

Note on national government's foreign debt statistics

by V Ramphele, V Nkuna and M Maboea¹

Introduction

This note provides guidance on national government's foreign debt² statistics by way of the various public finance statistical tables³ published in the South African Reserve Bank's (SARB) *Quarterly Bulletin (QB)* that are related to this topic.⁴ The data used for the compilation of South Africa's national government foreign debt⁵ statistics are sourced from National Treasury, and the statistics are compiled in accordance with international guidelines,⁶ subject to country-specific data constraints. National government marketable⁷ foreign debt statistics are published at both market⁸ value and face⁹ value. National government's total foreign debt at face value is disaggregated into the following categories: marketable and non-marketable;¹⁰ marketable unexpired or remaining maturity;¹¹ and marketable and non-marketable currency of denomination,¹² redemption and interest payment statistics.

National government's total foreign debt

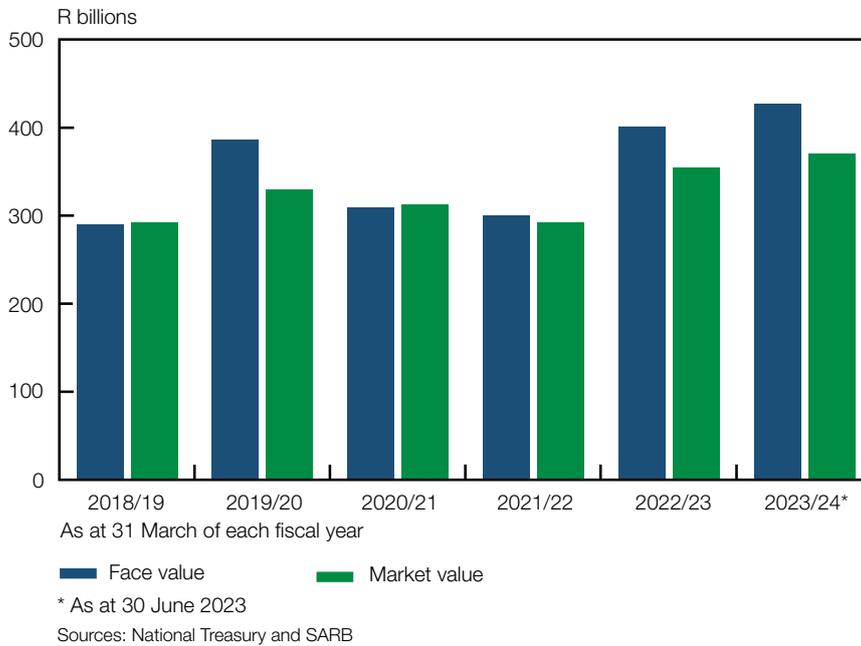
National government's total foreign debt (marketable and non-marketable) at a face value of R601 billion as at 30 June 2023 – after accounting for new issuances, redemptions and exchange rate revaluations¹³ – accounted for 12.1% of national government's total gross loan debt¹⁴ of R4 948 billion at face value. The remainder of national government's debt comprised domestic marketable and non-marketable debt.¹⁵

- 1 The views expressed are those of the authors and do not necessarily reflect the views of the South African Reserve Bank (SARB).
- 2 This is foreign debt issued by National Treasury outside of South Africa and owed to non-residents.
- 3 For national government foreign debt statistics, see table KB455 on page S–56 for market value; tables KB406 and KB456 on page S–57 for face value, breakdown by marketability and ratios; table KB408 on page S–62 for maturity intervals; table KB424 on page S–63 for currency of denomination; table KB429 on page S–64 for the redemption schedule, and table KB428 on pages S–65 and S–66 for the interest payment schedule in this edition of the *Quarterly Bulletin (QB)*.
- 4 For related *QB* publications, see 'Box 4: The compilation of public sector debt statistics', published on page 77 in the September 2017 edition of the *QB*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2017/7981/01Full-Quarterly-Bulletin---September-2017.pdf> and the 'Note on South Africa's public sector debt statistics' published on page 96 in the June 2022 edition of the *QB*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2022/june/01Full%20Quarterly%20Bulletin.pdf>
- 5 In this context, debt comprises debt securities (such as bonds and notes) as well as loans. However, a broader definition would include special drawing rights (SDRs); currency and deposits; accounts payable; and insurance, pension and standardised guarantee schemes, of which only SDRs and accounts payable are relevant in the case of national government.
- 6 For the international methodological guidelines, see the International Monetary Fund's (IMF) *Public Sector Debt Statistics: Guide for Compilers and Users*, available at <http://tffs.org/pdf/method/2013/psds2013.pdf> and the IMF's *Government Finance Statistics Manual 2014*, available at <https://www.imf.org/external/pubs/ft/gfs/manual/2014/gfsfinal.pdf>
- 7 Marketable debt securities are traded in the secondary market.
- 8 The market value of bonds is the dirty price (all-in price), excluding accrued interest, with debt denominated in foreign currencies converted to rand at the period end's 14:30 foreign exchange rate.
- 9 The face value of bonds is the undiscounted principal amount to be paid at maturity, while loans are valued at nominal value (i.e. the amount advanced *plus* accrued interest *minus* repayments).
- 10 Non-marketable debt is not tradable in the secondary market.
- 11 The unexpired or remaining maturity of debt is the residual maturity from a specific reference period to the final contractual repayment date.
- 12 The currency of denomination is the currency in which the value of cash (principal and interest) related to the debt flows, and it is contractually determined.
- 13 Exchange rate revaluations reflect the change in the value of foreign debt in rand terms due to changes in the exchange value of the rand (a depreciation increases and an appreciation decreases the outstanding rand value of foreign debt) against the currency of denomination.
- 14 This is government's total domestic and foreign debt by unexpired outstanding maturity before the netting of government's cash balances.
- 15 This is debt issued inside South Africa by National Treasury and owed by either residents or non-residents.



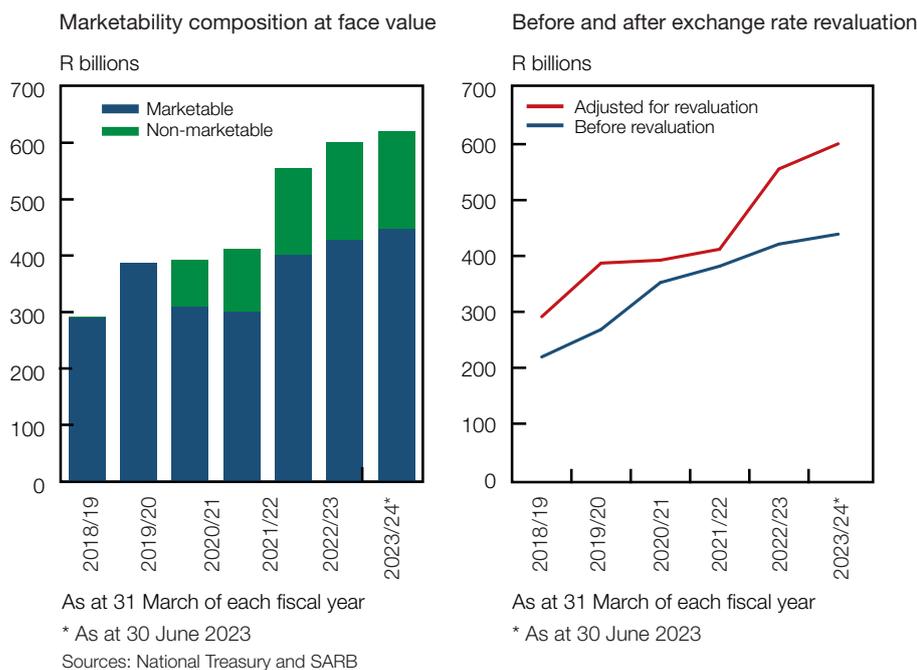
National government's total foreign debt at a face value of R601 billion comprised R173 billion non-marketable debt and R427 billion marketable debt as at 30 June 2023. Although the level of marketable debt at face value and at market value was similar in the 2020/21 and 2021/22 fiscal years, the difference between the face value of R427 billion and market value of R370 billion as at 30 June 2023 reflected the inverse relationship between bond prices and yields. As of late, the effect of higher bond yields has led to lower market values compared to their face value.

Figure 1 Valuations of national government's marketable foreign debt



The recent increases in national government's total foreign debt mostly reflected an increase in non-marketable debt in response to the coronavirus disease 2019 (COVID-19) pandemic, which necessitated loans from multilateral institutions such as the International Monetary Fund (IMF), the World Bank, the New Development Bank and the African Development Bank (AfDB), some of which were concessional loans.¹⁶

Figure 2 National government's total gross foreign debt



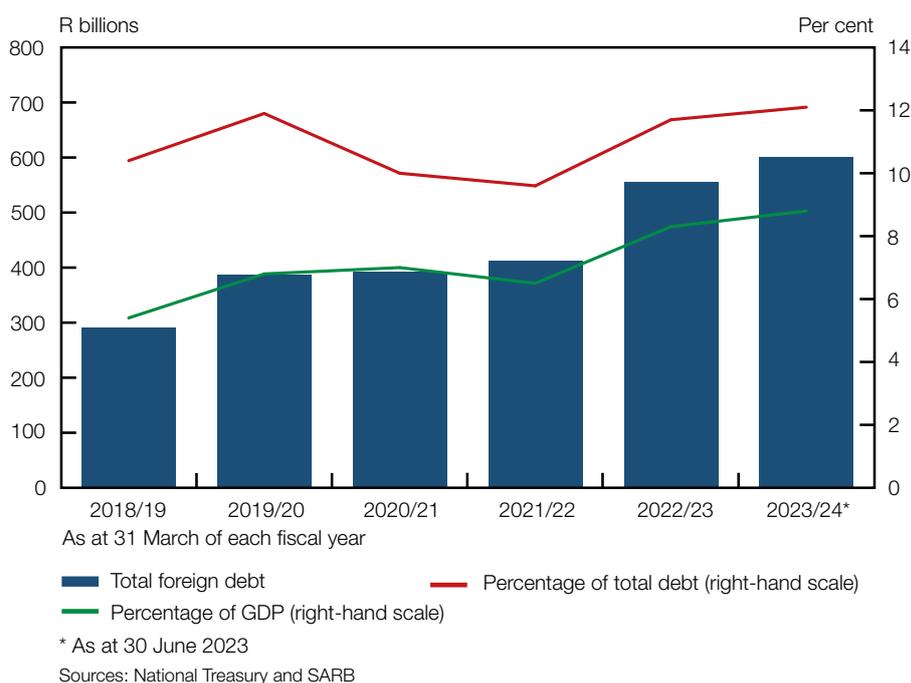
16 Concessional loans have a contractual interest rate below the market interest rate.



The increase in national government's total foreign debt also reflects exchange rate revaluation effects from the general depreciation in the exchange value of the rand against the currencies of denomination. The total valuation adjustment as at 30 June 2023 of R162 billion reflected the difference between total foreign debt of R439 billion before revaluation and R601 billion after revaluation.

National government's foreign debt at face value as a ratio of national government's total debt of 12.1% as at 30 June 2023 is expected to remain well below the National Treasury benchmark of 20%, and compares favourably with emerging market peers and some Organisation for Economic Co-operation and Development (OECD) member countries. The ratio of national government's foreign debt at face value to gross domestic product (GDP) was 8.8% as at 30 June 2023.

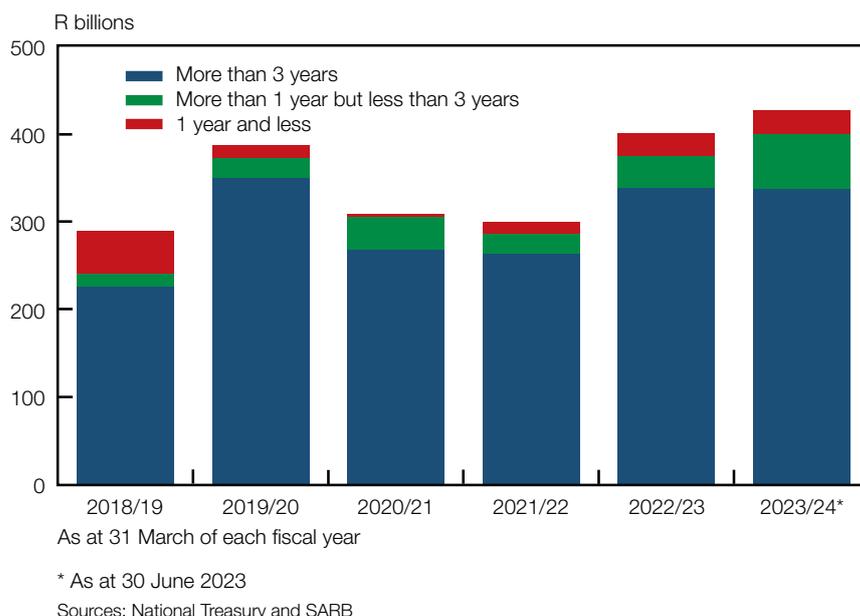
Figure 3 Total foreign debt of national government at face value and selected ratios



Unexpired maturity of national government's marketable foreign debt

National government's marketable foreign debt at a face value of R427 billion as at 30 June 2023 on an unexpired maturity basis comprised R28.4 billion in the one-year-and-less interval, R61.6 billion in the more than one-year-but-less-than-three-years range, and R337 billion for more than three years to maturity. The average unexpired maturity of this debt was 156 months as at 30 June 2023.

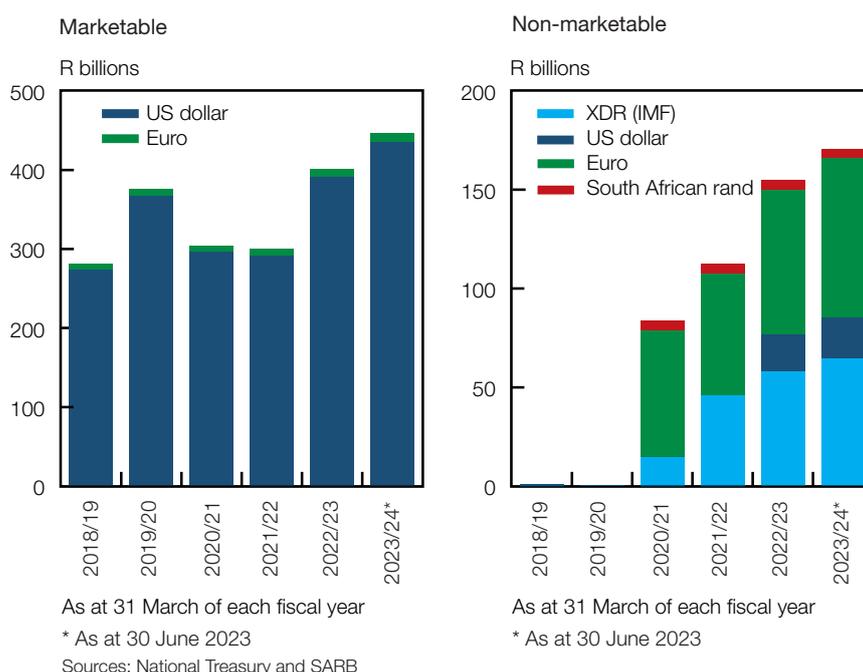
Figure 4 Unexpired maturity composition of national government's marketable foreign debt at face value



Currency of denomination of national government's foreign debt

National government's marketable foreign debt at a face value of R427 billion as at 30 June 2023 was mostly denominated in the US dollar at R417 billion, and less so in the euro at R10.3 billion. By contrast, national government's non-marketable foreign debt at a face value of R173 billion as at 30 June 2023 was mostly denominated in the IMF's special drawing rights (SDRs) at R76.9 billion, the US dollar at R71.1 billion and the euro at R20.4 billion, with R5.0 billion denominated in rand. The latter reflect a rand-denominated foreign loan from the AfDB received in October 2020, related to the COVID-19 pandemic. Prior to April 2021, national government's foreign debt also included other currencies such as the Swedish krona, the British pound and the Japanese yen, all of which have been fully repaid.

Figure 5 Currency denomination of national government's foreign debt at face value



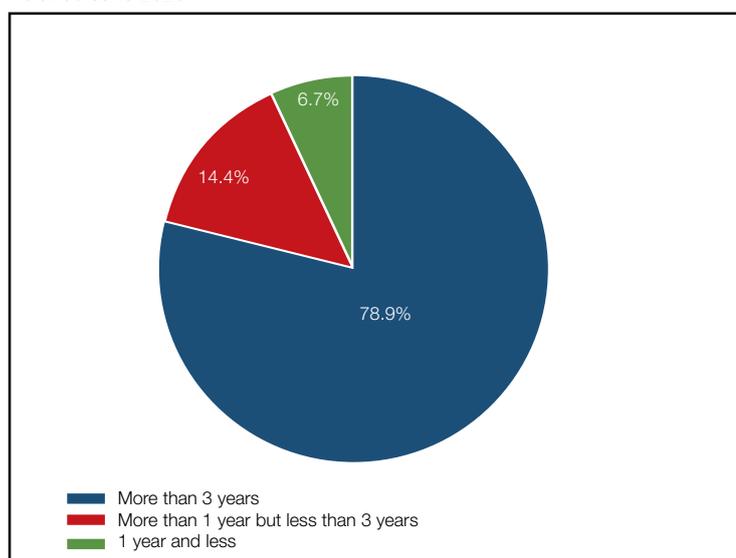


Redemption schedule of national government's foreign debt

National government's foreign debt has specific redemption dates at which the principal amount borrowed should be repaid. Most of the repayment obligations on the marketable foreign debt are in the more-than-one-year maturity interval and, in particular, in the more-than-three-years interval.

Figure 6 Unexpired maturity composition of national government's marketable foreign debt at face value

As at 30 June 2023

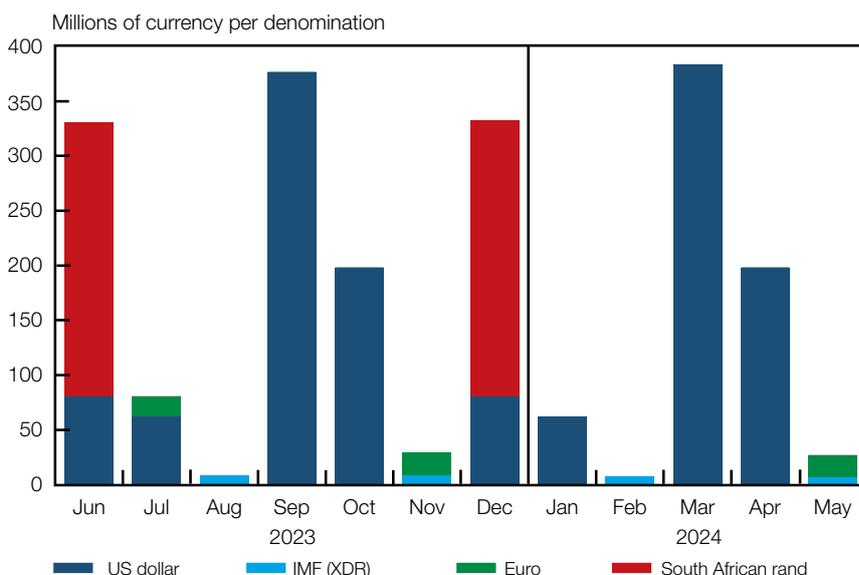


Sources: National Treasury and SARB

Interest payment schedule of national government's foreign debt

The interest payment (debt-service cost) schedule of national government's foreign debt reflects the interest payments by currency of debt denomination due in the next 12 months, as from 30 June 2023. Interest payments in US dollar dominate the schedule, as expected from the currency of denomination analysis, followed by interest payments in rand on the COVID-19-related debt denominated in rand.

Figure 7 Interest payment schedule of national government's total foreign debt



Linkages of national government's total foreign debt statistics with other statistics

National government's total foreign debt, comprising debt securities and loans, serves as input data in the compilation of consolidated public sector¹⁷ debt statistics¹⁸ as published in the experimental tables section of the *QB* on pages E-13 and E-14.¹⁹

National government's total foreign debt also serves as input data in the compilation of the integrated economic accounts as published in the experimental tables section of the *QB* on pages E-7 to E-11 and, where applicable, in the external economic accounts.

Conclusion

National government's foreign debt is an important macroeconomic aggregate with various data dimensions that form part of different statistical presentations such as public finance, external economic accounts and the integrated economic accounts.

The intent of this note is to guide users of national government's foreign debt statistics by way of the public finance statistical tables published in the *QB*. The main takeaways are the difference between market and face value, the disaggregation into marketable and non-marketable debt, and breakdowns by both unexpired maturity and currency of denomination as well as the redemption and interest payment profiles.

17 The public sector in South Africa comprises central government (national government, extra-budgetary institutions and social security funds), provincial government and local government, which together render the general government. The latter, together with both non-financial and financial public corporations, renders the public sector.

18 Marketable financial debt instruments are valued at market value. All currency revaluations are based on 11:30 exchange rates on the last day of the period.

19 For a methodological discussion, see 'Note on South Africa's public sector statistics' on page 96 in the June 2022 edition of the *QB*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/quarterly-bulletin-publications/2022/june/01Full%20Quarterly%20Bulletin.pdf>