

Note on South Africa's rand-denominated debt securities issuance statistics

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Introduction

The compilation of statistics pertaining to South Africa's rand-denominated debt issued in the domestic financial markets was extended to close data gaps identified by the Group of Twenty (G20)² Data Gaps Initiatives (DGI-1 and DGI-2) following the 2008 global financial crisis, as reflected in Recommendation 7.

This note presents rand-denominated debt securities issuance statistics at both nominal and market value, delineated by resident and non-resident issuers, with further breakdowns into, among other things, original maturity, type of interest rate as well as resident issuers by institutional sector. The compilation is based on the methodology as set out in the *Handbook on Securities Statistics (HSS)*.³ These statistics, with a selection published on pages E-13 and E-14 in the experimental tables section as from this edition of the *Quarterly Bulletin*, are based on a comprehensive monthly dataset that captures borrowing in the domestic financial markets.

This note introduces the extension of rand-denominated debt securities issuance statistics in South Africa by reflecting on the underlying methodology of compilation and data sources, discussing the different data dimensions and making some general observations.

Methodology and data sources

The compilation of debt securities issuance statistics follows the *HSS* guidelines, with the data structure based on the G20 Recommendation 7 framework.⁴ This approach enables the South African Reserve Bank (SARB) to disseminate monthly statistics, as from 2001, to the Bank for International Settlements (BIS)⁵ in adherence to the core and most of the advanced requirements, such as residency and institutional sector of issuance, type of interest rate and maturity – in both nominal and market value – as well as net transactions at market value.

The underlying data for listed debt securities⁶ are sourced from the JSE Limited (JSE) (from 2001) and the Cape Town Stock Exchange (CTSE) (from December 2021). The underlying data for unlisted securities⁷ are sourced from the SARB's Financial Markets Department (FMD) (from 2001), the Land and Agricultural Development Bank of South Africa (Land Bank) (from April 2017) and commercial banks (from April 2005). The statistics include the following financial instruments: general government-issued bonds⁸ and Treasury bills⁹ (TBs) as well as public and private sector corporate securities, such as corporate bonds,¹⁰ bills,¹¹ promissory notes,¹²

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- 1 The views expressed in this note are those of the author and do not necessarily reflect those of the SARB.
 - 2 The G20 is an international forum for ministers of finance and central bank governors of the 19 largest advanced and emerging market economies as well as the European Union.
 - 3 The methodology used to compile South Africa's debt securities statistics adheres to the guidelines published in the Bank for International Settlements, European Central Bank and International Monetary Fund's *Handbook on Securities Statistics*, available at <https://www.imf.org/external/np/sta/wgscd/pdf/hss.pdf>
 - 4 See the IMF for the reporting templates, available at <https://www.imf.org/en/News/Seminars/Conferences/DGI/g20-dgi-recommendations-and-data#rec7>
 - 5 See the BIS for debt securities statistics of South Africa and other countries, available at <https://www.bis.org/statistics/secstats.htm>.
 - 6 These are debt securities listed and issued on the JSE and CTSE.
 - 7 These are debt securities not listed on a stock exchange and traded in the over-the-counter (OTC) market. The data for unlisted securities are only those of the entities indicated and are therefore incomplete.
 - 8 These are long-term marketable interest-bearing securities with an original maturity of more than one year, issued by general government institutions.
 - 9 This is short-term marketable debt issued by national government with maturities of up to one year.
 - 10 These are bonds issued by commercial banks, public companies (state-owned companies) and other private companies.
 - 11 These are short-term discount interest-bearing securities (usually quoted on a yield basis) issued by the Land Bank.
 - 12 A promissory note is an unconditional promise by a commercial bank or the Land Bank to pay a payee on demand or at a specified future date, quoted on a yield basis and traded on a discount basis.



floating rate notes,¹³ callable bonds,¹⁴ negotiable certificates of deposit¹⁵ (NCDs), commercial paper¹⁶ and debentures.¹⁷

The underlying data of listed debt securities from the JSE and CTSE are indicated at both nominal and market value. Unlisted debt securities data reflect different valuations. Banks' held-for-trading debt securities are at nominal and market value and their held-to-maturity securities are at nominal value and amortised cost. The Land Bank statistics reflect all funding liabilities¹⁸ (held-to-maturity) at nominal value and amortised cost as from 1 April 2015 in adherence to International Financial Reporting Standard (IFRS) 9. SARB debentures are issued on an interest add-on basis, with the securities issued at par and redeemed at par plus interest at maturity.

Data dimensions

The data dimensions of the rand-denominated debt securities issued in the South African bond market are shown in the accompanying tables. The rand-denominated domestic bond market is dominated by fixed-rate securities with a long-term original maturity. The exception is financial corporations' preference for variable rate debt.

Nominal value of outstanding rand-denominated debt securities issued in the South African market

By original maturity

R billions

| | Short term* | | Long term** | | Total | |
|---------------------------------|-------------|------------|--------------|--------------|--------------|--------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| As at 31 December | | | | | | |
| Residents | 681 | 673 | 4 189 | 4 610 | 4 870 | 5 283 |
| General government..... | 430 | 448 | 2 998 | 3 422 | 3 428 | 3 870 |
| Financial corporations | 245 | 222 | 869 | 916 | 1 114 | 1 138 |
| Non-financial corporations..... | 6 | 3 | 322 | 272 | 328 | 275 |
| Non-residents..... | 0 | 2 | 6 | 6 | 6 | 7 |
| Total..... | 681 | 674 | 4 195 | 4 616 | 4 876 | 5 290 |

* Short term is one year and less

** Long term is more than one year

Components may not add up to totals due to rounding off.

Sources: CTSE, JSE, National Treasury, banks and SARB

13 These are listed and unlisted (Land Bank and commercial banks) debt obligations with a variable coupon rate linked to a money market reference rate, such as the Johannesburg Interbank Average Rate (Jibar), plus a constant spread (or margin).

14 These bonds represent short-term funding by the Land Bank for an indeterminate period but not less than one day. The rate is agreed on daily, at a margin to the rand overnight deposit rate.

15 These are issued by commercial banks at face value and traded in the secondary market on an interest add-on basis.

16 These are listed and unlisted (commercial banks) unsecured interest-bearing securities issued to finance accounts receivable, inventories or short-term liabilities and are traded on a discount basis.

17 These include debentures issued by commercial banks and fixed-rate SARB debentures used to drain excess money market liquidity. Following the transition to the new monetary policy implementation framework, SARB debentures will only be used if a need arises again. See <https://www.resbank.co.za/content/dam/sarb/publications/media-releases/2022/mpif-may-2022/A%20new%20framework%20for%20implementing%20Monetary%20Policy%20in%20South%20Africa.pdf>

18 Land Bank, Annual Financial Statements, 2019. <https://landbank.co.za/Shared%20Documents/Annual-Financial-Statements-2019.pdf>



By interest rate type

R billions

| | Fixed | | Variable | | Inflation-linked | |
|---------------------------------|--------------|--------------|------------|------------|------------------|------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| As at 31 December | | | | | | |
| Residents | 3 339 | 3 606 | 700 | 726 | 831 | 951 |
| General government..... | 2 668 | 2 977 | 1 | 5 | 760 | 888 |
| Financial corporations | 468 | 461 | 616 | 649 | 30 | 28 |
| Non-financial corporations..... | 203 | 168 | 83 | 72 | 42 | 35 |
| Non-residents..... | 4 | 3 | 3 | 4 | 0 | 0 |
| Total..... | 3 343 | 3 609 | 702 | 730 | 831 | 951 |

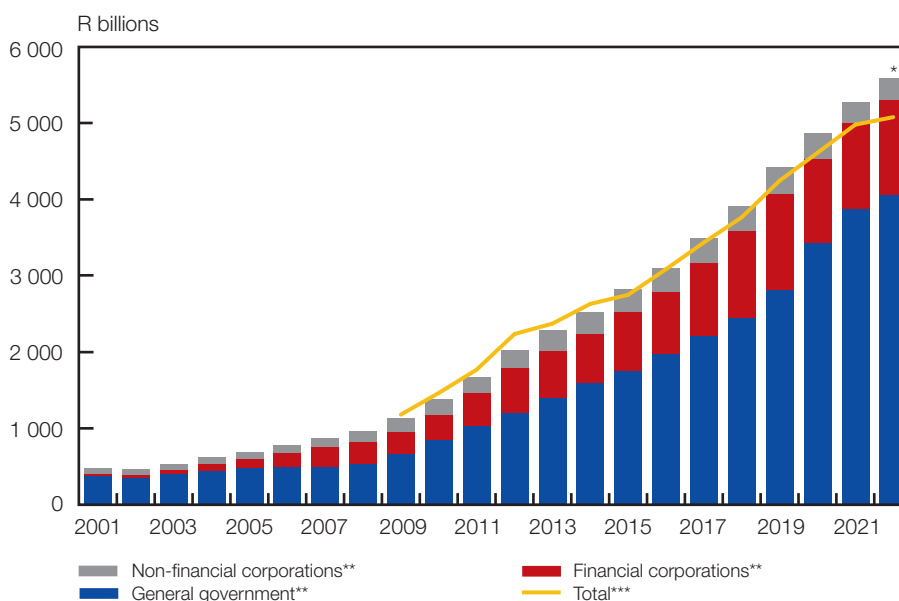
Components may not add up to totals due to rounding off.

Sources: CTSE, JSE, National Treasury, banks and SARB

Observations from resident-issued domestic debt securities

The nominal value of outstanding rand-denominated debt securities issued by residents in the domestic South African financial markets almost tripled from 2001 to 2010. Thereafter, it increased almost fourfold to R5.6 trillion in July 2022. General government's¹⁹ dominance of debt securities issued increased from 61.4% of the total in 2010 to 72.6% in July 2022, while that of non-financial corporations²⁰ declined from 14.7% to 4.9% over the same period. Debt securities issued by financial corporations²¹ averaged 23.2% over the whole period. The changes over time in the difference between the total nominal and market value of debt securities also clearly reflect the impact of global and domestic economic developments on bond yields.

Value of outstanding rand-denominated debt securities issued by residents in South Africa



Sources: CTSE, JSE, National Treasury, banks and SARB

19 This includes national government, extra-budgetary institutions and local governments.

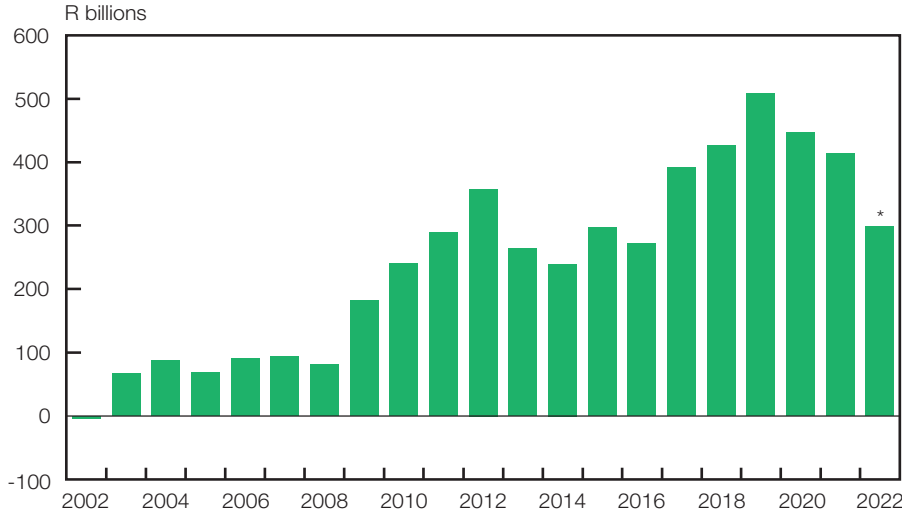
20 These include both public and private corporations.

21 These include the SARB, commercial banks, insurance corporations and other financial corporations.



The nominal value of the net issuance of rand-denominated debt securities by residents in the domestic financial markets increased after the 2008–09 global financial crisis and again from 2017, to a record amount of R508 billion in 2019. Thereafter, it remained relatively elevated with the onset of the coronavirus disease 2019 (COVID-19) pandemic in 2020 and into 2021, before receding to R299 billion in the first seven months of 2022 in the wake of the international commodity price boom, which supported revenue collection and fiscal consolidation.

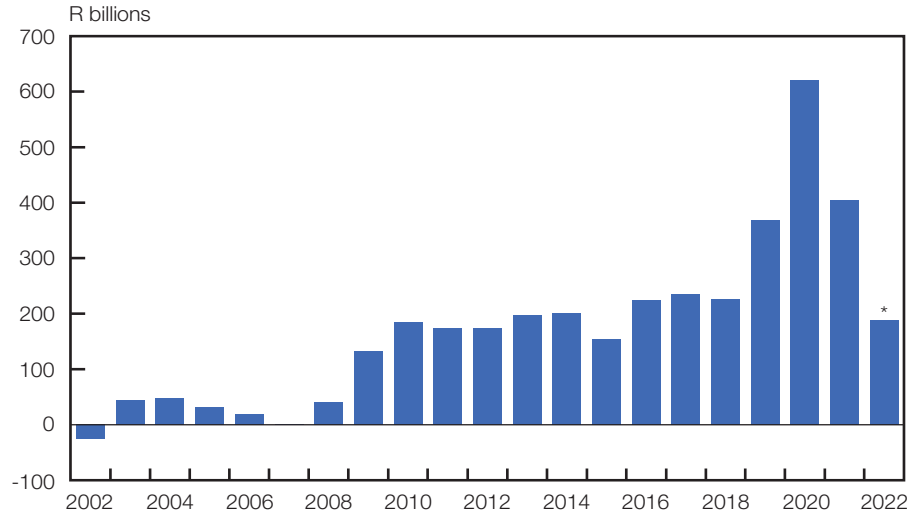
Nominal value of net issuance of rand-denominated debt securities by residents in South Africa



* First seven months
Sources: CTSE, JSE, National Treasury, banks and SARB

The nominal value of general government’s net issuance of rand-denominated debt securities in the domestic market stayed in a narrow range from 2010 to 2018 and was dominated by national government. Subsequently, national government’s net issuance of bonds and TBs increased significantly to an all-time high of R620 billion in 2020. This reflected revenue shortfalls along with weak economic growth, COVID-19-related spending, and the financing of distressed state-owned companies (SOCs). The net issuance by national government then declined to R406 billion in 2021 and R191 billion in the first seven months of 2022, as the improved fiscal position significantly reduced the borrowing requirement.

Nominal value of net issuance of rand-denominated debt securities by general government in South Africa

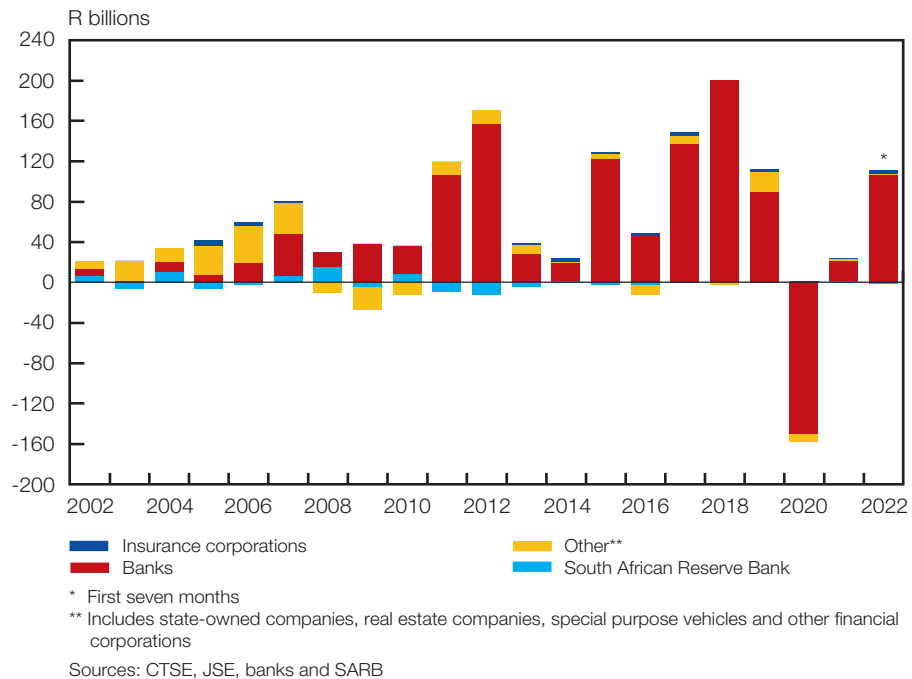


* First seven months
Sources: JSE and National Treasury



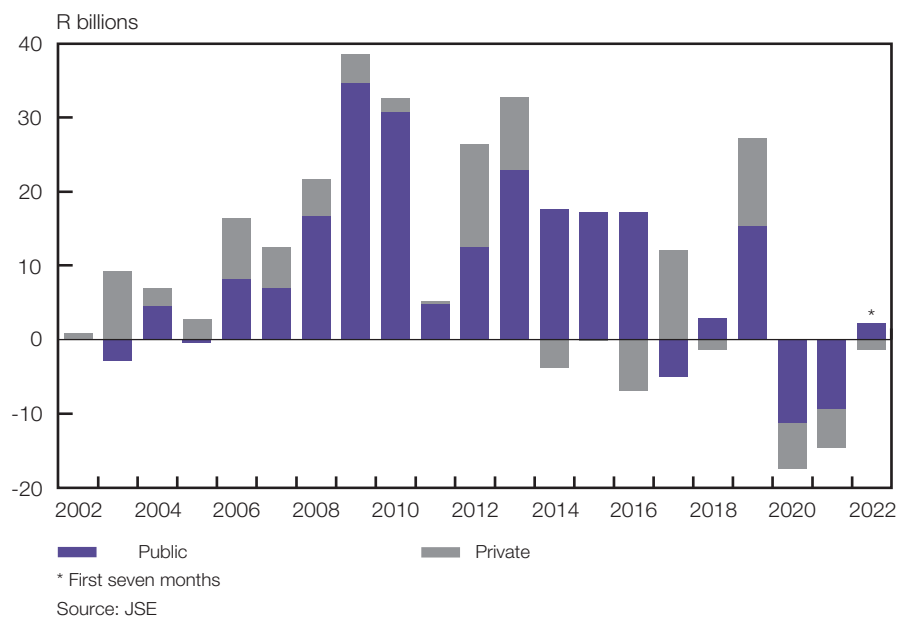
The net issuance of rand-denominated debt securities in the domestic market by financial corporations switched from a high of R198 billion in 2018 to net redemptions of R157 billion in 2020, as banks in particular deleveraged during the COVID-19 pandemic. Since then, financial corporations, in particular banks, have again accessed funding. The banking sector accounted for 85.6% of the outstanding amount in issue of financial corporations at the end of July 2022.

Nominal value of net issuance of rand-denominated debt securities by financial corporations in South Africa



The net issuance of rand-denominated debt securities in the domestic market by non-financial corporations trended lower after reaching a high of R38.6 billion in 2009, before briefly increasing strongly to R27.2 billion in 2019 prior to the COVID-19 pandemic.

Nominal value of net issuance of rand-denominated debt securities by non-financial corporations in South Africa



Non-financial companies include both private and public corporations (SOCs), with the latter dominating issuance and redemptions. Since the onset of the COVID-19 pandemic in 2020, non-financial companies have recorded net redemptions of R31.1 billion.

Conclusion

Both the nominal and market values of rand-denominated debt securities in issue in South Africa have increased markedly over the past two decades, and the timely availability of granular statistics should assist policymakers and other users of such statistics.

References

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Van Wyk, K, Ziets, B and Goodspeed, I. 2012. *Understanding South African Financial Markets*. 4th ed. Pretoria: Van Schaik Publishers.