



Note on South Africa's public sector debt statistics^{1, 2}

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Introduction

The compilation of debt statistics for South Africa's public sector⁴ as a whole commenced as part of the Group of Twenty's (G20)⁵ Data Gaps Initiative (DGI-II) in response to the global financial crisis, which prompted the need for transparency beyond national government debt securities and loans, as reflected in Recommendation II:16 of DGI-II.

This note presents both aggregated and consolidated public sector debt statistics with full institutional and financial instrument coverage,⁶ subject to country-specific constraints, while adhering to international statistical standards, as the debt statistics extend beyond the current publicly available national government debt securities and loan statistics published by the South African Reserve Bank (SARB) in the *Quarterly Bulletin* and by National Treasury (NT) in the *Budget Review*.

Compiling public sector debt statistics in South Africa

The methodology underlying the compilation of the public sector debt statistics is complex and requires annual and quarterly data from a variety of sources which vary in availability and quality across the institutional sectors. Official data are sourced from NT to compile national government debt statistics, whereas data for the other spheres of the public sector are derived from audited annual financial statements, statistical surveys, and counterparty data from the integrated economic accounts (IEA).⁷

Table 1 Financial instruments included in public sector debt

Financial instrument	Definition
Debt securities	Debt securities are negotiable financial instruments serving evidence of debt, such as Treasury bills and bonds.
Loans*	Loans are created when creditors lend funds to debtors.
Special drawing rights	Special drawing rights (SDRs) are international reserve assets created by the International Monetary Fund that are allocated to member countries to supplement existing reserve assets. The SDR allocation is part of the debt of the recipient (national government), while SDR holdings form part of national government's assets.
Currency and deposits	Currency and deposits include currency in circulation and bank deposits.
Other accounts payable	Other accounts payable are financial liabilities created as a counterpart to transactions where there is a timing difference between the transactions and the corresponding payments.
Insurance, pension and standardised guarantee schemes	Insurance, pension and standardised guarantee schemes constitute the insurance technical reserves of insurers, pension funds and issuers of standardised guarantees.

* Loans include both short- and long-term loans

1 The public sector debt statistics published and discussed in this note, other than national government debt securities and loans, should be treated as experimental and are subject to revisions. The statistics are published as from this edition of the *Quarterly Bulletin* as part of the experimental statistical tables section to allow users to engage with the statistics and to provide valuable inputs for further improvements.

2 The methodology used to compile South Africa's public sector debt statistics adheres to the guidelines published in the International Monetary Fund's (IMF) *Public Sector Debt Statistics: Guide for Compilers and Users*, available at <https://www.elibrary.imf.org/view/books/069/11874-9781616351564-en/11874-9781616351564-en-book.xml> and the IMF's *Government Finance Statistics Manual 2014*, available at <https://www.imf.org/external/pubs/ft/gfs/manual/gfs.htm>.

3 The views expressed in this note are those of the author and do not necessarily reflect those of the South African Reserve Bank.

4 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 total public sector.

5 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.

6 See tables KB907 and KB908 in the experimental statistical tables section on pages E-8 and E-9 in this edition of the *Quarterly Bulletin*.

7 The IEA is a macroeconomic statistical framework that consists of the current and capital account as well as the non-financial and financial balance sheet and accumulation accounts, which identifies interconnectedness among institutional sectors.



All traded securities are converted to market value⁸ using price information from the relevant bourses where these instruments are listed and traded as well as from private financial market information providers,⁹ while all loans are reported at original maturity.¹⁰ The experimental¹¹ public sector debt statistics are published with a two-quarter lag. The last two years are preliminary and subject to revision based on the latest available audited annual financial statements. The full financial instrument coverage and its accompanying definitions in Table 1 relate to the public sector debt matrix in Figure 1, which also includes a breakdown of the public sector by institutional sector.

8 Market value reflects the market prices of actively traded financial instruments.

9 In this instance, data and information from the JSE Limited and Bloomberg are used.

10 Original maturity is the period from issue date to final payment date.

11 The availability of direct quarterly data is limited, resulting in indirect indicators used in selected cases.

Figure 1 Public sector debt matrix

		Financial instrument coverage					
		Debt securities	Loans	Special drawing rights	Currency and deposits	Other accounts payable	Insurance, pension and standardised guarantee schemes
Public sector institutional coverage	Public financial corporations*						
	Public non-financial corporations						
	Local government						
	Provincial government						
	Social security funds						
	Extra-budgetary institutions						
	National government						

■ Currently published statistics with official source data
 ■ Expanded experimental statistics

* Public financial corporations include the SARB and Corporation for Public Deposits as well as public sector pension funds, such as the Government Employees Pension Fund.

Currently, only national government debt, comprising debt securities and loans, is published as official statistics. The complete set of public sector debt statistics now includes experimental statistics for the rest of the public sector, covering the full range of financial instruments.

Public sector debt statistics are published on both an aggregated¹² and consolidated basis, with the latter eliminating all transactions of a debtor–creditor relationship that occur among the entities being consolidated, thereby avoiding the double counting of stock positions among a group of entities.

12 The IEA reflect counterparty data on an unbalanced and balanced basis, with balancing based on a hierarchy-of-sources matrix according to the quality of input data, which then equate all financial assets with liabilities.

Public sector debt statistics for South Africa are consolidated on a best-effort basis by using counterparty data from the IEA in the context of a subsector, such as central government, through consolidating national government, extra-budgetary institutions and social security funds. This is followed by consolidation between subsectors, such as general government and public financial and non-financial corporations, to produce consolidated statistics for the public sector as a whole.



Outcome

The aggregated and consolidated public sector debt statistics of South Africa as at 31 March 2021 are shown in Tables 2 and 3 respectively.

Table 2 Aggregated public sector debt statistics as at 31 March 2021

R billions

		Financial instrument coverage						Total public sector per institutional sector
		Debt securities	Loans	Special drawing rights	Currency and deposits	Other accounts payable	Insurance, pension and standardised guarantee schemes	
Public sector institutional coverage	Total public sector per financial instrument	3 957	850	31	575	677	2 453	8 543
	Public financial corporations*	107	400	-	575	23	2 279	3 384
	<i>Of which:</i>							
	SARB	15	326	-	484	11	-	836
	CPD*	-	-	-	82	-	-	82
	GEPF**	-	-	-	-	-	2 123	2 123
	Other	92	74	-	8	12	155	341
	Public non-financial corporations	287	265	-	-	280	-	832
	General government	3 563	185	31	-	375	174	4 326
	Local government	18	67	-	-	206	-	291
	Provincial government	-	7	-	-	27	-	34
	Central government	3 545	110	31	-	142	174	4 001
	Social security funds	-	-	-	-	24	174	198
	Extra-budgetary institutions	44	26	-	-	9	-	79
National government	3 501	84	31	-	108	-	3 724	

* Public financial corporations include the SARB and Corporation for Public Deposits as well as public sector pension funds, such as the Government Employees Pension Fund.

** CPD: Corporation for Public Deposits

*** GEPF: Government Employees Pension Fund

Components may not add up due to rounding off.



Table 3 Consolidated public sector debt statistics as at 31 March 2021

R billions

		Financial instrument coverage						Total public sector per institutional sector
		Debt securities	Loans	Special drawing rights	Currency and deposits	Other accounts payable	Insurance, pension and standardised guarantee schemes	
Public sector institutional coverage	Total public sector per financial instrument	3 824	446	31	279	389	2 239	7 208
	Public financial corporations*	106	76	-	279	7	2 065	2 533
	<i>Of which:</i>							
	SARB	15	3	-	259	4	-	281
	CPD*	-	-	-	12	-	-	12
	GEPF**	-	-	-	-	-	1 909	1 909
	Other	90	73	-	8	3	155	330
	Public non-financial corporations	275	255	-	-	156	0	686
	General government	3 442	116	31	-	225	174	3 988
	Local government	14	17	-	-	173	-	204
	Provincial government	-	1	-	-	5	-	6
	Central government	3 428	98	31	-	47	174	3 778
	Social security funds	-	-	-	-	24	174	198
Extra-budgetary institutions	44	14	-	-	-	-	58	
National government	3 384	84	31	-	23	-	3 522	

* Public financial corporations include the SARB and Corporation for Public Deposits as well as public sector pension funds, such as the Government Employees Pension Fund.

** CPD: Corporation for Public Deposits

*** GEPF: Government Employees Pension Fund

Components may not add up due to rounding off.

The impact of the consolidation between tables 2 and 3 for *currency and deposits* is evident in the change from R575 billion on an aggregated basis to R279 billion on a consolidated basis after the elimination of the deposits of national government and other levels of government at the SARB and CPD.



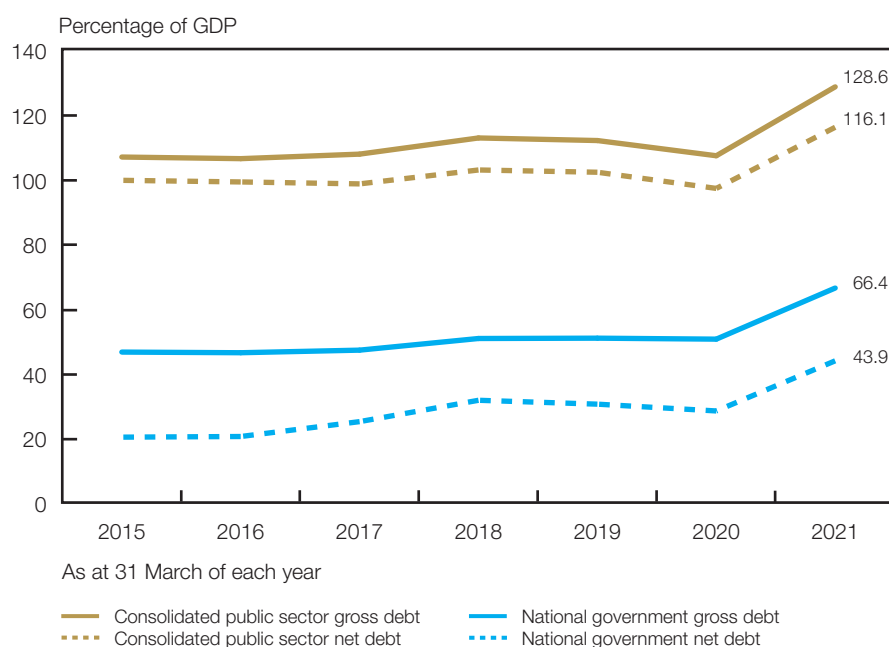
Similarly, the Gold and Foreign Exchange Contingency Reserve Account loan liability of R326 billion on the balance sheet of the SARB, which is payable to NT, is consolidated with only R3 billion remaining on the SARB's balance sheet.

By contrast, the International Monetary Fund's (IMF) *special drawing rights (SDRs)* allocation of R31 billion is reflected as a debt liability on the balance sheet of national government against the IMF and cannot be consolidated within the public sector.

A large portion of public sector debt (R1 909 billion) reflects the liabilities of the Government Employees Pension Fund (GEPF) – a public financial corporation – to its members. The GEPF pensions are fully funded, and although assets equal liabilities, the liabilities are shown as part of public sector debt, as the counterparty is the household sector and cannot be consolidated within the public sector.

Consolidated gross public sector debt of R7 208 billion as at 31 March 2021 amounted to 128.6% of nominal gross domestic product (GDP). This was almost double the official national government gross loan debt of R3 936 billion, or 70.2% of GDP, published in tables KB406 and KB456 on page S-57 in this edition of the *Quarterly Bulletin*, and by NT in the *Budget Review*.

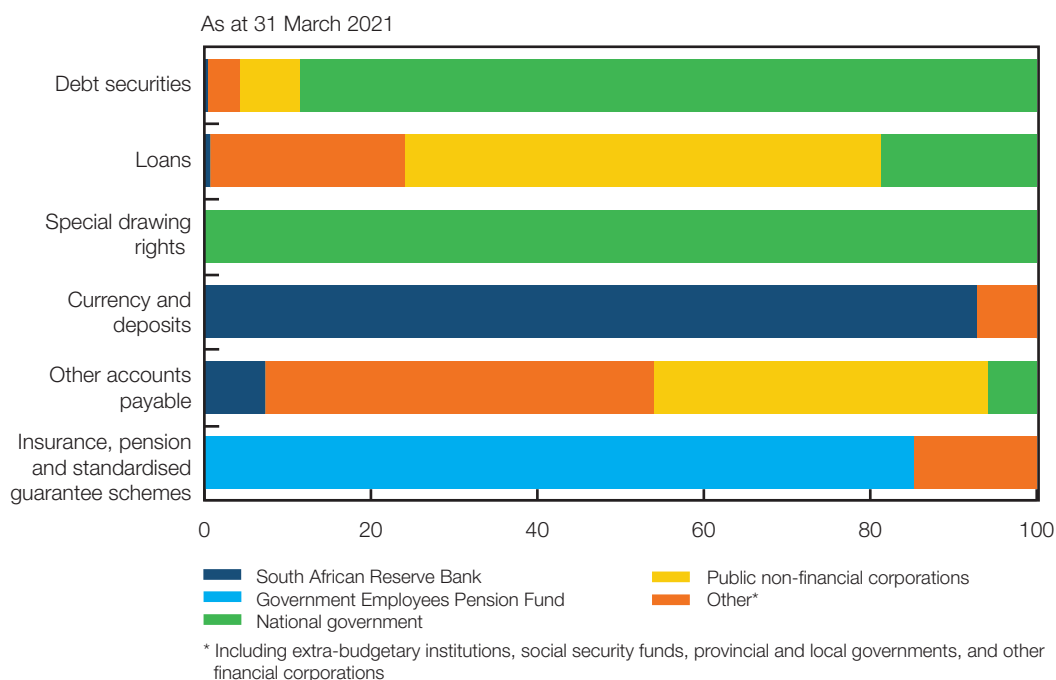
Figure 2 Public sector debt



After netting the individual debt instruments against their corresponding financial assets, consolidated net public sector debt as at 31 March 2021 amounted to 116.1% of GDP, which was more than double the net loan debt of national government of 43.9% of GDP.

National government mostly finances its deficit through the issuance of debt securities (Treasury bills and government bonds) and is therefore the biggest issuer of debt securities in the public sector. As at 31 March 2021, national government's financial liability position had an 88.5% exposure to total debt securities outstanding by the public sector.

Figure 3 Consolidated public sector debt per instrument: contribution by level of government



Public non-financial corporations account for just more than half of the total loan liabilities of the public sector, while SDRs¹³ allocated by the IMF to South Africa form part of national government debt. The SARB is the only institution that issues banknotes and coin in South Africa and also acts as banker to government, and thus contributes about 93% to total *currency and deposit* liabilities in the public sector, with the Corporation for Public Deposits and the Postbank responsible for the remainder. The GEPF's large pension liability to its members accounts for 85.3% of total insurance, pension and standardised schemes liabilities of the public sector.

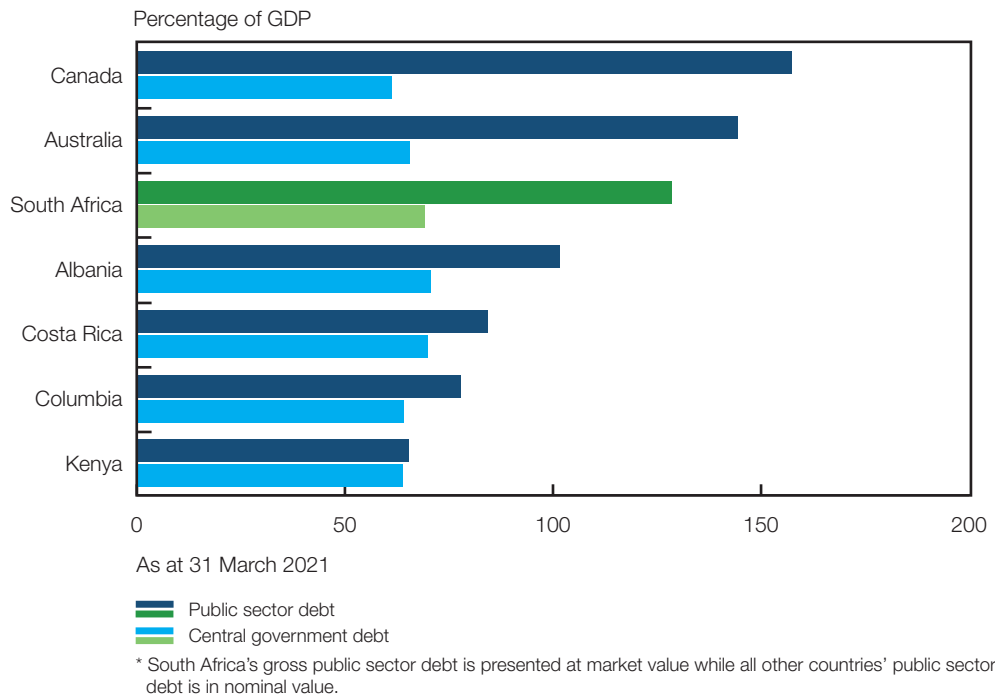
¹³ Foreign debt is converted to domestic currency by using the foreign exchange rates (at 10:30 Central Africa Time) as at the end of each period.

International comparison

Globally, the compilation of public sector debt statistics is usually challenging due to a lack of data. Consequently, most countries' public sector debt statistics are still a work in progress. South Africa's gross public sector debt ratio of 128.6% to GDP is in line with that of other countries that compile public sector debt. Similarly, the higher public sector debt relative to national government debt is not unique to South Africa, but an indication of the significant debt exposure of other public sector institutions.



Figure 4 International comparison of gross debt*



Conclusion

The extension of public sector debt statistics, from initially only covering the official headline national government debt to now covering total public sector debt on an experimental basis, will contribute significantly to enhanced transparency and more detailed cross-country comparisons to evaluate debt and fiscal risks. The public sector debt statistics will be reviewed regularly to improve their quality.