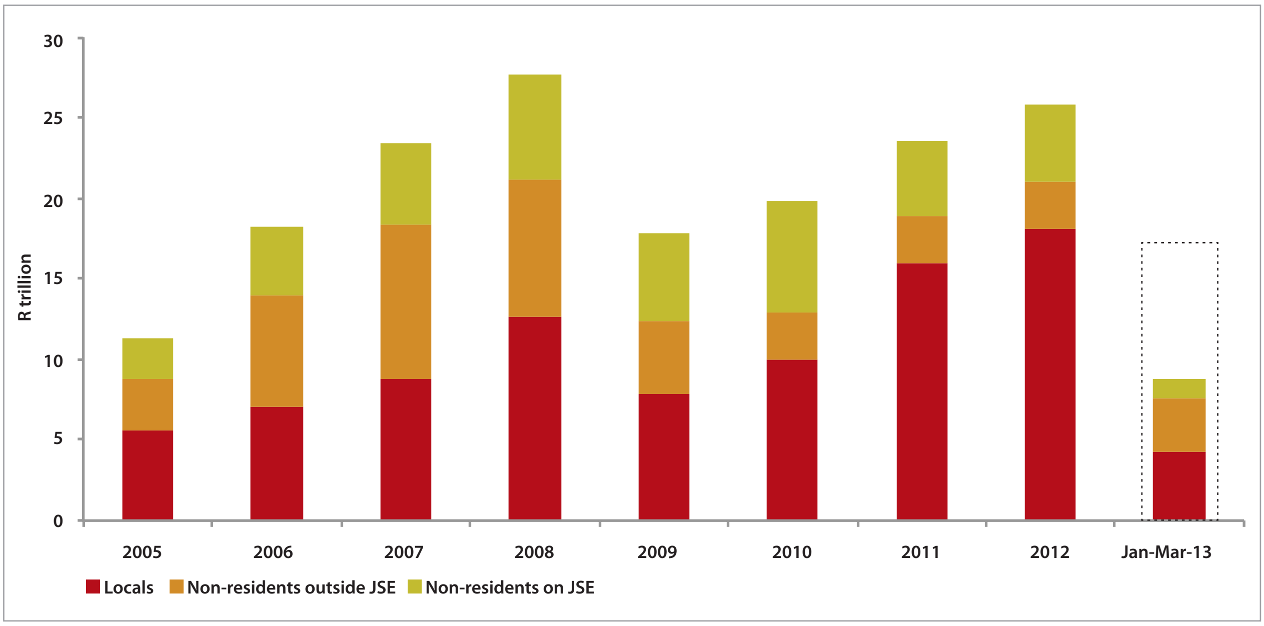
Source: Johannesburg Stock Exchange

In the past three years, foreign inflows into the South African markets have changed in favour of local currency bonds from a previous dominance of equities. In the first quarter of 2013, non-residents purchased R14 billion worth of bonds.

As shown in Figure 7, non-residents' participation in the secondary market remains buoyant, contributing 30 per cent of total turnover in 2012. In addition to the JSE trading platform, non-residents also trade bonds outside the exchange. These trades are reported to Share Transactions Totally Electronic (STRATE) through the Offshore Trading System (OTS).

The volume of bonds traded by non-residents on the JSE reached R2.9 trillion in 2012 while trades outside the JSE amounted to R7.6 trillion. In 2008, the volume of South African bonds traded by non-residents on the JSE platform and outside the platform reached R15 trillion as the global financial crisis intensified and negative sentiment set in.

Figure 7: Non-residents' participation in the secondary market, 2005 - March 2013



Source: Johannesburg Stock Exchange, STRATE

Split option of the R157 government bond

The R157 bond has maturity that split over three years 2014, 2015 and 2016. The National Treasury offers investors the option to split any three year maturity bond two years prior to the redemption of the first maturity. The option to split the R157 bond into its three maturities, the R009, R158 and R159 bonds, started on 16 September 2012 and runs until the redemption of the first maturity on 15 September 2014.

Only R41 million has been split from the R157 bond thus far. As at 31 March 2013, the total amount of R72 billion was still outstanding on the bond. The first maturity of the R157 bond (the R009) will be on 15 September 2014. Investors will be obliged to split the remaining part of the R157 bond by the book close date of the first redemption which is on 5 September 2014.

New retail savings bonds

The National Treasury is developing two new savings products. A top-up retail savings bond will be introduced in 2014/15 to allow South Africans to invest smaller amounts on a frequent basis. The National Treasury is also reviewing retirement annuities. In line with this, it will be introducing a post-retirement retail savings bond in the near future; however its development is still at an early stage.

New retail bond walk-in centre

In 2012, a retail savings bond walk-in centre was opened to strengthen interaction with investors. The centre is located on the ground floor of the National Treasury's office at 240 Madiba Street, Pretoria. Investors with enquiries can visit the centre or call the retail bond helpline (012 315 5888) during office hours.

Electronic trading platform

South Africa has partnered with the World Bank Treasury and the Swiss Secretariat of Economic Affairs (SECO) under the World Bank's Government Debt and Risk Management (GDRM) programme to develop a new architecture for the secondary market that will enhance liquidity and price discovery of government bonds. The project is on-going and the National Treasury will continue to work with all relevant stakeholders.

Africa Centre for Public Debt Management

In June 2011, the National Treasury with the Organization for Economic Co-operation and Development (OECD) established the Africa Centre for Public Debt Management. The centre is hosted by the Development Bank of Southern Africa (DBSA) in Midrand.

The main aim of the centre is to promote sound public debt management policies and well-developed debt markets that support the development of infrastructure in Africa. Projects completed by the African Debt Centre include:

- Compilation of the African Central Government Debt Statistical Yearbook and Database
- A joint study by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa and the OECD of public sector contingent liabilities in Eastern and Southern Africa.

In June 2012, the National Treasury and the OECD hosted a two-day annual debt conference attended by delegates from 25 countries. The focus of the conference was on:

- Priorities in the development of market infrastructure
- Buy-back operations and exchanges/switches
- Liquidity buffers and their impact on cash management
- The transition towards a modern debt management organization.

Commonwealth Secretariat public debt analytical tool

The National Treasury has also entered into a partnership with the Commonwealth Secretariat to strengthen debt management capacity in member countries. The Secretariat has recently developed a public debt analytical tool called Horizon which enables debt managers to assess the costs and risks of various borrowing strategies.

It also allows for the implementation and monitoring of a selected strategy by integrating cash management, an annual borrowing plan and liability management operations. South Africa was the first country to which Horizon was rolled out, in November 2012. In March 2013, the National Treasury and the Commonwealth Secretariat co-hosted a workshop on the tool in Cape Town attended by delegates from 17 countries.

2. NATIONAL GOVERNMENT'S BORROWING REQUIREMENT AND FINANCING

The national government's net borrowing requirement is the sum of the main budget balance and extraordinary receipts and payments. Table 1 shows the preliminary outcome of government's budgeted net borrowing requirement for 2012/13.

Table 1: National government's net borrowing requirement, 2012/13

R million	Budget	Revised	Preliminary outcome
National budget balance	-170 025	-184 493	-184 294
Extraordinary receipts	1 200	10 780	11 534
Premiums on loan transactions	1 200	9 975	10 542
Revaluation profits on foreign currency transactions	–	755	939
Liquidation of SASRIA investment	–	50	50
Other	–	–	3
Extraordinary payments	-24	-2 584	-2 587
Premiums on loan transactions	–	-2 170	-2 172
Revaluation losses on foreign currency transactions	–	-262	-263
Defrayal of GFECRA losses	-24	-152	-152
Borrowing requirement	-168 849	-176 297	-175 347

Source: National Treasury

Government's net borrowing requirement was R175.3 billion. Extraordinary receipts totaled R11.5 billion and consisted mainly of R10.5 billion of premiums on loan transactions, the proceeds of R50 million from the liquidation of investments managed by the South African Special Risk Insurance Association (SASRIA) and revaluation profits of R939 million on foreign currency transactions.

There were extraordinary payments of R2.6 billion in 2012/13, consisting largely of R2.1 billion in premiums on loan transactions and revaluation losses of R263 million on foreign currency transactions.

Table 2 shows the outcome of the government's financing programme for 2012/13. The net borrowing requirement in the year was financed through issuing domestic short-term loans of R22.6 billion, domestic long-term loans of R125.8 billion and a draw-down on cash balances of R38.6 billion. Foreign loans were reduced by R11.6 billion during the same period.

Table 2: Preliminary outcome of financing the net borrowing requirement, 2012/13

R million	Budget	Revised	Preliminary outcome
Domestic short-term loans (net)	22 000	22 000	22 555
Treasury bills	22 000	20 897	16 826
Corporation for Public Deposits	–	1 103	5 729
Domestic long-term loans (net)	119 998	126 448	125 767
Market loans (gross)[1]	151 367	161 557	161 554
Loans issued for switches	–	-3 790	-3 848
Redemptions	-31 369	-31 319	-31 939
Foreign loans (net)	-7 492	-7 379	-11 622
Market loans (gross)	4 035	4 190	–
Arms procurement loan agreements (gross)	183	61	61
Redemptions (including revaluation of loans)	-11 710	-11 630	-11 683
Change in cash and other balances[2]	34 343	35 228	38 647
Financing	168 849	176 297	175 347

[1]Net of loans issued and redeemed in switch transactions
[2]A negative change indicates an increase in cash balances

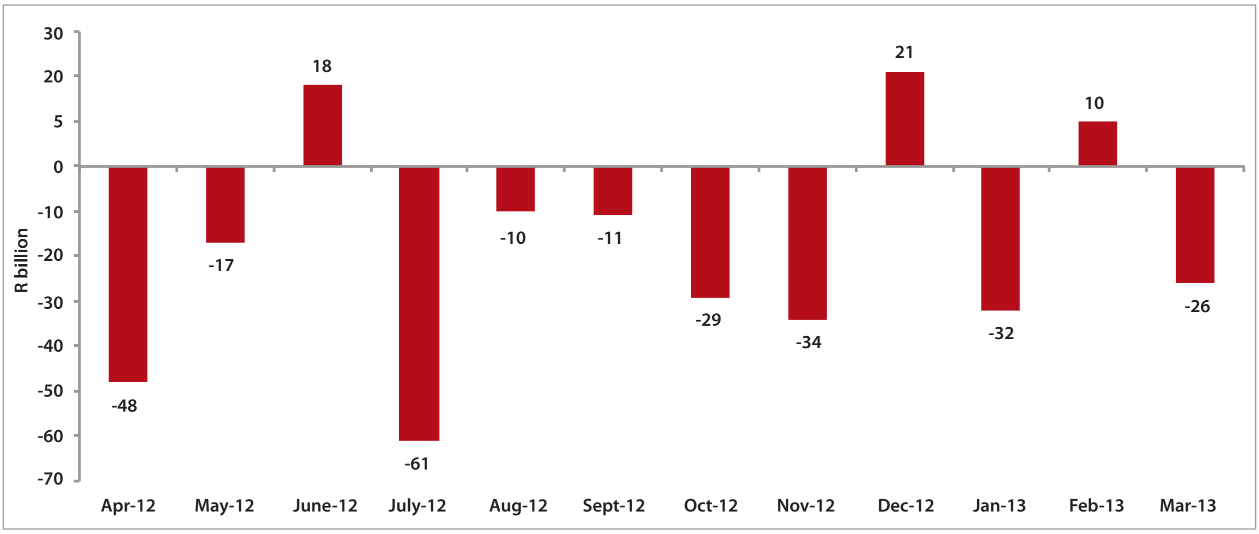
Source: National Treasury

Government cash balances

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

Cash management also plays a pivotal role in supporting collaboration between the National Treasury and the Reserve Bank in managing market liquidity. Cash and debt management are integrated into the government's asset and liability management operations. The monthly gross deficit or surplus before borrowing in 2012/13 is shown in Figure 8.

Figure 8: Monthly gross deficit/surplus before borrowing, 2012/13



Source: National Treasury

In 2012/13, deficit peaks arose from high expenditure, quarterly transfers to member countries of the Southern African Customs Union and transfers to municipalities in July, November and March. The deficit in March 2013 was largely as a result of the redemption of the R189 (6.25 per cent, 2013) bond. The gross surplus before borrowing represents large tax receipts, mainly from corporates.

The government's total cash balances include deposits held by the Reserve Bank and commercial banks. Cash deposits with the Reserve Bank include sterilisation and foreign exchange deposits. Sterilisation deposits are excess cash created when buying foreign exchange reserves. These deposits are not readily available to finance expenditure and are available only for short-term cash management and for bridging finance.

Foreign exchange deposits consist of money borrowed in global markets and/or foreign currencies purchased in the domestic market. Foreign exchange deposits can be used to meet foreign exchange commitments. The government's cash balances are shown in Table 3.

Table 3: National government's cash balances, March 2012 and March 2013

R million	March 2012	March 2013
Reserve Bank	131 485	130 945
Sterilisation deposits	67 157	67 157
Foreign exchange deposits	64 328	63 788
Commercial Banks	63 340	70 513
Tax and loan accounts	63 293	70 472
Foreign exchange deposits[1]	47	41
Total	194 825	201 458
Of which:		
Rand	130 450	137 629
Foreign currency	64 375	63 829

[1]Amounts drawn on the arms procurement loan agreements are deposited into an interest-bearing Escrow account until expenditure takes place.

Source: National Treasury

The analysis of the flows in government's foreign exchange balances with the Reserve Bank is shown in Table 4. Foreign exchange commitments of US$2.6 billion were financed through purchase of foreign exchange in the domestic market, settlement of foreign exchange forward contracts, use of interest earned and proceeds from US$ 1.5 billion bond issued in January 2012 as prefunding. In 2012/13, total foreign exchange deposits declined by US$79 million to US$8.7 billion.

Table 4: US$ flows on foreign exchange deposits, 2012/13

US$ million	Budget	Revised	Preliminary outcome
Opening balance	8 881	8 804	8 804
Inflows	1 535	3 080	2 564
International bond issue	500	500	-
Maturing swaps	-	2 000	2 038
New spot purchases	911	460	425
Interest	124	120	101
Outflows	-2 792	-2 647	-2 643
Interest on debt portfolio	-840	-811	-799
Loan redemptions	-1 451	-1 453	-1 456
Payments by departments	-501	-383	-388
Closing balances	7 624	9 236	8 725

Source: National Treasury

Short-term borrowing

Short-term funding consists of Treasury bills issuance and borrowings from the Corporation for Public Deposits (CPD). In 2012/13, a net amount of R22.6 billion was raised from short-term domestic loans, consisting of R16.8 billion of Treasury bills issuance and R5.7 billion from the CPD.

Table 5: Domestic short-term borrowing, 2012/13

R million	Opening balance	Net change	Closing balance	Weekly auction
Corporation for Public Deposits	13 256	5 729	18 985	
Treasury bills	155 159	16 826	171 985	7 210
91-day	46 909	-1 560	45 349	3 685
182-day	35 880	2 364	38 244	1 515
273-day	38 220	5 640	43 860	1 130
364-day	34 150	10 382	44 532	880
Total	168 415	22 555	190 970	

Source: National Treasury

Treasury bill auction performance

Treasury bill auctions are conducted on a weekly basis. The demand for Treasury bills was weaker in the second half of the fiscal year. Treasury bill auctions were under-allotted by R8.3 billion, of which R4.5 billion was in March 2013.

Due to the weaker demand for Treasury bills, yields increased across maturities especially towards the end of the fiscal year. The summary of the auction bid-to-cover ratio and effective yields are shown in Table 6. The summary of Treasury bill auctions are shown in Annexures C and D.

Table 6: Treasury bill auctions, 2012/13

	91-day	182-day	273-day	364-day
Bid-to-cover ratios				
Highest	3.37	4.55	3.76	3.90
Lowest	0.69	0.66	0.62	0.57
Average	1.84	2.28	2.16	2.19
Effective yields (%)				
Highest	5.67	5.81	5.90	6.02
Lowest	4.96	5.06	5.06	5.04
Average	5.23	5.33	5.36	5.36

Source: National Treasury

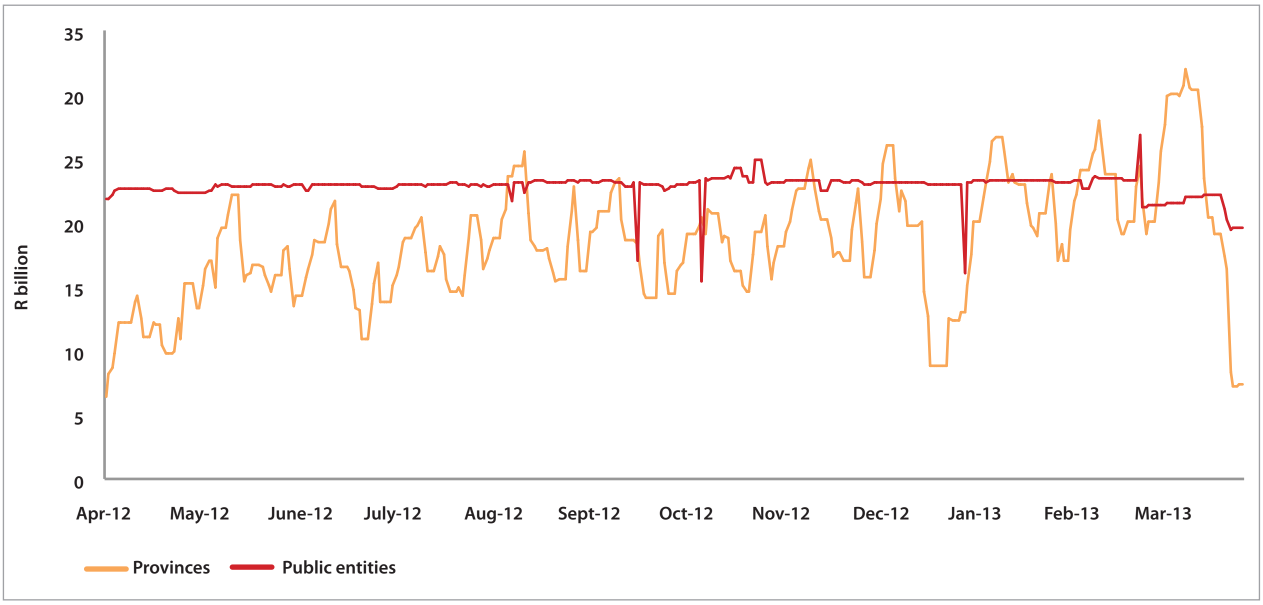
Corporation for Public Deposits

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

In 2012/13, the surplus cash invested with the CPD accrued interest at the 91-day Treasury bills yield rate less 10 basis points, whereas interest on lending was based on the 91-day Treasury bills yield rate.

The average amount of deposits made by provincial governments and state-owned companies in 2012/13 was R41.2 billion. The highest amount was R52 billion and the lowest R26.8 billion. During 2012/13, the National Treasury borrowed on average R17.8 billion from the CPD. In 2012/13, 12 new accounts were opened by state-owned companies, bringing to 70 the number of these account holders.

Figure 9: Balances in the Corporation for Public Deposits, 2012/13



Source: National Treasury

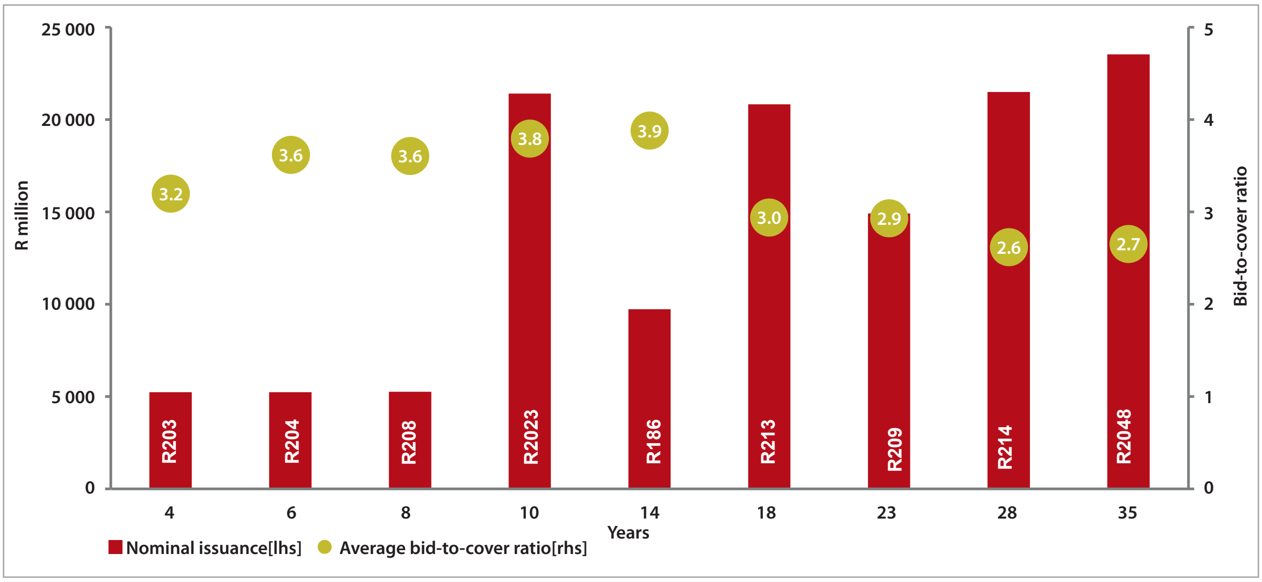
Long-term funding

Long-term funding consists of the issuance of fixed-rate bonds, inflation-linked bonds and retail savings bonds. Fixed-rate and inflation-linked bond auctions are conducted on a weekly basis in line with pre-determined auction calendars. Retail savings bonds are made available to South African citizens through the South African Post Office and Pick 'n Pay retail outlets.

Fixed-rate bonds

At R2.1 billion, the weekly auction volume was unchanged from the previous fiscal year. Forty-nine auctions were conducted in 2012/13, resulting in total nominal issuance of R127.7 billion. The total nominal issuance by maturity area and the auction bid-to-cover ratio are shown in Figure 10. Issuance in the 14- to 35-year maturity bracket accounted for 70 per cent of the total issuance. The summary of the fixed-rate bond auctions is shown in **Annexure E**.

Figure 10: Issuance of fixed-rate bond auctions, 2012/13



Source: National Treasury

As part of the strategy to minimise refinancing risks, the National Treasury has focused its issuance at the long-end of the curve. It also introduced two fixed-rate bonds in 2012/13: the R2023 (7.75 per cent; 2023) and the R2048 (8.75 per cent; 2048) bonds. At the end of the fiscal year, the amount issued on these bonds totalled R21.4 billion and R23.5 billion respectively.

Fixed-rate bond auctions were well supported in 2012/13, with strong demand from non-residents. On average, the auction bid-to-cover ratio was 3.3 compared with 2.7 recorded in 2011/12. At 3.9, the R186 (10.50 per cent; 2025/26/27) bond recorded the highest bid-to-cover ratio followed by the R2023 (7.75 per cent; 2023) at 3.8.

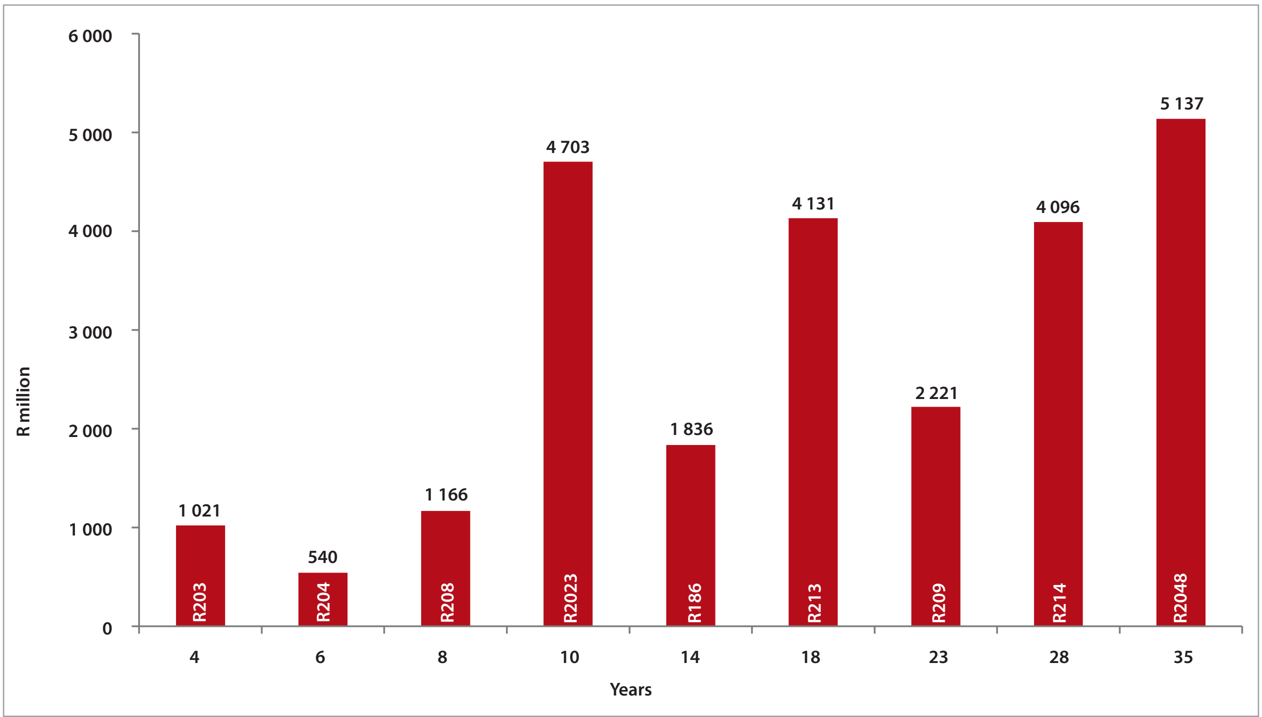
Non-competitive auction performance

The National Treasury incentivises participation in the primary market and market-making obligations through non-competitive auctions. Primary dealers are eligible to take up 30 per cent of the successful bid amount at the same clearing levels as the competitive auction.

A nominal amount of R24.8 billion was issued through non-competitive auctions, resulting in a cash amount of R22.7 billion. From August to November 2012, the non-competitive auction limit was increased to 50 per cent to accommodate potential inflows resulting from the WGBI inclusion.

The performance of the non-competitive auctions by funding instrument in nominal terms is illustrated in Figure 11. The highest take-up of non-competitive auctions was in the new bonds, the R2023 (7.75 per cent; 2023) and the R2048 (8.75 per cent; 2048).

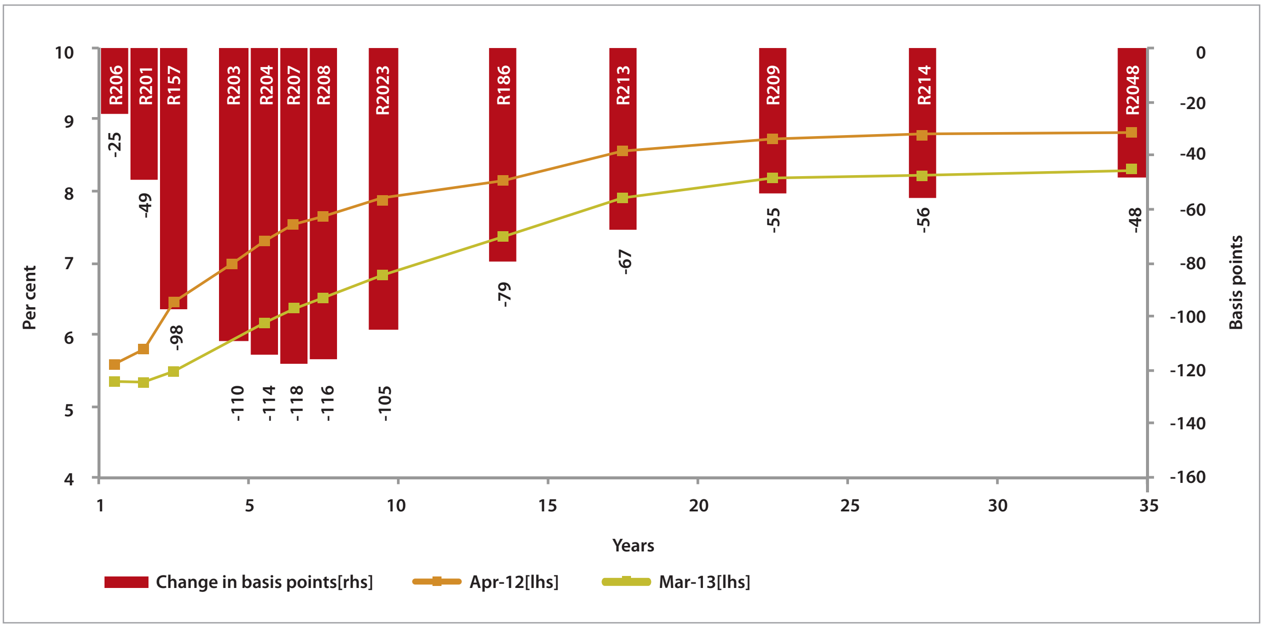
Figure 11: Non-competitive auction performance by bond, 2012/13



Source: National Treasury

Anchored by the low domestic monetary policy rate and demand from non-residents, government's borrowing costs declined, as illustrated in Figure 12. The yields decreased by an average of 82 basis points in 2012/13 with the decline more pronounced in the short- to medium-term area of the curve compared with 2011/12. However, the yield curve has remained steep due to increased issuance at the long-end of the curve.

Figure 12: Yield curve movement of fixed-rate bonds, April 2012 – March 2013

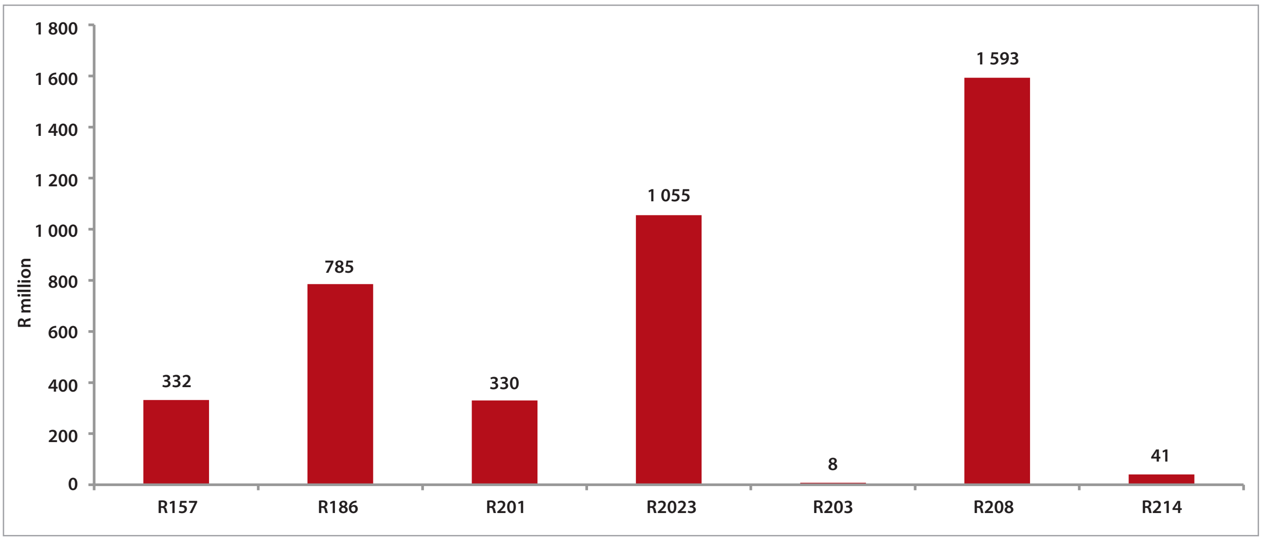


Source: National Treasury

Scrip lending

The National Treasury has an obligation to support the government bond market by acting as a lender of last resort to avoid settlement failures and subsequent systemic risk. The scrip lending facility is available strictly to primary dealers and only if other avenues to obtain the scrip have been exhausted. A nominal amount of R4.1 billion was issued in 2012/13 through the scrip lending facility. Figure 13 shows the breakdown.

Figure 13: Fixed-rate bonds issued through the scrip lending facility



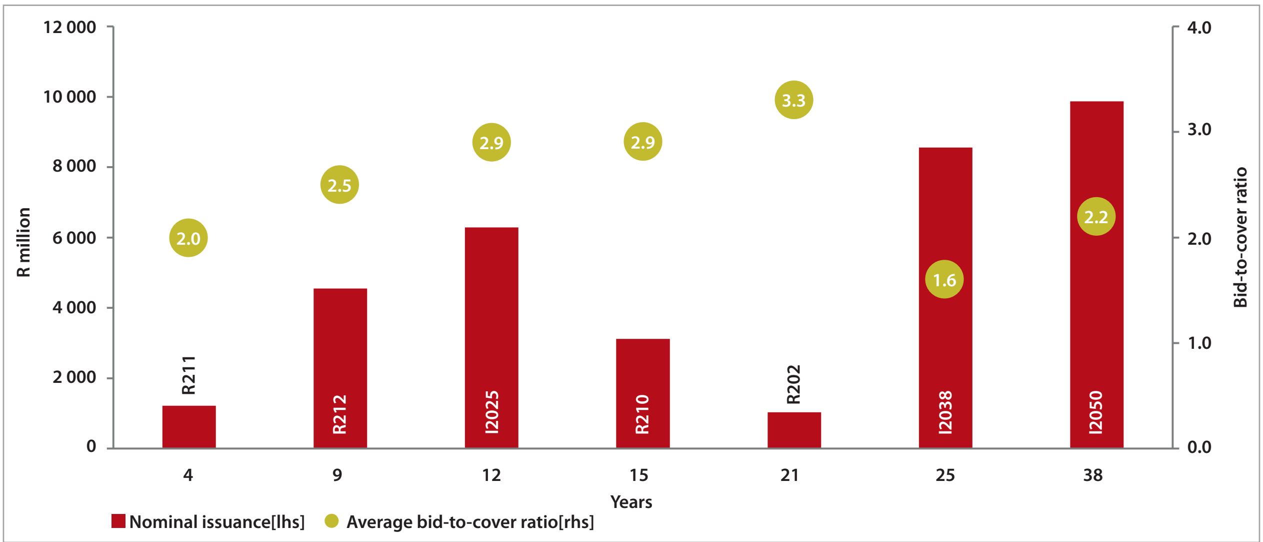
Source: National Treasury

Inflation-linked bonds

In 2012/13, the National Treasury maintained its weekly nominal auction amount of R800 million and conducted a total of 47 auctions in accordance with the auction calendar. A nominal amount of R34.6 billion was issued, resulting in a cash amount of R40.4 billion. Issuance was spread across seven bonds of which three were introduced during 2012/13 to create more benchmark bonds across the yield curve.

The new bonds - the I2025 (2.0 per cent; 2025), I2038 (2.25 per cent; 2038) and I2050 (2.5 per cent; 2050) - accounted for 70 per cent of the total issuance. The I2050 is the first inflation-linked bond with three maturity splits and extends the real yield curve to 38 years. The summary of the inflation-linked bond auctions is shown in Annexure F.

Figure 14: Issuance of inflation-linked bonds, 2012/13

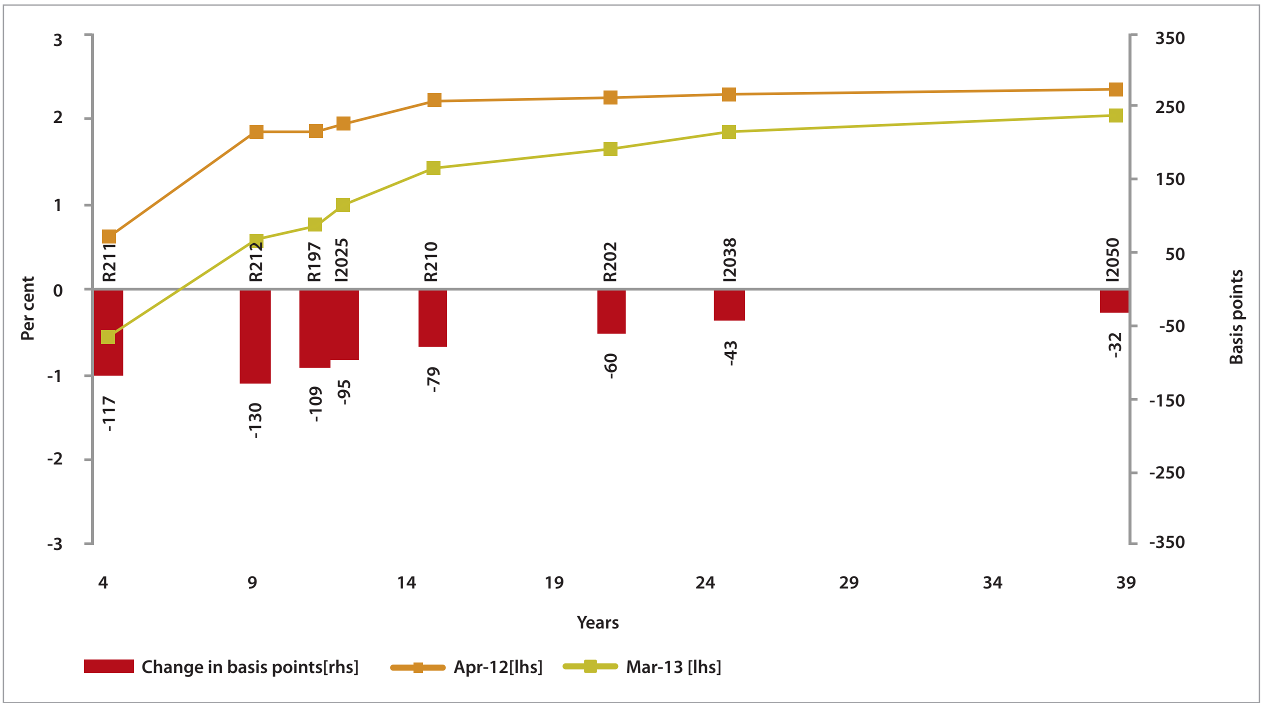


Source: National Treasury

The demand for inflation-linked bonds remained strong, supported mainly by local pension funds. An average auction bid-to-cover ratio of 2.5 was recorded in 2012/13, slightly lower compared to the previous fiscal year. However, seven auctions were under-subscribed.

Yields on inflation-linked bonds declined in 2012/13, reaching a record low largely on the back of robust demand from local pension funds. The yield on the R212 (2.75 per cent; 2022) bond declined by 130 basis points and the R197 (5.5 per cent; 2023) bond saw a decline of 109 basis points. Yields on the new I2038 and I2050 bonds declined by 43 and 32 basis points respectively.

Figure 15: Yield curve movement of inflation-linked bonds, April 2012 - March 2013



Source: National Treasury

Rebasing and reweighting of the consumer price index

In 2012, Statistics South Africa (Stats SA) changed the base year and revised the weights of the items used to calculate the consumer price index. This was done to ensure that the index continues to track changes in households' expenditure patterns.

The new weights used in calculating the index were based on Stats SA's Income and Expenditure Survey (IES) for 2010/11. The base period was changed from the year 2008 to the month of December 2012. More information on the new weights can be obtained from the website of Stats SA *(http://www.statssa.gov.za)*.

To ensure that inflation index ratios are calculated accurately, the National Treasury published new base indices for all inflation-linked bonds. The new and old base indices with 15 digits are shown in Table 7.

Table 7: Base indices for inflation-linked bonds

Bond code	Old base index-2008	New base index-2013
R211 (2.5%; 2017)	110.4400000000000	87.1665351223362
R212 (2.75%; 2022)	110.6800000000000	87.3559589581689
R197(5.50%;2023)	65.0504032258064	51.3420704228938
I2025 (2.0%; 2025)	122.6483870967740	96.8021997606742
R210 (2.6%; 2028)	89.2750000000000	70.4617205998421
R202 (3.45%; 2033)	76.8225806451613	60.6334496015480
I2038 (2.25%; 2038)	122.6483870967740	96.8021997606742
I2050 (2.5%; 2049/50/51)	122.7612903225810	96.8913104361331

Source: National Treasury

Reverse repurchase transactions for inflation-linked bonds

The reverse repurchase facility was introduced to enhance tradability of inflation-linked bonds in the secondary market. The facility is open to market participants who have signed a master repurchase agreement with the Reserve Bank.

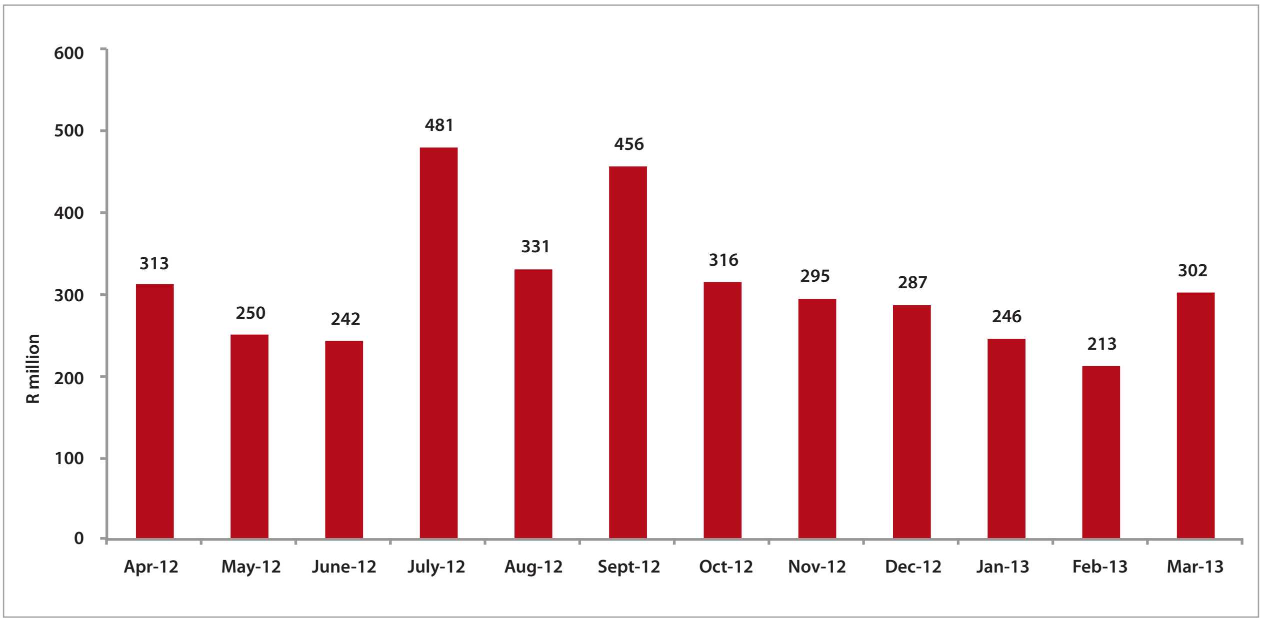
Currently, FirstRand Bank, ABSA and Worldwide Capital are eligible to participate in the reverse repurchase facility. An amount of R745 million was taken up (by one institution) in the period under review, of which R485 million was on the R212 (2.75 per cent; 2022) bond and R260 million on the R202 (3.45 per cent; 2033) bond.

Retail savings bonds

There are currently three savings products available to retail investors: fixed-rate retail savings bonds, inflation-linked retail savings bonds and co-operative retail savings bonds. A cash amount of R3.7 billion including re-investments was raised through retail savings bonds in 2012/13.

Monthly deposits, which include re-investments, are shown in Figure 16. Higher deposits were seen in July and November, in line with past trends. The amount invested in retail savings bonds decreased from R12.2 billion in March 2012 to R11.3 billion in March 2013. The decline can be attributed to the low interest rate environment and welcome competition from other financial institutions.

Figure 16: Monthly retail savings bonds deposits, including re-investments, 2012/13



Source: National Treasury

Interest rates on retail savings bonds

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

The interest rates on the fixed-rate bonds are shown in Table 8. The interest rates on inflation-linked retail bonds were left unchanged throughout 2012/13. The interest rates on the 3-year and 5-year inflation-linked retail savings bonds were 1 per cent and 1.25 per cent respectively, and on the 10-year 2.25 per cent.

The interest rate on the 1-year cooperative retail savings bond decreased from 6.01 per cent in May 2012 to 5.24 per cent in March 2013. The rates on the 2-year and 3-year cooperative retail bonds were similar to those of fixed-rate retail savings bonds.

Table 8: Interest rates on fixed-rate retail bonds, 2012/13

	2-year	3-year	5-year
Apr-12	7.25	7.50	8.00
May-13	6.75	7.00	7.50
Aug-12	6.00	6.75	7.00

Source: National Treasury

Foreign long-term financing

Government borrows in the international capital market to meet foreign exchange commitments and create benchmarks for other South African issuers. As prefunding for 2012/13, in January 2012 the National Treasury issued a US$1.5 billion bond with a maturity of 12 years.

In the 2011 Budget, the Minister of Finance announced that the government is considering issuing a Sukuk (Islamic bond). Arrangers were appointed in June 2012. The process is currently at an advanced stage, with issuance likely in 2013/14. The deal will be the first Islamic transaction for the Republic and will serve as a benchmark for other South African issuers.

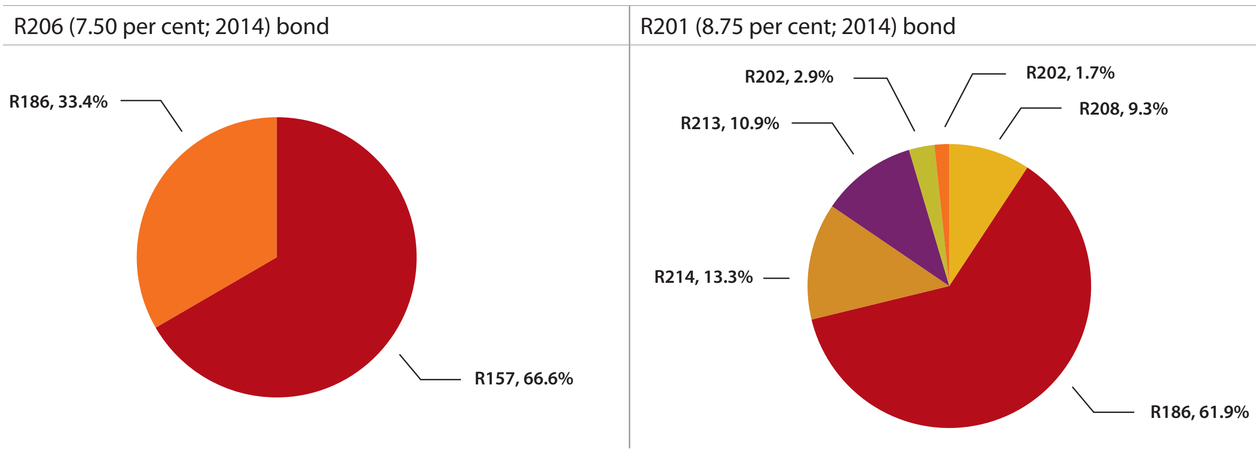
Switch/exchange programme

The National Treasury announced a R49 billion switch/exchange programme in the 2012 Budget to reduce potential refinancing risk in the medium-term. The R49 billion consisted of R15 billion of the R206 (7.50 per cent, 2014) bond maturing in January 2014 and R34 billion of the R201 (8.75 per cent, 2014) bond maturing in December 2014.

In line with the switch auction calendar, 15 auctions were conducted in 2012/13 resulting in R37.4 billion being switched. Of the R34 billion planned for switches on the R201 bond, R22.1 billion was successfully switched and the remaining R11.9 billion will be switched in 2013/14.

As shown in Figure 17, the R157 (13.50 per cent; 2015/16/17) and R186 (10.5 per cent; 2025/26/27) bonds were investors' preferred destination bonds. The entire R15.4 billion of the R206 (7.50 per cent, 2014) bond was switched into R157 (13.50 per cent; 2015/16/17) and R186 (10.5 per cent; 2025/26/27) bonds, while 61.9 per cent of the R201 (8.75 per cent, 2014) bond was exchanged for the R186 (10.5 per cent; 2025/26/27) bond.

Figure 17: Destination bonds for the switch auction programme, 2012/13



Source: National Treasury

Funding outcome of state-owned companies

The funding plans of state-owned companies are driven mainly by their infrastructure investment programmes. Capital infrastructure spending by state-owned companies for 2012/13 was R108.2 billion, R29 billion less than budgeted. The bulk of investment was in the energy and transport sectors which together accounted for 97 per cent of the total.

Table 9: Capital expenditure by state-owned companies, 2011/12 - 2012/13

	2011/12	2012/13	
R million	Outcome	Budget	Outcome
Capital expenditure	92 600	137 600	108 200
Of which:			
Eskom	58 800	64 900	59 900
Transnet	21 800	31 200	29 700
Central Energy Fund	1 200	23 300	4 800
SANRAL	8 200	8 900	9 600
Trans-Caledon Tunnel Authority	1 200	3 600	1 500

Source: National Treasury

Major state-owned companies' borrowing in 2012/13 totaled R70 billion, lower than the projection of R82.2 billion. Domestic funding accounted for 58 per cent of the total, with the remaining 42 per cent raised from foreign sources. Eskom and Transnet accounted for R56.9 billion of the total issuance.

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

Table 10: Borrowing requirement of state-owned companies, 2012/13

	2011/12	2012/13	
R million	Outcome	Budget	Outcome
Domestic loans (gross)	39 379	47 581	40 531
Short-term	12 470	14 281	13 324
Long-term	26 909	33 300	27 207
Foreign loans (gross)	22 039	34 589	29 419
Of which:			
Multilateral institutions	13 863	17 256	16 565
Export credit agency financing	8 176	10 300	4 327
Total	61 418	82 170	69 950
As percentage of total:			
Domestic loans (gross)	64	58	58
Foreign loans (gross)	36	42	42

Source: National Treasury

Private placements of bonds increased in 2012/13, with Eskom and the Industrial Development Corporation placing R7.3 billion.

Transnet reduced its R200 million bi-monthly domestic bond auctions to monthly auctions of R100 million. The reduction was due to Transnet's successful foreign bond issuance in July 2012. It issued US$1 billion in the international debt capital market; this reduced the company's funding needs. The bond, with a tenor of ten years, was issued at coupon of 4.0 per cent and a spread of 263 basis points above the corresponding 10-year US Treasury bond.

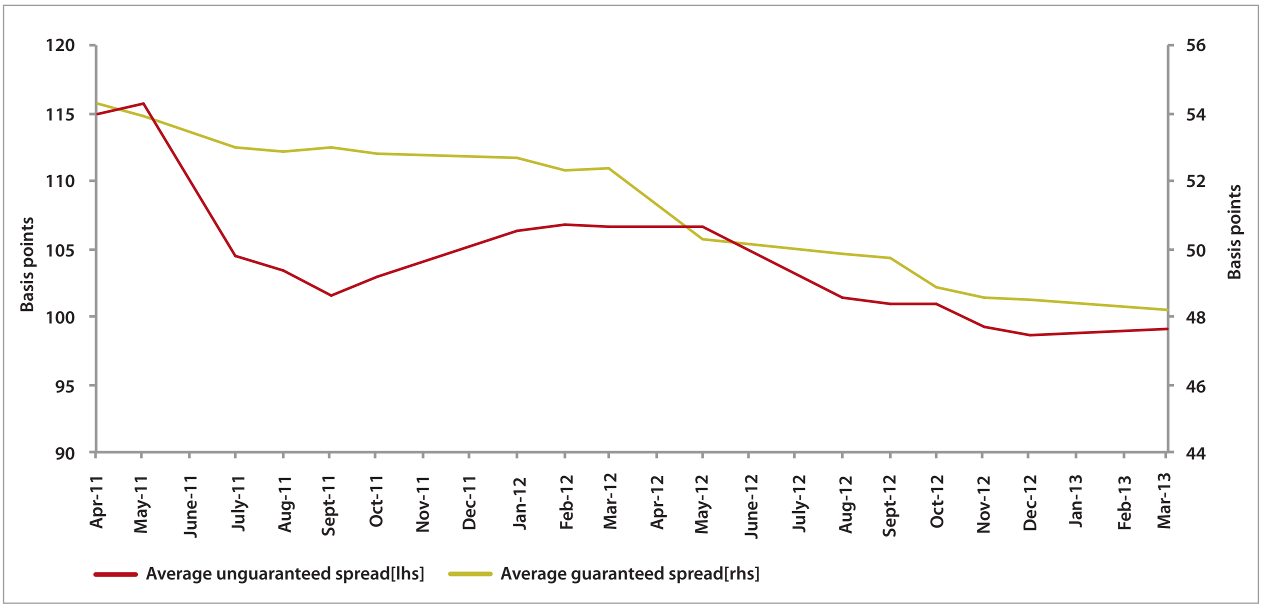
Other foreign funding by state owned companies was comprised of draw-downs from committed facilities with multilateral institutions amounting to R16.6 billion.

Funding costs of state-owned companies

The funding costs of state-owned companies in the domestic bond market have fallen gradually over the past two years, as reflected in Figure 18. The credit spread on state owned companies' guaranteed bonds tightened from 85 basis points in April 2011 to 74 basis points in March 2013.

The credit spreads on unguaranteed bonds decreased by 12 basis points over the same period. The downgrade of the sovereign credit rating by all three major credit rating agencies and the subsequent downgrade of state-owned companies had a marginal impact on borrowing costs.

Figure 18: Credit spreads of state-owned companies, April 2011 - March 2013



Source: Johannesburg Stock Exchange

3. FUNDING PLANS OF GOVERNMENT AND STATE-OWNED COMPANIES FOR 2013/14

Government funding strategy

In 2013/14, government's net borrowing requirement will amount to R178 billion, to be funded mainly in the domestic market. Net issuance of short-term loans will be R23 billion while long-term loans will total R143.6 billion.

The National Treasury will borrow US$2 billion dollar equivalent in the international capital market. The total redemption in 2013/14 will amount to R37.4 billion, consisting of R20.7 billion of domestic loans and R16.7 billion of foreign loans.

Table 11: Financing of government's net borrowing requirement, 2013/14

R million	2013/14
Domestic short-term loans (net)	**23 000**
Treasury bills	24 103
Corporation for Public Deposits	-1 103
Domestic long-term loans (net)	**143 610**
Market loans (gross)[1]	165 648
Loans issued for switches	-1 310
Redemptions	-20 728
Foreign loans (net)	**-4 335**
Market loans (gross)	12 390
Redemptions (including revaluation of loans)	-16 725
Change in cash and other balances[2]	**15 772**
Financing	178 047

[1]Net of loans issued and redeemed in switch transactions
[2]A negative change indicates an increase in cash balances

Source: National Treasury

Funding plans of state-owned companies

State-owned companies' borrowing requirement is projected to increase to R92.6 billion in the 2013/14 fiscal year, with bond issuances by these companies expected to be higher than the issuance volume in 2012/13.

This is due to the return to the market of some state-owned companies that were not active in the domestic bond market in 2012/13 and increased issuance by some state-owned companies that were active. Eskom and Transnet will be responsible for 79 per cent of the total issuance.

Table 12: Borrowing requirements of state-owned companies, 2013/14

R million	2013/14
Domestic loans (gross)	54 240
Short-term	21 022
Long-term	33 218
Foreign loans (gross)	**38 426**
Long-term	38 426
Of which:	
Multilateral institutions	13 739
Export credit agency financing	6 670
Total	92 666
As percentage of total:	
Domestic loans (gross)	59
Foreign loans (gross)	41

Source: National Treasury

Eskom may consider an international bond issuance in 2013/14. The previous issuance by Eskom in the international debt capital market was US$1.75 billion in January 2011. Draw-downs on committed credit facilities from multilateral institutions and export credit agency backed financing institutions will continue in 2013/14.

The role of the National Treasury in relation to state-owned companies

The National Treasury is mandated to perform financial oversight over state-owned companies. This ensures that they comply with the applicable provisions of the Public Finance Management Act (PFMA). The National Treasury also monitors progress in relation to the strategies of state-owned companies whose debt is guaranteed by the government.

National public entities are classified into three categories: Schedule 2, 3B entities and Schedule 3A entities. Schedule 2 entities are major public entities that are allowed, in terms of section 66(2)(a) of the PFMA, to borrow money with the approval of their Boards of Directors. Schedule 2 entities include Eskom, Transnet, the Airport Company of South Africa and the Land Bank.

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

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

The issuance programmes of government and state-owned companies are coordinated to avoid a crowding-out effect. The National Treasury also publishes the annual bond issuance calendar which consolidates the bond issuance plans of government and state-owned companies.

To enable the National Treasury to monitor their progress, all state-owned companies authorised to borrow are required to submit annual borrowing plans and to provide quarterly updates.

The National Treasury monitors the status of the contingent liabilities, which include guarantees extended to state-owned companies. Applications for guarantees are subject to a risk assessment before being granted.

Once a guarantee is issued, the National Treasury works with the executive authority to monitor the company's financial performance and takes appropriate action when necessary to mitigate risks that may emerge.

4. DEBT PORTFOLIO AND RISK BENCHMARKS

As shown in Table 13, total government debt increased from R1.2 trillion in 2011/12 to R1.4 trillion in 2012/13. Debt volume is expected to increase in the medium-term, reaching R1.8 trillion in 2015/16. Domestic debt accounts for 90.9 per cent of total government debt, with foreign debt making up the remaining 9.1 per cent.

Table 13: Composition of government debt, 2012/13

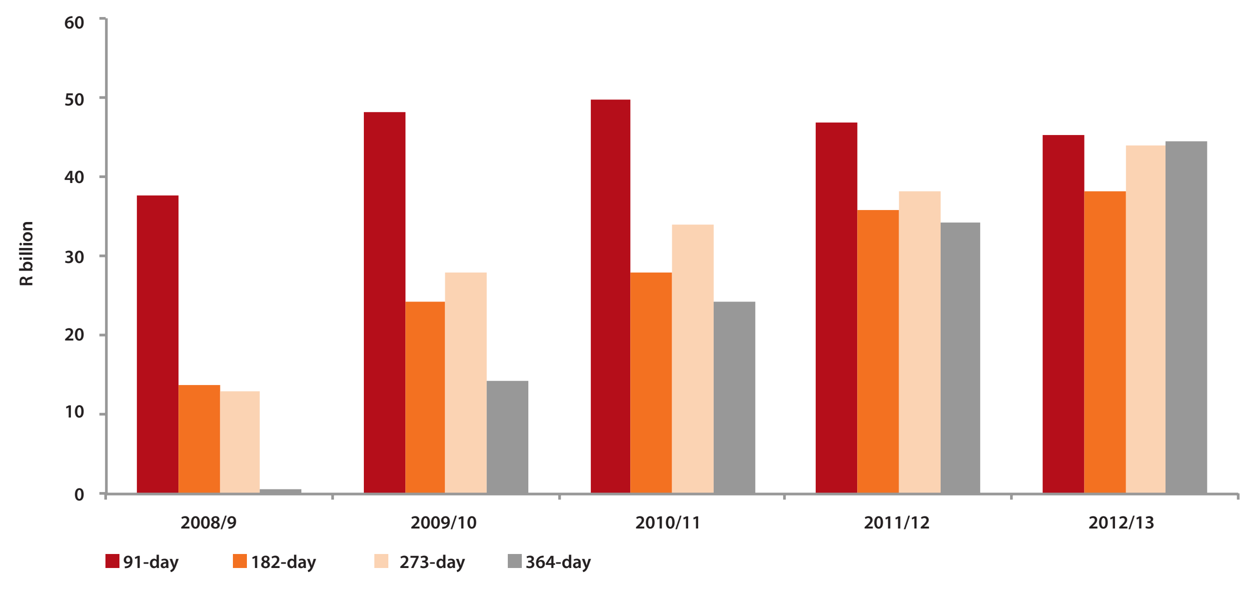
R million	Mar-12	% of total	Mar-13	% of total
Total domestic debt	**1 070 940**	**90.2**	**1 241 123**	**90.9**
Fixed-rate bonds	668 300	56.3	793 358	58.1
Inflation-linked bonds	220 973	18.6	244 496	17.9
T-bills	155 159	13.1	171 985	12.6
Corporation for Public Deposits	13 256	1.1	18 985	1.4
Retail savings bonds	12 222	1.0	11 269	0.8
Zero-coupon bonds	984	0.1	984	0.1
Other loans	46	–	46	–
Total foreign debt	**116 851**	**9.8**	**124 555**	**9.1**
Foreign currency bonds	98 151	8.3	106 588	7.8
Other foreign loans	18 700	1.6	17 967	1.3
Total government debt	**1 187 791**	**100**	**1 365 678**	**100**

Source: National Treasury

Maturity structure of government debt

To manage roll-over risk, the issuance of Treasury bills was concentrated in the longer maturities during the reporting year. As a result, the weighted average time-to-maturity increased from 214 days in 2011/12 to 228 days in 2012/13. For the detailed redemption schedule, refer to Annexure A.

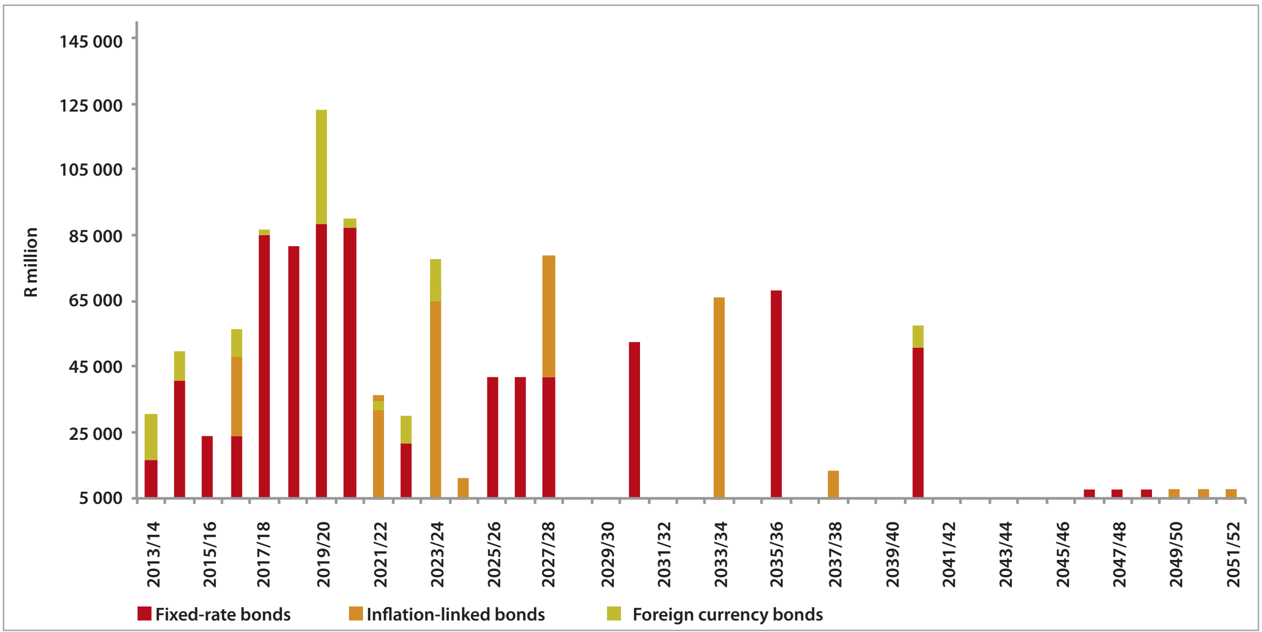
Figure 19: Maturity profile of the Treasury bill portfolio, 2008/09 - 2012/13



Source: National Treasury

The government debt maturity profile is illustrated in Figure 20, with the short- to medium-term maturities characterised by higher redemption amounts. To ensure a smooth maturity profile, the National Treasury makes use of switch auctions.

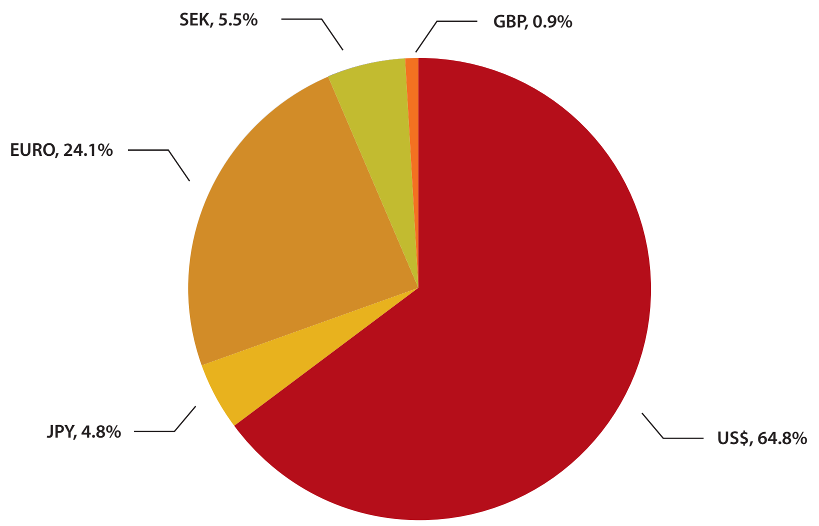
Figure 20: Maturity profile of government bonds, 31 March 2013



Source: National Treasury

The currency composition of the foreign currency debt is shown in Figure 21. The debt denominated in US dollars accounted for the largest share of this debt, with a contribution of 64.8 per cent, followed by the Euro at 24.1 per cent.

Figure 21: Composition of the foreign currency debt, 31 March 2013



Source: National Treasury

Debt portfolio against risk benchmarks

The National Treasury has developed risk benchmarks to reduce the impact of market factors on borrowing and debt-service costs. The domestic debt risk benchmark of a 70/30 per cent split between fixed-rated debt, and indexed and discount debt, is intended to reduce interest rate risk.

The 70/30 per cent risk benchmark was achieved in March 2009. However, due to increased issuance of inflation-linked bonds and Treasury bills, the overall debt portfolio has deviated from the risk benchmark. The fixed-rate portion of domestic debt was 64.9 per cent in March 2013, having increased from 63.6 per cent in March 2012.

Table 14: Performance of risk guidelines against risk benchmarks

Domestic debt	Risk guidelines	March 2013
Fixed debt (%)	70	64.91
Indexed and discount debt (%)	30	35.09
Foreign versus Domestic Debt		
Domestic debt (%)	80	90.88
Foreign debt (%)	20	9.12
Risk indicators[1]		
Average term-to-maturity (years) excl T-bills		12.17
Average term-to-maturity (years) incl T-bills		10.53
Modified duration (years) excl T-bills		7.59
Modified duration (years) incl T-bills		6.60
Coupon (%)		7.09
Yield (%)		5.78

[1] Risk indicators weighted

Source: National Treasury

The strategic benchmark limits exchange rate exposure to between 20 and 25 per cent of total government debt. At 9.1 per cent, foreign currency debt is currently well below the risk guideline.

Review of the debt portfolio risk benchmarks

The debt portfolio benchmarks represent the ideal long-term debt portfolio composition of government debt in terms of maturity, interest rates and currency exposure. As is standard practice by the majority of debt management offices globally, debt portfolio benchmarks are regularly reviewed. The rationale for the review is to take into account the impact of changing economic, market and fiscal conditions on the government debt portfolio and debt-service costs.

The National Treasury completed its first debt portfolio benchmark exercise in 2000. This recommended a modified duration target of 3.75 years, to be achieved through the implementation of interest rate swaps over a 5-year period. It also recommended a smooth maturity profile and building of liquid benchmark bonds across the yield curve.

Issuance was limited to the middle area of the curve. The benchmark exercise also recommended a net foreign currency exposure of 15 per cent that takes into account foreign currency debt and foreign exchange reserves. Due to the risks of transacting swaps, in 2001 the duration target was replaced with a debt portfolio risk benchmark of 70 per cent fixed-rate debt and 30 per cent floating-rate debt.

With increased issuance of inflation-linked bonds, the National Treasury stopped issuing floating-rate notes due to lack of market demand. This exposure changed to indexed and discount debt which includes Treasury bills and inflation-linked bonds. In 2001, the National Treasury revised the foreign debt exposure to range between 20 and 25 per cent of total government debt.

In 2006, the National Treasury commissioned a review of the benchmark with the aid of stochastic inputs obtained from econometric models. In 2012/13, the National Treasury started a review of the current risks benchmark, under the World Bank's GDRM programme funded by the SECO. This project is part of the broader drive to increase debt and risk management capacity of sovereign debt managers.

It is envisaged that this exercise will improve cost and risk analysis thus enabling the National Treasury to respond appropriately to economic and financial crises. A methodology for reviewing and updating risks benchmarks will also be adopted. This will enable risk management personnel to independently review and update the benchmark model.

Debt-service costs

Debt-service costs are influenced by the stock of debt outstanding, the amount of new debt and market variables such as interest rates, inflation and exchange rates. Debt-service costs on national government debt amounted to R88.1 billion in 2012/13. This is R204 million lower than budgeted, mainly as a result of not issuing a Sukuk bond as planned.

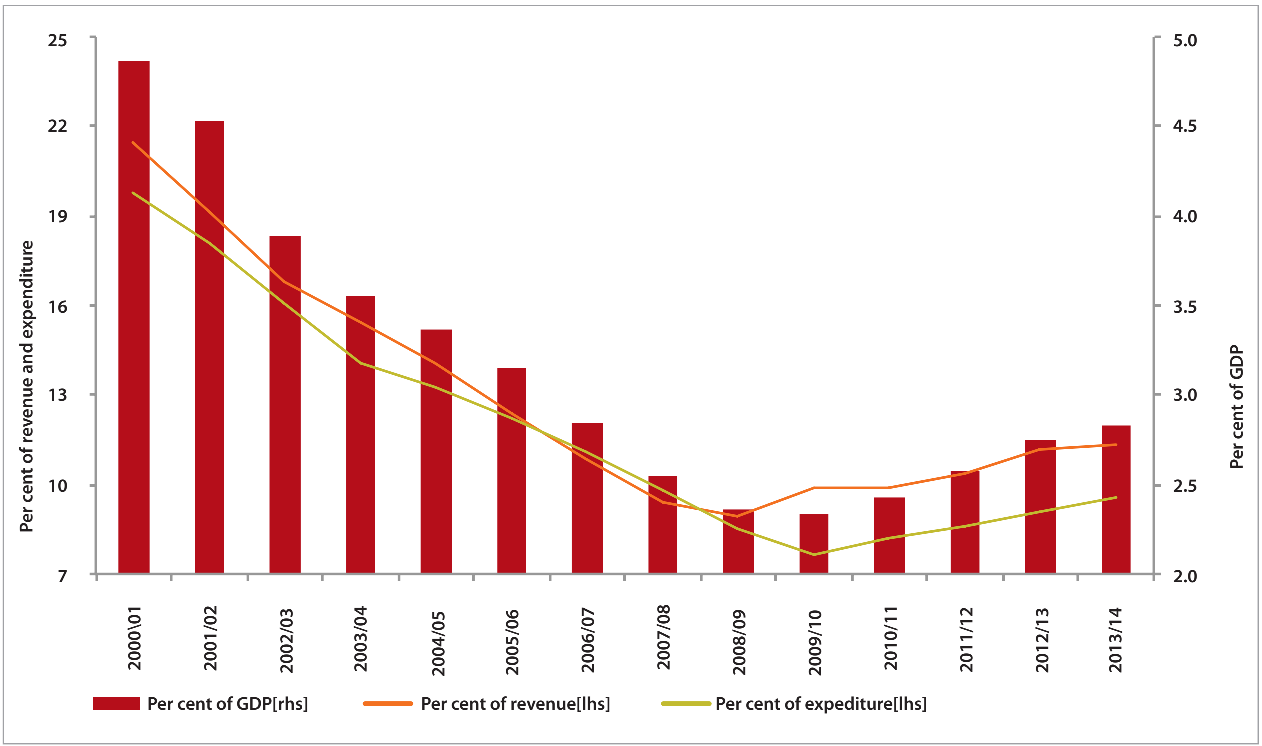
Table 15: Debt-service costs, 2012/13 - 2013/14

R million	2012/13			2013/14
	Budget	Revised	Outcome	Budget
Domestic loans	82 563	81 471	81 345	92 596
Short-term	10 864	9 722	9 704	10 971
Long-term	71 699	71 749	71 641	81 625
Foreign loans	6 825	6 854	6 776	7 145
Total	89 388	88 325	88 121	99 741

Source: National Treasury

Debt-service costs as a percentage of revenue, expenditure and gross domestic product (GDP) have increased since 2009/10, as shown in Figure 22. These ratios are, however, projected to stabilize in the medium-term in line with fiscal consolidation.

Figure 22: Debt-service costs, 2000/01 - 2013/14



Source: National Treasury

Government's explicit guarantee portfolio

Government's guarantee exposure to state-owned companies increased to R179.4 billion in 2012/13, from R153.9 billion in 2011/12. The largest exposure was to the electricity utility Eskom which accounted for 57.7 per cent of the total exposure. Net government debt including contingent liabilities is expected to peak at 53.3 per cent of GDP in 2014/15 before falling to 52.7 per cent in 2015/16.

Table 16: Government guarantee exposure to state-owned companies, 2010/11 - 2012/13

R million	2011/12		2012/13	
	Guaranteed	Exposure	Guaranteed	Exposure
South African National Roads Agency	39 943	19 426	39 943	19 426
Trans-Caledon Tunnel Authority	25 461	19 886	25 461	19 886
Eskom	350 000	77 230	350 000	103 476
Development Bank of Southern Africa	28 931	25 692	28 931	25 554
Industrial Development Corporation	1 824	647	1 824	647
Land Bank	3 800	1 093	4 600	1 800
Denel	1,850	1 850	1 850	1 850
Passenger Rail Agency of South Africa	1 400	264	1 400	264
South African Airways	2 900	1 300	7 901	2 900
Transnet	3 500	3 975	3 500	3 757
South African Broadcasting Corporation	1 000	889	1 000	889
Telkom	248	85	247	85
Other Entities	3 567	1 587	4 108	2 357
Total	464 424	153 924	470 765	182 891

Source: National Treasury

5. SOVEREIGN RISK

Credit ratings influence investors' perceptions of country investment risk and guide capital allocations. Currently, four major rating agencies - Moody's Investors Service (Moody's), Standard and Poor's (S & P), Fitch Ratings (Fitch) and Rating and Investment Information Inc. (R & I) - provide credit ratings for South Africa.

Table 17: South African credit rating by major credit rating agencies

Risk Profile	Grade	Moody's	S & P	Fitch	R & I
Lower risk	Investment grade	Aaa	AAA	AAA	AAA
		Aa1	AA+	AA+	AA+
		Aa2	AA	AA	AA
		Aa3	AA-	AA-	AA-
		A1	A+	A+	A+
		A2	A	A	A
		A3	A-	A-	A- (stable outlook)
		Baa1 (-ve outlook)	BBB+	BBB+	BBB+
		Baa2	BBB (-ve outlook)	BBB (stable outlook)	BBB
		Baa3	BBB-	BBB-	BBB-
High risk	Speculative grade	Ba1	BB+	BB+	BB+
		Ba2	BB	BB	BB
		Ba3	BB-	BB-	BB-
		B1	B+	B+	B+
		B2	B	B	B
		B3	B-	B-	B-
		Caa1	CCC+	CCC+	CCC+
		Caa2	CCC	CCC	CCC
		Caa3	CCC-	CCC-	CCC-
		Ca	CC	CC	CC
		C	C	C	C
		D	D	D	D
		First rating assigned	Rating prior to the downgrade	Current rating	

Source: National Treasury

Representatives of these credit rating agencies visit South Africa annually to assess the country's credit worthiness. After these visits, the credit rating agencies assign a rating to the country for the year under review and provide an opinion on the rating outlook. The National Treasury engages continuously with all the rating agencies to ensure that effective information sharing takes place.

In the second part of 2012 and in early 2013, Moody's, S & P and Fitch downgraded South Africa's credit rating, with Moody's downgrading it to Baa1 from A3 with a negative outlook and Fitch and S & P to BBB from BBB+ with a stable and negative outlook respectively. R & I left the country's rating unchanged at A- with a stable outlook.

The reasons cited for the downgrades are a weaker business and investment climate exacerbated by infrastructure bottlenecks, high unit labour costs and labour unrest, particularly in the mining sector.

In the period under review, the government adopted the National Development Plan (NDP). The NDP identifies the constraints to economic growth and presents a roadmap to a more inclusive society.

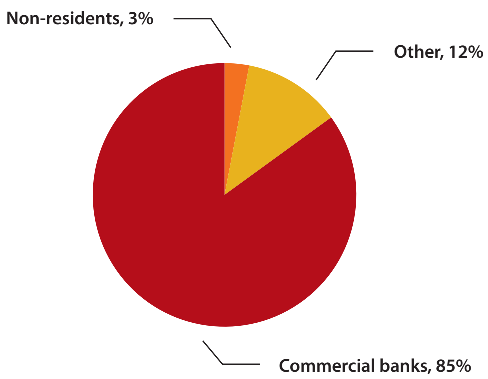
6. HOLDINGS OF GOVERNMENT DEBT INSTRUMENTS

Holdings of Treasury bills

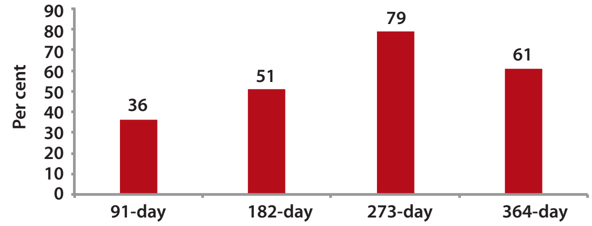
On 31 March 2013, the amount outstanding on Treasury bills was R172 billion. Domestic commercial banks held 85 per cent of the Treasury bills with 3 per cent held by non-residents. The remaining 12 per cent was in the hands of various financial institutions, represented as "other" in Figure 23.

Figure 23: Holdings of Treasury bills, 31 March 2013

Holders of Treasury bills



Treasury bills held by banks

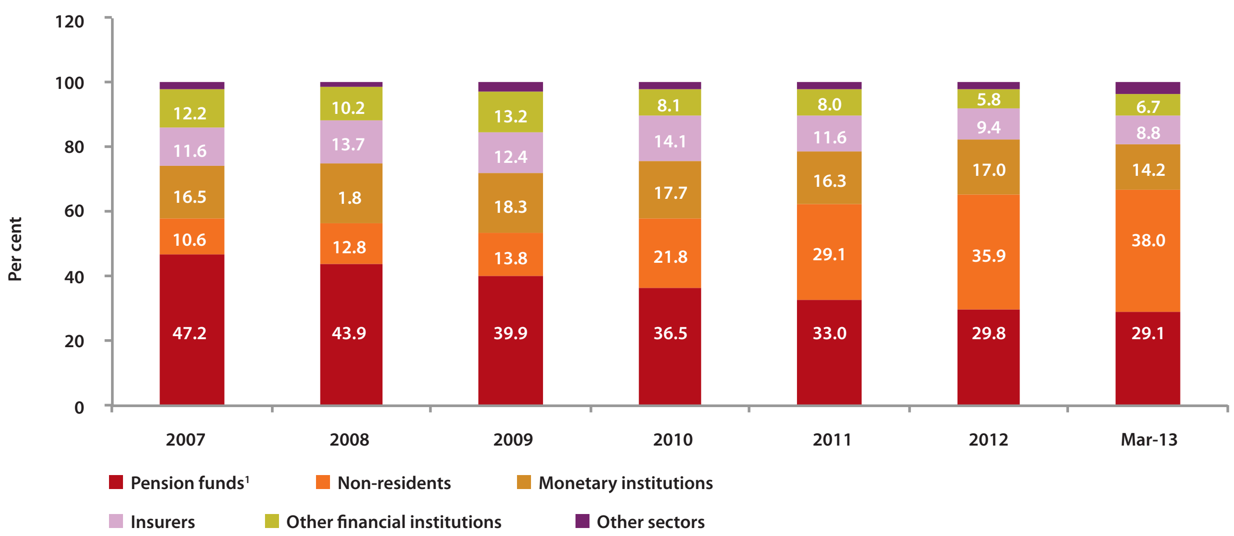


Source: National Treasury

Holdings of domestic government bonds

South Africa has continued to attract global investors into local currency bonds over the past five years. Since 2007, holdings of domestic government bonds by non-residents increased more than threefold, reaching 38 per cent in March 2013.

Figure 24: Holders of domestic government bonds, 2007 - March 2013



[1] Private self-administered funds and official pension funds

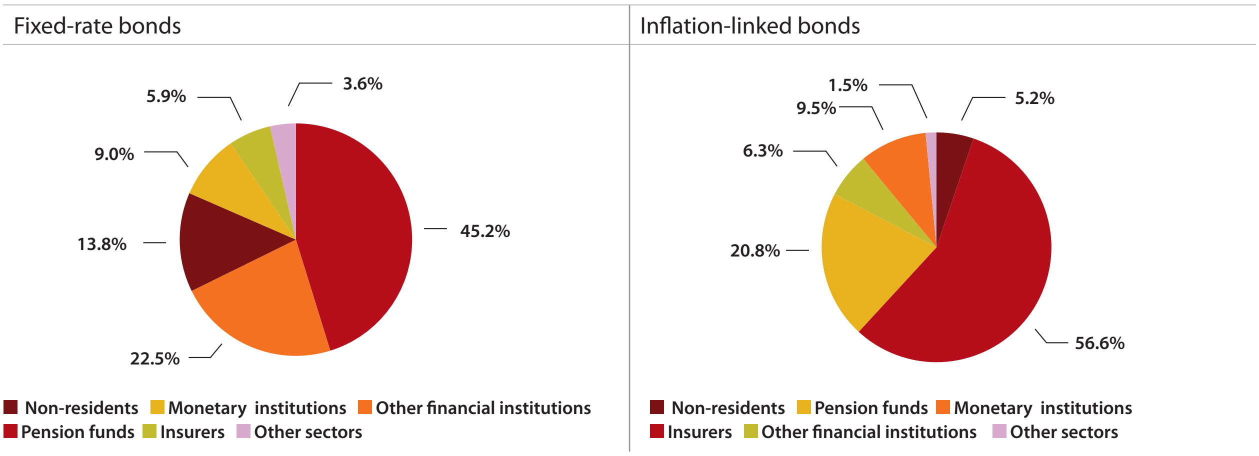
Source: STRATE

The proportion of government bonds held by local investors has declined. Local pension funds, holdings declined from 33.0 per cent in 2011 to 29.8 per cent in 2012. As at March 2013, the holding by these funds was 29.1 per cent. This decline reflects gradual accumulation of bonds by local pension funds.

Monetary institutions' and insurers' holdings averaged 17 and 12 per cent respectively between 2007 and March 2013. Holdings of fixed-rate and inflation-linked bonds are shown in Figure 25. At 45.2 per cent, non-residents currently hold the largest portion of fixed-rate bonds and increased their holdings of inflation-linked bonds to 5.2 per cent from 4.4 per cent in March 2012.

Local pension funds remain the dominant players in the inflation-linked bond space, holding 56.6 per cent compared with a 22.5 per cent share of fixed-rate bonds.

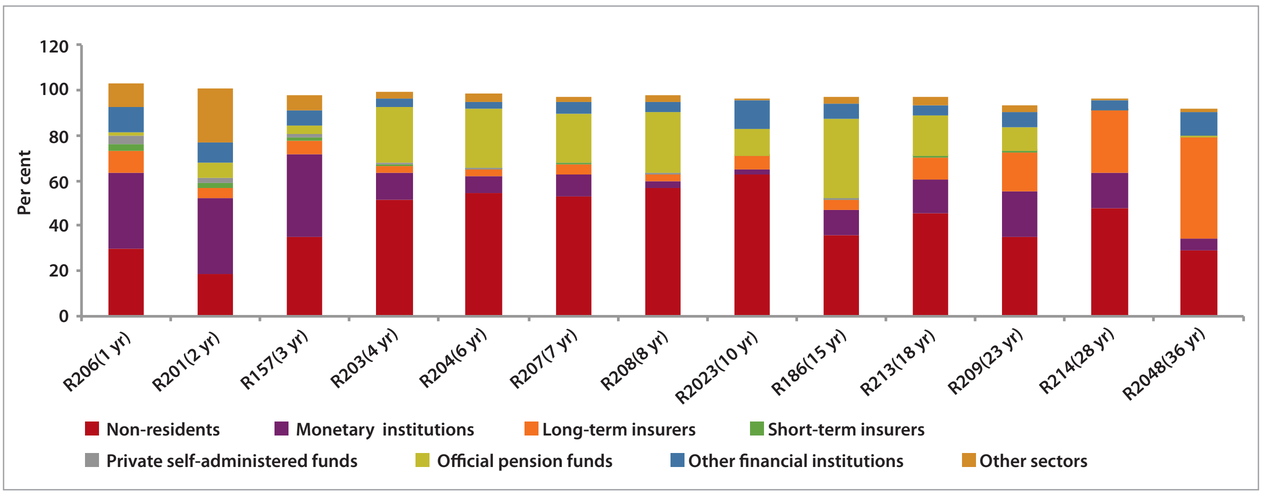
Figure 25: Holdings of fixed-rate and inflation-linked bonds, 31 March 2013



Source: STRATE

Holdings by monetary institutions have remained fairly balanced between fixed-rate and inflation-linked bonds. Insurers, other financial institutions and other sectors each account for less than 10 per cent of fixed-rate and inflation-linked bond portfolios. Figure 26 shows that, contrary to common perceptions, non-residents' holdings are spread across the yield curve. Long-term insurers hold 45.2 per cent of the R2048 bond maturing in 2048.

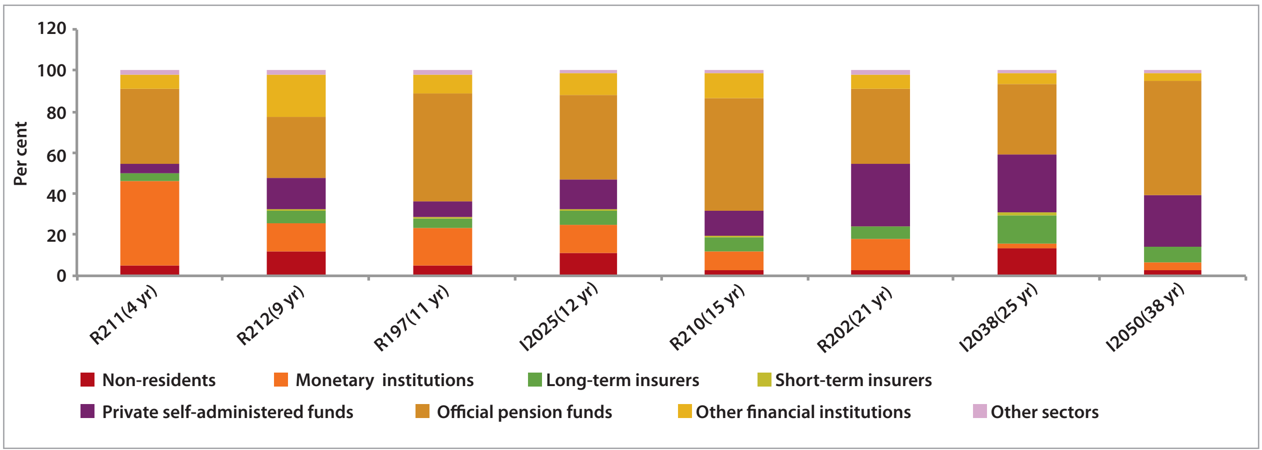
Figure 26: Holdings of fixed-rate bonds by instrument, 31 March 2013



Source: STRATE

Monetary institutions hold 41 per cent of the 4-year R211 inflation-linked bond. This is because banks tend to hold inflation-linked bonds to replicate their inflation-linked liabilities. Pension funds hold longer-dated inflation-linked bonds, with 55.8 per cent of the I2050 bond maturing in 2050.

Figure 27: Holdings of inflation-linked bonds by instrument, 31 March 2013

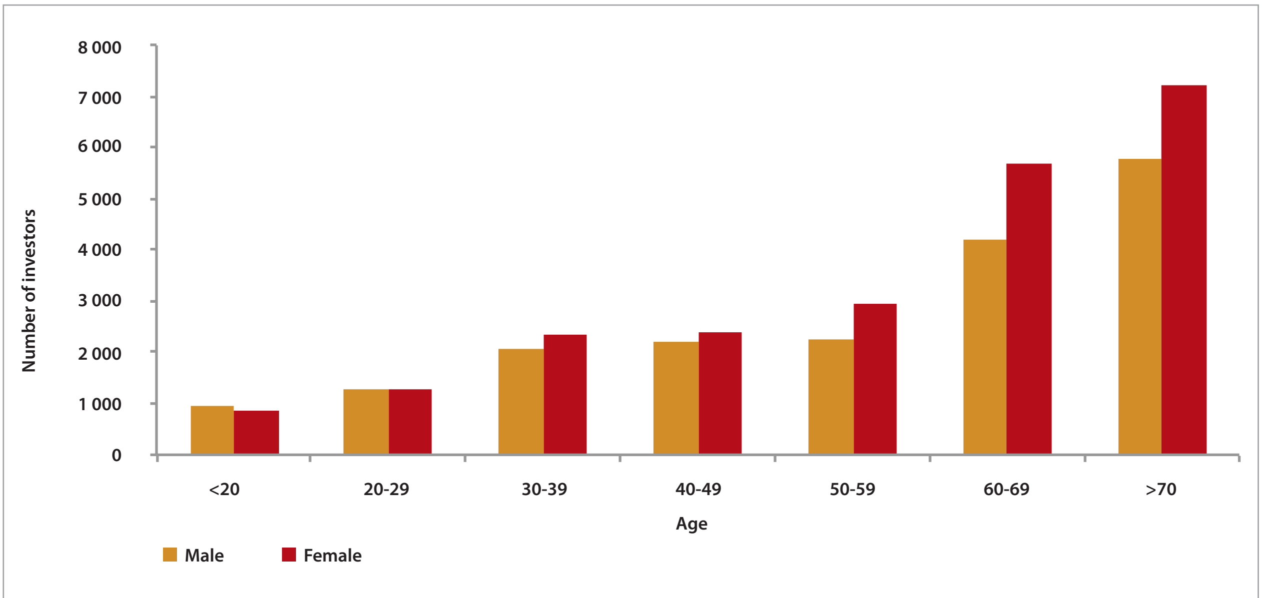


Source: STRATE

Retail investor demographics

The number of investors in retail savings bonds decreased from 44 154 in April 2012 to 41 511 in March 2013. The investor distribution in terms of age and gender is illustrated in Figure 28. Of the total retail savings bond investors, 68 per cent were older than 50 years while 55 per cent were female and 45 per cent were male.

Figure 28: Age and gender distribution of retail investors, 31 March 2013



Source: National Treasury

7. INVESTOR RELATIONS

Investor roadshows

The National Treasury runs an active investor relations programme and conducts domestic and international roadshows aimed at strengthening relations with investors. The objective of the roadshows is to keep investors informed about economic, fiscal, political and other developments in South Africa.

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

Investor website

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

Marketing and promotion of retail savings bonds

Retail savings bond promotions were conducted in all nine provinces during the 2012/13 fiscal year. Retail savings bond promotions and staff training took place at selected Pick 'n Pay stores and Post Offices across the country. The use of Pick 'n Pay stores and Post Offices as points of sale and promotion hubs gives the marketing of retail savings bonds a footprint across South Africa.

Promotions were also done at various expos: the Retirement expo, Mama Magic, the Look and Feel Good expo and the Baba Indaba expo. The target markets at the expos were families with young children, retirees and young professionals.

Financial education and savings workshops were conducted in rural communities around the country, and students at universities and colleges were educated on the importance of managing their finances wisely.

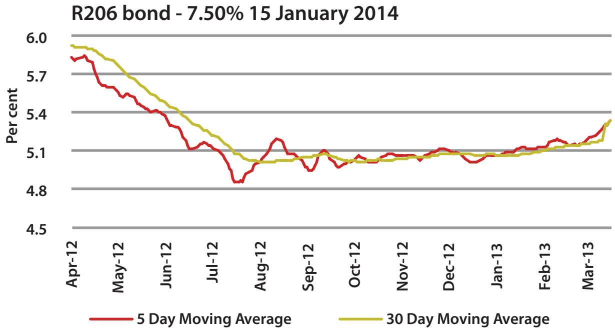
During 2012/13, the retail savings bonds website *(www.rsaretailbonds.gov.za)* was upgraded with interactive features. The website allows investors who are registered online to view all payments made to them and to print statements.

Annexure A: Redemption schedule of Treasury bills, 31 March 2013

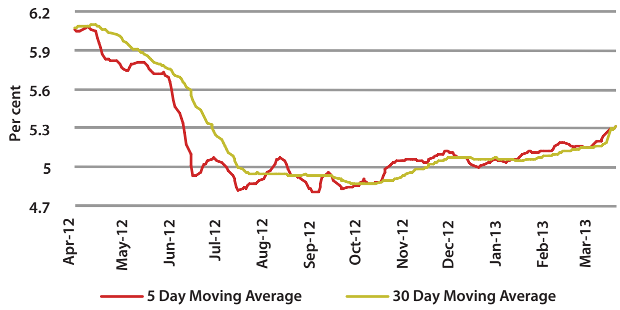
R million	91-day	182-day	273-day	365-day	Total
04/03/2013	3 685	1 515	1 130	880	7 210
04/10/2013	3 685	1 515	1 130	880	7 210
04/17/2013	3 685	1 515	1 130	880	7 210
04/24/2013	3 685	1 515	1 130	880	7 210
05/02/2013	3 685	1 515	1 130	880	7 210
05/08/2013	3 685	1 515	1 130	880	7 210
05/15/2013	3 685	1 515	1 130	880	7 210
05/22/2013	3 685	1 515	1 130	880	7 210
05/29/2013	3 685	1 515	1 130	880	7 210
06/05/2013	3 685	1 515	1 130	880	7 210
06/12/2013	3 685	820	1 130	880	6 515
06/19/2013	2 531	1 054	1 130	880	5 595
06/26/2013	2 283	1 515	1 130	880	5 808
07/03/2013	-	1 515	1 130	880	3 525
07/10/2013	-	1 490	1 130	880	3 500
07/17/2013	-	1 515	1 130	880	3 525
07/24/2013	-	1 515	1 130	880	3 525
07/31/2013	-	1 515	1 100	880	3 495
08/07/2013	-	1 515	1 130	880	3 525
08/14/2013	-	1 515	1 130	880	3 525
08/21/2013	-	1 515	1 130	880	3 525
08/28/2013	-	1 515	1 000	880	3 395
09/04/2013	-	1 665	1 130	880	3 675
09/11/2013	-	1 665	830	880	3 375
09/18/2013	-	1 100	1 130	880	3 110
09/25/2013	-	1 665	1 130	880	3 675
10/02/2013	-	-	1 130	880	2 010
10/09/2013	-	-	700	880	1580
10/16/2013	-	-	1 130	880	2 010
10/23/2013	-	-	1 130	880	2 010
10/30/2013	-	-	1 130	880	2 010
11/06/2013	-	-	1 130	880	2 010
11/13/2013	-	-	1 130	880	2 010
11/20/2013	-	-	1 130	800	1 930
12/27/2013	-	-	1 130	880	2 010
12/04/2013	-	-	1 300	880	2 180
12/11/2013	-	-	1 300	550	1 850
12/18/2013	-	-	1 300	880	2 180
12/27/2013	-	-	1 300	880	2 180
01/02/2014	-	-	-	880	880
01/08/2014	-	-	-	500	500
01/15/2014	-	-	-	880	880
01/22/2014	-	-	-	880	880
01/29/2014	-	-	-	880	880
02/05/2014	-	-	-	862	862
02/12/2014	-	-	-	450	450
02/19/2014	-	-	-	880	880
02/26/2014	-	-	-	880	880
03/05/2014	-	-	-	1 000	1 000
03/12/2014	-	-	-	1 120	1 120
03/19/2014	-	-	-	600	600
03/26/2014	-	-	-	810	810
Total	45 349	38 244	43 860	44 532	171 985

Annexure B: Yield trends of government fixed-rate bonds

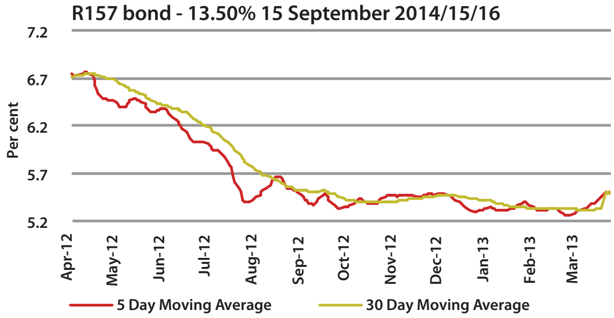
R206 bond - 7.50% 15 January 2014



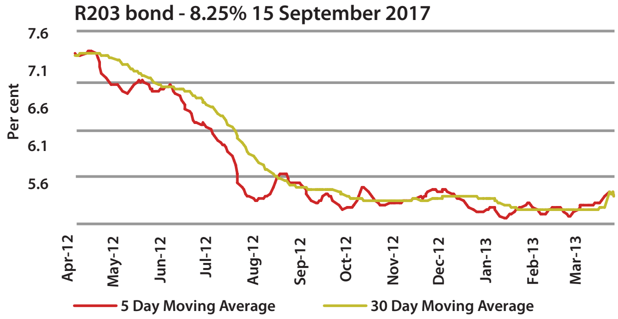
R201 bond - 8.75% 21 December 2014



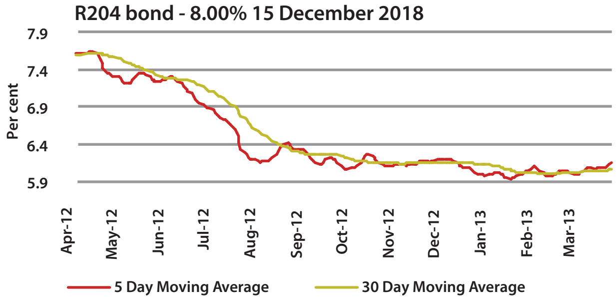
R157 bond - 13.50% 15 September 2014/15/16



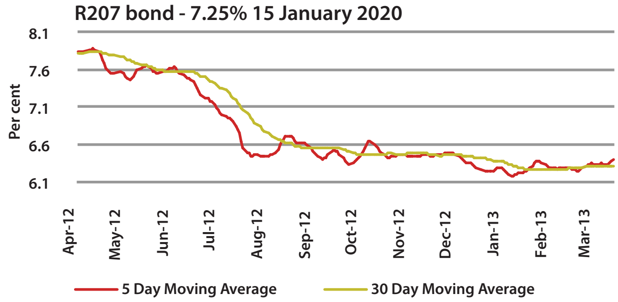
R203 bond - 8.25% 15 September 2017



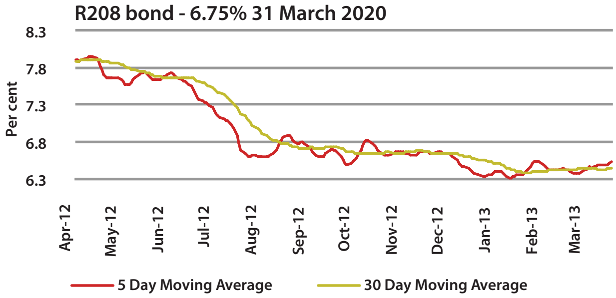
R204 bond - 8.00% 15 December 2018



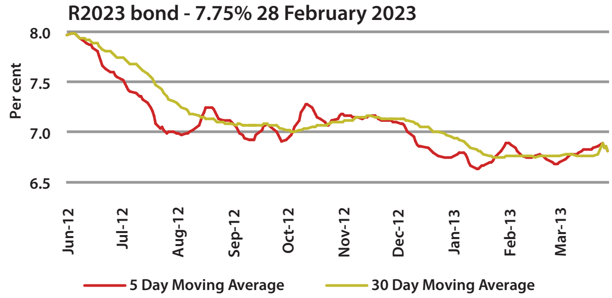
R207 bond - 7.25% 15 January 2020



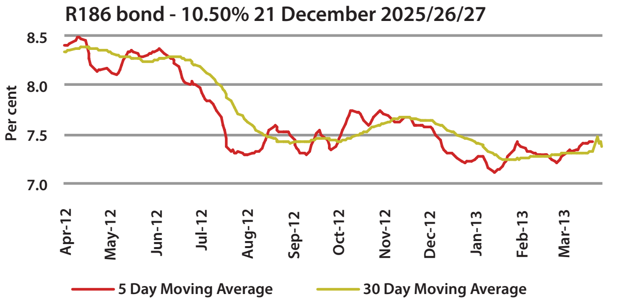
R208 bond - 6.75% 31 March 2020

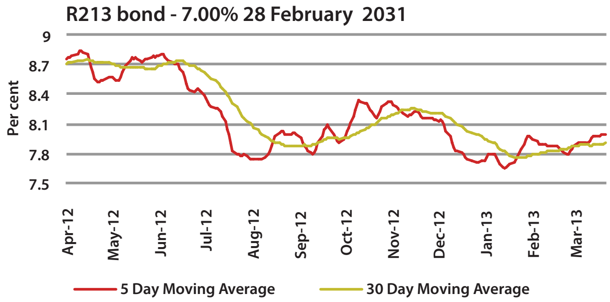


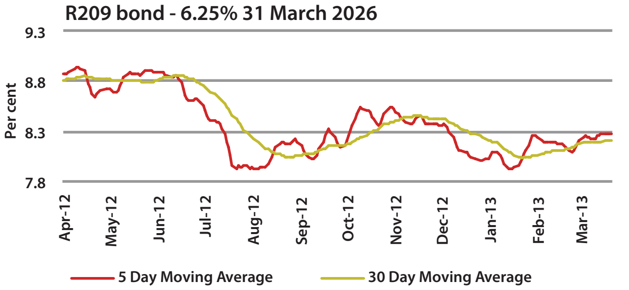
R2023 bond - 7.75% 28 February 2023

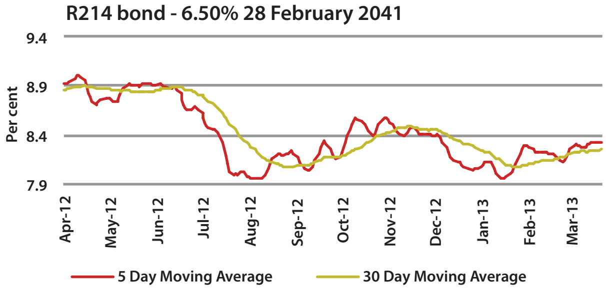


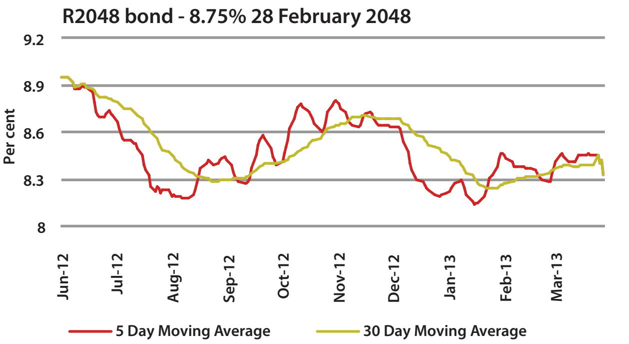
Annexure B: Yield trends of government fixed-rate bonds - *continued*











Annexure C: Summary of 91-day and 182-day Treasury bill auctions, 2012/13

91-day					182-day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)
4/5/2012	7 062	3 685	1.92	5.65	2 921	1 515	1.93	5.79
4/13/2012	6 728	3 685	1.83	5.64	3 298	1 515	2.18	5.81
4/20/2012	6 016	3 685	1.63	5.64	2 333	1 515	1.54	5.81
4/26/2012	6 843	3 685	1.86	5.65	3 500	1 515	2.31	5.81
5/4/2012	6 136	3 685	1.67	5.65	3 190	1 515	2.11	5.79
5/11/2012	6 331	3 685	1.72	5.64	4 185	1 515	2.76	5.80
5/18/2012	7 669	3 685	2.08	5.63	5 048	1 515	3.33	5.79
5/25/2012	4 323	3 685	1.17	5.65	3 669	1 515	2.42	5.77
6/1/2012	4 844	3 685	1.31	5.65	2 425	1 515	1.60	5.76
6/7/2012	5 851	3 685	1.59	5.66	4 750	1 515	3.14	5.75
6/15/2012	6 986	3 685	1.90	5.65	5 820	1 515	3.84	5.73
6/22/2012	3 573	3 685	0.97	5.67	4 422	1 515	2.92	5.62
6/29/2012	6 135	3 685	1.66	5.67	1 825	1 515	1.20	5.68
7/6/2012	7 821	3 685	2.12	5.66	3 840	1 515	2.53	5.63
7/13/2012	8 503	3 685	2.31	5.62	3 540	1 515	2.34	5.61
7/20/2012	6 672	3 685	1.81	5.11	5 240	1 515	3.46	5.13
7/27/2012	5 303	2 685	1.98	5.15	2 825	1 515	1.86	5.14
8/3/2012	6 823	2 685	2.54	5.15	3 395	1 515	2.24	5.15
8/10/2012	9 038	2 685	3.37	5.13	2 700	1 515	1.78	5.20
8/17/2012	8 572	2 685	3.19	5.11	3 228	1 515	2.13	5.18
8/24/2012	6 295	2 685	2.34	5.08	4 217	1 515	2.78	5.14
8/31/2012	8 074	2 685	3.01	5.05	4 519	1 515	2.98	5.10
9/7/2012	9 418	2 685	3.51	5.01	5 464	1 515	3.61	5.08
9/14/2012	8 396	2 685	3.13	4.99	3 349	1 515	2.21	5.08
9/21/2012	7 796	2 685	2.90	4.96	3 830	1 515	2.53	5.08
9/28/2012	3 912	2 685	1.46	4.98	4 110	1 515	2.71	5.08
10/5/2012	4 131	2 685	1.54	5.00	3 475	1 515	2.29	5.08
10/12/2012	5 375	2 685	2.00	5.01	3 975	1 515	2.62	5.06
10/19/2012	7 638	2 685	2.84	5.00	3 380	1 515	2.23	5.06
10/26/2012	6 879	2 685	2.56	5.00	2 765	1 515	1.83	5.06

Annexure C: Summary of 91-day and 182-day Treasury bill auctions, 2012/13 - *continued*

91-day								182-day
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)
11/2/2012	4 792	2 685	1.78	5.00	2 060	1 515	1.36	5.06
11/9/2012	7 103	2 685	2.65	4.99	3 810	1 515	2.51	5.06
11/14/2012	6 413	2 685	2.39	4.98	3 541	1 515	2.34	5.08
11/23/2012	5 137	2 685	1.91	4.99	2 692	1 515	1.78	5.10
11/30/2012	5 750	2 685	2.14	4.99	2 375	1 515	1.57	5.13
12/7/2012	2 570	2 685	0.96	5.01	1 320	1 515	0.87	5.17
12/14/2012	2 835	2 685	1.06	5.05	1 554	1 515	1.03	5.20
12/21/2012	2 786	2 685	1.04	5.10	3 075	1 515	2.03	5.22
12/28/2012	4 857	3 685	1.32	5.13	1 740	1 515	1.15	5.24
1/4/2013	4 771	3 685	1.29	5.15	1 490	1 515	0.98	5.28
1/11/2013	6 987	3,685	1.90	5.12	3 645	1 515	2.41	5.28
1/18/2013	6 646	3 685	1.80	5.10	5 409	1 515	3.57	5.26
1/25/2013	5 025	3 685	1.36	5.10	6 120	1 515	4.04	5.24
2/1/2013	5 622	3 685	1.53	5.10	5 220	1 515	3.45	5.24
2/8/2013	4 994	3 685	1.36	5.10	4 350	1 515	2.87	5.24
2/15/2013	6 307	3 685	1.71	5.10	6 900	1 515	4.55	5.22
2/22/2013	4 772	3 685	1.29	5.10	5 880	1 515	3.88	5.20
3/1/2013	4 349	3 685	1.18	5.09	2 151	1 665	1.29	5.18
3/8/2013	5 442	3 685	1.48	5.09	2 420	1 665	1.45	5.19
3/15/2013	2 591	3 685	0.70	5.09	1 100	1 665	0.66	5.21
3/22/2013	2 533	3 685	0.69	5.15	1 694	1 665	1.02	5.28
3/28/2013	4 047	3 685	1.10	5.17	3 225	1 665	1.94	5.30

Annexure D: Summary of 273-day and 364-day Treasury bill auctions, 2012/13

273-day					364-day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)
4/5/2012	2 216	1 130	1.96	5.99	2 080	880	2.36	6.01
4/13/2012	2 516	1 130	2.23	5.99	2 300	880	2.61	6.02
4/20/2012	2 316	1 130	2.05	5.99	2 116	880	2.40	6.01
4/26/2012	3 460	1 130	3.06	5.98	2 150	880	2.44	6.01
5/4/2012	1 810	1 130	1.60	5.97	1 325	880	1.51	6.00
5/11/2012	2 558	1 130	2.26	5.97	2 346	880	2.67	6.01
5/18/2012	1 900	1 130	1.68	5.95	2 751	880	3.13	5.96
5/25/2012	3 216	1 130	2.85	5.90	3 091	880	3.51	5.89
6/1/2012	2 580	1 130	2.28	5.88	3 380	880	3.84	5.75
6/7/2012	3 785	1 130	3.35	5.82	2 320	880	2.64	5.73
6/15/2012	2 100	1 130	1.86	5.81	2 630	880	2.99	5.71
6/22/2012	1 610	1 130	1.42	5.79	3 425	880	3.89	5.60
6/29/2012	4 095	1 130	3.62	5.73	2 980	880	3.39	5.57
7/6/2012	3 431	1 130	3.04	5.70	2 101	880	2.39	5.55
7/13/2012	2 900	1 130	2.57	5.67	2 177	880	2.47	5.51
7/20/2012	3 600	1 130	3.19	5.25	2 800	880	3.18	5.17
7/27/2012	4 250	1 130	3.76	5.23	2 880	880	3.27	5.15
8/3/2012	2 943	1 130	2.60	5.24	2 026	880	2.30	5.14
8/10/2012	2 384	1 130	2.11	5.25	2 476	880	2.81	5.15
8/17/2012	2 500	1 130	2.21	5.27	2 350	880	2.67	5.15
8/24/2012	3 397	1 130	3.01	5.17	2 035	880	2.31	5.06
8/31/2012	3 550	1 130	3.14	5.17	1 900	880	2.16	5.10
9/7/2012	4 200	1 130	3.72	5.16	2 150	880	2.44	5.09
9/14/2012	3 682	1 130	3.26	5.14	3 431	880	3.90	5.07
9/21/2012	2 180	1 130	1.93	5.16	2 230	880	2.53	5.05
9/28/2012	2 650	1 130	2.35	5.16	1 800	880	2.05	5.05
10/5/2012	2 550	1 130	2.26	5.14	1 650	880	1.88	5.04
10/12/2012	2 840	1 130	2.51	5.13	2 000	880	2.27	5.06
10/19/2012	2 100	1 130	1.86	5.13	1 890	880	2.15	5.05
10/26/2012	1 600	1 130	1.42	5.16	1 785	880	2.03	5.06
11/2/2012	2 730	1 130	2.42	5.16	2 080	880	2.36	5.06
11/9/2012	2 740	1 130	2.42	5.16	2 560	880	2.91	5.05
11/14/2012	2 661	1 130	2.35	5.16	900	800	1.13	5.05
11/23/2012	1 500	1 130	1.33	5.21	1 550	880	1.76	5.17
11/30/2012	1 540	1 130	1.36	5.26	2 395	880	2.72	5.15
12/7/2012	1 530	1 130	1.35	5.31	1 050	880	1.19	5.23
12/14/2012	2 433	1 130	2.15	5.34	1 975	880	2.24	5.25

Annexure D: Summary of 273-day and 364-day Treasury bill auctions, 2012/13 - *continued*

273-day					364-day			
Issue date	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)	Bids received (R'm)	Allocated amount (R'm)	Bid-to-cover ratio	Effective rate (%)
12/21/2012	2 386	1 130	2.11	5.32	2 000	880	2.27	5.23
12/28/2012	1 930	1 130	1.71	5.32	1 000	880	1.14	5.26
1/4/2013	700	1 130	0.62	5.34	500	880	0.57	5.26
1/11/2013	2 400	1 130	2.12	5.30	2 880	880	3.27	5.33
1/18/2013	2 478	1 130	2.19	5.27	1 400	880	1.59	5.22
1/25/2013	2 100	1 130	1.86	5.32	1 685	880	1.91	5.22
2/1/2013	1 875	1 130	1.66	5.33	862	880	0.98	5.24
2/8/2013	2 750	1 130	2.43	5.33	700	880	0.80	5.25
2/15/2013	2 140	1 130	1.89	5.31	1550	880	1.76	5.24
2/22/2013	1 650	1 130	1.46	5.31	1 050	880	1.19	5.24
3/1/2013	1 300	1 300	1.00	5.31	1 000	1 120	0.89	5.24
3/8/2013	2 305	1 300	1.77	5.32	2 800	1 120	2.50	5.22
3/15/2013	2 960	1 300	2.28	5.33	1 100	1 120	0.98	5.26
3/22/2013	1 855	1 300	1.43	5.34	810	1 120	0.72	5.32
3/28/2013	1 150	1 300	0.88	5.42	800	1 120	0.71	5.36

Annexure E: Summary of fixed-rate bond auctions, 2012/13

Issue date	Bond code	Maturity date	Coupon	Allocated amount (R'm)	Bids received (R'm)	Bid-to-cover ratio	Clearing yield
4/3/2012	R204	21-Dec-18	8.00	700	1 835	2.6	7.570
4/3/2012	R213	28-Feb-31	7.00	700	1 075	1.5	8.760
4/3/2012	R209	31-Mar-36	6.25	700	955	1.4	8.900
4/10/2012	R203	15-Sep-17	8.25	700	1 865	2.7	7.345
4/10/2012	R208	31-Mar-21	6.75	700	1 260	1.8	7.980
4/10/2012	R214	28-Feb-41	6.50	700	1 205	1.7	9.040
4/17/2012	R204	21-Dec-18	8.00	800	2 905	3.6	7.460
4/17/2012	R208	31-Mar-21	6.75	800	5 310	6.6	7.765
4/17/2012	R213	28-Feb-31	7.00	500	2 180	4.4	8.600
4/24/2012	R203	15-Sep-17	8.25	1 100	2 555	2.3	7.020
4/24/2012	R209	31-Mar-36	6.25	500	860	1.7	8.780
4/24/2012	R214	28-Feb-41	6.50	500	1 330	2.7	8.750
5/2/2012	R208	31-Mar-21	6.75	800	2 810	3.5	7.630
5/2/2012	R186	21-Dec-26	10.50	800	1 705	2.1	8.200
5/2/2012	R214	28-Feb-41	6.50	500	1 490	3.0	8.790
5/8/2012	R203	15-Sep-17	8.25	700	1 825	2.6	6.995
5/8/2012	R204	21-Dec-18	8.00	700	1 225	1.8	7.330
5/8/2012	R209	31-Mar-36	6.25	700	1 100	1.6	8.850
5/15/2012	R204	21-Dec-18	8.00	500	1 075	2.2	7.340
5/15/2012	R186	21-Dec-26	10.50	800	3 095	3.9	8.360
5/15/2012	R214	28-Feb-41	6.50	800	1 815	2.3	8.910
5/22/2012	R203	15-Sep-17	8.25	500	2 480	5.0	6.880
5/22/2012	R208	31-Mar-21	6.75	500	1 095	2.2	7.595
5/22/2012	R214	28-Feb-41	6.50	1 100	2 945	2.7	8.920
5/29/2012	R204	21-Dec-18	8.00	500	1 090	2.2	7.270
5/29/2012	R213	28-Feb-31	7.00	800	1 625	2.0	8.800
5/29/2012	R209	31-Mar-36	6.25	800	2 690	3.4	8.860
6/5/2012	R203	15-Sep-17	8.25	500	2 145	4.3	6.990
6/5/2012	R209	31-Mar-36	6.25	800	1 990	2.5	8.900
6/5/2012	R214	28-Feb-41	6.50	800	2 210	2.8	8.930
6/12/2012	R204	21-Dec-18	8.00	500	3 290	6.6	7.150
6/12/2012	R209	31-Mar-36	6.25	800	1 725	2.2	8.910
6/12/2012	R213	28-Feb-31	7.00	800	2 055	2.6	8.710
6/19/2012	R203	15-Sep-17	8.25	800	2 235	2.8	6.685
6/20/2012	R208	31-Mar-21	6.75	800	2 135	2.7	7.470
6/21/2012	R2023	28-Feb-23	7.75	500	2 090	4.2	7.770
6/26/2012	R2023	28-Feb-23	7.75	800	2 365	3.0	7.640
6/26/2012	R213	28-Feb-31	7.00	800	2 790	3.5	8.480
6/26/2012	R2048	28-Feb-48	8.75	500	1 630	3.3	8.830
7/3/2012	R186	21-Dec-26	10.50	500	2 475	4.9	7.860
7/3/2012	R2023	28-Feb-23	7.75	800	1 650	2.1	7.455
7/3/2012	R2048	28-Feb-48	8.75	800	1 470	1.8	8.640

Annexure E: Summary of fixed-rate bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity date	Coupon	Allocated amount (R'm)	Bids received (R'm)	Bid-to-cover ratio	Clearing yield
7/10/2012	R204	21-Dec-18	8.00	500	2 510	5.0	6.680
7/10/2012	R213	28-Feb-31	7.00	800	1 980	2.5	8.240
7/10/2012	R2023	28-Feb-23	7.75	800	2 230	2.8	7.370
7/17/2012	R2023	28-Feb-23	7.75	1 100	3 060	2.8	7.140
7/17/2012	R209	31-Mar-36	6.25	500	1 945	3.9	8.020
7/17/2012	R2048	28-Feb-48	8.75	500	1 400	2.8	8.300
7/24/2012	R2023	28-Feb-23	7.75	800	1 425	1.8	7.130
7/24/2012	R214	28-Feb-41	6.50	800	1 095	1.4	8.150
7/24/2012	R2048	28-Feb-48	8.75	500	1 115	2.2	8.290
7/31/2012	R2023	28-Feb-23	7.75	800	3 990	5.0	7.030
7/31/2012	R213	28-Feb-31	7.00	800	2 545	3.2	7.770
7/31/2012	R2048	28-Feb-48	8.75	500	1 425	2.8	8.250
8/7/2012	R2023	28-Feb-23	7.75	800	1 775	2.2	6.960
8/7/2012	R214	28-Feb-41	6.50	800	1 600	2.0	7.920
8/7/2012	R2048	28-Feb-48	8.75	500	1 345	2.7	8.130
8/14/2012	R2023	28-Feb-23	7.75	800	3 105	3.9	7.220
8/14/2012	R213	28-Feb-31	7.00	800	2 040	2.5	7.920
8/14/2012	R2048	28-Feb-48	8.75	500	995	2.0	8.310
8/21/2012	R2023	28-Feb-23	7.75	800	5 685	7.1	7.140
8/21/2012	R209	31-Mar-36	6.25	800	3 635	4.5	8.170
8/21/2012	R2048	28-Feb-48	8.75	500	1 585	3.2	8.400
8/28/2012	R2023	28-Feb-23	7.75	1 000	4 120	4.1	7.140
8/28/2012	R214	28-Feb-41	6.50	500	1 715	3.4	8.280
8/28/2012	R2048	28-Feb-48	8.75	600	1 280	2.1	8.530
9/4/2012	R2023	28-Feb-23	7.75	1 100	3 875	3.5	6.925
9/4/2012	R204	21-Dec-18	8.00	500	2 495	5.0	6.120
9/4/2012	R2048	28-Feb-48	8.75	500	1 295	2.6	8.275
9/11/2012	R2023	28-Feb-23	7.75	1 000	3 360	3.4	6.855
9/11/2012	R214	28-Feb-41	6.50	500	1 245	2.5	8.000
9/11/2012	R2048	28-Feb-48	8.75	600	1 220	2.0	8.270
9/18/2012	R2023	28-Feb-23	7.75	600	2 115	3.5	7.090
9/18/2012	R214	28-Feb-41	6.50	900	2 100	2.3	8.340
9/18/2012	R2048	28-Feb-48	8.75	600	2 315	3.9	8.590
9/25/2012	R2023	28-Feb-23	7.75	500	1 170	2.3	6.870
9/25/2012	R186	21-Dec-26	10.50	1 100	5 925	5.4	7.275
9/25/2012	R2048	28-Feb-48	8.75	500	1 470	2.9	8.360
10/2/2012	R2023	28-Feb-23	7.75	700	2 555	3.7	7.040
10/2/2012	R214	28-Feb-41	6.50	800	1 305	1.6	8.440
10/2/2012	R2048	28-Feb-48	8.75	600	1 515	2.5	8.610
10/9/2012	R2023	28-Feb-23	7.75	800	3 180	4.0	7.400
10/9/2012	R208	31-Mar-21	6.75	500	2 445	4.9	6.950
10/9/2012	R213	28-Feb-31	7.00	800	2 460	3.1	8.400

Annexure E: Summary of fixed-rate bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity date	Coupon	Allocated amount (R'm)	Bids received (R'm)	Bid-to-cover ratio	Clearing yield
10/16/2012	R2023	28-Feb-23	7.75	800	2 720	3.4	7.170
10/16/2012	R214	28-Feb-41	6.50	500	2 585	5.2	8.520
10/16/2012	R2048	28-Feb-48	8.75	800	1 985	2.5	8.760
10/23/2012	R186	21-Dec-26	10.50	500	2 825	5.7	7.595
10/23/2012	R209	31-Mar-36	6.25	800	1 715	2.1	8.430
10/23/2012	R2048	28-Feb-48	8.75	800	1 745	2.2	8.680
10/30/2012	R213	28-Feb-31	7.00	800	1 725	2.2	8.320
10/30/2012	R214	28-Feb-41	6.50	500	1 560	3.0	8.570
10/30/2012	R2048	28-Feb-48	8.75	800	2 850	3.6	8.785
11/6/2012	R213	28-Feb-31	7.00	800	1 715	2.1	8.255
11/6/2012	R209	31-Mar-36	6.25	500	1 905	3.8	8.380
11/6/2012	R2048	28-Feb-48	8.75	800	2 525	3.2	8.680
11/13/2012	R213	28-Feb-31	7.00	700	1 580	2.3	8.175
11/13/2012	R209	31-Mar-36	6.25	700	1 420	2.0	8.430
11/13/2012	R2048	28-Feb-48	8.75	700	1 300	1.9	8.730
11/20/2012	R209	31-Mar-36	6.25	700	2 795	4.0	8.370
11/20/2012	R213	28-Feb-31	7.00	700	3 565	5.1	8.150
11/20/2012	R214	28-Feb-41	6.50	700	2 320	3.3	8.450
11/27/2012	R186	21-Dec-26	10.50	500	1 795	3.6	7.580
11/27/2012	R213	28-Feb-31	7.00	800	4 220	5.3	8.135
11/27/2012	R2048	28-Feb-48	8.75	800	3 030	3.8	8.655
12/4/2012	R2023	28-Feb-23	7.75	700	2 450	3.5	7.040
12/4/2012	R214	28-Feb-41	6.50	700	1 575	2.3	8.420
12/4/2012	R2 048	28-Feb-48	8.75	700	3 295	4.7	8.610
12/11/2012	R2 048	28-Feb-48	8.75	1 000	4 280	4.3	8.280
12/11/2012	R213	28-Feb-31	7.00	1 100	2 450	2.2	7.800
1/8/2013	R2048	28-Feb-48	8.75	1 000	2 515	2.5	8.240
1/8/2013	R213	28-Feb-31	7.00	1 100	2 075	1.9	7.730
1/15/2013	R2023	28-Feb-23	7.75	500	1 605	3.2	6.630
1/15/2013	R186	21-Dec-26	10.50	500	1 685	3.4	7.080
1/15/2013	R214	28-Feb-41	6.50	1 100	2 165	2.0	7.970
1/22/2013	R186	21-Dec-26	10.50	700	2 285	3.3	7.200
1/22/2013	R213	28-Feb-31	7.00	700	1 380	2.0	7.760
1/22/2013	R214	28-Feb-41	6.50	700	1 235	1.8	8.060
1/29/2013	R186	21-Dec-26	10.50	700	2 990	4.3	7.460
1/29/2013	R213	28-Feb-31	7.00	700	1 890	2.7	8.050
1/29/2013	R209	31-Mar-36	6.25	700	1 800	2.6	8.320
2/5/2013	R186	21-Dec-26	10.50	700	2 080	3.0	7.340
2/5/2013	R213	28-Feb-31	7.00	700	1 760	2.5	7.950
2/5/2013	R2048	28-Feb-48	8.75	700	2 250	3.2	8.400

Annexure E: Summary of fixed-rate bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity date	Coupon	Allocated amount (R'm)	Bids received (R'm)	Bid-to-cover ratio	Clearing yield
2/12/2013	R209	31-Mar-36	6.25	500	2 040	4.1	8.225
2/12/2013	R214	28-Feb-41	6.50	800	1 505	1.9	8.280
2/12/2013	R2048	28-Feb-48	8.75	800	1 760	2.2	8.410
2/19/2013	R213	28-Feb-31	7.00	500	2 210	4.4	7.900
2/19/2013	R209	31-Mar-36	6.25	800	3 345	4.2	8.180
2/19/2013	R2048	28-Feb-48	8.75	800	1 845	2.3	8.400
2/26/2013	R209	31-Mar-36	6.25	800	1 640	2.0	8.120
2/26/2013	R214	28-Feb-41	6.50	800	1 535	1.9	8.160
2/26/2013	R2048	28-Feb-48	8.75	500	1 290	2.6	8.300
3/5/2013	R2023	28-Feb-23	7.75	500	1 950	3.9	6.765
3/5/2013	R186	21-Dec-26	10.50	1 100	3 410	3.1	7.350
3/5/2013	R214	28-Feb-41	6.50	500	1 690	3.4	8.295
3/12/2013	R213	28-Feb-31	7.00	500	1 295	2.6	7.990
3/12/2013	R209	31-Mar-36	6.25	800	2 690	3.4	8.280
3/12/2013	R214	28-Feb-41	6.50	800	2 910	3.6	8.330
3/19/2013	R209	31-Mar-36	6.25	800	2 670	3.3	8.260
3/19/2013	R214	28-Feb-41	6.50	800	2 055	2.6	8.320
3/19/2013	R2048	28-Feb-48	8.75	500	1 140	2.3	8.470
3/26/2013	R2023	28-Feb-23	7.75	500	5 210	10.4	6.900
3/26/2013	R213	28-Feb-31	7.00	800	3 525	4.4	8.030
3/26/2013	R214	28-Feb-41	6.50	800	2 760	3.5	8.335

Annexure F: Summary of inflation-linked bond auctions, 2012/13

Issue date	Bond code	Maturity	Coupon	Allocated amount (R'm)	Weekly total Issued	Bids received (R'm)	Clearing yield
3/30/2012	R211	31-Jan-17	2.50	400		1 160	0.740
3/30/2012	R212	31-Jan-22	2.75	210	800	520	2.000
3/30/2012	R210	31-Mar-28	2.60	190		1 420	2.310
4/13/2012	R211	31-Jan-17	2.50	325		675	0.630
4/13/2012	R212	31-Jan-22	2.75	285	800	560	1.870
4/13/2012	R210	31-Mar-28	2.60	190		1 045	2.290
4/20/2012	R211	31-Jan-17	2.50	250		270	0.620
4/20/2012	R212	31-Jan-22	2.75	420	800	830	1.840
4/20/2012	R210	31-Mar-28	2.60	130		1 040	2.210
5/4/2012	R211	31-Jan-17	2.50	25		25	0.640
5/4/2012	R212	31-Jan-22	2.75	140	390	170	1.840
5/4/2012	R210	31-Mar-28	2.60	225		225	2.220
5/11/2012	R211	31-Jan-17	2.50	20		20	0.700
5/11/2012	R212	31-Jan-22	2.75	40	105	40	1.900
5/11/2012	R210	31-Mar-28	2.60	45		45	2.300
5/18/2012	R211	31-Jan-17	2.50	125		125	0.690
5/18/2012	R212	31-Jan-22	2.75	365	800	820	2.000
5/18/2012	R210	31-Mar-28	2.60	310		640	2.380
5/25/2012	R211	31-Jan-17	2.50	-		30	-
5/25/2012	R212	31-Jan-22	2.75	140	800	800	1.990
5/25/2012	R210	31-Mar-28	2.60	660		1 110	2.400
6/1/2012	R211	31-Jan-17	2.50	-		-	-
6/1/2012	R212	31-Jan-22	2.75	275	800	475	2.050
6/1/2012	R210	31-Mar-28	2.60	525		980	2.420
6/8/2012	R211	31-Jan-17	2.50	70		70	0.670
6/8/2012	R212	31-Jan-22	2.75	205	800	740	2.020
6/8/2012	R210	31-Mar-28	2.60	525		1 275	2.390
6/15/2012	R212	31-Jan-22	2.75	200		445	2.040
6/15/2012	R210	31-Mar-28	2.60	300	800	635	2.340
6/15/2012	R202	7-Dec-33	3.45	300		1 050	2.350
6/22/2012	R212	31-Jan-22	2.75	350		540	2.035
6/22/2012	R210	31-Mar-28	2.60	20	800	740	2.320
6/22/2012	R202	7-Dec-33	3.45	430		1 165	2.360
6/29/2012	I2025	31-Jan-25	2.00	100		350	2.120
6/29/2012	R202	7-Dec-33	3.45	300	800	1 185	2.400
6/29/2012	I2038	31-Jan-38	2.25	400		1 350	2.440
7/6/2012	I2025	31-Jan-25	2.00	420		1 315	2.100
7/6/2012	I2038	31-Jan-38	2.25	180	800	495	2.420
7/6/2012	I2050	31-Dec-50	2.50	200		630	2.430

Annexure F: Summary of inflation-linked bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity	Coupon	Allocated amount (R'm)	Weekly total Issued	Bids received (R'm)	Clearing yield
7/13/2012	I2025	31-Jan-25	2.00	55	800	1 925	2.040
7/13/2012	I2038	31-Jan-38	2.25	360		1 600	2.370
7/13/2012	I2050	31-Dec-50	2.50	385		885	2.380
7/20/2012	I2025	31-Jan-25	2.00	400	800	2 710	1.680
7/20/2012	I2038	31-Jan-38	2.25	250		2 575	2.180
7/20/2012	I2050	31-Dec-50	2.50	150		1 630	2.190
7/27/2012	I2025	31-Jan-25	2.00	200	800	1 045	1.600
7/27/2012	I2038	31-Jan-38	2.25	250		830	2.140
7/27/2012	I2050	31-Dec-50	2.50	350		600	2.165
8/3/2012	I2025	31-Jan-25	2.00	100	800	880	1.550
8/3/2012	I2038	31-Jan-38	2.25	250		1 275	2.130
8/3/2012	I2050	31-Dec-50	2.50	450		1 070	2.150
8/10/2012	I2025	31-Jan-25	2.00	165	800	1 170	1.520
8/10/2012	I2038	31-Jan-38	2.25	245		735	2.120
8/10/2012	I2050	31-Dec-50	2.50	390		990	2.150
8/17/2012	I2025	31-Jan-25	2.00	450	800	790	1.540
8/17/2012	I2038	31-Jan-38	2.25	165		395	2.120
8/17/2012	I2050	31-Dec-50	2.50	185		530	2.160
8/24/2012	I2025	31-Jan-25	2.00	50	800	530	1.550
8/24/2012	I2038	31-Jan-38	2.25	350		865	2.110
8/24/2012	I2050	31-Dec-50	2.50	400		675	2.160
8/31/2012	I2025	31-Jan-25	2.00	60	800	460	1.550
8/31/2012	I2038	31-Jan-38	2.25	425		845	2.090
8/31/2012	I2050	31-Dec-50	2.50	315		665	2.140
9/7/2012	I2025	31-Jan-25	2.00	215	800	525	1.530
9/7/2012	I2038	31-Jan-38	2.25	230		850	2.070
9/7/2012	I2050	31-Dec-50	2.50	355		705	2.130
9/14/2012	I2025	31-Jan-25	2.00	250	800	980	1.480
9/14/2012	I2038	31-Jan-38	2.25	350		1 710	1.995
9/14/2012	I2050	31-Dec-50	2.50	200		950	2.020
9/21/2012	I2025	31-Jan-25	2.00	500	800	510	1.440
9/21/2012	I2038	31-Jan-38	2.25	225		345	1.970
9/21/2012	I2050	31-Dec-50	2.50	75		180	1.980
9/28/2012	I2025	31-Jan-25	2.00	135	800	475	1.310
9/28/2012	I2038	31-Jan-38	2.25	465		610	1.930
9/28/2012	I2050	31-Dec-50	2.50	200		200	1.980
10/5/2012	I2025	31-Jan-25	2.00	130	570	190	1.140
10/5/2012	I2038	31-Jan-38	2.25	350		410	1.930
10/5/2012	I2050	31-Dec-50	2.50	90		90	1.890

Annexure F: Summary of inflation-linked bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity	Coupon	Allocated amount (R'm)	Weekly total Issued	Bids received (R'm)	Clearing yield
10/12/2012	I2025	31-Jan-25	2.00	100		180	1.200
10/12/2012	I2038	31-Jan-38	2.25	95	345	155	1.910
10/12/2012	I2050	31-Dec-50	2.50	150		180	1.980
10/19/2012	I2025	31-Jan-25	2.00	200		210	1.150
10/19/2012	I2038	31-Jan-38	2.25	500	800	570	1.990
10/19/2012	I2050	31-Dec-50	2.50	100		1 110	2.040
10/26/2012	I2025	31-Jan-25	2.00	-		60	1.250
10/26/2012	I2038	31-Jan-38	2.25	55	800	655	1.920
10/26/2012	I2050	31-Dec-50	2.50	745		1 335	2.060
11/2/2012	R212	31-Jan-22	2.75	280		370	1.070
11/2/2012	I2038	31-Jan-38	2.25	315	800	635	1.920
11/2/2012	I2050	31-Dec-50	2.50	205		975	2.060
11/9/2012	R212	31-Jan-22	2.75	115		245	1.080
11/9/2012	I2038	31-Jan-38	2.25	345	800	595	1.910
11/9/2012	I2050	31-Dec-50	2.50	340		840	2.060
11/16/2012	R212	31-Jan-22	2.75	110		460	1.090
11/16/2012	I2038	31-Jan-38	2.25	225	800	555	1.900
11/16/2012	I2050	31-Dec-50	2.50	465		965	2.055
11/23/2012	R212	31-Jan-22	2.75	230		1 380	1.020
11/23/2012	I2038	31-Jan-38	2.25	10	800	80	1.890
11/23/2012	I2050	31-Dec-50	2.50	560		1 260	2.045
11/30/2012	R212	31-Jan-22	2.75	165		680	0.950
11/30/2012	I2038	31-Jan-38	2.25	325	800	445	1.870
11/30/2012	I2050	31-Dec-50	2.50	310		470	2.020
12/7/2012	R212	31-Jan-22	2.75	710		1 575	0.845
12/7/2012	I2038	31-Jan-38	2.25	50	800	635	1.770
12/7/2012	I2050	31-Dec-50	2.50	40		535	1.920
12/14/2012	I2025	31-Jan-25	2.00	10		30	1.000
12/14/2012	I2038	31-Jan-38	2.25	275	705	285	1.720
12/14/2012	I2050	31-Dec-50	2.50	420		430	1.920
1/11/2013	I2025	31-Jan-25	2.00	90		110	1.000
1/11/2013	I2038	31-Jan-38	2.25	130	305	150	1.690
1/11/2013	I2050	31-Dec-50	2.50	85		85	1.870
1/18/2013	I2025	31-Jan-25	2.00	170		190	1.060
1/18/2013	I2038	31-Jan-38	2.25	-	210	20	-
1/18/2013	I2050	31-Dec-50	2.50	40		40	1.870
1/25/2013	I2025	31-Jan-25	2.00	120		380	1.090
1/25/2013	I2038	31-Jan-38	2.25	260	800	490	1.830
1/25/2013	I2050	31-Dec-50	2.50	420		570	1.970

Annexure F: Summary of inflation-linked bond auctions, 2012/13 - *continued*

Issue date	Bond code	Maturity	Coupon	Allocated amount (R'm)	Weekly total Issued	Bids received (R'm)	Clearing yield
2/1/2013	I2025	31-Jan-25	2.00	300		310	1.150
2/1/2013	I2038	31-Jan-38	2.25	190	800	350	1.840
2/1/2013	I2050	31-Dec-50	2.50	310		310	1.970
2/8/2013	I2025	31-Jan-25	2.00	200		410	1.150
2/8/2013	I2038	31-Jan-38	2.25	300	800	320	1.860
2/8/2013	I2050	31-Dec-50	2.50	300		300	1.960
2/15/2013	I2025	31-Jan-25	2.00	270		420	1.160
2/15/2013	I2038	31-Jan-38	2.25	280	800	390	1.840
2/15/2013	I2050	31-Dec-50	2.50	250		350	1.950
2/22/2013	I2025	31-Jan-25	2.00	350		410	1.090
2/22/2013	I2038	31-Jan-38	2.25	250	800	420	1.865
2/22/2013	I2050	31-Dec-50	2.50	200		350	2.020
3/1/2013	I2025	31-Jan-25	2.00	475		615	1.180
3/1/2013	I2038	31-Jan-38	2.25	125	800	590	1.860
3/1/2013	I2050	31-Dec-50	2.50	200		300	1.950
3/8/2013	I2025	31-Jan-25	2.00	310		340	0.690
3/8/2013	I2038	31-Jan-38	2.25	165	800	570	1.170
3/8/2013	I2050	31-Dec-50	2.50	325		425	1.960
3/15/2013	I2025	31-Jan-25	2.00	355		660	1.140
3/15/2013	I2038	31-Jan-38	2.25	135	800	535	1.840
3/15/2013	I2050	31-Dec-50	2.50	310		310	1.980
3/22/2013	I2025	31-Jan-25	2.00	250		500	1.090
3/22/2013	I2038	31-Jan-38	2.25	200	800	450	1.865
3/22/2013	I2050	31-Dec-50	2.50	350		350	2.020

ANNEXURE G: GLOSSARY

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

ANNEXURE H: ACRONYMS

CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
GDP	Gross Domestic Product
GDRM	Government Debt and Risk Management Programme
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
JSE	Johannesburg Stock Exchange
MTBPS	Medium-Term Budget Policy Statement
NDP	National Development Plan
OECD	Organization for Economic Co-operation and Development
PFMA	Public Finance Management Act
R & I	Rating and Investment Information Inc.
SASRIA	South African Special Risk Insurance Association
S & P	Standard and Poor's
SECO	Swiss Secretariat of Economic Affairs
Stats SA	Statistics South Africa
STRATE	Share Transactions Totally Electronic
WGBI	World Government Bond Index

NOTES

DEBT MANAGEMENT REPORT 2012/13

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