

**NATIONAL ASSEMBLY**

**QUESTION FOR ORAL REPLY**

**QUESTION NUMBER: 219 [NO1141E]**

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**★219. Dr D T George (DA) to ask the Minister of Finance:**

Whether, in view of the sanctions imposed by various countries on the Russian Federation following its invasion of Ukraine, he has found that the abstention of the Republic on the vote of the United Nations General Assembly's resolution condemning the invasion of Ukraine will have a negative impact on the Republic's ability to raise funds from the global markets; if not, what is the position in this regard; if so, what are the relevant details? NO1141E

**REPLY**

The sovereign's ability to raise funding from global markets is not impacted by South Africa's abstention on the vote for condemning the invasion of Ukraine. It is important to note that the geopolitical risks emanating from the conflict between Russia and Ukraine and the recently imposed sanctions have resulted in uncertainty and volatility in the global financial market.

Global investors are drawn to South African government paper due to its reliability as a high yield debt market. This has been elevated by the precarious positions of our traditional competitors in the market, namely Russia and Turkey, whose bonds have become riskier, thus driving investors to purchase South African bonds.

Additional risks to the foreign issuance strategy includes global inflation expectations and the impact on the direction and speed of US interest rate hikes and tapering. The Federal Reserve policy of unwinding the massive purchases of Treasury bonds, of which may result in larger risk premiums. However, the timing of accessing the market becomes the primary factor which will determine the cost of borrowing. For these reasons, the government will only access the global markets as and when conditions are suitable.